APPENDIX 1
Cover Sheet - Institutional Report

Palo Verde Community College District

Special Report

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, 2012

Date Approved by the Board of Trustees: March 27, 2012
Date Approved by College Council & the Budget Committee: March 22, 2012

Palo Verde College

Dr. Barbara Beno March 27, 2012

The Accrediting Commission for Community and Junior Colleges
10 Commercial Boulevard, Suite 204
Novato, CA 94949

Dear Dr. Beno,

I am submitting this cover letter to provide a clear outline of our short and long-term fiscal obligations over the next 25 years, and the College plan for addressing the financial challenge.

Attached is the *Special Report* required by the Commission to address financial concerns associated with Standard IIID and Standard IV.B.1.c. as identified in the Commission's letter dated 2-1-12.

The good news is that although the College certainly has challenges, I am pleased to tell you that the College's financial situation is stable for reasons this report documents. The College is on-track, errors and/or omissions have been corrected, and a new transparent structure for budget development, oversight, and improved budget sophistication is now in place.

Nothing from the past changes the circumstances the College faces today; however, I want to provide you and the Commission with the following background.

As you know, the former Vice President of Administrative Services retired as of June 30, 2011, and a retired Chief Fiscal Officer was hired July 5, 2011, as an expert consultant in the field of community college finance, to prepare the final budget for the College. During that summer, the consultant uncovered the budget problems currently facing the institution.

My perspective as Interim Superintendent/President:

- College At Large: Even as recent as spring, 2011, the College community had a sense of fiscal well-being and that times were "good" at Palo Verde College. In their 65 years of existence, this is the first instance where budget was an issue. For years, the budget was solid, with strong reserves. This, in part, is why the institution is reeling from finding out about previous deficits and the current long-term debt. They simply were not prepared nor saw it coming.

  After extensive inquiry into college involvement in the prior budget development process, I am certain the College community as a whole, (no matter what they called the collegial consultation budgeting process), did not understand, was not informed in major budget decisions, and did not have the benefits of a fully transparent process.

  There are records showing that the budget development process included the formal written requests for funds from budget managers that were linked to the strategic plan, and that the Budget Committee reviewed these requests, interviews took place, and recommendations were made to the Chief Fiscal Officer and the Superintendent/President. The gap appears to be between this process and the explanation of revenues, and how the budget over the past three years was balanced using COP funds as income. There is also a gap in that the overall budgets were not shared. It is unclear what process was used to discuss or review the impacts on the overall institutional budget.

Although members of College Council and Budget Committee recall that COP investments were disclosed, it is unclear whether there was discussion or an understanding as to the liabilities to the College if the anticipated revenue was not realized. It appears that the overall college community as a whole was unaware that the College had deficit year-end balances since 2008-09. The college community remains in shock at the current state of the budget.

- Managers: Managers report that they received monthly ledgers and excellent information about their area's budget, although they were not involved in discussion or review of the overall college budget. They report that Fiscal Services was very helpful in processing requests and assisting with budget issues during the year. Sufficient questions regarding their budgets have been asked to ascertain they knew very little about the institutional budget, and they had no idea the College had year-end deficit since 2008-09, and were shocked to hear of it especially in light of the affluence experienced in the past.

- Vice Presidents: It appears that the Vice President of Instruction and the Vice President of Student Services knew very little about the state of the institutional budget beyond their own areas. If budget items were discussed in Cabinet, the discussions were very general. This is consistent with what has been reported elsewhere.

- Vice President, Administrative Services: Employees and budget managers report that the former Vice President of Administrative Services was very helpful in monitoring, managing, and assisting when there was a budget question or need. It is unclear what role the vice president played in the acquisition of the refinanced Certificates of Participation, or how much information was available regarding how the funds could, or could not be used as income to balance the budget. Nonetheless, this has been corrected and will not happen again.

- Certificates of Participation: Although these are explained in greater detail in the Report, there is little information as to the background surrounding the refinancing of the COPs. Questions cannot be answered as to why a college would with an annual budget of $12 million, refinance a manageable $18 million COP debt to $32 million.

- Superintendent/President: I understand from the College's fiscal consultant that he informed the former Superintendent/President of the state of the budget. It is unclear as to the reasons for refinancing the COPs or for the deficit ending balances for the prior years, or the involvement of the Superintendent/President in the decisions to use COP funds to balance the budget.

- Auditor: It remains a mystery as to why prior audits for the two years in which the COP funds were used to balance the budget, make no comments on this item. For the 2010-11 audit, the fiscal consultant brought the COP issues to the auditor's attention. The current audit addresses the COP problem and revises the 2009-10 audit accordingly. The 2009 audit mentioned a concern about the amount of debt in a letter to the College, but to my knowledge, no one saw the letter at that time. The current auditor has now resigned and the institution is in the RFP process to acquire a new audit firm to begin July 1, 2012.

- The Governing Board: Standard IV specifically states that the governing board has ultimate responsibility for educational quality, legal matters, and *financial integrity*.

  Based on recent discussions, the Board believes they asked the right questions, received acceptable responses from the Superintendent/President and the Vice President of Administrative Services, and approved the budgets for prior years in good-faith. They too are devastated over the current state of affairs.

  When the reserve is healthy for years, when audits year-after-year are positive, when the Superintendent/ President and Chief Business Officer confirm the stability of the budget, when regulatory agencies, using the annual audits and reports, did not find fault with the budget, when there were no red flags to expose the problems sooner, when the institution has had years of financial stability, if not affluence, there was no reason to think there were problems.

  I am not sure what else the Board could have done to identify the problem on their own. They never experienced a "budget workshop" where the budget was presented in detail as a training session, or had any reason to doubt the expertise of the CEO or CBO. As noted in the Stability Plan, Board Workshops on budget items are now annually calendared.

  Having worked intensively with the College personnel these past several months, I am confident that the near-disaster that recently befell Palo Verde College will not happen again. There is clear evidence that the College is committed to an open, inclusive and transparent budget process. There is clear evidence that the College will not be satisfied with budgetary and fiscal actions and proposals without asking tough and rigorous questions as to risk, advisability and propriety.

  Finally, I am confident, based on what I have observed and experienced, that Palo Verde College is equipped to work through and resolve its fiscal problems, and to continue to live up to the promise of its mission, namely, to provide an exemplary learning environment with high quality educational programs and services.

Sincerely,

Denise Whittaker

Denise Whittaker, Interim Superintendent/President

PALO VERDE COLLEGE

SPECIAL REPORT EXECUTIVE SUMMARY

An Executive Summary is provided to synthesize the information provided for the convenience of the Commission. The College has divided its response into three sections: Section I – Accreditation Standard Compliance; Section II – Status Report Update; Section III - Stability Plan.

Section I: Accreditation Standard Compliance

The College has provided details and information to verify that it is in compliance with Standard IIID, Standard IV, and Eligibility Requirement #17. The College's debt obligation, although extensive, is manageable and under control. As shown in the Stability Plan, if the College does nothing to restructure the COP debt, it has sufficient funds to make payments without further cuts to the budget for 15 years. The College understands that a thoughtful income generation plan is necessary now, to anticipate new income within 18 months. This new income will be placed in a special debt service account towards future obligations. The College is able to financially support the student learning environment and has provided a solid plan for short and long-term financial solvency as required in Standard IIID. Section I specifically addresses each component of Standard IIID, verifying that the College meets or exceeds the Standard.

The COP debt has not negatively affected the institution's current and projected cash flow. However, reduced revenue from the State could impact Palo Verde College's cash flow, just as it would affect other California community colleges. Accordingly, the College is closely monitoring monthly cash flow, and is prepared should further State cutbacks occur. These preparations are documented in the Stability Plan and in the Appendices.

The College has taken steps to formulate a thoughtful revenue generation plan with the expectation that additional revenue would be realized within 18 months. New revenue from this effort will be placed in a special debt service account to meet future obligations.

Section II: Status Report Update

This Section compares where the College was as of December 15, 2011, with where it is now, March 27, 2012. The institution has made tremendous efforts in strengthening the budget and ensuring solvency and viability.

Section III: Budget Stability Plan

The College recognizes that in light of the prior ending balance deficits and long-term debt obligations, a thoughtful and sustained effort is needed to maintain instructional services, student support, and operational integrity. Through a program of cost-savings, increased operating efficiencies, staff retirements and incentivized resignations, anticipated expenditures have been reduced by $1.1 million to date. The remaining $955,000 needed to balance the 2012-13 budget is being addressed by further cost reductions and union contract negotiations within the next month. It is expected the College will have a balanced budget completed by the end of the Spring, 2012-13 semester.

Everything that can be done is being done to mitigate the debt burden and remain solvent. The College is not bankrupt, insolvent, or unable to meet its obligations. Most importantly, the College continues to provide quality educational and support services to its students.

APPENDIX 2 & 3

Palo Verde College Special Report- Certifications

Date: March 27, 2012

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

Chief Executive Officer Denise Whittaker
Denise Whittaker, Interim Superintendent/President

President, Board of Trustees Edmundo Gonzales
Edmundo Gonzales

Budget Committee

Name	*Title*	*Representing*
Richard Castillo	*President*	*Academic Senate*
Derek Copple	*President*	*CTA/NEA Faculty Union*
Rich Soto	*President*	*CSEA Classified Union*
Linda Pratt	*Director, Financial Aid*	*Classified Management/Confidential*
Maj Lee	*President*	*Associated Student Body*
Russi Egan	*Fiscal Services Manager*	*Fiscal Services*
Michael Gaubeca	*Faculty*	*Faculty*
Adam Houston	*Director, Info Tech'y*	*Technology*
Hortensia Rivera	*Counselor*	*Non-Teaching Faculty*
Diana Rodriguez	*VP, Student Services*	*Administration*
William Smith	*VP, Instruction*	*Administration*
Brian Thiebaux	*ALO, Faculty*	*Strategic Planning*
Suzy Woods	*A&R Specialist*	*Classified*

Signatures

College Council

Name	Title	Representing
Richard Castillo	President	Academic Senate
Derek Copple	President	CTA/NEA Faculty Union
Rich Soto	President	CSEA Classified Union
Linda Pratt	Director, Financial Aid	Classified Management/Confidential
Mai Lee	President	Associated Student Body
Steve Lavigne	DSPS Coordinator	DPSP, Learning Skills
Biju Raman	Faculty	Faculty
Lorenzo Lujano	Acting Coordinator, Distance Education	Distance Education
Diana Rodriguez	VP, Student Services	Administration
William Smith	VP, Instruction	Administration
Brian Thiebaux	ALO, Faculty	Strategic Planning/Accreditation
Denise Hunt	Admin. Asst. to the Superintendent/Pres. & Foundation	Confidential/Foundation
Adam Houston	Director, Information Technology	Classified Management

3. Table of Contents

The purpose of this Special Report is to satisfy the Commission's concerns regarding the status of the Palo Verde College budget.

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* to confirm its short and long-term financial stability, assuring the Commission and the Chancellor's Office that the current sanction should be lifted and that further sanction is not necessary. The Board of Trustees, constituent leadership, and college community recognizes the impact and significance of the COP debt obligations and expenditure deficit situation, and will continue to work cooperatively, in a transparent manner, to effectively mitigate the challenges associated with the current condition.

The content in the *Special Report* was reviewed, and feedback was given to ensure authenticity. The final report was approved by the College Council and the Budget Committee on March 22, 2012, and the Board of Trustees on March 27, 2012.

4. Report Preparation

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

The Interim Superintendent/President arrived on January 9, 2012 and the institution received the letter from the Commission on February 6, 2012 with a *Special Report* deadline of April 1, 2012.

Regular and special College Council and the Budget Committee meetings were held to not only address the Commission's letter, but also the California Community College Chancellor's Office concerns regarding the state of the College's budget. The Budget Committee and the College Council served as the primary groups involved in addressing the Commission's and the Chancellor's Office concerns and in preparation for what was to be included in the reports. Other college meetings were also held for the sole purpose of addressing the budget issues and options for the Stability Plan in preparation for the reports. The list of meetings demonstrating college-wide involvement and transparency are shown on the following page.

College Council	Budget Committee	Full Administration	All Staff/Presentations
January 17 February 7, 21 March 6, 13, 20, 22, 27	February 6, 7, 8, 13, 15, 21, 23 March 1, 15, 20, 22, 27	January 17 February 21 March 19	January 31 February 7 March 6

Classified Management/ Confidential	Academic Senate	Associated Students	Board of Trustees
January 24 February 23	January 27 Exec. Officers February 28 March 27	February 14 Town Hall	February 14 - Special March 6, 13 - Special

CTA/NEA Faculty Union	CSEA Classified Union	Other
February 1, 13, 29 March 7, 14, 22	March 23	February 8 – Insurance Mtg. March 1 – Community Economic Outlook Conference March 5 – Board of Governors

The *Special Report* was written by the Interim Superintendent/President; the preparation and review process involved constituent leaders from the Academic Senate, CTA/NEA, CSEA, faculty, classified, classified management, confidentials, administrators, students, and the Board of Trustees. Because over 40 various meetings were held to demonstrate good faith and wide representation in preparing for the report, attendance was not taken at all meetings or presentations. However, roll sheets from the Budget Committee and College Council meetings, provide a sampling and demonstrate wide participation are included in the Appendices.

The Interim Superintendent/President described the need to demonstrate to both the Commission and the Chancellor's Office that the College's fiscal situation, although serious, is manageable and under control. The Interim Superintendent/President stated that the College would go through an ethical and deliberative process of designing a short and long-term budget process that met the 50% Law, achieved a 5% Board Reserve, and established a well-balanced budget taking into consideration long-term debt, while maintaining academic, student support, and operational integrity.

The actual process is described thoroughly in # 5 – Response to the Commission's Letter.

5. Response to the Commission Letter

Palo Verde College has identified and responded to each issue as noted in the Commission's February 1, 2012 letter, and initiated a robust plan of action, eliminating the Commission's and Chancellor's immediate concerns, enabling your *Probation* status to be lifted. **Taking into consideration the current debt obligation, the College's budget, through cuts, savings, incentive programs, and contract negotiations, already has the means to provide for a short and long-term stable budget for the next 15 years, maintaining Accreditation Standards and institutional integrity and fiscal viability.**

For purposes of this report, the College has divided its response into three sections: Section I – Accreditation Standard Compliance; Section II – Status Report Update; Section III - Stability Plan.

