MEMORANDUM

Date : December 4, 2012
To : Program Budget Directors
From : Avo Kechichian, VP of Finance/Treasurer
       Greg Dewey, Provost
Re. : FY 2013/14 Budget Development

The University plans to implement a multi-year budget model that will allow us to evaluate the future financial position of the University. A multi-year budget will allow us to address our mission critical needs, new strategic initiatives and our capacity to fund our capital improvement plans. Because we are in the middle of our strategic planning process, many of our strategic budget initiatives remain to be identified, making multi-year budgeting difficult. Consequently, for this year, we will focus on developing our fiscal year 2013/2014 budget and add to this a multiyear budget forecast. This is the first step toward multiyear budgeting and will help us develop an integrated budget model which links planning, resource allocation and assessment. Such an integrated model will allow us to develop plans for the various strategic initiatives and to evaluate the financial impact of changes in different departments.

We are beginning to assemble the fiscal year 2013/14 budget. We will continue to plan on a rolling 3 year budget, concentrating on fiscal year 2013/14 and forecasting with the help of Enrollment Management, the Provost and CFO, for fiscal years 2014/15 and 2015/16, to make sure of our capacity to meet future mission critical obligations.

The FY 2013/14 budget is the first step in the development of the multi-year budget plan. The financial priorities of the budget plan, to the extent that we can generate the necessary revenue, consist of, but are not limited to:

- Funding for contractual and legal obligations
- Funding for academic initiatives
- Funding for positions, compensation and benefits
- Funding for developed strategic plan goals and objectives
- Funding for student financial aid
- Funding for operational expenditures
- Funding for capital improvements and deferred maintenance
- Funding for new expenditure requests associated with revenue growth
- Funding for a net reserve
Revenues
The Enrollment Management Division of the University, in collaboration with the Deans of tuition revenue generating departments and program directors will prepare enrollment projections for next year. A budget model that takes into consideration current student enrollments, graduation rates, attrition rates, transfers as well as new students has been developed. The budget development timeline anticipates receiving these projections, from the Enrollment Management Division, by the budget office at the end of December 2012.

The expectation is that we will build the new budget based on current and updated information. La Verne is tuition revenue driven institution, and as such, tuition revenue growth will guide our capacity to address the expenditure requests of the operating budget, including compensation increases. An accurate estimation of revenues is essential in formulating a balanced budget.

Expenditures
The expenditure budgets for FY 2013/14 anticipates the same level of base funding for most expenditure line items. Each unit Vice President is to receive from the colleges, units or departments reporting to them a prioritized listing of expenditure requests. Each VP will prioritize those requests and meet with the President for review and further prioritization.

Any compensation and benefits increases, will be funded from a university wide salary pool, and these line items will be adjusted by the budget office for each program budget according to the decisions on the allocation of the salary pool.

Budget Planning Approach, Submission, Review and Timeline
Similar to last year, we are pursuing the unit based approach to the development of the budgets. The Academic Units will funnel their budget requests through the Provost’s office. The Administrative units will submit their requests through the most Senior Manager of the division. Each program director through their Dean or Senior Manager should have an opportunity to discuss their program budgets prior to the assembling of a draft budget.

Deans and Vice Presidents have a role to play in the budget assembling, planning and review process. Each Dean or VP should communicate with the departments reporting to him or her to ask for budget requests. Vice Presidents will review the budget submissions for the colleges, schools or divisions that report to them, review the prioritized requests with the President, and submit the agreed upon requests to the Budget Office by January 31, 2013 for compilation. A review of these requests by the President’s Executive Cabinet (PEC), followed by further review by the Budget Information Group (BIG), and Senior Management Council, will continue until April 12, 2013. The PEC will review the College, School or Division prioritized budget requests and priorities, examine enrollment and revenue projections, and formulate recommendations to the President. The final budget recommendation authority to the Board of Trustees rests with the President.

It is anticipated that a final draft of the budget will be presented to Board Finance and Budget Committee on May 2nd, for recommendation and approval by the Board of Trustees on May 3rd, 2013.