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Accrediting Commission for
Community and Junior Colleges

Follow-Up Report

Victor Valley College
18422 Bear Valley Road
Victorville CA 92395

This report represents the findings of the External Evaluation Team that visited Victor Valley College on March 25, 2015

Submitted to:
Accrediting Commission for Community and Junior Colleges

Team Chair: Dr. Steven Kinsella, CPA, CIA, CGMA,
Superintendent/President, Gavilan Joint Community College District

Team Member: Dr. Steven Reynolds, English Faculty, College of the Siskiyous

FOLLOW-UP VISIT REPORT

DATE: April 7, 2015

TO: Accrediting Commission for Community and Junior Colleges

FROM: Dr. Steven Kinsella, Team Chair

SUBJECT: Report of Follow-Up Visit Team to Victor Valley College, March 25, 2015

Introduction:
The following actions related to the accreditation of Victor Valley College have occurred since its' last comprehensive evaluation visit in March 2011:

1. Commission Action June 2011 – College Placed on Probation- Follow Up Report due March 15, 2012 with a visit of Commission representatives
2. Commission Action June 2012 – College Continued on Probation – Follow Up Report due October 2012
3. Commission Action January 2013 –College Continued on Probation- Follow Up Report due October 2013
4. Commission Action January 2014 – Reaffirmed Accreditation – Follow Up March 2014
5. Commission Action June 2015- College Placed on Probation – Follow Up Report due March 15, 2015

An External Evaluation team visit was conducted to Victor Valley College on March 25, 2015. The visiting team, Dr. Steven Kinsella and Dr. Steven Reynolds, conducted the site visit 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, that the institution has addressed the recommendations made by the External Evaluation Team, resolved the deficiencies noted in those recommendations, and now meets the Eligibility Requirements, Accreditation Standards and Commission policies.

The team found the College was well prepared for the visit, having arranged meetings with the individuals and groups agreed upon earlier with the Team Chair, and assembling appropriate documents for review and use by the team. Over the course of the day, the team met with members of the Board of Trustees, the President of the College, the Accreditation Liaison Officer, the President of the Academic Senate, members of the faculty and staff, and students.

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

Recommendation 3: Student Learning Outcomes
As noted in recommendation 2 of the 2005 Accreditation Evaluation Report, and in order to meet the Standards and the Eligibility Requirements, the College should complete the development of student learning outcomes for all programs and ensure that student learning outcomes found on

course syllabi are the same as the student learning outcomes found on the approved course outlines of record. The institution must accelerate its efforts to assess all student learning outcomes for every course, instructional and student support program, and incorporate analysis of student learning outcomes into course and program improvements.

This effort must be accomplished by fall 2012, as a result of broad-based dialogue with administrative, institutional and research support. Student learning outcomes need to become an integral part of the program review process including incorporating detailed documented analysis from SLO assessments and data based research. Additionally, faculty and others directly responsible for student progress toward achieving stated learning outcomes should have, as a component of their evaluation, effectiveness in producing those learning outcomes. (I.B.1-7, II.A.1.c, II.A.2.a-b, II.A.2.e-f, II.B.4, III.A.1.c, E.R. 10)

With regard to Recommendation 3, the team reported that Victor Valley (College) has addressed the first four sections of this recommendation and meets Standards I.B.1-7, II.A.1.c, II.A.2.a-b, II.A.2.e-f, II.B.4 and Eligibility Requirement 10. However, the College needs to complete the final section of this recommendation and demonstrate that it meets Standard III.A.1.c.

<u>Recommendation 6 Financial Management</u>:
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 and ER 17)

With regard to Recommendation 6, the Commission also reviewed the Special Financial Review Report and determined that this fiscal issue has not been resolved and the associated Eligibility Requirement and Accreditation Standards are not yet met. Victor Valley College will need to demonstrate that the fiscal issues, as noted in Recommendation 6, have been fully resolved at the time of the March 2015 Follow-Up Report.

