



Financial services at the leading edge of social change!

STRATEGIC PLAN 2015-17

July 16, 2015

Introduction

CCEC Credit Union directors substantially review and reconsider the credit union's strategic plans every other year (the big 'P' planning year), with the intervening year being more of a recalibrating review. This 2015 review is a big 'P' planning process.

External resources were engaged to facilitate community 'roundtables' and interviews to collect ideas and comments from our membership and some prospective members. Directors also received various materials from Central 1 and welcomed the Research Manager to make a presentation on 'Disruptions in the Financial Services Sector'. Management also provided trend and comparative data for reference. Materials were shared online using Basecamp.

The Strategic Planning and Member Engagement Committee oversaw the planning process and provided direction to management. The directors met for retreats on May 30th and June 6th to consider and debate the issues and options for the future of the credit union. The retreats were facilitated by John Kay of Realize Co-op, with supporting consulting resources from his firm.

This plan represents the higher level strategic choices, goals and objectives of the Board. This plan is assumed to be the basis for management's operational plans and budgets for the coming two years or more.

At the same time, the board recognizes that planning is actually 'constant'. The operating environment may change and new opportunities and challenges may arise. The board intends to monitor performance, but also attend to external realities, working with management to adapt as and when required.

Executive Summary

The credit union is healthy and performing well, yet the world is changing around us and we must adapt, to accommodate climate changes, political shifts, and disruptions in the financial service industry. Upon review of the organization's Mission and Vision we see no reason to make changes. We do restate the mission simply this way: *"Financial services at the leading edge of social change!"*

CCEC adopts the following priorities & goals.

Priority 1: CHAMPION ECONOMIC FAIRNESS AND DEMOCRATIC IDEALS

GOAL: Provide leadership in the credit union movement. With consolidation and rationalization the credit union world has become more technocratic and less visible on social issues. CCEC will seed discussions and pose questions to engage more credit unions on broader issues.

GOAL: Develop a real alternative to payday lenders, fairly priced and co-operatively based. The growth of payday lenders is partially the result of traditional players abandoning the field. CCEC can work with other credit unions and other organizations to provide service and financial literacy enhancement.

GOAL: Facilitate debate and policy proposals on major public 'economic justice' issues

Priority 2: ENSURE MEMBERSHIP GROWTH AND RETENTION

GOAL: Expand our active membership. Primarily, build our core savings and loan business and install a more comprehensive set of services and products that better serve our group and individual members. Implicitly, we will explore new technology opportunities that will benefit our members.

GOAL: Add new member organizations and related individual members. This implies a consciously reconsidered branding and marketing strategy that advances CCEC as a true community development enterprise. Select market opportunities are the fin-tech and digital currency realms, in addition to grassroots organizations.

Priority 3: SUSTAINABILITY, PRUDENCE AND REGULATORY COMPLIANCE

GOAL: Develop and retain excellent managerial leadership.

GOAL: Ensure good financial performance, FIA/CUI compliance, and good ratings from FICOM

GOAL: Build and enhance staff team capacity. The information age is upon us and the staff team has to be better able to assist members, anticipate new demands, and find solutions.

Mission

Our mission remains unchanged:

- *Meeting the financial needs of members;*
- *Enhancing the capacity of the non-profit, co-operative and small business sector of the community we serve;*
- *Providing leadership in fostering economic democracy in our community and the credit union system*

Our tentative tag line: “Financial services at the leading edge of social change!”

The credit union’s purpose over the long term remains as set out previously:

- To promote group solutions to individuals' problems through the development and maintenance of co-operatives and self-help groups responding to basic human needs and community needs, and supporting one another.
- To support and promote responsible action in the areas of social justice, racial and sexual equality, worker democracy, and conservation.
- To develop, support, and promote models for economic organizations that foster and further community, consumer, and worker control, and membership.
- To provide ourselves with needed financial services at reasonable costs.
- To educate ourselves and the larger community in the areas of finance, economics, and politics, toward the end of obtaining a more equal distribution of wealth.
- To maintain a workplace open to worker participation in determining responsibilities, accountability for work performed, and the quality of worklife.

The following values guide our conduct and actions:

1. **Respect:** we treat each other with respect and care, with no preference based on social or financial circumstances.
2. **Inclusion:** we welcome individuals from different heritage, cultures, abilities and belief systems.
3. **Compassion:** we treat those in distress with compassion and empathy.
4. **Prudence:** we ensure funds in our trust are carefully managed and our contractual agreements are fulfilled.
5. **Sustainability:** we endeavour to model & support both socially and environmentally responsible activity.
6. **Progressive:** we seek to assist those who are systemically disadvantaged.

Situational Analysis

The following external trends and events present the key challenges and opportunities to CCEC as we look forward:

1. The low interest environment and compressed financial margins.
2. The ascendancy of online and mobile technology, and new service channels.
3. The rise of payday lenders, online lenders, and other financial technology players ('ghosts').
4. The marginalization of less affluent populations (e.g. financial literacy, service, ID's, etc.)
5. The increasing burden of regulation (FICOM, FINTRAC, etc.)
6. The imperatives of climate change and local responses
7. The high cost of housing, and the need for innovative responses.
8. The erosion of personal privacy and the need for ethical data management.