SECTION I:
ACCREDITATION STANDARD COMPLIANCE

As stated in the Commission's letter, "*The Commission acted to impose* ***Probation*** *on Palo Verde College due to deficiencies associated with Standard IIID, Standard IV.B.1.c, and Eligibility Requirement 17……Specifically, the College Special Report dated December 15, 2011, indicates that Palo Verde College has debt obligations that are significant as to threaten the institution's ability to support the student learning programs and services and to provide a reasonable expectation of both short term and long term financial solvency (Standard IIID, Eligibility Requirement 17). The institution's debt also appears to be such that is has negatively impacted the institution's ability to have sufficient cash flow and reserves to maintain stability.*"

Standard III: Resources

Standard III states that, "*The institution effectively uses its …. financial resources to achieve its broad educational purposes, including stated student learning outcomes, and to improve institutional effectiveness.*" The constituent leadership and college community at Palo Verde College have diligently reviewed its financial resources, recognize that it has long-term debt, and has gone through an intensive and painstaking process to stabilize its fiscal resources, meeting short and long-term goals and obligations. This will be seen clearly in the Stability Plan presented.

D. Financial Resources

Palo Verde College meets Standard IIID in the following ways:

- Currently, the College's short and long-term financial resources are sufficient to support student learning programs and services to improve institutional effectiveness and long-term financial solvency. In addition, the distribution of our tight resources supports the development, maintenance, and enhancement of programs and services. The College's preliminary budget and Stability Plan shown later in this report, demonstrates that due diligence has taken place to assure that the College is in compliance with Standard IIID.

  Although budget cuts have been made and the College will live frugally for the next few years, maintaining academic, student support, and operational integrity was a primary goal. The College discussed serious options, including dissolution and annexation, if the budget could not be managed with integrity, and now is confident in reporting that these options are not necessary at this time and that sufficient work has been completed to adequately carry the budget through at least the next 4 years. Very few colleges have diligent budget development plans that take them that far into the future. Because of the nature of the College's long-term debt, it was necessary to project at least 4 years into the future, achieving a budget that is tight, but stable. Additionally, constituent leaders are working on developing internal "triggers" should the only variable at this time, the condition of the State's budget, provide another revenue cut which would again impact our efforts, as it would all other colleges.

- Palo Verde College plans and manages its financial affairs with integrity and in a manner that ensures financial stability. Changes in personnel that previously were responsible for budget and financial affairs have occurred. At the present time, the Interim Superintendent/President is directly responsible for fiscal affairs. In addition, C.M. Brahmbhatt, retired Vice Chancellor of Administrative Services from Coast Community College District, continues to serve as a consultant and advisor in monitoring the budget development process. Russi Egan, seasoned Fiscal Services Manager, continues to provide thorough budget information to make responsible decisions. Finally, a transparent budget disclosure process has been put into place that provides detailed information to the Board of Trustees, constituent leaders, and college community. Once the College has selected a permanent Superintendent/President, a Chief Fiscal Officer will be hired.

- Financial resources planning is in the process of becoming fully integrated with institutional planning. The Interim Superintendent/President has explained the importance of ensuring that the budget is the result of an integrated planning process. Although strategic planning and program review exists at the College, the link between these processes and their full integration into budget development needs improvement.

  For nearly 62 years of the College's 65 years of existence, the financial situation was not only stable, but rich. In a climate of affluence, funds were readily available to meet programmatic and institutional needs and few questions were asked. The budget was used to further short and long term strategic master plans. The College community admits a level of comfort and security regarding the budget because the funds had always been available to address unmet needs. They also admit that never again will they fall into this false sense of security but will be attentive to the budget, asking uncomfortable questions, and being actively involved in budget discussions. Employees report that a new respect for encouraging questions has replaced former criticism and disrespect for asking questions. In addition, it appears that prior administrations sheltered or protected the College community from knowing too much about the budget and the budget development process from the College as a whole, including the fact that without COP (Certificates of Participation), funds, the ending balances for the past 3 years were actually deficit. College leaders, including the Board of Trustees, Budget Committee, and constituent leaders were simply informed as to whether or not funds were available (and most of the time they were told they were) to meet college needs. Strategic planning existed, but due to the level of reserves and affluence, there was never an issue of having to determine funding priorities because program review and planning goals were simply met.

  In April, the Interim Superintendent/President will present to the College Council, the Budget Committee, the Academic Senate, and to all staff, examples of models that provide an integrated planning process systematically linked to the budget development process. The current budget cycle is in survival mode and although current college priorities and values have been identified through a collaborative and transparent process, the link between program review, prioritization of needs, and budget development will be fully expanded this spring, with full implementation planned for 2012-13. This process will include the Standard component, whereby the College's mission and goals will serve as the foundation for financial planning.

  Palo Verde College has completed a realistic assessment of its financial resources and the potential for generating new sources of income as explained in the Stability Plan. **The College has also considered its long-term financial obligations and priorities to assure on-going financial stability. The College is not just submitting a short-term, immediate fiscal plan but has diligently assessed its future revenue,**

expenditures, and its plan for the payment of liabilities and future obligations, to put forth a plan that ensures the institution's short and long-term financial stability.

The Budget Committee understands the process for budget development and has made a commitment to continue to follow transparent processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and priorities, which ultimately lead to funding and budget decisions.

- To maintain financial integrity and the responsible use of its financial resources, Palo Verde College maintains a stable and secure financial management system through Riverside County Office of Education. At the present time, day-to-day financial decisions are being made by the Fiscal Services Manager, in consultation with the Interim Superintendent/ President, and the College's financial consultant if necessary. Major budget recommendations are presented to the Budget Committee with eventual approval by the Superintendent/ President and the Board of Trustees. Budget information and updates are widely disseminated in a timely manner for sound financial decision making.
  - The College has posted and disseminated financial documents, including the budget and independent audit, as required. The institution has responded appropriately to audit findings. A "Request for Proposal" for a new external auditor is anticipated to take place within the next few weeks, with final identification by May, 2012.

  - The College is monitoring its cash flow to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences. Cash flow projections and calculations (see Appendices) have been developed and plans to ensure reliability have been made.

    Cash flow is monitored (Appendices 5) to ensure the District stays on track with cash flow projections. During the 2011-12 fiscal year, the District applied for and received an exemption from deferrals February through June 2012. The District also issued a resolution to allow for internal borrowing after analyzing the cost of external borrowing versus internally borrowing. The College is monitoring cash flow on nearly a daily basis. This high level, cash flow projection process is necessary to plan for the need of a TRANs, State apportionment deferral exemptions, or temporary borrowing.

    At the present time, it is anticipated that there may be a small cash flow issue between June and July 2012, but the plan is to temporarily use available Capital Outlay funds and then reimburse that account with our first apportionment. Thereafter, the College is not anticipating a problem with cash flow.

Standard IV: Leadership and Governance

Standard IV states that, "*The institution recognizes and utilizes the contributions of leadership throughout the organization for continuous improvement of the institution. Governance roles are designed to facilitate decisions that support student learning programs and services and* *improve institutional effectiveness, while acknowledging the designated responsibilities of the governing board and the chief administrator."* Standard IV, B. and 1.c states that the *Governing Board sets policies for the effective operation of the institution* and that the *Governing Board has ultimate responsibility for …..financial integrity*.

As noted in the cover letter, the Board believes they asked the right questions, had no reasons not to trust the long-serving Superintendent/President and Vice President of Administrative Services who saw the College through years of affluence and financial stability, and approved the budget based acting in good-faith. When the institution has had years of having a stable reserve, when audits are consistently positive, when the Superintendent/ President and Chief Business Officer confirm the stability of the budget, when there were no previous red flags or warning signs to expose the problem sooner, when the institution has had years of financial stability, if not affluence, it is understandable that even the Board of Trustees did not recognize the problems as eventually discovered. As stated in the cover letter, I am not sure what else the Board could have done to identify the problem on their own.

Palo Verde College's Board of Trustees and constituent leadership groups clearly understand their role in reviewing, developing, and managing the financial resources of the institution. 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.

In the job description (see Appendices) for the search for the permanent Superintendent/President, the College Council recommended the following fiscally-related qualifications, characteristics, skills and abilities be included:

- 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.

Further, the 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 further understand they have ultimate responsibility for educational quality, legal matters, and the financial integrity of the institution. Additional study sessions and training on the budget is necessary for them to be confident in approving fiscal recommendations. The following budget study sessions have been calendared:

	Board of Trustees Budget Study Sessions Calendar
February 28, 2012	COP Restructuring
May 8, 2012	2012-13 Budget Development Process Overview
August 14, 2012	2012-13 Final Budget Overview

ELIGIBILITY REQUIREMENT: *#17.* FINANCIAL RESOURCES

Eligibility Requirement states that, "*The institution documents a funding base, financial resources, and plans for financial development adequate to support student learning programs and services, to improve institutional effectiveness, and to assure financial stability*".

Palo Verde College has met and will continue to meet this requirement. The College has worked diligently to develop a Budget Stability Plan to demonstrate that even with our significant debt, we will continue providing instructional, student support, and operational programs and services with a high degree of integrity, justifying lifting the sanction of *Probation*.

SECTION II:
STATUS REPORT UPDATE

Listed below and on the following pages is a status report demonstrating what has changed since the December 15, 2011, response to the Commission's November, 2011 letter.

The College has shown due diligence in meeting, discussing, reviewing, debating, negotiating with unions, and developing a comprehensive short and long-term Stability Plan that thoroughly meets Accreditation Standards, ensures fiscal stability, and institutional integrity.

<u>STATUS REPORT UPDATE</u>

As shown in the chart on the following page, the institution had actually been deficit spending since 2008-09. These deficits did not show up in any audit reports because COP funds were used as income to balance the budget, making it appear as there were no financial issues. Note the larger reserves estimated for 2011-12.

Palo Verde College Budget History Snapshot

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YEAR	ENDING BALANCE
2008-09	($53,666)
2009-10	($756,479)
2010-11	($1,544,258)
2011-12	**$509,000 est.**

SNAPSHOT STATUS REPORT from December 15, 2011 – March 27, 2012

Where We Were as of Dec. 15, 2011	Where We Are as of March 27, 2012
• On June 30, 2011, the Vice President of Administrative Services (Chief Business Officer) Retired and C.M. Brahmbhatt, retired Vice Chancellor of Administrative Services from Coast Community College District, was hired as a consultant to prepare the College's final budget	C.M. continues to provide assistance and general oversight as needed.
• During summer, 2011, Mr. Brahmbhatt found budget inconsistencies and deficiencies and informed the former Superintendent/ President of his concerns and findings. The chart on the following page provides a history of the PVC budget.	Budget inconsistencies no longer exist and will not exist in future budgets.
• In 2008-09, 2009-10, and 2010-11, "income" from the Certificates of Participation had incorrectly been used to balance the budget, thereby giving the impression that there were no budget deficiencies. The amounts reflected below were reported as revenue in the general fund in previous years. As of the closing of the 2010-2011 books, the College no longer continues this practice. The District will never again use COP funds as revenue to balance future budgets. Year 2007-2008: $786,051.38 Year 2008-2009: $418,960.08 Year 2009-2010: $750,000.00	COP funds are not and will never be used to balance the budget or as income again. Extensive effort has been spent on identifying potential *savings, cuts, and sources of new revenue.* Discussions with CTA/NEA, CSEA, and non-represented management groups regarding possible items for negotiated cuts have occurred and will continue. These items are covered in greater detail in the Stability Plan.
• Extensive COP (Certificates of Participation) debt.	An explanation of COPs and the College's plan for repaying the debt is included in Section III. Plans to restructure COPs: RBC Capital Markets (for financial consulting) and Fulbright and Jaworski (for Legal Counsel) advised that the College hire a Financial Advisor skilled in this type of transaction.

	The advisor should be hired by end of March and the status of the COP redemption should be known by June 15, 2012. The restructuring plan is explained on pages 23-26.
• The College was not in compliance with the 50% Law in 2010-11.	The College is again not in compliance with the 50% for 2011-12 and will have to seek another waiver from the State next year for 2011-12 but will be in full compliance by July 1, 2012 and thereafter. Six non-teaching qualified faculty and 1-2 qualified classified staff are being transferred to the classroom and will make up the deficiency.
• The Board Reserve was less than 5%.	It is anticipated that the 2012-13 Board Reserve will exceed 5%. Great efforts have been made to purchase only items necessary to maintain program integrity. Employees have voluntarily purchased their own supplies, elected not to turn in travel reimbursement requests, and committed to saving wherever possible. Cuts and savings will be covered in greater detail in the Stability Plan.
• During the summer and early fall 2011, Mr. Brahmbhatt met with constituent groups and the Governing Board to inform them of these issues.	Interim Superintendent/President Whittaker continues to meet regularly with constituent groups and the Board of Trustees.
• By September, 2011, Mr. Brahmbhatt developed a balanced budget by making severe cuts and by decreasing course offerings in 2011-12, intentionally creating a scenario of not reaching CAP, but planning for “stabilization” in 2012-13.	The College is planning to obtain their 1660 FTES Cap and is planning summer distanced learning and online courses, and an aggressive fall 2012 and spring 2013 class schedule, reinforced by extensive outreach and recruitment.
• In the past, constituent groups, managers, administrators, and the Board were prevented from having detailed information regarding the budget.	A transparent budget development and full disclosure process has been implemented. Discussions have been held as to what was so as to never to repeat the omissions of the past.
• During fall, 2011, many constituent and Board presentations were made regarding the state of the budget.	Over 40 meetings have been held to address the 2012-13 and long-term budget plans. Three college-wide, 1 student town meeting, and 1 community presentation has been made regarding the state of the budget.
• Associated Student Government and other concerned students participated in demonstrations and made Board presentations concerning the budget.	Student leaders have participated in College Council and Budget Committee meetings, a Town Hall was held to explain the budget and *probationary* status, and students are taken action to add a student fee to help address budget concerns.
• On November 15, 2011, the Accrediting Commission for Community and Junior	On December 15, 2011, Palo Verde College submitted its response in a Special Report (see

Colleges, Western Association of Schools and Colleges, requested information about the financial condition of the College.	Appendices).
• On December 31, 2011, the Superintendent/President retired.	On January 1, 2012, the Interim Superintendent/President was hired, arriving on-site on January 9, 2012.
• On January 10-12, 2012, the Commission reviewed the College's Special Report.	On February 1, 2012, PVC was notified that at their January 10-12 meeting, the Commission took action to place Palo Verde College on *Probation* requiring that they submit a Special Report by April 1, 2012 with a follow-up on-site visit to take place later in the month.
• April 1, 2012 Special Report Preparation	From January 9 – March 13, 2012, as noted on page 7, Interim Superintendent/ President reviews budget, meets with college constituent groups, Board members; makes all-campus presentations, and leads the College through a deliberative budget stabilization process to meet Commission and the Chancellor Office requirements.
• Knowledge of and authority for the budget was delegated to a single person who may or may not have been aware of the rules and regulations, or the severe debt service the College was being placed in when the COPs were refinanced. Nonetheless, knowledge and involvement in budget development was limited to only the Chief Fiscal Officer and the Superintendent/President.	The responsibility for the stability of the budget and financial resources lies with the Board of Trustees who is requiring that the next Superintendent/President have seasoned knowledge of budget and fiscal resources. In addition, the College community as a whole, along with constituent leadership, has accepted a new roll in the transparent budget development process.
• Although areas were asked for budget input for budget development purposes, these requests were not necessarily linked to Program Review and an integrated planning process.	The Budget Committee and the College Council are reviewing the process by which budget requests are integrated with Program Review and strategic planning. A structure and plan will be identified and implemented for future budget development cycles.

