



2014/15 TO 2016/17 MULTI-YEAR ANNUAL BUDGET DIRECTIONS

The President's Council issues the following Budget Directions to the College Budget Committee for the preparation of the 2014/15 to 2016/17 multi-year annual budget.

GENERAL

- A multi-year budget will be prepared for fiscal years 2014/15 to 2016/17 that identifies fixed and quantified solutions to resolve any projected deficit for 2014/15 and preliminary estimated solutions for any projected deficits for 2015/16 to 2016/17.
- The operating and strategic investment priorities budgets will focus on the four pillars of the Strategic Plan:
 - Applied Education and Training
 - Student and Client Success
 - Empowered People
 - Financial Sustainability
- The operating and strategic investment priorities budgets will also support the goals in the Multi-Year Business Plan
- Identify all risks and opportunities within the context of the budget. Where possible, identify the impact and likelihood for each risk and opportunity.
- Identify significant program changes and service level adjustments from the previous year.
- Identify the financial and operational impacts that will be realized by each Area or department of the College in achieving these budget directions. Identify programs or services that will be compromised as a result of achieving these budget directions.
- The budget will be compliant with applicable Board of Governors approved policies and direction (refer to Appendix – Budget Compliance Requirements).
- Existing and new Federal, Provincial and Municipal legislation and regulations will be considered (for example, AODA).

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FINANCIAL

- Funded Activity will be budgeted to balance revenues and expenditures on a cash flow basis (i.e. *contributions to reserves* and *principal portion of debt service payments* will be treated as expenditures).
- Funded Activity will include a provision to contribute \$2 million annually to the General Reserve Fund.
- Funded Activity will include a provision to contribute \$250,000 to a new Infrastructure Renewal Fund (to be recorded in Internally Restricted Net Assets at year-end). This Fund will be used to address physical and technological infrastructure deficiencies. A Budget Principle will be drafted outlining the terms of this Fund.
- Funded Activity will include a provision for a Special Contingency at the same level as budgeted in 2013/14.
- Appropriate provisions for the contingency funds General Contingency, Leave Replacement and Salary Reserves will be included in Funded Activity.
- The three Non-Funded Activities:
 - College Ancillary Services;
 - International Education Centre; and
 - Contract Activity and Other Non-Funded Activitywill budget for net contributions (on a cash flow basis) at least 10% more than the net contribution in the 2013/14 Annual Budget (i.e. \$10.5 million). Further net contribution increases will be budgeted for 2015/16 and 2016/17.
- Contract and Other Non-Funded Activities will be charged back (ie. an internal 'tax') for corporate services and overhead support (Space, Human Resources, Finance, IT and Student Services). Chargeback algorithms will be developed that are simple and easy to apply.
- The annual budgets will include provisions for strategic investment priorities (see section on Strategic Investment Priorities below).
- To ensure that the College's financial health is maintained and enhanced, the budget will project the following financial ratio results:



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Ratio	Description	MTCU/COFO Benchmark	2012/13	2013/14 Annual Budget	2014/15 Target
Quick Ratio	Fiscal performance indicator testing the college's ability to pay its short term maturing obligations (e.g. biweekly payroll payments).	Greater Than 1 to 1	1.3 to 1 (2.1 to 1 after adjusting for Long Term Investment of Surplus Operating Cash)	1.1 to 1 (2 to 1 after adjusting for Long Term Investment of Surplus Operating Cash)	Greater Than 1 to 1 (and Greater Than 1.75 to 1 after adjusting for Long Term Investment of Surplus Operating Cash)
Debt to Assets	Measures the proportion of total assets that are financed by debt. A high or increasing value may be predictive of future liquidity problems or a reduced ability to borrow money in the future.	Less than 35%	25.0%	26.0%	Less Than 25%
Debt Servicing	This ratio measures the College's spending on servicing the debt portfolio and could be used as an indicator that the college may be over-leveraged in debt.	Less than 3%	2.0%	2.2%	Less Than 2.2%
Net Assets to Expense	A traditional indicator to ascertain the ability of a college to continue operations in the event there is a delay in revenue streams.	Greater Than 60%	94.0%	87.6%	Greater Than 90%
Net Income to Revenue	This ratio is an indicator of fiscal performance that measures the extent of a balanced budget.	Greater Than 1.5%	2.2%	0.3%	Greater Than 0.4% (aligns with a minimum \$1 million surplus)
Net Assets	To measure a net asset balance for operating purposes (sum of unrestricted and internally restricted net assets).	Greater Than \$0	\$46.1 M	\$52.3 M	Greater Than \$50M

