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## **SPECIAL SITE VISIT TEAM REPORT**

Merritt College  
900 Fallon Street  
Oakland, California 94607

This report represents the findings of the Peer Review Team that conducted a virtual visit to Merritt College from December 16, 2020 to December 17, 2020. The Commission acted on the accredited status of the institution during its January 2021 meeting and this team report must be reviewed in conjunction with the Commission's Action letter.

Kindred Murillo, Ed.D.  
Team Chair

## **Introduction**

A Special Report Site Visit on Fiscal Monitoring was conducted at Merritt College on December 16 and 17, 2020. The purpose of the Site Visit was to determine whether the College/District has addressed the fiscal concerns as required by the Commission and as stipulated in the Commission Action Letter of January 27, 2020.

The team was comprised of the following members:

### **Team Chair**

Dr. Kindred Murillo  
Superintendent/President  
Southwestern College

### **Team Member**

Dr. Mario Rodriguez  
Vice Chancellor  
Los Rios Community College District

## **Focus of the Special Report Site Visit, Fiscal Monitoring**

The institution was directed by the Commission, through a Commission Action Letter, to provide a special report that was to take the form of a 5-year integrated financial plan and was to inform the Commission on the following:

- Establishing FTES Targets and Enrollment Management Plans
- Establishing a Student Success Infrastructure Plan to comply with the Student-Centered Funding Formula as announced by the California Community College Chancellor's Office
- Establishing guidelines to reduce operational overspending and eliminate the structural deficit
- Adopting a Board policy to adopt sustainable fund balances and reserves
- Adopting a restructuring plan to improve efficiencies and accountability at the District office and the Colleges
- Addressing all audit findings
- Establishing strategies to improve the management of the OPEB debt
- Providing an executive-level staff turnover analysis and recommendations to retain these staff at the district

As noted by the commission in January 2020 it is not evident from the special report that the College/District has addressed foundational issues which have bearing on its fiscal health, this includes:

- A continued structural deficit
- Lack of adherence to Board policies and administrative procedures
- Deficiency in reconciliation and financial control issues
- Key staffing issues
- It OPEB obligations
- Ongoing unaddressed audit findings

## Findings and Evidence

Each area of concern raised by the Commission and the foundational issues raised are addressed below.

### Establishing FTES Targets and Enrollment Management Plans

Merritt College (College) developed and implemented the Merritt Strategic Enrollment Management Plan (SEM), which is aligned to the *Vision for Success* goals. The specific goals to be achieved by 2021-2022 are:

- Reach a resident FTES target of 3722.
- Achieve a productivity of 17.5.
- Raise the level of student transfer by six percent annually.
- Increase completion of degrees and certificates by twenty percent over the next five years.
- Reduce the number of average total units a student takes down to seventy-nine.

The goals will be achieved through:

- Promoting outreach and recruitment to increase access
- Providing efficient enrollment services to ease the matriculation process
- Expanding financial aid opportunities to support the students in need
- Scheduling courses strategically to meet student demand
- Extending student support services to raise success, completion, and transfer rates

Through Merritt's strength in dual enrollment strategies and their CCAP agreements with Oakland Unified School District the College has demonstrated results over the last four academic terms. The College has also expanded its non-credit academic programming and has produced results. Merritt is also working with the other Peralta Colleges on block scheduling.

The College is successfully implementing its SEM plan to as aligned to the *Vision for Success*. The work of the College over the last two years is showing results and they are making good progress in dual enrollment and noncredit. The College has successfully linked their enrollment management to their fiscal processes.

The Peralta Community College District (PCCD) has engaged Cambridge West Partnership, LLP (Cambridge West) to assist PCCD in a Budget Allocation Model and the update of the Strategic Enrollment Management Framework. The scope of the contract approved on October 13, 2020 includes:

*Assist the District with the development of a Multi-college district internal revenue allocation model and will provide the budget committee members with an understanding of the Student Centered Funding Formula (SCFF), as well as, identifying focus areas to improve outcome elements at the college level. Aligning validated enrollment and outcomes data to revenue at the college and district wide levels will also be performed.*

*Assist the District with data integrity and related processes to optimize student success and the alignment with the Student-Centered Funding Formula. The focus will be to work directly with the District and college staff to evaluate the current MIS workflow process,*

*review current policies and procedures and develop data map/dictionary documents. A comprehensive look at all student information systems used and the documents used to populate these systems will be conducted. An emphasis on comparing best practices at similar California Community Colleges will be done throughout the project.*

The College has addressed this concern and is seeing results from their implementation of their enrollment strategies as noted specifically above.

