APPENDIX 1

Cover Sheet - Institutional Report

Palo Verde Community College District

Special Report

Due April 1, 2013

Submitted by: Palo Verde College
(*Name of Institution*)
One College Drive, Blythe, CA 92225
(*Address of Institution*)

Phone: 760-921-5499 FAX: 760-921-5590

Contact Person: Denise Whittaker, Interim Superintendent/President

To: Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges
10 Commercial Boulevard, Suite 204
Novato, CA 94949

Date Submitted: March 28, 2013

Draft 1 Disseminated College-wide & to the Board of Trustees:	March 12, 2013
Draft 2 Disseminated College-side & to the Board of Trustees:	March 18, 2013
Reviewed & Accepted by College Council:	March 19, 2012
Reviewed & Accepted by the Budget Committee:	March 21, 2013
Final Report Disseminated College-wide & to Board of Trustees:	March 28, 2013
Reviewed & Ratified by the Board of Trustees:	April 16, 2013

APPENDIX 2 & 3

Palo Verde College Special Report- Certifications

This ***Special*** Report is submitted to the ACCJC for the purpose of assisting in the determination of the institution's accreditation status.

Appendix 2: We certify that there was broad participation by the campus community and believe that this report accurately reflects that nature and substance of this institution.

Appendix 3: We certify that we reviewed this Special Report and that we were involved in its development process.

Signatures

Budget Committee

Name	*Title*	*Representing*
Biju Raman	*President*	*Academic Senate*
Derek Copple	*President*	*CTA/NEA Faculty Union*
Rich Soto	*President*	*CSEA Classified Union*
Shelley Hamilton	*President*	*Classified Management*
Imelda Gonzalez	*Finance*	*Associated Student Body*
Russi Egan	*Chief Business Officer*	*Business Services/Chair*
Michael Gaubeca	*Faculty*	*Faculty*
Adam Houston	*Director, Information Technology*	*Technology*
Sheri Jones	*Interim VP, Inst& Stu Ser*	*Administration*
Hortensia Rivera	*Counselor/DSPS*	*Non-Teaching Faculty*
On leave *Maria Rivera*	*Counselor*	*Non-Teaching Faculty*
Stephanie Slagan	*Purchasing*	*Resource/Classified*
Brian Thiebaux	*ALO*	*Accreditation*
Denise Whittaker	*Interim S/P*	*Ad Hoc*

Signatures

College Council/Strategic Planning Steering Committee

*Strategic Planning ** Policy & Procedures ** Issue Management ** Communication*

Name	*Title*	*Representing*
Biju Raman	*President*	*Academic Senate*
Derek Copple	*President*	*CTA/NEA Faculty Union*
Rich Soto	*President*	*CSEA Classified Union*
Shelley Hamilton	*President*	*Classified Management*
Jessica Moreno	*Designee*	*Associated Student Body*
Russi Egan	*Chief Business Officer*	*Resource/Administration*
Adam Houston	*Director, Information Technology*	*Classified Management*
Debbie Mitchell	*Staff Development*	*Management*
Sheri Jones	*Interim VP Instr/SS*	*Administration*
Michael Gaubeca	*Budget Committee*	*Faculty*
Mike Rhoades	*Facilities*	*Acting Director*
Brian Thiebaux	*ALO*	*Accreditation*
Denise Hunt	*Admin. Asst. to the Superintendent/Pres.*	*Confidential*
Vacant	*Enrollment Mgt Representative*	*TBD*
Denise Whittaker	*Interim S/P*	*Chair*

3. Table of Contents

Adhering to the *Special Report* format as provided by the Commission, the Sections regarding *Report Preparation, Response to the Commission Letter, and Appendices,* which include appropriate evidence to document the information provided in the report, are included below and on the following pages.

Introduction

Palo Verde College is submitting this *Special Report* as required by the Commission to *provide evidence of plans, and the progress of implementation of those plans, that address the choices of the District to fulfill Eligibility Requirement #17 and the Accreditation Standard IIID*, and to address the specific items listed in the February 5, 2013 Commission cover letter (Appendix 1). The Board of Trustees, constituent leadership, and college community recognizes the need for financial stability, as well as the impact on the College of the COP debt obligations and the long-term effects of the COP repayment obligation, as well as impact of the 2011-12 apportionment shortfall due to FTES enrollment deficiencies that year. Palo Verde College has worked cooperatively and in a transparent manner to effectively mitigate the challenges associated with the current conditions.

4. Report Preparation

Palo Verde College herein describes the process of report preparation and identifies those who were involved in its preparation.

The institution received the letter from the Commission on February 11, 2013 with a *Special Report* deadline of April 1, 2013, which allowed approximately 3 weeks for drafting the report, 2 weeks for Board and constituent review and feedback, and 1 week for final edits prior to submittal.

Because of the detailed nature of the financial aspect of the *Special Report,* it was authored primarily by the Interim Superintendent/President and the Chief Business Officer, Russi Egan with feedback and input obtained via the collegial consultation process. The preparation and review process involved constituent leaders from the Academic Senate, CTA/NEA, CSEA, faculty, classified, classified management, confidential employees, administrators, students, and the Board of Trustees. Numerous meetings and opportunities were provided to demonstrate good faith and wide representation in reviewing the report and preparing for the site visit.

Draft 1 of the *Special Report* was disseminated on March 12, 2013 college-wide to faculty, staff, the Board of Trustees, classified management/confidential staff, and to the Associated Student Body for review, editing, and further input. Draft 2 was redistributed for further comment and input on March 18, 2013. Draft 2 of the *Special Report* was disseminated to the Board of Trustees, submitted to the College Council on March 19, 2013, to the Budget Committee on March 21, 2013, and to full administration/ management on March 18, 2013 for final review and acceptance. The final *Special Report* was disseminated and posted on the College's web site on March 28, 2013. It will be approved as a ratification by the Board of Trustees at their next regular meeting on April 16, 2013. Because March 29 is a local holiday, the report was submitted electronically and mailed to the Commission on March 28, 2013.

College meetings were held in which the *Special Report* was discussed. The list of meetings demonstrating college-wide involvement and transparency are shown below.

College Council	**Budget Committee**	**Full Administration**	**All Staff Meetings**	**CTA Faculty Union**	**CSEA Classified Union**	**Board of Trustees**
February 5 March 5, 19	March 5, 21	February 25 March 18	February 13 March 28	February 19, 25	February 19	February 21 March 5 March 12

5. Response to the Commission Letter

The chronology of Accreditation action and college reports is as follows:

- November 2011 — College receives letter from the Commission regarding concerns
- December 2011 — College submits response to the Commission's letter
- February 2012 — Commission notifies PVC that they are placed on *probation*
- March 2012 — College submits *Special Report* addressing Commission concerns
- May 2012 — Accreditation Team visits PVC to validate *Special Report*
- May 2012 — College submits Update to the Special Report
- July 2012 — Commission maintains PVC *probationary* status
- October 24, 2012 — College submits *Follow-Up Report* to the Commission
- November 20, 2012 — Accreditation Team visits PVC to validate *Follow-Up Report*
- February 11, 2013 — College receives letter from the Commission regarding the April 1 (Financial) *Special Report*
- February 13, 2013 — Commission notifies PVC regarding lifting of *probationary* status
- March 28, 2013 — College submits *Special Report* addressing financial concerns
- April/May 2013 — Accreditation Team visits PVC to validate *Special Report*
- June 2013 — Commission takes action regarding the PVC *Special Report*
- July 2013 — Commission notifies PVC regarding status

Report Structure: The Commission's February 11, 2013 letter (Appendices 1) seven (7) items of which six (6) needed to be responded to by the College, which would then fulfill Eligibility Requirement #17 and Standard III D [both were addressed in the October 24, 2012 Follow-up Report which this portion is included as Appendix 2].

The format for responding to the Commission's items includes a numerical, italicized statement which re-states the Commission's concern as noted in their February 11, 2013 letter followed by a "Status" statement, the formal "Response", and "Evidence" to demonstrate documentation of compliance in meeting the compliance issue.

Only major "evidence" items are included in the Appendices. However, due to the volume of reports, agendas, minutes, tape recordings, and meeting materials included in Board of Trustees, College Council, and Budget Committee meetings, other large-volume evidence items were not included as part of this report but will be available in the Team Room for the anticipated May, 2013 site visitation.

RESPONSES TO THE JANUARY 11, 2013 COMMISSION LETTER

1. *A comprehensive analysis of the long-range budget plan to resolve financial issues (such as deficit reduction, revenue enhancement, OPEB financing, debt repayment (Certificates of Participation – COP, Supplemental Early Retirement Plan – SERPs, and similar instruments). Specifically, clarification is needed for the choices the College has made to address the College plan for long-range stability with regard to addressing current debt service and restructuring of the COPs.*

   Status: All underlined items noted above have been addressed and on-going planning exists

   Overview of Current Budget Status and Long-Range Budget Projections:
   In November, 2012, the Accreditation Site Visitation Team recommended that the College complete trend analysis to use in designing a multi-year budget projection. The trend analysis has been completed and due the size of the report, examples are included (Appendices 3) with the entire report being made available to the Visitation Team. The analysis was used to complete the 3-year budget projection, and by budget managers in developing their 2013-14 tentative budgets.

   The College did not complete 5-year budget projections at this time because there was greater relevancy in completing the 3 year projections based on various FTES scenarios (in that the College is in stabilization and has 3 years to attain its 1811 FTES target). The College is also looking ahead to the long-term impact of Proposition 30/Education Protection Act on FTES/workload reductions anticipated in 7 years.

   With the passage of Proposition 30/EPA, the State's sales tax increases by a quarter-cent for four years and personal income tax rates increase on incomes above $250,000 (above $500,000 for joint filers) for seven years. If Prop 30 plays out with no extensions or legislative changes, PVC's FTES will be reduced permanently to approximately 1660 in 2018-2019 when all of the provisions of Prop 30 expire, resulting in a new, lower FTES apportionment base. Although the College is in stabilization and anticipates exceeding its base FTES target this year, at the same time, it is looking ahead to how to intentionally address the lowering of its FTES when Prop 30 provisions end after 7 years. It is the College's understanding that while Prop 30 provides a short-term reprieve to workload reduction, the real intention legislatively and from the Governor is that community colleges need to have reduced enrollments, ultimately reducing the cost of education and saving State dollars. The anticipated planned reduction in FTES may come about totally from the implementation of the BOGG unit limitation beginning in January 2014, but that has yet to be seen.

   PVC understands that much can happen in 7 years which could negatively or positively impact the College's FTES base apportionment, and as such, is too far in advance to do this type of extensive planning. However, without overreacting, the College believes that budget scenarios taking into consideration these aspects are prudent and cannot be ignored. Accordingly, the Governing Board, College Council, and Budget Committee has been informed that future FTES/workload reductions loom on the horizon and that preliminary planning and funding projections are being formulated to ensure that there are no budgetary last-minute surprises.

FTES Monitoring and Budget Planning
Because PVC's apportionment is dependent upon meeting FTES targets, and complying with the Accreditation Commission's financial advice as given at the November site visit, FTES 3-year budget scenarios have been developed considering all possibilities from the best to the worst to demonstrate to the Commission and to the Chancellor's Office that the institution is financially prepared for whatever happens with FTES.

Background: In the summer of 2011, the financial consultant (C.M. Brahmbhatt), hired to assist the College in finalizing its 2011-12 budget, discovered that the College had been deficit spending and balancing the budget with COP income without replacing any of the funds "borrowed", which created a false picture as to the stability of the College's finances. Shortly thereafter, the Commission placed the College on *probation*, requiring a series of follow-up reports and site visits.

