Confederation COLLEGE

MEMORANDUM

Date: June 26, 2015

Date Last Updated: April 24, 2015

To: **Chair and Board of Governors**

From: **President**

Subject: **MONITORING REPORT – EL-2e Financial Planning and Budgeting**

With respect to budget development, the President shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal year to: a) deviate materially from Board Ends priorities, b) risk financial jeopardy, or c) fail to be derived from a multi-year plan.

I hereby present the monitoring report on our Executive Limitations policy "Budget Development" according to the schedule set out. I certify that the information contained in this report is true and represents compliance with all aspects of the policy unless specifically stated otherwise.

The President shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal to:

a) "Deviate materially from Board Ends priorities.

I interpret the development of the annual budget on the basis of the approved college strategic plan, and the business plan that has been developed in support of the Board Ends, as evidence of the Ends expected.

Compliance will be demonstrated when Board Ends priorities are articulated in policies E1 to E3 (Ends Policy 1: Improve access to learning and support the success of learners; Ends Policy 2: Support and advance Aboriginal learning; and Ends Policy 3: Serve Northwestern Ontario.

Evidence:

The 2015-16 budget of $70.8 million is forecast as a balanced budget and includes $518,075 in funding for Strategic Initiatives to support the Board Ends and Strategic Plan (Wiicitaakewin). See also Appendix A and Schedule 1.

I report compliance.

b) "Risk financial jeopardy."

I interpret "financial jeopardy" as insolvency, the inability to finance operations, risking an in-year deficit not covered by reserves, or making drastic short-term adjustments with negative long-term impact.

Evidence:

The 2015-16 operating is forecast as a balanced budget and does not rely on in-year reserves to finance operations. See Appendix A and B for further details.

The risk of financial jeopardy is mitigated by our Accumulated Surplus (General Unrestricted, Internally Restricted and Investment in Capital Assets) totaling $3.9 million at March 31, 2015, which is a reduction of approximately $1.3 million at March 31, 2014.

Growing our reserve funds in order to mitigate against future adverse financial consequences and to support capital projects is recommended.

I report compliance.

c) "Fail to be derived from the multi-year plan."

I interpret "multi-year plan" as the 2015-2016 budget year as well as forecast projections for 2016-2017 and 2017-2018.

Evidence:

The College three-year fiscal plan incorporates assumptions on revenues, enrolment, wage rates, staff vacancies, capital expenditures, etc. While the 2015-16 operating budget is projected as a balanced budget, our multi-year projections for 2016-2017 and 2017-2018, forecast deficits of approximately $148,000 and $720,000 respectively prior to GAAP adjustments. Key planning assumptions to be used in developing the 2016-17 annual operating budget and multi-year financial plan, including any significant risks, will be reviewed further with the Audit Committee in November 2015. It is anticipated that these deficit challenges will be dealt with through collaborative and integrative budget planning. On this basis, we will not face fiscal jeopardy in future years.

Appendix C is the Three-Year Financial Plan for the period 2015-16 to 2017-18.

I report compliance.

The President shall not allow budgeting to:

1. **"Risk incurring those situations or conditions described as unacceptable in the Executive Limitation policy entitled 'Financial Condition & Activities' (EL2d)."**

I submit this is clear and requires no further interpretation.

Evidence:

EL 2d was submitted to the Board of Governors on September 26, 2014, January 23, 2015 and June 26, 2015. The actual operating results for fiscal year ending March 31, 2015 was $91,918 before "extraordinary items". Mitigation strategies implemented by the Senior Team from January to March 31, 2015 were successful in containing costs. The 2015-16 operating is forecast as a balanced budget.

I report compliance.

2. **"Omit a) credible projection of revenues and expenditures, b) separation of capital and operational items, c) cash flow analysis, d) disclosure of planning assumptions:"**
3.

I submit this is clear and requires no further interpretation.