<u>2011 Team Recommendation 3: Student Learning Outcomes</u>
As noted in recommendation 2 of the 2005 Accreditation Evaluation Report, and in order to meet the Standards and the Eligibility Requirements, the College should complete the development of student learning outcomes for all programs and ensure that student learning outcomes found on course syllabi are the same as the student learning outcomes found on the approved course outlines of record. The institution must accelerate its efforts to assess all student learning outcomes for every course, instructional and student support program, and incorporate analysis of student learning outcomes into course and program improvements.

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With regard to Recommendation 3, the team reported that Victor Valley (College) has addressed the first four sections of this recommendation and meets Standards I.B.1-7, II.A.1.c, II.A.2.a-b, II.A.2.e-f, II.B.4 and Eligibility Requirement 10. However, the College needs to complete the final section of this recommendation and demonstrate that it meets Standard III.A.1.c.

<u>Findings and Evidence:</u>
The College has continued identifying and assessing student learning outcomes in all courses and programs and using assessment results to inform course and program improvements, planning, and resource allocation/budgeting. Since the last follow-up visit in 2014, the College has continued to fine tune its assessment and program evaluation processes. In separate interviews with the follow-up visiting team, leaders from the Curriculum Committee, the Student Learning Outcomes and Assessment Committee (SLOAC), the Instructional Program Review Committee, the Non-Instructional Program Review Committee, and the Office of Institutional Effectiveness explained the three-year cycle of program review. Faculty assess the SLOs in courses and programs. They record these results in TracDat. Departments discuss these results and record their analysis and the implications for improvement in TracDat. The data and analysis in TracDat form the backbone of the Program Review process and are extracted into Program Review, Allocation, and Institutional Strategies for Excellence (PRAISE) reports or into Annual Updates. The instructional programs are divided into three groupings. Each year one-third of the institution's programs create a PRAISE report; the other two-thirds generate Annual Updates. The PRAISE reports are comprehensive program reviews that analyze multiple measures of a program's effectiveness. The Annual Updates from the off-cycle programs (the other two-thirds) focus on assessment and student achievement and analyze fewer metrics.

The PRAISE reports and Annual Updates are then reviewed through decision-making channels for resource allocation planning and institutional improvement. Sections of the PRAISE reports and Annual Updates are also chopped and re-ordered into Parcel Reports for review by different audiences. For example, all the assessment results and analysis and other metrics of student achievement may be extracted and compiled into one Parcel Report to be distributed to deans and other instructional leaders for the purposes of curriculum development and improvement. The resource allocation requests may be extracted and compiled into a separate Parcel Report to be distributed to the senior administrators for budget planning. The SLO and assessment Parcel Report is also distributed to the SLOAC to evaluate the effectiveness of the reporting tools and other aspects of assessment data gathering. Parallel PRAISE reports, Annual Updates, and Parcel Reports are generated by departments and units in non-instructional areas. All reports are available to the campus community and thus broadly communicated through the institution's intranet—Sharepoint.

In summary, since the last visit the College has created, utilized, evaluated, and improved its processes for assessing student learning outcomes, reporting and analyzing assessment results, and using those data to inform planning, budgeting, and institutional improvement. In addition to the interviews, the team reviewed PRAISE reports, Annual Updates, and Parcel Reports, and the Administrative Procedure that outlines the budget development process, which is tied to the program review processes described above. The documentary evidence confirms that the College has followed its processes for three years now, evaluating the effectiveness of the processes and timelines, and making improvements and adjustments each year to increase usefulness and efficiency.

Regarding the final stipulation of Recommendation 3—that "faculty and others directly responsible for student progress toward achieving stated learning outcomes should have, as a component of their evaluation, effectiveness in producing those learning outcomes"—the College requires use of assessment results be a component of evaluations of faculty and other staff who are directly responsible for student learning.

The full-time faculty bargaining unit (California Teachers Association, or CTA) and the District reached agreement February 26, 2015. The follow-up team reviewed the new agreement, which outlines components of the faculty evaluation process. Article 15 describes that assessment of student learning and how an instructor uses assessment results to improve teaching and learning will be a component of both peer evaluation and self-evaluation. According to the vice president of the local chapter of CTA and to the director of Human Resources, interviewed separately, this component of the bargaining agreement is effective immediately. Any member of the faculty who has yet to complete his or her evaluation before May 2015 must include a discussion of how he or she uses assessment of learning outcomes to improve teaching and learning. Although the visiting team reviewed a handful of faculty self-evaluations from 2012 through 2014, all of which contained discussions of assessment results and plans for improving teaching and learning, the authors of these evaluations had voluntarily included such information when it wasn't required. From this point forward, it is expected that all full-time faculty evaluations are to be included this component.

