

REPORT OF THE WASC SPECIAL VISIT TEAM

To Pacific Oaks College

October 8-10, 2013

Team Roster

Chair: Thomas M. McFadden, Emeritus President,
Marymount California University

Assistant Chair: Karen A. Longman, Doctoral Higher Education Program Director and Professor,
Azusa Pacific University

Team Member: Steve T. Pawluk, Provost, La Sierra University

Staff Liaison: Keith Bell, WASC Associate

The team evaluated the institution under the 2008 WASC Senior College and University Standards of Accreditation and prepared this report containing its collective evaluation for consideration and action by the institution and by the WASC Senior College and University Commission.

The formal action concerning the institution's status is taken by the Commission and is described in a letter from the Commission to the institution. This report and the Commission letter are made available to the public by publication on the WASC website.

TABLE OF CONTENTS

	Page
SECTION I. OVERVIEW AND CONTEXT	3
A. Description of the Institution and Visit	3
B. Quality of the Special Visit Report and Supporting Evidence	6
C. Description of the Team Review Process	7
 SECTION II. EVALUATION OF ISSUES UNDER THE STANDARDS	 7
1. Relationship with TCSES	8
2. Faculty-Administration Communication	10
3. Faculty and Staff Adequacy	13
4. Planning Results and Progress	16
5 and 6. Progress toward Financial Stability - Critical Underlying Elements: Enrollments and Other Revenue Sources	19
 SECTION III. FINDINGS AND RECOMMENDATIONS	 23

SECTION I – OVERVIEW AND CONTEXT

A. Description of the Institution and Visit

Pacific Oaks College (POC) has been distinguished since its founding for its mission to promote educational practices that “encourage learners to find their own voice, to take stands in the face of opposition, and to exercise competence in collaboration with others.” Emerging as an outgrowth of the renowned Pacific Oaks Children’s School, WASC first accredited Pacific Oaks College in 1959 to offer a bachelor of arts degree and a master of arts degree in Human Development. On July 2009, Pacific Oaks College and Pacific Oaks Children’s School became a corporate entity, Pacific Oaks Education Corporation (POEC). In June 2010, Pacific Oaks Education Corporation formally affiliated with TCS Education System (TCSES), an affiliation that followed a due diligence period beginning in spring 2009.

In May 2011, the Board of Trustees of the Pacific Oaks College and Children’s School approved a revised mission statement:

Grounded in its social justice heritage, Pacific Oaks College prepares students to be culturally intelligent agents of change serving diverse communities in the fields of human development, education, and related family studies.

The main campus of Pacific Oaks College is in Pasadena, with several other approved off-site instructional locations. Programs offered at Pacific Oaks College include the BA and MA in Human Development, the MA in Marital and Family Therapy, the MA/MFT in African American Family Studies, the MA/MFT in Latina Family Studies, the BA and MA in Early Childhood Education, the MA in Curriculum and Instruction, the MA in Education with Preliminary Multiple Subject Credential California, the MA in Education with Preliminary Education Specialist

Credential, and the California Preliminary Education Specialist Credential California and Preliminary Multiple Subject Credential.

According to the “Special Visit Report: Epilogue” document provided to the team in October 2013, the demographics of POC students are distinctive, with 93.1% of the 1,072 students attending in fall 2013 being women; 90% of all students are part-time. Of the total enrollment, 58.6% (616 students) attend courses on the Pasadena campus; 23.8% (222 students) are enrolled in online programs, and 17.6% (259 students) are taking coursework at the off-campus instructional and off-campus sites. The ethnicity of students was self-reported as 44.4% Hispanic/Latino; 28% White; and 12.9% Black/African American; the mean age was 37.4 (pages 5-6).

Pacific Oaks has faced a variety of accreditation challenges following the comprehensive WASC visit February 12-15, 2002. A Special Visit was held March 8-10, 2005, resulting in a Commission action letter (dated June 29, 2005) that required a Progress Report, to be submitted by March 1, 2008, and focused on “Enrollment Growth and Financial Stability, Assessment of Student Learning, and Faculty Development and Support.”

Before the Special Visit, the president announced on February 1, 2007 that the College would suspend admissions to its off-campus programs. Although the president and finance committee had made very positive reports about the college’s financial progress at the October 28, 2006 Board of Trustees’ meeting, concerns were raised about the reliability of the data. As result of these concerns, the provost resigned.