Evidence:

a) **Credible projection of revenues and expenditures:**
The 2015-16 budget has been developed using credible assumptions for projected revenues and expenditures which are summarized in Appendix B.

b) **Separation of capital and operational items:**
The capital budget is a separate item from the operating budget.
Please see page 20 of the 2015-16 Business Plan for details of the Five-year Capital Expenditure Projections and Schedule 2 for the 2015-16 Capital Budget.

c) **Cash flow analysis:**
A summary of the projected cash flow changes reflected in the Budget Statement of Financial Position (Balance Sheet) at March 31, 2016 as noted on page 19 in the 2015-16 Business Plan are listed in Appendix D.

d) **Disclosure of planning assumptions:**
The College discloses detailed planning assumptions, risks, and opportunities in the Business Plan. The Board approves the Business Plan prior to its release to the Ministry and posting to our public website. See also Appendix B and E.

I report compliance.

4. **"Omit an annual budget for Board Prerogatives during the year as set forth in the Governance Investment policy."**

I submit this is clear and requires no further interpretation.

Evidence:

These Board prerogatives have been budgeted at $59,214 for 2015-16 in keeping with historical expenditures.
I report compliance.

Respectfully submitted,

D. Jim Madder,
President

Appendix A

CONFEDERATION COLLEGE
BUDGET PROJECTION for FISCAL 2015/2016
With Comparison to Actual Results for 2014/2015

	(1) 2014/2015 APPROVED BUDGET	(2) 2014/2015 ACTUAL at March 31, 2015	(3) 2015/2016 BUDGET PROJECTION	(4) VARIANCE Col (3) versus (2) Better (Worse)
REVENUES-GENERAL				
Post Secondary Grants	$ 30,755,400	$ 30,782,424	$ 30,136,633	$ (645,791)
Tuition Fees-Domestic	9,752,989	9,424,411	9,597,362	172,951
Tuition Fees and Other Revenue-International	4,260,835	6,134,010	6,217,269	83,259
Other Revenue	5,387,475	5,700,494	5,599,059	(101,435)
Second Career Grant (PS)	521,130	470,215	239,600	(230,615)
WSIB Program	287,600	69,454	35,950	(33,504)
	$ 50,965,429	$ 52,581,008	$ 51,825,873	$ (755,135)
EXPENDITURES-GENERAL				
Post Secondary-Domestic & International	$ 31,627,944	$ 32,592,402	$ 31,387,911	$ 1,204,491
International Programs-Admin.Recruitment & Support	1,561,166	1,675,783	2,116,062	(440,279)
Administration	8,334,382	7,899,662	8,485,698	(586,036)
Facilities Services	4,653,076	5,213,613	5,064,418	149,195
Student Services	5,144,199	5,134,520	5,048,386	86,134
Strategic Initiatives	1,064,994	951,629	1,022,462	(70,833)
Capital from Operating	135,000	145,502	-	145,502
	$ 52,520,761	$ 53,613,111	$ 53,124,937	$ 488,174
NET INCOME (LOSS) FROM GENERAL OPERATIONS	$ (1,555,332)	$ (1,032,103)	$ (1,299,064)	$ (266,961)
REVENUES-OTHER ACTIVITIES				
Apprenticeship Training	$ 1,504,370	$ 890,274	$ 1,513,957	$ 623,683
Provincial Training	4,635,547	5,146,369	4,635,547	(510,822)
Supplemental Flowthru Funds	1,913,552	1,524,581	1,913,552	388,971
Contract Training	5,100,000	2,186,012	2,667,070	481,058
Special Projects	4,859,049	6,570,333	4,604,775	(1,965,558)
Ancillary Operations	3,563,251	3,591,804	3,616,111	24,307
	$ 21,575,769	$ 19,909,373	$ 18,951,012	$ (958,361)
EXPENDITURES-OTHER ACTIVITIES				
Apprenticeship Training	$ 1,327,304	$ 1,018,938	$ 1,201,549	$ (182,611)
Provincial Training	3,987,579	4,525,829	3,812,402	713,427
Supplemental Flowthru Funds	1,913,552	1,578,469	1,913,552	(335,083)
Contract Training	4,380,000	2,365,706	2,736,324	(370,618)
Special Projects	4,621,966	6,670,247	4,474,047	2,196,200
Ancillary Operations	3,613,085	3,488,161	3,514,074	(25,913)
	$ 19,843,486	$ 19,647,350	$ 17,651,948	$ 1,995,402
NET INCOME (LOSS) FROM OTHER ACTIVITIES	$ 1,732,283	$ 262,023	$ 1,299,064	$ 1,037,041
NET INCOME (LOSS) FROM TOTAL OPERATIONS	$ 176,951	$ (770,080)	$ -	$ 770,080
Net Income (Deficit)			**$ -**	
SUMMARY:				
TOTAL REVENUES	**$ 72,541,198**	**$ 72,490,381**	**$ 70,776,885**	**$ (1,713,496)**
TOTAL EXPENDITURES	**$ 72,364,247**	**$ 73,260,461**	**$ 70,776,885**	**$ 2,483,576**
NET INCOME (DEFICIT)	**$ 176,951**	**$ (770,080)**	**$ -**	**$ 770,080**