The part-time faculty has a separate bargaining unit—the American Federation of Teachers, or AFT. This bargaining unit also reached an agreement with the District to include assessment of student learning outcomes as a component of the evaluation process. The Memorandum of Understanding (MOU), dated February 17, 2015, states that part-time faculty members are required to "describe how they use assessment of student learning outcomes in their classroom and in their teaching." This MOU has been updated annually. The MOU from 2014 included the requirement that part-time faculty must assess student learning, but assessment was not a identified as a component of part-time faculty evaluations. The 2015 MOU adds that assessment of student learning will now be a component of their evaluations. However, as the MOU is written, assessment of student learning is not a requirement of teaching "UNLESS they receive an explicit written request from their respective Dean asking them to conduct assessment for a specific course in their discipline." Consequently, it is the follow-up team's understanding that it is entirely possible that, unless requested by his or her respective dean, a part-time member of the faculty might not assess student learning and that a discussion of assessment might not be included in the evaluation process.

Regarding others who are responsible for student learning, the team's review of management and administrator self-evaluations revealed that those who are responsible for student learning programs and services have reported how they too have used assessment results for improvement of teaching and learning as appropriate to their job responsibilities. Until this year, however, such reflection was not a required component of their self-evaluations. The team then was shown the most recent version of the supervisor/management self-evaluation instrument (dated March 2015). This updated template includes the expectation that managers and supervisors will address the following criterion: "demonstrates commitment to supporting the achievement of student learning outcomes and how assessment results are used to improve teaching and learning, the college mission and master plan goals." It is clear that future self-evaluations of managers who oversee departments that are responsible for student learning will include this component from this point forward.

Conclusion:

Because the ratification of the CTA bargaining agreement and the district's MOU with AFT are recent accomplishments, and because the updated draft of the management self-evaluation instrument is also a recent development, it is expected that a year from now the College will be able to provide extensive documentary evidence that faculty and management evaluations include discussion of how assessment of learning outcomes has been used by the evaluatees to improve teaching and learning. The College has however, made the necessary changes in collective bargaining agreements and in its operational practices that now requires use of student learning outcome assessment data in the evaluation of administrators and faculty who are responsible for student learning. Some evaluations completed prior to the negotiated change in collective bargaining agreement did include student learning outcome assessment information on a voluntary basis. The change in the contract language requires that evaluations for all employees responsible for student learning outcomes include comments about student learning outcomes and how the assessment of those outcomes are used to improve teaching and learning.

The College has fully addressed the recommendation, resolved the deficiencies and now meets the requirements of Standard III.A.1.c

Recommendation 6: Financial Management
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 and ER 17)

With regard to Recommendation 6, the Commission also reviewed the Special Financial Review Report and determined that this fiscal issue has not been resolved and the associated Eligibility Requirement and Accreditation Standards are not yet met. Victor Valley College will need to demonstrate that the fiscal issues, as noted in Recommendation 6, have been fully resolved at the time of the March 2015 Follow-Up Report.

General Observations and Background:
The team began its work by reviewing the evidence provided by the College in the March 15, 2015 Follow-Up Report. The team sought information about the steps taken by the College to narrow the structural deficit between revenues and expenditures and the processes used to garner broad involvement and dialogue about the financial resource of the College.

The College completed an analysis of prior budgeted amounts to actual results of financial operations to identify the underlying trends for revenues and expenditures on a year-to-year basis. The College reported that at times revenues were understated and expenditure projections were overstated. The range was large and in some years was off by millions of dollars. For example, the College reported actual expenditures between FY 09/10 and FY 13/14 were on average $2.78 million less than budgeted amounts, with the range being a low of $200,000 under budget to as high as $5.1 million under budget. Large revenue items were also separately identified in the College's analysis to show how revenues also fluctuated during the five year period. The College correctly identified the core issue which was use of a budget methodology that had little predictive value in the manner it was used.

