

Loyalist College FCSG Committee Recommendation of the  
2008/2009 Business Plan to the Board of Governors  
Glen LeClair, FCSG Chair  
June 5, 2008

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In the past, the presentation of the next year's Business Plan has been handled with little fanfare and even less comment other than to approve the recommendations from the minutes of a Finance Committee. This year is not like the past. This is a turning point year, the one we have been seeing coming for a few years now. But what could I possibly say about this long, complicated and somewhat convoluted Business Plan?

Just like this volunteer Board is conflicted about the plan itself and is being put in an extremely difficult position, I struggle to provide the correct balance of comments to put the plan in context. On one hand, we all want to be careful not to share too many details or say things that may upset anyone or not be politically correct in some way. On the other hand, I feel obligated to provide more information to summarize not just what the numbers ended up to be, but given the very real implications, I also must talk some on just what they mean to all of the stakeholders of the College.

Now you can watch several faces in the room start to flinch because this is obviously an extremely sensitive topic and based on the past, who knows what Glen will say next. Most of you know that Glen is likely the one person in the room that can be described as the farthest thing from a politician that you can get. He has this very terrible habit of telling things exactly as he sees them in no uncertain terms and he is even known to add some of his own somewhat controversial opinions on top. So I ask myself, just what should I say?

When in doubt, I find it best to go back to the parental wisdom of.... just telling the truth, the simple truth, just the facts. Those simple facts are what I intend to lay out for you all in as short a reader's digest version as possible. I will also add just a few of what I personally think the most important messages are for everyone as a result of this Plan, as politely as I am able of course. I will leave the detailed numbers and any comments on the analysis of it all to Allan Ross and his far more qualified Finance group.

In preparation for the formal presentation of this Business Plan to the Board, the FCSC began this process last November and has met at least 8 different times to work through it. To say it simply, that took a lot of effort from a lot of people. We need to give the appropriate recognition to Allan and his group for their efforts in getting all of these numbers straight and then their extra efforts to clarify and rework them. Then I can thank them for their efforts on top of their extra efforts to re-clarify and re-work them several more times! To all of you, we say thank-you for your efforts and patience because we know we have not made life easy for you.

We have definitely not made life easy for the management team either so thanks to that group for helping us as we muddled our way through the numbers and what they all might mean.

I also want to thank the members of the Finance Committee, especially the external Governors, for their commitment & perseverance to stay with it and grind through it all. It really was above & beyond the call of duty. The great news for external Governors is that based on the amount of money available in the plan Chair Cottrell promised to double all external governors' salaries for next year!

Seriously though, based on the amount of time, resources and information given, we can now stand back and say that the College will be doing the most it possibly can to achieve the access, quality and accountability goals the government's multi-year accountability agreement is looking for. Meeting those goals comes at a cost though & this Business Plan lays out those costs.

I said at the beginning this is a turning point year so let me give you some context on that to help frame the bigger picture over time as seen from the FCSG. For several years now, Loyalist has been in the enviable position of being able to either balance or end up slightly in the black each fiscal year. Likely the biggest factor in this was the huge contribution (as in close to \$10 million in net income over the years) from one of the entrepreneurial arms of the College, the Loyalist Certification Services. Originally, as part of the Loyalist Contract Training group, this income was intended to help with many of the academic needs and special items that were above and beyond base funding to run the College. Instead, this College has become dependent on this as basic income to run the daily business. In the end, most of the other plusses & minuses managed to come close to balancing out.

We did without on some academic capital needs every year & we were not doing anything but the bare minimum to take care of the facility so we had to borrow money some years for critical needs but at least the operation was able to run without huge deficits. That is no longer true. This year we have run a \$1.4 million in-year deficit & next year it looks like it will be closer to \$1.8 million with our current best guesses on government operating grants. There are many factors behind why this is but there are two main drivers I want to point out to all of you today.