Extraordinary Adjustments in the Year:	
Restructuring Costs	$489,435
Adjustments to Apprenticeship Fund - Prior Year	$372,563
Net Income per Operating Budget (before extraordinary items)	**$91,918**

CONTRIBUTION FROM OTHER ACTIVITIES

		(1) 2014/2015 APPROVED BUDGET	(2) 2014/2015 ACTUAL to March 31, 2015	(3) 2015/2016 GLOBAL BUDGET PROJECTION	(4) VARIANCE Col (3) versus (2) Better (Worse)
Apprenticeship Training	Revenues	$ 1,504,370.00	$ 890,274.00	$ 1,513,957.00	
	Expenditures	1,327,304	1,018,938	1,201,549	
	Contribution	177,066	-128,664	312,408	441,072
Provincial Training	Revenues	4,635,547	5,146,369	4,635,547	
	Expenditures	3,987,579	4,525,829	3,812,402	
	Contribution	647,968	620,540	823,145	202,605
Supplemental	Revenues	1,913,552	1,524,581	1,913,552	
	Expenditures	1,913,552	1,578,469	1,913,552	
	Contribution	0	-53,888	0	53,888
Contract Training	Revenues	5,100,000	2,186,012	2,667,070	
	Expenditures	4,380,000	2,365,706	2,736,324	
	Contribution	720,000	-179,694	(69,254)	110,440
Special Projects	Revenues	4,859,049	6,570,333	4,604,775	
	Expenditures	4,621,966	6,670,247	4,474,047	
	Contribution	237,083	-99,914	130,728	230,642
Ancillary Operations	Revenues	3,563,251	3,591,804	3,616,111	
	Expenditures	3,613,085	3,488,161	3,514,074	
	Contribution	(49,834)	103,643	102,037	-1,606
TOTAL CONTRIBUTION		**$ 1,732,283**	**$ 262,023**	**$ 1,299,064**	1,037,041

Appendix B

Key Budget Assumptions:

Revenues

Our 2015-2016 operating revenue is estimated at $70.8 million, which is a decrease of approximately $1.7 million or 2.3% compared to the 2014-15 year-end actual results.

The most significant changes are noted below:

- Government grants are projected to decrease by $645,791 (2%) based on the estimated decrease in domestic enrolment, reduction in the growth grant and international student recovery.
- Domestic tuition fee rates for funded programs have been budgeted with a 3% increase (as per MTCU tuition fee policy) however overall domestic tuition revenue is expected to increase by $172,951.
- International enrolment is expected to increase from 304 to 323 students resulting in an increase of $83,259.
- Projected enrolment changes in Second Career and WSIB programs will result in $264,119 in reduced grants.
- Net income from "other activities" such as contract training, special projects and ancillary are estimated to provide $1.3 million in additional net income. This may be somewhat further increased by potential additional contract training net contribution of $302,031, which has not been included in the budget.

Operating Expenditures

The 2015-16 budget includes total gross expenditures of $70.8 million, which is a reduction of $2.5 million or 3.4% compared to the 2014-15 actual year-end results.

