MEMO TO:  Dr. William Duncan  
Superintendent/President  
Sierra College  
5000 Rocklin Road  
Rocklin, CA 95677

FROM:  Barbara A. Beno, President

DATE:  May 15, 2012

SUBJECT:  Enclosed Report of the Evaluation Team

Previously, the chairperson of the evaluation team sent you a draft report affording you the opportunity to correct errors of fact. We assume you have responded to the team chair. The Commission now has the final version of the report.

The Accrediting Commission for Community and Junior Colleges follows a policy of providing a copy of the final evaluation visit report to the chief executive officer of the visited institution prior to consideration by the Commission. Please examine the enclosed report.

- If you believe that the report contains inaccuracies, you are invited to call them to the attention of the Commission. To do so, you should submit a letter stating recommended corrections to the ACCJC President. The letter should arrive at the Commission office by end of day May 17, 2012, in order to be included in Commission materials. The letter should also be sent electronically in Word.

- ACCJC policy provides that, if desired, the chief administrator may request an appearance before the Commission to discuss the evaluation report. The Commission requires that the institution notify the Commission office by May 21, 2012, or earlier, of its intent to attend the meeting. This enables the Commission to invite the team chair to attend. The next meeting of the Accrediting Commission will be held on June 6-8, 2012, at The Marriott Hotel, San Francisco Airport, 1800 Old Bayshore Highway, Burlingame, California. The enclosure, “Appearing before the Commission,” addresses the protocol of such appearances.

Please note that the Commission will not consider the institution as being indifferent if its chief administrator does not choose to appear before the Commission. If the institution does request to be heard at the Commission meeting, the chairperson of the evaluation team will also be asked to be present to explain the reasons for statements in the team report. Both parties will be allowed brief testimony before the Commission deliberates in private.

The enclosed report should be considered confidential and not given general distribution until it has been acted upon by the Accrediting Commission and you have been notified by letter of the action taken.

BAB/tl

Enclosure

cc: Dr. Rachel Rosenthal, Accreditation Liaison Officer (w/o enclosure)
Appearing before the Commission

ACCJC policy provides that, if desired, the Chief Executive Officer (CEO) of an institution may request an appearance before the Commission to discuss the evaluation report. The opportunity is provided when the Commission is deliberating or acting upon matters that affect the institution.

The Commission meets in January and June. An institution must send written notification to the ACCJC office at least 15 days before the scheduled meeting if the CEO wishes to attend. If the institution also wishes to submit additional material to the Commission, it should exercise care, keeping in mind the Commission cannot read and absorb large amounts of material on short notice. Material should arrive at the ACCJC office with the written notification that the CEO has accepted the invitation to address the Commission.

The Chief Executive Officer is expected to be the presenter, and should consult with Commission staff if there are plans to invite other representatives to join the CEO. On the day of the Commission meeting, ACCJC staff will escort the CEO (and additional representatives) to and from the designated waiting area to the meeting at the appropriate time.

An institution’s presentation should not exceed five (5) minutes. The Chair of the external evaluation team or designee will also be invited to attend. The Commissioners may ask questions of the CEO or representatives, and the chair of the evaluation team after college representatives have exited. The Commission will then will continue its deliberations in closed session. The CEO will be notified in writing of the subsequent action taken by the Commission.

The Commission considers this opportunity beneficial to the process of accreditation and values the occasion to learn new information from the institution.

Policies that are relative to this process are the Policy on Access to Commission Meetings, Policy on Commission Actions on Institutions, Policy on Commission Good Practice in Relations with Member Institutions, and Policy on the Rights and Responsibilities of ACCJC and Member Institutions in the Accrediting Process.
FOLLOW-UP VISIT REPORT

Sierra Joint Community College District
Rocklin, California

A confidential report prepared for
The Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges

This report represents the findings of the evaluation team that visited Sierra College on April 16, 2012

Steven M. Kinsella, DBA, CPA, Team Chair
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Team Member Roster

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Introduction:
The Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges issued a Warning to Sierra College on January 31, 2008. The college was required to submit a Progress Report by October 15, 2008. A follow up visit was conducted on November 17, 2008. The Commission continued the college on Warning and requested a Follow-Up Report be provided no later than October 15, 2009. An evaluation team consisting of two members visited the college on October 23, 2009. On January 29, 2010, the Commission notified the College that it took action to remove Warning, and reaffirm accreditation.

