

## ***Operational Budget Development Process***

The Operational Budget for the AUAF is a key instrument for the Board of Trustees of AUAC and AUAF to insure that the institution allocates funds prudently for its core academic activities, and for the maintenance of the physical facilities that house them. The budget is both a plan of action for the coming year expressed in monetary terms and a tool to monitor the financial activities, on a projected vs. actual basis throughout the year. It is also the method that permits the active participation of faculty in the departmental planning and budgetary process.

The Budget development process for each fiscal year starts in early July of the prior year with a Memorandum from the President to the department heads to submit budget proposals for the following year. The CFO supplies the department heads with the historical financial information they need to make informed estimates in drafting their budget proposals. In addition, the department heads rely on the quarterly reports of the actual expenses and factor in any known changes from the previous years. The department heads submit their budget proposals to the CFO in accordance with the deadline set by the President's initial Memorandum. Narrative reports may accompany the proposed budgets to explain issues that need special attention. The department heads are free to discuss their budget proposals with the Vice President and the President to justify any extraordinary expense items.

Concurrent to this process and in addition to the revenue estimates of the AUA, the revenue side of the overall AUA budget is developed by the CFO and the President that takes into account the projected revenue sources for the coming year, and the projected rate of return on AUA endowments and assets.

The CFO puts together the budgetary requests from the departments and reviews the overall picture with the President. The budget proposals from the departments are considered in view of the forecasted sources of revenue. In case there is a projected deficit, a strategy is proposed by the President to close the gap between the projected revenue and the expenses. The proposed strategy may be a combination of several measures such as requests to the Development Committee of the AUAC Board to raise more money or requests to the department heads to come up with reduced budget proposals. It is also a function of the decisions made by the AUAC Finance Committee with regard to investments and the level of revenue that can be generated.

After several rounds of review and scrutiny between the President, Vice Presidents and the heads of the departments and upon the approval of the President, the overall AUA Budget is submitted to the attention and review of the AUAC Finance Committee in a meeting well before the Board meeting. The Finance Committee then presents the proposed Budget to the AUAC Board's approval. It has been the Board's policy to adopt balanced operational budgets.