2020-2025 NHTI Financial Plan

NHTI - Concord's Community College's 5-Year Strategic Plan – 2020-2025 provides a significant step forward in assisting with strategic financial planning at the college. Information contained in this document is baseline financial data structured in a way that is accessible and understandable to the college community; assessment of current financial planning and resource allocation practices, and development of a three-year forecasting model that supports strategic decision-making. This plan is considered a living document, something that will be assessed, updated and improved on an annual basis.

Contents

Mission, Purpose, and Values

We are all teachers. We are all learners.

Mission

NHTI creates a caring culture and fosters innovative teaching and learning, supports economic mobility, and meets the needs of a diverse community by growing and strengthening partnerships with businesses and education.

Purpose

We serve students, businesses, and the community by building academically excellent pathways towards sustainable careers, community engagement, and social responsibility.

Values

These values support our mission and purpose:

Learning	We foster intellectual curiosity and the application of knowledge to promote critical, creative thinking.
Mutual respect	We cultivate an environment in which acceptance, kindness, and collegiality create a valuable exchange of ideas cultivating diversity, equity and inclusion.
Engagement	We collaborate with each other, businesses, and community organizations to develop principled and ethical citizens.
Accountability	We commit to individual and institutional responsibility in the stewardship of our human, intellectual, physical, and fiscal resources.
Innovation	We support the development and pursuit of new ideas to thrive in an ever-changing world.
Integrity	We uphold fairness, honesty, and ethical behavior.

