Budget Training
Setting the stage...
The Budget Conundrum: How to prioritize when there are so many great ideas?
"A budget tells us what we can't afford, but it doesn't keep us from buying it."

- William Feather

(this is where we all step in...)

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Part 1: Budget Timeline and Process
Core definitions – budget versions

• Original budget (V1)
  • Developed in the preceding fiscal year
  • Major enrollment assumptions

• Revised budget (V2)
  • Updated budget based on enrollment information (updates for tuition revenue, scholarships, faculty, program expenses...)
  • Remainder of this budget remains consistent with the original budget unless there are extraordinary circumstances
  • Budget managers are ultimately responsible for this budget version

• Forecast (V3, V4, V5)
  • This is how we communicate our status to the board and manage expectations
  • Maintained purely for informational/forecast purposes – we are still committed to and accountable for the revised budget (V2)
How do we report budget information to our Trustees?

- **Dec**: Begin V1 budget discussions
- **Jan**: Propose V1 budget for approval
- **Feb**: Present sneak peek of V1 budget
- **Mar**: Forecast update (V3)
- **Apr**: Propose V2 budget (based on enrollment changes) for approval
- **May**: Forecast update (V4)
- **Jun**: Present final Active FY results
- **Jul**: Fiscal Year - 1
- **Aug**: Active Fiscal Year
- **Sep**: Fiscal Year + 1
Quarterly budget signoffs with VPs

• On a quarterly basis, the Finance Office will meet with each VP to review quarterly results and discuss significant budget changes
  • November (Q1 results)
  • January (Q2 results)
  • April (Q3 results)
  • July (Q4 results)

• These discussions will help the Finance Office prepare accurate projections of results for the remainder of the fiscal year (our forecast)

• But budget responsibilities are ongoing... these are just formal check-ins with the Finance Office (communication should happen throughout the year)
Part 2: Budget Manager Responsibilities
Budget manager responsibilities (the 4 "C"s)

**Commitment**
- Demonstrate a commitment to meeting the budget.
- Consider how budgetary results impact NEC's mission.
- Evaluate alternatives and serve as a strategist on making things work.

**Control**
- Provide first line of defense on budgetary control.
- Understand and utilize financial reports to manage financial transactions of their assigned area.
- Review financial data for adherence to NEC policies, donor requirements, and reasonableness.

**Communication**
- Evaluate priorities and new initiatives with area VP.
- Report variances to the area VP and budget office.
- Communicate budgetary impacts to others.

**Confidentiality**
- Respect and protect the confidentiality of information acquired through financial oversight responsibilities.
Current-year budget expectations

• Be committed to meeting budgets
• Follow any area directives from your VP
• Communicate to the Finance Office as soon as you're aware of budget adjustments/variances exceeding $5,000 (either individually or multiple in aggregate) – email budget@necmusic.edu and copy connor.fink@necmusic.edu
  o You offer the first line of defense on budget matters – no one knows your area better than you.
  o Please actively monitor results in PowerPlan and confirm things are recorded appropriately
  o The Business Office processed more than 60,000 transactions last year, and will not have the detailed insights you have on things
• Understand the timing of approvals on new budget requests – will likely not be immediate
Helpful hints - questions to ask

• Is the run rate (monthly/quarterly cost) consistent with expectations?
• Any overages anticipated? If so, how will it be funded from within my area?
• Any savings expected?
• Are there new contracts in place?
• Are restricted gifts and gift-funded expenses appropriately recorded?
• Is there anything missing (e.g., missing invoices from vendors)?
Part 3: Communicating Budget Changes or New Initiatives Being Considered
Types of budget changes

1) Simple, routine budget/forecast update
   • “I want to transfer $500 from my Travel budget to my Purchase Minor Equipment budget”
   • “I want to reduce my Hospitality budget by $100, and reallocate these funds to Office Supplies ($40) and Printing ($60)”

2) Major new initiative or program
   • Proposal that cannot be funded from your current budget
   • If it can be funded, things that have implications that extend beyond your area
   • Requires further discussion with your VP and Finance - one-time or multi-year initiative? Funding source? Are any alternatives available?
How to request budget changes

I have a budget change request

My budget change request is simple, routine, and budget-neutral

Discuss the change with your VP, then email budget@necmusic.edu and connor.fink@necmusic.edu with details of the change, while copying your VP

My budget change request is for a major new initiative or program that warrants larger discussion and/or isn’t currently budgeted

Discuss the change with your VP, then fill out a New Budget Request Form. Provide the completed form to your VP, who will then prioritize requests and relay the information to Finance. Requests from all areas will then be compiled, prioritized, and assessed.
Part 4: Preparing for Next Year's Budget
Preparing for next year's budget

• Expect core budgets to remain flat from one year to the next
  • Some budget lines will be systematically increased or decreased based on known adjustments (e.g., tuition increases, known contractual changes, etc.)
  • Adjustments for one-time or temporary programs
  • Reallocations of funds between existing budget lines

• Please start letting us know now of any major adjustments you need us to consider as we are refining

• Initial cut to be presented in February, so please start providing information as soon as possible
Part 5: Helpful Hints
PowerPlan Software (web version!)

• Reports
  • Easiest way to view your full budget vs. actual results: "YTD Budget Tracking – Actual, V2, V3"

• General tips

• Refer to training document for more detailed examples and FAQ
Accounting timelines

- Each month is generally closed 10 business days after the last day of the month
  - To ensure timely and accurate processing, invoices and payment requests should be submitted as early as possible
  - Staying up to date on submitting invoices and payment requests helps budget managers stay on top of budget vs. actual results

- Plan ahead to allow sufficient time for invoices/requests to be submitted, approved by your supervisor(s), and fully processed by the Business Office before these cutoff dates

<table>
<thead>
<tr>
<th>Month</th>
<th>Business Office Processing Cutoff Date</th>
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<tbody>
<tr>
<td>July</td>
<td>8/22/2019</td>
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<tr>
<td>August</td>
<td>9/16/2019</td>
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<td>June</td>
<td>7/17/2020</td>
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Procurement Policy 101

• Review new vendor agreements/contracts with your VP
• Only CFO or President can sign contracts unless authority is delegated beyond

• Competitive bids:
  • Required for anything over $25,000 unless sole source has been approved by the CFO
  • Good idea for other contracts as well

• Consider use of consortium agreements – E&I or MHEC
  • NEC website → Business Office → Payables, Reimbursements, and AMEX

• All contracts must be filed with the Business/Finance Office to ensure proper accounting and payment
• Include relevant contract details/reference in WebInvoicing entry