



Fleming College Financial Plan 2015-2016

APPROVED: by the Board of Governors, April 29, 2015 #3

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I. Summary

The College has developed a prudent, balanced Financial Plan for 2015/16.

Total revenues and expenditures in this Financial Plan are balanced at \$103.3 million, a decrease of \$1 million (-1.0%) from the 2014/15 Update Budget. Key aspects of the Financial Plan are as follows:

- Revenue declines are primarily due to:
 - Conservative estimates of international student enrolment revenue
 - Investment funding for the new Kawartha Trades and Technology Center (KTTC) building project that was completed in 2014/15
 - Several other grant reductions
 - Offsetting a portion of these reductions is an increase in tuition revenue, as tuition will increase by three percent in line with government policies
- Operating Expenditures are planned at \$0.6 million lower than 2014/15 Budget Update, primarily due to the following:
 - Salaries and Benefits are flat in total (-\$0.1 million, or 0.1% lower) versus the 2015/16 Update Budget. FT Salary collective agreement increases and increased Pension Benefit costs are offset by reductions in PT Salaries
 - Non-Salary Operating expenses have been strategically decreased primarily by identifying efficiencies in energy consumption, plant and other operating supplies, travel and professional development
- Non-Operating Expenditures are planned at \$0.4 million lower than 2014/15 Budget Update, primarily due to changes in several specifically-funded programs and non-capital investment projects (primarily the expense components of the KTTC project).
- The Financial Plan includes the potential to place \$750,000 of international revenue into College Reserves should the budgeted international revenue be exceeded and the potential enrolment forecast be fully realized.

Capital Investment is budgeted at \$2.5 million. This is \$12 million lower than Capital Investment in the 2014/15 Budget Update, primarily due to funded projects such as the KTTC (\$11.0 M), the new Sport Field Complex (\$0.3 M), Centre for Alternative Wastewater Treatment (CAWT) (\$0.3 M), and several other projects.

The following table provides a high level Financial Summary:

Fleming College Financial Plan Preliminary Budget 2015/16

SUMMARY

(\$ 000's)

	2015/16 Preliminary Budget	2014/15 Budget Update	\$ Increase (Decrease)	% Increase (Decrease)
Revenue				
Grants & Reimbursements	\$ 45,787	\$ 46,210	\$ (423)	-0.9%
Student Tuition Fees	27,491	26,576	915	3.4%
Contract Training	1,075	1,242	(167)	-13.4%
Other Income	10,425	11,133	(708)	-6.4%
Amortization	4,315	4,311	4	0.1%
Skills, Bursaries, Ancillary & Projects	14,167	14,843	(676)	-4.6%
Revenue	103,261	104,316	(1,055)	-1.0%
Operating Expenses				
Operating Expenses	83,175	83,942	(767)	-0.9%
Amortization Expense	5,850	5,704	146	2.6%
Skills, Bursaries, Ancillary & Projects	14,236	14,671	(435)	-3.0%
Expenses	\$ 103,261	\$104,316	(1,055)	-1.0%
Excess of Revenue over Expenditures	\$ -	\$ -		

	Projected Balance Mar 31/16	Projected Balance Mar 31/15	\$ Increase (Decrease)	% Increase (Decrease)
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NET ASSETS

Invested in Capital Assets

As of April 1, 1997	\$ 2,417	\$ 2,417	\$ -	
Since April 1, 1997	15,072	14,691	\$ 381	
Total Invested in Capital Assets	17,489	17,108	381	2.2%

Unrestricted


Operating (Board Reserves)	(4,298)	(3,871)	(426)	
Accrued vacation pay, Future Benefits and Derivative & Sick Leave & PSA *	(10,671)	(10,671)	-	
Total Unrestricted	(14,968)	(14,542)	(426)	2.9%

Internally Restricted	2,289	2,244	45	
Subtotal Net Assets	4,810	4,810	0	0.0%

Externally restricted	6,395	6,395	-	
TOTAL NET ASSETS	\$ 11,205	\$ 11,205	\$ 0	0.0%

II. Revenue

College revenues are budgeted at \$ 103.3 million; a decrease of 0.9% from the 2014/15 Update Budget.