- Salaries and benefits account for approximately 68% of total projected expenditures; 32% for other non-salary costs such as supplies, travel, telecommunications, utilities, professional fees, promotion, contracted training and ancillary operations.
- New collective agreements in place for Academic staff covering the September 1, 2014 to September 30, 2017 period and Support Staff for the September 1, 2014 to August 31, 2018 period. Budgeted wage increases for 2015-16 are 1.5% for academic staff, 1.5% for administrative staff and 1% for support staff plus increases for steps on the salary grid have been included in the estimates.
- Workforce restructuring (staffing and vacancy adjustments) are assumed to be permanent reductions to complement. The 2015-16 budget includes $1,244,408 in restructuring costs in salaries.
- Overall expenditures from "other activities" are projected to decrease by $2.0 million (approximately 10.2%) with only a minimal reduction in general operations.

Appendix C

Three-Year Financial Plan: 2015-16 to 2017-18

	Actual 14/15 Year-end	Proposed 15/16 Budget	Projected 16/17 Budget	Projected 17/18 Budget
REVENUES				
Post-Secondary Grants	$30,782,424	$30,136,633	$29,999,618	$30,158,442
Other Provincial Grants	$13,715,725	$12,073,491	$12,073,491	$12,073,491
Tuition Fees	$9,424,411	$9,597,361	$9,592,999	$9,698,080
Other Student Fees	$2,196,421	$2,264,147	$2,264,147	$2,264,147
International Tuition Fees & Other	$6,134,010	$6,217,269	$6,671,063	$6,941,969
Contracts and Programs	$4,089351	$4,109,563	$4,109,563	$4,109,563
Ancillary Operations	$3,591,804	$3,616,111	$3,616,111	$3,616,111
Other Income	$2,556,234	$2,762,310	$2,762,310	$2,762,310
Total Revenue	**$72,490,381**	**$70,776,885**	**$71,089,302**	**$71,624,113**
EXPENDITURES				
Total Salaries	**$50,392,464**	**$48,269,288**	**$48,179,752**	**$48,948,941**
Operating Expenses	$9,950,192	$9,654,959	9,958,058	10,107,429
Travel & PD	$1,227,927	$1,018,806	1,039,182	1,054,770
Information Technology	$767,335	$852,402	869,450	882,492
Plant, Property Insurance & Security	$3,002,898	$2,524,790	2,575,286	2,613,915
Other Contract Services	$5,708,612	$6,258,343	6,383,510	6,479,263
Scholarships & Bursaries	$444,374	$521,301	521,301	521,301
Other Ancillary	$1,766,680	$1,676,996	1,710,536	1,736,194
Total Non-Salary Expenses	**$22,867,997**	**$22,507,597**	**$23,057,323**	**$23,395,363**
Total Expenses	**$73,260,461**	**$70,776,885**	**$71,237,075**	**$72,344,304**
Net Gain (loss)	**($770,080)**	**$0**	**($147,773)**	**($720,191)**
Net Gain (loss) after GAAP Adjustments	**($1,283,494)**	**($855,175)**	**($731,929)**	**($1,170,903)**

Assumptions:

Revenues

- Provincial grants and tuition fees adjusted based on enrolment forecasts provided by SEM for domestic, international, second career and WSIB.

Other Expenses

- Restructuring costs of $1,244,408 included in salaries for 2015-16 has been reduced by $1,013,770 in 2016-17 and an additional $230,638 in 2017-18.
- Remaining salaries adjusted 1.5% for academic staff, 1.5% for administrative staff and 1% for support staff plus increases for steps on the salary grid.
- Non-salary expenses increased by 2% in 2016- 17 and 1.5% in 2016-17.

Appendix D

Cash Flow Analysis

We have forecasted approximately $9.65 million cash position for the budgeted statement of financial positon at March 31, 2016 versus March 31, 2015. The following is a summary of the budgeted changes reflected in the 2015-16 Business Plan:

Description	March 31/15 Actual	Projected March 31/16	$ Change
Cash and Temporary Investments	$8,850,114	$9,647,039	$796,925
Accounts Receivable (AR)	$6,553,250	$5,082,524	($1,470,726)
Investment and Other Current Assets	$9,851,262	$10,012,991	$161,729
Accounts Payable (AP)	$5,549,299	$6,457,410	$908,111
Deferred revenue	$4,230,091	$3,098,944	($1,131,147)
Long Term Debt (LTD)	$1,344,937	$1,034,934	($310,003)
Totals	$36,378,953	$35,333,842	($1,045,111)