SECTION III:
Palo Verde College BUDGET STABILITY PLAN

Approved by the Governing Board, college constituent leaders have worked diligently to produce, and gain the Commission's and the Chancellor's Office approval for a Budget Stability Plan, addressing short and long term solutions, satisfying the Commission's and the Chancellor's Office concerns, enabling the College to continue to provide quality instructional, student support, and operational programs and services, consistent with the Standards for Accreditation.

Budget Stability Plan Process

Constituent leaders, students, and employees met for over 30 hours over a 7 week period to go through a deliberative, conscientious, and thoughtful process to identify values, savings, cuts, and new sources of revenue options, understanding that both the Accrediting Commission and the Chancellor's Office needed to have their concerns addressed, demonstrating short and long term financial security and stability.

Fiscal Challenges

The Budget Committee, along with the College community, was provided an overview of the fiscal challenges facing the institution. These challenges include:

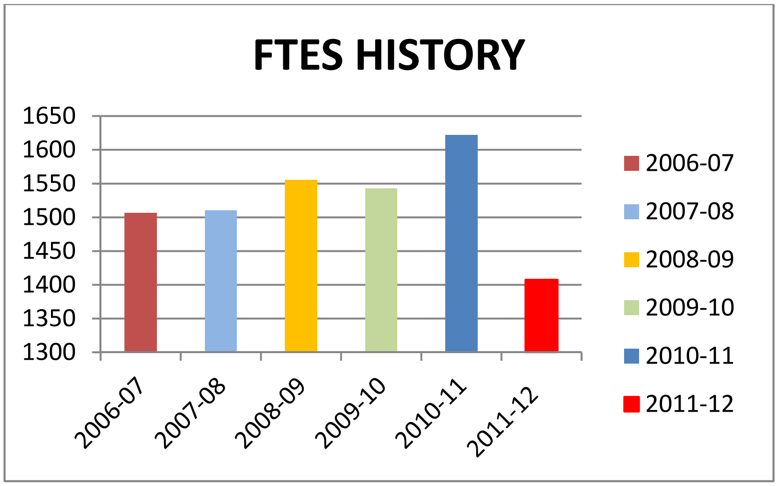
- Certificates of Participation heavy debt obligation for the next 25 years: Having carefully reviewed the budget and obligations, the Interim Superintendent/ President believes that the thinking of prior administration regarding the refinancing of the original $18 million in COPs to $32 million was intended to generate revenue through interest earnings, which did not materialize and therefore created the current financial crisis.

- 50% Law deficiency: The College did not meet the 50% Law in 2010-11 and recently received a waiver for all but $23,176.00 which will be applied to 2012-13. Currently, PVC is at 42%, largely due to the non-replacement of teaching faculty retirees over a four-year period. With decreasing revenues and increased expenses on the operational costs (utilities, etc.), it is difficult to stay abreast of the 50% Law. Palo Verde College current has 36 faculty members, of which 24 are full-time teaching. Of the 12 non-teaching faculty, only 6 are General Fund paid and count in the 50% calculation. There have been 16 instructional faculty vacancies since 2009, 7 of which have not been replaced. There are a total of 47 classified and management (11 classified managers, 2 confidential, 1 vice president, 1 superintendent/president, and 32 classified staff).

  To address this deficiency, 5 of the 8 counselors will be transferred into the classroom effective fall 2012, pending FSA and qualifications verifications. One non-teaching faculty member will also be transferred into his primary teaching field. Two or three classified staff who meet minimum qualifications will also be transferred for a temporary, one-year teaching position. Anticipated classified vacancies or contract reductions will improve the numbers on the wrong side of the 50% Law after 2012-13 when the classified staff will return to their full-time classified positions.

- 5% Board Reserve deficiency: Although there was a problem regarding the required 5% Board reserve regulation, due to spending cuts and other savings, it is anticipated that the reserve will exceed 5%.

- Workload Reduction and FTES: To balance the 2011-12 budget, a decision was made to intentionally reduce course offerings and FTES. This decision provided savings in adjunct salaries, thereby allowing the budget to be balanced. This places the College in a "stabilization" mode for 2011-12. The 2012-13 workload reduction target is 1660 FTES although the College has set its own target of 1750 FTES to ensure we reach our goal. An aggressive outreach and marketing plan is being finalized for full implementation beginning in April 2012. In addition, the College is considering offering only Online courses this summer, which should provide a boost in FTES acquisition. The College currently serves over 10% of the local population and anticipates that it will be able to reach its 2012-13 FTES targets. The chart below provides an historic perspective of the FTES increases since 2006.



- <u>25% Incarcerated Restriction</u>: For Federal Financial Aid purposes, there is a 25% limit on the number of incarcerated students who can enroll in Correspondence courses. There is a waiver provision through the U.S. Secretary of Education and the College is in the process of applying for this waiver. Until the waiver is received, since 23% of our Correspondence enrollment represents the current percent of enrolled incarcerated students, the College must maintain careful scheduling so as not to exceed 25% or its Federal Financial Aid will be in jeopardy.

- <u>High Cost of Utilities</u>: Due to the desert climate, particularly in the summer, Palo Verde College's annual cost of electricity exceeds $600,000. The College is working closely with Southern California Edison to ensure utility efficiency, including the use of its current BP Solar farm. Creative work schedules have been implemented allowing employees, with their supervisor's approval, to voluntarily work a 4/10 or 9/80 work schedule which allows the College to adjust heat/air as early as 6pm on Thursdays, providing three days of utility relief each week. SCE is also recommending that during the 15 "peak demand" days during the summer, that with 24 hour notice, the College adjusts its air to obtain maximum credit. This is under consideration.

- <u>Construction Bankruptcy and Bond Bankruptcy</u>: Building costs increased due to bankruptcy of the construction and bond companies during the construction of the Fine and Performing Arts building. Delays and setbacks resulted in unanticipated additional costs. Litigation is pending.

- <u>Reduced State Revenue</u>: Although small colleges received a waiver to the workload and budget reductions in 2011-12, it is anticipated that will not occur in 2012-13 and the Palo Verde College budget will be reduced accordingly. The Budget Committee and the College Council have spent numerous hours considering budget options. Brainstorming sessions were held to identify cuts, savings, and ideas for generating new sources of income. Many of these ideas have been or will be implemented to reduce current cost and budget liabilities. A further description of the brainstorming process is listed on pages 22-24.

Integrated Strategic Planning, Program Review, and Budget Development

The institution has now completed three full cycles of program review utilizing the revised *Program Review Guide.* Program Reviews are reviewed by the College Council and presented to the Board of Trustees. The College's Program Review cycle is current and although the requests for budget allocations in the past were linked to the strategic plan, the connection between the institutional prioritization of needs that are typically generated through Program Review, and the link to the budget development process is being strengthened for the future to ensure an integrated planning and budgeting process.

Due to the current state of the budget, the direct link to Program Review is suspended for the 2012-13 budget development process to provide time for the College constituent leaders to formulate a short and long-term budget plan, taking into consideration the long-term COP debt and budget deficit. The Budget Committee has already discussed that future budgets need to incorporate funds to provide for program development and enhancement through new sources of revenue, grants, partnerships, or additional institutional cuts to ensure program integrity and compliance with Accreditation Standards.

Overview of Budget Stabilization Planning Process

The details on the following pages are included to demonstrate the depth, breadth, and scope of the details reviewed and considered to prove to the Commission and the Chancellor's Office that Palo Verde College's budget is stable.

The Budget Committee and the College Council understood that a Budget Stability Plan needed to be designed to address the short and the long-term financial concerns of the Accreditation Commission and the Chancellor's Office. The process included the following components:

- Identification of College Budget / Funding Values.
- Understanding Certificates of Participation.
- Review of possible budget scenarios based on State revenue options (Charts 1 and 2 on pages 23 and 24.
- Identification of Cuts and Savings.
- Identification of Ideas to Generate New Sources of Income.
- Applying the cuts to the budget (Chart 3 as shown on page 28).
- March 15th notices approved by the Board on March 13 to demonstrate due diligence in the budget planning process.
- Applying further cuts: the final step which is anticipated to be completed in April, will involve negotiating items with CTA/NEA and CSEA, and going through the meet-and-confer process with classified management/confidential employees, to agree upon contractually-related cuts which will then allow the budget to be balanced.
- Final budget calculations taking into consideration negotiated reductions.
- Ending balance projections for 2011-12.

Budget Values

The Budget Committee preliminarily completed a brainstorming exercise of what mattered most in identifying funding values. The result of this exercise is shown in the Appendices and were reduced to four major categories: College-Wide Environment, Employees, Instruction, Student Support. Safety, state and federal compliance, and Accreditation were excluded from the list of options because they would automatically be funded. A survey was sent to employees and the results of the survey (see Appendices) demonstrated that employees ranked budget/funding values as follows:
#1 Preserve Employment/Jobs (layoff is last on the cut list unless all else fails)
#2 Preserve Instruction (curriculum and classes)
#3 Preserve Student Support Services
#4 Preserve College-Wide Environment

These values were used when prioritizing the next phase of planning: brainstorming savings, cuts, and new sources of revenue. When identifying and applying the cuts and savings to the budget, based on funding values, the intent was to apply as many "non-personnel" cuts as possible first, ensuring that the last items to be cut would be those to be negotiated (i.e. step and column advancement, health & welfare package, and salary, with the last being layoffs).

Certificates of Participation

Because the COP debt serves as an on-going obligation, for budget planning purposes, the debt had to be considered upfront as a liability. The Budget Committee and College Council were provided information about Certificates of Participation (COPs) as a typical way for colleges to fund construction, capital, and infrastructure projects. Certificates of Participation are:

- Defined as lease financing agreements in the form of tax exempt securities similar to bonds.
- Lease financing agreements in the form of securities that can be marketed to investors in a manner similar to tax exempt debt.
- A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues.
- A financing method.
- Assigned to a trustee who holds it for the investors.

Source: County of Santa Barbara - COPs Facility Program Strategic Plan, August 2000

COP Background

Palo Verde Community College District (PVCCD) issued an $18.6 million COP in Jan 2007 to mitigate the problems with the cash flow for the PE building and some capital projects. PVCCD refinance the $18.6 million for $31,995,000 in June of 2008. Both issues have built in capitalized interest.

COPs were issued to mitigate the problems with the cash flow situation to build the P.E. and Performing Arts buildings, and to address other infrastructure major expenses. Both buildings have been approved by the State as campus completion projects. The State has already reimbursed the District for both projects. As invoices for construction became due, the District paid them with COP funds. PVCCD deposited the funds from the State in its own name with a Local Agency Investment Fund (LAIF) in Sacramento. Currently, the District has approximately $14 million available in LAIF, District capital outlay funds, and claim reimbursements from the State.

COP Restructuring

The College has been working with RBC Capital Markets (for COP financial consulting) and Fulbright and Jaworski (for legal counsel) regarding the possible restructuring of the COPs. The restructuring involves a process whereby the College buys back some of its certificates currently held by investors. RBC advised that, due to the highly regulated and complicated nature of this purchase, and that PVCCD is likely the first public institution to undertake such an undertaking, that the College first secure professional advice from a Financial Advisor who specializes in this type of work.

This recommendation has been presented to the College constituencies through the College Council and the Budget Committee, and to the Board of Trustees at its Special Meeting on March 13, 2012. It is anticipated that a certified Financial Advisor will be hired by the end of April to review and assess the current COP debt and provide guidance in implementing a plan to restructure the COP debt by buying back as many of the COP certificates from investors as possible with a portion of the remaining COP and Capital funds. The preliminary plan is to place $12.5 million from the LAIF account into a trust account for the purchase of the College's COP certificates, currently held by investors. The chart on the following page reflects how this purchase impacts the budget.

Plan A: IF THE COLLEGE DOES NOTHING BUT MAINTAIN THE CURRENT 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
Interest Rates	4.00% - 5.5% $28,454,063 in total interest paid
Budget Planning	The College has sufficient funds to make nearly 9 years of payments without further assistance. The College has $15.2 million of unspent COP and Capital funds to make payments for 7 years or through 2018-19. Because the College is currently making $760,000 in SERP payments through 2015-16 and $832,000 currently in COP payments through the General Fund, it will then hold the same amount of funds ($1,592,000 annually) for years 2017-18 and 2018-19, adding $3,184,000 to the account which will cover payments through mid-year 2021. This gives the College sufficient time to generate new sources of revenue to plan for the remaining years of debt.

Under Plan A as shown on the following page, the worst scenario the College faces is that within the next 15 years, a concerted effort will have to take place to generate new sources of income between now and then to offset the unfunded debt beginning in year 2029. The institution understands this scenario. The institution realizes that due to the long-term debt, that over $1.6 million will be spent from the General Fund to meet this obligation; funds that could have been used for the overall betterment of the institution. The institution is also relieved that the funds are available because without, different drastic options regarding the

College's solvency and ability to exist would be in question. The availability of $1.6 million annually to put towards the COP debt demonstrates the overall solvency of the District.

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			

Plan B: IF THE COLLEGE "RESTRUCTURES" THE CURRENT COP DEBT

Current COP Account	$14,490,726 in current project fund account. This includes unspent COP funds and Capital Outlay funds.
Spring, 2012	Use $12.5 million from the $14.4 million to re-purchase / buy-back as many Certificates as $12.5 million will allow.
Debt Reduction	• Buying back certificates has a significant annual impact on the institution, saving the College at least $600,000 in interest every year. Such savings provides funding for the College to address Program Review priorities and other needs while continuing to be attentive to the debt obligations. Although the College has demonstrated that it can survive the current debt obligations without implementing Plan B, this plan

	provides for some financial relief. • From 2012 – 2015, use remaining $1,990,726 from original $14.4 million to lower debt service for the next 3 years to $883,400/year (with $663,575 coming from the COP funds). • From 2016-2024, pay $1.642 million/year (this is doable because ½ comes from current payment in the budget of $855,000 and the other ½ comes from the $760,000 dollars that are currently in the budget used to pay SERP, so in essence, the funds are already budgeted). • From 2025-2037, pay $961,000/year which is $500,000 less than what we would have been paying previously.
Why would the owner of the Certificates be interested in selling?	• In Nov. 2011, Standard & Poor's downgraded our COPs from "A-" to "BBB+" which is a negative for the owner. • Palo Verde College is a high-risk investment. • Accreditation Status to *Probation* makes us high-risk. • Documentable fiscal crisis. • Convince owners to get out while they can.

This "restructuring" decreases the amount of interest along with the annual payments, providing less demand on the College's budget.

