

**STRATEGIC PLANNING**

**AND**

**STRATEGIC FINANCIAL PLANNING**

## **A FEW THOUGHTS ON PLANNING**

- Every threat or constraint has an opportunity lurking somewhere inside it.
- When linking planning and budgeting, it is important to remember that you can do anything you want to do. You just may not be able to continue everything you've been doing, or at least not as much of it.
- There are more trends out there than you can shake a stick at. What's key is figuring out which are of importance to your institution.
- Know what business you're in...and what your mission is.
- Know well where the heck you're going...and how you're going to get there.
- Know your competition.
- Make sure the troops are with you.
- One who insists upon seeing with perfect clarity before deciding, never decides. Be prepared for ambiguity.
- Always start with the user's experience. (Steve Jobs)
- The most important decisions you make are not the things you do, but the things you decide not to do. (Steve Jobs)

## STRATEGIC PLANNING

What's in the mix?

- Internal...Strengths and Weaknesses (Accreditation Self-Study; Program Review)
- External...Threats and Opportunities (Environmental Scan; Issues Management)

Mission...Prioritized Goals and Objectives

Base Budget Projection (Maybe)

Strategic Initiatives (Maybe)

Strategic Action Plan (Doubtful)

Where is L.S.B. Leakey when we need him?

## **THE MISSING LINK**

### **STRATEGIC FINACIAL PLAN**

Where the rubber hits the road.

It's all about making choices.

An apparent vacuum.

SIP and SAP

A Tool...Program Analysis/Decision Package Worksheet

Discussion Papers

Budget Development Committee

## **PROGRAM ANALYSIS/DECISION PACKAGE WORKSHEET**

The "Program Analysis/Decision Package Worksheet" is designed to enhance institutional decision making. It provides a format whereby:

1. A new program proposal can be set forth, analyzed and evaluated.
2. A proposed revision to an existing program or function can be articulated and reviewed.
3. A program, function or activity can be evaluated in terms of possible deletion.
4. A program, function or activity can be reviewed as part of a regular institutional review process/cycle or simply to address questions such as "why do we have this program" or "what does this function do."
5. The efficacy of a strategic initiative can be analyzed and evaluated.

## PROGRAM ANALYSIS/DECISION PACKAGE WORKSHEET

PROGRAM/FUNCTION/ACTIVITY: \_\_\_\_\_

FISCAL YEAR(S): \_\_\_\_\_

Check one: Add \_\_\_\_\_ Delete \_\_\_\_\_ Revision \_\_\_\_\_ Review \_\_\_\_\_

A. Statement of Purpose:

B. Community/College Needs Analysis:

C. Trends and Emerging Issues

D. Target Population:

E. Description of Activities

F. Achievements/Benefits:

**G. Alternatives (Different Levels of Effort; Different Ways of Operating) and staffing/costs:**

**H. Proposed Operating Plan:**

**I. Consequences of Not Approving Decision Package (if applicable):**

## EXHIBIT 2

### PROGRAM ANALYSIS/DECISION PACKAGE

### SOURCE AND USE OF FUNDS

PROGRAM/FUNCTION/ACTIVITY: \_\_\_\_\_

FISCAL YEAR(S): \_\_\_\_\_

**Different Levels of Effort**

FY 20XX-YY

FY 20CC-ZZ

FY 20DD-MM

FTE Amount

FTE Amount

FTE Amount

Alternative A:

(Brief Narrative Description)

Staffing:

Instructional

Support

Subtotal, Staffing

Supplies, Materials and Services:

Equipment:



Other Expenses:

Totals, Alternative A

Facilities Impact (with costing as appropriate):

Benefits to be derived:

Proposed Funding Source(s):

Alternative B: **Repeat above**

**Different Ways of Operating**

**Repeat above for each alternative**

**"Combination" Alternatives (Levels of effort = ways of operating**

**Repeat above for each alternative**

### **EXHIBIT 3**

#### **PROGRAM ANALYSIS/DECISION PACKAGE**

**PROGRAM/FUNCTION/ACTIVITY:** \_\_\_\_\_

**FISCAL YEAR(S):** \_\_\_\_\_

#### **PROPOSED PLAN OF OPERATION**

**Repeat basic reporting structure used in Exhibit 2**

## CAMELOT COMMUNITY COLLEGE

### Strategic Planning

#### WSCH TARGETS

<u>FISCAL YEAR</u>	<u>TARGET</u>
2015-16	433*
2016-17	500**
2017-18	525***
2018-19	525***
2019-20	525***

\*Assumes 416 WSCH in Fall 2015, the same as Fall 2014, and an improvement to 450 WSCH in Spring 2016, for an overall average of 433 WSCH for the year. Summer, however, needs to be factored into the mix here, which may mean that Spring '16 perhaps will need to be higher than 450 to achieve the 433 WSCH goal for the entire fiscal year.

\*\*Assumes a substantial improvement in Fiscal '17. The urgency here, which is suggested by the large jump from the prior year, is to get CAMELOT prepared to offset effects of a possible decline in Prop 30 support.

\*\*\*The ultimate goal, here, is to get to the Statewide standard, which is 525 WSCH. Again, the Prop 30-related urgency cited above continues. In fact, the situation could become more severe, as the CCC financial situation could begin a serious decline during these three fiscal years, a time period which might also include another recession. Additionally, Camelot, if it chooses to do so, could set a WSCH goal above 525.