The Peralta Community College District (District) is addressing this concern through engaging deep foundational work with Cambridge West Ltd. that will also benefit all the colleges.

***Establishing a Student Success Infrastructure Plan to comply with the Student-Centered Funding Formula as announced by the California Community College Chancellor's Office***

The College has developed and is aligning it to comply with the Student Centered Funding Formula (SCFF) through focusing on the following activities:

- Continuing to increase the percentage of incoming students who enroll and complete transfer-level English and Math within their first two semesters (AB705)
- Placing the majority of incoming students into a prescribed course of study (Guided Pathways)
- Expanding curriculum through the *Improving Online CTE Pathways Grant*
- Implementing the *Merritt Method* for CE students
- Establishing Associate Degrees for Transfer (ADTs)
- Increasing the number of transfer students to UCs/CSUs
- Hiring a full-time career counselor
- Implementing Degree Audit policies and technology
- Increasing the number of students completing the FASFA and applying for Pell Grants and California Promise grants
- Augmenting outreach and academic resources to support the matriculation and success of identified populations (AB 540, underrepresented)

The College sees results from their efforts, and noteworthy is their successes in transfer-level English and math course enrollments, which drive success in the other Student Success portion of the SCFF. They are projecting a five percent increase in transfer within five years from their efforts. Demonstrated through their accomplishments is the linking of their enrollment management, SCFF, to their financial processes.

The District Office provides critical support by hiring a reputable consultant to rebuild the revenue allocation model to more closely align with the SCFF and a complete data integrity project to deal with the critical underlying data. By working with Cambridge West Ltd., the data integrity project, coupled with the rebuilding of a revenue allocation model, will establish a solid foundation for the College and the District. The training and cross-collaboration with the district office and colleges are evident in the District's accomplishments and the Merritt College.

### **Establishing guidelines to reduce operational overspending and eliminate the structural deficit**

The College has implemented several measures to address the issues of operational overspending and the structural deficit:

- Adhering to its FTEF allocation
  - Starting in the fall of 2019 the College has allocated to each department an FTEF allocation based on student enrollment patterns and productivity, where previously the schedule was rolled over.
- During the past year the College has revised the Integrated Planning and Budget Administrative Procedures, and Program Review/Annual Program Update processes.

The College leadership has demonstrated a strong commitment and capacity to reduce operational overspending and eliminate the structural deficit. Specifically, the efforts to realign the schedule to the FTEF allocation has demonstrated savings for the District. Linking the enrollment management, SCFF, budget processes and mission, institutional priorities, and District guidelines are serving the College well and showing results.

### **Adopting a Board policy to adopt sustainable fund balances and reserves**

The College notes that it follows Board Policy 6250, and they have submitted a two-year Parcel usage plan to the District governance process, and the responsibility for this item lies with the District. The District has Board Policy 6250, which requires a 10% ending balance and a directive to replenish it when it drops below 10%. Compared to other multi-college districts, a requirement for 10% reserve and an associated replenishment plan exceeds many board policies that require a 5% reserve.

### **Adopting a restructuring plan to improve efficiencies and accountability at the District office and the Colleges**

The College had bolstered its administrative team since 2019 when they had only four permanent administrators. In the past, the College has experienced excessive administrative turnover. This turnover did not allow for the ability to oversee College operations effectively. The College has filled nine administrative areas: including the President, Vice President of Student Services; Vice President of Instruction (interim); Dean of Counseling; Dean of Allied Health and Public Safety; Dean of Humanities and Social Sciences (interim); Director of Planning and Research; Director of Financial Aid; and Director Student Activities and Campus Life.

The District recruited and filled several critical positions in the spring of 2020 to include the Chancellor, Vice Chancellor of Finance and Administration, Vice Chancellor of General Services, Internal Auditor, and the Director of Purchasing positions. Also, the president positions at Berkeley City College and Merritt College were filled during the spring and early summertime frame. On November 10, 2020 the Board of Trustees approved Dr. Nathaniel Jones III, Ph.D., MBA as President for the College of Alameda, and Dr. Rudy Besikov, President of Laney College.

The College has also engaged in two structures to ensure greater accountability and efficiencies: Dean of Enrollment Services; and Business Services Department. The College is recruiting a new Vice President of Administrative Services.

With the resignation of the Chancellor on July 18, 2020, the Vice Chancellor of Finance and Administration has become the Interim Chancellor and there is an Acting Vice Chancellor of Finance and Administration.