Both Plan A and Plan B are viable options without putting the College at financial jeopardy. Obviously, Plan B is the more desirable option because it relieves the institution of debt pressure where funds can be applied to meet other instructional, student support, and operational needs. The College will know by the end of May whether or not the restructuring of the COP debt is possible. In the meantime, the College is moving forward with Plan A which still maintains a stable budget. The Budget Committee understands that the next phase is to review the list of ideas for generating new sources of revenue and begin making plans to obtain additional resources, planning ahead now for the obligation that exists 15 years from now.

2012-13 Budget Scenario Projections

In Chart 1 shown on the following page, the Budget Committee initially considered budget options taking into State assumptions as shown. Various assumptions surrounding workload reduction and mid-year cuts were considered as follows:

- Scenario 1: Includes a Workload Reduction & a Mid-Year cut.
- Scenario 2: Includes a Workload Reduction but <u>no</u> Mid-Year cut, and was selected for 2012-13 planning purposes.
- Scenario 3: No Workload Reduction but includes a Mid-Year cut.
- Scenario 4: No Workload Reduction and no Mid-Year cut.

The Budget Committee discussed in details what each of these scenarios mean and identified Scenario 2 as the most prudent plan, being hopeful that the November elections will eliminate the need for a mid-year cut. When the College is looking at layoffs, salary cuts, and benefits reduction options to balance the budget, we did not want to be too conservative, impacting employees' lives and then find out personnel cuts were made and not needed due to budget relief after the elections. It was decided that "trigger" language through negotiations would be a better way to go in that certain mid-year triggers would result in other possible pre-negotiated cuts to be implemented. This was believed to be a prudent method for budget planning.

Chart 1: 2012-13 Scenario Comparison				
No Adjustments or Cuts Applied to the Initial Projections				
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**
	Includes WR & MY	Includes WR - No MY	No WR - Includes MY	No WR - No MY
State Revenue	9,918,250	10,371,250	10,525,262	10,978,262
Local Revenue	1,253,564	1,253,564	1,253,564	1,253,564
Anticipated Revenue	**11,171,814**	**11,624,814**	**11,778,826**	**12,231,826**
Instructional Salaries & Benefits	3,531,809	3,531,809	3,531,809	3,531,809
Non Instructional Salaries & Benefits	4,739,273	4,739,273	4,739,273	4,739,273
SERP Payments & Benefits	760,366	760,366	760,366	760,366
Supplies (+1% yrly)	203,850	203,850	203,850	203,850
Operating Expenses* (+1%)	798,992	798,992	798,992	798,992
Utilities (+15%)	672,150	672,150	672,150	672,150
Instructional Services Agreements/Proctors	800,740	800,740	800,740	800,740
Legal	300,000	300,000	300,000	300,000
Capital Outlay	112,010	112,010	112,010	112,010
Student Outgo	3,741	3,741	3,741	3,741
Board Reserve	129,253	129,253	129,253	129,253
Anticipated Expenses	**12,052,184**	**12,052,184**	**12,052,184**	**12,052,184**
Difference	**(880,370)**	**(427,370)**	**(273,358)**	**179,642**
COP Payment	855,000	855,000	855,000	855,000
Base Budget	**(1,735,370)**	**(1,282,370)**	**(1,128,358)**	**(675,358)**
Add'l Funding to Maintain FTEs	-			
Emergency	125,000	125,000	125,000	125,000
Restore IT Budget cuts 2011-12	400,000	400,000	400,000	400,000
Add'l Funds for ISAa/Proctors	250,000	250,000	250,000	250,000
Difference	**(2,510,370)**	**(2,057,370)**	**(1,903,358)**	**(1,450,358)**

WR = 2011-12 Workload Reduction that small colleges were held harmless for in 2011-12. This isn't expected to extend
MY = This is a proposed Mid Year cut this is being proposed should the governor's tax initiative not pass in November
Board Reserve - This assumes that we will not make the 5% for the 2011-12 that the board requested.

Chart 2 in the budget planning progression process as shown on the following page, takes Scenario 2 and breaks the budget information down in greater detail. For budget planning purposes, Chart 2 starts with the revenue projection as shown below and then subtracts the Early Retirement Incentive payments and the COP payments with an internally adjusted base budget of $10,009,448. This is the base the College is working with in planning short and long-term annual budgets. [Although the Commission may have had initial concerns regarding SERP obligations, the SERP plans resulted in over $2 million in salary and benefit savings.]

Revenue Projections 2012-13			
	State Revenue		10,371,250
	Local Revenue		1,253,564
	Total Revenue		11,624,814
Mandated Costs			
	SERP	760,366	
	COP - Removed due to paying this out of the LAIF fund	855,000	
	Total Manadated Costs		1,615,366
Base Budget			**10,009,448**

When current operational costs are applied, the start of the budget planning process began with a projected deficit of $2,057,370. This is the dollar amount the Budget Committee started with in their 2012-13 budget planning process. The details are shown in Chart 2 below.

Chart 2: Detailed Budget for Income Scenario 2					
Assumptions:					
Income Scenario 2 (Includes a Workload Reduction but No Mid-Year Cuts)					
Expense Scenario (5% step and column increase Faculty / Classified)					
	(No increase for Administration / Management & Confidential)				
Revenue Projections 2012-13					
	State Revenue				10,371,250
	Local Revenue				1,253,564
	Total Revenue				11,624,814
Mandated Costs					
	SERP			760,366	
	COP - Removed due to paying this out of the LAIF fund			855,000	
	Total Manadated Costs				1,615,366
Base Budget					**10,009,448**
Expense Projections 2012-13		Instructional	Non-instructional	Subsidized	Total
1000 Certificated					
	Admin	-	258,377	147,087	405,464
	Faculty	2,734,315	573,523	88,263	3,396,101
	Board	-	11,520	-	11,520
					-
2000 Classified					-
	Class FT	23,734	1,203,214	6,017	1,232,965
	Class PT	18,384	53,033	-	71,417
	Class Mgmt	-	870,164	56,205	926,369
					-
3000 H&W					-
	Insurance (+5.5%)	419,359	828,682	52,282	1,300,323
	Other	336,017	538,206	52,700	926,923
4000 Materials					203,850
5000 Other Operating Costs					
	Operating Expenses				798,992
	Utilities				672,150
	Instructional Service Agreements/Proctors				800,740
	Legal				300,000
6000 Capital Outlay					112,010
7000 Other Student Outgo					3,741
				Sub-Total	11,162,565
	Board Reserve				129,253
				Grand Total	11,291,818
				Difference	(1,282,370)
	Unfunded/Unmet Ne	Institutional Technology			(400,000)
		Unmet Needs/ Emergency Items			(125,000)
		Instructional Service Agreements			(250,000)
					(775,000)
		Total Expenditure Deficit Projection			**($2,057,370)**

Identification of Areas in the Budget to Cut

Using Charts 1 and 2 as the basis for budget planning, all faculty and staff were invited to attend the Budget Committee on February 7-8, 2012 (where over 60 of the 83 employees attended) to brainstorm ideas for cutting and identifying savings in the budget. The cuts and savings were divided into 3 categories: Immediate, Short-Term (by July 1), and Long-Term (next year and thereafter). The results of this process are listed below and on the following page and the 2012-13 development budget will be adjusted to take into considerations these cuts and savings as noted.

SUMMARY OF BUDGET CUTS & SAVINGS IDEAS (IN ALPHA ORDER)

For Immediate Action		Status / Description
-0- REPLACEMENTS FOR RETIREES, RESIGNATIONS, OR VACANT POSITIONS MAINTAIN HIRING FREEZE	✓	**Completed:** No replacements except under extraordinary conditions. There currently are 35 vacancies, with several pending via "incentive" plans.
ALTERNATIVE WORK SCHEDULES	✓	**Completed:** For greater access and service to students & to save on utilities.
CLEANING	✓	**Completed:** With only 1 custodian, reduce # of open bathroom stalls & sinks to reduce cleaning needs.
CONSOLIDATE REF/MICROWAVES		Pending review.
COPIERS—COST OF MACHINE	✓	In Process: Reviewing copier contracts with intent to eliminate for efficiency.
DATATEL (EVALUATE)	✓	In Process: Staff is currently refining datatel contract and needs to minimize costs.
DIGITAL—GO PAPERLESS	✓	In Process: Only print 2-sided when necessary; move towards paperless agendas.
DRINKING WATER	✓	**Completed:** Contract for water coolers has been eliminated for both fiscal and energy savings. Recommend the elimination of bottled water for both fiscal savings and conservation purposes.
EVALUATE NEEDLES FACILITY	✓	In Process
LIGHTING (BULBS)	✓	In Process: Remove bulbs where possible when not needed for work or safety.
LIGHTS OFF	✓	In Process: Evaluating outside lighting to reduce at night w/o limiting safety.
REVIEW MEMBERSHIP LIST	✓	**Completed:** Only those memberships mandated will be funded for 2012-12.
REVIEW PER DIEM PAY	✓	In Process: Goes to College Council to change reimbursement policy; voluntary non-payment in place.
REVIEW PRINTING	✓	In Process: Reduce amount of off-site printing.
REDUCE TECHNOLOGY COSTS	✓	In Process: IT staff is reviewing where cuts can be.
STAFFING NEEDS (EVALUATE)	✓	In Process: IS/P and VPs reviewing vacancy list to determine areas of greatest needs.
SUPPLIES/BOOKSTORE INVENTORY	✓	**Completed:** Inventory is complete and supplies will be available to staff.
TEMPERATURE	✓	**Completed:** Air and Heat will be adjusted high and low to save energy costs.
VOLUNTEER HEALTH BENEFITS opt-out	✓	**Completed:** Board approved 2/27/12 to pay $6000 upon proof of insurance to opt-out of medical plan.
VOLUNTEER DRIVING	✓	**Completed:** Budget Committee approved option for employees to drive own vehicle and not claim reimbursement for miles.

VOLUNTEEER RESIGNATION INCENTIVE	✓	**Completed:** Board approved 2/27/12 to pay salary & benefits through 12/31/12 for those who resign by April 14, 2012.
VOLUNTEER REDUCTION TO 49%	✓	**Completed:** Board approved 3/27/12 to pay salary & benefits through 12/31/12 for those who voluntarily reduce their full time position to 49% by April 30, 2012.
VOLUNTEER REDUCTION IN 12 MONTH CONTRACT FOR NON-TEACHING EMPLOYEES	✓	**Completed:** Board approved 3/27/12 to pay salary & benefits through 12/31/12 for those who voluntarily reduce their 12 month contract by April 30, 2012.
SHORT TERM (THIS SEMESTER)		
4X10 VOLUNTEER WORK SCHEDULE	✓	Completed: To serve more students & save energy costs on Fridays.
9 / 80 VOLUNTARY WORK WEEK SCHEDULE	✓	Completed: To serve more students & save energy costs on Fridays.
ELECTRONIC ADMIN FORMS (ABSENT FROM CAMPUS FORMS, ETC.)		Under consideration to determine inventory and costs.
EVAL ADJUNCT FACULTY COVERAGE	✓	In Process: VPI and Chairs reviewing costs of adjunct use.
REVIEW GLASS WINDOWS		Pending SCE site visit.
SCHOLARSHIPS SCHEDULE	✓	Pending review by VPSS and Staff (to reduce paper costs).
LONG TERM (NEXT FALL)		
11-MONTH WORK SCHEDULE	✓	Pending Contract Negotiations & Meet-and-Confer
EVAL BOARD TRAVEL & HAVING BOARD MTGS IN NEEDLES	✓	**Completed:** Board Members who live in Needles are participating in Board meetings via ITV, saving the College travel and mileage costs.
EVAL COLLEGE VAN USE	✓	**Completed:** Tires have been replaced & reduce overall use through voluntary use of personal car.
EVAL PHONE BILLS	✓	In Process: Reviewing phone bills to assess more cost effective way to handle long distance.
EVAL SOLAR VS SCE	✓	In Process: SCE energy audit pending.
INCREASE CLASS SIZE	✓	Pending CTA negotiations
LANDSCAPING	✓	In Process: Evaluate possible reductions.
FEWER EVENING CLASSES		Data needs to be collected and analyzed to verify need.
MORE ITV COURSES @ NEEDLES	✓	In Process: Reviewing Needles efficiency and educational/Civic Center rental options.
REDUCE THE LENGTH OF SEMESTERS	✓	Referred to Calendar Committee

Identification of Ways to Generate New Sources of Revenue

All faculty and staff were invited to attend the Budget Committee on February 8, 2012 to brainstorm ideas for generating new sources of revenue. The ideas were divided into 4 categories:

- Immediate
- Short-Term (by July 1)
- Long-Term (18 months or longer)
- Special Events.

The results of this process are listed on the following page. The Budget Committee has been focusing on the Cuts and Savings portion of the budget because those reflect real dollars and savings for purposes of preparing the preliminary budget for June approval and the Stability Plan. The committee will revisit the list as shown on the following page after Spring Break to determine which ideas are worth pursuing immediately and long-term. The committee recognizes that a plan for generating new sources of income must take place to offset the long-term debt needs, especially if the COP debt is not restructured as previously discussed on pages 22-23. The College understands that a thoughtful income generation plan is necessary now, to anticipate new income being realized within 18 months. This new income will be placed in a special debt service account towards future obligations.

SUMMARY OF NEW SOURCES OF REVENUE IDEAS

IMMEDIATE	**LONG-TERM (18 MONTHS or LONGER)**
DONATE 1 CTLC (faculty load)	SOLICIT BENEFACTOR FOR DEBT RELIEF
FACEBOOK, YOUTUBE, SOCIAL MEDIA	FEE-BASED COMMUNITY SERVICES CLASSES
ONLINE DEGREE PROGRAM	GRANTS
RAFFLE	INTERNATIONAL STUDENTS
SILENT AUCTION	SOLICIT MAJOR DONORS TO NAME A BUILDING
SURPLUS SALES	ONLINE DEGREE PROGRAM
SHORT-TERM (BY FALL)	PROPERTY SALE (LAND, SPRING STREET CENTER, ETC.)
AFTER SCHOOL PROGRAM	TARGET SNOWBIRDS
ALUMNI DONATION (PARENTS)	TOP-END RV PARK
CAREER DAY	Turn Den (snack bar) into Culinary Arts Kitchen run by students.
CELL TOWERS	Weld equipment for farmers for a fee
CHARGE COPIES (REVIEW)	Hands-on Auto by students: change oil, tune-ups, tire rotation, repair marine motors, jet skis, etc., detail cars, etc.
CIVIC CENTER RENTALS	Building & Construction Trades - students can build outdoor furniture and sell to the community. http://www.outdoorfurnitureplus.com/outdoor-furniture-picnic-tables.html
COB REC CENTER LEASING	BCT - go out as a credit/work project and install fencing, paint homes, roofing, sprinklers, maintain swimming pools, clean up property, etc. under faculty supervision.
COLLEGE NIGHT	**SPECIAL EVENTS**
COMMUNITY WORKSHOPS	BINGO
DONATE FEE SERVICE	CAR SHOWS
EVENING DAY CARE/PRACTICUM ON-SITE	CARNIVAL-HOMECOMING
FITNESS CENTER	CINCO DE MAYO
FPAC & PEC PROGRAMS	CONCERT SERIES
GRANTS	DINNER
INSTRUCTIONAL FEES	DINNER (BUY A TABLE)
LEASING PROPERTY	FOUNDATION GALA
MARKTING/OUTREACH	GARAGE SALES
ONLINE DEGREE PROGRAM	GRAD PROM
PARKING PERMIT STUDENTS	HAUNTED HOUSE
PIRATES DEN	MOVIE NIGHTS
REC FEE (PEC)	PARKING LOT SWAMP MEET
SELL TIX FOR GRADUATION	SAVE THE COLLEGE MARATHON
TECH FEE—ONLINE, ITV	TOURNAMENTS/COMPETITIONS
Rummage Sales	Turn FPA into Movie Theater
	Turn Basketball court into roller rink
	Install 1 gas pump

The Budget Committee, after addressing the cuts and savings from the brainstorming session, reviewed the anticipated expenditures and considered the next level of cuts from a list of 18 options. The Budget Committee was broken into sub-groups and participated in an exercise where they could not represent their own group affiliation, but had to assume the role of another constituent group. They were then asked to identify the cuts they would make. Listed below are the items that made the top of the list. Based on these cuts, a new base budget was created.