Financial Plan Preliminary Budget					
<i>Fiscal Year 2015/2016</i>					
					
	Preliminary Budget 2015/2016	Budget Update 2014/2015	Budget Change	% Change	
Revenue					
Grants and Reimbursements	\$ 45,787,265	\$ 46,209,861	\$ (422,596)	-0.9%	
Student Tuition Fees	\$ 27,490,919	\$ 26,576,280	\$ 914,639	3.4%	
Contract Training	\$ 1,075,401	\$ 1,242,396	\$ (166,995)	-13.4%	
Other Income					
Other Income	\$ 6,102,225	\$ 6,947,050	\$ (844,825)	-12.2%	
Ancillary Fees	\$ 4,322,810	\$ 4,186,328	\$ 136,482	3.3%	
Total Other Income	\$ 10,425,035	\$ 11,133,378	\$ (708,343)	-6.4%	
Amortization of Deferred Capital Contributions	\$ 4,315,000	\$ 4,311,270	\$ 3,730	0.1%	
Total Operating Revenues	\$ 89,093,620	\$ 89,473,185	\$ (379,565)	-0.4%	
Investments					
Skills Programs	\$ 3,678,690	\$ 3,602,327	\$ 76,363	2.1%	
Tuition Holdback Bursaries	\$ 2,549,083	\$ 2,441,298	\$ 107,785	4.4%	
Ministry Bursaries	\$ 257,400	\$ 369,288	\$ (111,888)	-30.3%	
Special Projects	\$ 1,905,583	\$ 2,491,635	\$ (586,052)	-23.5%	
Facilities Renewal and Renovation Projects	\$ 495,360	\$ 617,370	\$ (122,010)	-19.8%	
Ancillary Operations	\$ 5,280,813	\$ 5,320,584	\$ (39,771)	-0.7%	
Total Non Operating Revenues	\$ 14,166,929	\$ 14,842,502	\$ (675,573)	-4.6%	
Total Revenue	\$ 103,260,549	\$ 104,315,687	\$ (1,055,138)	-1.0%	

Highlights of significant budget assumptions and budget changes on revenue are summarized as follows.

1. Grants and Reimbursements

Grants are budgeted to decrease by \$422,600 from the 2014/15 Update Budget as follows: (\$ 000's)

	<u>Preliminary 2015/16</u>	<u>Update 2014/15</u>	<u>Change</u>
Basic Operating Grant	\$29,970	\$30,115	\$ (145)
Enrolment Growth Grants	5,709	5,745	(36)
BScN Grant	3,917	3,945	(28)
Second Career Grant	854	928	(74)
Small Northern & Rural Grant	2,229	2,229	-
Apprentice Grant	834	964	(130)
Performance Funding Grant	548	548	-
Special Needs & Interpreter Grant	693	652	41
Municipal Tax Credit	440	469	(29)
CO-OP Diploma Apprentice Grant	130	130	-
Rental Grants	250	203	47
Medical & Clinical Grant	110	110	-
Misc. Recoveries	103	172	(69)
Grants and Reimbursements	\$45,787	\$46,210	\$(423)

The Operating grant is based on allocations provided from the province through the Ministry of Training Colleges and Universities (MTCU). New policy has been implemented where MTCU is recovering an amount from all colleges based on international student enrolments. Reduction in grant is based on enrolment forecasts.

The Enrolment Growth grant is calculated under the College Funding Framework and is formula driven based on enrolment growth over the past 2 "audited" years (i.e. 2012/13 and 2013/14 growth is funded in 2015/16). Enrolment in domestic students over these two years has seen a slight decline, thus the corresponding reduction in grant.

The Second Career program is funded based on annual enrolment which has been declining. Decline in enrolment is expected to continue.

Two new "pre-apprentice" programs were approved during 2014/15; however, only one was approved for 2015/16.

2. Tuition Fees

Tuition fee revenue is expected to be \$27.5 million, up \$0.9 million (3.4%) from last year's Update Budget.

Full time tuition is based on the college enrolment plan that is detailed to the program level using approved tuition rates that vary by program. Overall, the enrolment plan is projecting enrolments to remain relatively flat. Tuition fees have been increased by an average of three percent as of September 1, 2015 as per board approved rates.

Tuition from International enrolment has been budgeted with a reduction of \$0.7 million. For preliminary budget purposes, the college is taking a conservative approach in order to offset risk and volatility related to the international market.

Part time enrolment is budgeted to match 2014/15 actuals, with a 3% increase in average fees.

3. Contract Training

Contract training revenue has decreased by \$166,995. The key driver of this variance relates to a significant international training contract that is ending in 2015/16.

4. Other Income

Overall, Other Income has decreased by \$844,825 (-12.2%) from the 2014/15 Update Budget. Other Income is comprised of a variety of income streams from operations including provincially funded projects/programs, administrative fees, bookstore, and cafeteria, as well as recovery from students for student supply fees, academic fees for field placements, and international student health fees.

The most significant change to this income is a result of the introduction of a new Tuition and Billing policy by MTCU. This change disallows the billing of OSAP deferral and late payment fees which will cause a reduction in administrative fees of \$450,000.

There is a projected decline of \$137,000 related to enrolments in the provincially funded Dual Credit Program with high school students, due to the declining numbers of high school students in our region.

Bookstore and cafeteria / food service providers are also projecting lower sales commissions which amount to a reduction of College revenues of \$93,000.