On August 9, 2007, following discussions with POC leadership, WASC sent a letter to Pacific Oaks College (September 12, 2007) requesting an interim report to be followed by a Special Visit in June 2008. Prior to the Interim Report review, WASC staff received a formal

complaint made by the full-time faculty about the administration's conduct with regard to governance and communications. The complaint alleged that all collaborative decision-making structures and processes related to both the current operations and future planning had excluded substantive input by the core faculty. In April 2008, WASC staff added the investigation of the complaint to the scope of the Special Visit review.

The June 2008 Special Visit resulted in Commission actions as set forth in its letter of December 1, 2008, issuing an Order to Show Cause why the accreditation of Pacific Oaks College shall not be terminated, effective April 15, 2010. The Show Cause visit on November 17-20, 2009, focused on progress in the seven critical areas outlined in the Commission's action letter of December 2008.

On April 1, 2009, Pacific Oaks College submitted an interim report addressing enrollment and finances. That report was reviewed and accepted by the Interim Report Committee in May 2009. During a September 22, 2009 conference call, the Substantive Change Committee acted to proceed to a site visit prior to Commission review a Substantive Change proposal regarding Change in Ownership (Structural Change) so that POC would be affiliated with The Chicago School Education System. The nature of this affiliation is described on page 8 of this report.

At its February 17-19, 2010 meeting, the Commission took the following actions in regard to the Show Cause and the Change in Ownership visits: (1) Receive the Show Cause Visit report; (2) Remove the Order to Show Cause; (3) Reaffirm accreditation and issue a formal Notice of Concern; (4) Approve the change in ownership/transfer of control of Pacific Oaks College to TCS with a six-month follow-up visit after full implementation; (5) Reschedule the next Capacity and

Preparatory Review from spring 2012 to spring 2015 and the Educational Effectiveness from fall 2013 to fall 2016.

A Special Visit in fall 2011 was to review progress on areas cited in the action letter, focusing on five areas of concern that were the basis for the Notice of Concern: (1) governance, decision making, and the new relationship with TCSES; (2) operational integrity, and accuracy and use of data; (3) financial sustainability, management, and planning; (4) communication among constituents; and (5) educational effectiveness, assessment, and program review.

A fall 2013 Special Visit was required as a follow-up to the fall 2011 Special Visit, focused on two major areas deemed to require continued attention: (1) organizational structures, communication, and the relationship with TCS Education System; and (2) Financial sustainability, management, resource alignment, and planning (Commission Letter dated March 8, 2012, page 2).

B. Quality of the Special Visit Report and Supporting Evidence

The Special Visit Report submitted by Pacific Oaks College, dated August 13, 2013, was supplemented by an extensive set of appendix materials (900+ pages) and a “Special Visits Report: Epilogue” bound document dated October 2013. Additionally, information requested in the preparatory conference call and during the Special Visit was promptly provided to the team. The meeting room provided for the team’s use also contained materials that had been thoughtfully assembled; all of these materials reflected recognition of the importance of a “culture of evidence” as a hallmark of the accreditation process. Per the first item listed in the “Commendations” section that concludes this report, the team affirms the quality of the preparation of materials for this visit. Overall, the documentation addressed the areas of concern outlined in the Commission letter of March 8, 2012. The report was developed under the leadership of the POC president and acting

dean, working with a steering committee of 15 faculty and staff members to ensure college-wide collaboration.

C. Description of the Team Review Process

The 2013 Special Visit team received the report on August 15, well in advance of the initial team conference call on September 11, 2013. Using the WASC worksheet, various team members took responsibility for consolidating relevant materials with each of the six sections of the report identified below. The conference call allowed the team members to identify progress and gaps and to discuss areas that would potentially require further exploration. The proposed schedule for the visit was also discussed.

Modifications to the schedule primarily focused on the team's desire to meet with smaller groups of individuals and to hear from a wide spectrum of the campus community; all requested changes were immediately honored. During the visit, the team met with the president, the board of trustees, and nearly all key administrators whose work related to various sections of the report, as well as several TCSES representatives. The visit included separate open meetings with staff, faculty, and students. After reviewing information gained in those meetings, as well as materials and evidence provided at various points, the report was further developed.

