

BIG-PICTURE PLANNING

*Seattle Univ's
Budget/
Planning
Model*

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By

By Denis S. Ransmeier

Picture a new kind of planning discipline that was the Seattle University board of trustees' request at its summer 2002 planning retreat. The trustees asked administrators to augment the university's various budgeting and planning activities with a five-year comprehensive business plan. In doing so, the trustees hoped to bridge the needs, aspirations, and directions set forth in the strategic plan they had approved earlier and the tactical, shorter-range resource allocations represented by the annual budget.

Seattle University—one of the nation's 28 Catholic/Jesuit institutions of higher learning, with seven schools and 6,000 graduate and undergraduate students—had never prepared a comprehensive business plan. Because board members with disparate backgrounds had different notions as to what the plan should include, the financial and planning vice presidents collaborated in a yearlong effort that culminated with the trustees approving a five-year plan at their summer retreat in 2003.

INTEGRATING PLANNING ACTIVITIES

By virtue of the work we do, Seattle University's administrators, like all college and university business officers, are planners. In addition to aligning the strategic plan with the annual budgeting process, the comprehensive business plan needed to integrate our many planning activities. We have a strategic plan with a mission statement articulating the core values that we want to preserve and protect and that make our institution unique. We have a master plan with an environmental impact statement and a transportation sub-plan that guides the campus's long-term development and meets federal, state, and local agency regulatory requirements. A capital plan lays out the scope, costs, sequencing, funding sources, and the annual operational impacts of specific construction and renovation projects. Typically, we have a capital campaign at some level of planning or execution to help us marshal resources for the future, as well as a technology plan. We also have an annual financial plan or budget.

As Seattle University's chief business officer, I found myself in a new and central role—working with the vice president for planning to assemble the information and analysis critical for the comprehensive business plan. To broaden the input and the conversations surrounding the business plan, the president appointed a planning committee, an expansion of his seven-person executive team to include a graduate student representative, an undergraduate student representative, a staff employee, and a representative from the academic assembly.

For the purposes of the five-year business plan, the revenue and expense categories from all the university's schools and programs were consolidated and then restated from those shown in the statement of activities to the broad natural revenue and expense categories used for the annual budget. The budget for the 2004 fiscal year serves as the base budget for the business plan. Each year, we will revise the business plan concurrently with the annual budget, developing the annual budget in the context of the progress being made toward planned activities. We will also add another year, keeping the time horizon at five years.

Five-Year Baseline Business Plan

Budget Categories	FY04		FY05		FY06		FY07		FY08	
	Preliminary Budget \$000	FY05 % Increase	Projected Budget \$000	FY06 % Increase	Projected Budget \$000	FY07 % Increase	Projected Budget \$000	FY08 % Increase	Projected Budget \$000	
Gross Tuition Revenue	89,090		93,945		99,065		102,879		106,840	
Fee Revenue	1,775		1,775		1,865		1,863		1,955	
Institutional Grant Aid	(21,950)		(23,146)		(24,408)		(25,347)		(26,323)	
Net Tuition & Fee Revenue	68,915	5.31%	72,574	5.44%	76,522	3.75%	79,395	3.88%	82,472	

Endowment (Budget Replacement)	6,025		5,180		5,284		5,390		5,497
Annual Gifts	1,405		1,475		1,534		1,580		1,628
Bookstore Net	520		536		552		569		586
Res. Hall Revenue	5,530		5,696		5,867		6,043		6,224
Other	6,595		6,770		6,950		7,137		7,329
Total Revenue	88,990	3.76%	92,231	4.86%	96,709	3.52%	100,114	3.62%	103,736

Faculty Salary Pool	22,651		23,331		24,030		24,992		25,991
Non-faculty Salary Pool	19,185		19,569		20,058		20,710		21,383
Fringe Benefits @ 28%	11,714		12,012		12,345		12,796		13,265
Student Wages Pool	2,545		2,647		2,792		2,946		3,108
Other Non-salary	20,566		20,977		21,397		21,825		22,261
Centralized Information Technology	3,340		3,484		3,554		3,603		3,657
Planned Maintenance	1,321		1,347		1,374		1,402		1,430
Debt Service	5,285		5,150		5,150		3,940		3,940
Currently Scheduled Transfers	2,383		2,380		2,380		2,380		2,380
Total Expenses	88,990	2.14%	90,897	2.40%	93,080	1.63%	94,594	2.98%	97,415

Net Available for Strategic Initiatives	0	1,334	3,629	5,520	6,321
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The comprehensive business plan includes the base budget for 2004 and four additional years of pro-forma budgets and programs, giving the university a five-year planning horizon.

