DATE: October 12, 2012

TO: Deans and Vice Presidents

FROM: Daniel Linzer, Provost

SUBJECT: FY2014 Planning and Budget Cycle

As we begin the planning and budget cycle for the next fiscal year, this is a good time to review our accomplishments and think together about our goals for the year ahead and our strategic priorities for the years to come.

Strategic Planning, Capital Campaign Planning and the Planning and Budget Process
We are entering an exciting new era full of possibilities as we continue our work together to strengthen the University through the implementation of the University’s strategic plan – NorthWestern Will. We will be looking for convergence of priorities emerging from schools and vice presidential areas, from capital campaign planning, and from the Catalyst Work Group chaired by Professor Sandy Goldberg of the Department of Philosophy. It is our goal that discussions with the Planning and Budget Group this year be focused on each area’s strategic priorities; the relationship of these priorities to the University’s strategic plan; and how these priorities are reflected in your development strategy. Our ambitions as a University require a diversified funding strategy, including fundraising, investments from University recurring and non-recurring resources (emerging from the planning and budget process); school and vice-presidential area funds; and potential new sources of revenue. We look forward to discussing your investment strategy during your conversation with the Planning and Budget Group.

Budget Climate
As we begin this academic year, we are embarking on the next transformative era for the Evanston and Chicago campuses as evidenced by the major capital priorities. These include projects under construction (Tech infills, Southeast Campus Development Plan, with new facilities for the Bienen School of Music and the School of Communication); projects in engineering or design (new Kellogg School of Management building, North campus parking garage and utility improvements; renovation of Kresge Hall); or projects currently being planned (new Feinberg School of Medicine Medical Research Facility; Lakeside Complex for athletics and recreation; Housing and Norris University Center improvements).

These new and renovated facilities will have a major positive impact on the quality of academic and student life at Northwestern. We are funding these capital improvements through multiple sources, including: the University’s working capital; fundraising; and contributions from our clinical partners, in the case of the new FSM research facility. Despite the significant investments made to date, substantial additional fundraising is needed in order to complete these facilities. The capital costs for these facilities are approaching $2 billion, approximately $1 billion of which will need to come from fundraising or other sources. Given that a large portion of the University’s available working capital is being invested in these facilities, we will not have
funds available for considering other capital requests from units for FY2014 (see Facilities section of the Planning Questions).

Funding the operating costs of these facilities, plus increases in undergraduate financial aid and health care costs, driven in part by the Affordable Care Act; anticipated salary pool increases; operating cost increases to our existing facilities; and other inflationary increases will consume much of the new revenue generated by tuition increases, endowment payout and other revenue sources.

We were able, despite these pressures, to identify about $2 million for targeted investments in FY2013 for academic priorities identified by the schools; student priorities identified by the Undergraduate Budget Priorities Committee and Student Affairs; Information Technology, Library and Enterprise System investments; and University-wide best-practice/compliance initiatives. Initial FY2014 projections indicate that about half that amount (approximately $1 million) will be available for targeted investments for the entire University for FY2014.

Balancing the risks of impacts from external pressures, i.e., the economy, volatility of world financial markets, and federal and state support, with investing in our highest strategic priorities will continue to challenge us. In the current environment, our existing sources of revenue will be stretched and funds available for investments in new priorities will continue to be limited. We continue to look to schools and vice presidential areas to share in the cost of program investments through found efficiencies, curtailment of existing programs as appropriate, and the judicious use of each area’s endowed funds, gifts and reserves.

Our ongoing challenge will be to find the appropriate balance between our ambitions and our resources as we seek to achieve our institutional aspirations. As we have affirmed through the strategic planning process, we want to continue to invest in select fields of competitive advantage; improve student learning; create a more cohesive sense of community; enhance global visibility; and strengthen connections to partner institutions. In addressing these priorities together, we will move Northwestern forward.

