



Fleming College Financial Plan 2017-2018

APPROVED: by the Board of Governors, April 26, 2017 #3

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I. Summary

The College has developed a prudent Financial Plan for 2017/18 that anticipates contributing \$1.0 million to college reserves.

Total revenues in this Financial Plan are forecasted at \$113.0 million, an increase of \$3.6 million (3.3%) from the 2016/17 Budget Update. Expenditures are planned at \$112.0 million, \$3.9 million (3.6%) higher than 2016/17 Budget Update.

Key aspects of the Financial Plan are as follows:

- Operating Revenue increases from 2016/17 are primarily due to:
 - An increase in international enrolment projections along with an increase in tuition fees.
 - Added grant funding for Facility, Renewal and Renovation projects
- Operating Expenditure variances from 2016/17 are primarily due to the following:
 - Increase in Full Time (FT) Salary Expenditures includes collective agreement increases and increased pension benefit costs, as well as an investment in FT teaching faculty.
 - Part Time Salaries have been strategically reduced with the planned addition of FT faculty.
 - Increases in Non-Salary Operating Expenses include investment in international recruitment efforts and added information technology equipment and licensing expenditures for the enhancement of the College's IT infrastructure.
- The Financial Plan includes the potential to contribute \$1.6 million of international revenue towards College reserves. From this contribution, the College is planning to utilize \$0.485 million for operating investments expense and \$0.3 million for College change initiatives. An additional \$0.175 million is planned to be placed into reserves from our non-operating ancillary operations, resulting in a net contribution to reserve of \$1.0 million.
- Capital Investment is budgeted at \$18.0 million with \$9.2 million projected to be funded by capital grants.

The following table provides a high level Financial Summary:

Fleming College Financial Plan Preliminary Budget 2017/2018

SUMMARY

(\$ 000's)

	Preliminary Budget 2017/2018	Budget Update 2016/2017	\$ Increase (Decrease)	% Increase (Decrease)
Revenue				
Grants & Reimbursements	\$ 45,598	\$ 46,383	\$ (786)	-1.7%
Student Tuition Fees	34,065	29,967	4,098	13.7%
Contract Training	1,128	1,562	(434)	-27.8%
Other Income	12,085	11,780	305	2.6%
Amortization	4,175	4,435	(260)	-5.9%
Skills, Bursaries, Ancillary & Projects	15,974	15,309	665	4.3%
Revenue	113,024	109,436	3,588	3.3%
Operating Expenses	89,537	86,180	3,358	3.9%
Amortization Expense	5,884	6,046	(162)	-2.7%
Skills, Bursaries, Ancillary & Projects	16,584	15,862	723	4.6%
Expenses	\$ 112,006	\$ 108,087	3,918	3.6%
Excess of Revenue over Expenditures	\$ 1,019	\$ 1,349	(330)	-24.5%

	Projected Balance Mar 31/18	Projected Balance Mar 31/17	\$ 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	17,352	15,055	\$ 2,297	
Total Invested in Capital Assets	19,769	17,472	2,297	13.1%

Unrestricted

Operating (Board Reserves)	2,518	3,806	(1,288)	
Accrued vacation pay, Future Benefits and Derivative & Sick Leave & PSA *	(9,882)	(9,882)	-	
Total Unrestricted	(7,364)	(6,076)	(1,288)	21.2%

Internally Restricted

	685	675	10	
Subtotal Net Assets	13,090	12,071	1,019	8.4%

Externally restricted

	6,471	6,471	-	
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TOTAL NET ASSETS	\$ 19,561	\$ 18,542	\$ 1,019	5.5%
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II. Revenue

College revenues are budgeted at \$ 113.0 million, an increase of \$3.6 million (3.3%) from the 2016/17 Budget Update.