SECTION II – TEAM ANALYSIS OF THE ISSUES

The Commission action letter dated March 8, 2012 requested a Special Visit focused on two sets of overarching issues: (1) “Organizational structures, communication, and the relationship with TCS Education System,” and (2) “Financial sustainability, management, resource alignment, and planning.” The team reviewed the college's progress on these two overarching issues, delineated further into the following six concerns identified in the Commission Action Letter (page 3): (1) The Relationship between POC and TCSES; (2) Faculty-Administration Communication;

(3) Adequacy of Faculty and Administrative Staffing; (4) Planning Results and Progress; (5) Progress toward Financial Stability; and (6) Critical Underlying Elements: Enrollment and other Revenue Sources.

1. Relationship between POC and TCSES

In July 2009 POC entered into a Master Agreement whereby TCSES would provide a wide variety of support services to the College. One year later, the Pacific Oaks Education Corporation formally affiliated with TCSES. After further negotiations, the earlier Master Agreement was terminated by mutual agreement and a new, enhanced service agreement (2011 Agreement) was signed. The POC board of trustees unanimously approved the 2011 Agreement at its February 2013 meeting.

TCSES is a not-for-profit education enterprise affiliated with three schools, The Chicago School of Professional Psychology, The Santa Barbara and Ventura Colleges of Law, and Pacific Oaks College and Children's School. TCSES provides its schools access to such services as admissions/enrollment, compliance and legal affairs, finance, marketing and information technology.

The 2011 WASC Special Visit team recognized the value of the POC/TCSES relationship but perceived three areas of concern: (1) some unclear aspects of the initial Master Agreement; (2) misunderstanding and inadequate communication of the relationship to POC faculty and staff; and (3) the impact of the affiliation on the appropriate governance structures at the college. These concerns of the 2011 Special Visit team were reinforced in the WASC Commission action letter of March 2012.

POC has fully acknowledged these issues, regards their resolution as critical to the success of the college and the future of the affiliation, and has taken a number of steps to resolve the issues cited in the preceding paragraph.

First, the new 2011 Agreement, drawn up with the assistance of legal counsel, clarified a number of issues. A three-year term expiration was added to the agreement. A more specific and detailed listing of TCSES services was included. The college's maintenance of its "core functions," such as recruiting of faculty and academic personnel, the development of academic programs, and decisions regarding admissions and academic performance was specified to be preserved. The precise fee for TCSES services was finalized.

Second, communication regarding the relationship between POC and TCSES has been extensively addressed. The relationship is presented at new faculty and staff orientations, and its terms are specified in the TCSES Employee Manual. Perhaps most significantly, the operational meaning of the affiliation has come to be better understood through POC and TCSES staff working together in various service groups, such as enrollment and financial aid, information technology, human resource management, budgeting, and student services. In addition, POC staff work with TCSES system leaders and colleagues from the other institutions in the system on some system-wide committees and projects dealing with compliance issues, on-line learning systems, and student-learning methodologies. Leaders of both organizations discuss mutual concerns at monthly Executive Council meetings and tri-annual Operating Performance Reviews.

The institutional report cites a number of indications that significant improvements have been made in the understanding of and appreciation for the relationship. The results of a faculty and staff survey on their perception of the role and responsibilities of each entity showed that a

significant majority of respondents acknowledged improvements in the functioning of each of the service areas now handled through TCSES. Respondents saw greater efficiency and improved operational effectiveness.

However, some significant issues related to the impact of the affiliation linger. Uncertainty remains about a possible conflation of cultures, the one stressing efficiency and decisiveness, and the other the broadly deliberative and inclusive decision-making that has been characteristic of the Quaker tradition at the college. Faculty point to some academic program changes such as the shift, put into effect three years ago during the period of financial exigency, reconfiguring some courses to a seven rather than a 15-week instructional term, effected contrary to faculty recommendations.

Appreciation of the positive changes that the affiliation has brought was noted primarily by staff and administration, but apprehension about how the affiliation might influence the college's distinctive ethos was expressed. The team is convinced that the problems are far from insurmountable, but additional work will have to be done to ensure that the management of the college, particularly relative to its academic program, remains in the hands of the POC faculty and administration. (CFR 1.1; 3.8; and 3.11)

2. Faculty-Administration Communication

In the Commission's action letter of March 8, 2012, the president was advised of WASC's interest in reviewing "updates on methods and effectiveness of two-way communication between the administration and faculty" (page 3).