Preparatory Meetings
Given the need to focus on a discussion of your strategic priorities and how these relate to the University strategic plan and capital campaign planning, we ask that you plan to use the preparatory meeting(s), to the extent possible, to review your unit’s financial forecasts, raise any resource issues and identify any specific requests that you may have. We ask that you provide a copy of any materials that you plan to discuss at this meeting to the Office of Budget Planning three business days prior to your scheduled preparatory meeting.

Provision of Materials and Responses to Planning and Special Topics Questions
We request that you forward an update of your planning documents and responses to the planning questions to the Office of Budget Planning at least two weeks in advance of your scheduled Planning and Budget Group meeting. Please provide your responses to the planning questions in a separate section of your materials (or as a separate document). Please be advised that we are asking that the IT questions be returned to Jean Shedd in the Office of the Provost by November 9, 2012. We also ask that you also complete your unit’s all-funds presentation (attached, including instructions).

cc: Morton Schapiro
The following questions are designed to provide: 1) a framework for understanding your area’s priorities and their relationship to *NorthWestern WILL*, capital campaign planning and other University priorities, and 2) resources and information on information technology needs.

I. **Planning Questions and Resource Profile:** To be provided as part of the materials transmitted to the Office of Budget Planning two weeks prior to your scheduled meeting. Please allocate one section of your document to answering these questions.

### Your Area’s Strategy:
- What are the areas of future growth, contraction or stress for your unit, e.g., new programs, service enhancements, faculty recruitment and retention, new/renovated facilities, fundraising, other initiatives?
- How do your area’s strategic plans connect with recommendations emerging from the University’s strategic planning process (a summary of the strategic plan pillars and priorities is attached)?
- How do your area’s strategic plans relate to the development priorities that you have shared with the Provost and OARD?
- Please share the metrics or the operational scorecards that you use to judge your area’s success.

### Your Area’s Resources:
- Please describe how recently-allocated central resources have been used by your area, and what impact the funds have had.
- What are your area’s strategies for containing expense and for funding cost increases and new investments from your unit’s existing resources or potential new sources of revenue?
- Area Reserves: Please provide a status of your unit’s reserves including an accounting of all known commitments and anticipated additions to reserves in FY 2013. (This is a critical step, as the status of these funds and your commitments against these funds are reviewed when considering your investment requests.)

### Perspectives on the Allocation of University Resources and Central Services:
- Are there central services that could be improved, reorganized or rethought given the current strategic priorities and business requirements of your area?
The new IT governance framework was launched in FY2012 with the establishment of three advisory committees to address educational technology, administrative systems, and infrastructure. This fall, a fourth advisory committee, on research technology, will begin work. Over the past several months, these committees have been actively exploring current IT initiatives and priorities, and will continue the process of seeking insights and feedback from the community, as planning for the FY2014 fiscal year begins.

Feedback received previously from the deans and vice-presidents, in response to these questions, has been very helpful in identifying opportunities and needs for business and infrastructure improvements that can be supported by IT initiatives. We anticipate sharing responses to these questions with the leadership of the IT governance groups (ITEC, and the chairs of the four advisory committees), as well as with the Planning and Budget Group. Please submit your responses to the following questions to Jean Shedd in the Office of the Provost by November 9, 2012.

Questions
Considering the range of IT systems, applications and services in the categories of administration, research, teaching and learning, and general infrastructure, please answer the following questions indicating the name of the service, a time frame for requiring change, a general importance ranking (critical, high, emerging), your rank order for the service within all the services you list, and the reason the service is included.

1) Regarding centrally-provided IT Services:
   a) Which existing services should be prioritized for improvement?
   b) Which existing services could be eliminated or scaled back significantly?
   c) What new services should be provided?

2) Regarding IT services that you provide locally:
   a) Which existing services are you prioritizing for improvement?
   b) Which existing services are you thinking about eliminating or scaling back significantly?
   c) What new services will you be offering?
   d) Which services that you currently provide locally should be prioritized for a new means of delivery that involves broader campus IT?