To address the deficit and balance the 2011-12 budget without using COP monies any longer, the decision was made to reduce course offerings to save some of the costs associated with hiring adjunct faculty, thereby reducing FTES generation and intentionally placing the College in "stabilization" for 2011-12. The State allows for a "grace" period whereby the College's apportionment is not adjusted downward for the year in which the enrollment dip occurs, which meant that for 2011-12, the College received its full apportionment as if it generated 1811 FTES even though it only generated 1367.93 FTES.

In addition to addressing the budget deficit by intentionally going into stabilization, the College united and is to be commended for identifying nearly $2 million in additional cuts, including salary, health benefits, and voluntary non-compensated faculty load increases to balance the 2012-13 budget based on the anticipated acquisition of 1811 FTES in 2012-13. Because the College has a history of consistently generating at least 1811 FTES, and because the 2012-13 class schedule was built using the year in which the highest FTES was generated, a good faith effort was being made to balance the 2012-13 budget on the expectation that its 1811 FTES base target was realistic, reasonable, and attainable.

Prior to January 2013, enrollment and FTES data was not available in a timely manner through the Datatel system. Because the College did not have enrollment or FTES attainment issues in the past, this information may have been less of a concern. However, because the College's budget deficit resolution was to intentionally go into stabilization, obtaining timely data regarding current FTES became a necessity. Accordingly, patches and modifications to the Datatel system were completed in December 2012, providing the College with the timely enrollment and FTES data it did not have access to (until after-the-fact) in the past.

Although the College anticipates reaching and potentially exceeding its 1811 FTES target this year, it is taking a conservative budget planning approach to recouping the deficit 600 FTES (the loss that occurred in 2011-12) because it is recognized that losses of this nature generally take more than one year to recoup.

FTES SHORT & LONG RANGE BUDGET SCENARIOS
For its Needles Center, in 2011-12 PVC failed to reach the required 100 FTES for a third year in a row and therefore loss $138,000 as additional income for this Center. However, because the Needles Center was grandfathered-in under previous legislation, once the Center reaches 100 FTES, the $138,000 will be restored in the fiscal year in which the attainment occurs. In

2011-12, the Needles Center generated approximately 37 FTES due to intentional down-sizing. For 2012-13, it is anticipated that Needles will reach or exceed 70 FTES based on current enrollment. It is anticipated that the Needles Center will exceed its 100 FTES in 2013-14, the $138,000 will be restored, and therefore, $138,000 is being added to the 2013-14 budget projection accordingly.

At this writing, Palo Verde College tentatively projects that it will exceed its 1811 FTES base target and will be eligible for restoration to the limit of 1886. Recent FTES projections of FTES generated by ISA's, increases in late-start credit and non-credit enrollment, and increases in summer school offerings indicate that FTES will increase and the College will exceed its base 1811 FTES target requirement.

However, short and long-term budget scenarios based on FTES attainment have been developed to demonstrate to the Commission and the Chancellor's Office that Palo Verde College is prepared to address positive or negative FTES goals while maintaining instructional, student support, and operational integrity. The College is not waiting to see what happens but is going through a deliberate and thoughtful planning process taking into consideration any and all FTES possibilities.

The College community as a whole has been involved in transparent discussions about what lies ahead if we fail to meet our FTES base now and within the 3 years allowed. PVC does not believe this is likely, but has a plan in the event it does. PVC understands that from a budget planning aspect, it simply cannot assume that the FTES will automatically be generated to the level that is required to maintain its base apportionment, but must prepare for all scenarios. This is also a relevant exercise taking into consideration the upcoming BOGG unit limitation and the long-term FTES/workload reductions resulting from Prop 30/EPA.

FTES apportionment budget planning of this nature is a difficult process because on one hand, administration and the Board is being prudent in planning for any possible FTES scenario; while on the other hand, this could be viewed by faculty and employees as "crying wolf" when the publicly vetted distasteful measures to accommodate the apportionment losses do not have to be implemented. To diminish the tension related to over-reaction or over-planning, a fully vetted and transparent dialog is occurring with all employee groups and the Board to minimize negativity related to this process.

PVC has come far since the initial notice of financial crisis in the summer of 2011, successfully addressing and mitigating one challenge after another in order to maintain institutional financial and programmatic integrity, meeting Accreditation Standards, maintaining morale, and promoting student success which is our primary mission.

In looking at budget reduction options, should an FTES apportionment shortfall occur, now or in the future, it has been determined that layoffs are not an option to balance the budget.

- The College cannot layoff faculty or it will result in programmatic implications as well as further reducing FTES generation, as well as the negative impact on the 50% Law.
- PVC cannot layoff any of the 33.5 classified staff because the College has established that the current employee base is minimum to maintaining support and operational services.

- The College cannot layoff managers without greatly impacting supervision, oversight, and leadership in key areas as all remaining directors are in critical positions (i.e. Financial Aid, A&R, IT, etc.).

Although the College completed major reductions in spring 2012 to balance the budget for 2012-13 through creative personnel incentive plans, there is no room for further reductions in personnel. The Board has directed that the College maintain the minimum 33.5 classified employee base that currently exists, replacing vacancies to maintain support service and operational integrity. Administration has also recommended to the Academic Senate that 2-3 full time contract faculty be hired now for fall 2013 to meet programmatic needs.

PVC has considered various FTES apportionment/budget planning scenarios, recognizing that the final FTES for 2012-13 will not be verified until mid-July. No matter what the outcome, the College desires a logical roadmap that has been vetted and reviewed by the Budget Committee, College Council, constituencies, and the Board for immediate implementation in finalizing the 2013-14 budget. The FTES planning scenarios include reaching and exceeding the 1811 FTES target, along with alternative plans for 1700 FTES and 1600 FTES because it is prudent to be totally prepared.

FTES Scenarios:

1. **Attaining or exceeding its 1811 FTES Base Target**: Union contract negotiations will take place late spring to take into consideration this option which includes the Governor's initial budget plan of providing a potential 3.67% COLA or another form of undesignated/ unrestricted funding. If the Governor's budget proposal holds, administration anticipates that a portion of the funds will be sought to relieve some of the cuts that were taken by all groups last year. The Board, recognizing that employees took salary reductions last year, is also concerned that an effort needs to be made to increase the Board's Reserve as well as identify $125,000 to balance the small deficit that exists as part of the COP Debt Mitigation Plan. These continue to be priorities to further solidify financial stability. There are also unmet/ unfunded on-going and one-time needs as identified through the Program Review Annual Snapshot Report (Appendices 3g) that need to be addressed to maintain program integrity.

2. **If the 1811 FTES Base Target is not Attained:** The plan is to maintain no less than identify current, non-obligated current funds (which is approximately $900,000) to offset the apportionment for both the 2012-13 and 2013-14 years. Although not anticipated, if additional funds are needed to balance the budget, the $855,000 in General Fund monies that are dedicated to the annual COP payment will be reduced to balance the budget, resulting in the COP shortfall from the General Fund budget being transferred to the LAIF/COP Capital Fund as approved by the Board. The Board's commitment is to payback all funds used from the $855,000 that are intended for the COP debt payment.

The table on the following page reflects the discussion that has taken place with the Board, CTA, CSEA, and managers regarding the impact of FTES apportionment shortfalls if NO new revenue is received from the State.

Palo Verde College BUDGET "BIG-PICTURE"

			2013-14		
	1800 FTES	**2012-13**	**1800 FTES**	**1700 FTES**	**1600 FTES**
1	Stable = Meets Base Target	Current Balanced Budget Includes over $500,000 in CTA, CSEA, & Mgt Cuts	If we cancel MOU = must identify over $500,000 still deficit for 2013-14 regardless of the FTES acquired.		
Row 1 reflects the negotiated Agreements for balancing the 2012-13 budget.					
2	Revenue:	~~$12,325,874~~ $12,169,166 Reduced by$156,708 in deficit factor	$12,325,874	$11,819,178 Reduced by $506,696 in FTES shortfall	$11,362,695 Reduced by $963,179 in FTES shortfall
Row 2 reflects the impact on the College's apportionment in both 2012-13 and 2013-14 relevant to FTES acquired.					
3	SERP: COPs: Total:	-$766,000 -$855,000 -$1,621,000	Same	Same	Same
Row 3 reflects the financial commitment to the SERP and COP payments as obligations from the General Fund.					
4	**Total Available**	**$10,704,874**	**$10,704,874**	**$10,041,470**	**$9,584,987**
Row 4 reflects the adjusted FTES revenue comparisons.					
5	RESERVE	$615,269 5% Board $580,839 4.72% Cont'cy $1,196,108	Same	Same	Same
6	COLA	0	3.67% COLA as on-going	3.67% COLA as on-going	3.67% COLA as on-going
7	ON-GOING FUNDS	0	$250,000 from salaries paid to those who took the incentives; $95,000 from resigning faculty member salary	$250,000 from salaries paid to those who took the incentives; $95,000 from resigning faculty member salary	$250,000 from salaries paid to those who took the incentives; $95,000 resigning faculty member salary
Row 7 reflects on-going dollars that are available from those funds paid out to those who took the incentive plans.					
9	ONE-TIME FUNDS	• Funds from sale of Spring street property. • $100,000 litigation settlement	Same	Same	Same
10	ON-GOING FACULTY Needs		Use $200,000 from salaries paid to those who took the incentives+ resigning faculty member salary $200,000 to hire 2 -3 new faculty for program integrity and to maintain 50% Law		
11	ON-GOING OTHER Needs		Need to identify on-going funds for unmet and unfunded management & staffing needs		
12	Next Year ONE-TIME Needs		Need to identify one-time funds for unmet and unfunded needs		

Listed on the following pages is a three-year plan for FTES/Budget Restoration that assesses the pros and cons of certain fiscal decisions and prioritizes how the budget will be balanced should an apportionment shortfall occur. The College recognizes that it is generally slower to recoup FTES than it is to grow and even though our projection is that PVC will exceed its base FTES, the 3 year plan demonstrates that PVC is prepared even if the worse scenario occurs.

THREE YEAR PLAN FOR FTES/BUDGET RESTORATION IF NEEDED

Year I: 2012-13 Plan to Balance this Year's Budget

FTES SCENARIOS: If we reach:	Option	DOLLARS	PROS	CONS
I. 1700 FTES = $506,696 shortfall in this year	I.	Use the Income from the sale of Spring Street property (anticipated at or near $400,000) Identify additional $156,483 of shortfall	1. We have one-time funds. 2. No layoffs 3. Don't have to go into LAIF/ COP 4. Backfill vacancies & hire 2-3 new FT faculty 5. Maintains college programs and services in compliance with Accreditation Standards	1. Reduces Board's Reserve to 5%
II. 1600 FTES = $963,179 shortfall this year or an additional $456,483	II. IIa.	Implement Option I and... Use $506,696 from last year's ending balance = 4% of Board Reserve Identify additional $56,483 of shortfall	All of the above	1. Uses all of our unbudgeted, one-time resources.
Conduct a FTES Feasibility Study to determine PVC's ability to generate and maintain 1811 FTES and identify "niche" or start making plans for downsizing. Collect and analyze enrollment data and complete Phase I assessment report in spring 2014.				

FTES SHORTFALL CONTINGENCY PLAN: YEAR I

1. Implement restricted hiring freeze:
   a. No *new* management or classified positions *created*
   b. Maintain current base level of classified and management staffing
2. Identify as much General Fund dollars to off-set budget losses.
3. Maintain or modify to equal value, the current negotiated agreements with CTA and CSEA, and the Meet-and-Confer Agreement to avoid the need to identify an additional $500,000 - $600,000 in cuts to remain in a balance budget position.