CCEC capacities and strengths were identified as:

- Committed staff and membership, with high level of trust.
- Adaptable, nimble as a small organization.
- Healthy balance sheet and earnings position.
- Planned new banking system to provide more products/services.
- Resources at Central 1 to support management.
- Breadth of management experience.

The complete SWOT recap is in Appendix A.

Strategic Direction

Fundamentally, CCEC Credit Union adopts a **niche strategy**. CCEC does not try to provide services to the general public. Consistent with its mission, CCEC will provide responsive financial services to community organizations and progressive small business; and will provide normal banking services to individuals related to those organizations.

Banking services may be provided to any qualifying group or individual in the province. Geographically, the primary market service area is as stated in the Investment and Lending Policy – within 200 kilometers of our office plus the Okanagan.

In addition to the provision of traditional financial services, CCEC will also consider offering related intermediary services and community development programming, when and where it is identified as desirable and viable. And these may be offered through subsidiary or partner organizations.

The intersection of these three spheres provides the focus for the credit union.



Consistent with the above, this plan sets out the strategic priorities, goals and short term objectives for the credit union. These will provide direction to management in the creation of the operational plans, tactical efforts/programs, and annual budgets. Particular issues that were raised in board deliberations that relate to operations and a marketing plan are recapped in Appendix B.

Priority 1: CHAMPION ECONOMIC FAIRNESS AND DEMOCRATIC IDEALS

The board raised concerns on many issues that relate to inequities and the erosion of basic rights. Many of these concerns were evident in the community conversations with our members. The board recognized that, as a small credit union, our primary influence will be realized by being an advocate and by modeling best practices.

GOAL: Provide leadership in the credit union movement. With consolidation and rationalization the credit union world has become more technocratic and less visible on social issues. CCEC will seed discussions and pose questions to engage more credit unions on broader issues.

- To provide substantial contribution to the BC legislative review process 2015-16.

GOAL: Develop a real alternative to payday lenders, fairly priced and co-operatively based. The growth of payday lenders is partially the result of traditional players abandoning the field. CCEC can work with other credit unions and other organizations to provide service and financial literacy enhancement.

- To double our short-term 'payday' lending in the coming fiscal year. (@300/year in f/y 2015)
- To draft a viable plan with other credit unions for a jointly sponsored regional service by q3 2017

GOAL: Facilitate debate and policy proposals on major public 'economic justice' issues

- Partner on a climate change response campaign(s) in 2016
- Intervention on Trans Mountain Expansion by March 2016
- Partner in development of member database that showcases 'good' local/member activity – by q3 2016
- Adopt board policy on inclusion and services to 'underserved' populations, by Dec 2015.
- Review and consider 'novel' financial products that respond to imminent climate change problems; water shortages, carbon. By March 2016

Priority 2: ENSURE MEMBERSHIP GROWTH AND RETENTION

We believe that there is support for the key premise – mobilizing savings/deposits in support of community organizations, projects and social enterprise. Our direct experience confirms the presence of a market locally and regionally.

CCEC is a small operator which makes it vulnerable in the marketplace. With technological enhancements the credit union can provide more competitive services that can better use our location and expand our reach.

The primary ‘market opportunity’ remains community organizations and social ventures; there are community groups that are not ‘well served’ elsewhere. The roundtables indicate that there are groups and individuals ready to join CCEC if the right propositions are made. It is clear that our single location and limited hours are a constraint, and expanded online and mobile services will likely offset these concerns.

As well, our existing membership could easily be doing more business with CCEC. Many members have accounts elsewhere. We have the opportunity to attract more of these members’ ‘savings’.

GOAL: Expand our active membership. Primarily, build our core savings and loan business and install a more comprehensive set of services and products that better serve our group and individual members. Implicitly, we will explore new technology opportunities that will benefit our members.

- Offer added personal products; e-Transfer, TFSA, RRIF and ‘deposit anywhere’ products by June 2016 (AKA new banking system)
- Refresh our brand identity and implement an integrated marketing and communications plan Feb 2016
- Offer enhanced small business online service by September 2016 (Similar to MemberDirect Small Business Services, see Appendix c)
- Collaborate with CHF/BC, double housing co-op mortgage portfolio by Dec 2016 (currently \$2.26M Apr2015)

GOAL: Add new member organizations and related individual members. This implies a consciously reconsidered branding and marketing strategy that advances CCEC as a true community development enterprise. Select market opportunities are the fin-tech and digital currency realms, in addition to grassroots organizations.

- Research digital currency scene and identify opportunities by Oct 2015
- Reconsider and revise the Board’s policy on interpretation of the common bond, by Nov 2015.
- Revise shareholding requirements for those with marginal incomes by December 2015
- Enhanced marketing & communications plan/program installed by Mar 2016
- Research and implement novel ‘community bond’ type deposit at CCEC by Mar 2017

Priority 3: SUSTAINABILITY, PRUDENCE AND REGULATORY COMPLIANCE

As a credit union, CCEC must manage its affairs prudently and in the best interests of our depositor-members. In addition, the credit union must meet certain requirements under the legislation and related payment system arrangements.