Example:

- Administrative Systems
  - Service        Training in reporting on the [fill in the blank] system
  - Timeframe      Immediate
  - Importance     High
  - Rank Order     3
  - Reason         All reporting has moved into Cognos and it’s not intuitively obvious how to use the Cognos software.
Facilities

Given the University’s investment in a number of high priority, large capital projects and institutional contributions to capital requirements associated with faculty recruitments and retentions, we do not have funds available to consider additional requests this year. Thus, we are not asking units to identify new capital requests for FY2014. We do ask that you review your requests from the last several years to determine if any of them that were not funded require closer review. If there is anything here that you feel merits a closer look, please identify this in the materials you prepare for your area’s preliminary meeting.
Strategic Plan Pillars

**Discover Creative Solutions**
- Biomedical Sciences
- Design
- Energy and Sustainability
- Global Health
- International Studies
- Markets, Social Structures, and Public Policy
- Media
- Nanoscience
- Performing Arts
- Writing and Oral Expression

**Integrate Learning and Experience**
- Experiential Learning
- 12-Month vs. Episodic Learning
- Modules
- Team Advising/Mentoring
- Teaching Across Schools
- Teaching Innovation

**Connect Our Community**
- Diversity
- Gathering Spaces
- Traditions
- Athletics, Arts, and Academic Events
- Staff Participation and Development
- Alumni as Life-Long Learners
- Access Beyond the Campus

**Engage with the World**
- Partnerships
- Global Sites
- International Students and Activities
- Global Research
- Civic Engagement in Chicago, Evanston, and Doha
FY 2014 Budget Requests and All Funds Forecast of Performance Guidelines

The purpose of this template is to summarize budget requests in the context of the school or unit’s overall financial situation. This is a forecast and not a budget therefore expected surpluses or deficits should be clearly represented here as flags to senior management.

Please do indicate funds flows that occur to or from fund categories (e.g. capital and endowment principal) or external entities that are not represented here. But, other than draws on endowment principal of external entities, please do not attempt to move carry forward balances among the funds represented in the template in order to cover forecasted performance deficits.

Column A  The University Appropriation is a revenue source to the Area. This amount is derived by subtracting the Total Revenue Budget from the Total Expense Budget, and should be recorded on L1. Other revenue that supports the Area’s expense budget should be recorded on L2 through L7.

L9 through L21 should detail the Area’s FY 2013 Expense Budget.

Column A, Revenues and Expenses, should include any recurring budget adjustments.

Column B  To be provided by the Office of Budget Planning. This will be based on a preliminary estimate of parameters that are subject to change.

Columns D&E  Please split your Designated fund into two pieces: "Dean or VP Managed" and "Department or Faculty Managed."

Columns F&G  Self-Supporting and Recharge Center FY 2014 estimated revenue and expense budgets should be detailed here. These typically include activities supported by tuition revenue sharing. Where applicable, please attach a list of tuition revenue sharing agreements. One would expect that in many cases revenue should equal expenses on these columns, but this forecast does not require that they be forced to equal.

Columns H&I  Projected activity in FY 2014 of Gifts and Endowment Income Funds, not including those budgeted to support the Area’s expense budget (see above, Column A guidelines). Revenue will typically not equal expense.

Columns K&L  Requested Recurring and Non-Recurring Funds should be included in this column. Please attach a brief narrative of the requests, including the expense detail.

Column N  Projected Sponsored Research income and expense for Fiscal Year 2014 (not awards). Some Evanston schools may need additional time to determine how to project this. The Office of Budget Planning, with assistance from Financial Operations and the Office for Research, is available to assist schools in developing this projection. For simplicity, revenue and expense
may be assumed to equal unless there is a reasonable explanation of why they should differ.

The Office of Budget Planning staff are available to assist with any questions that may arise in the completion of the template.