

December 11, 2014

Stephanie Droker, E.D.

Vice President

Accrediting Commission for Community and Junior Colleges

10 Commercial Boulevard, Suite 204

Novato, CA 94619

Dear Dr. Droker:

The Peralta Community College District is in receipt of your letter dated November 20, 2018 outlining significant deficiencies in the Colleges and District finances. The factors included in the Composite Financial Index (CFI) include the Primary Reserve Ratio, Net Operating Revenue Ratio, Salary and Benefit percentages, enrollment changes, default rates on Federal Student Loans, Audit Reports, and other financial information. Based on the analysis, the Colleges and District have been identified as requiring enhanced monitoring for the following reasons:

- Lowest fiscal health score in six of the twelve CFI factors and the lowest scores for any district in the two most heavily weighted factors (Primary Reserve Ratio and Operating Revenue).
- The Colleges and the District had the lowest possible score in Operating Surplus, OPEB Irrevocable Funding, Audit Deficiencies, FTES Trend, and Executive Level Staff Turnover.
- Issues with the annual general audit report, including State Awards, Material Weakness and/or Non-Compliance resulting in over \$15 million of adjustments and reclassifications, and non-implementation of the two most serious findings from 2016.
- Negative cash in the treasury account exceeding \$31 Million.
- Double digit decreases in FTES 2015/16 to 2016/2017.
- Declining Fund Balances every year since 2013/14.

Per our conversation this past November, the Colleges and District will need to provide ACCJC with our plan to correct current conditions and improve the systems going forward. It is to this end that we propose to complete a Five Year Integrated Financial Plan to improve the institution's fiscal health.

The components of the Five Year Integrated Financial Plan will include specifics for:

- Establishing FTES Targets and Enrollment Management Plans for all Colleges;
- Establishing a Student Success Infrastructure Plan to comply with the Student Centered Funding Formula;
- Establishing guidelines to reduce operational overspending and eliminate the Structural Deficit;
- Adopting a Board Policy on Fund Balances and Reserves;
- Adopting a District Office and Colleges' Restructuring Plan to improve efficiencies and accountability;

- Addressing all Audit Findings;
- Establishing strategies to improve the management of the OPEB debt; and,
- Providing an Executive Level Staff Turnover Analysis and Recommendations

Due to the gravity of the District's financial problems and the ACCJC's requirement to complete a fiscal improvement plan, the District and Colleges are requesting an extension to May 1, 2019, and be permitted to allow sufficient time for governance participation, and Board of Trustees approval. In addition, the District has requested FICMAT technical assistance and established a calendar for completing the work.

We hope you will consider our request and look forward to your response.

Sincerely,

Jowel Laguerre, Ph.D.

Chancellor,

Peralta Community College District

Cc: Richard Winn, President

Ian Walton, Chair