Option	**Description**	**Estimated Savings**
1	Administration and management/confidential maintains freeze on step and column advancements for 2012-13.	Currently in budget as a cut.
2	Freeze step and column advancement for classified and faculty for 2012-13. Must be Negotiated.	$81,709
8	Some of the 4000 and 6000 objects codes were reduced by 50%. The TRANS expense was removed in the amount of $75,000 and operating expenses were reduced by 50%. Reduce utilities by $50,000 to account for closing the campus for the month of July.	$430,214
9	4 board members opt out of the insurance	$71,696
10	The district only pays up to the established CAP. Does not agree to paying 50% of the difference between CAP and actual amount of insurance. Cap for Certificated = $15,000; CAP for Classified = $17,526. Must be Negotiated.	$97,702
11	11 non-instructional employees opt out of insurance and receive $3600 per year instead of insurance OR 10 classified /managers are paid $6000/year to opt out for a savings of $77,828.20. [Cannot offer to faculty as it negatively impacts the 50% law unless we return the instructional savings to the instructional program.]	$125,070
12	Remove the budgeted amount for board reserve. This has been identified through the ending balance and can be removed from the deficit projections.	$221,445
13	Plan for a reduction in utilities of $5,000 per month for 10 months due to changing work schedules and closing the campus as much as possible one day a week.	$50,000
17	Change 5 Classified and Mgmt/Confidential people to 20% Teaching workload (impacts 50% Law).	
18	4 people resign by 4/1/12 and receive pay and benefits through 12/31/12	$184,195
		$1,262,031

Application of Identified Cuts

Following a structure, sequential planning process, Chart 3, shown on the following page, builds on Chart 2 by applying the identified cuts and savings to-date as generated by the Budget

Committee. The deficit has been reduced to $955,109 and does not include any negotiated items that could positively impact the budget.

Chart 3: Budget with Approved Cuts & Savings Applied					
Assumptions:					
Income Scenario 2 (Includes a Workload Reduction but No Mid-Year Cuts)					
Expense Scenario (5% step and column increase Faculty / Classified)					
	(No increase for Administration / Management & Confidential)				
Base Budget					**10,009,448**
Expense Projections 2012-13					Total
				Sub-Total	11,162,565
	Amount Still Needed to Obtain 5% Board Reserve				129,253
				Grand Total	11,291,818
				Difference	(1,282,370)
	Unfunded:	Institutional Technology			(400,000)
		Unmet Needs/ Emergency Items			(125,000)
		Instructional Service Agreements			(250,000)
				Budget Shortfall	**(775,000)**
Projected Cuts & Savings					
	Board Member Insurance Opt Out				71,696
	Cuts to Operating Budget				430,214
	Employee Insurance Opt out				77,828
	Resignation Incentive				465,202
	Reduced Workload - 49%				49,349
	Reduced Workload - 11 Month Employment				7,972
	Total				**(955,109)**

Plan for Addressing the Deficit

The Budget Committee will be addressing the current $955,109 planning deficit within the next few weeks, applying the results of the various incentive plans, making further adjustments, and then going into contract negotiations to consider contractual reductions so as to balance the budget, assuring the Accreditation Commission and the Chancellor's Office that Palo Verde College is financially secure. The results of this final process will be reported to the Commission as a Follow-up Report by June 1, 2012 to demonstrate that the College is competing what it has stated it will do.

With the projected ending balance being conservatively projected over $500,000 as described on pages 35-36, the need for the inclusion of $129, 253 shown above for the 5% Board Reserve calculation will be removed from the deficit, further reducing the current projection to $825,856. The College understands that most community colleges are facing the same or worse deficits and believes that through further reduction processes, the institution's budget will be balanced before the end of the semester, which is probably further along than most colleges can say at this point.

The College community is to be commended for their team-work in designing and supporting creative options to reduce the deficit in planning for 2012-13. Based on the funding values, the plan was to do as much as possible before getting to those items involving salary and layoff. The expenditure estimate for 2012-13 was over $2 million over revenue when this process began, and although a diligent effort was made to cut/save nearly $1.1 million, it was not enough to eliminate the need for March 15th notices.

March 15th Notices

The Interim Superintendent/President has been discussing the possibility of March 15th notices with faculty since January, hoping they would not be necessary. It was explained that the College needed to prove that it was acting in good faith, considering all options for balancing the budget, and that senior management was being responsible and diligent about the budget planning process. If the College were unable to complete most of the short and long-term budget plans by mid-March, there was no alternative than to demonstrate due diligence by issuing March 15th notices as a remote possibility if contract negotiations stalled or failed. The Resolution for March 15th Notices is included in Appendices 3 and states that only if all else fails, will the College move to implement them. The Interim Superintendent/ President is committed to finalizing a balanced budget before the end of the spring semester, including those items that require contract negotiations, to solidify and stabilize the budget without layoffs.

Contract Negotiations and Meet-and Confer with Non-Represented Employee Groups

1% Salary Costs

Administration	4,054.64
Classified Mgmt	10,369.46
FT Faculty	26,715.82
Adjunct	4,825.21
Overload	1,809.00
Chairs	592.50
Classified FT	13,833.96
Classified PT	1,324.13
	$63,524.72

Although much has been accomplished in the past few weeks, the remainder of the cuts cannot be made without going into contract negotiations or meet-and-confer for non-represented employees. For the 2012-13 budget, the items that require discussions with CTA/NEA and CSEA unions and non-represented employees include but are not limited to:

- Step and Column Advancement
- Health & Welfare Plan Options
- Salary Adjustments
- Reduced Contracts Resulting in Closing the College 2-4 weeks (furlough days)
- Conditions for Non-Teaching Faculty and Classified Staff Transfers into the Classroom
- Consideration to reduce all 12 month employees to 11 months; results in closing the College down during peak summer month or time off during the year; or a combination thereof.

As noted to the left, with fewer than 80 employees overall, the amount of savings from salary cuts is small which creates a burden on the employees if needed to balance the budget.

Every possible item that could be cut or saved has been considered, leaving no rock unturned before getting to contract negotiations as a means to balance the budget.

In this economic climate, there is interest to preserve as much of an employee's salary and benefits as possible. There is also understandably an edge of resentment that the remaining employees are paying the price for the errors of the past, ultimately balancing the budget on their shoulders. Therefore, the College is making a good faith effort to consider every creative option, while maintaining quality programs and services, so as to minimize the impact on each employee. The College was acutely aware of the need to have the 2012-13 budget and future budget projections (demonstrating short and long-term financial stability) near completion in time for the April 1 report. However, it would have been premature to rush into contractual decisions without knowing the final fiscal impact of the various employment incentive programs currently being offered to help reduce the budget and positively impact the 50% Law. These employment incentive programs are included in Appendices 4 and are described as follows:

Voluntary Medical Benefits Opt-Out Incentive: Approved by the Board of Trustees on February 28, 2012, this plan is offered to all employees who have proof of insurance and pays $6000 to each employee who opts-out. The incentive will be announced in early April with a deadline consistent with Open Enrollment dates. There is no penalty or costs to the College associated with the opt-out plan. The College will save approximately $10,000/person who opts-out. Target: 10. Justification: Reduces medical benefit costs; positively impacts the 50% Law.

Cost Benefit Projections for 10 Employees who Opt-Out

	District Paid	Dental, Vision, Life	Opt Out Amount	Yearly Stipend	Difference	Participants	
Certificated	17,284.00	1,950.74	15,333.26	6,000.00	9,333.26	10	93,332.60
						12	111,999.12
						15	139,998.90
Classified	15,733.56	1,950.74	13,782.82	6,000.00	7,782.82	10	77,828.20
						12	93,393.84
						15	116,742.30
						17	132,307.94
						20	155,656.40

Voluntary Resignation Incentive: Offered to non-teaching faculty, classified employees, and management who submit their resignation between March 7 and April 14, 2012, and resign by May 1 (Option 1) or by June 30 (Option 2). These incentive plans are included in Appendices 5 and the budget savings benefit chart is shown on the following page. Employees will be paid their full salary and benefits through December 31, 2012. This option saves ½ of their salary and benefits in the 2012-13 budget and 100% in subsequent years for non-replacements. Target: 4 employees; Actual to Date: 6 employees. Justification: Reduces salary and benefit costs; positively impacts the 50% Law.

Cost Benefit Projection for 4 Employees Who Voluntarily Resign

	Avg Salary	Benefits	Other	Subtotal	½ Year Savings
Faculty	71,719	16,445	9,047	97,211	48,606
Non-Teaching	74,796	16,899	9,349	101,044	50,522
					-
Classified	41,115	14,115	9,003	64,233	32,116
Mgmt	77,197	15,263	13,442	105,902	52,951
				368,390	**184,195**

Voluntary 49% Reduction in Assignment Incentive: Effective July 1, 2012, offered to non-teaching faculty, classified employees, and management who submit their request by April 20, 2012. Employees will be paid their full-time salary and benefits through December 31, 2012. This option saves ½ of their salary and benefits in the 2012-13 budget and ½ salary and 100% benefits thereafter. This plan will be submitted to the Governing Board for approval on March 27, 2012. Target: 2 employees. Justification: Reduces salary and benefit costs; positively impacts the 50% Law.

Voluntary Reduction in 12 Month Contract: Effective July 1, 2012, offered to non-teaching faculty, classified employees, and management who submit their voluntary reduction (to 10, 10.5, or 11 months) by April 20, 2012, will be paid their full-time salary and benefits through December 31, 2012. The reduction to 11 months is equivalent to a 8.33% salary decrease; for 10.5 months, the salary decrease is equivalent to 12.49%; and for 10 months, the salary decrease is equivalent to a 16.65% decrease. Employees who voluntarily reduce their contract will not be subjected to additional salary reductions until the reduction exceeds the percent of the initial reduction. This plan will be submitted to the Board of Trustees for approval on March 27, 2012. Target: 4 employees. Justification: Reduces salary and benefit costs; positively impacts the 50% Law.

Palo Verde College realizes that, as a small institution, the loss of any classified or management staff may cause difficulty in maintaining levels of service. Once the results of the incentives are known, an assessment will take place to determine the impact on maintaining integrity and meeting Accreditation Standards, and if justified, internal or external replacements may be approved for backfill on an as-needed basis.

Ending Balance Projections

The Budget Committee reviewed the analysis of expenditures as of March 1st to project what the ending balance would be for 2011-12.

ANALYSIS OF EXPENDITURES AS OF MARCH 1

	Budgeted	Spent to Date	% Spent
1000 Academic Salaries	4,029,592	2,043,117	50.70%
2000 Classified Salaries	2,370,109	1,431,135	60.38%
3000 Benefits	2,904,113	1,892,573	65.17%
4000 Materials & Supplies	203,526	32,107	15.78%
5000 Contracts/Services	2,795,819	1,163,029	41.60%
6000 Equipment	115,152	70,386	61.12%
7000 Other	20,400	43,544	213.45%

Taking into consideration the cuts and savings, and the month-to-month assessment of current expenditures as shown in the chart above, the Ending Balance Projection was designed to prepare an itemized list of budget impacts this year. The result, as shown on the following page, is a conservative approach to what the College believes will be the 2011-12 ending balance. The Budget Committee recognizes that the ending balance will be maintained as Board Reserve (5%) and additional reserves to address anticipated 2012-13 emergencies. It will not be used to offset anticipated expenditure deficits currently being addressed.

ENDING BALANCE PROJECTION BASED ON INCREASES AND DECREASES TO DATE

Ending Balance		Running Balance
6/30/11 - 311 Ending Balance	**342,283**	**342,283**
2010-11 Audit Adjustment	140,543	482,826
2010-11 FTE Shortfall (1810 to 1793)	(82,360)	400,466
2011-12 Deficit Factor	(332,500)	67,966
Presidential Search	(27,000)	40,966
Accreditation Visit April 2012	(20,000)	20,966
1000 - Overload Unspent	91,800	112,766
1000 - Chair Unspent	53,649	166,415
1000 - Add'l Adjunct Unspent	220,121	386,536
1000 - Other Unspent	97,384	483,920
2000 - Over budget	(47,719)	436,201
3000 - Over budget	(53,768)	382,433
4000 - 50% of remaining budget	72,254	454,686
5000 - 50% of non-exempted items	50,710	505,396
5000 - FST (50% of estimated Unspent amount)	36,579	541,975
6000 - 50% of remaining budget	20,766	562,740
Vacation Payoff - Early Resignation	(53,097)	**$509,644**

Short and Long-Term Stability Projections

One of the Commission's and Chancellor's Office concerns was long-term viability and financial stability. Although no contract negotiations have taken place at the time of this submittal, the table on the following pages shows that if the current level of salaries were not changed, and if Step and Column increases were frozen, the 5 year projection below demonstrates a reasonable deficit, taking into consideration that most community colleges today are facing some form of eventual deficits due to revenue reductions. These are manageable deficits and the College has demonstrated that it has, and will continue to take, responsible action to maintain the viability and fiscal stability of the institution, maintaining Accreditation Standards and state compliances. A follow-up status report will be sent prior to June 1, 2012 to provide an update based on the impact of negotiated contract decisions.