Funding Schedule for Strategic Initiatives

	FY05	FY06	FY07	FY08
Funds Available (000s)	1,334	3,629	5,520	6,321
Academic Excellence (Provost)	211	1,428	1,802	2,027
Vital Engaged Campus (Student Development)	155	325	375	425
Jesuit Catholic Identity (Mission & Ministry)	0	0	25	25
Enhanced Visibility, Connectedness (Univ.Advancement)	120	150	150	150
Increasing Revenue, Endowment, Gifting (Univ.Advancement)	223	313	400	400
Infrastructure	245	245	245	245
Infrastructure: Capital Plan—Operational	50	51	52	53
Infrastructure: Finance & Investments	260	387	509	634
Infrastructure: Recommended Additional Planned Maintenance	0	598	1,390	1,786
Infrastructure: Planning Office—Center for Service	70	70	72	74
Funds Not Applied	0	62	500	502

The dollar pool available for action plans and new strategic initiatives can be seen at the top of the chart.

PUTTING IT ALL TOGETHER

We developed a balanced baseline budget simulation for FY04 through FY08. We adjusted expense categories each year for anticipated inflationary increases and to preserve the status quo for most programs. For example, we increased faculty salaries slightly more than inflation because we project that will happen, on average, at a select group of schools. In deliberating salary growth rates, the planning committee wrestled with whether faculty and staff salary pools should be planned to increase at equal or different percentage rates. Despite Seattle University's long-standing egalitarian culture, the planning committee ultimately decided that the pool for faculty talent is national in its scope and costs, while the pool from which the staff is drawn is local and regional. Thus, the committee decided to grow them at differing rates.

If we could foresee cost decreases, such as the retirement of a ~~500 Plans, Six Time Horizons~~ in the appropriate years. The university's vice presidents, individually and in teams,

developed preliminary five-year projections for the revenue lines, tuition, fee, and institutional aid categories. The vice president for planning coordinated the work done by advancement, finance, and student development for endowment projections, annual gifts, auxiliaries, and the other revenue categories.

Putting together a five-year plan required evaluating and handling questions about business risk. Because Seattle University is heavily tuition dependent, our calculations and assumptions for enrollment and the discounting factor for student aid were critical. How much pricing power does the institution have today, and how much will it have in the years ahead? What effect will pricing changes have on the composition of the student body? We completed numerous iterations of the simulation to find a financial balance, and the university's executive team struggled with difficult tradeoffs, such as access and affordability (pricing and discounting), student quality, and enrollment. The five-year baseline business plan shows the consensus baseline plan before the layering in of new strategic initiatives.

Approximately three quarters of the baseline simulation is supported by the Net Tuition and Fee category. The projected increases for years 2005 through 2008 reflect enrollment changes, student aid policies, and the net impact of tuition rates that vary program to program and will change differently.

A CALL FOR ACTION

A strategic plan and strategic plan implementation report, approved by the Board of Trustees in 2000 and 2002, call for improvements in six areas: academic excellence; campus vitality and engagement; Jesuit and Catholic character and identity; visibility; programs for new revenues; and infrastructure. As a result of the normal annual budgeting process and the earlier work on strategic planning, the university's executive team had many ideas to improve each area. Working with the other vice presidents, the planning office developed action plans and criteria for measuring success. Next, we facilitated planning committee meetings to narrow down the ideas to a number of discrete, affordable action plans. (The actions plans are summarized according to strategic initiative in the chart "Funding Schedule for Strategic Initiatives.") For example, one of our infrastructure-related action plans describes a planned maintenance initiative considered central to preserving and improving the campus buildings. Historically, the university has been forced to allow some planned maintenance of its vital infrastructure to become deferred maintenance that was either not regularly funded or not funded at all. Our five-year plan changes that procedure. There is currently a \$10 million backlog of deferred maintenance. This plan represents a phased approach and attacks that backlog in two ways: by making planned maintenance an annual budget expense that is regularly funded and by expending additional strategic funds to catch up on that backlog. To measure success, we established two criteria:

- o to fund planned maintenance in the base budget at \$1.3 million annually and steadily grow the program over the five years; and
- o to increase our overall planned maintenance expenditures by FY08.