While the dynamics of communication among faculty, staff, and administration are an ongoing concern of many institutions, this Special Visit was asked to focus specifically on the effectiveness of administration-faculty communication. The institutional report offers evidence of

efforts to enhance communication in this regard, consistent with the three continuing priorities identified by the president including “greater understanding of the communication needs of the College as a whole” and “new goals and protocols for achieving improved communication” (pages 45-46).

Specifically, the institutional report indicates that consolidating academic leadership under the dean of the college was, in part, intended to “address communication gaps and a need for consistency and accountability in the academic programs” (page 7). Similarly, “increased collaboration between faculty and administration is a priority for the new administration” (e.g., the school directors participating on the dean’s council; the dean of the college serving on the president’s cabinet), according to the report (page 8). Weekly meetings between the acting dean of the college and the school directors, and monthly meetings with the faculty, as well as faculty representation in “key decision-making groups at POC” are intended to enhance communication (page 8).

The section of the institutional report titled “Improving the Communication between Administration and Faculty” (pages 32-35) lists numerous committees and meetings designed to enhance the communication flow. While the stated concern for faculty involvement is laudable, the team expresses a concern about the level of demands, on top of heavy teaching loads (24 units-reduced from 27 units during the period of financial exigency) and advising, that is placed on a very small number of full-time (“core”) faculty. Faculty members are, however, supported in advising on-campus students by the Center for Achievement, Resources, and Enrichment and in advising online students by the Student Management staff of TCSES.

The team appreciates the forthrightness of the narrative relative to the findings of two “Faculty and Administration Communication Surveys” administered twice over a four-month period just prior to the Special Visit. Areas of concern relative to the surveys include the small scope of distribution (11 administrators; 15 core and affiliate faculty); changes made to the wording of the majority of questions for the second survey, and the sharp disparity between the responses from administrators and faculty on survey questions. For example, only half of the faculty respondents (i.e., 6 of 12) indicated “some improvement in the transparency and openness of communication between faculty and administration” (page 35); all six administrative respondents indicated “some improvement.” Similarly, half of the faculty respondents believe they “have the information sufficient to perform their jobs”; 83% of the responding administrators (six) responded affirmatively to that question. Notably, among the faculty, 77% of the 11 who responded reported no improvement in the “safety and satisfaction in the work environment.”

Faculty members expressed their strong, ongoing commitment to the college and its mission as well as their desire to work with the present administration in successfully addressing all of the challenges that confront the college. However, words such as “fear of reprisal,” “marginalization,” and “demoralized” characterized responses regarding the faculty culture at Pacific Oaks College. In short, the perceived goal of the administration to “bring the faculty on board” with the new business-oriented approaches of TCSES has been perceived by others as ignoring or disrespecting important aspects of shared governance, specifically the faculty’s role in shaping and overseeing the quality of the academic offerings of the institution (Report, pages 28-31, 38, 44).

Meetings with various individuals during the Special Visit led the team to conclude that both administrative leadership and the faculty are beginning to more fully understand the differing assumptions of what is meant by the term communication. From the administration’s perspective,

effective communication seemed largely focused on the amount of information provided to the faculty. From the faculty's perspective, effective communication should involve mutual respect and dialogue, consistent with the norms of shared governance within an academic institution.

Encouraging steps in this regard relate to the seriousness with which the two school deans are taking their responsibilities for being bridge-builders for communication between the faculty and administration, the load release (one unit) being given to one of the core faculty members to serve on the newly-formed Communication Committee, and the potential beneficial influence of the TCSES senior vice president for academic affairs, who is now partnering with the acting dean to address these concerns.

Given that the pressures of financial exigency have largely been resolved (see below), and improved systems have been put into place through TCSES staff support, issues related to effective leadership that respects the role of the faculty in a shared governance approach to educational effectiveness must now be addressed. Though not a trailing concern from the last Commission action letter, the team does have concerns about institutional leadership honoring the faculty's voice in decision-making relative to academic structures and policies. (CFR 1.3, 3.8, 3.11, 4.1, 4.6, 4.8)

3. Adequacy of Faculty and Administrative Staffing

In the Commission's action letter of March 8, 2012, the Commission advised Pacific Oaks College of its interest in reviewing progress made regarding "additional appointments and retention of administrators, faculty and staff, including new faculty appointments for new programs" (page 3).