<i>Financial Plan - Preliminary Budget</i>				
<i>Fiscal Year 2017/2018</i>				
	Preliminary Budget 2018	Budget Update 2017	Budget Change	%
Revenue				
Grants and Reimbursements	(45,597,878)	(46,383,423)	785,545	-1.7%
Student Tuition Fees	(34,064,880)	(29,967,048)	(4,097,832)	13.7%
Contract Training	(1,127,842)	(1,562,213)	434,371	-27.8%
Other Income				
Other Income	(7,404,556)	(7,480,181)	75,625	-1.0%
Ancillary Fees	(4,680,313)	(4,299,699)	(380,614)	8.9%
Non-Operating Revenue		-	-	
Total Other Income	(12,084,869)	(11,779,880)	(304,989)	2.6%
Amortization of Deferred Capital Contributions	(4,175,000)	(4,435,000)	260,000	-5.9%
Total Operating Revenues	(97,050,469)	(94,127,564)	(2,922,905)	3.1%
Investments			-	
Skills Programs	(3,164,983)	(3,438,796)	273,813	-8.0%
Tuition Holdback Bursaries	(2,900,300)	(2,945,000)	44,700	-1.5%
Ministry Bursaries	(282,000)	(700,000)	418,000	-59.7%
Special Projects	(2,340,606)	(2,270,533)	(70,073)	3.1%
Facilities Renewal and Renovation Projects	(1,701,237)	(517,958)	(1,183,279)	228.5%
Ancillary Operations	(5,584,594)	(5,436,600)	(147,994)	2.7%
Total Revenue	\$ (113,024,189)	\$ (109,436,451)	\$ (3,587,738)	3.3%

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

1. Grants and Reimbursements

Grants are budgeted to decrease by \$0.785 million from the 2016/17 Budget Update as follows: (\$ 000's)

	<u>Preliminary 2017/18</u>	<u>Update 2016/17</u>	<u>Change</u>
Basic Operating Grant	\$34,299	\$29,964	
Enrolment Growth Grant	-	5,786	
Performance Funding Grant	1,795	578	
College Funding Formula	\$36,094	\$36,328	(234)
BScN Grant	3,999	3,890	109
Small Northern & Rural Grant	2,229	2,229	-
Second Career Grant	730	743	(13)
Apprentice Grant	727	1,202	(475)
Special Needs & Interpreter Grant	611	608	3
Municipal Tax Credit	422	397	25
CO-OP Diploma Apprentice Grant	43	305	(262)
Rental Grants	250	191	59
Medical & Clinical Grant	380	380	-
Misc. Recoveries	113	110	3
Grants and Reimbursements	\$45,598	\$46,383	(\$785)

Many of the grant forecasts are driven by enrolment projections and thus are subject to increases or decreases as enrolment changes.

The Ministry's 2016 review and update of the College Funding Formula Model has changed how the College will receive its Operating funds from the province. The previous Basic Operating Grant, Enrolment Growth Grant and Performance Grant have been redistributed, eliminating the Enrolment Growth Grant in the new Corridor Funding Model. The overall reduction in grant funding is primarily due to the College's increase in international student enrolment, for which the province's International Student Recovery policy requires a direct reduction of the operating grant.

The BScN Grant is also based on enrolment forecasts. This grant is specifically for the Bachelor of Science Nursing program, delivered collaboratively with Trent University.

Two "pre-apprentice" programs approved for 2016/17 will not be run in 2017/18. The Co-op Diploma Apprentice Grant is winding down this year as well.

2. Student Tuition Fees

Tuition fee revenue is expected to be \$34.1 million, up \$4.1 million (13.7%) from the 2016/17 Budget Update. However, this represents a moderate increase of 6.8% versus the 2016/17 actuals.

Full time tuition is based on a College enrolment plan that is detailed to the program level using approved tuition rates that vary by program. Overall, the enrolment plan is projecting domestic enrolments to remain relatively flat, while growth is anticipated in international enrolments. Tuition fees have been increased by an average of three percent as of September 1, 2017, in accordance with Ministry policy.

3. Contract Training

Contract training revenue is subject to annual fluctuation dependant on client groups and specific contracts acquired. The \$0.43 million reduction in this revenue in 2017/18 is primarily due to a one-time contract in 2016/17 that added \$0.38 million of revenue in that year.

