Internal Memorandum

To: Academic and Administrative Department Leaders

From: Brian MacDougall & Andrew Snaith

Subject: Integrated Strategic Planning and Budgeting - The Work Plan

Date: October 15, 2009

We are pleased to share with you information that will allow us to build together our strategic plans and budgets that demonstrate integration of our planning, budgeting and assessment structures and processes.

AUC’s new mission statement as approved by the Board of Trustees in May 2009 is attached to this memo, along with the six strategic goals that will shape our next overall plan. For the coming planning cycle, we will produce a rolling three year long-range plan (2011-2013) and an accompanying budget plan that is aligned with the mission and strategic goals of the university. AUC’s current long range plan for 2007-2012, along with the associated plans of academic and administrative service units, will serve as key resource documents for this coming integrated planning cycle.

Those documents, if you do not have them readily available, may be accessed online at:
http://aucadmin.aucegypt.edu/ipart2/Unit%20Input.htm

It is also important to recognize that the Board of Trustees has established three planning committees that will examine: 1) AUC’s strategic position in the region, 2) AUC’s commitment to our faculty and 3) AUC’s community outreach. These committees include both Board members and members of the university’s faculty and administration. We anticipate that the deliberations of these committees will inform and shape our overall planning efforts.

Planning Context

During the 2009 year, our major work involved moving and settling into our modern new campus in New Cairo. This represented a major milestone in the life of the university; the new campus is the culmination of more than a decade of planning and development by the university’s Board, administration, faculty and staff. The New Cairo Campus, together with refurbished facilities in our historic Tahrir Square Campus, provides the physical space and enabling environment for the next phase of AUC’s development as a leading educational institution serving Egypt and the wider region. Considerable work and investment has also been devoted to maintaining and strengthening the university’s academic programs, enhancing our community service and outreach activities, and upgrading our student services and administrative
operations. All of those efforts have been guided by the vision of AUC becoming an internationally recognized center of excellence -- in short, a world class university.

With the adoption of our new mission and most of the settling in complete at the new campus, the 2010 academic year represents a foundation year as we look to the future.

The planning and budgeting process which we are now undertaking aims to set the overall course and determine specific priorities for the immediate “post-move” phase of AUC’s development. The current plan is expected to follow the general parameters of the Long Range Plan produced by the university in 2006-07, updated to take account of interim progress, changed circumstances and new opportunities. In particular, the university’s future plans need to take account of the immediate and mid-term consequences of the global economic downturn and its anticipated consequences for AUC’s enrollment and endowment projections: and it is in light of those significant factors that submitted budgets and plans will be assessed.

### Enrollment Management and Tuition Revenue

In May 2008, the administration proposed to the Board of Trustees a preliminary long-range financial plan that envisaged significant growth in the student body between now and FY 2013. Since that time, much work has been done to refine assumptions and to model what enrollment targets should be established. The table provides in summary form targets for the three main categories of AUC students:

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduates</td>
<td>4,578</td>
<td>4,909</td>
<td>5,277</td>
</tr>
<tr>
<td>Graduates</td>
<td>1,454</td>
<td>1,603</td>
<td>1,752</td>
</tr>
<tr>
<td>Non-Degree</td>
<td>485</td>
<td>523</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,517</strong></td>
<td><strong>7,035</strong></td>
<td><strong>7,589</strong></td>
</tr>
</tbody>
</table>

It will be noted that undergraduate enrollment drops in FY 2011 because there will be a smaller pool of college-bound students in Egypt due to requirements mandated by the Ministry of Education that add an extra year of education for secondary school students planning to attend Egyptian universities. The total number of years of required primary and secondary education rises from 11 to 12. FY 2011 is being referred to as a “gap year.” The AUC Student Affairs leadership has been working to make up for the lower enrollments by proposing different ways to increase enrollments in the academic terms prior to the gap year and afterwards in order to substantially or fully offset the anticipated decline in enrollment in the fall of 2010. It will be a challenge given constraints such as faculty recruitment and instructional and support space to accommodate our forecasted increases in enrollment.

### Endowment Earnings

Expenditure appropriations from AUC’s endowments are the second largest revenue source for its current operations. The FY 2009 budget foresaw nearly 20% of total revenues coming from its long-term investments, and the Board of Trustees’ decision to release for FY 2010 an amount for operational support approximately half the size
of the FY 2009 appropriation has had a severe impact on this year’s budget, as everyone is doubtless aware.

Even if the Board agrees to support FY 2011 operations to the maximum extent permissible under current spending policy (a 5% draw of the average market value of investments over the past three years), the amount of money prospectively available for spending next year will be less than that approved for FY 2009, and given the continuing volatility of the world’s capital markets it cannot be excluded that the Board will prefer to avoid making the maximum draw. Whatever the Board’s decision, it is clear that going forward, endowment appropriations will play a smaller role in financing AUC’s operations, and this lower level of relative support will put additional pressure on current spending.

**Importance of Cash Flow**

The table below provides a graphical depiction of the growth in revenues and expenses over the last ten years. It is clear that AUC needs to improve the trend line for revenue to ensure that our reliance on debt financing is effectively managed.