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HUMAN RESOURCES

- There is no information from the Ministry indicating that the operating grants for 2014/15 to 2016/17 will increase over the 2013/14 levels. Thus, the College is not able to expand its full-time complement positions. Any exceptions to address critical needs that are not currently approved in the complement report must be submitted firstly to CBC and secondly to PC for consideration and specific approval prior to inclusion in the proposed budget.
- Full-time faculty teaching contact hours (TCHs) will be budgeted to achieve at least 12.78 hours per week for 2014/15 (i.e. 1.5% greater than TCHs per week realized in Winter 2013). A further minimum 1.5% increase per year in TCHs will be budgeted in each of 2015/16 and 2016/17.
- Initiatives and Opportunities (I/O) support staff positions may only be used if compliant with the criteria established by Human Resources.
- Use of Other Than Permanent support and administrative staff (i.e. 'part time' staff) must be minimized and used for critical and essential services. Budgets for Other Than Permanent support and administrative staff may not exceed the levels in the 2013/14 Approved Budget unless approved by President's Council.
- Increases in the number of sessional and part-time faculty teaching hours in 2014/15 is restricted to a percentage increase over the number of hours budgeted in 2013/14 consistent with the projected enrolment growth percentage for 2014/15 less 1%. (i.e. if 2014/15 enrolment growth is projected to be 3% then sessional and part-time faculty hours may not increase by more than 2%).
- Vacation liability will be budgeted to be \$8.7 million or less as at March 31, 2015. Vacation liability will be reduced by an additional 5% per year for 2015/16 and 2016/17 (i.e. \$8.3 million in 2015/16 and \$7.9 million in 2016/17).
- College Student Employment Program hours funded from the Tuition Set-Aside Fund are capped at the level approved in 2013/14.
- Finance and Human Resources will produce a summary of approved positions.
- Budget holders will provide reasonable provisions for professional development opportunities for faculty and staff taking into account the existing options available from the Centre for Organizational Learning and Tuition Assistance programs.

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ENROLMENT

- Academic Operations and Planning will produce enrolment projections and retention plans for full-time post-secondary activity as per direction provided from the Strategic Enrolment Management Committee and aligned with the 2012-2017 Strategic Plan

STRATEGIC INVESTMENT PRIORITIES (SIP)

- The College is preparing its 5-Year Capital Requirements Plan. The plan will be reviewed to identify essential capital requirements for 2014/15 to 2016/17. Input from the appropriate College committees regarding the priorities for capital investment requirements, which must support the multi-year business plans, will be considered in this process.
- All requests for SIP funding must be submitted utilizing the application process developed as part of the SIP Framework including:
 - Technology
 - Space and Infrastructure
 - Facilities Renewal
 - Academic Equipment
 - Administrative Equipment
 - Other Initiatives and Opportunities
 - Appropriations

**NOTE: Funding envelopes will not be approved for expenditure until all requests have been vetted through the SIP Framework process and appropriate committees.
- The Non-Funded Activities (Ancillary, International, Contract Activity) will collectively contribute \$10.5 million to the 2014/15 SIP Fund with further increases in 2015/16 and 2016/17 to be determined.
- Other sources of funds for SIP may include:
 - Funded Activity budgeted surplus
 - Specific Capital Grants where written notification and confirmation from the provincial government/funding agency has been received.
- The budget will include a nominal \$2 million provision for appropriations to be funded from anticipated surplus at year-end of 2013/14.
- Internally Restricted Net Assets may be used for SIP funding in exceptional circumstances (i.e. significant capital investments) and will require PC and Board of Governors approval.



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INTERNALLY RESTRICTED NET ASSETS (aka 'Reserves')

- Provide for planned increases to Reserve Funds and Specific Reserves to finance future capital initiatives. Identify the impact on the College of incorporating these provisions in the budget. All capital initiatives must be presented to and approved by President's Council.
- Provide for a nominal \$2 million year-end Appropriations balance to be funded from year-end surpluses.



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APPENDIX – BUDGET COMPLIANCE REQUIREMENTS

	<u>Source</u>	<u>Budget/Projection Requirement</u>
1	BGII-02 Board Financial Management Policy	<p>1.2 The annual budget [and Quarterly Projections] ... shall:</p> <p>1.2.2 Have expenditures not exceeding revenues unless the Board has approved ... to spend from reserve funds;</p>
2	BGII-02 Board Financial Management Policy	<p>1.2 The annual budget [and Quarterly Projections] ... shall:</p> <p>1.2.3 Have ancillary expenditures not exceeding ancillary revenues unless the Board has specifically directed otherwise.</p>
3	BGII-02 Board Financial Management Policy	2.3 Quarterly projections of the annual budget shall be presented to the Board, ensuring the College's projected surplus or deficit are at least equal to or better than the Approved Budget.
4	BGII-02 Board Financial Management Policy	4.2 The President may not approve an unbudgeted expenditure or commitment that will result in the College's fiscal year-end total balance of unrestricted net assets plus internally restricted net assets being lower than budgeted without the approval of the Board.
5	Strategic Plan 2012-2017	'Goal 9 - Align our funded operational expenditures with provincial funding' - we must ensure we budget and project 'Funded Activity' with balanced or surplus results
6	President's Budget Overview - Annual Budget 2012-2013	<p>President's Overview: 'We will be aggressively pursuing further opportunities in the non funded area which will provide funds for investment in all of the things that are currently not funded through government sources such as technology upgrades, infrastructure improvements, equipment for faculty and staff etc.'</p> <p>- we must ensure that our SIP expenditures (budgeted and projected) do not exceed the sum of:</p> <ul style="list-style-type: none"> - Non-Funded Activities net contributions; and - Allocations from Internally Restricted Net Assets such that the ending balance of Internally Restricted Net Assets is at least equal to or greater than the balance approved by the Board in the Annual Budget (see #4 above).