When the College was removed from Warning it was reminded of the Commission’s requirement of all colleges to prepare a Midterm Report in the third year after its comprehensive evaluation. Sierra College submitted its Midterm Report dated October 15, 2010. The Commission reviewed the Midterm Report to assess whether the College addressed Recommendation 5 (2007) and whether self-identified plans for improvement included in the Self Study Report were implemented. During the January 11-13, 2011 meeting of the Accrediting Commission for Community and Junior Colleges took action to require Sierra College complete a Follow-Up Report by October 15, 2011. That report was reviewed by the Commission at its January 2012 meeting, and Sierra College was once again required to submit a Follow-Up Report to the Commission by March 15, 2012 on the same Recommendation 5.

This report includes the findings of the April 2012 team and the conclusions reached as a result of the team’s review of evidence.

In conducting the visit, the team reviewed all correspondence between the Commission and the college including the Team Evaluation Report issued at the conclusion of the comprehensive site visit that occurred from October 15 through October 18, 2007, the Team Evaluation Report for the Accreditation Progress Report dated October 15, 2008, and Sierra College’s Follow Up Reports dated October 15, 2009 and October 15, 2011. The team interviewed the Superintendent/President, the Accreditation Liaison Officer,
members of the governing board, members of the Academic Senate, the faculty union chief negotiator, a classified union representative and a retired employee. The team also interviewed the Vice President for Student Services and the Director of Finance who was serving in the capacity of chief business officer during our visit.

The scope of the visit was narrowed down to focus on the remaining recommendation from the comprehensive visit conducted in 2007. Although the team's main interest was to determine whether the college complies with the accreditation standard III.D.1.c as described in Recommendation 5 (2007), the team was available to meet with any member of the college community. An open forum to allow members of the institution to speak to team members was held around mid-morning on the day to the visit. Approximately ten people attended the open forum.

College staff members were very accommodating to team members and available for interviews and follow-up conversations. The college was well prepared and ready for the team's visit.

After review of evidence, interviews with a range of constituency representatives and conversations with governing board members, the visiting team concludes that the College implemented action needed to comply with accreditation standards as recommended by Recommendation 5 (2007). More specifically, the College prepared and implemented a long-term plan to address the potential impact of long-term debt on current year budget.
Team Recommendation

Recommendation 5 (2007)

_The team recommends that the college develop a long term debt financing plan to address the costs associated with the implementation of GASB 45 requirements._

General Observations

At the time of the comprehensive visit of Sierra College in October 2007, the evaluation team commented that the college had not set funds aside to pay for Other Post Employment Benefits (OPEB) but was using what it referred to as a Pay-As-You-Go method. Under the College's Pay-As-You-Go approach the College paid the cost of providing health benefits to retired employees who were vested in this benefit. The primary debt that could impact the general fund is OPEB debt defined under GASB 45. That debt was valued at $70.2 million as of July 2010.

The evaluation team in 2007 noted that the College did not have a plan to respond to unexpected and large expenditures in the short-term as a result of having to pay a long-term obligation such as the OPEB debt. Standard III.D.1.c requires member institutions to develop a plan to address the short-term affect of long-term debt on the stability of its financial condition. The debt is calculated pursuant to Government Accounting Standards Board (GASB) Statement 45 using an actuarial report prepared every three years.

At Sierra College the actuarial report resulted in a determination that the College's long-term liability totaled more than $70 million as of July 2010. A key piece of information derived from that report was a projection of anticipated costs over the life of the debt amortization period. The actuarial plan provided a thirty year projection of costs that showed steady increase from 2007 until its peak cost that occurs in FY2026/2027. The challenge to the College is to set funds aside in sufficient quantities to make higher payments expected in the years leading to FY2026/2027.
Findings and Evidence

Background on GASB 45

The present value of the OPEB debt is defined and calculated using an actuarial study that includes assumptions related specially to that debt. Consideration is given to the age of retirees, the amount of time a retiree could expect to receive benefits from the plan as well as the costs of health benefits incurred by Sierra College's employees and retirees. In 2007 and in subsequent visits the evaluation teams expressed concern about the College not having a plan to address costs associated with long-term debt that may require use of short-term funding or that may disrupt the college's normal operations as a result of having to divert larger than usual funding from educational services to pay OPEB costs.