NOTE: Whatever goals are chosen for the fiscal years noted above, performance must be closely monitored. It will be absolutely critical, given some potentially treacherous financial seas ahead, that the College meet whatever goals are established, as falling short could create significant financial problems.

## **CAMELOT COMMUNITY COLLEGE**

### **STRATEGIC FINANCIAL PLANNING**

#### **TIME HORIZON**

An institution must choose an appropriate time horizon for strategic financial planning, and the decision should be made and communicated prior to initiation of the planning process. Time horizons can be of any length, with the choice essentially being a balancing act involving a number of considerations. No two institutions are necessarily the same in this regard, as at any given time, each sits in its own space with its own internal and external dynamics. Some considerations are noted below.

#### **Considerations:**

1. We live in a period of significant change in terms of both substance and speed. Thus, it is difficult to peer out more than two or three years into the future, and even that can be a bit dicey. This condition argues for a relatively short-time horizon.
2. Strategic decisions may not show results, good or bad, until several years into the future. This fact argues for a longer time horizon.
3. The really BIG institutional decisions may require a number of years before they are fully implemented.
4. The nature of the external environment is especially chaotic at the present time, a situation which is highly disruptive to trend analysis. Trends can shift abruptly and in unforeseen directions. Planners therefore should look at history but also must be ever watchful for signs of coming shifts.
5. California's Proposition 30 is a significant funding issue (on the order of \$850m for the CCC) with a life of its own. It looms large over the California Community Colleges into 2020, and perhaps beyond. It thus merits special attention.
6. The literature generally indicates that strategic planning should focus on the near term (3-5 years), as well as provide insight into the longer term (10 years and beyond).

Given the above considerations, it is recommended that Camelot Community College utilize a five-year time horizon for purposes of strategic financial planning. Additionally, given the volatility of the external environment...and this may seem counterintuitive...it is recommended that the College consider moving to a two-year budget model. It is further recommended that these plans be updated annually to reflect significant changes in the internal and external environments.



# **CAMELOT COMMUNITY COLLEGE STRATEGIC PLANNING**

## **FTES PROJECTION**

A "full-time-equivalent student" (FTES) is defined differently across the fifty states as well as across different segments of postsecondary education, but there seems to be one factor the various definitions have in common. In one way or another, postsecondary education funding systems are based on the number of FTES generated by an institution. The California Community Colleges (CCC) are no different in this regard.

Funding thus lends importance to FTES. However, FTES also has another dimension. It serves as a macro-level barometer for student access. Obviously, a demographic disaggregation of student enrollments would provide a better picture for many planning purposes, but FTES is a reasonable starting point, especially as regards interactions with the State.

It also works well for strategic financial planning. In that regard, base funding and base FTES are directly connected, with revenue related to a district's structure (e.g. number of approved centers, single college vs. multi-college districts, number of colleges in the latter) as well as FTES. Growth funding is tied to increases in FTES. Many other funding distributions are allocated on the basis of FTES. Given these connections between funding and FTES, it is therefore critical that an institution consider its FTES projection in a very deliberative manner. An institution does not want to aim short and find itself in a funding dilemma resulting from less than budgeted revenue nor does it want to find itself overextended too far in a quest for higher funding levels.

There are three basic enrollment categories for funding purposes. Each is discussed below.

### **Noncredit FTES**

Assume no growth for the planning period. Noncredit FTES is only about 2.5% of Total FTES. Additionally, the State funding rate per FTES for noncredit instruction (currently \$2,812) is well below that for credit (\$4,636). Thus any increase or decrease in Noncredit FTES is of little consequence in terms of the College's enrollment and enrollment picture unless the College makes a strategic decision to substantially change its posture relative to its noncredit offerings.

### **Nonresident FTES**

Assume no growth for the planning period. Nonresident enrollment at Camelot, like most community colleges, is a relatively small component of Total FTES. Additionally, Nonresident FTES are not funded by the State. Here too, absent a strategic decision to significantly alter its position relative to serving nonresident students, any increase or decrease will be of little consequence to the College's financial position during the planning period. (Note: It is

understood that the College is considering a strategy for increasing the number of international students. Should such a strategy be adopted, then the projection of nonresident FTES should be adjusted accordingly.)

#### Resident Credit FTES

The vast majority of students served by Camelot are California residents enrolled in credit offerings. These students are funded primarily via State apportionments. Since some 95% of a California community college's revenue budget is derived from State funding, the number of Resident Credit FTES is obviously critical in terms of the resources being made available to the College. Additionally, given that these students are the primary customers of the College, the number of Resident Credit FTES is critical in assessing educational access and in making resource allocation decisions.

Projected **Resident Credit FTES** enrollments for the planning period are as follows:

<u>Fiscal Year</u>	<u>Growth Rate*</u>	<u>FTES Projection</u>
2015-16	9.94%	15,886
2016-17	6.00%	16,839
2017-18	4.00%	17,513
2018-19	3.00%	18,038
2019-20	2.00%	18,399

\*Includes a 2.00% contingency growth factor on top of the "State" growth rate specified for the College in each year.