



MEMORANDUM

Date: **June 13, 2018**

Date Last Updated: **June 23, 2017**

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: Access and Success; Ends Policy 2: Community Prosperity; and Ends Policy 3: Institutional Excellence).

Evidence:

The projected 2018-19 budget of \$100.7 million has been developed as a balanced budget in support of the Board Ends and Strategic Plan. See also Appendix A for a detailed breakdown of the operating budget.

	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Projected Budget
Total Revenues	\$75,122,981	\$75,857,235	\$75,650,398	\$100,690,084
Total Expenses	\$74,141,721	\$74,942,438	\$74,227,562	\$100,225,639
Surplus (Deficiency)	\$981,260	\$914,797	\$1,422,836	\$446,445

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 2018-19 operating budget 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 following two metrics show positive results in managing the Colleges financial resources as reported on the 2018 Audited Financial Statements:

- **Annual Surplus/Deficit** (revenue - expenses): At March 31, 2018, the College reported a positive variance of approximately \$1.4M compared to a \$914,795 surplus at March 31, 2017. This marks the third year in a row that the College achieved a year-end surplus.
- **Accumulated Surplus/Deficit** (General Unrestricted, Internally Restricted and Investment in Capital Assets): At March 31, 2018, the College reported a positive variance of \$7.9 million compared to a \$6.2 million surplus at March 31, 2017, which is an increase of approximately \$1.7 million.

I report compliance.

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

I interpret “multi-year plan” as the 2018-19 budget year as well as forecast projections for 2019-2020 and 2020-2021.

Evidence:

The College three-year fiscal plan incorporates assumptions on revenues, enrolment, wage rates, operating expenses, etc. Appendix C provides further detail on the Three-Year Financial Plan for the period 2018-19 to 2020-21. NOTE: Options to balance the budget for 2019-20 and 2020-21 are to be discussed with the Board at the in-camera session.

	2017-18 Actual	2018-19 Projected Budget	2019-20 Projected Budget	2020-21 Projected Budget
Total Revenues	\$75,650,398	\$100,690,084	\$90,142,768	\$88,739,470
Total Expenses	\$74,227,562	\$100,225,639	\$96,421,038	\$94,372,505
Surplus (Deficiency)	\$1,422,836	\$464,445	-\$6,278,279	-\$5,633,035

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:

The 2018-19 operating budget is forecast as a balanced budget based on assumptions which were reviewed by the Audit Committee. Appendix B provides further information on the financial risk exposure used to develop the 2018-19 operating 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:”

I submit this is clear and requires no further interpretation.

Evidence:

a) Credible projection of revenues and expenditures:

The 2018-19 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 the 2018-19 Business Plan for details of the Five-year Capital Expenditure Projections.

c) Cash flow analysis:

A summary of the projected changes reflected in the Budget Statement of Financial Position (Balance Sheet) at March 31, 2019 are listed in Appendix D.

d) Disclosure of planning assumptions:

Prior to the finalization of the operating budget, the 2018-19 budget planning assumptions were reviewed with the Audit Committee on December 14, 2017 and March 28, 2018. See Appendix B.

I report compliance.

3. “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 \$57,418 for 2018-19 in keeping with historical expenditures.

I report compliance.

Respectfully submitted,

D. Jim Madder,
President

Appendix A

The Confederation College of Applied Arts and Technology		
Statement of Operations		
	ACTUAL	BUDGET
For the year ended March 31	2018	2019
Revenue		
Post Secondary Grants	\$ 31,682,100	\$ 39,723,550
Other Provincial Grants	11,749,734	11,677,056
Tuition Fees - Domestic	7,756,984	8,587,752
Other Student Fees	3,611,762	4,063,407
Tuition Fees - International	8,329,430	15,348,485
Contracts and Programs	5,197,815	11,368,572
Ancillary Operations	3,000,536	3,399,125
Amortization of deferred capital contributions	2,990,197	4,833,616
Other Revenue	1,331,840	1,688,521
	75,650,398	100,690,084
Expenses		
Full-time Salaries and Benefits	\$ 37,217,151	\$ 44,840,584
Part-Time Salaries and Benefits	9,048,633	16,874,000
Plant and Property Maintenance	3,189,624	4,255,563
Contract Services	7,851,125	10,739,428
Furniture & Equipment	835,580	2,041,758
Miscellaneous	1,285,811	2,026,060
Office and Instructional Supplies	5,791,157	8,675,369
Professional Dues & Audit Fees	715,509	872,472
Scholarships and Tuition Set-Aside	1,027,420	1,060,391
Telecommunications & Software	1,479,999	1,348,979
Travel and Professional Development	2,030,210	1,242,157
Capital of out Operating	-	470,000
Depreciation	3,755,343	5,778,878
	74,227,562	100,225,639
Excess of revenue over expenses	\$ 1,422,836	\$ 464,445