4. Other Income

Overall, Other Income has increased by \$0.3 million (2.6%) from the 2016/17 Budget Update. Other Income is comprised of a variety of income streams from operations, including provincially funded projects/programs, administrative fees, bookstore, and food services, as well as recovery from students for student supply fees, academic fees for field placements, and international student health fees.

While most sources of these revenues are projected to hold steady for 2017/18, increases in ancillary fee revenue are anticipated based on increased enrolment projections and increases to the ancillary fee rates as approved by the Board of Governors. A small reduction is being forecasted related to withdrawal fees from international students.

5. Non-Operating Revenues

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

Skill programs include the College contracts for Literacy Basic Skill and Employment Services (CREW), with a reduction in total revenues in the Employment Services contracts for 2017/18.

Ministry Bursaries represent the standard annual bursaries that are disbursed. Additional bursaries become available in year and will be updated in the Budget Update to reflect additional amounts known at that time.

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 the federal and provincial governments 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. Specifically in 2017/18:

- The Ontario government's College Equipment Renewal Fund (CERF) funding applies to academic and information technology equipment, and the base funding is estimated at \$0.276 million. This revenue will be used to replace/upgrade classroom equipment across the College.
- The enhancement to CERF funding announced in support of the Ontario College System's 50th Anniversary also applies to academic and information technology equipment, and the operating component of this funding is estimated at \$0.7 million. Again this revenue will be used to replace/upgrade program delivery and classroom equipment across the College. The balance of the 50th Anniversary CERF grant (\$1 million) will be applied to offset similar capital asset projects.
- \$0.75 million of the federal and provincial governments' Strategic Investment Fund (SIF) revenue is required to offset investment expenditures within the SIF projects that are not capital assets.

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

III. Expenditures

College expenditures are budgeted at \$112.0 million, an increase of \$3.9 million (3.6%) over 2016/17 budget update. Expenditures have been aligned with funding projections to provide for a \$1 million surplus, or contribution to college reserves.

<i>Financial Plan - Preliminary Budget</i>				
<i>Fiscal Year 2017/2018</i>				
	Preliminary Budget 2018	Budget Update 2017	Budget Change	%
Expenditures				
Salaries and Benefits				
Salaries, Full Time	42,955,196	41,269,136	1,686,060	4.1%
Salaries, Part Time	12,157,223	12,338,366	(181,143)	-1.5%
Benefits	12,591,839	11,702,742	889,097	7.6%
Total Salaries and Benefits	67,704,258	65,310,244	2,394,014	3.7%
Non-Salary Expenses				
Instructional Support Costs	5,141,685	4,887,706	253,979	5.2%
Travel and Professional Development	1,185,776	1,281,398	(95,622)	-7.5%
Advertising	1,028,462	983,170	45,292	4.6%
Telephone, Audit, Legal & Insurance	1,357,663	1,604,333	(246,670)	-15.4%
Equipment Maintenance	549,920	557,452	(7,532)	-1.4%
Plant and Security	2,181,811	2,249,588	(67,777)	-3.0%
Rentals and Taxes	841,259	776,615	64,644	8.3%
Utilities	3,002,493	2,840,866	161,627	5.7%
Contract Services Trent	2,231,690	2,017,781	213,909	10.6%
Services & Other	4,265,664	3,615,570	650,094	18.0%
Long Term Debt Interest	46,716	55,000	(8,284)	-15.1%
Amortization of Capital Assets	5,884,000	6,046,002	(162,002)	-2.7%
Total Non-Salary Expenses	27,717,139	26,915,481	801,658	3.0%
Total Operating Expenditures	95,421,397	92,225,725	3,195,672	3.5%
Investments	485,000	869,430	(384,430)	-44.2%
Investment Contingency	300,000		300,000	
Skills Programs	3,164,983	3,438,796	(273,813)	-8.0%
Tuition Holdback Bursaries	2,900,300	2,945,000	(44,700)	-1.5%
Ministry Bursaries	282,000	700,000	(418,000)	-59.7%
Special Projects	2,340,606	2,270,533	70,073	3.1%
Facilities Renewal and Renovation Projects	1,701,237	241,158	1,460,079	605.4%
Ancillary Operations	5,410,034	5,396,679	13,355	0.2%
Total Expenditures	\$ 112,005,557	\$ 108,087,321	\$ 3,918,236	3.6%
Net	\$ (1,018,632)	\$ (1,349,130)	\$ 330,498	-24.5%