The District Office staffing was insufficient in the prior year to demonstrate accountability. What is noteworthy is the positions that have been filled in the district office that will support efficiencies and accountability at the District Office. The District has contracted with Cambridge West Ltd. To assist in rebuilding of the revenue allocation model and ensure data integrity. This help to provide training and information that could lead to some restructuring and more accountable processes.

The Board of Trustees were trained in February 2020 by Fiscal Crisis and Management Assessment Team (FCMAT) on managing finances, the role of the board and chancellor, fiscal accountability and competency. The Governing Board also participated in a retreat on December 15 - 16, 2020 to work on their vision statement and to work more effectively as a board. The Board is also forming an audit and finance committee.

Significant work has been done this last year to create and maintain financial stability along with stabilizing leadership of the District and the colleges.

### **Addressing all audit findings**

The June 2020 audit findings are not available at the time of this Special Report and are expected to be available in mid-January. Per the California Community College Chancellor's Executive Order, all college districts were provided a deadline extension for the 2020 audit.

There were nine findings in the 2019 audit, of which five were findings from the fiscal year ending June 2018. These nine findings are concerning, and it is crucial to get the audit for the fiscal year ending June 2020 to ascertain if the District has implemented the corrections. This information should be available to review when providing an analysis of the 2020 Peralta Comprehensive accreditation review and the ACCJC's Annual Fiscal Report due in April 2021.

The District has stabilized its leadership through several essential hiring's as noted earlier in this report. By stabilizing the financial administration, the college district has made progress in conducting monthly reconciliations, financial aid policy and procedures, and verbal orders. The board is forming a subcommittee for audit and finance review. In conversations with the Interim Chancellor and Interim Vice Chancellor of Finance and Administration and the assessment of evidence, significant work has been done to create and implement reliable internal control procedures. These actions were backed up by an informal conversation with the District's auditor, who noted several things:

- Implementation of reconciliations
- Implementation of financial aid policies and procedures
- A contract with Oracle to assist in more automated reconciliations
- Working with the County on due to and due from reconciliations
- The District and colleges appear to be moving in the right direction
- There appears to be improvement in the internal controls and expects the audit will confirm progress on the prior audit findings

The 19-20 Financial Audit will be complete sometime in January and will be available for the upcoming ACCJC Comprehensive evaluation, as well as through the ACCJC's Annual Fiscal Review process.

The District is addressing this concern by implementing reconciliations and internal controls

**Establishing strategies to improve the management of the OPEB debt**

The District provided a financial plan for the OPEB Bond Program in the Adopted Final Budget.

The evidence shows that the District has just over a \$200 million liability. The District created an "OPEB charge" mechanism, an additional payment based on a percentage of payroll that generates funding to pay the liability. The funds generated by the mechanism are around \$5.7 million for 2019-20 and \$6.6 million for 2020-21. The District has a plan, and they are adhering to the plan.

**Providing an executive-level staff turnover analysis and recommendations to retain these staff at the district**

Over the past few years, the College has had a significant executive turnover. This turnover is attributed to health considerations, retirement, and managerial styles that were inconsistent with the College's culture. As the College is working toward a more strong, positive, accountable culture, they can attract strong and effective leadership.

By taking into consideration the factors that caused prior excessive turnover, the College is implementing steps to retain and grow the College leadership:

- Modeling effective executive leadership and accountability
- Solution-based team building
- Equity focused hiring practices

The President's Cabinet completed two critical trainings in October of 2020: Communication, Cultural Competence, and Team Building. The College leadership has implemented focused professional development to prepare mid-level managers for senior level opportunities.

The District is developing plans to hire and retain employees and has not yet implemented a turnover analysis mechanism. It is reasonable to expect that with the stabilized leadership in the District and colleges the capacity will be in place to conduct a turnover study and develop a retention plan for the district. It was noted by the Interim Chancellor that this is forthcoming, but a plan was not available for the team to review.

Overall, the Merritt College and District have stabilized executive leadership. The College hired a permanent president in November, each college has a permanent president as of November 10, 2020. The executive leadership at the District and colleges are demonstrating their commitment to understanding the turnover issues better and implementing strategies for retaining employees.

**As noted by the commission in January 2020 it is not evident from the special report that the College/District has addressed foundational issues which have bearing on its fiscal health, this includes:**

- A continued structural deficit

The District presented a balanced budget for FY 2020-21. In researching more deeply, it appears the District overstated their SCFF calculation by nearly \$3 million. The visiting team worked through the calculations with the Interim Vice Chancellor of Finance and Administration and came to the resolution that the District is nearly \$6 million deeper in hold harmless than the Adopted 2020-21 Budget projected. The leadership demonstrated their clear understanding they need to continue to work toward closing the hold harmless, so they are sustainable when the hold harmless is projected to end in 2024-25.