Since the visit that prompted the action letter, Pacific Oaks College has appointed a president who has provided strong leadership. The college has also appointed several cabinet-level leaders as well as a director for the Northern California sites. The academic programs of the college have been restructured into four schools; three directors have been appointed to date. Searches for an academic dean and for a director for the School of Education, one of the first two schools formed by the restructuring, are in progress. POC expects the presence of a strong and stable leadership team to enhance the institution's ability to attract and retain qualified faculty and staff members.

The college currently employs eight full-time core faculty members and is in the process of recruiting an additional six, bringing the full-time core faculty membership to 14 (Report, pages 5, 42). Additionally, there are 140 adjunct (part-time) faculty members. The student-faculty ratio ranges from 24:1 to 35:1 depending on the academic program being considered. Given the college's stated commitment to "Advance the internal culture of teaching and learning at Pacific Oaks College" (Report, page 19), these ratios merit attention.

The college has 52 administrative and support staff positions, although nine of those are currently unfilled (Report, pages 2, 45). While there has been alarming turnover among both faculty and staff positions in the recent past, the college's renewed efforts to increase employee retention include promoting from within those who have demonstrated commitment to the values and mission of the college, use of comprehensive search processes when seeking qualified candidates (although current openings are difficult to locate on the POC website), orienting new employees to both the technical information that they need as well as to the specific cultural characteristic of Pacific Oaks College, offering competitive salaries benchmarked to comparison institutions, and some limited funding for faculty and staff professional development. As a result

of these factors, the “College community is hopeful” that increased stability of the faculty and staff will occur (Report, page 45).

It is evident that the POC board and administration have taken seriously the direction of the March 8, 2012 action letter regarding financial sustainability. The team asserts, however, that while student-faculty ratios of 24:1 or higher (Report, pages 14-15, 44) can contribute to a healthy institutional budget, the college should carefully study the appropriate balance between financial efficiency and academic effectiveness. Given that approximately 60% of the college’s students are enrolled in master’s-level programs (Data Exhibits, page 3) and that the college has expressed (but not pursued) a desire to develop “at least two” doctoral programs (Appendices, page 171), additional core faculty will be required in order to support effective teaching, advising, mentoring, administration of internships, guidance in theses and culminating experiences, and adequate involvement in the shared governance of the institution.

Given the prominence of the institution’s graduate programs and the mission of the institution, it is important for the college to fill the open core faculty positions with appropriately qualified individuals, increasing the number of core faculty in order to properly support the institution’s academic objectives and strategic goals. The institution’s leadership should also consider the number of core faculty required to encourage and foster the faculty’s voice in the shared governance process, not only determining academic goals and programs, but clearly influencing the strategic directions and resource allocations of the institution. Benchmarking the number of full-time equivalent faculty and the proportion of full-time and contingent faculty would be helpful in allowing institutional leadership to consider productive adjustments.

In summary, the team left this visit aware that assertive business practices have stabilized the financial condition of the institution, but also with the general impression that past financial

pressures may have led to an “exigency mindset” even after the financial exigency was lifted. For example, the Sample Faculty Member Employment Agreement in the *Faculty Manual* states that “either Pacific Oaks or Faculty Member may terminate the employment relationship at any time, with or without cause, and with or without notice”. The team’s concern is that this highly disciplined efficiency which was necessary for the institution’s survival may jeopardize the spirit of community at the college and the leadership role of the few full-time faculty members. (CFRs 2.1, 3.1, 3.2, 3.8, 3.11)

4. *Planning Results and Progress*

In the Commission’s action letter of March 8, 2012, the Commission advised Pacific Oaks College of its interest in reviewing progress made “in meeting the indicators and goals set forth in POC’s strategic plan” (page 3).

The team confirmed that the college, under the new administration, has renewed its mission and operationalized its 2011-2014 Strategic Plan by means of a three-year master plan which specifies tasks, responsibilities, and time-frames required to reach the college’s strategic objectives (Report, page 19). Annual priorities were described as well (Report, pages 19-20). This process is reported to be “closely aligned” with the budget process (Report, pages 1, 16; Appendices, pages 165ff.).