First, the Loyalist Certification Group is now in a different business model with far higher competition so we are expecting far less net revenue than in the past. We are trying to make that up with more contract training revenue and possibly there is a chance for some small amount of money from 2 other entrepreneurial initiatives (more Asian partnerships and the exciting new Virtual Design Centre from our Second Life gurus).

Second, there is now a far greater gap than ever between operating grants versus the wages and benefits costs. You are likely wondering just how much this gap has widened. For perspective, we had our external Financial Audit review this week and this trend over the past 4 years is so striking that our auditors felt obliged to point it out to us, totally unsolicited.

These two main factors alone have put this volunteer Board and the management team in a very difficult position. It is extremely difficult to balance getting much lower increases in provincial government funding than the provincially-negotiated salary & benefit increases. As we look into future years, the balancing act doesn't look any better and that is the Board's major concern. Our future business plans look to have chronic deficits that have just one too many zeroes in it for me.

So there it is. We have a Business Plan to approve that will allow the College to scrape by for another year. We will be spending \$1.8 million more than we have coming in and we will drain the reserves coffers in 08/09 to do it. Said more directly in every day language, we'll be broke at the end of the year. In fact, we not only drain our reserves, but we have to borrow another ½ million just to meet the "must have" academic capital needs to run our programs. We will still owe \$14 million on other similar past borrowing, although I must say that most of that comes from the self-supporting residence loans. We already pay close to \$900,000 in interest alone per year on those loans.

We have other needs that are not being met with this plan. We will still have about \$4 million of unmet academic capital needs and we will still have close to a \$30 million facilities infrastructure maintenance list that's largely untouched. Those are the things this plan will not cover.

On the other side of the coin, there are many things this plan **will** do. It will maintain the access, opportunity and quality of programs needed to achieve our multi-year accountability agreement goals. It will enable staff to focus on our community and beyond and it will allow staff to develop and enhance partnerships.

Efforts will continue as well on several fronts. Advocacy for enhanced funding and investigation of new revenue-generating activities will carry on. The College will identify potential opportunities for enhanced efficiencies & effectiveness and there will be continued planning for the future.

In short, this 2008/2009 plan is designed to "stay the course" in maintaining and providing programs and services. This Board of Governors and this management team have delivered on what we said we would with the multi-year accountability agreement. We have done our share to deliver the enrollment growth, quality and accountability results expected.

All of the above is simply what I said it would be – the facts. The messages that go with these facts should be clear enough but just to be sure, let me cover what I believe they are:

To the Students of Loyalist College;

You are our primary customers and you need to know that your College Board and Management team are doing everything possible with the time, resources and information we have to provide the environment and opportunities you need to be successful. Let us worry about all of this Business Plan stuff, that's our part to play. You should simply stay focused on you, and your success here.

To My Board of Governor Colleagues;

I will remind all of us of our mandate to govern responsibly and with respect to finances; we are expected to deliver a balanced Business Plan. We set the direction for the management team and to not deliver a balanced Plan means we need to deliver another plan that will return to zero deficits within 2 years.

To the Management Team;

Whether any of us like it or not, this Board always needs to see the realistic option that includes whatever it takes to balance a Business Plan. That has to be our minimum starting point every year. Be vigilant in executing this 2008/2009 Business Plan and start thinking now on what it's going to take to deliver a balanced plan in 2009/2010.

To the Provincial Government;

Loyalist College is doing its share. We simply need two things. We need the timely information on financing (operating grants) to be able to properly plan on how to meet our mandate. We then need the resources available to match the multi-year accountability agreement goals expected over time or, if there is to be a different direction than what we understand, then we need that direction. This volunteer Board needs to stop being put into the extremely difficult position it has been in while trying to deliver this Business Plan.

With that, I now offer to Chair Cottrell the motion before him from the FCSG Committee to accept the 2008/2009 Business Plan as amended today from the May 22<sup>nd</sup> meeting.