COLLEGE OF THE SISKIYOUS

FOLLOW UP REPORT

Submitted by:

Siskiyou Joint Community College District
800 College Avenue
Weed, CA 96094

Submitted to:

Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges

March 11, 2015

To: Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges

From: Scotty Thomason
Superintendent/President
College of the Siskiyous
800 College Avenue
Weed, CA 96094

I certify there was broad participation by the campus community and believe this report accurately reflects the nature and substance of this institution.

Signatures:

Scotty Thomason, Superintendent/President — Date 3/10/15

Barry Ohlund, Board President — Date 3/10/15

TABLE OF CONTENTS

REPORT PREPARATION

Scotty Thomason
Superintendent/President

Nancy Funk
Vice President, Administrative Services

Kent Gross
Controller

Lori Luddon
Administrative Assistant to the Vice President, Administrative Services

Introduction

In August 2013, the Accrediting Commission for Community and Junior Colleges (ACCJC) notified College of the Siskiyous that it was identified for additional financial review by the Financial Review Task Force. At its meeting of January 8-10, 2014, the ACCJC acted to direct College of the Siskiyous to provide a special report to the Commission by April 15, 2014.

The following elements of the Financial Reviewers Panel Report were noted:

Recommendation 1: **Develop a long-range budget plan to resolve OPEB financing***.* *Standards 3.D.1.c and 3.D.3.c, require the institution to plan for short and long-range liabilities.*

The District is not meeting the Annual Required Contribution (ARC) amount. The pay-as-you-go method is being used which is significantly lower than the ARC. A liability continues to grow on their audited financial statements that could impact their ability to borrow funds in the future. The district funded an external trust as of June 30, 2009, but it does not appear that additional contributions have been made.

Recommendation 2: **Provide additional information as it relates to loan default rates***.* *Standard 3.D.3.b. requires the institution to maintain effective oversight of the financial aid program.*

Per review of the Federal Student Aid databases on default rates, there have been increases in defaults over the last several years. Provide the procedures that the college has developed to mitigate high default rates.

Recommendation 3: **Provide a description about what your institution is doing to address declining enrollments***. Standard 3D.1.b requires that planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.*

The District has been in declining enrollment per review of the Annual Fiscal Report. This decline has exceeded the workload reduction necessitated by the state, and the District is currently in stability.

Recommendation 4: **Develop a cash flow plan for the next three years.** *Standard 3.D.3.a. requires that the institution have sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and develop contingency plans to meet financial emergencies and unforeseen occurrences.*

The state budget has impacted cash flows with increased inter and intra year deferrals. The college reported general fund cash balances at June 30, 2012 of $338,626 per the CCFS 311. This balance is not sufficient to pay for one month of payroll obligations. The college has done the appropriate work for issuing TRANs as necessary to manage cash during the year. Additional deficit spending will eliminate all available cash in the general fund.

In response, the District provided a special financial report to the ACCJC in April 2014, addressing these recommendations in preparation for a follow up visit by a two member team. After the team visit, the ACCJC reviewed the Special Financial Review Report for the Siskiyou Joint Community College District at its meeting on June 4-6, 2014, and found the District to have fully satisfied three of the four recommendations. The only recommendation the commission found unsatisfactory was:

<u>Recommendation 1</u>: Develop a long range budget plan to resolve OPEB financing. Standards III.D.1.c and III.D.3.c require the institution to plan for short- and long-range liabilities.

The visiting team concluded the District had “not taken significant steps to allocate appropriate resources or develop a long-term plan to fully fund its long term OPEB obligations”.

College of the Siskiyous
Response to the
July 3, 2014 Commission Request
For a Follow up Financial Report

Recommendation 1: **<u>Develop a long-range budget plan to resolve OPEB financing.</u>**
Standards 3.D.1.c and 3.D.3.c, require the institution to plan for short and long-range liabilities.

