ACCREDITING COMMISSION for COMMUNITY and JUNIOR COLLEGES

Western Association of Schools and Colleges

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February 7, 2014

Dr. Victor Jaime, President
Imperial Valley College
PO Box 158
Imperial, CA 92251

Dear President Jaime:

In August the Commission notified Imperial Valley College that it was identified for additional financial review by the Financial Review Task Force. The report of the Financial Reviewer Panel that resulted from this review is attached to this letter.

At its meeting of January 8-10, 2014, the Accrediting Commission for Community and Junior Colleges acted to direct that Imperial Valley College provide a Special Report to the Commission by **April 15, 2014**[1]. [1] The purpose of this Special Report is to provide more current information to the Commission about the College's compliance with Accreditation Standards. The report must address the required elements of the Financial Reviewer Panel Report noted below:

1) **The actions taken by the district to address the permanent fixed costs resulting from mandated entitlements in the District's collective bargaining contracts.** Standards III.D.1.a, III.D.1.b, III.D.2, III.D. 3, and III.D.4 require financial planning, sound financial practices, and financial stability.

The report should be sent electronically to ACCJC's office no later than April 15, 2014. The Special Report should include a narrative, evidentiary documents, and other supporting documentation relevant to the report. The ACCJC publication, Guidelines for Preparing Institutional Reports to the Commission, explains the presentation of reports to the Commission. The Commission values brevity and clarity in these reports.

The Commission will consider the College's Special Report at its meeting of June 4-6, 2014. If the conditions warrant, the Commission may act on the accredited status of the College. Please do not hesitate to contact Associate Vice President Norv Wellsfry (nwellsfry@accjc.org) if you have questions.

Sincerely,

Barbara A. Beno

Barbara A. Beno, PhD
President

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[1]Institutions preparing and submitting Midterm Reports, Follow-Up Reports, and Special Reports to the Commission should review *Guidelines for the Preparation of Reports to the Commission.* It contains the background, requirements, and format for each type of report and presents sample cover pages and certification pages. It is available on the ACCJC website under College Reports to ACCJC at: (http://www.accjc.org/college-reports-accjc).

Imperial Valley College

FINANCIAL REVIEWER PANEL REPORT

FINANCIAL REVIEWER PANEL MEETING DATE: September 12-13, 2013

The Financial Reviewer Panel recommendation to the Accrediting Commission for Community and Junior Colleges is:

_____ Continue under regular monitoring

__X__ Provide a Special Report to the Commission (purpose noted below)

_____ Provide a Special Report to the Commission to be followed by a visit from Commission representatives (purpose noted below)

Required Elements to be addressed in the Imperial Valley College Special Report:

1) **The actions taken by the district to address the permanent fixed costs resulting from mandated entitlements in the District's collective bargaining contracts.** A Major On-Going concern is that the structured entitlements provided to unions require concessions be made by employees to reduce college costs. If the college's actions can be effectively monitored through a Special Report that targets action taken by District to reduce permanent fixed costs resulting from mandated entitlements in union agreements, then there is no need to send a team to visit the college. Otherwise a Special Report with visit is recommended

Standards Applicable: III.D.1.a; III.D.1.b;, III.D.2; III.D. 3; and III.D. 4.

Data Examined for this report:

Audited Financial Statements for 2009-10; 2010-11; 2011-12

Audited Reports for FY 09/10, FY 10/11, FY 11-12

Other Data Reviewed:

FCMAT prepared at the request of the College President

Issues and elements identified related to the financial condition and challenges of this institution:

1. IVC has high permanent fixed costs that are included in labor contracts. Classified support staff salary schedules have 15 step increments per track with a 5% increase per step as one example of the contractually developed high cost structure. The faculty contract includes a number of high cost provisions including:
    - Low minimum enrollment for a class to go with a provision that classes cannot be cancelled for low enrollment.
    - Significant amounts of release time to complete administrative work
    - Nearly 50% over the Faculty Obligation Number required by the state. The required number is 108 the number on staff is 158 or so.

- Additional contract days up to 199 from 177 for a number of faculty who work as coordinators. Faculty are also paid at 100% of their full time rate for overload and summer semester teaching assignment

2. Rapidly declining fund balance caused by lack of action to address imbalance between revenue and expenditures. Enrollment is also declining rapidly.
3. As of the reporting of the FY12/13 2nd Principal Apportionment Report, the college reported enrollment had increased to 6,559, which assisted in stabilizing on-going revenue. The P-2 was dated August 2013.
4. There were no material weaknesses identified in the audit reports.
5. The College unrestricted general fund is paying for shortages occurring in the Child Development Center Fund, and other programs that receive categorical or specially restricted revenue from the State to provide specific additional services to students who meet eligibility requirements. The College has not acted to control costs in these programs and when revenue was reduced, the college paid or subsidized the programs by augmenting them with funds to pay all costs incurred. This is now taking a priority status that has not been discussed.

Standards applicable to the conditions noted above:

Standard III.D.1.a requires that financial planning be conducted in a manner that integrates all requirements or demands on resources and also supports overall institutional planning.

1. The mission and goals are the foundation for financial planning
   a. Financial planning is integrated with and supports all institutional planning.

Additional Discussion:

The college has included a number of costly provisions in its labor agreements. The college did not adjust or renegotiate these provisions as it lost revenue and are now identified in the FCMAT report as being provisions that result in unusually high on-going costs. The college, in order to comply with this standard, needs to plan for certain amounts of costs for human resources and other resources needed to support its programs. The costs for permanent full time faculty and staff exceed levels that can be supported by available revenue.

The core issue that has to be addressed by IVC is planning. If short and long-term planning processes had been in place, the College would have noticed the growing imbalance between revenues and expenditures. The College showed no activity that indicated it realized there was a looming financial problem and took no action when it should have been working to reduce the entitlements provided to employee labor units.

Actions that need to be taken by the college to negotiate reductions in costs through changes in union contracts include several key factors that exceed the costs of other districts. The areas where action is needed include various combinations of these factors:

1. For classified support personnel, change salary schedule organization to limit the number of longevity increments available. Currently employees are on a 15 step schedule with 5% increases per step. The college needs to determine the number of steps it can afford to offer.

2. For faculty there are several areas:

   a. Release time needs to be reduced. FCMAT noted the college was releasing faculty to perform administrative type work. The number of release time assignments also exceeds industry standards but the college needs to negotiate the right amount.

   b. Payment of full time faculty during off-contract periods and for overload assignments is being made at the same rate as full-time faculty pay during regular contract year primary load assignments. Adjunct rates which are lower and offered to all adjunct faculty should be considered for all full-time faculty who work during the summer or take overload assignments.

   c. The College does not appear to be a going-concern and unless significant modifications occur the college will be insolvent. The Commission should monitor this situation to determine actions taken to reduce the permanent fixed cost structure as described earlier.