Appendix B

2018-2019 Budget Planning Assumptions

Guiding Principles:

The following guiding principles have been used to develop the 2018-2019 operating budget:
Learners are at the centre of quality education.

College budgets should:

- * reflect, align and support key priorities identified in the Strategic Plan and Annual Business Plan;
- * define responsibility, accountability, and authority for achieving program and service outcomes;
- * strive for cost savings, efficiencies, and shared program and service delivery models, where possible;
- * consider Integrated Financial Risk Management implications (such as: demographic changes in domestic post-secondary enrolment; increased reliance on International student recruitment; infrastructure and technology renewal challenges; program and service sustainability);
- * reflect changes in the fiscal environment that may impact the College (such as: labour market demand; political landscape, provincial funding and tuition framework; college sustainability).

2018-19 OPERATING BUDGET

Key planning assumptions:

- Corridor funding model used by MAESD for operating grant funding
- Revised Enrolment forecasts from SEM have been updated.
- Salary projections (as per collective agreements)
- Tuition Fees (maximum 3% annual increase as per MAESD guidelines)
- Non-labour costs (as per industry estimates and signed agreements; some adjustments for inflationary pressures)
- Fall 2017 Faculty Strike & Student Support Fund carryover due to extension of the Academic year into May 2018, including the additional costs for the flight recovery plan for 2017-18 students.
- Bill 148 cost impacts have been incorporated into the projected budget (increases in the minimum wage and equal pay for equal work, etc.).
- One-time Sustainability funding of \$8M (MAESD commitment for 1 year) and \$2.41M in additional Small Northern Rural grant funding (MAESD commitment for 3 years) have been included in the projected budget.
- Deferred revenue recognized from prior year (2017-18).
- Contract training adjustments incorporated into the revenue and expenditure estimates.

SUMMARY

- Since December 19, 2017, the College and MAESD have been holding monthly meetings to discuss mitigation strategies and the development of a recovery plan.
- Bill 148 Task Force created January 12, 2018 to review all programs, services and campuses for cost savings.
- With the additional MAESD grants, the College has developed a balanced 2018-19 operating budget.

Financial Risk Exposure Areas:

- The ongoing reality of domestic student enrolment declines; impact is reduced tuition fee and provincial operating grant revenue, which is driven by domestic enrolment.
- The increased reliance on international student enrolment increases; impact is increased risk and vulnerability to tuition and fee revenue; offset somewhat by increases in additional expenditures for teaching and support for the increased international enrolment.
- Impact of the Faculty Strike on domestic and international enrolment and retention is unknown.
- Extension of the 2017-18 Academic year into May 2018 has negative operating cost implications on the 2018-19 budget.
- Increased competition for indigenous students by other colleges and indigenous institutions.
- Small, Northern and Rural Grant is being reviewed as part of the College Funding Model process. \$2.41M in additional SNR grant funding is for 3 years only (2018-19; 2019-20; 2020-21); \$1M -1.2M is anticipated starting 2021-22 (reduction of \$1.2-\$1.4M).
- Lack of annual funding from government for inflation forces colleges to either grow or reduce services/staffing in order to cover cost inflation.
- Capital resources/investment to refresh program equipment, information technology and facilities is severely limited.
- Financial sustainability issues; declining importance of the government operating grant and increased reliance on international tuition fees to fund college programs and services.
- MAESD has not committed to additional one-time Sustainability funding to address Bill 148 pressures beyond the 2018-19 fiscal year.
- Long-Term Sustainability Plan will need to be developed by the College to address ongoing fiscal pressures.

