Objectives:
Address Recommendation #1: Resource Allocation.
Address Recommendation #2: Insuring the institution practices effective oversight of finances and monitors salary/benefit expenditures.

“Stepping onto a brand-new path is difficult, but not more difficult than remaining in a situation, which is not nurturing to the whole [organization]”
--Maya Angelou
Background of the college deficit

- 1998-99 & 99-2000: -$500,000
  - (deficit was corrected per Budget Co-Chair)
- 2000-01: -$1,331,969
- 2001-02: -$3,403,289
- 2002-03: -$3,156,856
- 2003-04: -$420,744
- 2004-05: -$542,853
- 2005-06: -$2,035,979
- 2006-07: -$873,408 (SB 361 $1 million mid year)
- 2007-08: -$3,046,065
- 2008-09: -$2,441,782
- 2009-10: -$1,708,181
- 2010-11: $0
- 2011-12: $0
Despite Budget cuts being made, we are still spending more than our allocation.

LAHC Expenditure and Budget Allocation Trend
2008-09 to 2011-12

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures (11-12 projected)</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>$32,741,852</td>
<td>$30,511,926</td>
</tr>
<tr>
<td>2009-10</td>
<td>$30,875,204</td>
<td>$29,666,097</td>
</tr>
<tr>
<td>2010-11</td>
<td>$30,008,694</td>
<td>$30,212,858</td>
</tr>
<tr>
<td>2011-12</td>
<td>$29,489,443</td>
<td>$29,159,366</td>
</tr>
</tbody>
</table>
What does it mean to be Decentralized?

• All budget managers must manage expenditures (and revenues, if applicable)
• Expectation of accountability and responsibility in order to achieve balanced budget each year
• “Self Interest” (Department/Program)
  – “But my program Needs this…”
  – “If the college has this program then it needs to be adequately funded”
    • Budget Managers have spent when there hasn’t been money in accounts
• Where is the big picture for the college?
  – 50,000 ft view absent
Analogy of Decentralization

• Multiple users
• One payer
• “Shell games”
  Moving expenditures
  Does not make the Expense(s) go away

• “I don’t have the funds, but the college should pay for this…”
• Fallacy: “I am not given enough money…”. Truth: The college budget is approved by CPC
What does it mean to be Centralized?

• Fewer budget over-runs
  – Closer watch of funds because fewer people accessing the accounts
  – Budget Managers still have control of their budgets; just has to go through approvals before funds actually expended so that overruns are caught and stopped
  – Still self service (input of Pos, etc.)

• Greater control of college budget

• The buck literally stops
  – Examples from Abbie Patterson, Luis Rosas
Comparison of small colleges

- West
  - Centralized
  - Budget = reserve
- Mission
  - Centralized
  - Budget = reserve
- Southwest
  - Decentralized
  - Budget = deficit
- Harbor
  - Decentralized
  - Budget = deficit

Note:
- Other colleges in the District with reserves are centralized.
- All colleges in District that are decentralized have deficits.
- Most all neighboring community colleges are centralized: LBCC, ECC, SMC
What is the difference?

• Decentralized
  – Budget developed
  – Budget managers input P.O.s, EBTAs, etc.
  – Only reviewed by Vice President of the Cluster
  – Once approved by VP of Cluster, it is paid out by the D.O. (whether there is money or not...)

• Centralized
  – Budget developed
  – Budget managers input P.O.s, EBTAs, etc.
  – Reviewed by Vice President of the Cluster
  – Reviewed by Administrative Services
  – Reviewed by College President
  – Once approved by President, it is paid out by the D.O.
Past behavior is the best predictor of future behavior…

- 1998-99 & 99-2000: -$500,000
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Can we afford to continue being decentralized?
OPTIONS

1. Do nothing
   – Trajectory will lead us to deficit

2. Do something different.
   – Try Centralizing budget
   – Monitor and report on progress
   – Evaluate quarterly
   – Evaluate at the end of the year

3. If this group recommends becoming Centralized... the recommendation flows to
   a) Budget Committee on Sept. 25 @ 2 p.m.
   b) CPC on Oct. 8 @ 1:30 p.m.
Discussion

Rules of Engagement

– Collegiality and respect. Listen, avoid interruptions
– One comment at a time: be recognized by Chairs
– Address one topic at a time, therefore speakers may be taken out of turn to facilitate discussion by topics
  • Please make one topical comment (not 2 or 3 or 4)
– No repetitions— if one person has already addressed the topic, please refrain.
– If you are making a recommendation, then please state it as a recommendation so that it can be voted on by this taskforce to move forward in the process
– Relax. Yes this is serious. But take a deep breath. Inhale. Exhale. We are in this together!
Outcome of the meeting:

- Nabeel Barakat made the recommendation that the college adopt the centralized model with the following caveats:
  - The details of the system will be vetted through the Budget Workgroup
  - This powerpoint presentation will have slide 9 updated (completed)
- Seconded by Mercy Yanez
- Motion carried
- Next step, recommendation carried through to the following groups:
  a) Budget Committee on Sept. 25 @ 2 p.m.
  b) CPC on Oct. 8 @ 1:30 p.m.