The balance of revenue reductions are the result of the reclassification of project and contract funding from Other Income to Contract Training or, where appropriate, non-operating projects.

5. Non-Operating Revenues

Non-operating revenues vary significantly year over year as they are based on contractual agreements negotiated annually.

Special Projects include newly negotiated funding agreements, primarily for projects managed through the Office of Applied Research and the CAWT.

Facility Renewal and Renovation Projects revenue represents funding received from MTCU for facility and other projects as well as funding received and allocated for items under \$5,000 of value, such as academic equipment and personal computers. Items over \$5,000 are deemed capital assets. The mix between capital asset and expense will change from year to year depending on the nature and value of these items.

The College Equipment Renewal Fund (CERF) applies to academic and information technology equipment, and is estimated to total \$276,000. This revenue will be used to replace/upgrade classroom equipment across the College.

The Facilities Renewal Grant (FRG), estimated at \$320,000, will fund deferred maintenance of College infrastructure.

Of the total eligible grant funding (CERF and FRG), \$495,360 is planned to be used to offset non-capital investments for 2015/16. The balance of the grant will be offsetting capital asset projects.

Ancillary Operations revenues are associated with the College residence and parking operations.

1. Full Time Salaries

Full time (FT) salaries are budgeted based on the current College staff complement and all Collective Agreements that are currently in place. FT salaries also include approved staff sabbaticals and a provision for sick leaves. Overall FT salary is projected to increase by \$526,820 (1.3%) over the 2014/15 Update Budget.

2. Part Time Salaries

Part time (PT) salaries are expected to decrease by \$876,491 (6.9%) from the 2014/15 Update Budget. This decrease is primarily related to reduced teaching hours and also a strategic shift in the percentage of teaching done by partial load and part-time faculty.

3. Benefits

Benefits have increased \$271,137 from the 2014/15 Update Budget. The % increase is higher than % increase in salaries, with benefit rates increasing, however primarily due to an increase in pension benefits under revised pension rules allowing PT staff to enter into the pension plan.

4. Plant and Security

While Plant and Security expenses are shown as decreasing by \$180,410 from the 2014/15 Update Budget, it must be noted that 2014/15 included a one-time extraordinary provision for an environmental remediation expense of \$115,000 in the Budget Update. Excluding this extraordinary item, plant costs are budgeted to decrease by only \$64,810 which equals a 2.9% decrease.

5. Utilities

Overall, utilities are projected to decline in 2015/16 by \$184,824. Energy efficiency projects and investments have been designed that will drive these decreases, such as the replacement of high cost lighting with more efficient LED fixtures across the College, and an increased focus on sustainable practices.

6. Contract Services Trent

Expenditures under the collaborative agreement with Trent University for Bachelor Science Nursing program have been aligned with program delivery efficiencies proposed by both Trent and Fleming.

7. Services & Other

A change in practice to reclassify the skills programs' overhead, which offsets operating costs, was implemented for the 2015/16 Budget. This also adjusts the disclosure in Non-operating Expense to properly disclose balanced budgets within the skills programs. For comparative purposes this adjustment was also made to the 2014/15 Budget Update.

8. Amortization of Capital Assets

Amortization expense has increased by \$146,448 from the 2014/15 Update Budget. The calculation of amortization is based on the continuity schedule of capital assets with remaining book value requiring amortization. In particular, 2014/15 increased by a partial year of Amortization expense for the College's new trades and technology building that opened in September. A full year of Amortization expense for this building is required for 2015/16 and subsequent years, which accounts for the increase in the Budget. There are no other significant assets being added to the plan in 2015/16.

9. Initiatives and Investments

Initiatives and Investments totalling \$891,227 are being planned for this year.

Many of these expenditures, while capital in nature, do not qualify as additions to capital assets; they are either below capital thresholds (\$5,000 per item), such as academic equipment/tools, or are one time investments such as professional services that are not considered assets.

These 2015/16 planned investments including upgrades to our IT systems, replacement of classroom equipment, building repairs and maintenance/renovations totalling \$599,360. \$495,360 of this planned investment expense is eligible for grant offset from MTCU funding.

In addition \$311,800 is included in expenditures for Ancillary Operations (maintenance in student residences and parking lots) as one time investments.

IV. Capital

Capital spending in 2015/16 is budgeted at \$2.5 million of which \$0.1 million is from MTCU CERF funding. The balance of \$2.4 million is capital funded from operating.

Capital budgeted for 2015/16 is summarized below:

Building Construction/Renovations	\$	527,264
Residence Capital	\$	615,000
Parking Lot & Grounds Equipment	\$	325,074
Academic Equipment	\$	538,492
Network/System Upgrades	\$	464,000
	\$	<u>2,469,830</u>