FTES SHORTFALL CONTINGENCY PLAN: YEAR 2 (2013-14):

FTES SCENARIOS: If we reach:	Option	DOLLARS	PROS	CONS
I. 1700 FTES = $506,696 shortfall	I. Ia.	Reduce Contingency Reserve to balance the budget.	1. We have one-time funds. 2. No layoffs 3. Don't have to go into LAIF/COP 4. Maintains college programs and services in compliance with Accreditation Standards 5. Meets 50% Law compliance	1. Maintains Board's Reserve to 5% 2. Uses all of our unbudgeted, one-time resources. 3. Need to have plan to restore Reserve
II. 1600 FTES = $963,179 shortfall or an additional $456,483	II.	Implement Option I and... Reduce $855,000 that is currently in the General Fund for COP payment to cover deficit.	All of the above	All of the above and 1. Creates another debt /payback responsibility for the College.
Report from the FTES Feasibility Study regarding PVC's ability to generate and maintain 1811 FTES and identify "niche".				

FTES SHORTFALL CONTINGENCY PLAN: YEAR 2 (2013-14):

1. Maintain and/or extend (until such a time when new income that is not used to payback the dollars to balance the FTES shortfall) the previously negotiated reductions, or modify to equal value, the current MOU Agreement that was negotiated with CTA and CSEA, and the Meet-and-Confer Agreement to avoid having to identify an additional $500,000 - $600,000 in cuts.
2. Maintain restricted hiring freeze:
   a. No new management or classified positions created
   b. Maintain current base level of classified and management staffing
   c. Consider transferring 1 manager to Needles
   d. Hire 2-3 new faculty to meet 50% Law and to meet programmatic needs
3. Identify as much of General Fund dollars as possible to off-set budget losses.
4. If needed, decrease the amount of general funding that is currently dedicated to COP payment (from the $855,000) so that the LAIF/COP fund covers the difference.
5. Ensure college-wide understanding that to balance the budget if there is a gross FTES shortfall that all future new non-designated/ non-restricted State funding (COLA, Growth, etc.) will FIRST be applied to the internal debt payoff no matter how many years this takes to accomplish.
7. On-going dollars will need to be identified to generate a balanced budget at the determined projected FTES apportionment rate.
8. The FTES Feasibility Study Final Report will be due April 1, 2014 outlining the FTES projections and capability of the District to maintain its FTES base, recognizing that Prop 30 / California EPA sets in motion a plan that begins an intentional workload/FTES reduction beginning in years 5 and 6 with a final new base being in year 7 of the EPA. Palo Verde College recognizes this upcoming but that it is too soon to plan that far in advance as too much could change with the State's economy to beginning planning now.

FTES SHORTFALL CONTINGENCY PLAN: YEAR 3 (2014-15):
[Final year allowed to make up FTES deficits]

FTES SCENARIOS: If we reach:	DOLLARS	PROS	CONS
I. 1700 = $506,696 shortfall II. 1600 = $963,179 shortfall or an additional $456,483	1. Identify on-going funds within the College budget to offset loss. 2. Borrow remaining dollars needed to balance the budget from LAIF/COP	1. Maintains college programs and services in compliance with Accreditation Standards 2. Meets 50% Law	1. Maintains Board's Reserve to 5% 2. Uses all of our unbudgeted, one-time resources. 3. Creates another debt /payback responsibility for the College.

FTES SHORTFALL CONTINGENCY PLAN: YEAR 4 (2015-16) WITH NEW FTES BASE:

FTES SCENARIOS: If we reach:	DOLLARS	PROS	CONS
FTES from 2014-15 now becomes our new final base.	Identify on-going funds within the College budget to offset loss, if any.	1. Maintains college programs and services in accordance with Accreditation Standards 2. Meets 50% Law 3. New balanced budget	NO FUNDS TO BORROW – MUST LIVE WITHIN NEW BASE BUDGET

Chancellor's Office and Consultant Interaction: The institution has involved the Chancellor's Office and the College's financial consultant (C.M. Brahmbhatt) in discussions regarding its approach to temporarily address financial strains while restoring its FTES to its base level, if needed. Both have agreed that planning for the worst scenario demonstrates that the institution is being diligent and responsible about its planning efforts, and the approach presented does not raise concerns as to the institution's financial stability or integrity. The College has also requested that Tim Schaefer, Magis Financial Advisors COP Debt consultant, recalculate COP payoff scenarios as noted in the COP Debt Mitigation Plan. The projections will be available to the visitation team and will take into consideration adjustments *if* funds that are currently dedicated for COP payments, are temporarily used to offset apportionment shortfalls. *These calculations include the total repayment of the borrowed funds over time and the impact this has on the Debt Mitigation Plan's original estimates for COP debt payoff.*

A transparent and consultative process has occurred and continues to vet the possibility of future FTES apportionment shortfall scenarios as previously listed. The Interim Superintendent/ President has met with CTA, CSEA, managers, and the Board regarding budget planning, fiscal trend data, and scenarios regarding FTES acquisition. A Board Resolution as shown below was presented for consideration at the Board's budget planning study session on March 5, 2013, and is being held for future submittal should there be an FTES apportionment shortfall in 2012-13.

PALO VERDE COMMUNITY COLLEGE DISTRICT
DRAFT FTES SHORTFALL REPAYMENT PLAN RESOLUTION

WHEREAS, to defend to the Accreditation Commission and the Chancellor's Office that, in spite of facing another financial crisis, Palo Verde College is diligent in maintaining short and long-term financial integrity by addressing unanticipated but potential apportionment deficits; and

WHEREAS, the Accreditation Site Visitation Team recommended that the College develop financial scenarios to demonstrate preparedness in addressing a situation whereby FTES apportionment maybe reduced; and,

WHEREAS, to balance the 2012-13, 2013-14, and 2014-15 budgets while maintaining the College's ability for instructional, student support, and operational integrity should an FTES apportionment reduction occur;

THEREFORE BE IT RESOLVED, that if the minimum 1811 FTES base is not met in 2012-13, 2013-14, and/or 2014-15, to meet the resulting apportionment shortfalls, the PVCCD Board of Trustees hereby approves this resolution as a public acknowledgement that the Board of Trustees will implement the following measures to address an FTES apportionment deficit, if needed:

1. No less than 5% Board Reserve will be maintained.

2. Final known FTES apportionment shortfalls will be offset to balance the 2012-13, 2013-14, and 2014-15 budgets in the following priority order:
   a. Identify and use available unbudgeted, unanticipated income obtained.
   b. If sold, dedicate some or all of the income generated from the sale of the Spring Street property to offset the shortfall
   c. If needed to balance the 2012-13, 2013-14, or 2014-15 budgets use up to $580,839 from the 2011-12 ending balance which will reduce the Board's Reserve to 5%.
   d. If needed to balance the 2012-13 budget, complete an *expense transfer* to borrow some or all of the $855,000 General Fund dollars that were used for partial payment towards the annual COP debt for 2012-13, to the LAIF/COP capital fund per Board Resolution, freeing up General Fund dollars to balance the 2012-13 budget.
   e. If needed to balance the 2013-14 and 2014-15 budgets, reduce the $855,000 each year that is allocated for the COP payment from the General Fund by the amount of funds needed to balance the budget, funding the remainder of the COP payment from LAIF/COP Capital Fund .
   f. If needed to further balance the 2013-14 or 2014-15 budgets, borrow the remaining funds required to balance the budget from the LAIF/COP Capital Fund.

2. To demonstrate the College's commitment to fiscal solvency to the Accreditation Commission and to the Chancellor's Office, and to justify using the General Fund COP allocation and/or funds from the LAIF/COP Capital Fund, it is hereby understood that the Board of Trustees will commit 100% of any future undesignated or unrestricted new State funding (such as COLA, Growth, FTES Restoration, etc.), over multiple years if necessary, to repaying the total borrowed amount that was used to balance the 2012-13, 2013-14, and/or 2014-15 budgets.

3. Except in the case of another documented and justified critical emergency and through Board Resolution, it is hereby understood that any current or future new undesignated or unrestricted allocation (such as COLA, Growth, FTES Restoration, etc.) will not be used for any other purpose until the full amount of the borrowed funds relevant to the FTES apportionment shortfall have been repaid.

4. Payments from new undesignated or unrestricted allocation (such as COLA, Growth, FTES Restoration, etc.) or other sources of income identified to retire the debt generated from the loss of FTES, will be transferred and held in the LAIF account.

5. An FTES Feasibility Study will commence to review data, make projections and recommendations regarding the short and long-term feasibility of Palo Verde College to maintain its 1811 base target by April 15, 2014.

The intent of the Board Resolution, if needed, is to ensure complete transparency regarding budget implications should an FTES apportionment shortfall occur, now, or in the future, and *acknowledges that 100% of new, undesignated or unrestricted State funding (such as COLA, Growth, FTES Restoration, etc.) will first be used towards paying back any funds borrowed (if necessary)* to balance the budgets for 2012-13, 2013-14, and 2014-2015 while the College moves towards full FTES restoration.

This effort is to demonstrate to the Chancellor's Office and the Commission that there is a prudent approach to resolve any FTES shortfall should that situation ever occur. If funds are "borrowed" to balance the budget, it is clear to the college community that the funds will not be taken outright from the Capital fund, *but will be replaced*. Again, to re-emphasize, this "plan" will only apply should the College not reach its FTES base target.

Although 1791 FTES was the lowest FTES attained over the past 8 years was, and previous FTES has consistently been between 1811-1950, the College believes it is prudent to gather and analyze internal and external data to attempt to determine the feasibility of maintaining the 1811 base that has been established and to further identify a non-ISA "niche" for acquiring FTES at PVC. Current FTES distribution indicates that the College continues to rely primarily upon its ISA contracts both for intentionally increasing or decreasing FTES as needed. This works well if the College needs to reduce its FTES due to Prop 30/EPA implementation because the overall regular course offerings would not be impacted, but may not be a stable way for assuring growth.

Budget Planning, Trends, Revenue, and Budget Projections

1. Budget Planning

For 2013-14, Palo Verde College is reviewing trend data, revenue and budget projections as shown in this report. In addition, the College piloted a Program Review Annual Snapshot Report (Appendices 3f) to capture current accomplishments and challenges, as well as identify unmet/ unfunded one-time and on-going needs. The College Council is meeting on April 9, 2013 for presentations from everyone who submitted an unmet need as shown on the summary table in Appendices 3g. The College Council will also review the unmet /unfunded lists to determine if an omission is noted and by majority vote, the list may be amended. Ultimately, the College Council will prioritize the list for one-time and on-going funding. The Budget Committee will identify the funds available. This process was initiated to separate the budgeting from the prioritization process and to ensure that the Colleges needs and priorities are driving the budget and not the other way around. One of the unmet needs that still needs to be addressed is the transition of Title III for District funding when the grant ends Sept. 30, 2013.

2. Expenditure Trend Data

As requested by the Accreditation Site Visitation Team last November, the CBO has created a customized spreadsheet for every program and area at the College. Over 50 areas have been provided with trend data. Evidence regarding utilities energy utilization /trend data is included in Appendices 3. Also included is an internally-generated medical benefits chronology of annual expenses which provides the escalation of costs over the years. The size of the Trend Data Report by area is such that it is too large to include in the Appendices for this report but examples of expenditure trend data are included in Appendices 3. The entire report will be made available to the Visitation Team at their site visit. The expenditure trend data is being used by divisions and areas to plan their 2013-14 development budgets as well as for the long-term 3 year budget projections.

3. Revenue Projections & 3-Year Budget Projections

The College has completed 3-year revenue and 3-year coordinated budget projections to coincide with the 3 years it has to restore its FTES. Both revenue and budget projections for 2013-14, 2014-15, and 2015-16 are shown on following pages, for various FTES scenarios, including the acquisition of COLA. The College is also using this information to complete meaningful contract negotiations and for stable budget projections (based on income).