In its Follow-Up Report dated March 15, 2015, the College reported changes that it made to permanent base expenditures including some adjustments in salary payments to employees. The College provided copies of tentative agreements with the labor unions showing how changes in summer compensation payments to faculty and possible reductions in what the College will pay for employee health benefits. Health benefits can be reopened once the newest health benefit rates are announced and will not be decided until negotiations are final. Regardless of what may occur with changes in health benefit costs, the College has acted to contain expenditures to levels consistent with revenues received.

The College has corrected its budgeting methodology to be consistent with traditional budgeting techniques. By using accurate and reasonably predictable budget assumptions the College was able to show its operating costs are within the available amount of resources expected for FY 15/16. The Board of Trustees approved the FY 15/16 Tentative Budget in March 2015. The budget is balanced.

Findings and Evidence:

The Follow-Up Report prepared by the College in March 2014 had previously identified a number of adjustments that it planned to bring its budgeted expenditures more closely in line with available revenues. During the course of the year, even though a large deficit was anticipated, the College ended the year with a $252,000 deficit. In the previous year the deficit was $6.1 million. Prior to FY 12/13, the College generated surpluses and deficits as detailed in the College's Follow Up Report and later in this report. The College started FY 13/14 with an ending fund balance of $9.7 million or approximately 18% of unrestricted fund expenditures.

The College negotiated changes in compensation for summer course assignments for faculty. Other cost adjustments resulting from net salary savings from early retirement incentives for all categories of employees were also identified. In total expenditures were expected to drop by $690,000 over the next three fiscal years. The College noted a number of other cost containment adjustments in the areas of salaries and potentially health benefits.

1. **<u>Assessment of Financial Position and Current Year Operations</u>**

As a component of the Follow-Up Reported dated March 15, 2015, the College provided its analysis of one-time revenues and expenditures over the past five years. The purpose of the analysis was to show the trend of the stability of on-going revenues and expenditures. The trend line of revenues and expenditures is more obvious when the one-time annual changes are separately identified from the routine baseline of both items. The team also considered the amounts and persistence of one-time items to determine if there was sufficient history of any category of revenues or expenditures that could itself become a predictable trend.

The one-time expenditures were more predictable than revenues with revenue adjustments, including cell tower lease income, solar energy credits and the sale of a former Redevelopment Agency (RDA) property that netted $2.7 million in FY 13/14. The one-time expenditures included Other Post Employment Benefit payments and early retirement incentive payment costs. The existing one-time expenditures for Victor Valley College are predictable even though they appear as one-time charges since the amounts and timing of payments were known or under the control of the College. The revenues received were not as easy to predict with the exception of revenue from its Guaranteed Investment Contract (GIC). The College is now budgeting what it expects to receive from the GIC on an annual basis.

Recommendation 6 identified a need to balance the college's budget without the use of reserves. Prior to FY 13/14, actual expenditures compared to actual revenues over the past five years shows that the College only used its unrestricted reserves twice. In FY 13/14 the college reported a small deficit although it was just $252,000 compared to $6.1 million in FY 12/13. In its March 15, 2014 Follow-Up report, the College identified planned actions to reduce expenditures or increase revenues or a combination of both in order to live within available resources. The External Evaluation Team assigned in 2014, could not verify the accuracy of the college's projections and whether planned changes would yield the desired results and was unable to conclude whether the College had taken action to eliminate its deficit. This evaluation team was able to review the final results of the FY 13/14 year and was able to verify that only a small deficit occurred by the close of that fiscal year.

The College correctly noted that the budget estimates used were in many cases under or over stated. There is a common understanding that use of conservative estimates is prudent when developing budget projections in periods of uncertainty. Conservative estimating techniques require that budget assumptions include for revenue the lowest most reasonable calculation. The expenditures would be projected using the highest reasonable projected cost. Intentionally projecting costs lower or higher than what is reasonable renders the estimates ineffective for planning purposes and are generally avoided in practice for that reason.