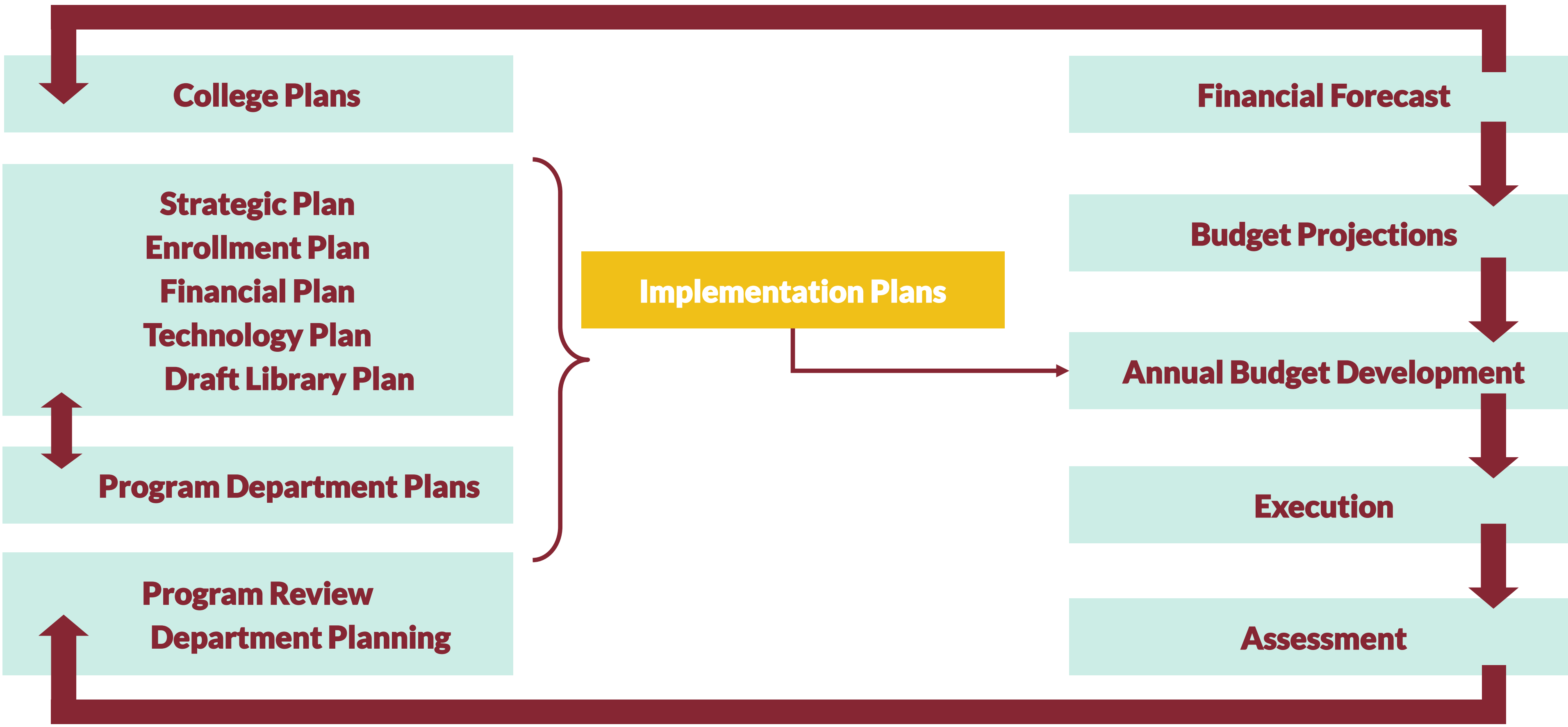
Planning Framework

NHTI – Concord's Community College's Long-Range Financial Plan is an essential component of the college's comprehensive planning. Efforts at NHTI are organized around the college's mission. The strategic directions reflected in the college's 2020-2025 Strategic Plan reflect priority actions needed to support and improve achievement of NHTI's objectives over the five- year planning horizon.

Themes and Objectives

The financial plan will be reviewed and updated annually. Part of the review process will be to review college effectiveness and planning efforts and update this plan accordingly.

Below will show how planning efforts are integrated into resource allocation and assessment cycles:



Financial Structure

Budget Development Process

NHTI's annual budget presents revenue and expense plans for the coming fiscal year. The budget development process follows the Community College System of New Hampshire (CCSNH) policies and is outlined in the budget document.

Policies

The CCSNH Board of Trustees has adopted the following series of financial policies that provide the framework to the college's financial practices and desired financial outcomes. The policies and recommended guidelines are reviewed on an ongoing basis. Section: BOT 400- Finance as it relates to Financial Planning:

- State law (RSA 188 F: 6) delegates to the Board of Trustees "... The management and control of all the property and affairs of the Community College
- System, all of its colleges, divisions and departments." In addition, (RSA 188 -F 6 IV –XII) delegates a number of general authorities in the financial affairs area including, but not limited to the:

◊ Acceptance of legacies and gifts
◊ Acceptance of funds from all sources, including financial aid
◊ Preparation of the biennial budget.
◊ Preparation of the biennial capital budget
◊ Receipt, expenditure, allocation and transfer of funds
◊ Investment of current and reserve funds
◊ Establishment and collection of tuition, room, board and other fees
◊ Authority to enter into contracts, leases and other arrangements
◊ Acquisition of supplies, materials and services
◊ Acquisition of property, land, buildings and equipment

Operating Resources

This section represents the major operating resource categories for NHTI's primary operating funds.

- Intergovernmental
  - **State Funding**
- Tuition and Fees
  - **Tuition**
  - **Student Fees**
  - **Other Fees and Charges**
- Other Revenue Sources
  - **Donations**
  - **Other Revenue**
- Transfers
  - **Transfers In**

Operating Expenditures

- Personnel
  - **Full-Time Faculty and Students**
  - **Part-Time Staff and Adjuncts**
  - **Other Personnel Expenditures**
- Other Expenses
  - **Operations Expenses**
- Transfers
  - **Transfers Out**

Five-Year Financial Forecast

During the course of this planning process, The Controller has developed a five-year financial forecasting model. The forecast model provides Projections of base revenue and expenditure trends that will be occurring over the next five years with the objective of stimulating dialogue and discussion between The College Leadership Team and the Community College System Leadership. The forecast will be assessed and updated annually. Note: Assumptions and forecasts for future years are for modeling and conversation purposes only.

Operating Budget	Actual	Projected	Forecast	Forecast	Forecast	Forecast
	FY 2020	FY 2021	FY2022	FY2023	FY2024	FY2025
Revenue:						
Tuition and Fees	16,283,303	14,024,401	14,024,401	14,024,401	14,024,401	14,024,401
General Fund	12,051,595	11,460,462	11,460,462	11,460,462	11,460,462	11,460,462
Corporate Partners	20,000	103,339	25,000	25,000	25,000	25,000
Other Revenue	306,840	40,302	50,000	50,000	50,000	50,000
Total Revenue	28,661,738	25,628,504	25,559,863	25,559,863	25,559,863	25,559,863
Expenditures:						
Salary	15,634,414	14,110,453	13,820,301	14,068,513	14,305,654	14,505,280
Benefits	5,854,196	6,042,445	5,856,858	5,938,832	6,013,585	6,067,828
Operating Expenses	1,867,450	1,832,000	1,832,033	1,831,959	1,831,938	1,832,024
Utilities	469,675	470,000	470,000	470,000	470,000	470,000
Facilities Maintenance	395,367	510,002	510,002	500,000	500,000	500,000
Equipment	81,623	7,699	9,500	10,000	10,000	10,000
Travel and Staff Development	52,224	43,750	50,000	50,000	50,000	50,000
Rental Agreement	167,256	155,000	70,000	70,000	70,000	70,000
Shared Expenses	3,490,771	3,081,850	2,914,640	2,594,030	2,308,686	2,054,731
Debt Service	51,749	26,529	26,529	26,529	-	-
Total Expenses	28,064,725	26,279,728	25,559,863	25,559,863	25,559,863	25,559,863
Surplus/(Deficit)	597,013	(651,224)	-	-	-	-