The revenue projections are self-explanatory on the revenue charts as shown for each year. Evidence and documentation for lottery and COLA projections are included in Appendices 3. Budget projections were calculated using the following assumptions to account for any positive or negative FTES increase or shortfall (all scenarios requires contract negotiations):

1. Budget expense projections took into consideration the following scenarios:
    a. Scenario 1 – Rollover with Current Negotiated Agreement + No Step Increase
    b. Scenario 2 – Rollover with Current Negotiated Agreement (Includes Step Increases)
    c. Scenario 3 – Elimination of the Currently Negotiated Agreement + No Step Increases
    d. Scenario 4 - Elimination of the Currently Negotiated Agreement + Step Increases
2. The budget takes into considering the acquisition of FTES as noted for each year.
3. No salary increases are included as these are negotiated items.
4. When Step and Column advancements are included, they are included at the following rates: Faculty = 4%; Classified = 2.75%; Management = 3.75%. The reason for the variance is that calculations were completed based on the number of employees who would receive a Step and Column advancement and because most of the PVC employees are already at the top of their column advancement, the % of increase was adjusted to accommodate the actual dollar amount required for the advancements.
5. 7% was applied annually to Health & Welfare based on the data obtained from the Trend analysis.
6. COLA for each year based on the Governor's initial budget proposal for 2013-14 and on the School Services Financial Projections dartboard for 2014-15 and 2015-16.
7. Materials & Supply budgets were increased by the COLA estimate for each year.
8. Legal contracts were reduced to $100,000 as there are no major litigations pending at this time.
9. Utilities, although reduced to energy conservation efforts, applied a 4% annual increase based on the trend data. It should be noted that if the energy conservation efforts continue to stabilize or reduce utility costs as seen in 2011-12, the budget projections for 2014-15 and 2015-16 will be reduced as the new trend data evolves showing real reductions.
10. The $125,000 (beginning in 2016-17) to apply towards the shortfall noted in the COP Debt Mitigation Plan has not been identified or included at this time.

Revenue Projections - 2013/2014

	State Apportionment					
FTES	1,875	1,800	1,750	1,700	1,650	1,600
Basic Allocation						
Single College Allotment	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545
Rural College Allotment	553,591	553,591	553,591	553,591	553,591	553,591
Needles Center Allotment	138,398	138,398	138,398	138,398	138,398	138,398
	4,013,534	4,013,534	4,013,534	4,013,534	4,013,534	4,013,534
Credit FTES (98% FTES) - $4564.83	8,387,875	8,052,360	7,828,683	7,605,007	7,381,330	7,157,653
NonCredit (2% FTES) - $2744.9578	102,936	98,818	96,074	93,329	90,584	87,839
Sub Total	12,504,345	12,164,713	11,938,291	11,711,869	11,485,448	11,259,026
*COLA - 3.66%	457,659	445,228	436,941	428,654	420,367	412,080
Total Computational Revenue	**12,962,004**	**12,609,941**	**12,375,232**	**12,140,524**	**11,905,815**	**11,671,106**
EPA (16.29% of Total)	2,111,510	2,054,159	2,015,925	1,977,691	1,939,457	1,901,223
Property taxes (Avg 5yrs)	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Enrollment Fees	207,378	207,378	207,378	207,378	207,378	207,378
General Fund Apportionment	9,505,019	9,210,307	9,013,832	8,817,357	8,620,883	8,424,408
State Apportionment	9,505,019	9,210,307	9,013,832	8,817,357	8,620,883	8,424,408
EPA Funds	2,111,510	2,054,159	2,015,925	1,977,691	1,939,457	1,901,223
PT Faculty	38,310	38,310	38,310	38,310	38,310	38,310
Lottery (Avg $110 / FTES)	206,250	198,000	192,500	187,000	181,500	176,000
Total State Funds	**11,861,089**	**11,500,776**	**11,260,567**	**11,020,359**	**10,780,150**	**10,539,941**
	Local Funds					
Property Taxes	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Interest earned 4 yr avg)	1,407	1,407	1,407	1,407	1,407	1,407
Enrollment Fees	178,600	178,600	178,600	178,600	178,600	178,600
Student records (5 yr Avg)	3,018	3,018	3,018	3,018	3,018	3,018
Out-of-state Resident (5yr avg)	12,939	12,939	12,939	12,939	12,939	12,939
Arizona Enrollment Fees	15,117	15,117	15,117	15,117	15,117	15,117
Misc Income	7,500	7,500	7,500	7,500	7,500	7,500
Total Local Funds	**1,356,678**	**1,356,678**	**1,356,678**	**1,356,678**	**1,356,678**	**1,356,678**
Total Revenues	**13,217,767**	**12,857,454**	**12,617,245**	**12,377,036**	**12,136,828**	**11,896,619**

*From proposed Governor's Budget and from School Services Dartboard

2013-14 Projected Expenses Scenario 1

Scenario 1 - Rollover with Current Negotiated Agreements + No Step Increase

Admin Salaries	472,736	472,736	472,736	472,736	472,736	472,736
Certificated Salaries	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503
Mgmt Salaries	711,347	711,347	711,347	711,347	711,347	711,347
Classified Salaries	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763
Benefits	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621
Supplies	91,311	91,311	91,311	91,311	91,311	91,311
Operating Expenses	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794
Capital Expenses	159,000	159,000	159,000	159,000	159,000	159,000
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,283,959	**12,283,959**	**12,283,959**	**12,283,959**	**12,283,959**	**12,283,959**
Difference	933,808	573,495	333,286	93,077	(147,131)	(387,340)

Scenario 2 shows that PVC goes into a deficit situation if the FTES dips below 1650.

2013-14 Projected Expenses Scenario 2

Scenario 2 - Rollover of with Current Negotiated Agreements (Includes Step Increases)

Admin Salaries	495,815	495,815	495,815	495,815	495,815	495,815
Certificated Salaries	3,188,488	3,188,488	3,188,488	3,188,488	3,188,488	3,188,488
Mgmt Salaries	738,023	738,023	738,023	738,023	738,023	738,023
Classified Salaries	1,183,824	1,183,824	1,183,824	1,183,824	1,183,824	1,183,824
Benefits	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177
Supplies	91,311	91,311	91,311	91,311	91,311	91,311
Operating Expenses	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794
Capital Expenses	159,000	159,000	159,000	159,000	159,000	159,000
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,514,315	**12,514,315**	**12,514,315**	**12,514,315**	**12,514,315**	**12,514,315**
Difference	703,451	343,138	102,930	(137,279)	(377,488)	(617,696)

Scenario 2 shows that PVC goes into a deficit situation if the FTES dips below 1700.

2013-14 Projected Expenses Scenario 3

Scenario 3 - Elimination of Currently Negotiated Agreements + No Step Increases

Admin Salaries	491,938	491,938	491,938	491,938	491,938	491,938
Certificated Salaries	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162
Mgmt Salaries	770,602	770,602	770,602	770,602	770,602	770,602
Classified Salaries	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397
Benefits	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177
Supplies	91,311	91,311	91,311	91,311	91,311	91,311
Operating Expenses	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794
Capital Expenses	159,000	159,000	159,000	159,000	159,000	159,000
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,516,265	**12,516,265**	**12,516,265**	**12,516,265**	**12,516,265**	**12,516,265**
Difference	701,502	341,189	100,980	(139,228)	(379,437)	(619,646)

Scenario 3 shows that PVC goes into a deficit situation if the FTES dips below 1700.

2013-14 Projected Expenses Scenario 4

Scenario 4 - Elimination of Currently Negotiated Agreements + Step Increases

Admin Salaries	515,976	515,976	515,976	515,976	515,976	515,976
Certificated Salaries	3,245,146	3,245,146	3,245,146	3,245,146	3,245,146	3,245,146
Mgmt Salaries	799,500	799,500	799,500	799,500	799,500	799,500
Classified Salaries	1,228,692	1,228,692	1,228,692	1,228,692	1,228,692	1,228,692
Benefits	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262
Supplies	91,311	91,311	91,311	91,311	91,311	91,311
Operating Expenses	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794	2,021,794
Capital Expenses	159,000	159,000	159,000	159,000	159,000	159,000
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,778,565	**12,778,565**	**12,778,565**	**12,778,565**	**12,778,565**	**12,778,565**
Difference	439,201	78,888	(161,320)	(401,529)	(641,737)	(881,946)

Scenario 4 shows that PVC goes into a deficit situation if the FTES dips below 1750.

Revenue Projections - 2014/2015						
			State Apportionment			
FTES	1,875	1,800	1,750	1,700	1,650	1,600
Basic Allocation						
Single College Allotment	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545
Rural College Allotment	553,591	553,591	553,591	553,591	553,591	553,591
Previous COLA	457,659	445,228	436,941	428,654	420,367	412,080
Needles Center Allotment	138,398	138,398	138,398	138,398	138,398	138,398
	4,471,193	4,458,762	4,450,475	4,442,188	4,433,901	4,425,614
Credit FTES (98% FTES) - $4564.83	8,387,875	8,052,360	7,828,683	7,605,007	7,381,330	7,157,653
NonCredit (2% FTES) - $2744.9578	102,936	98,818	96,074	93,329	90,584	87,839
Sub Total	12,962,004	12,609,941	12,375,232	12,140,524	11,905,815	11,671,106
*COLA - 2.3%	298,126	290,029	284,630	279,232	273,834	268,435
Total Computational Revenue	**13,260,130**	**12,899,970**	**12,659,863**	**12,419,756**	**12,179,649**	**11,939,542**
EPA (16.29% of Total)	2,160,075	2,101,405	2,062,292	2,023,178	1,984,065	1,944,951
Property taxes (Avg 5yrs)	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Enrollment Fees	207,378	207,378	207,378	207,378	207,378	207,378
General Fund Apportionment	9,754,580	9,453,090	9,252,096	9,051,103	8,850,109	8,649,116
State Apportionment	9,754,580	9,453,090	9,252,096	9,051,103	8,850,109	8,649,116
EPA Funds	2,160,075	2,101,405	2,062,292	2,023,178	1,984,065	1,944,951
PT Faculty	38,310	38,310	38,310	38,310	38,310	38,310
Lottery (Avg $110 / FTES)	206,250	198,000	192,500	187,000	181,500	176,000
Total State Funds	**12,159,215**	**11,790,805**	**11,545,198**	**11,299,591**	**11,053,984**	**10,808,377**
			Local Funds			
Property Taxes	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Interest earned 4 yr avg)	1,407	1,407	1,407	1,407	1,407	1,407
Enrollment Fees	207,378	207,378	207,378	207,378	207,378	207,378
Student records (5 yr Avg)	3,018	3,018	3,018	3,018	3,018	3,018
Out-of-state Resident (5yr avg)	12,939	12,939	12,939	12,939	12,939	12,939
Arizona Enrollment Fees	15,117	15,117	15,117	15,117	15,117	15,117
Misc income	7,500	7,500	7,500	7,500	7,500	7,500
Total Local Funds	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**
Total Revenues	**13,544,671**	**13,176,260**	**12,930,653**	**12,685,046**	**12,439,439**	**12,193,832**
*From School Services Financial Projection Dartboard						

2014-15 Projected Expenses Scenario 1						
Scenario 1 - Rollover with Current Negotiated Agreements + No Step Increases						
Admin Salaries	472,736	472,736	472,736	472,736	472,736	472,736
Certificated Salaries	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503
Mgmt Salaries	711,347	711,347	711,347	711,347	711,347	711,347
Classified Salaries	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763
Benefits	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621
Supplies	93,411	93,411	93,411	93,411	93,411	93,411
Operating Expenses	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295
Capital Expenses	162,657	162,657	162,657	162,657	162,657	162,657
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,336,217	**12,336,217**	**12,336,217**	**12,336,217**	**12,336,217**	**12,336,217**
Difference	1,208,454	840,043	594,436	348,829	103,222	(142,385)
Scenario 1 shows that PVC goes into a deficit situation if the FTES dips below 1600.						