2012-13 Budget Serves as the Base-Line for Following Year

PALO VERDE COLLEGE 5 Year Planning Projections - Scenario 2

Includes 2012-13 Workload Reductions and no 2012-13 Mid Year Cuts (Proposed Tax Initiative Passes)

	2012-13	2013-14	2014-15	2015-16	2016-17
State Revenue	10,371,250	10,371,250	10,371,250	10,371,250	10,371,250
Local Revenue	1,253,564	1,253,564	1,253,564	1,253,564	1,253,564
Anticipated Revenue	**11,624,814**	**11,624,814**	**11,624,814**	**11,624,814**	**11,624,814**
Instructional Salaries & Benefits	3,531,809	3,531,809	3,531,809	3,531,809	3,531,809
Non Instructional Salaries & Benefits	4,739,273	4,739,273	4,739,273	4,739,273	4,739,273
SERP Payments & Benefits	760,366	760,366	760,366	640,265	316,214
Supplies (+1% yrly)	203,850	203,850	203,850	203,850	203,850
Operating Expenses* (+1%)	798,992	798,992	798,992	798,992	798,992
Utilities (+15%)	672,150	672,150	672,150	672,150	672,150
Instructional Services Agreements/Proctors	800,740	800,740	800,740	800,740	800,740
Legal	300,000	200,000	150,000	150,000	150,000
Capital Outlay	112,010	112,010	112,010	112,010	112,010
Student Outgo	3,741	3,741	3,741	3,741	3,741
Board Reserve	129,253	6,006	6,252	7,030	(1,930)
Approved Budget Cuts	(1,102,261)	(1,373,082)	(1,373,082)	(1,373,082)	(1,373,082)
Anticipated Expenses	**10,949,923**	**10,455,855**	**10,406,101**	**10,286,778**	**9,953,767**
Difference	**674,891**	**1,168,959**	**1,218,713**	**1,338,036**	**1,671,047**
COP Payment	855,000	855,000	855,000	975,101	1,299,152
Base Budget	**(180,109)**	**313,959**	**363,713**	**362,935**	**371,895**

Anticipated Revenue Assumptions:

State Revenue includes a Workload Reduction for $66,217 indicated in the Tier 2 report received from the Chancellor's Office (2011-12)

Only the workload reduction of $604,012 is included in this scenario. It is assumed that the hold harmless agreement for small colleges has expired. It is further assumed that the tax governor's tax initiative passed and that no further workload reductions will be applied.

Local revenue includes a decrease of $29,000 due to the RDA's being dissolved and removed $82,000 interfund transfer related to the insurance fund. The constituent groups are not using these funds but are contributing to them for future use.

Anticipated Expense Assumptions:

All salaries and benefit amounts assume an increase to account for benefit increases with no further increases of the insurance cap.

Capital Outlay and Student Outgo have no increases

*Operating expenses include travel, property insurance, consultants, memberships, contractual agreements, leases and the cost of the TRANs.

Summary Statement

We respectfully request that based on the facts presented, that the *Probationary* sanction be lifted.

Palo Verde College has submitted this *Special Report* demonstrating that although the College has its fiscal and other challenges, the state of the institution's finances are stable. The College asserts that it has demonstrated beyond a doubt that a thorough, thoughtful, and viable Stability Plan has been developed and is being implemented, eliminating the need for the institution to remain on *sanction*. This is particularly an important plea. The impression that Palo Verde College is either bankrupt, closing, losing their Accreditation, or that classes no longer transfer, has been rumored locally and throughout the community colleges within the State. Such rumors are hurtful when the College community has pulled together to demonstrate their financial stability, even in light of its long-term debt, to create a dynamic Stability Plan that mitigates such concerns.

6. Appendices

The Special Report shall include appropriate evidence to document the information provided in the report.

APPENDICES 1a- Results of Initial Brainstorming for Funding Values

LIST OF FUNDING VALUES – FEBRUARY 6, 2012 BRAINSTORMING SESSION IN NO ORDER	
Technology	PE
Marketing	Professional Development
Cultural Diversity	Transfer
Instructional Service Agreements	Salaries
Jobs	Health Benefits
Performing Arts	PFA classes
Safety	Community
Accreditation	Compliance
Student Services	Issues of Safety
Available Face-to-Face Classes	Student Learning
On-Line Classes	Basic Skills
Financial Aid	Career & Technical Education
Disabled Student Services	PE programs
Student Learning and Retention	Access
Registration	Adds/Drops
Matriculation	EOP&S
ITV	Instructional Technology
Correspondence Classes	Outreach

Prioritization of Funding Values for Purpose of Institutional Survey

Compliance	Employee	Instruction	Student Support	College-Wide
State & Federal Mandates	Salaries	On-Line courses	Access	Cultural Diversity
Accreditation	Jobs	Basic Skills Instruction	Student Support Services	Technology
Safety & Security	Step/column	Performing Arts Center/Programs	Career & Transfer Services	Professional Dev.
	Health & Welfare	Career & Technical Education	Student Learning & Retention	Marketing
	Other	Instructional Service Agreements	On-Line Support	Community
		Web Technology	Registration	Other
		PE courses & programs	Adds/Drops	
		Sensitivity to Cultural Diversity	General Student Support	
		Instructional Technology	Matriculation	
		Transfer Instruction	Disabled Student Services	
		ITV	EOP&S	
		Correspondence Courses	Outreach	
		Other	Other	

Appendices 1b: Survey Monkey Results for Funding Values

SURVEY MONKEY RESPONSE SUMMARY: TOTAL COMPLETED SURVEY: 67 (100%)

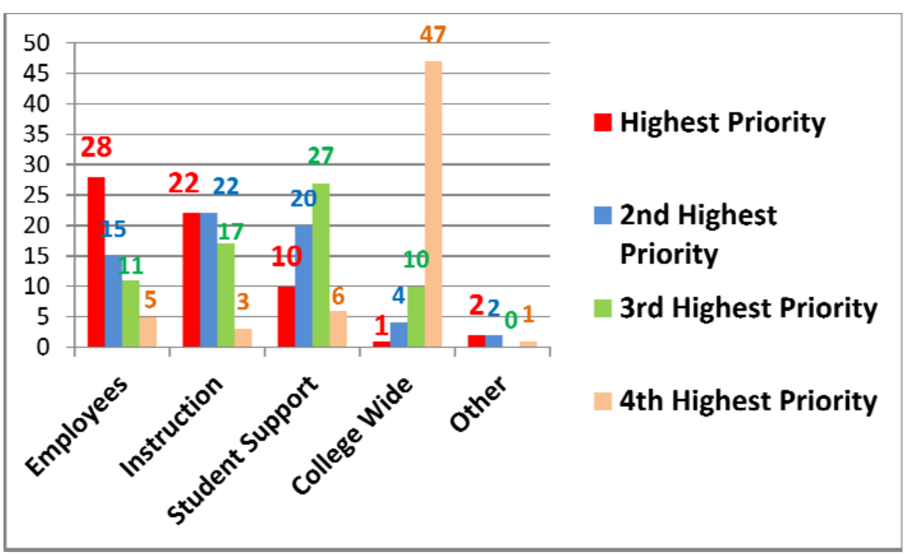
1. Please indicate which group you fall into:

Faculty	43.3%	29
Classified Staff	37.3%	25
Administrator/Mgt/Confidential	19.4%	13
Student	0	0

2. Please rank 1 - 4 what is most important to you for budget priority. 1 is the highest priority and each ranking number can only be chosen once. This list is comprised of 4 over-arching budgeting categories: College-Wide Components, Employees, Instruction, and Student Support. The categories were developed by the Budget Committee and are presented in a non-ranked, alphabetical order. If you have another funding value/category that you would like to add, please use Other.

Answered: 66 Skipped Question: 1	1	2	3	4	Response Count
COLLEGE-WIDE COMPONENTS	1.6% (1)	6.5% (4)	16.1% (10)	**75.8% (47)**	62
EMPLOYEES	**47.5% (28)**	25.4% (15)	18.6% (11)	8.5% (5)	59
INSTRUCTION	**34.4% (22)**	**34.4% (22)**	26.6% (17)	4.7% (3)	64
STUDENT SUPPORT	15.9% (10)	31.7% (20)	**42.9% (27)**	9.5% (6)	63
FUND OTHER:	**40.0% (2)**	**40.0% (2)**	0.0% (0)	20.0% (1)	5
			Other (please specify) shown below:		4

Social events that can generate revenue or increase FTEs



Accountable time Employees should show up to meetings on their own time, and show up to work on time....

Was wondering if the public, staff and students could have work done by students and instructors in the Welding, Auto & Carpentry Programs & be charged for the work done.

Keep existing Jobs - even if it means furloughs or small pay reduction.

FACULTY RESPONSES

	1	2	3	4	Response Count
COLLEGE-WIDE COMPONENTS	3.8% (1)	3.8% (1)	26.9% (7)	**65.4% (17)**	26
EMPLOYEES	**41.7% (10)**	29.2% (7)	20.8% (5)	8.3% (2)	24
INSTRUCTION	38.5% (10)	23.1% (6)	**30.8% (8)**	7.7% (2)	26
STUDENT SUPPORT	11.1% (3)	**40.7% (11)**	29.6% (8)	18.5% (5)	27
FUND OTHER:	50.0% (1)	50.0% (1)	0.0% (0)	0.0% (0)	2

CLASSIFIED RESPONSES

	1	2	3	4	Response Count
COLLEGE-WIDE COMPONENTS	0.0% (0)	8.7% (2)	8.7% (2)	**82.6% (19)**	23
EMPLOYEES	**54.5% (12)**	18.2% (4)	18.2% (4)	9.1% (2)	22
INSTRUCTION	32.0% (8)	**40.0% (10)**	24.0% (6)	4.0% (1)	25
STUDENT SUPPORT	17.4% (4)	30.4% (7)	**52.2% (12)**	0.0% (0)	23
FUND OTHER:	33.3% (1)	33.3% (1)	0.0% (0)	33.3% (1)	3

ADMINISTRATOR/MANAGEMENT/CONFIDENTIAL

	1	2	3	4	Response Count
COLLEGE-WIDE COMPONENTS	0.0% (0)	7.7% (1)	7.7% (1)	**84.6% (11)**	13
EMPLOYEES	**46.2% (6)**	30.8% (4)	15.4% (2)	7.7% (1)	13
INSTRUCTION	30.8% (4)	**46.2% (6)**	23.1% (3)	0.0% (0)	13
STUDENT SUPPORT	23.1% (3)	15.4% (2)	**53.8% (7)**	7.7% (1)	13
FUND OTHER:	0.0% (0)	0.0% (0)	0.0% (0)	0.0% (0)	0

Appendices 2: Verification of Broad Participation [Attendance Rosters from Budget Committee Meetings & College Council]

Budget Committee meetings were open to the public and at most meetings, attendance beyond the membership existed.

BUDGET COMMITTEE MEETINGS & BROAD PARTICIPATION

	2/6	2/7	2/8	2/13	2/15	2/21	2/23	3/1	3/15	3/20	3/22
Richard Castillo **Academic Senate**	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Mai Lee/Daniel King **Associated Student**	✓	✓	✓	✓	✓	A	A	A	A	✓	✓
Rich Soto **Classified Employee**	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
Linda Pratt **Classified Mgt**	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓
Michael Gaubeca **Faculty**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Derek Copple **CTA**	✓	✓	A	A	✓	✓	✓	A	✓	A	A
Maria Rivera **Faculty/Counselor**	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	A
Erin Currier **Classified**	✓	✓	✓	✓	A	✓	✓	✓	✓	A	A
Russi Egan **Fiscal Services**	✓	✓	A	✓	✓	A	A	✓	✓	✓	A
Adam Houston **Insti'l Technology**	✓	✓	✓	✓	✓	✓	A	A	A	✓	✓
Brian Thiebaux **Accreditation/Planning Representatives**	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓
Willie Smith **VPI**	✓	✓	✓	✓	✓	✓	A	A	✓	✓	✓
Diana Rodriguez **VPSS**	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓
Susy Woods **CSEA**	✓	✓	✓	✓	✓	✓	✓	A	✓	A	✓
Denise Whittaker **Chair**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<u>Guests</u>		Over 63 staff came to this mtg.									
Laura Garcia **Classified**			✓	✓				✓			
David Silva **Faculty/Counselor**			✓	✓			✓	✓	✓	✓	✓
Denise Taylor **Classified**			✓	✓	✓	✓	✓	✓	✓		
Vicky Lujano **Classified**			✓	✓	✓	✓	✓	✓	✓		
Sharon Burgeson **Faculty**			✓	✓	✓	✓	✓	✓	✓		
Sarah Frid **Classified Management**				✓		✓	✓	✓	✓		

Shelley Hamilton **Classified Management**				✓			✓	✓	✓		
Tencha Rivera **Faculty/Counselor**				✓					✓		
Victor Hernandez **Faculty/Counselor**				✓	✓			✓	✓		
Sioux Stoeckle **Faculty**				✓							
Mike Rhoades **Faculty**				✓	✓						
Peter Martinez **Faculty/Counselor**				✓		✓	✓		✓		✓
Cecy Garcia **Classified**				✓	✓			✓			
Lisa Holmes **Classified Management**				✓							
Lorenzo Luzano **Faculty/Counselor;**					✓	✓					✓
Eric Baker **Classified**					✓						
Paul Shibalovich **Faculty**					✓	✓					
Derek Copple **Faculty**					✓						
Steve Lavigne **Faculty/Counselor;**					✓	✓	✓				✓
Phil Clinton **Faculty**						✓					
Stephanie Slagan **Classified**						✓		✓	✓		
Staci Lee **Classified**								✓			
Joseph Boire **Faculty**								✓			
Corina Richards **Classified**								✓			
Jonathan Martin **Classified**								✓			
Carina Lin **Faculty/Counselor**								✓			
Eric Egan **Classified Management**								✓			
Diana Mendez **Classified**								✓	✓		
Irma Dagnino **Faculty/Counselor**								✓	✓		
Jacklyn Randall **Student**		✓									✓

COLLEGE COUNCIL MEETINGS WHERE BUDGET & STABILITY PLAN WERE DISCUSSED

Members	Jan. 17	Feb. 7	Feb. 21	Mar. 6	Mar. 13	Mar. 20	Mar. 22
Richard Castillo **Academic Senate Representative**	✓	✓	✓	✓	✓	A	✓
Mai Lee **Associated Student Representatives**	A	✓	A	✓	A	A	✓
Rich Soto **Classified Employee Representatives**	✓	A	A	✓	✓	✓	✓
Linda Pratt **Classified Mgt Representative**	✓	✓	✓	✓	✓	✓	✓
Denise Hunt **Confidential Representative**	✓	A	✓	✓	✓	A	A
Derek Copple **CTA Representative**	✓	✓	✓	✓	✓	✓	A
Steve LaVigne **DSPS Representative**	✓	A	✓	✓	A	✓	✓
Biju Raman **Basic Skills Representative**	Not appointed	Not appointed	Not appointed	✓	A	A	A
Lorenzo Lujano **Distanced Education Representatives**	✓	✓	✓	✓	✓	✓	✓
George Walters **Career and Technical Education**	✓	✓	✓	A	A	A	A
Brian Thiebaux **Accreditation/Planning Representatives**	✓	✓	✓	✓	✓	✓	✓
VPI: Willie Smith **Administration**	✓	A	✓	✓	✓	✓	A
VPSS: Diana Rodriguez **Administration**	✓	✓	✓	A	A	✓	✓
Director of IT: Adam Houston **Classified Management**	✓	✓	✓	✓	A	A	✓
Denise Whittaker **Chair**	✓	✓	✓	✓	✓	✓	✓
Carrier Mullion **Recorder**	✓	✓	✓	✓	✓	✓	✓