![Operational Revenues & Expenses trend](image)

**Setting Priorities**

Academic and administrative service units should be guided in the identification of their top three planning priorities by making reference their currently developed plans at the unit level, a review of what has been accomplished to date and the overall strategic goals and mission of AUC.

These planning priorities may include proposals for new initiatives and also proposals to strengthen current program or service offerings. Areas for proposed reductions or elimination of programs and administrative activities should also be incorporated in the Long Range Plan submittal, together with the rationale for such reductions. We anticipate that the prioritization process will have a number of levels beginning at the unit level and will culminate with decisions to be made by the Executive Committee.
for Long Range Planning/Budget Committee. Our staff in the office of Institutional Research and the Budget Office will be coordinating the identification of priorities and will support the prioritization process.

Attached to this memo is a planning matrix to be used to record requests for any new initiatives or additions to your budget. Each new initiative or addition should help achieve a department goal, which in turn helps achieve one of AUC’s strategic goals. **No additions to your current budget will be approved unless they are included in this planning matrix.** Please follow these steps in completing the matrix:

1. Write the name of your unit/department, the name of the person submitting the form, title, and date.
2. Write your unit/department’s mission statement. [If you do not yet have a mission statement, contact IR to help your department create one.]
3. If you have an approved assessment plan on file with IR, circle “Yes” and write the date it was submitted. If “No”, provide a reason (e.g. still in development).
4. New initiatives/activities: These should be grouped by the department objective they seek to help achieve.
   a. Write the department objective and its relation to AUC’s six strategic goals.
   b. Write how you will assess achievement of this objective and the benchmark for success.
   c. List all of the budgetary additions that you are requesting in order to help achieve this objective. Each addition should include an estimated cost. In certain cases, IR can help supply you with estimates for costs.
   d. Repeat this process until you have completely entered all requested additions to your budget.

The planning matrix is available for download from AUC’s planning website: [http://www.aucegypt.edu/aboutauc/PlanningBudgeting](http://www.aucegypt.edu/aboutauc/PlanningBudgeting). For questions concerning completion of this matrix or any other questions related to the planning process, please email us at planning@aucegypt.edu. To contact IR, please email ir@aucegypt.edu.

**Feasibility of Proposals**

Academic and administrative units should ensure that they have adequately identified the resource implications of any proposed new or expanded initiative, whether or not those resources will be incurred by the unit proposing the initiative, and have ensured that the offices of Budget Planning and Institutional Research are involved in the planning and validation processes. Support for feasibility studies and external market information is provided by the combined effort of these staff. Estimated cost savings from program reductions or elimination should also be identified. Planning units are responsible for ensuring that ALL resource implications are identified. This would include, for example, consultation with the Library on any impacts or understanding the impact on facility services due to changes in class or degree offerings.
Approval Process

It is important to note that individual units cannot implement plans to accomplish new program initiatives until formal approval by the university has occurred and specific budget allocations have been approved. This approval process would normally occur after the Board of Trustees has approved the rolling three year long range plan and the budget.

Assessment

All departments and units at AUC are expected to conduct assessment of their academic programs or support services. This is a critical component of planning: tracking our progress towards our goals and reflecting on whether or not resources are adequate and are being used effectively. To that end, all departments and units are expected to have developed and begun implementation of assessment plans, with copies on file with IR. Those departments or units who have not completed assessment plans need to engage with IR to develop plans this year. The university is moving towards a standard that it will not fund new initiatives from departments that are not actively assessing their work.

Budget Base Year for Planning

Departments should use their approved 2009/10 budgets as the key reference document for developing their 2010/11 budget submissions within the SAP budget preparation module. Information for 2012 and 2013 will not be entered to SAP by the individual planning unit; it will be done by the Budget Office.

Human Resource Planning

The Office of Human Resources will, for this planning cycle, centrally produce and coordinate the complete personnel budget using the currently approved budgeted position list for 2009/2010. Departments only need to report exceptions that require extra budget allocations to Human Resources, i.e. second assignments, seasonal employees, position reclassifications to higher category and transfer of the position from local to relocated hire or the opposite.

Departments should identify incremental funding required in 2010/11 as a result of approval of a new position or a new spending line (fringe benefits) that began partway as an ad hoc position during the current year 2009/10.

**Departments should not adjust salary lines for positions in anticipation of salary increases on the SAP.** Any adjustments to cover approved salary increases in 2010/11 and the following two fiscal years will be confined to the Human Resources Office only.

Academic units and administrative service departments requesting new positions should do so as part of their identification of priorities for the upcoming three year planning period and are required to complete the planning matrix.
Please refer to the section on ‘Time Horizon for Planning’ and adhere to the schedule in reporting any personnel request; no requests will be received by the Human Resources after the specified deadlines.

Kindly find enclosed the “Job Analysis Form” (for newly requested positions) and “Reclassification of Position Form” which should be approved by the department head in consultation with the area head before sending it to the Human Resources Office.