2014-15 Projected Expenses Scenario 2

Scenario 2 - Rollover of with Current Negotiated Agreements (Includes Step Increases)

Admin Salaries	520,606	520,606	520,606	520,606	520,606	520,606
Certificated Salaries	3,281,731	3,281,731	3,281,731	3,281,731	3,281,731	3,281,731
Mgmt Salaries	767,544	767,544	767,544	767,544	767,544	767,544
Classified Salaries	1,188,931	1,188,931	1,188,931	1,188,931	1,188,931	1,188,931
Benefits	2,735,109	2,735,109	2,735,109	2,735,109	2,735,109	2,735,109
Supplies	93,411	93,411	93,411	93,411	93,411	93,411
Operating Expenses	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295
Capital Expenses	162,657	162,657	162,657	162,657	162,657	162,657
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,898,169	**12,898,169**	**12,898,169**	**12,898,169**	**12,898,169**	**12,898,169**
Difference	646,502	278,092	32,485	(213,122)	(458,729)	(704,336)

Scenario 2 shows that PVC goes into a deficit situation if the FTES dips below 1700.

2014-15 Projected Expenses Scenario 3

Scenario 3 - Elimination of Currently Negotiated Agreements + No Step Increases

Admin Salaries	491,938	491,938	491,938	491,938	491,938	491,938
Certificated Salaries	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162
Mgmt Salaries	770,602	770,602	770,602	770,602	770,602	770,602
Classified Salaries	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397
Benefits	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177
Supplies	93,411	93,411	93,411	93,411	93,411	93,411
Operating Expenses	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295
Capital Expenses	162,657	162,657	162,657	162,657	162,657	162,657
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,568,523	**12,568,523**	**12,568,523**	**12,568,523**	**12,568,523**	**12,568,523**
Difference	976,148	607,738	362,131	116,524	(129,083)	(374,690)

Scenario 3 shows that PVC goes into a deficit situation if the FTES dips below 1650.

2014-15 Projected Expenses Scenario 4

Scenario 4 - Elimination of Currently Negotiated Agreements + Step Increases

Admin Salaries	536,615	536,615	536,615	536,615	536,615	536,615
Certificated Salaries	3,338,389	3,338,389	3,338,389	3,338,389	3,338,389	3,338,389
Mgmt Salaries	831,480	831,480	831,480	831,480	831,480	831,480
Classified Salaries	1,274,154	1,274,154	1,274,154	1,274,154	1,274,154	1,274,154
Benefits	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262
Supplies	93,411	93,411	93,411	93,411	93,411	93,411
Operating Expenses	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295
Capital Expenses	162,657	162,657	162,657	162,657	162,657	162,657
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	13,022,147	**13,022,147**	**13,022,147**	**13,022,147**	**13,022,147**	**13,022,147**
Difference	522,523	154,113	(91,494)	(337,101)	(582,708)	(828,315)

Scenario 4 shows that PVC goes into a deficit situation if the FTES dips below 1750.

Revenue Projections- 2015/2016						
State Apportionment						
FTES	1,875	1,800	1,750	1,700	1,650	1,600
Basic Allocation						
Single College Allotment	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545	3,321,545
Rural College Allotment	553,591	553,591	553,591	553,591	553,591	553,591
Previous COLA	755,785	735,257	721,572	707,886	694,201	680,516
Needles Center Allotment	138,398	138,398	138,398	138,398	138,398	138,398
	4,769,319	4,748,791	4,735,106	4,721,420	4,707,735	4,694,050
Credit FTES (98% FTES) - $4564.83	8,387,875	8,052,360	7,828,683	7,605,007	7,381,330	7,157,653
NonCredit (2% FTES) - $2744.9578	102,936	98,818	96,074	93,329	90,584	87,839
Sub Total	13,260,130	12,899,970	12,659,863	12,419,756	12,179,649	11,939,542
*COLA - 2.5%	331,503	322,499	316,497	310,494	304,491	298,489
Total Computational Revenue	**13,591,633**	**13,222,469**	**12,976,359**	**12,730,250**	**12,484,140**	**12,238,030**
EPA (16.29% of Total)	2,214,077	2,153,940	2,113,849	2,073,758	2,033,666	1,993,575
Property taxes (Avg 5yrs)	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Enrollment Fees	207,378	207,378	207,378	207,378	207,378	207,378
General Fund Apportionment	10,032,081	9,723,054	9,517,035	9,311,017	9,104,999	8,898,980
State Apportionment	10,032,081	9,723,054	9,517,035	9,311,017	9,104,999	8,898,980
EPA Funds	2,214,077	2,153,940	2,113,849	2,073,758	2,033,666	1,993,575
PT Faculty	38,310	38,310	38,310	38,310	38,310	38,310
Lottery (Avg $110 / FTES)	206,250	198,000	192,500	187,000	181,500	176,000
Total State Funds	**12,490,718**	**12,113,304**	**11,861,694**	**11,610,085**	**11,358,475**	**11,106,865**
Local Funds						
Property Taxes	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097	1,138,097
Interest earned 4 yr avg)	1,407	1,407	1,407	1,407	1,407	1,407
Enrollment Fees	207,378	207,378	207,378	207,378	207,378	207,378
Student records (5 yr Avg)	3,018	3,018	3,018	3,018	3,018	3,018
Out-of-state Resident (5yr avg)	12,939	12,939	12,939	12,939	12,939	12,939
Arizona Enrollment Fees	15,117	15,117	15,117	15,117	15,117	15,117
Misc Income	7,500	7,500	7,500	7,500	7,500	7,500
Total Local Funds	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**	**1,385,456**
Total Revenues	**13,876,174**	**13,498,760**	**13,247,150**	**12,995,540**	**12,743,931**	**12,492,321**

*From School Services Financial Projection Dartboard

2015-16 Projected Expenses Scenario 1

Scenario 1 - Rollover with Current Negotiated Agreement + No Step Increases

Admin Salaries	472,736	472,736	472,736	472,736	472,736	472,736
Certificated Salaries	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503	3,093,503
Mgmt Salaries	711,347	711,347	711,347	711,347	711,347	711,347
Classified Salaries	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763	1,151,763
Benefits	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621	2,502,621
Supplies	95,746	95,746	95,746	95,746	95,746	95,746
Operating Expenses	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002
Capital Expenses	166,723	166,723	166,723	166,723	166,723	166,723
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,394,326	**12,394,326**	**12,394,326**	**12,394,326**	**12,394,326**	**12,394,326**
Difference	1,481,848	1,104,434	852,824	601,215	349,605	97,995

Scenario 1 shows that PVC maintains a non-deficit Budget.

2015-16 Projected Expenses Scenario 2

Scenario 2 - Rollover of with Current Negotiated Agreement (Includes Step Increases)

Admin Salaries	541,430	541,430	541,430	541,430	541,430	541,430
Certificated Salaries	3,366,082	3,366,082	3,366,082	3,366,082	3,366,082	3,366,082
Mgmt Salaries	798,246	798,246	798,246	798,246	798,246	798,246
Classified Salaries	1,224,599	1,224,599	1,224,599	1,224,599	1,224,599	1,224,599
Benefits	2,735,109	2,735,109	2,735,109	2,735,109	2,735,109	2,735,109
Supplies	95,746	95,746	95,746	95,746	95,746	95,746
Operating Expenses	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002
Capital Expenses	166,723	166,723	166,723	166,723	166,723	166,723
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	13,127,822	**13,127,822**	**13,127,822**	**13,127,822**	**13,127,822**	**13,127,822**
Difference	748,352	370,937	119,328	(132,282)	(383,892)	(635,501)

Scenario 2 shows that PVC goes into a deficit situation if the FTES dips below 1700.

2015-16 Projected Expenses Scenario 3

Scenario 3 - Elimination of Currently Negotiated Agreements + No Step Increase

Admin Salaries	491,938	491,938	491,938	491,938	491,938	491,938
Certificated Salaries	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162	3,150,162
Mgmt Salaries	770,602	770,602	770,602	770,602	770,602	770,602
Classified Salaries	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397	1,195,397
Benefits	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177	2,556,177
Supplies	95,746	95,746	95,746	95,746	95,746	95,746
Operating Expenses	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002	2,120,002
Capital Expenses	166,723	166,723	166,723	166,723	166,723	166,723
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	12,626,632	**12,626,631**	**12,626,631**	**12,626,631**	**12,626,631**	**12,626,631**
Difference	1,249,542	872,128	620,519	368,909	117,299	(134,310)

Scenario 3 shows that PVC goes into a deficit situation if the FTES dips below 1600.

2015-16 Projected Expenses Scenario 4

Scenario 4 - Elimination of Currently Negotiated Agreements + Step Increases

Admin Salaries	558,080	558,080	558,080	558,080	558,080	558,080
Certificated Salaries	3,422,787	3,422,787	3,422,787	3,422,787	3,422,787	3,422,787
Mgmt Salaries	864,739	864,739	864,739	864,739	864,739	864,739
Classified Salaries	1,312,379	1,312,379	1,312,379	1,312,379	1,312,379	1,312,379
Benefits	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262	2,637,262
Supplies	93,411	93,411	93,411	93,411	93,411	93,411
Operating Expenses	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295	2,068,295
Capital Expenses	162,657	162,657	162,657	162,657	162,657	162,657
Categorical Matches	464,884	464,884	464,884	464,884	464,884	464,884
COP	855,000	855,000	855,000	855,000	855,000	855,000
SERP	760,000	760,000	760,000	760,000	760,000	760,000
	13,199,494	**13,199,494**	**13,199,494**	**13,199,494**	**13,199,494**	**13,199,494**
Difference	676,680	299,265	47,656	(203,954)	(455,564)	(707,173)

Scenario 4 shows that PVC goes into a deficit situation if the FTES dips below 1700.

The CBO and college staff are to be commended for the thoughtful and diligent provision of customized tables for use when planning alternative fiscal options. The revenue and budget projections are not only representative of Palo Verde College's diligent efforts in planning for nearly any FTES or revenue scenario, it also demonstrates that the College is looking ahead to the FTES implications imposed by Prop 30/EPA full workload reduction implementation in 7 years. These revenue and budget projections are being used as a part of the 2013-14 development budget process as well as will be used in contract negotiations as a good faith effort in transparently presenting all budget implications, resulting in decisions that actually reflect the fiscal situation. In addition, now that the templates have been designed for this purpose, the data will be maintained and used year-to-year for planning purposes in the future.

Continued Response to Commission Letter:

1. A comprehensive analysis of the long-range budget plan to resolve financial issues (such as deficit reduction, revenue enhancement, OPEB financing, debt repayment (Certificates of Participation – COP, Supplemental Early Retirement Plan – SERPs, and similar instruments). Specifically, clarification is needed for the choices the College has made to address the College plan for long-range stability with regard to addressing current debt service and restructuring of the COPs.

1. Status of Deficit Reduction & Restructuring the COP Debt

Status: Completed with on-going monitoring

Response:

TWO MAJOR AREAS OF LONG-TERM DEBT:

1) SERP Payments (Early Retirement Incentive): $766,366 is budgeted annually to cover the costs associated with the early retirement plans and these obligations end in spring, 2016. In 2016-17 and thereafter, $766,366 will continue to be budgeted to apply towards COP payments.

2) COP Payments: The more costly long-term debt is associated with the COP payments. The annual COP payment is approximately $2,350,000 (varies slightly each year based on interest adjustments). The table below outlines the current COP debt.