Appendix C

Projected Three-Year Financial Plan: 2018-19 to 2020-21

	2017-18 Actual	2018-19 Projected Budget	2019-20 Projected Budget	2020-21 Projected Budget
REVENUE				
Grant Revenue	\$43,431,834	\$51,400,606	42,190,697	40,728,756
Tuition Revenue and Student Fees	\$19,698,176	\$27,999,644	27,001,877	27,710,519
All Other Revenue	\$9,530,191	\$16,456,218	15,616,578	14,716,578
Amortization	\$2,990,197	\$4,833,616	5,333,616	5,583,616
Total Revenues	\$75,650,398	\$100,690,084	\$90,142,768	\$88,739,470
EXPENSES				
Salaries & Benefits	\$46,250,925	\$61,714,584	61,395,530	62,304,728
Restructuring Costs	\$14,859	-	-	-
Non-Labour Costs	\$24,206,216	\$32,732,177	28,746,630	25,538,899
Depreciation	\$3,755,562	\$5,778,878	6,278,878	6,528,878
Total Expenses	\$74,227,562	\$100,225,639	\$96,421,038	\$94,372,505
Surplus (Deficiency)	\$1,422,836	\$464,445	-\$6,278,270	-\$5,633,035

NOTES:

Further options to balance the budget for 2019-20 and 2020-21 to be discussed with the Board in camera.

Appendix D

Projected Cash Flow Changes – Statement of Financial Position

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As at	March 31, 2018	Change	March 31, 2019
The Confederation College of Applied Arts and Technology			
Statement of Financial Position			
Assets			
Current			
Cash	\$ 24,804,616	\$ (12,725,752)	\$ 12,078,864
Accounts receivable (Note 3)	5,110,095	(1,550,000)	3,560,095
Temporary investments (Note 2)	-		-
Inventory	785,270		785,270
Current portion of notes and long-term receivable	261,623	(15,000)	246,623
Grants receivable	893,188	(764,188)	129,000
Prepaid expenses	361,584	(165,263)	196,321
	32,216,376		16,996,174
Investment portfolio - endowments restricted (Note 4)	9,067,465	272,024	9,339,489
Notes and long-term receivable	7,587,975	(276,623)	7,311,352
Construction in progress (Note 5)	15,534,939	(15,534,939)	0
Capital assets (Note 6)	52,128,699	25,301,128	77,429,827
	\$ 116,535,454		\$ 111,076,842
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 7)	\$ 10,832,715	\$ (6,600,000)	\$ 4,232,715
Deferred revenue (Note 8)	10,362,511	(7,437,957)	2,924,554
Vacation pay	3,107,196	(100,000)	3,007,196
Current portion of long-term debt (Note 9)	979,635	(309,551)	670,084
	25,282,057		10,834,550
Post-employment benefits and compensated absences (Note 10)	2,344,000		2,344,000
Deferred capital contributions (Note 11)	46,375,916	23,665,466	70,041,382
Deferred capital contributions - construction in progress (Note 11)	15,201,523	(15,201,523)	0
Long-term debt (Note 9)	10,532,113	(663,978)	9,868,135
	99,735,609		93,088,067
Net Assets			
Unrestricted			
Operating	\$ 5,487,199	\$ 464,445	5,951,644
Post-employment benefits and compensated absences	(2,344,000)	-	(2,344,000)
Vacation Pay	(3,107,196)	100,000	(3,007,196)
	36,003		600,448
Invested in capital assets (Note 12)	\$ 2,655,310	470,000	3,125,310
Internally and externally restricted (Note 13)	5,227,748	(117,540)	5,110,208
Endowments restricted (Note 14)	8,880,785	272,024	9,152,809
	16,763,843		17,388,327
	16,799,846		17,988,775
	\$ 116,535,454		\$ 111,076,841

NOTES:

- Majority of changes due to capital projects (TEC Hub, Sioux Lookout, Bridge, GHG, etc.).
 - Construction in Progress
 - Notes & LT receivables
 - Capital Assets
- Timing of capital project cash flows aligned with project construction schedules
- Operating cash flows from MAESD provided on a bi-monthly basis
- Accounts Receivable and Accounts Payable are monitored/managed on a monthly basis.