

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

August 19, 2020

Lizette Navarette, Vice Chancellor of College Finance and Facilities Planning
California Community Colleges Chancellor's Office
1102 Q Street
Sacramento, CA 95811

Dear Vice Chancellor Navarette:

In January 2019, the California Community Colleges Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to conduct a management assistance study and provide professional development training for the Peralta Community College District at the request of the district's former chancellor. The study and training were to focus on the district's fiscal health. The study was completed, and the final report was presented to the district's governing board on September 10, 2019 and can be found at <http://fcmat.org/wp-content/uploads/sites/4/2019/07/Peralta-CCD-final-report.pdf/>.

The final report identified significant deficiencies that necessitated immediate response and sustained resolution. FCMAT presented the document to the California Community Colleges Board of Governors on September 16, 2019. At that time, the president of the district board of trustees and the interim district chancellor also made a presentation concerning the district's fiscal status plans for addressing the issues identified by FCMAT and the Accrediting Commission for Community and Junior Colleges (ACCJC). Following that presentation, the California Community Colleges Chancellor's Office chancellor informed the Board of Governors that he would appoint a fiscal monitor to the district. The monitor remains in place. On February 25, 2020, FCMAT also provided the board of trustees with training focusing on managing finances in a community college district, the differing roles of a governing board versus a chancellor and discussion on improving fiscal accountability and competency.

FCMAT has not been engaged in the district since the September 2019 report other than the February 2020 board training, and therefore cannot present findings or recommendations on the district's progress, if any, since then. However, based on the district's chancellor's resignation letter dated July 16, 2020 (resignation effective August 15, 2020), and the listed concerns related to board members, the team felt it important to discuss the district's governance and fiscal solvency.

Based on more than 25 years of experience with local educational agencies (LEAs), FCMAT has developed the Indicators of Risk or Potential Insolvency (<https://www.fcmat.org/PublicationsReports/CC-fiscal-indicators-2019.pdf>). Each listed item indicates a lack of function, commitment, or attention to one or more critical elements of an organization's operations, which may eventually contribute to an LEA's insolvency if not addressed. One of the 15 Indicator areas is "breakdown in leadership and communication," including the following examples:

Uninformed decisions made because the system(s) cannot provide key financial and personnel data needed.

- Frequent turnover in the chief business official or chancellor/chief executive officer positions (the incumbents have been with the district less than two years).

- Lack of regular communication between the chancellor/chief executive officer and all members of the administrative cabinet.
- District, college and department administrators who are responsible for budget management and decision making do not receive timely training on financial management, budget and governance.
- Board policies and administrative regulations routinely ignored, not adopted, updated, implemented or communicated to staff.
- Micromanagement by board members.
- Systems fully or partially controlled by highly influential special interest groups.

A comparison of the above list to the chancellor's resignation letter and FCMAT's 2019 report indicates several consistent areas of concern relating to ineffective board governance. In fact, the Fiscal Health Risk Analysis contained in FCMAT's 2019 report answered seven of the eight leadership and stability questions as a "no."

There is a clear correlation between poor governance and fiscal insolvency. While short-term fiscal issues might be attributed to nongovernance reasons, the same cannot be said of long-term fiscal issues. Board members have the ultimate responsibility for district solvency. If the district has a short-term problem, the governing board should remedy it so it does not become a long-term issue. Unfortunately, the district has experienced multiple years of fiscal issues. FCMAT's October 7, 2011 report noted various areas of concern, and at the time of the 2019 report, the majority of these concerns were still unaddressed.

During meetings and interviews that occurred year after year, FCMAT was repeatedly told that consultants and outside agencies were hired to help resolve these issues; however, follow-up, communication or rectification has not occurred. In FCMAT's experience, a failure to address issues by those in charge of decision-making is the result of poor governance. In the case of the Peralta Community College District, governance issues are further evident by the high turnover of administration at the district office level.

Because of FCMAT's state role in relation to solvency of K-14 educational agencies, the team is reaching out through this letter to present these concerns and offer assistance. FCMAT realizes that the chancellor's office is working diligently with the district. This is evidenced by the commissioning of the 2019 FCMAT report and the assignment of a fiscal monitor as well as the chancellor's office's continued assistance. Given all the years of similar reviews, findings and concerns, assistance to date, and now the resignation of another chancellor after nine months on the job (many of her allegations supported the same findings), the Board of Governors should consider increasing its oversight role in the district over and above the current status of fiscal monitor.

Please know we are ready to assist your office in this important matter at your request.

Sincerely,



Michelle Giacomini

Deputy Executive Officer, FCMAT