July 2008	$31,995,000 District issued COPs to refinance original $18.6 million of the COPs
January 1, 2037	Final payoff date for a total of $60,449,063 paid over 25 years
Annual Cost	Average annual debt service: $2,318,000/year
Current Interest Rates	4.00% - 5.5% $28,454,063 in total interest

IF NOTHING IS DONE to restructure the COP debt, the institution has the funds for the COP payments identified and protected through 2028 as shown in the chart on the following page. The COP payment from 2012 through 2015 is made from the $855,000 budgeted from the General Fund plus $1,495,000 from the LAIF/Capital Fund account.

From 2016 through 2028, if the COPs were not restructured, purchased, or refinanced (although not the plan), the College would continue to budget $766,366 (from what were the SERP dollars) and $855,000 that is currently budgeted for COP payments, totaling $1,621,366. These funds would be added to $740,900 from the LAIF/Capital Fund to make the annual payment. The table on the following page serves as the *base* debt obligation for planning purposes and demonstrates the College's recognition that it clearly understands how long its current LAIF/Capital funds will last to address the debt. The table lists the year-by-year COP debt and where the funds are currently budgeted to cover the debt.

PVC COP DEBT OBLIGATIONS & CURRENT FUNDING PLAN WITHOUT RESTRUCTURING

YEAR	COP PAYMENT	$14,490,726 LAIF/ ($13,070,726 Unused COPs and $1,520,000 Unused Capital Funds)	SIMPLIFIED GENERAL FUND SAVINGS TOWARDS FUTURE COP DEBT	SPENDING DOWN LAIF ACCOUNT
2012	$1,664,350	0	$855,000	$14,490,726
2013	$2,354,350	$1,499,350	$855,000	$12,991,276
2014	$2,351,750	$1,497,750	$855,000	$11,493,526
2015	$2,353,150	$1,498,150	$855,000	$9,995,376
2016	$2,355,900	$740,900	$760,000 + $855,000	$9,254,476
2017	$2,349,278	$734,278	$760,000 + $855,000	$8,520,198
2018	$2,349,278	$734,278	$760,000 + $855,000	$7,785,920
2019	$2,349,277	$734,277	$760,000 + $855,000	$7,051,643
2020	$2,349,277	$734,277	$760,000 + $855,000	$6,317,366
2021	$2,349,278	$734,278	$760,000 + $855,000	$5,583,088
2022	$2,354,050	$739,050	$760,000 + $855,000	$4.844,038
2023	$2,354,050	$739,050	$760,000 + $855,000	$4,104,988
2024	$2,354,050	$739,050	$760,000 + $855,000	$3,362,938
2025	$2,354,050	$739,050	$760,000 + $855,000	$2,623,888
2026	$2,354,050	$739,050	$760,000 + $855,000	$1,884,838
2027	$2,350,465	$735,465	$760,000 + $855,000	$1,149,373
2028	$2,350,465	$735,465	$760,000 + $855,000	$413,908
2029	$2,350,465	$735,465	$760,000 + $855,000	($321,557)
2030	$2,350,465	$735,465	$760,000 + $855,000	($735,465)
2031	$2,350,465	$735,465	$760,000 + $855,000	($735,465)
2032	$2,349,590	$734,590	$760,000 + $855,000	($734,590)
2033	$2,349,590	$734,590	$760,000 + $855,000	($734,590)
2034	$2,349,590	$734,590	$760,000 + $855,000	($734,590)
2035	$2,349,590	$734,590	$760,000 + $855,000	($734,590)
2036	$2,349,590	$734,590	$760,000 + $855,000	($734,590)
2037	$2,352,650	$737,650	$760,000 + $855,000	($737,650)
	$60,449,063			

As reported in the April 2012 Special Report and in the October 2012 Follow-Up Report to the Commission, the College has no issues in making its short and long-term debt obligations through 2028, however, a conscientious plan for addressing the debt that goes beyond 2028 has been developed and approved. The plan reduces the actual debt obligation.

COP Debt Mitigation

Evidence that Palo Verde College has diligently assessed options, is demonstrated through the study and report that Magis Advisors, Public Financing Advisors, completed for the College in May 2012 (Appendices 4c) to project the outcome of various COP restructuring options. The table on page 26 outlines the impact on the College's COP debt using the various outlined scenarios.

The options directly related to the COP debt included:

1) **Refinancing**: Column (3) on the following page shows the impact of only completing a refinance scenario which results in a COP debt decrease from $58,785 million to $38,851million.

2) **Buying-back of COPs** from the investors: When the College does a "call" of the COPs in 2016 (which is the earliest we are permitted to do so) as shown in Column (4), the debt lowers by $37,137million.

3) **Defeasance** (a provision that voids a bond or loan when the borrower sets aside cash or bonds sufficient enough to service the borrower's debt which legally extinguishes the debt): Columns (5) and (6) reflect remaining debt after defeasing $11.3 million or $12.7 million respectively to $35,153million or $32, 296million.

Each option alone results in variations of COP debt reduction and if combined, results in even greater reductions. Since the College is already budgeting over $1.6 million annually, the importance of this study is to demonstrate that there are viable cost-effective options that significantly reduce the COP debt obligation long-term, making it feasible for the College to maintain and make advancements in the areas of instructional, student service, and operational integrity, and living within its budget while making payments with funds already available.

The Board's Finance & Audit Committee reviewed and approved the Debt Mitigation Plan and its submittal to the Board as a whole at their October, 2012 meeting. At the November 13, 2012 Board of Trustees meeting, Mr. Tim Schaefer from Magis Financial Advisors, and CM Brahmbhatt (external financial consultant), having reviewed the plan as shown below, made a presentation to the Board. Careful scrutiny took place to review the projections to ensure that the plan was viable. The Debt Mitigation Plan as submitted was approved by the Board at their December 11, 2012 meeting (Agenda and Minutes of this meeting will be available in the Visitation Room for the Accreditation Team to view).

The plan is to "call" the COPs in 2016 (the earliest allowable time) and then refinance the remaining debt, further decreasing the debt obligation which will give relief to the College's General Fund budget, freeing up dollars for program improvement and other institutional one-time and on-going needs. Option IV as selected, results in a shortfall of $125,000 which needs to be identified prior to 2016. One of the options includes committing a portion of any COLA received towards this eventual shortfall, securing the funds prior to 2016.

Palo Verde Community College District 2012-2037 COP Debt Mitigation Plan
As approved by the Board of Trustees on December 11, 2012

The following plan has been reviewed by the College's financial advisor through Magis Financial Advisors and by the College's financial consultant, C.M. Brahmbhatt; approved by the Board's Finance and Audit Committee, and submitted for review to the Budget Committee and College Council as follows:

1. The College will continue to provide $855,000 annually for the COP debt payment beginning in 2011 from the General Fund.

2. The College will provide an additional $766,000 annually (as originally budgeted to address SERP payments) for the COP debt payment from 2016 through 2037 from the General Fund.

3. The College will reserve from the LAIF account beginning January, 2013, $350,000 to be identified and reserved for capital projects as the facilities begin to age and deferred maintenance needs arise. Interest income generated from the LAIF account or through unanticipated interest revenue will be re-directed into this capital account to maintain capital and maintenance stability.

4. Unanticipated annual revenue will be re-directed, as Board approved, to an account preserved for "debt service" to reduce or help reduce future annual COP debt shortfalls.

5. Four options currently exist, were based on and took into consideration the state of the economy, interest rates, and the state of the California education and financial situation:
    a. Option I – ***Do Nothing*** and maintain the current $60,449,000 debt as obligated resulting in a shortfall of approximately $735,000 annually from 2027 – 2037.
    b. Option II – ***Refinance the COP Debt Now*** with the result of having shortfalls beginning in 2026 of over a million dollars annually and realizing total debt of $67,267,000 (negative arbitrage).
    c. Option III - ***Refinance the COP Debt in 2016*** with the result of having shortfalls beginning in 2027 of approximately annually and realizing total debt of $61,135,000.
    d. Option IV – ***Refinance the COP Debt in 2016 and Apply the Remaining LAIF/Capital (excluding $350,000 reserved for capital maintenance/ projects) Funds to Buy Down the COP Principle*** resulting in an annual shortfall of approximately $125,000 and an overall debt of $47,600,000.

6. Maintain on-going monitoring of economic trends, indicators, interest rates, consultation with financial experts, and other components which could positively or negatively impact any of the listed options, or result in the creation of a new option, with the capability of adjusting the plan as needed.

7. The Board of Trustees will review the options no less than annually, update the plan options, and adjust the plan if deemed beneficial to the institution.

8. The Board's Finance and Audit Committee will develop a Debt Policy during spring 2013 to ensure the conditions and criteria under which the Board accepts additional debt in the future.

9. The Board accepted Option IV as the preferred plan to-date based on the data and information provided.

COP RESTRUCTURING OPTIONS – NOVEMBER, 2012

	Option 1 Do Nothing	Option 2 Refinance Now	Option 3 Refinance in 2016	Option 4 Purchase COPs & Refinance in 2016
Now thru 2016	$2,352,000 paid thru LAIF & GF	Through 2022 $2,637,000 (est.) paid thru LAIF & GF	$2,370,000 (est.) paid thru LAIF & GF	$2,352,000 paid thru LAIF & GF
2017 -2025 Approximate Annual Payments	$2, 350,000 paid thru LAIF & GF	n/a	$2,370,000 (est.) paid thru LAIF & GF	$ 1,740,000 paid thru LAIF & GF with a shortfall of about $123,000 annually

n/a	n/a	$2,633,000 in 2023 paid thru LAIF and GF with a shortfall of $580,000 and a shortfall of $1,018,000	n/a	n/a
2026 Approximate Annual Payments	$2,354,000 paid thru LAIF & GF with a shortfall of $347,000	$2,638,000 (est.) paid thru LAIF & GF with a shortfall of approximately $1,023,000	$2,388,000 paid thru LAIF & GF with a shortfall of $291,000	$ 1,740,000 paid thru LAIF & GF with a shortfall of approximately $123,000
2027 Approximate Annual Payments	$2,351,000 paid thru LAIF & GF with a shortfall of $347,000	$2,635,000 (est.) paid thru LAIF & GF with a shortfall of approximately $1,020,000	$2,385,000 paid thru LAIF & GF with a shortfall of $770,000	$ 1,740,000 paid thru LAIF & GF with a shortfall of approximately $123,000
2028	$2,351,000 paid thru LAIF & GF with a shortfall of $734,000	$2,634,000 (est.) paid thru LAIF & GF with a shortfall of approximately $1,019,000	$2,383,000 paid thru LAIF & GF with a shortfall of $768,000	$ 1,740,000 paid thru LAIF & GF with a shortfall of approximately $123,000
2029 – 2037 Approximate Annual Payments	$2,351,000 paid thru LAIF & GF with a shortfall of $1,500,000 annually	$2,636,000 (est.) paid thru LAIF & GF with a shortfall of approximately $1,021,000 annually	$2.381.000 (est.) paid thru LAIF & GF with a shortfall of approximate $767,000 annually	$ 1,740,000 paid thru LAIF & GF with a shortfall of approximately $123,000 annually
COP Debt Over 25 yrs	**$60,449,000**	**$67,267,000 est.**	**$61,135,000 est.**	**$47,600,000 est.**

In addition to the approved Debt Mitigation Plan, Magis Advisors has been asked to recalculate the scenarios taking into consideration FTES declines. If that were to occur, the plan would include taking the $855,000 of General Fund money that is currently dedicated to COP debt payments, and temporarily diverting the payments in total to the LAIF/Capital Fund for the next 2 years, including the repayment of the borrowed funds over the next 8 ½ years. The impact on the Debt Mitigation Plan under the worst situation has not yet been completed but is anticipated to be available for review by the Visitation Team.