Long-Term Debt Obligations

	FY 2020	FY 2021	Beyond FY21	Total
Student Center Construction	101,125	105,184	557,820	764,129
Child and Family Development Center	16,498	12,803	14,409	43,710
Bistro and Café Renovations	223,988	52,393	610,606	886,987
North Hall Construction	117,834	99,419	114,963	332,216
Total Bond Debt	459,445	269,799	1,297,798	2,027,042

Financial Planning Principles and Criteria

Principles

- The Budget process and procedure at NHTI – Concord's Community College is guided by institutional plans, program review, and other planning efforts. All plans support the college's Strategic Plan to further mission fulfillment.
- Faculty, staff, and managers regularly review, analyze and engage through annual department planning and program review processes. This process results in a cycle of continuous improvement planning and assessment.
- Implementation

Investment and Reduction Criteria

In times of investment (surplus resources), resources are prioritized as follows:

- Addressing current institutional priorities and Strategic Directions
- Support of essential services and physical infrastructure
- Support of critical/demonstrated local or regional workforce need
- Support of innovation in the learning, co-curricular and operational environment

In times of reduction (budget deficit), reductions are considered using the following criteria:

- Centrality to college mission
- Impact to students
- Impact to employees
- Program performance relative to established goals, and college standards
- Addressing current institutional priorities and Strategic Directions

Goal from NHTI – Concord's Community College Strategic Plan 2020-2025

Institutional Effectiveness and Sustainability				
Strategic Initiative/ Priority	**Action Plan**	**Deliverable**	**Date of Completion**	**Accountability**
Determine new revenue sources and cost-savings measures	Use project management software and track cost savings for buildings and equipment purchases monthly	5% per year cost savings	Annually	Budget officer and project coordinator
	Implement eco-friendly initiatives annually.	10% per year cost savings	Annually	Budget officer and project coordinator
	Build the Business Training Center (BTC) capacity to grow revenue.	15% growth of revenue	Annually	BTC Director
	Increase fundraising and grant proposal results.	10% per year increase of revenue and grant submissions	Annually	Director of Fundraising and Alumni Affairs
Improve and secure facilities	Use the master plan to maintain and renovate campus buildings and parking lots by 2025.	Build new residence hall rooms in existing space to increase revenue opportunities	2025	VPSA and project coordinator
	Move the Visual Arts Program on site by 2022.	Cost savings of $130,000 annually.	May 2021	VPAA and project coordinator
	Develop a new 5-year technology plan integrated within CCSNH plans by 2021	Cost savings from shared services and use of virtualization software	May 2021	Director of Information Technology and College Cabinet

Capital Expenditures

Capital Projects

A Capital Project is defined as an activity that creates, improves, replaces, repairs, or maintains a capital asset and results in a permanent addition to the college's asset inventory. Capital Projects are generally large-scale endeavors in terms of cost, size and benefit to the community.

General Policy on Capital Projects Planning

The Chancellor develops and maintains the CCSNH Capital Projects Plan (six year) that incorporates all Trustee-approved capital facilities projects, property development and maintenance improvement projects on each Campus Master Plan for the succeeding six-year period. The CCSNH Capital Projects Plan shall be the approved reference document used by the System and the Board of Trustees in the preparation and presentation of its request to the state for appropriations or bonding approval for capital construction and in responding to inquiries regarding long-range capital outlay planning within the System.