Appendices 3: March 15th Notice Resolution

PALO VERDE COMMUNITY COLLEGE DISTRICT
RESOLUTION NO. 12-05 C-08 REGARDING LAYOFF OF ACADEMIC EMPLOYEES
DUE TO A REDUCTION IN OR DISCONTINUANCE OF PARTICULAR KINDS OF SERVICES

WHEREAS, the College and the Board of Trustees recognizes the severe state of Palo Verde Community College District finances and understands that both the Chancellor's Office and the Accreditation Commission expects us to demonstrate due diligence in the 2012-13 budget development process; and

WHEREAS, the College community has unanimously identified four funding values in priority order as: *Preserve Jobs (no layoffs), Preserve Classes & Instruction, Preserve Student Services, Preserve Other College-Wide* Components; and

WHEREAS, the College community and constituent leaders have been diligent about identifying budget savings and cuts to address the current deficit anticipated for 2012-13; and

WHEREAS, the goal of such savings and cuts are to mitigate the need for layoffs; and

WHEREAS, the time required to negotiate with CTA/NEA regarding items that may or may not impact the need for layoffs overlaps with the March 15th notice requirement and places undo pressure on both the faculty leadership, administration, and the Board to act hastily; and

WHEREAS, Education Code requires that preliminary notice of a potential layoff be approved by the Board of Trustees and served to affected employees by March 15th; and

WHEREAS, the Board of Trustees, upon recommendation of the Superintendent/President has reluctantly determined that it is in the best interest of the Palo Verde Community College District, and the students thereof, to prepare to layoff academic employees pursuant to the provisions of Education Code by virtue of the decision of the Board of Education to reduce or discontinue certain particular kinds of services hereinafter enumerated; and

WHEREAS, in accordance with Education Code, Faculty Service Areas (FSA), and competency requirements, qualifications to teach for those identified for layoff or reassignment will be reviewed and those with lesser seniority in the teaching area identified will be notified accordingly;

THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED AS FOLLOWS:
The following particular kinds of services shall be reduced at the close of the 2011-2012 school year. The particular kinds of services to be reduced or discontinued by full time equivalent position are as follows:

PARTICULAR KINDS OF SERVICES TO BE REDUCED	NUMBER OF FULL TIME EQUIVALENT POSITIONS
Counselors, Librarian, Physical Education Teacher	5, 1, 1 respectively

BE IT FURTHER RESOLVED that the Superintendent/President or her designated representative is directed to serve notices of layoff on the affected employees as a result of the reduction or discontinuance of the particular kinds of services specified in this Resolution.

PASSED, ADOPTED AND SIGNED this 13th day of March, 2012, by the Board of Trustees of the Palo Verde Community College District, at Blythe California.

Resolution to Approve an Incentive Plan for Voluntary Reduced Assignment

It is recommended that as a permanent reduction in the number of employees, the District will provide an incentive for full-time, non-probationary Classified, Classified Management/ Confidential, Administration, and Non-Teaching employees in good standing effective July 1, 2012, and who apply by April 20, 2012, with the approval of the Superintendent/President and the Board of Trustees, to voluntarily reduce their current, full-time assignment to one of the following permanent assignment options:

- ☐ 11 month assignment [equivalent to a 8.33% voluntary salary reduction with 4 weeks off during the summer or during the 12 month calendar year as determined and approved by the supervisor and the Superintendent/President]

- ☐ 10.5 month assignment with primary work period consistent with when students are in session [equivalent to a 12.49% voluntary salary reduction with 6 weeks off during the summer or during the 12 month calendar year based on operational need as determined and approved by the supervisor and the Superintendent/President]

- ☐ 10 month assignment with primary work period consistent with when students are in session [equivalent to a 16.65% voluntary salary reduction with 8 weeks off during the summer as determined and approved by the supervisor and the Superintendent/President]

Incentives and Conditions:

1. Employees will receive their full pay for their current assignment through December 31, 2012 even though they will be working their reduced assignment effective July 1, 2012.

2. The accrual of sick leave and vacation will be earned at the employee's regular assignment through December 31, 2012.

3. Exemption of potential salary reduction up to the level of the percent identified for the voluntary reduction: If salary reductions are negotiated due to the budget crisis, employees who voluntarily reduce their regular permanent assignment by the April 20, 2012 deadline will not be imposed additional salary reductions until such a time when the cumulative percent of salary cut reaches the level of the percentage cut assumed for the new reduced assignment.

   Example: If an employee goes from 12 months to 11.0 months, that change is equal to an 8.33% salary decrease. If there is a 5% salary decrease negotiated for 2012-13, this employee would be exempt. The difference between the 8.33% and the 5% (= 3.33%) would be retained as "credit" towards future salary reductions. If a 4% salary decrease is negotiated at another time, the difference between the 4% and the prior credit balance would be applied (4% - 3.33% = 0.77%). The 11 month employee would be charged only 0.77%. Once the percent of the original voluntary reduction equals the cumulative percent of decreases over time, the difference and all future percentage cuts will be charged.

4. Employees will continue to earn sick leave and vacation accrual days at a prorated rate commensurate with the number of days worked beginning January 1, 2013.

5. Employees will earn their annual retirement credit based on their work-year assignment (no adverse impact).

6. There is no impact on Health Benefits.

7. ✸Non-work days for 10 month assignments: July 2012 and June 2013
✸Non-work days for 10.5 month assignments: Month of July; and 2 weeks in August or any combination of 2 weeks off based on operational need and the approval of the immediate supervisor and the Superintendent/President.
✸Non-work days for 11 month assignments: Month of July or any combination of 4 weeks off based on operational need and the approval of the immediate supervisor and the Superintendent/President.

8. After January 1, 2016 and pending funding availability, a request from the immediate supervisor to the Superintendent/President to reinstate a assignment to full time 12 months, may occur, but not within the initial 3 years of this plan. Exceptions to this rule may apply based on critical operational need when approved by the Superintendent/ President and the Board of Trustees.

Justification for the Reduced Assignment Incentive Plan:
1. To reduce college expenditures, all options for reducing the employee salaries must be considered.
2. The reduction of non-teaching employee assignments positively impacts the 50% law.
3. The College will save 1/12th of the employee's salary beginning January 1, 2013 and for no less than a 3 year period.

Voluntary Permanent Reduction to 49% of Full-time Employment:

The District will provide an incentive for non-teaching full-time employees to voluntarily reduce their permanent employment to 49% effective July 1, 2012 [Application Deadline April 20, 2012]. For those who participate in this plan, they will be paid their full salary and benefits through December 31, 2012 as a severance payment. Although the District will pay salary and benefits through December, 2012, in the long run, we are impacting the budget for years to come by reducing salaries and benefits.
Justification for the Resignation Incentive Plan:
1. All options for reducing the non-teaching employees must be considered.
2. The reduction of non-teaching employees positively impacts the 50% law.
3. The College will save ½ of the employee's salary and 100% of their benefits beginning January 1, 2013 and for following years.

Voluntary Medical Benefits Opt-Out Program

The Governing Board has approved the recommendation of the Superintendent/ President, College Council, and the Budget Committee to provide $6,000.00 to employees who, upon proof of medical insurance, opt-out of the College's Medical Insurance Plan for 2012-13.

Justification: On average, $10,000 will be saved per employee who accepts this voluntary plan.

Voluntary Resignation Incentive Plan

Criteria:

1. Open to permanent full or part-time non-teaching employees.
2. Employee must have been permanent for no less than 2 years.
3. Employees must be in good standing (no current or pending disciplinary action or work-related improvement issues).

There are 2 options:

a. Option 1:
   1) Resign in writing using the form attached on or before 4:30 p.m. on April 14, 2012.
   2) Resign on or before April 30, 2012 (requires a two-week notice prior to departure).
   3) You will receive your regular monthly pay as a severance package (or more depending on how you handle taxes) and health benefits through December 31, 2012. 4) You will not accrue credit towards retirement, vacation, or sick leave after your last day of employment.

b. Option 2:
   1) Resign in writing using the form attached on or before 4:30 p.m. on April 14, 2012.
   2) Resign as of June 30, 2012.
   3) You will receive your regular monthly pay as a severance package (or more depending on how you handle taxes) and health benefits through December 31, 2012.
   4) You will accrue retirement credit, vacation, and sick leave through June 30, 2012.

You must submit a written request using the form attached to the Interim Superintendent/President, Denise Whittaker by 4:30pm on April 14, 2012 for either option. Requests received after April 14, 2012 will not be considered eligible to receive the severance package.

CHANGE YOUR MIND? You may rescind (change your mind) about resigning as long as you do so in writing no less than 24 hours before your last day of employment. There is no going back once you are gone.

Accrued vacation up to the date of departure will be paid out by September 30, 2012 (to maintain cash flow until then).

Payment Options:

a. Bi-Monthly or monthly payments through December 31
b. Full payout by September 1
c. Deposit into an eligible IRA is available.

Taxes and Other Withholdings: Your severance pay will include State and Federal tax and other mandated withholdings.

Unemployment: The College will provide you with an official letter indicating that your voluntary resignation and severance package is due to the severe budget constraints and insufficient funds. We will not object to Unemployment if filed after December 31, 2012, however, we cannot guarantee an individual's eligibility.

Exceptions:

In the event the resignation results in a hardship whereby support to students or college operations are critically jeopardized, the District has the right to extend the resignation deadline and payout to accommodate a transition plan pending Superintendent/President and Board approval.

Cash Flow Monitoring Report

Palo Verde College CASH FLOW MONITORING REPORT

Date	Memo	Debit	Credit	Balance
7/1/2011	Balance Forward	$1,142,092.94	$ 490,266.15	$651,826.79
7/5/2011	POD		$ 4,558.79	$647,268.00
7/5/2011	Accounts Receivable	$ 45,253.09		$692,521.09
7/5/2011	County Distributed Funds	$ 73,421.82		$765,942.91
7/8/2011	Deferral (2010-2011)	$ 2,609,008.00		$3,374,950.91
7/10/2011	Stale Dated Warrant	$ 41.00		$3,374,991.91
7/12/2011	County Distributed Funds	$ 1,740.01		$3,376,731.92
7/12/2011	Multi District Fund Transfer		$ 0.09	$3,376,731.83
7/12/2011	A/P		$ 66,980.84	$3,309,750.99
7/14/2011	Multi District Fund Transfer	$ 21,733.92		$3,331,484.91
7/17/2011	Stale Dated Warrant	$ 3.00		$3,331,487.91
7/18/2011	POD		$ 1,890.63	$3,329,597.28
7/18/2011	1A		$ 151,838.93	$3,177,758.35
7/18/2011	Accounts Receivable	$ 2,027.48		$3,179,785.83
7/18/2011	Multi District Fund Transfer	$ 950.17		$3,180,736.00
7/18/2011	Insurance		$ 150,765.11	$3,029,970.89
7/19/2011	POD		$ 338.26	$3,029,632.63
7/19/2011	A/P		$ 62,718.85	$2,966,913.78
7/21/2011	A/P		$ 302,145.50	$2,664,768.28
7/21/2011	Cancelled Warrant	$ 101.75		$2,664,870.03
7/22/2011	Cancelled Warrant	$ 21.52		$2,664,891.55
7/27/2011	A/P		$ 15,234.14	$2,649,657.41
7/27/2011	1M		$ 132,586.98	$2,517,070.43
7/27/2011	July Apportionment	$ 249,352.00		$2,766,422.43
8/1/2011	POD		$ 4,499.19	$2,761,923.24
8/1/2011	County Distributed Funds	$ 4,922.94		$2,766,846.18
8/1/2011	Multi District Fund Transfer	$ 1,572.36		$2,768,418.54
8/1/2011	A/P		$ 106,097.23	$2,662,321.31
8/1/2011	Insurance		$ 153,562.95	$2,508,758.36
8/2/2011	1B		$ 151,501.82	$2,357,256.54
8/2/2011	County Distributed Funds	$ 3,534.13		$2,360,790.67
8/3/2011	County Distributed Funds	$ 1,680.11		$2,362,470.78
8/4/2011	County Distributed Funds	$ 32,577.30	$ 28.93	$2,395,019.15
8/5/2011	Accounts Receivable	$ 22,511.83		$2,417,530.98
8/5/2011	Stale Dated Warrant	$ 14.49		$2,417,545.47
8/7/2011	Stale Dated Warrant	$ 208.00		$2,417,753.47
8/8/2011	County Distributed Funds	$ 65.06		$2,417,818.53
8/9/2011	Summer TRANs	$ 2,157,634.79		$4,575,453.32
8/9/2011	Multi District Fund Transfer	$ 619.28		$4,576,072.60
8/9/2011	A/P		$ 78,149.00	$4,497,923.60
8/11/2011	Accounts Receivable	$ 100,496.77		$4,598,420.37