Palo Verde College has demonstrated that it has conducted thorough COP Debt management budget planning efforts and that even under the worst scenario, can maintain a viable budget that meets Accreditation and Chancellor's Office requirements.

Evidence: Magis letter; Magis Report; Updated Debt Mitigation Tables based on FTES shortfalls

1. *Status of* *OPEB Financing*

Status: In Compliance for 2013-14 and thereafter

Response: PVC understands the GASB requirements associated with making annual OPEB payments and has this as a budgeted item for 2013-14 and future years as an on-going expenditure. However, the College believes that the $125,000 OPEB commitment overestimates its actual obligations and has hired an actuarial consultant to review and calculate the actual payment required. The report from the OPEB actuarial study is anticipated by the end of the fiscal year.

Evidence: Appendices 13, Actuarial Study Contract

1. *Status of* *Revenue Enhancement*

Status: On-Going Discussion and Planning

Response: The College has discussed at various Budget Committee meetings, options and opportunities for revenue enhancement as shown in the tables below. Although viable, in most cases, additional funding is needed to generate new sources of income and at the present time, those dollars are not available. Opportunities for employees to attend grant-writing training have been offered with limited interest.

Status of New Sources of Revenue Discussions:

ONLINE DEGREE PROGRAM – Some glitches but progress is being made
RAFFLE – being completed for special events but not a significant source of new income
SILENT AUCTION - being completed for special events but not a significant source of new income
SURPLUS SALES – calendared for February, 2013 with proceeds going to M&O supplies and materials budget
SALE OF PROPERTY – SPRING STREET / CHANSLORWAY LOT: Underway

Areas for Feasibility Assessment • Grants • International Students • Package what we have for targeted population - Snowbirds • Civic Center Rentals • Fitness / Wellness Center and public access • Materials Fee • Movie Nights / Movie Event	• Referred to Foundation Bingo (targeted to Snowbirds) Swap Meet Gala • FTES Generating Summary [referred to Enrollment Management Committee] On-Line Degree College Night Marketing/Outreach Evening Day Care Career Day Community Workshops

The Board is in the process of attempting to sell a building in Blythe which could generate significant unanticipated income. The 1st bid deadline was March 12 and there was a single offer. The Board is following Education and Government Code for the sale of one of this building and the 2nd bid deadline is April 9, 2013 at 4pm. Income generated from the sale of this property per Ed. Code will be used for future capital projects.

Some progress has been made in writing and being awarded grants. The College was awarded a $25,000 grant from Southern California Edison as seed monies for events and programs in the newly opened Fine & Performing Arts Center. Partnerships are being designed to promote and enhance cultural arts (dance, music, theater, guest speakers, etc.) with the plan that SCE will support the Center in upcoming years.

PVC has also been included in a national Kaleidoscope (on-line degrees) grant as a partner with other community colleges and baccalaureate institutions for the enhancement of on-line education as funded through the Gates Foundation.

PVC was notified on March 14, 2013 that it's American Association of Community College's PLUS 50 grant application has been funded to afford training and educational opportunities for the over-50 senior population.

The College also submitted a grant for $57,743.52 for two baby grand pianos, required for musical and theatrical performances in the Fine & Performing Arts Center to Blythe's Community Improvement Fund.

Progress has been made to generate new sources of income as described but a dedicated office and staff to sustain these efforts continues to be a need.

Evidence: Budget Committee minutes & agendas, fall 2012 and spring 2013; All of the legal documents regarding the sale of property are on the College's web site and will be available in a binder for the Visitation Team; evidence of grant awards is included in Appendices 3e.

2a. A progress report and evidence of action is needed to verify that the College has addressed a long-range plan to resolve its <u>50% law</u> deficiency.

Status: In Compliance

Response: The College is in full compliance of the 50% Law. As noted in Appendices 6, Palo Verde College submitted and was approved for waiver to the 50% Law at the March 4, 2013 Board of Governor's meeting. PVC shall submit a plan to the Chancellor's Office by June 30, 2013 stating how it will comply with the requirements of the Fifty Percent Law in the future. Since the College is currently exceeding the 50% Law, and plans to hire 2-3 new faculty are underway, no issues related to 50% Law non-compliance are anticipated in the future.

For 2012-13, two counselors were permanently transferred to instruction with the option of moving back into counseling at a time when a counseling vacancy occurs or when the administration determines that their appointment is no longer necessary to maintain 50% law compliance. One classified employee and one manager were also temporarily transferred to instruction to ensure 50% Law compliance for 2012-13. Both will return to their regular classified positions at the end of the spring semester. A list of new faculty hires resulting from Program Review Snapshots are being presented to the Academic Senate for prioritization. It is anticipated that two or three new full-time faculty will be hired for fall 2013 to meet instructional programmatic needs resulting in maintaining 50% Law compliance in the future. Meetings with the Budget Committee, College Council, the Academic Senate, CTA, and the Board have occurred to solidify the College's commitment to backfilling future instructional vacancies to ensure on-going compliance with the 50% law. The CBO is skilled in monitoring expenditures and recalculations to ensure on-going compliance with the 50% Law and is now recognized statewide as a resource in this area.

Evidence: The College is currently meeting the 50% Law at approximately 52%. The hiring of 2-3 additional full-time faculty is evidence of the College's commitment to maintain compliance to the 50% Law and program integrity in areas of need. The College also anticipates exceeding its 1811 base FTES which will also have a positive impact on the 50% Law because additional adjunct faculty have been hired to meet this need. Appendices 6 also includes the College's request for waiver of the 2011-12 50% Law as submitted to the Board of Governors for its March 4, 2013 meeting.

2b Clarification is needed from the College with regard to maintaining a 5% Reserve and should provide a plan for sustaining adequate reserve cash flow.
Status: In Compliance with On-Going Plans to Increase the Board's Reserve

Response: The Budget Committee, the Board's Finance & Audit Committee, and the Board of Trustees are committed to maintaining no less than 5% Board Reserve and to increasing its Board Reserve over time. The College's Board Reserve in 2011-12 was less than 5%. The College has demonstrated its commitment to maintaining and increasing its Board Reserve by having a 9.72% Reserve for 2012-13. The effort to increase the Board's Reserve remains a Board priority. The Board's Finance & Audit Committee is reviewing administration's proposal to identify no less than $50,000 annually to add to the Board's Reserve as a method to reach 12% over time.

Evidence: As shown in Appendices 7, the current Board Reserve is 9.72%. Additional evidence will be made available to the visitation team as follows: Board Finance & Audit Committee Minutes and Agenda, Board Budget Workshop Powerpoint Presentations, Budget Committee Minutes

2c. It is unclear that the College has the ability to participate in short-term borrowing through a TRANS.
Status: Eligible to Participate in TRANS, if Needed

Response: PVC participated in short-term TRANS in 2011-12 and in 2012-13. Due to State deferrals, PVC was eligible to borrow TRANS until State revenue was received. However, the Board has since authorized the College not to use TRANS to avoid payment of the large interest fees associated with using TRANS (thus saving college funds) with the understanding that the College will repay any borrowed funds (from itself) immediately upon receipt of State funds. For 2011, the College's rating for purposes of TRANS eligibility was SP+1 although the College was downgraded from Series A to C because of the difficulty in selling the TRANS due to our previous financial situation, resulting in the College paying a higher interest rate in 2011. However, for 2012-13, our eligibility remained at SP+1 and was raised to Series A-2 demonstrating greater confidence in our financial stability. The College does not anticipate a change regarding its ability to participate in short-term borrowing through a TRANS.

Evidence: A copy of the TRANS ratings letter for approval for short-term borrowing and TRANS rating report are included in Appendices 8a and 8b. Appendices 8c, 8d, and 8e include the Board Resolutions to borrow funds from ourselves to avoid paying the interest fees associated with using TRANS.

3. *A follow-up report is needed that addresses the College's (future) plans for Utility Cost Control. The College has initiated a variety of actions to reduce utility costs including the partial closure of the College for two, two-week periods. This will include two weeks in July 2012 and two weeks in June 2013. Classified staff have been granted an additional 20 days of floating holidays per year which must be taken during these closures. The financial liability of additional paid time off should be clarified within the College's sustainability planning. Were the additional holidays implemented and what is the long-term impact for financial sustainability?*

Status: Sustaining Utility Cost Controls and Functioning without Financial Liability

Response: The College apologizes for the confusion related to the floating holidays and college closures. Palo Verde College closed for two weeks in July 2012. Two weeks is equivalent to 4% in salary. Rather than "furlough" the 10 days in July, 2012 without pay, the District negotiated with CSEA a 3.85% salary reduction and included 10 mandated floating holidays for the 2 weeks in July when the College was closed. Similarly, through the Meet-and-Confer process with management, an 8.33% salary reduction occurred and they were required to take 2 weeks in July 2012 and another 10 days any other time as approved in 2012-13. There is no on-going financial liability associated with the 2 week closure or the "floating holidays" because the overall 3.58% and the 8.33% salary reductions covered, and continues to cover the costs. In conferring with Riverside Office of Education, the recommendation was to term the time off as "floating holidays" meaning that the % of salary reduction for both classified staff and managers and resulting time off is in essence, without pay. Neither group wanted to use the term "furlough" and therefore settled for the equivalent salary reduction and the designation of "floating holidays".

The possible 2-week mandated closure in June 2013 as a budget reduction measure (to address the deficit that would have occurred should Prop 30 not passed) was not deemed necessary and therefore will not occur.

Regarding future plans for Utility Cost Control, the College is maintaining the efforts initiated in the spring 2012, resulting in the sustainability of utility costs and energy savings:

- Increased/decreased HVAC thermostat (set at no lower than 82° in the summer for less air utilization and no higher than 68° in the winter for less heat utilization)
- Systematic HVAC shut-off /turn-on cycles during the regular academic year (4pm shut-off on Fridays and 6am turn-on Mondays; shut-off weeknights at 9:30pm)
- Systematic HVAC shut-off /turn-on cycles during non-student/faculty attendance and summers (1:55pm shut-off on Monday-Thursday and 6am turn-on except for Fridays, Saturdays, and Sundays during the summer to avoid peak period assessments)
- Retrofits and modifications to chillers, water valves, and HVAC system for increased efficiencies
- Complete shut-down during winter break and any other closed periods as identified
- Consolidation of staff into one air conditioned building during summer months to allow for complete shut-down of HVAC to all other buildings
- Mandated 1 or 2 week closures may occur as negotiated and if needed
- Utilization of recommendations made by Southern California Edison's Energy Audit as deemed appropriate

Evidence: The negotiated classified MOU; the Management/Confidential employee Meet-and-Confer Agreement (Appendices 9a, 9b, and 9c); Appendices 3, Utility data.

4. *Additional information is needed to assess the financial liability associated with any pending litigation. The College is pursuing litigation with the companies involved in the construction projects that resulted in the use of the COPs to complete the projects. The Performing Arts Center which was part of this project has not yet been released by the Division of the State Architect and is not yet available for use by the College.*

Status: All but one litigation have been resolved. The Performing Arts Center has been cleared by the Division of the State Architect and is fully operational.

Response: The College was notified in mid-fall 2012 that the judge upheld the District's position regarding it not being liable for the construction company's and bonding agency's bankruptcy and that case was settled and closed shortly thereafter. The College also was notified in late fall 2012 that the court upheld a personnel termination that had been in litigation for over 2 years. That case has now been closed. The College settled a third legal matter, receiving $100,000 as the settlement.