The Chancellor also develops and maintains the CCSNH Capital Projects Schedule (two year) that details the major construction and repair and renovation projects, which have an approved plan and funding source. The schedule will include all approved projects, which are set to begin within the succeeding two-year period. The Chancellor shall present to the Facilities and Capital Budget Committee periodic reports on the progress of capital projects, critical maintenance projects and activities related to campus facilities development. The Chancellor shall present to the Facilities and Capital Budget Committee a specific schedule of capital projects for the coming fiscal year at the same time the annual CCSNH operating budgets are being developed and approved

Deferred Maintenance

Deferred maintenance is the postponement of buildings and equipment upkeep from an organizations normal operating budget cycle due to a lack of funds. The college's current deferred maintenance list contains at least $1,800,000 in needed facilities infrastructure repairs and replacements.

The Facilities and Capital Development Department conducted a comprehensive facilities conditions assessment during summer 2018, which resulted in updates to list items and cost estimates.

Update: July 2020: The current Capital budget has allocated funds for NHTI to replace some of the top priority items listed as part of the findings and the projects are currently in process.

Fiscal Performance Indicators

Three metrics, tracked throughout the year and reviewed at least quarterly: savings ratio (reserve over expenses), coverage ratio (reserve over debt), and net income (for each fund and overall).

Appendix: Budget Development Guidelines FY22 Planning

Budget Development Guidelines (Adopted from CCSNH)

Introduction

The budget represents your institution's strategy – the dollars and cents that frame the strategic initiatives and tactical operations forming the foundation for student success, realizing mission and helping our system and the state achieve 65 by 25. Monitoring is a weekly, if not daily, activity, particularly for Chief Financial Officers, and planning for the subsequent fiscal year is an objective that should always be top-of-mind, and one for which work should begin no later than the start of the calendar year, through to the close of the fiscal.

Sound budget development requires short-term and long-term forecasting, for all distinct revenue and expense flows. In addition, your reserve fund is for unforeseen expenses. Top of mind should be three metrics, tracked throughout the year and reviewed at least quarterly: savings ratio (reserve over expenses), coverage ratio (reserve over debt), and net income (for each fund and overall).

The following budgetary procedure aligns with System and Board policy governing budgeting, reserves and purchasing guidelines. The bulk of forecasting work for budget planning should occur in the February/March timeframe, with refinement and approval in April/May/June, and ongoing monitoring throughout the year.

Budget Development Timeline	
January	Review five-year financial plan
February / March	Revenue, expense and capital forecasting
April / May	System Office and Board feedback and subsequent refinement
May / June	Final Approval
July	Revise five-year financial plan
Year-round	Ongoing monitoring and adjustment

Alignment with Strategy

Strategy dictates investment for your College. Without sound strategy, you cannot know your academic needs, nor project payroll and other expenses for the subsequent year. Develop strategy for the long-term and refine throughout the year, particularly as it dictates tactical needs and informs exact budget projections. These forecasting activities must begin by February in order to have enough time to make a strong budget.

The rest of this document describes the annual budgeting process, but these should derive from long-term plans. Model out, using templates provided from System Office, five years of revenue and forecasts, in alignment with your own strategic plan. This activity should take place in July, after the approval of the annual budget, which will force a revisit and potential adjustment to five-year plans. A subsequent review in mid-January just before annual budget planning process will also ensure short-term plans stay tethered to long-term ones.

Revenue Forecasting

Forecasting revenue and expenses is the first part of budget development. Start with revenue, as this will determine how much money you will have. Although there are no hard and fast rules for revenue forecasts development, you should rely on a tool for modeling revenue scenarios. Four critical variables for modeling include tuition rate, enrollment volume, projected fee changes, and general fund allocation amount.

Although many of these items will remain unknown until close of fiscal year, or perhaps into the year for which you are forecasting, you should:

- Choose the most likely conservative scenario from which to make an expense budget
- Develop parallel plans for three total: one less conservative than the above, and one more so, so you can have corresponding expense budgets at the ready once variables settle into reality

Revenue forecasts for tuition rate, general fund allocation and system-wide fees (e.g., academic instruction fee) are set through a system-wide approach, determined together by CFO's, Presidents, Chancellor and System Office leadership. Other fees and enrollment trends are per- College. Consult with local and System Office leadership as necessary when developing revenue projections.

Conservative revenue forecasting is critical. Although other divisions, such as Student Affairs, should use aggressive enrollment targeting to promote stretch goals for recruitment, admissions and retention, using student affairs enrollment targets for financial planning is a bad idea. It is better to hope for the best on the student side and prepare for the worst financially. Data you will want at-hand include several prior years' worth of credits activity trends for tuition rates at or above the in-state rate. Of course, it is advisable to predict per rate category (e.g., in state vs. out-of-state vs. Running Start), and, if possible, per-program, inclusive of associated fees. (Use discretion to find a good threshold for reasonable forecasting. Ultimately, minor fluctuations in smaller revenue streams will occur, so it is most important to understand your in-state tuition revenue trends and likely state allocation number.)