During the comprehensive visit in 2007 and again in the Midterm Report submitted in October 2010 the college continued to discuss what it had accomplished by establishing a (at that time) revocable fund that could be used to pay for immediate cash needs if costs for health benefits exceeded planned levels. The component that was missing was a projection of costs that were expected to be incurred over the life of the outstanding obligation resulting from the college providing health benefits to retired employees for varying periods of time in the future. This time the College included a graph showing the escalating costs that are likely to be incurred assuming key assumptions such as the rate of return on invested money, the number and age of beneficiaries, and the amount of funds on deposit stay the same.

Requirements of Standard III.D.1C include a need for the college to provide evidence that long-term fiscal planning and establishing priorities exist and that the institution has plans for payment of long-term liabilities and obligations. Prior to this year, it was not clear what the College intended to do to address the increases in debt as the ever increasing numbers of baby boomers who joined the community college system around 1968 through 1972 are now moving into retirement.
Action Taken By the College to Establish The Plan for Long-Term OPEB Debt.
The College has taken a number of steps to develop and implement a plan to address the OPEB obligation that has accumulated over the years. Some of the pertinent actions are as follows:

- In June 2008 the College established a revocable trust to prefund OPEB liabilities. Keenan was hired to administer the trust. At the same time the College's Retirement Board Authority was formed to oversee the trust. As of December 7, 2011 the balance in the trust was $7,840,810.64.

- As noted earlier in the introduction of this report, the College had placed funds into a revocable trust fund and presented the position that this was the fund they established for the accumulation of assets to settle GASB 45 obligations. The College sought an opinion from its attorney about the appropriateness of use of a revocable trust. In a January 17, 2007 letter from attorney Atkinson, Andelson, Loya, Ruud & Romo, the College's attorney gave the opinion that the college needed to set up an irrevocable trust to comply with GASB 45. At that time the College entered into an agreement with Keenan and Associates to serve as administrator of the trust and to serve as investment advisor.

- The college hired a firm that specializes in the preparation of actuarial studies that satisfy the requirements of GASB 45. The actuarial study was completed in July 2010 and showed a present value liability of $70.2 million. At the time of the study the college was providing health benefits to 269 retirees and surviving spouses. There are an additional 115 active employees who are eligible to receive benefits upon retirement from the college.

- Employees and the College are contributing funds to pay for the costs of health benefits provided to vested employees. Benefits vary widely
depending on when an employee was hired. Some employees pay 1% of their base salary into the fund for retired employee benefits. The College matches that contribution. Starting in 2010 the College capped the amount it would pay for active employee health benefits at $9,000 annually. Additional arrangements have been made with all employee groups.

- In 2012, the College joined a Joint Powers Agreement with Self-Insured Schools of California and saved $327,000 annually as a result of that move.
- Omniparty, the Colleges representative group of stakeholders that analyses and decides how compensation funds will be distributed, has been active in assisting the College to reduce its overall costs and long-term obligations for health benefits.

- The district provided table 1 in the follow up report dated March 15, 2012. This table is a 45 year projection of retiree health benefits from 2005/2006 to 2050/2051. The peak of the district's retiree health benefit claims occurs in 2026/2027 and slowly decreases as the number of individuals eligible for retiree health benefits declines. The predicted cost in 2026/27 is $5,467,972, which is $8,573 lower than the ARC.

Status of Funding and the OPEB Debt
The July 2010 actuarial study shows 269 retirees and 115 active employees eligible to receive the benefits. The unfunded actuarial accrued liability is $70,249,789 and the Annual Required Contribution is $5,476,545.

The College plans to continue with the use of its current methodology which is a multiple tier approach that changes benefit entitlements of employees, reduces its total obligation by placing a cap on its obligations and is continuing to pay the annual cost of providing health benefits for retired employees on an annual basis. Currently the College is paying $8,573 less than the required Annual Required Contribution. The College intends to
continue to use the pay-as-you-go method to fund its OPEB liability from the general fund as opposed to funding the ARC. This would allow the district to smooth out the peak. An updated actuarial study is currently on-going. The district anticipates that the unfunded liability and the ARC will decline. With the updated data, the district will evaluate its plans whether to continue funding pay-as-you-go or to fully fund the reduced ARC.

Conclusion
The College has developed a long-term plan to address the short-term impact on the financial stability of the institution and therefore complies with the requirements of Standard III.D.1. Recommendation 5 (2007) has been fully implemented.