GOAL: Develop and retain excellent managerial leadership.

- GM recruitment & succession plan by Sep 2015
- GM Appointment by May 2016
- GM orientation and transition support completed by October 2016

GOAL: Ensure good financial performance, FIA/CUI compliance, and good ratings from FICOM

- Net earnings to exceed 30bps and capital & liquidity ratios to meet policy targets, ongoing.
- Risk appetite statement adopted by Sep 2015
- Complete CCEC capital policy review and plan by Dec 2015
- Complete the banking system conversion on budget and on time by March 2016

GOAL: Build and enhance staff team capacity. The information age is upon us and the staff team has to be better able to assist members, anticipate new demands, and find solutions.

- Use banking system conversion to develop staff IT skills (MySQL, Excel) by May 2016
- Make our staff experts in MemberDirect and related technology usage by May 2016
- Use Loans Origination software for all loans by July 2016
- Implement remote member acquisition software by Sep 2016
- Implement more automated reporting on loans by December 2016

Management is expected to include a 'balanced score card' reporting scheme to accompany an operational plan, enabling the board to easily monitor progress relative to plan over time.

1.) What are CCEC's key strengths?

- Politics – activist – mandate (mission|vision|values)
- Knowledgeable staff, trust
- Great network of members (lots of organizations) – strong community + allies
- Remarkable Board of Directors (reflects membership)
- Location + presence
- Small & nimble – less bureaucratic|less hierarchical|flat management
- Healthy balance sheet
- Reputation and brand (use of)
- Current CEO

2.) What are the key opportunities emerging over the next years?

- Ethical investment – peer-to-peer lending|insurance
- Promote eco-sustainable housing mortgages
- Refugee purchasing ability
- Market to young political people (we support their causes|education – millennials) – target other changing demographics
- Financial technology – digital currencies | new banking system(s)
- Leveraging society for outreach – fostering conversations, be catalyst on economic democracy | use society for training and education
- Leverage radical ideas|adventurous ideas
- Up our communications
- Better use of members (promotion, knowledge, etc.) – be more comprehensive who our members are
- Re-exam bond
- Staff training & development & cultural shift (succession + retain)
- Making better use of retail location
- Ethical data management
- Cooperation with other credit unions and amongst other co-ops
- Explore new demographics
- Dispensaries, co-housing, aboriginal and immigrant start-ups
- Partner with developers
- Community-based assets recognition and promotion designation

2.) What are the key threats and challenges?

- Drought – rising sea levels / climate change (existential societal threats)
- Real estate bubble + related issues
- Shift of financial services
- Demographics (young people) – attending to needs of members (expectations & diversity)
- Succession planning + staffing
- Low interest rates
- Increasing regulation
- Data ownership, identity, privacy issues
- Size
- Consolidation and financial services
- Disintermediation
- Cost of new technology
- Articulating who we are

4.) What are the weaknesses and concerns to consider?

- Risk of disclosure of investment
- Current staff
- Relationship between credit union and society
- How to engage and what vehicles to use
- Tight margins and little room for control | limits of flexibility (we are not really nimble)
- Don't maintain a member database – need to know who our members are
- ATM

Appendix B

Director's observations and suggestions for CCEC brand and marketing plans:

- Better serve immigrant, refugee and aboriginal communities, and politically engaged millennials
- CCEC *plus* : A program to team members with other organizations for success
- Be the banker of choice for dispensaries
- Develop 'digital currency' business case: Include in marketing plan, partnerships, point of sales for members, new lines of business, staff training, leading currencies, bitcoin ATM in branch, local vs international reach/impact
- Board members are effective ambassadors for CCEC within membership
- Green branding can appeal to many in the cycling and other scenes
- Ethical investing alternatives!
- New peer to peer lending model?
- Must use social media (Facebook) more effectively
- "CCEC – Connecting Communities for Economic Change"

1. MemberDirect Small Business Services (Module of MemberDirect Integrated)

MemberDirect Small Business provides a tailored online banking solution for business customers with fewer than 20 employees. It is designed to move business owners beyond retail banking in order to more effectively meet their needs. It helps customers manage their business and personal finances, with minimal administration and without unnecessary complexities.

Registering new customers or upgrading existing retail accounts is straightforward and can be done online.

Core features:

- Delegate functionality allows business owners to grant their employees and third parties, such as bookkeepers, access to certain accounts. Delegates can be granted access to only view accounts, or to view accounts and to initiate transfers and/or payments. Business owners can review and approve transactions initiated by delegates, at a time and place that is convenient.
- Dual-signature authorization allows one signer to initiate a transaction, however, authorization from another signer is required to approve or reject the transaction. Delegate-initiated transactions require authorization from two signers to complete a transaction, giving them the added security for their business. Account authorization can also be set up for just one signer.
- Account consolidation gives small business owners the ability to use a single login to perform transactions from both their personal and small business accounts, allowing them to see all of their accounts in one view.