MAKING TRADEOFFS

The planning process helped Seattle University make difficult tradeoffs in the course of settling on what could be done. The

The private and public are integrated programs for budgeting, integrating, and communicating the wide range of planning that goes on at a university. A variety of stakeholders are involved in plan development, and governing boards and central administrators need to understand and manage the integration and consistency of the various plans. Institutions often rely on the following plans, all with differing time horizons.

Master Plan: 15 to 20 years

Comprehensive Business Plan: rolling five years

Capital Plan: 10 years

Campaign Plan: five to seven years

Technology Plan: one to three years

Annual Budget: one year

Learn more about institutional planning, budgeting techniques, and how the two relate at NACUBO's inaugural Integrating Planning and Budgeting workshop, May 17-18, at the Fairmont Kansas City in Missouri. Considering complex environmental and economic factors as well as the diversity of stakeholders, this program focuses on methods to integrate the planning and budgeting processes across programs and disciplines. It examines state-of-the-art concepts for creating cooperative strategies and making informed decisions. The workshop is designed for mid- to advanced-level business and financial officers, budget and planning professionals, deans of administration, and academic officers with budget responsibilities. Teams of academic and business professionals are encouraged to attend to gain maximum benefit for their institutions. For program details, visit www.nacubo.org/professional_dev.

tradeoffs included both the funded amounts and the timing for phasing and completing the strategic initiatives. For example, during the planning meetings, facilities personnel outlined a facilities life-cycle renewal program and advocated its immediate funding. This program was eventually built into the plan over the five-year period and modified so that

- o we spent less in the base budget on planned maintenance than originally proposed;
- o we spent less on additional planned maintenance than proposed FY04-FY06;
- o we delayed the catch-up on the maintenance backlog;
- o we delayed reaching NACUBO and APPA standards for planned maintenance spending beyond FY08; and
- o we minimized capital initiatives for new or expanded space.

As we looked at the necessary tradeoffs and subsequent delayed actions, we realized that a phasing-in process would ultimately work to our benefit. Stretching out our priorities across time allows us to think ahead and accomplish our goals without having to upset the delicate balance between pricing and enrollments.

HOW TO OFFSET NEGATIVITY

Although our comprehensive business plan gives us a roadmap to follow for the efficient use of resources, we were conscious of the need to anticipate and counteract negativity when advocates for programs and initiatives realized their ideas had to be substantially downsized or, worse yet, excluded from the five-year plan. We offset such negativity by keeping an open planning process, actively communicating with all of the campus constituencies during plan development, distributing the plan broadly across the campus, and presenting the plan to groups of faculty and staff. As we enter the budget preparation cycle for FY05, the work we have completed on the comprehensive business plan gives us a huge head start over previous years.

RAMPING UP ACADEMIC ACHIEVEMENT

The strategic plan and mission statement focus on academic excellence as the primary strategic goal for Seattle University. In reevaluating our timeline for meeting our goals, we acknowledged that success would not happen overnight. Although it would require holding off on certain steps until funding could be secured, a gradual, long-term approach would serve us well. Key components of the plan include:

Action Plan

- Reduce class sizes where it would enhance quality.
- Hire more full-time, tenure-track faculty.
- Offer competitive faculty salaries.
- Increase library funding.
- Offer a Center for Teaching and Learning.
- Provide learning assessment programs.

Measurements Of Success

- Improved retention rates.
- Improved student satisfaction in target programs.
- Measurable improvement in learning outcomes.

Delayed Initiatives

- No new faculty hires in FY05.
- Slower addition of faculty FY06 through FY08; some faculty hires delayed beyond FY08.
- Library funding, which had a 1998 target goal of reaching the median of peer institutions' spending per full-time student, will be delayed past FY08.

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