1. Full Time Salaries

Full time (FT) salaries are budgeted according to Collective Agreements that are currently in place, and include a planned investment in new FT faculty. FT salaries also include approved staff sabbaticals and a provision for sick leaves. Overall FT salary expenditures are projected to increase by \$1.7 million (4.1%) over the 2016/17 Budget Update.

2. Part Time Salaries

Part time (PT) salaries are expected to decrease by \$0.18 million (1.5%) from the 2016/17 Budget Update. This decrease is primarily related to the hiring of new FT faculty, and strategic efforts across the college to reduce discretionary costs and align with College system best practices.

3. Non-Salary Expenditures

Overall non-salary expenditures are projected to increase with inflation; however budget managers have been asked to review and scale back on discretionary spending where possible. Some increases in expenditures relate to planned enrolment growth and operational investments in program delivery and information technologies.

4. Instructional Support Costs

Instructional support costs are expected to increase directly in conjunction with enrolment growth and added information technology licence requirements. These costs are projected to increase by \$0.25 million (5.2%) over 2016/17 Budget Update

5. Telephone, Audit, Legal & Insurance

A contingency for legal fees was included in the 2016/17 financial plan, and has been removed from the 2017/18 Budget. Legal cases will continue to be monitored closely and the financial forecast adjusted at Budget Update as necessary.

6. Utilities

Overall, utilities expenditures are projected to increase in 2017/18 by \$0.16 million (5.7%). Energy rates and consumption remain volatile and will be adjusted at Budget Update as required.

7. Contract Services Trent

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

8. Services and Other

Services and Other Expenditures are projected to increase by \$0.65 million (18%). The most significant increase is directly related to the increase in international enrolment. An increase in the agent commissions is forecast at \$0.25 million. In addition, as a growth investment strategy, a new international scholarship program is being budgeted at \$0.1 million. Professional fees are also expected to increase by \$0.2 million in relation to various small College operating initiatives and projects. The balance of the increase relates to contracted services fee increases.

9. Initiatives and Investments

Initiatives and Investments totalling \$3.0 million are being planned for this year.

Many of these investment 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.

The 2017/18 planned investments total \$ 2.2 million. These investments include major initiatives that enhance student learning, such as the purchase of specialized technology for teaching, new lab and shop equipment and resources to modernize existing classrooms and labs, facility retrofits and other projects. \$1.7 million of this planned investment expense is eligible for grant offset from federal and provincial funding. In addition, \$0.5 million of one-time investment is included in expenditures related to Ancillary Operations (maintenance in student residences and parking lots).

An additional \$0.3 million is planned as funding for College change initiatives.

IV. Capital

Capital spending in 2017/18 is budgeted at \$18 million of which \$9.2 million is funded from various grant sources. The balance of \$8.8 million is capital funded from the college.

Capital budgeted for 2017/18 is summarized below:

	College Funded	Grant Funded	Total Capital
Building Construction/Renovations	617,388		617,388
Network/IT Systems	811,535	780,182	1,591,717
Academic Equipment	1,232,924	317,757	1,550,681
Grounds/Parking Lots	157,491	25,899	183,390
Residence Capital	42,000		42,000
	<hr/>	<hr/>	<hr/>
	2,861,338	1,123,838	3,985,176
Building Construction - Strategic Investment Fund	5,934,946	8,083,169	14,018,115
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	8,796,284	9,207,007	18,003,291