Complete revenue forecasting by February 15.

A Note on General Fund Allocation

Our general fund allocation – CCSNH's internal allocation of its state appropriation – reflects the need to bolster our student access mission throughout New Hampshire by subsidizing Colleges in rural areas that do not as easily benefit from large class sizes and economies of scale in certain staff areas. The overall trend of allocation percentages traces student enrollment in inverse proportion: Colleges with larger enrollments stand to gain more revenue from tuition, and those with smaller enrollments require more state allocation subsidization, but not so much to reduce incentive to increase enrollment.

The funding formula relies on two levers – an operating allocation that each College receives to be able to, at minimum, open its doors, and a linear trend line whereby increase in student FTE increases state allocation roughly a half percentage point. For the minimum operating allowance portion, CCSNH has a dynamic formula for update that includes personnel expenses that do not fluctuate much with enrollment, such as non-instructional payroll, and plant-based expenses such as building and vehicle maintenance. For the remainder of the allocation, the funding formula follows adjustments to linear baseline: for every percentage, point increase in student FTE there is, roughly, a corresponding half percentage point decrease in state allocation.

Expense Forecasting

Order your expenses in alignment with your strategic aims. Prioritizing expenses is essential, since different revenue forecasts will demand corresponding expense budgets.

- First, examine your expenses for your auxiliary funds, as these are more straightforward to match against revenue projections from fees and payments. Auxiliary funds should self-support against revenue projections established above.
- Second, consider how much you want to save. This requires examining two documents: your debt schedule and your present reserves. If your reserves balance is under fifteen percent of total expenses, ensure you budget to build in the coming year. Combine this amount with the amount you need to cover outstanding debt, whether from bonds or projected retirement benefits, and then you know how much your revenue must exceed expenses. Consider segmenting your reserves by type, allocating how much money you need on-hand for:
    - ◊ unbudgeted expenses that may have small likelihood to require funding – on the revenue side this may look like a dramatic enrollment shortfall, or, on expenses an aging piece of equipment that failed earlier than expected,
    - ◊ totally unforeseen expenses (e.g., a large fine, a natural disaster),
    - ◊ Payouts of retiree benefits.
- Now, prioritize your operating expenses from most important to least important, with subtotals at different levels to match the three revenue forecasts you created (most likely, most conservative, and less conservative).
    - ◊ Start by removing shared expenses, as provided by the System Office.
    - ◊ Remove any expenses associated with restricted funds
    - ◊ Next, estimate your annual maintenance needs, and then use what remains for projecting payroll, supplies, marketing and other operating line items.
        - ∗ Determine ongoing maintenance expense totals, including for items such as lawn maintenance, snow removal, and other expected plant-related items
        - ∗ Second, deduct any items for deferred maintenance that you must not defer any longer, such as a needed repair or renovation

Recap of expense forecast so far

Total operating revenue – (savings target + debt principal) - shared expenses – restricted expenses – (ongoing maintenance + deferred maintenance) = expenses for operating budget

- Use variables in a tool, preferably provided by the System Office, to project salaries and benefits accurately. Totals spent on salaries and budgets will differ between Colleges, and you should consider step increases when projecting budget. Outside of steps, variables on percentage increases to salaries and benefits are system-wide, set through collective bargaining, projected fluctuations to salaries in confidential employees, and system-wide negotiated benefits.

- Finally, individual by individual, and non-payroll item-by-item, from a zero base, prioritize all operating expenditures at a relatively minute level. This will make adjustments based on different revenue forecasts, and ultimate actuals, a straightforward task, as opposed to a reset of the entire expense forecasting process.
    - ◊ Consider prioritizing any major strategic projects, such as those related to accreditation or strategic plan, prior to departmental consultations on operational needs.
    - ◊ When examining these items, use data provided by the system office that compares levels of spend across different expense categories throughout the seven colleges, normalized for student FTE. This will help you uncover any areas where you may be over/under compared to your closest peers.
    - ◊ Derive your resource needs from your strategy, and project that principle when working with departments to understand their needs for the following year.
- Go back and itemize any items that will cost more than $100,000 and are non-payroll (e.g., a new piece of academic equipment). You should share these as distinct expenditures for the Chancellor and the Board of Trustees during the approval process to avoid separate approval later.