The College is demonstrating capacity and momentum for addressing this concern. The District Office has also been making significant movement toward addressing the issues through internal controls, training, and understanding their actual numbers. The assistance from Cambridge West Ltd. will assist the district in their efforts through ensuring the district's data integrity.

- Lack of adherence to Board policies and administrative procedures

Board Policy 6250 notes that the District shall maintain a minimum unrestricted general fund balance for every fiscal year. The FY 2020-21 Adopted Budget projects above a 10% ending balance.

*The budget shall be managed in accordance with Title 5 and the California Community Colleges Budget Accounting Manual. Budget revisions shall be made only in accordance with these policies and as provided by law. Peralta Community College District shall maintain a minimum 10% of unrestricted fund balance for every fiscal year. When the unrestricted ending fund balance falls below 10%, the District shall adopt a plan to replenish it to 10% within one year. When the unrestricted fund balance exceeds 10%, balances in excess may be set aside for reserves, investment in one-time expenditures, or appropriation to a major budget classification upon a resolution of the Board.*

Administrative Procedure 6250 spells out the management of the budget through a budget calendar, budget directives, budget preparation, budget consolidation, presentation and adoption. In reviewing the evidence provided through minutes, calendar, and board agendas, it appears the colleges and district have now been following their policy and procedures, especially those related to budget management.

- Deficiency in reconciliation and financial control issues

The District hired a full-time employee as Internal Auditor in April 2020. The District continues to implement and enforce internal controls through its technology applications and contracted with Oracle to complete a comprehensive system upgrade at the May 29, 2020 – Special Meeting of the Board of Trustees. Cash flow and budget to variance reports presented to the Board of Trustees on May 26, 2020 and July 28, 2020 indicate enhanced accountability practices. The finance department is presenting financial statements to the Board quarterly.



Through discussions with staff and the current auditor it appears the District and colleges are making headway on financial control issues through reconciliations, adherence to policies and procedures, enhanced college procedures, calendars and timelines, and more transparent reporting. The District has been able to train staff regarding the policies and procedures.

The District and colleges have demonstrated they are serious about making sustainable changes in these areas to ensure the financial viability of the district.

- Key staffing issues

Overall, the District and colleges have done good work to stabilize executive leadership. Merritt College hired a permanent president and has stabilized the leadership team. The District Office has filled several key management and accounting positions and is working toward a permanent Chancellor. The detail is noted in the College comments throughout this report.

- It OPEB obligations

The evidence shows that the District has just over a \$200 million liability. They have created an “OPEB charge” mechanism which is an additional payment based on a percentage of payroll that generates funding to paying the liability. This is around \$5.7 million for 2019-20 and \$6.6 million for 2020-21. The District has a plan, and they are adhering to the plan.

- Ongoing unaddressed audit findings

As noted in prior comments, the June 2020 audit findings are not available at the time of this Special Report and are expected by mid-January.

In following the 2019 audit there were nine findings of which five were findings from the fiscal year ending June 2018. This is a concerning trend and it crucial to get the audit for the fiscal year ending June 2020 to ascertain if the District has implemented the corrections. This information should be available to review when providing analysis of the 2021 Peralta Comprehensive accreditation review.

The District has stabilized its leadership through several key hiring’s as noted earlier in this report. Through stabilizing the financial leadership, the college district has made progress in conducting monthly reconciliations, financial aid policy and procedures, verbal orders, and the board is forming a subcommittee for audit and finance review. In conversations with the Chancellor, Vice Chancellor of Finance and Administration and reviewing evidence, significant work has been done to create and implement solid internal control procedures. This was backed up by a conversation with the auditor who noted several things:

- Implementation of reconciliations
- Implementation of financial aid policies and procedures
- A contract with Oracle to assist in more automated reconciliations
- Working with the County on due-to and due-from reconciliations
- The District and colleges appear to be moving in the right direction
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confirm progress on the prior audit findings

The 19-20 Financial Audit will be complete sometime in January and will be available for the upcoming ACCJC Comprehensive evaluation.

**Conclusion**

Overall, the team found a committed, competent, group of district and college leaders at Merritt College who are earnestly making progress toward addressing all the Commission's concerns as noted in prior reports and the January 2020 ACCJC communications. The District overall needed to stabilize the leadership in the District Office and the colleges and that has happened. Merritt College and the District are working more closely together in order to sustain fiscal viability. While there is still work to do, the evidence supports that the Merritt College and the District are following their plans and are moving in the right direction.