8/14/2011	Stale Dated Warrant	$ 16.00	$ -	$4,598,436.37
8/15/2011	County Distributed Funds	$ 36.28		$4,598,472.65
8/15/2011	Mid-Year TRANS Repayment - 1st		$ 1,512,585.39	$3,085,887.26
8/16/2011	Stale Dated Warrant	$ 243.75		$3,086,131.01
8/17/2011	Accounts Receivable	$ 32,563.12		$3,118,694.13
8/17/2011	A/P		$ 13,459.51	$3,105,234.62
8/17/2011	2A		$ 151,606.61	$2,953,628.01
8/19/2011	County Distributed Funds	$ 2,259.10		$2,955,887.11
8/19/2011	A/P		$ 29,001.17	$2,926,885.94
8/22/2011	Multi District Fund Transfer	$ 582.23		$2,927,468.17
8/24/2011	County Distributed Funds	$ 29,454.98		$2,956,923.15
8/24/2011	A/P		$ 65,973.74	$2,890,949.41
8/28/2011	Stale Dated Warrant	$ 68.98		$2,891,018.39
8/29/2011	POD		$ 6,946.68	$2,884,071.71
8/29/2011	2M		$ 139,325.80	$2,744,745.91
8/29/2011	August Apportionment	$ 940,072.00		$3,684,817.91
8/29/2011	Insurance		$ 144,554.66	$3,540,263.25
8/29/2011	Stale Dated Warrant	$ 26.80		$3,540,290.05
8/30/2011	A/P		$ 243.75	$3,540,046.30
8/31/2011	2B		$ 150,246.97	$3,389,799.33
8/31/2011	A/P		$ 44,819.03	$3,344,980.30
9/6/2011	Multi District Fund Transfer	$ 1,618.63		$3,346,598.93
9/7/2011	A/P		$ 86,881.70	$3,259,717.23
9/11/2011	Stale Dated Warrant	$ 120.00		$3,259,837.23
9/12/2011	Multi District Fund Transfer	$ 1,856.61		$3,261,693.84
9/13/2011	Accounts Receivable	$ 34,957.79		$3,296,651.63
9/16/2011	3A		$ 155,091.60	$3,141,560.03
9/16/2011	A/P		$ 60,271.12	$3,081,288.91
9/19/2011	Stale Dated Warrant	$ 15.00		$3,081,303.91
9/20/2011	Accounts Receivable	$ 31,730.38		$3,113,034.29
9/20/2011	A/P		$ 5,044.63	$3,107,989.66
9/22/2011	POD		$ 4,262.39	$3,103,727.27
9/22/2011	County Distributed Funds		$ 1,335.58	$3,102,391.69
9/27/2011	POD		$ 1,409.02	$3,100,982.67
9/28/2011	POD		$ 15,185.75	$3,085,796.92
9/28/2011	3M		$ 459,027.50	$2,626,769.42
9/28/2011	September Apportionment	$ 1,410,355.00		$4,037,124.42
9/28/2011	A/P		$ 91,853.02	$3,945,271.40
9/29/2011	POD		$ 890.13	$3,944,381.27
9/29/2011	POD		$ 26,970.61	$3,917,410.66
9/30/2011	County Distributed Funds	$ 32,743.22		$3,950,153.88
10/3/2011	3B		$ 152,860.85	$3,797,293.03
10/4/2011	Multi District Fund Transfer	$ 4,975.82		$3,802,268.85
10/4/2011	A/P		$ 143,691.30	$3,658,577.55
10/5/2011	POD		$ 814.33	$3,657,763.22
10/5/2011	County Distributed Funds	$ 64,650.16		$3,722,413.38

10/5/2011	A/P			$	104,309.03	$3,618,104.35
10/6/2011	POD			$	3,022.14	$3,615,082.21
10/7/2011	Cancelled Warrant	$	47.58			$3,615,129.79
10/10/2011	Multi District Fund Transfer	$	624.85			$3,615,754.64
10/12/2011	Accounts Receivable	$	16,537.81			$3,632,292.45
10/13/2011	County Distributed Funds	$	2,142.46			$3,634,434.91
10/13/2011	A/P			$	22,829.04	$3,611,605.87
10/14/2011	County Distributed Funds	$	573.08			$3,612,178.95
10/16/2011	Stale Dated Warrant	$	72.25			$3,612,251.20
10/18/2011	4A			$	153,504.04	$3,458,747.16
10/18/2011	Multi District Fund Transfer	$	0.02			$3,458,747.18
10/19/2011	A/P	$	328.90	$	12,961.54	$3,446,114.54
10/21/2011	County Distributed Funds	$	32,666.20			$3,478,780.74
10/21/2011	A/P			$	38,763.92	$3,440,016.82
10/24/2011	Multi District Fund Transfer	$	599.45			$3,440,616.27
10/24/2011	Cancelled Warrant	$	94.00			$3,440,710.27
10/25/2011	POD			$	4,262.39	$3,436,447.88
10/27/2011	4M			$	491,371.77	$2,945,076.11
10/27/2011	October Apportionment	$	1,864,584.00			$4,809,660.11
11/2/2011	4B			$	148,423.05	$4,661,237.06
11/2/2011	A/P			$	54,491.59	$4,606,745.47
11/3/2011	Transfers	$	997.75	$	813.75	$4,606,929.47
11/3/2011	Multi District Fund Transfer	$	4,130.77			$4,611,060.24
11/3/2011	Cancelled Warrant	$	15.42			$4,611,075.66
11/4/2011	County Distributed Funds	$	2,392.68			$4,613,468.34
11/4/2011	Insurance			$	149,800.57	$4,463,667.77
11/6/2011	Stale Dated Warrant	$	15.00			$4,463,682.77
11/8/2011	Accounts Receivable	$	71,595.79			$4,535,278.56
11/8/2011	A/P			$	187,399.00	$4,347,879.56
11/10/2011	A/P			$	1,607.37	$4,346,272.19
11/13/2011	Stale Dated Warrant	$	16.00			$4,346,288.19
11/14/2011	Multi District Fund Transfer	$	2,359.93			$4,348,648.12
11/15/2011	Accounts Receivable	$	61,616.61			$4,410,264.73
11/15/2011	Multi District Fund Transfer			$	266,926.83	$4,143,337.90
11/16/2011	5A			$	151,276.79	$3,992,061.11
11/16/2011	A/P			$	18,683.45	$3,973,377.66
11/16/2011	Cancelled Warrant	$	1,047.72			$3,974,425.38
11/18/2011	Multi District Fund Transfer			$	1,954.63	$3,972,470.75
11/18/2011	A/P			$	42,340.23	$3,930,130.52
11/21/2011	A/P			$	18,008.84	$3,912,121.68
11/22/2011	Multi District Fund Transfer	$	485.42			$3,912,607.10
11/22/2011	A/P			$	26,378.76	$3,886,228.34
11/28/2011	5M			$	470,213.29	$3,416,015.05
11/28/2011	November Apportionment	$	1,085,436.00			$4,501,451.05
11/28/2011	A/P			$	663.11	$4,500,787.94
11/28/2011	Stale Dated Warrant	$	3.00			$4,500,790.94

11/30/2011	County Distributed Funds	$	1,801.31	$	48.28	$4,502,543.97
11/30/2011	A/P			$	77,666.70	$4,424,877.27
12/1/2011	5B			$	149,192.13	$4,275,685.14
12/2/2011	Multi District Fund Transfer	$	4,237.05			$4,279,922.19
12/5/2011	POD			$	361.70	$4,279,560.49
12/6/2011	POD			$	4,262.29	$4,275,298.20
12/6/2011	Insurance			$	143,691.30	$4,131,606.90
12/7/2011	A/P			$	67,436.16	$4,064,170.74
12/7/2011	Cancelled Warrant	$	435.00			$4,064,605.74
12/8/2011	County Distributed Funds	$	1,781.84			$4,066,387.58
12/10/2011	Stale Dated Warrant	$	56.00			$4,066,443.58
12/12/2011	Due to - Due from	$	137,700.74	$	1,100,075.48	$3,104,068.84
12/12/2011	A/P			$	133,247.69	$2,970,821.15
12/13/2011	Accounts Receivable	$	46,720.63			$3,017,541.78
12/14/2011	POD			$	385.16	$3,017,156.62
12/14/2011	Accounts Receivable	$	151,488.81			$3,168,645.43
12/14/2011	County Distributed Funds	$	218,709.31			$3,387,354.74
12/14/2011	A/P			$	67,417.61	$3,319,937.13
12/16/2011	6A			$	153,402.76	$3,166,534.37
12/18/2011	Stale Dated Warrant	$	491.35			$3,167,025.72
12/19/2011	POD			$	5,771.65	$3,161,254.07
12/19/2011	County Distributed Funds	$	66,789.88	$	101.09	$3,227,942.86
12/19/2011	Multi District Fund Transfer	$	493.15			$3,228,436.01
12/21/2011	Accounts Receivable	$	78,147.33			$3,306,583.34
12/25/2011	Stale Dated Warrant	$	305.25			$3,306,888.59
12/26/2011	6M			$	916.37	$3,305,972.22
12/27/2011	6S			$	488,001.00	$2,817,971.22
12/28/2011	6B			$	145,652.96	$2,672,318.26
12/28/2011	December Apportionment	$	587,312.00			$3,259,630.26
12/28/2011	Multi District Fund Transfer	$	16.36			$3,259,646.62
1/3/2012	POD			$	5,032.63	$3,254,613.99
1/4/2012	County Distributed Funds	$	60,103.86			$3,314,717.85
1/4/2012	Multi District Fund Transfer	$	955.92			$3,315,673.77
1/4/2012	A/P			$	21,265.53	$3,294,408.24
1/6/2012	County Distributed Funds	$	44,595.49			$3,339,003.73
1/6/2012	Insurance			$	141,000.00	$3,198,003.73
1/6/2012	A/P			$	18,283.30	$3,179,720.43
1/9/2012	Accounts Receivable	$	102,815.15			$3,282,535.58
1/11/2012	County Distributed Funds	$	3,408.12			$3,285,943.70
1/12/2012	County Distributed Funds	$	31,141.11	$	9.52	$3,317,075.29
1/12/2012	A/P			$	120,304.39	$3,196,770.90
1/13/2012	A/P			$	16,606.50	$3,180,164.40
1/18/2012	7A			$	152,865.84	$3,027,298.56
1/18/2012	Multi District Fund Transfer			$	0.18	$3,027,298.38
1/18/2012	A/P			$	168,381.74	$2,858,916.64
1/19/2012	County Distributed Funds	$	1,989.03			$2,860,905.67

1/20/2012	County Distributed Funds	$	4,157.64			$2,865,063.31
1/23/2012	POD			$	971.73	$2,864,091.58
1/23/2012	County Distributed Funds	$	593.48			$2,864,685.06
1/24/2012	Multi District Fund Transfer	$	5,320.94			$2,870,006.00
1/25/2012	County Distributed Funds	$	151,421.09	$	47,971.82	$2,973,455.27
1/25/2012	A/P			$	43,388.51	$2,930,066.76
1/26/2012	POD			$	4,262.39	$2,925,804.37
1/26/2012	Multi District Fund Transfer			$	526.71	$2,925,277.66
1/27/2012	POD			$	1,113.60	$2,924,164.06
1/27/2012	7M			$	435,197.65	$2,488,966.41
1/27/2012	January Apportionment	$	428,277.14			$2,917,243.55
1/31/2012	TRANs Repayment			$	1,094,430.36	$1,822,813.19
2/1/2012	7B			$	130,003.48	$1,692,809.71
2/1/2012	A/P			$	62,281.77	$1,630,527.94
2/2/2012	County Distributed Funds	$	3,135.95	$	13.56	$1,633,650.33
2/3/2012	Accounts Receivable	$	52,160.28			$1,685,810.61
2/7/2012	Multi District Fund Transfer	$	4,363.85			$1,690,174.46
2/8/2012	A/P			$	71,734.50	$1,618,439.96
2/9/2012	Multi District Fund Transfer			$	1,082.40	$1,617,357.56
2/11/2012	Stale Dated Warrant	$	88.00			$1,617,445.56
2/14/2012	POD			$	693.24	$1,616,752.32
2/14/2012	Insurance			$	138,145.33	$1,478,606.99
2/15/2012	8A			$	131,944.71	$1,346,662.28
2/15/2012	A/P			$	33,011.36	$1,313,650.92
2/16/2012	A/P			$	4,465.91	$1,309,185.01
2/21/2012	Multi District Fund Transfer	$	462.10			$1,309,647.11
2/22/2012	A/P			$	16,920.52	$1,292,726.59
2/24/2012	A/P			$	49,501.75	$1,243,224.84
2/26/2012	Stale Dated Warrant	$	58.00			$1,243,282.84
2/27/2012	8M			$	394,493.69	$848,789.15
2/29/2012	POD			$	252.64	$848,536.51
2/29/2012	February Apportionment	$	835,442.67	$	82,360.00	$1,601,619.18
2/29/2012	Multi District Fund Transfer			$	674.32	$1,600,944.86
2/29/2012	A/P			$	38,883.66	$1,562,061.20
3/1/2012	CTLCs			$	108,580.33	$1,453,480.87
3/1/2012	Cancelled Warrant	$	3,380.21			$1,456,861.08
3/2/2012	8B			$	132,588.67	$1,324,272.41
3/5/2012	Temp Loan to 33 Fund			$	10,000.00	$1,314,272.41
3/5/2012	Multi District Fund Transfer	$	4,471.65			$1,318,744.06
3/6/2012	Temp Loan to 33 Fund			$	5,000.00	$1,313,744.06
3/6/2012	Insurance			$	135,792.00	$1,177,952.06
3/6/2012	A/P			$	22,994.09	$1,154,957.97
3/8/2012	County Distributed Funds	$	49,048.31	$	769.09	$1,203,237.19
3/11/2012	Stale Dated Warrant	$	183.75			$1,203,420.94
3/12/2012	Multi District Fund Transfer	$	457.70			$1,203,878.64
3/13/2012	A/P			$	352,644.30	$851,234.34

3/14/2012	A/P		$ 27,507.00	$823,727.34
3/15/2012	Temp Loan to 33 Fund	$ 15,000.00		$838,727.34
3/15/2012	A/P		$ 13,871.64	$824,855.70
3/16/2012	9A		$ 132,270.34	$692,585.36
3/16/2012	Cancelled Warrant	$ 213.00		$692,798.36
	Est Accts Rec	$ 87,811.43		$780,609.79
				$780,609.79
				$780,609.79
	9M		$ 490,000.00	$290,609.79
				$290,609.79
	March Apportionment	$ 918,861.00		$1,209,470.79
				$1,209,470.79
4/1/2012	9B		$ 137,000.00	$1,072,470.79
	Est Insurance		$ 144,000.00	$928,470.79
	Est Accts Rec	$ 150,000.00		$1,078,470.79
	Est A/P		$ 209,806.19	$868,664.60
	10A		$ 137,000.00	$731,664.60
	10M		$ 445,000.00	$286,664.60
	April Apportionment	$ 918,862.00		$1,205,526.60
	TRANs Repayment		$ 1,094,000.00	$111,526.60
	Temp Loan for Cash Flow	$ 1,000,000.00		$1,111,526.60
5/1/2012	**10B**		**$ 137,000.00**	$974,526.60
	Est Insurance		**$ 144,000.00**	$830,526.60
	Est Accts Rec	**$ 300,000.00**		$1,130,526.60
	Est A/P		**$ 250,000.00**	$880,526.60
	11A		**$ 137,000.00**	$743,526.60
	11M		**$ 490,000.00**	$253,526.60
	May Apportionment	**$ 918,861.00**		$1,172,387.60
6/1/2012	**11B**		**$ 137,000.00**	$1,035,387.60
	Est Insurance		**$ 144,000.00**	$891,387.60
	Est Accts Rec	**$ 150,000.00**		$1,041,387.60
	Est A/P		**$ 250,000.00**	$791,387.60
	12A		**$ 137,000.00**	$654,387.60
	12M		**$ 490,000.00**	$164,387.60
	June Apportionment	**$ 918,861.00**		$1,083,248.60
	12B		**$ 137,000.00**	$946,248.60
	SERP (both)		**$ 200,000.00**	$746,248.60
	Deferral Payment	**$ 546,504.00**		$1,292,752.60
	Temp Transfer from 41 Fund for Cash Flow; Board Approved if needed to be reimbursed from apportionment.		**$ 1,000,000.00**	$292,752.60

The deferral payment is assuming that the amount deferred from January 2012, will be repaid in July.