The College remains as a claimant associated with the bankruptcy of the bonding company for the construction of the Performing Arts Center in which the College is seeking reimbursement for damages but is not in litigation. It is anticipated that the fees associated with this claim, if any, will be reasonable and within a standard budget for legal expenses. The bankruptcy hearings should occur during the spring semester 2013 and the College is hopeful the matter will be resolved 2013.

Regarding the Performing Arts Center, modifications were completed to satisfy the Division of the State Architect and the building was cleared and operational mid-October, 2012.

Regarding one personnel item, the judge voted in favor of the College to uphold a faculty member's termination. The College was notified on March 25, 2013 that the faculty member has now submitted the claim for appeal. Legal counsel is preparing documents now for the appeal and this will involve additional legal resources, although budgeted, was not anticipated.

In a second personnel situation, the College received $100,000 as a settlement to close out a claim.

Evidence: Appendices 10a, b, c, and d: Letter from the State Architect releasing the FPAC; Board action to settle the litigation; Letter from legal counsel regarding personnel matter being upheld; and personnel settlement letter.

5. *Additional information is needed to assess the impact of any contract settlements with bargaining units. The College has entered into a Memorandum of Understanding with its unions to realize cost reductions short term. Some of these reductions would have major impacts on the budget and many are either pending or in process and the level of impact has not yet been assessed.*

Status: Negotiations Regarding the 2012 MOU for Short-Term Cuts will Occur Late Spring

Response: The District plans to negotiate with CTA and with CSEA regarding the status of the 2012-13 agreement and other considerations later this spring as FTES and State budget data is more reliable. Meetings have been held with all staff demonstrating that the 2012-13 budget was balanced with the negotiated concessions and that if the agreements that were previously agreed to are eliminated, new cuts will have to be made to restore the over $500,000 that was saved to balance the 2012-13 budget.

Assuming the College reaches its 1811 FTES base target, there may be adjustments negotiated addressing some or all of the previous cuts through COLA. As noted previously, the College is developing FTES apportionment scenarios for the next 3 years. CTA, CSEA, and management/confidential employees clearly understand that should the College not reach its 1811 base FTES that the previous agreement, or a modification which totals the dollars saved initially, will need to be re-negotiated until such a time that the budget is stable.

Evidence: FTES Apportionment Short-Fall Planning as noted in this report.

6. Additional information is needed to support that the College has a plan to sustain its efforts to improve the fiscal and fiduciary responsibility of Leadership and Governance of the Institution.

Status: In Compliance and On-Going Commitment

Response: Palo Verde College's Board of Trustees and constituent leadership groups understand their role in reviewing, developing, and managing the financial resources of the institution. On-going dialog, Board communications relevant to budget issues, and Special Board meetings have and will continue. As noted in the October 24, 2012 Follow-Up Report to the Commission, as evidence of their efforts, the Board's financial responsibilities have now been included in the Board's Performance Goals (Appendices 11a), the Board's Institutional Goals (Appendices (11b), and in the CEO's Goals (Appendices 11c). Additional financial reports of a detailed nature (cash flow, purchase orders and warrants, budget expenditure data, etc.) is reviewed with the Board monthly as a regular component of the CBO's report whereby there are opportunities for questions and dialog.

Board members understand that they are responsible for establishing policies to assure the quality, integrity, and effectiveness of the student learning programs and services and the financial stability of the institution. They have initiated the Board's Finance & Audit Committee that meets approximately four times a year, to monitor financial matters and to ensure that financial policies and procedures are up-to-date. The Finance Committee has met twice and is scheduled to meet April 25, 2013. The tentative agenda for this meeting is included in Appendices 12.

The Board further understands they have ultimate responsibility for educational quality, legal matters, and the financial integrity of the institution. Additional study sessions and training are regularly held regarding budget issues to ensure their understanding of budget matters that come before them for vote. Each Board member has been provided with a Board Training Binder which is used at each Study Session and which is a compilation of materials and documents with a majority being dedicated to budget training. The following budget study sessions have been calendared through August 2013:

Board of Trustees Budget Study Sessions /Special Meetings Calendar

February 21, 2013	Contract Negotiations and Fiscal Implications
March 5, 2013	2013-14 Development Budget Process
May 28, 2013	Tentative Budget Overview

Two Board Members also attended the fall CCLC conference and another Board Member attended the CCLC January conference for Board members, reporting back to the full Board regarding workshops they attended.

Another demonstration of their understanding of their responsibilities regarding fiscal matters is exampled in their Performance Goals which are used for their self-evaluation. This has never been completed before and the Board took deliberate care to write these particular goals. These new Performance Goals, particularly the ones related to financial accountability, are shown below and on the following page. The Board's Self-Evaluation and Performance Goals are included in Appendices 14.

F.Business and Financial Management - EVALUATION	BOARD GOALS	ACTIVITIES
1. Knowledge of revenue sources and judgment of the District's ability to support proposed programs. 2. Perception of institutional needs. 3. Alignment of the budget to local area educational needs and the Educational Master Plan of the District. 4. Provisions for meeting long-term plans. 5. Adequacy of financial reserves. 6. Involvement in budget study/ approval. 7. Adequacy of plant/personnel security and insurance. 8. Recency of policies and procedures related to financial operations and fiscal integrity.	1. Proficient in understanding the District budget, revenues, and challenges. (F-1, 3, 4, 5, 6) 2. Annually reviews College list of unmet needs, Educational Plan update. (F-2, 3, 4, 7) 3. Obtains specificity /clarity on the budget development process. (F-6) 4. Board Finance & Audit Committee meets no less than 4 times/year and makes regular reports to the Board. (F-1, 2, 3, 4, 5, 6, 8) 5. Review and update Finance-related policies and procedures. (F-8)	• Budget Workshops • Board Audit & Finance Committee Meetings/Minutes • College Budget Committee • Established Board Goals

To further demonstrate to the Commission that the Board understands their fiscal responsibilities, the Resolution shown below was discussed and carefully reviewed at 1st and 2nd Readings by the Board and then approved at their October 23, 2012 meeting.

PALO VERDE COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES ACCREDITATION RESOLUTION
ON FISCAL INTEGRITY AND BOARD RESPONSIBILITY

WHEREAS, the Governing Board of Palo Verde Community College District (PVCCD) recognizes that the primary purpose of an ACCJC-accredited institution is to foster learning in its students and has established Accreditation Standards whereby institutions of higher learning are accredited[1];

WHEREAS, the Governing Board is committed to adhering to ethical leadership and governance standards;

WHEREAS, Accreditation Standard IV.B.1.c, *Leadership and Governance*, establishes that PVCCD *"recognizes that the Board has ultimate responsibility for educational quality, legal matters, and financial integrity.*[2];

WHEREAS, Accreditation Standard IV.B.1.c, *Leadership and Governance,* establishes that the Board of Trustees *"is responsible for establishing policies to assure the quality, integrity, and effectiveness of the student learning programs and services."*[3] *at Palo Verde College;*

WHEREAS, Accreditation Standard IV.B.1.c, *Leadership and Governance,* establishes that the Board of Trustees *"is responsible for establishing policies to assure the ....financial stability of the institution."*[4]*;*

WHEREAS, Accreditation Standard IV.B.1.c, *Leadership and Governance,* establishes that Board of Trustees " *...adheres to a clearly defined policy for selecting and evaluating the chief administrator for the college*"[5];

WHEREAS, Accreditation Standard IV.B.1.c, *Leadership and Governance,* establishes that Board of Trustees *has ultimate responsibility for educational quality, legal matters, and financial integrity."*[6]*;*

THEREFORE BE IT RESOLVED, each member of the PVCCD Board of Trustees accepts and adheres to the ACCJC/WASC Accreditation Standards, particularly applicable to fiscal integrity and Board responsibility, as publicly witnessed and signed below this 23rd day of October, 2012.

The Board understands that fiscal leadership also comes from a competent Superintendent/ President. The College community understands and charges the Superintendent/President with the responsibility for clearly understanding the complexity of fiscal operations and for taking ownership for the appropriate use and dissemination of funds under the advice of the Chief Fiscal Officer. Accordingly, the job description (Appendices 11d) for the search for the permanent Superintendent/President (taking place during Spring 2013 with a tentative start date of July 1, 2013), includes the following fiscally-related qualifications, characteristics, skills and abilities be includes:

- Demonstrates strong fiscal, budget planning, financial resources background;
- Demonstrates fiscal, organizational, and human resource experience.
- Demonstrates experience in grant acquisition and the generation of new sources of revenue.
- Provides leadership for the college as whole, including, planning, development, implementation and evaluation of educational and fiscal programs of the college.
- Develops and maintains channels of communication with staff members regarding all aspects of college operations including curriculum; instruction; business administration; finance; planning; construction and maintenance of physical facilities; personnel; student services; and educational planning.
- Oversees the transparent preparation of the annual college budget and directs operations of the College within the provisions of the budget once it is approved by the Board of Trustees.
- Engages the college community in strategic planning and program assessment that is both visionary and data driven and is the basis for major decisions.
- Demonstrates knowledge and understanding of budget and finance, budget development, budget cuts, and generating new sources of revenue.

The Board has demonstrated through policy and procedures, self-evaluation, performance goals, institutional goals, and the recent public resolution that they clearly understand they are responsible for establishing policies to assure the quality, integrity, and effectiveness of the student learning programs and services and the financial stability of the institution. They further understand they have ultimate responsibility for educational quality, legal matters, and the financial integrity of the institution. They are committed to remaining current on items by having Special Board meetings on various topics, as well as to continue attending CCLC Board conferences and workshops. The Board is very aware that on-going training is critical to their being effective trustees.

Evidence: Appendices 14a, b, c, d, e, f: Board Resolution on Financial Responsibility and Integrity; Board Resolution Regarding Accreditation Standard IV; Appendices 11a, b, c, d: Board Self-Evaluation for 2012; Board Performance Goals; Board Institutional Goals; CEO Goals for 2012-13; and the S/P Job Description. Board Minutes and Agendas are available on the web and will be made accessible to the Visitation Team.

7. The College appears to now meet Accreditation Standard IV, although there is a concern for the sustainability of the improvements to governance. The next review should include verification that the commitment has been sustained.

Status: In Compliance & On-Going

Response: Although this item appears to require no response, the Board is committed to meeting Accreditation Standard IV and the October 15, 2013 Follow-Up Report will include a formal verification that *improvements to governance* have been sustained. The following summary demonstrates an on-going commitment to Standard IV:

Shared Decision-Making:

- Board Policies and Procedures related to shared-decision making are active
- A "College Council" has been strengthened as the primary advisory and decision-making body regarding policy and procedure development and revisions, constituent communication, rumor control, and the development of an integrated strategic planning
- The Mission Statement is reviewed and disseminated as the first item of business at the first College Council meeting of the new year
- The College Council is comprised of faculty, staff, management, and student constituencies
- Decision-making and voting procedures have been developed
- Meeting ground rules and a Code of Civility have been developed and published
- The revised Mission Statement has been printed and posted in predominant locations in every building on campus
- The College Council structure has been finalized
- A Shared Decision-Making Manual is being produced to serve as the formal documentation of all components of the shared decision-making process

Governance:

- A Board Resolution outlining Accreditation Standard IV has been approved and posted on the Board's web page
- The Board clearly understands that it is ultimately responsible for the educational quality, legal matters, and financial integrity, as demonstrated through Policies and Procedures, Board's Self-Evaluation, Board Performance Goals, Board Institutional Goals
- New financial performance goals were developed and added to the Board's Self-Evaluation
- The Board's Institutional Goals were used as part of the review of the 2011 Strategic Planning revision process
- The Board's Commitment to Fiscal Integrity Resolution has been posted on the web
- It is the responsibility of the CEO to ensure that all items related to Standard IV are presented to the Board in an on-going manner