**Non-salary Expense Planning**

An aggregate cap of 8% (Egyptian pounds) and 5% (US dollars) has been established for both instructional and administrative (non-salary) expense increases for the 2010/11 year. Budget submissions should reflect actual anticipated cost, recognizing that the non-salary expense budgets will not be increased on an across the board basis. Validation of actual cost requirements and the impact of funding level on achieving planning priorities will inform the budget review process at all levels. We have forecasted an inflation rate of 6 percent.

**Capital Budget Planning**

The capital budget, like the operating budget for AUC, will align with the established long range planning priorities. Academic and administrative units are directed to the budget website for the standard template to be used and the procedural steps to be taken. It is important to note that we are asking for a three year forecast of capital requirements.

**Exchange Rate**

The exchange rate is assumed to be 5.60 EGP to the US dollar during this planning period.

**Time Horizon for Planning**

We have committed to a rolling three year time horizon for planning purposes (both long range and financial). This multiyear view will be valuable as we look to better understand the choices we need to make. The Executive Committee for Long Range Planning/Budget Committee will pay particular attention to year one of the rolling three year financial plan since this is in effect what the Board will be asked to approve, although the benefit of having a multiyear view will be beneficial to both AUC’s Board and the administration.

In order that we meet the requirements to have Board approval of our rolling three year long range plan and budget plan by May 2010, we will use the following schedule: (it is important to emphasize that in order for the planning process to be effective, we will need the first phase of the planning and budget process to be complete by **November 15, 2008**.
<table>
<thead>
<tr>
<th>Action</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication of Planning and Budgeting Guidelines</td>
<td>October 15, 2009</td>
</tr>
<tr>
<td>Consultation with AUC through a range of mechanisms</td>
<td>October – December 2009</td>
</tr>
<tr>
<td>Submission of plans/budgets for 2011-13 by all planning units</td>
<td>November 15, 2009</td>
</tr>
<tr>
<td>(Version 5)</td>
<td></td>
</tr>
<tr>
<td>Consolidation of plans and budgets at the school level by deans,</td>
<td>December 9, 2009</td>
</tr>
<tr>
<td>including goals and priorities and planning matrices (Version 4)</td>
<td></td>
</tr>
<tr>
<td>Consolidation of plans and budgets at the area head level (Version 3)</td>
<td>January 3, 2010</td>
</tr>
<tr>
<td>Review of plans and budgets by the Budget Committee</td>
<td>January 25, 2010 – February 4, 2010</td>
</tr>
<tr>
<td>Preliminary report to the Board of Trustees on priorities and budgets</td>
<td>February 2010</td>
</tr>
<tr>
<td>Consultation with the AUC community on priorities and resources</td>
<td>March 2010</td>
</tr>
<tr>
<td>Finalization of rolling strategic plan for 2011-13 and accompanying</td>
<td>April 2010</td>
</tr>
<tr>
<td>budgets</td>
<td></td>
</tr>
<tr>
<td>Monitoring report due to Middle States Commission on Higher</td>
<td>April 2010</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Approval of strategic plan and budget by the Board of Trustees</td>
<td>May 2010</td>
</tr>
<tr>
<td>Communication of approved plan and budget for the 2011 year</td>
<td>June 2010</td>
</tr>
<tr>
<td>Beginning of the new academic year</td>
<td>September 1, 2010</td>
</tr>
<tr>
<td>Review of plans and progress – planning cycle repeats as per</td>
<td></td>
</tr>
<tr>
<td>2009/10 timetable</td>
<td></td>
</tr>
</tbody>
</table>

**Resources**

To facilitate this year's planning and budgeting cycle, a committee has been established which will serve as the first point of contact in providing assistance and guidance throughout the process. A liaison to that committee will be in contact with each department to act as a consolidated resource to facilitate the planning and budgeting cycle, and questions may be emailed to planning@aucegypt.edu. Additionally, all documents and resources related to integrated planning and budgeting will be available on AUC's website under the Planning and Budgeting Central [http://www.aucegypt.edu/aboutauc/PlanningBudgeting](http://www.aucegypt.edu/aboutauc/PlanningBudgeting). Details on completing your budget submission can also be found at the Budget Office's website [http://aucadmin.aucegypt.edu/budget](http://aucadmin.aucegypt.edu/budget).

Offices providing support may also be contacted directly:
Budget Office: Should you have any SAP data input problems or other issues that require direct assistance, please contact Mr. Amir Tawadrous (2294) or Mr. Atef Yacoub (2295).

Human Resources: Should you require any assistance, please contact Mr. Ahmed El Rashidi (2424) or Ms. Yasmin Beshit (1996).

Institutional Research: Should you require assistance with development of proposals or evaluation processes, please contact Mr. Zaid Ansari (2233) or Ms. Ann Boudinot-Amin (2232).

Our commitment to integrate long range planning and resource allocation (mission based budgeting) will be highly valuable in shaping AUC’s future. We are committed to ensuring that the AUC community is kept informed of the progress we will make together in the planning and budgeting process and will provide regular updates on our planning.

Questions regarding any aspect of the integrated planning process can be directed to Brian MacDougall at brianm@aucegypt.edu or by phone at 2212.

Thank you for your commitment to the mission of AUC and for your valuable contribution to the success of our upcoming planning process.