This team added an evaluation element as part of its follow up work on Recommendation # 6 related to deficit spending and a general lack of understanding about the college's financial situation across the college. In order to determine whether prior deficits had eroded the financial condition of the College in a manner that would prevent it from providing sustained and predictable service levels for students, the team decided to conduct a narrow review of certain elements to evaluate the financial condition of the institution.

2. **<u>College Communications and Dialogue</u>**

A key issue of concern previously noted was the accuracy and type of information provided across the college regarding the financial challenges the College was facing. The Superintendent/President was appointed to this position in July 2014. In a very short period of time he has held open forums to discuss the financial condition of the college. He routinely sends out email messages to update college constituencies about financial matters affecting the college.

Here are some of the changes that occurred to increase campus wide communication:

1. Public Budget Workshops conducted during Board of Trustees meetings
2. Monthly budget reports are provided at Board of Trustees meetings and to all employees, students and interested stakeholders
3. President routinely sends out emails regarding financial operations and budget planning efforts
4. Budget reports are made available on the College's web page and the Budget Office's web page
5. President held seven open forums on the budget in January and February 2015

The Finance, Budget and Planning Committee meet regularly and receive complete and open access to all information regarding the financial operations of the college. In interviews with committee members they described the practices they use to inform their constituency members about the financial challenges facing the college. All employees and the members of the Board of Trustees interviewed commented on how positive the changes made by the new Superintendent/President have been to restoring trust to a level where the college can work to resolve its financial challenges.

The fluctuation between budgeted amounts and actual results of operations has challenged the college's communications with constituency groups and interested stakeholders. Under the leadership and direction of its new president, college stakeholders reported that they are more familiar with the financial operations of the college and have confidence in the accuracy of the information received. Transparency has increased although there were lingering comments about past concerns regarding trust and the accuracy of the data presented. Given the variations in projected revenues and expenditures versus actual amounts from operations, it is understandable that some skepticism remains. The College leadership has changed practices to provide full access to the financial information and the details affecting cost patterns to college constituencies.

Based on comments made by employees during interviews with the team, it is apparent that the combination of the actions listed above has raised the confidence of employees that the financial challenges are being addressed. The college president is commended for his leadership at a critical juncture in the college's history.

3. **Financial Condition**

Victor Valley College's financial position as of June 30, 2014 was reviewed by the Team, using annual audited financial statements, annual attendance accounting reports, and other information available to the team. Additionally, to determine whether a previously identified use of the unrestricted fund balance is a trend or a short-term necessary reduction in the fund balance, the team completed a narrow assessment of the college's financial condition. For purposes of this report the *financial position* states the college's financial standing *as of one day in time*, namely June 30, 2014. The *financial condition* assessment includes a review of *the college's ability to manage its financial resources in support of college operations in the future*. The following areas were considered in the assessment of the college's financial condition:

- Operating Environment
- Revenue stability and types of revenues
- Consistency and variability of expenditures
- Compliance with State of California Minimum expenditure requirements
- Financial Reserves, funded portions of Other Post- Employment Benefits and other contingencies reasonably expected to have a financial impact on the college's operations

The factors listed above are the primary elements affecting the financial condition of Victor Valley College and are being considered only for the purpose of determining whether the financial health of the college is adequate to continued operations without significant disruptions from a negative change in the financial resources used to support student learning.

- Operating Environment

The state and national economy have improved significantly over the past year. The State of California's revenue subject to the provisions of Proposition 98 has increased over the past two fiscal years with projections for the FY 15/16 indicating there is a sharp increase in revenue that will benefit California community colleges in general. The increasing revenue projections are resulting in higher resources for community colleges in the current year and in the upcoming budget year. For purposes of this analysis, the team is using a conservative view and is concluding simply that the state will honor its revenue commitments to California community colleges and that no deficits in state revenue are expected. The reason for the team's position is to indicate how revenues and expenditures can be projected in a manner that assumes the lowest possible revenue and unchanged expenditures in order to consider whether there is a deficit spending pattern that would further erode the unrestricted general fund balance reported as of June 30, 2014 as the college looks forward to operations in FY 15/16. Once on-going revenues and expenditures are balanced the sooner the pressure on use of the ending fund balance will subside. Using the lower than expected revenue amounts along with known expenditure patterns, the team believes it can reasonably assume the college has sufficient resources to sustain on-going instructional and instructional support programs.