Comments:

- Reduction in Cash with College financing construction in progress for Wellness Center
- Reduction in AR with continued semester billing, and reduction in contract training activity
- Increase in investment fund for market gains, offset by decreases in prepaid expenses for maintenance agreements, and grants receivable at year end
- Increase in AP with increased activity for the Wellness Centre capital project, management of cash flows until financing secured
- Anticipated reduction in Deferred Revenue, no special grants and carryover anticipated for budget 15/16
- Reduction in long-term debt principal for current loans. Any new loans anticipated at end of year March 2016, current website financing is interest only

Appendix E

Budget Planning Risks

- Student enrolment and government grants are key drivers in determining the operating budget accounting for approximately 84% of total revenue.

- The multi-year post-secondary enrolments developed by the academic team project 2% reduction annually in domestic enrolments.

- The enrolment forecasts may be improved with additional Strategic Enrolment Management (SEM) input and analysis of demographic changes, Study North marketing efforts and aboriginal recruitment.

- International enrolment is forecasted to grow from 304 students in 2014 to 345 forecasted for 2015. Our balanced budgets have come to rely significantly on the net contribution from International Students. Going forward we will likely require investment to maintain growth.

- The changing federal and provincial economic and political landscape provides significant challenges to ensuring sustainable and predictable funding. In addition, there is uncertainty and some degree of volatility with contract training.

- Collective agreements are in place for faculty and support staff for the next 3 and 4 years respectively, therefore there is relative certainty about salary and benefit costs for these groups.

Schedule 1

2015-16 Strategic Initiatives

Item	*Description*	*Amount*
1	Writing across Curriculum	$45,175
2	Parking capital improvement fund	$50,000
3	SEM recruitment initiative	$60,000
4	Health and safety training	$30,000
5	Study North	$50,000
6	NOHF interns (5 positions)	$55,500
7	Education/work leave plan	$49,000
8	Strategic Plan development costs	$17,000
9	Increases for respect campaign	$5,000
10	International student scholarship	$5,000
11	Technology Enabled Learning	$110,000
12	Increase Health Centre clinics	$10,400
13	Sustainability Communication Plan	$6,000
14	Arborra Management Services (Sustainability)	$25,000
	Totals	**$518,075**

Schedule 2

2015-16 Capital Budget

Item	***Description – Global Capital Budget***	***Amount***
1	Securing Microsoft Azure Academic Passes	$24,000
2	Desktop fume control units for soldering lab in McIntyre Building	$36,500
3	Patient Transfer Stretcher	$4,350
4	Ambulance Stretcher	$12,000
5	Upgrade of C-GLUU from amphibious to straight floats with tail wheel gear	$55,000
6	16 AC/DC power supplies in ACE 133	$32,000
7	Power Plant operation simulator	$54,493
8	Renovations Shuniah 377 into two classrooms	$27,000
9	New Residence: natural gas feed/other	$340,000
10	McIntyre foot bridge	$42,900
11	Kenora Campus repairs: walls/drainage/walks	$83,800
12	Electrical service upgrades	$75,000
13	General renovations FRP Funding TBD	$37,300
14	Restorative dental Instruments	$5,000
15	Dental Mannequin heads	$7,500
16	Digital Analogue Servo	$27,000
17	Computer lab renewals	$305,818
18	Misc. AEF TBD	$236,953
19	Misc. Tech equipment TBD	$260,000
20	CERF misc.	$1,807
	Total Global Capital Budget	**$1,668,421**
Item	***Description – Capital Project Budget***	
21	Student Village – Wellness Centre	**$1,283,000**
	Totals	**$2,998,421**

2015-16 Projected Funding Sources of Capital

Source	***Amount***
Provincial Funding (MTCU)	$759,753
Operations (Student Program Fees)	$565,818
Fundraising/Donations	$207,850
NOHFC (Bioenergy Project)	$182,000
NOHFC (Wellness Centre Project)	$200,000
OFA Loan (SUCCI Resource Dev. Fee)	$983,000
FedNor	$100,000
Totals	**$2,998,421**