The college’s accomplishments are described as both productive and positive (Report, pages 21-25), yet it was difficult for the team to ascertain exactly what proportion of, or to what extent, the strategic plan’s goals, strategies, and annual priorities had been successfully completed; which ones remain in progress; and which are in planning stages or remain unaddressed. This was because the reported accomplishments were arranged by departmental responsibilities and

interests, but not explicitly referenced to the annual priorities or to the strategic plan's Key Performance Indicators (Appendices, pages 165ff.).

The team's visit affirmed that a culture of strategic planning is becoming established at the college and notes that the college is in the process of developing a new strategic plan for 2014-2018. This plan will be developed with the assistance of TCSES with demographic/trend information provided by Growthink, a consulting firm selected by the president. The president informed the team that he and the vice-president for human resources at TCSES will begin the strategic planning process by proposing major goals and directions after Growthink presents their analysis of demographic trends and potential markets. Input from various stakeholders of the college will then be invited. The goal is to present a strategic plan to the board for ratification during winter 2014 (Report, p. 25).

The team noted that the institution's next strategic plan will originate with the president and the TCSES vice-president for Human Resources. Yet the college has also stated a commitment to shared governance as "a fundamental ingredient of a healthy academic institution and an essential right and responsibility of a scholarly community" as well as a "recognition that shared governance allows Pacific Oaks College to benefit from the accumulated wisdom and knowledge of its Faculty" (*Faculty Manual*, section 1.0). Additionally, the POC Faculty Manual includes a statement on faculty service, soliciting from faculty the "generation of ideas to improve the form and function of the school" and "generating creative solutions to concerns" (section 4.3.3). Given the college's commitment to shared governance, it will be important that the institution's academic plans and assessments, on the one hand, and its strategic plan development, on the other hand, will intersect or appropriately influence each other. While the appointment of four school directors may be a bridge between the administration and faculty in this regard, the

team recommends that the academic objectives developed by the faculty be given a significant place in developing the next strategic plan.

The team recognizes the important advantages of utilizing external agencies for the strategic planning process, and applauds the intentionality of gathering input from “several initial rounds of stakeholder interviews” (Report, page 26). Yet the team is concerned that future planning not be primarily driven by business and financial metrics, despite the financial crises through which the institution has recently come. Because of its particular mission and its historic values, Pacific Oaks College holds a special place among higher education institutions. The faculty members with whom the team spoke were very desirous of actively participating with the president and the administrative team to ensure the success of the college in meeting its mission and serving its students well. Thus diligent efforts should be undertaken to ensure the extensive input of the faculty in the next strategic plan.

The team is aware that the 2014-18 strategic plan is just in its beginning stages, but also that a level of uncertainty about shared governance remains at the institution, especially among the core faculty. The team left the campus visit unclear whether the faculty’s perception of a lack of involvement in planning is related to demands on the time of a small number of full-time faculty members, to the extensive utilization of external strategic planning facilitators, to issues of intra-campus communications, or to inadequate respect for the institution’s stated commitment to shared governance. In any event, the team noted the need for a closer alignment of the institution’s historic and stated mission, academic goals that arise from the faculty, and the institution’s strategic planning processes.

Beyond this significant concern, the team affirms many positive and noteworthy accomplishments that have been achieved by the college in the past two years. Most of them can be at least indirectly tied to the goals and objectives identified in the current strategic plan; however, the team concluded that the college has yet to refine its planning and evaluative processes to more clearly connect various and important components. As previously noted, the team emphasizes the importance of having the new strategic plan emerge from ongoing two-way conversations between Pacific Oaks College's faculty, administration, staff, students and governing board. (CFRs 1.2, 3.8, 3.11, 4.1, 4.2, 4.3, 4.6)

5 and 6. Underlying Elements in the Progress toward Financial Stability: Enrollments, Financial Management, and Fund-Raising

As noted in previous WASC interactions, POC has been in a precarious financial situation for the past several years. Consolidated revenues declined from a peak of \$14 million in the 2006-2007 fiscal year to \$8 million in fiscal year 2011, leading to an operating budget deficit in fiscal year 2011 of \$5.3 million. Enrollment declined for several years and the college was forced to cut faculty, staff, and programs. In December 2008, the board of trustees declared a state of financial exigency. Financial management was weak and the college faced very significant financial straits. The March 2010 WASC Commission action letter stated, “. . . financial sustainability and planning are the most critical of the challenges that it (the College) now faces.”