- <u>Revenue Stability and Types of Revenue</u>

Victor Valley College receives most of its revenues from apportionment earned through student enrollment. To judge the stability of enrollment, the following evidence was reviewed and assembled to provide a basis for determining the college's ability to generate revenue consistent with past patterns:

Enrollment Levels *(Source: Recalculation Reports- Chancellor's Office, California Community Colleges)*

Fiscal Year	Full Time Equivalent Students	State Computational Revenue
11/12	8,896	$44,827,379
12/13	9,022	$45,443,689
13/14	9,232	$47,132,802
14/15 (as of P-1)	**9,339**	**$48,049,127**

FY 14/15 is the mid-year estimated based on the first half of the year's operations. The enrollment projection is consistent with the past year's and also shows that the college expects to receive all available funding from the enrollment opportunities offered to its students. FY 14/15 is the first of the four years in which the state will fully fund the enrollment reported by the college. In past years, the College had more enrollment than the state would allow apportionment revenue to be earned due to a lack of state funding. The amounts presented in the schedule above are the funded enrollment levels. The economic environment in the State of California has improved and all student enrollments reported by Victor Valley College for FY 14/15 are expected to be funded.

The increasing numbers of full time funded students funded by the state shows the college has had a reliable funding source over the past three fiscal years and the current year shows that the past trend can reasonably be expected to continue. The team concludes that the college's enrollment is stable and its enrollment revenue is a reliable source of revenue that can be used to operate the college.

Interest Income from a Guaranteed Investment Contract is approximately $1.4 million per year. Other local revenue received by the college was not significant and as a result does not impact the financial condition of the College.

- <u>Consistency and Variability of Expenditures</u>

California has a repository of prior year financial results reported in a Fiscal Data Abstract by year and by college. Using the State Chancellor's Office public reports the following information regarding the past four years of operations are summarized below.

Fiscal Year	Revenues	Expenditures	Transfers	Change	Fund Balance
09/10	$54,923,311	$58,955,896	$5,648,800	$1,616,215	$10,909,994
10/11	$51,027,727	$48,522,030	($ 1,200)	$2,504,497	$14,808,728
11/12	$47,404,236	$49,864,830	$ 22,642	($2,437,952)	$15,578,824

12/13	$45,752,097	$51,928,049	$ 10,000	($6,165,952)	$ 9,780,208
13/14	$51,904,262	$52,158,584	$ 10,000	($ 262,322)	$ 9,527,886

Of the four fiscal year periods, two resulted in surpluses and three resulted in deficits that reduced the previous year's ending fund balance. The size of the ending fund balance in comparison to unrestricted fund expenditures is large and remains well above the average reserve of 5% that is considered a prudent reserve for public colleges within California.

For FY 13/14, the reported ending fund balance submitted via the Annual CCFS 311 financial report to the State Chancellor's Office, California community colleges, the college reported a balance of $9.5 million in unrestricted general funds. The percentage of the fund balance compared to unrestricted general fund expenditures is 18%; an amount that remains well above the prudent minimum reserve level of 5%.

The past performance of the College indicates there are fluctuations in revenues with some variability in expenditure amounts. While some variations in expenditures and revenues are expected the important factor in this situation is the stability of the range of expenditures. Revenue changes fluctuated several million dollars over the four year cycle while expenditures are fairly consistent. This information supports that there was little action to reduce expenditures as revenues were declining. At the same time, the team noted that the college's ending fund reserve was over 18% and has been as high as 30% of unrestricted expenditures during this period. As expenditures continued to outpace expenditures, a natural consumption of the ending fund balance began. However, even with the last full reporting period of June 30, 2014, the college still had a fund balance that was about 18% of unrestricted fund expenditures.

The College's review of its actual results of operations showed that actual results of operations were considerably different and more favorable than the initial budget projections. Actual results reveal that spending levels were closer to actual revenues received over the period of the analysis which was a five year period beginning with FY 09/10. The last complete fiscal year included in the analysis was for FY 13/14 that ended on June 30, 2014.