When the new GASB 43/45 regulations were implemented, the District was one of the founding members of the Retiree Health Benefits Funding Program Trust Agreement between Union Bank of California and the Retiree Health Benefit Program Joint Powers Agency, created to address the pooled investing of funds to meet the future obligations of the participating Districts (*See Attachment 1.1)*. College of the Siskiyous initially invested $800,000 in November, 2006 and an additional $200,000 in June, 2007 from excess reserves held at the end the June 30, 2007 fiscal year. Due to a high claim year in 2011-12, the District needed to withdraw funds to cover retiree claims, but the fund has weathered the volatile market of the last few years and has recovered to its current value exceeding $875,000 as of December 31, 2014.

Since the time of the visiting team's visit in April, 2014, the District has completed its next OPEB actuarial study (*See Attachment 1.4*) as scheduled. Through its action to move to a premium-based health insurance coverage away from being self-insured for health benefits, the District's Actuarial Accrued Liability (AAL), Unfunded Actuarial Accrued Liability (UAAL) and Annual Required Contribution (ARC) have each dropped significantly from previous year levels. The historical information and most recent results are summarized below.

Actuarial Accrued Liability (AAL)			
2010-11	**2011-12**	**2012-13**	**2013-14**
$8,791,862	$11,486,032	$11,486,032	$7,238,350

Unfunded Actuarial Accrued Liability (UAAL)			
2010-11	**2011-12**	**2012-13**	**2013-14**
$7,899,666	$10,449,488	$10,449,488	$6,520,214

Annual Required Contribution (ARC)			
2010-11	**2011-12**	**2012-13**	**2013-14**
$712,575	$943,606	$943,606	$560,529

Amount of Annual Contribution to ARC			
2010-11	**2011-12**	**2012-13**	**2013-14**
$456,296	$383,275	$604,183	$391,031

For the 2014-15, the District has budgeted to fully fund its current ARC of $560,529. In addition to already paying $225,124 of our "pay-as-you-go" payments which will total $379,636 for the year, the District made a payment of $50,000 into its Retiree Health Benefits Trust Fund in February, 2015, and plans to make additional payments of $130,893 to the trust to fully fund the ARC by June 30, 2015, as cash flow allows.

Through the efforts of the College, the costs associated with Post-Retirement Health Benefits have decreased significantly to a point where the district has budgeted to fully fund the ARC associated with the post- retirement health benefits as it addresses the OPEB liability and have it funded within a reasonable time.

In order to ensure funding into the future, the District established an enrollment management team to review scheduling, class offerings and classroom fill rates to develop a balanced and more efficient schedule for the students that should also produce cost savings for the District. Additional efforts are being focused on reconnecting with our high schools in a tangible way to engage our high school students with the college early on. The enrollment management efforts are producing good results as the District anticipates fully restoring to its cap in 2014-15.

The Board of Trustees once again has expressed its intention to utilize any ending balances above the Boards minimum 7% reserve to increase its general fund reserve up to 10% and to make contributions to the Retiree Health Benefits Trust to fund its OPEB liability.

With the budgeting of and payments towards its Post-Retirement Health Benefits liability in the 2014-15 fiscal year and an enrollment management plan in place which is producing positive results, the District believes it has resolved this final recommendation to meet Accreditation Standards III.D.1.c and III.D.3.c.

Appendices

Recommendation 1 Attachments

1.1 Retiree Health Benefits funding Program Trust Agreement by and between Union Bank of California and the Retiree Health Benefits Program Joint Powers Agency, dated March 15, 2006

1.2 College of the Siskiyous, Actuarial Study of Retiree Health Liabilities as of December 1, 2008

1.3 College of the Siskiyous, Actuarial Study of Retiree Health Liabilities as of December 1, 2011

1.4 College of the Siskiyous, Actuarial Study of Retiree Health Liabilities as of December 1, 2013

1.5 College of the Siskiyous, 2014-2015 Final Proposed Budget – Summary of All Funds - For the Year Ending June 30, 2015