You cannot control your revenue projections, and unforeseen expenses will always emerge. You can eliminate confusion and overwhelm through proper planning. Employ three tactics:

- Grow your reserve fund
- Prioritize maintenance to avoid unforeseen expenses
- Employ zero-based expense modeling throughout the budget development process, so you know what cuts or additions you need to make as your plans evolve into reality.

Complete expense forecasting by March 15.

Capital budget expenses

Starting February, you will have a complete assessment on the age and valuation of all your equipment. Use these items to develop your deferred maintenance needs for the following year, and to project your capital request to the State each biennium. You should use this assessment to create an annual schedule, for both capital requests and deferred maintenance clean up.

Although much more straightforward to forecast than operating expenses, capital budget forecasting is a high-stakes endeavor, as there are not many variables but large dollar amounts. Construction of a new facility, for example, is usually expensive and typically creates debt and interest payment schedules to which your College commits for decades. Implications for operating budgets down the road are manifold, in interest expenses, ongoing maintenance and the need for revenue to exceed expenses enough to cover debt principal while still building your reserve. Therefore, make sure capital planning is:

- Tied to strategic plan and academic portfolio through campus master plan
- Considerate of recent enrollment trends
- Prioritizes needed renovation and repair to existing facilities over new construction

Complete your capital forecasting by end of March.

Refinement, Approval and Ongoing Assessment

In March and April, the System Office and the Board of Trustees will confirm new fees, review and provide feedback on budget proposals and refine projections on tuition rate and general fund allocation provision. Use the first half of May to finalize your budget for Board approval, which will be conditional upon state budget approval and provision by the end of the fiscal year. The Board may need to approve multiple scenarios, not knowing where state budget will end.

The budget the Board approves is only your most reasonable forecast for the moment, a snapshot of anticipated revenue and expenses. As the year progresses, each day is a subsequent snapshot that informs adjustments you need to make. Therefore, you should have, at minimum, a monthly meeting on projections and forecasts at your College – and at the System Office senior leadership level – to keep spending in line with planning while staying responsive to the latest enrollment and expense information.

System Office Budget

Shared expenses/services are those that are delivered most efficiently in a centralized manner through the System Office, avoiding duplication as well as providing for more consistent functionality and provision of services. Examples of shared expenses include enterprise-wide IT systems, common initiatives in marketing and memberships, as well as jointly employed services such as legal, risk management, payroll, and more. This method has Colleges pay into joint service as a proportion of their student FTE counts.

In the January / February timeframe, the System Office will provide a shared expenses projection for the subsequent year based on its own budget for the next fiscal year. As the System Office is the shared part of the seven colleges, just as it has opportunity to review College budgets, Colleges should provide feedback to System Office budget and expenses. Outside of relatively minimal income from bank account interest, the System Office does not generate revenue itself, so any reduction or increase in your College’s shared expenses will come from a corresponding reduction or increase in System Office expenditures, primarily from personnel or information technology.

In addition to being open to feedback on budget, System Office encourages prompt feedback and co- authorship on needed reports and templates to make for effective, participative budget development and management.

FY22 Planning

This was done in conjunction with leadership at CCSNH. The draft financial plan is a living document and provides a clear picture of credit activity trends, enrollment projections, and new student resources opportunities including Student GPS, EAB Navigate, student pathways, Target X, and recruitment of adult learners. Additional opportunities include those in the form of external grants and increases in State appropriation with full support from CCSNH and continued expense management with low debt.

The measures taken by administration with the support of CCSNH have strengthened NHTI's financial position. The college is in a financially stable position and will continue be so for the foreseeable future. The commitment to student success drives retention efforts, and these, combined with a recent uptick in new students, ensures that the college will continue to contribute to the statewide goal to have 65% of NH residents having credentials of economic value by 2025. In doing so, the revenue situation will be healthy, especially when considering the college's demonstrated experience in keeping expenses low. As demonstrated throughout this report, NHTI has a student-centric culture that is drives cost effective, maximal use of all resources.

Net tuition and fees account for 55% of NHTI revenues. This is significantly less than other colleges in the statewide system because New Hampshire puts primacy on financial support for rural colleges with smaller enrollments, and fewer resources.

NHTI credits sold so far in FY21 are down 13% compared to FY20, when excluding dual credit enrollment. The enrollment management, finance and leadership teams, while driving towards better targets, did expect continued enrollment decrease from last year .