This concern was repeated by the 2011 Visiting Team and the March 2012 Commission letter: “The Commission expects to see substantial improvements in POC's financial strength by the time of the next review (October 2013). Related is the continuing need . . . for stable leadership in the financial area.”

POC has presented extensive data to support the institution's position that it is emerging from its financial difficulties, that systems have been operationalized to ensure careful financial management and accountability, and that stable financial leadership has been put in place. The August 2013 Special Visit Report cites several factors that have led to these improvements.

Enrollment growth and student retention. Enrollment has steadily increased during the past three years, growing in headcount at the Pasadena campus from 470 (fall 2011) to 616 (fall 2013). Headcount at off-site campuses has increased even more, from 58 (fall 2011) to 259 (fall 2013). Online instruction served 79 students in the fall of 2011 and 222 in the fall of 2013. Thus, the total headcount enrollment has increased from 607 in fall 2011 to 1,097 in fall 2013 (Special Visit Report, page 13). In fall 2012, 10% of enrolled students were full-time (Data Exhibits, page 4). In fall 2011, approximately 70% of the institution's enrollment consisted of graduate students, a number that has shifted to 61% as of fall 2012 (Data Exhibits, page 3). The college traces these increases to several factors, notably a strong admissions/marketing effort, new degree programs, a new online modality, and the revitalization of its off-campus academic sites.

Student retention rates have also improved. On the Pasadena campus, 60% of the students enrolled in fall 2010 either graduated or continued to be enrolled in fall 2012. At the offsite centers, that figure stands at 52%.

Cost efficiency and budget management. The relationship between POC and TCSES has contributed significantly to cost efficiencies and prudent budget management at the college. TCSES has provided valuable services in financial management, marketing, online program support, and enrollment strategies. The 2010 affiliation of POC with TCSES has enabled the college to move away from financial exigency to a reasonable projection of stability and even substantial growth. Access to TCSES expertise has improved POC's operations, purchasing

capacity, and data analysis, all of which are valuable contributors to a more careful process of decision-making.

POC recognized that the significant increases in total revenue from fiscal year 2009 to fiscal year 2013 had to be managed carefully. With the growth in academic programs, student enrollment, and expanded recruitment/marketing efforts, it was clear that the number of staff had to increase. At the same time, the college recognized that all of the additional revenue could not be devoted an increase in staffing. The college increased expenses in fiscal year 2013 by \$2.5 million, most of which went to staffing expenses. Additional staffing is needed, particularly faculty, but these staffing decisions will be based on a careful analysis of program enrollments and projections. Building up a cash reserve has been a priority in budget management. Thus, the college has emerged from a period of staff and faculty retrenchment to a time of growth.

A further factor in budget management has been the appointment of a full-time chief financial officer. This was achieved in 2012 with the appointment of the previous Director of Finance to the CFO position.

Enhanced Revenue/Expense Ratios: These changes have led to enhanced revenue/expense ratios and balance sheet strength. As the following figures show, POC achieved a budget surplus in fiscal year 2013, the first surplus in three years.

<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>
Revenue 7,956,000	11,675,000	17,156,460
Expense 13,234,000	13,415,000	16,127,447
(5,278,000)	(1,740,000)	1,029,023

In addition, the college sold the Westmoreland building for \$6 million. These funds were used to pay \$2.9 million for TCSES services in 2009 and 2010 and to place \$1 million in an

unrestricted quasi-endowment fund. The college also agreed to provide the buyer a \$1 million buyback, due in 2017.

These improvements have allowed POC to remove the previous requirement of a letter of credit stipulated by the U.S. Department of Education (USDE). The college expects to pass the USDE's financial strength composite score for fiscal year 2013. The USDE has also released the college's Title III account from a 23-year holding restriction, enabling POC to shift \$1.9 million from restricted to unrestricted status.

The impact of these changes have positively affected POC's balance sheet. Total net assets have increased from \$11.1 million in fiscal year 2012 to \$13.2 million in fiscal year 2013 and a projected \$14.5 million in fiscal year 2014. Total liabilities during that period are projected to drop from \$7 million in 2012 to \$4.2 million in 2014. POC is now debt-free and has no deferred maintenance issues. The Grant Thornton accounting firm audited the college's financial statements for fiscal year 2012 and found no material weaknesses or deficiencies in internal control. Three minor instances of noncompliance were cited in the audit.