Even though there were fluctuations in expenditure levels there was also a consistent increase in revenues from one time sources. As examples, the College received $2.7 million in Redevelopment Agency property sales and another $768,000 energy credit in FY 13/14. The college also paid one-time expenditures for a supplemental retirement plan for employees who opted for early retirement and for OPEB payments. Considering the increases and decreases in revenues and expenditures coupled with the stable levels of expenditures previously reported there is considerable predictive value in the reported amounts of expenditures.

- <u>Compliance with State of California Minimum Expenditure Regulations</u>

There are two contingent obligations that may arise after a college closes out its financial records for the year. The contingencies are commonly called the 50% law and the Faculty Obligation Number (FON). A financial penalty can be applied by the state when a college goes below 50% or employs fewer full-time faculty than is required under by the state set FON. A college that does not employ at least the minimum number of full-time faculty required by the FON, it is subject to a penalty of approximately $60,000 for each full-time faculty. Any penalty applied to a college appears on its principal apportionment reports. Victor Valley College was not assessed any penalties and meets its FON obligation.

The 50% law calculation is a narrow comparison of a limited range of expenditures that is calculated to show each college meets its requirement to expense at least 50% of the cost of education on classroom instruction. There is no maximum set on how much a college applies to classroom instruction. As long as a college expends at least 50% it has met its legal obligation.

The history of the college's reported compliance with the 50% law from submitted through Annual CCFS-311 financial reports shows the college was above the statewide average for the costs expended on classroom instruction. The college reported in its analysis of the financial condition of the college that instructional costs are higher than that of peer group colleges. The basis for the College's comparison was the IPEDS report. The team reviewed the Annual CCFS-311 financial reports submitted to and on file at the State Chancellor's Office, California Community Colleges. The schedule below provides the details on the percentages reported compared to the statewide average reported by all colleges on a year to year basis:

Year	Victor Valley College	Statewide Average
FY 13/14	55.49	51.50
FY 12/13	55.91	51.50
FY 11/12	53.65	51.41
FY 10/11	57.37	51.43
FY 09/10	55.12	51.75

The college has exceeded the minimum requirements of these two regulatory provisions that could negatively impact expenditures had the college not reached the minimum threshold requirements of these California community college specific regulations. The College routinely meets both of these California specific legal requirements.

- Reserves and OPEB Funding Level

Unrestricted General Fund Balance (Reserves)

In FY 12/13 the college reported a deficit of $6.1 million. In FY 13/14, the deficit reported dropped to $252,323 with a fund balance of $9,527,885 as of June 30, 2014. The fund balance is 18% of unrestricted general fund expenditures. A review of the statement of cash flows shows that the college is generating positive cash flow from its operations and non-financing activities in its primary government fund. Cash outflows were $80.8 million while cash inflows were $87 million. Additionally current unrestricted assets are $22.1 million with current liabilities being $11.4 million as of June 30, 2014.

OPEB Funding Level

During the five year period included in the analysis of actual results, the College shows that Other Post-Employment Benefits received funds of $7.3 million deposited in two payments over two yearly periods; one of $6.5 million in FY 09/10 and another of $800,000 in FY 12/13. OPEB funds are available to pay for the cost of retired employee health benefits as they are due and payable. The reported value of the College's liability is $8.1 million. Available funds on deposit in the OPEB trust fund is $7.8 million. The OPEB liability is 96% funded.

Conclusion:

The 2014 Team Report identified a concern about the college's use of its unrestricted fund balance to absorb deficits that occurred in 2013 and were expected to occur again in 2014. Records of actual results were reviewed by the 2015 team. Based on the evidence reviewed the team concluded that the college has addressed its deficit and has sufficient reserves to address any additional deficits that may occur in the short-term. Finally, the Board of Trustees approved a balanced Tentative Budget using current cost and revenue projections. In consideration of the recently adopted budget, the financial position of the college and the financial analysis of the financial condition of the college, the team concludes that Recommendation 6 is resolved as a result of the actions taken by the college.

The College has fully addressed the recommendation, resolved the deficiencies and now meets the requirements of Standard III.D.III.D.1.a, III.D.2.b, III.D.2.c, and ER 17.