Improved Fund-Raising. POC enjoyed a significant increase in contributions in fiscal year 2012, receiving \$361,923 in unrestricted gifts as compared to \$291,121 the prior year. However, unrestricted gifts declined in fiscal year 2013 to \$318,185 (\$400,000 had been budgeted). The budget for fiscal year 2014 expects unrestricted gifts of \$400,000 (Special Visit Report, page 14; Appendices, page 153).

Restricted giving also increased during the fiscal year 2012 to \$397,979 from \$49,805 the prior year. However, restricted gifts declined in fiscal year 2013 to \$328,709, although the budget expected \$600,000 in restricted giving that year (Appendices, page 153). The budget for fiscal year 2014 is based on unrestricted gifts in the amount of \$800,000 (Special Visit Report, page 14).

During this same time, the number of employees in the Office of Advancement declined from five budgeted positions in 2011 to three positions in 2013 (Special Visit Report, page 42). The institution's 2011 Strategic Plan asserts that "Pacific Oaks will develop and expand its advancement efforts" (Appendices, page 172), acknowledging that additional advancement staff will be required. At the same time, TCSES provides valuable support to the college's advancement efforts. Such support may offset the need for college on-site personnel. POC staff members, especially in the offices of Advancement, Enrollment Services, and Instructional Technology, reported to the team that they are in frequent contact with TCSES support personnel and that the guidance as well as computer systems (e.g., Raiser's Edge) are helpful and highly valued.

Thus, it is clear that POC has made significant improvements in its financial position, moving from a state of exigency to a projected budget surplus in fiscal year 2013 and beyond. A financial corner has clearly been turned. However, a one-year surplus does not necessarily indicate a trend. The question of sustainability remains. Can the college continue to increase or maintain its enrollments? Will fund-raising be able to meet its expanded budget expectations? The prospects are hopeful but not yet assured. Given that the college is small, holding onto market share in a competitive California marketplace will be challenging.

In a sense, the larger question for the financial health of POC is not its financial management or marketing initiatives. The college must now attend to the quality of its academic programs. The number of full-time faculty needs to increase, professional development should be enhanced, and a culture of research appropriate for a small institution with a majority of its students in graduate programs ensured.

Over the past three years, POC has rightly concentrated on its budget and management issues, but its actual, long-term financial sustainability will rest on the cornerstone of high-quality, mission-distinctive academic programs.

SECTION III – FINDINGS AND RECOMMENDATIONS

The team makes the following commendations:

- (1) The institution's thorough and conscientious preparations for the October 2013 Special Visit.
- (2) The clear and widely-embraced commitment by the faculty, staff, and administration of Pacific Oaks College to the distinctive mission of the institution.
- (3) The effective efforts of the board and Pacific Oaks community in constructively addressing the college's recent financial crises.
- (4) A substantial increase in student enrollment over the past three years.
- (5) Accessibility of useful admission and retention data disaggregated by academic program to inform more effective planning.
- (6) Progress made toward clarifying the complementary administrative roles and responsibilities of TCSES and POC.
- (7) Noteworthy progress in advancing the institution as outlined in the 2011-2013 Strategic Plan, as operationalized by the Master Plan.

The team recommends the following:

- (1) Give urgent attention to honoring the faculty's role in shared governance so that the institution's decision-making processes ensure both academic quality and the appropriate maintenance of the institution's educational purposes and character. (CFR 3.11)

- (2) Hire and support a faculty sufficient in number and professional qualifications to achieve the institution's educational objectives, to establish and oversee academic policies, and to ensure the integrity and continuity of the institution's academic programs wherever and however delivered. (CFR 1.3, 3.1, 3.2)
- (3) Further refine and align the various planning processes to ensure that the development of the institution's next strategic plan is broadly inclusive of all stakeholders. (CFR 4.2, 4.3)
- (4) Enhance effective and respectful two-way communication, valuing the roles, perspectives, and input of various constituencies so that a shared vision of the college's priorities and directions can be embraced. (CFR 4.1)
- (5) Continue to clarify the non-managerial role of TCSES and ensure that the boundaries between the provision of services and the management of the college are maintained. (CFR 1.6)
- 6) Monitor and sustain the college's recent positive revenue/expense ratios, and carefully plan the allocation of any budget surpluses to ensure the institution's financial sustainability. CFR 3.5, 4.1, 4.2)