



LOYALIST COLLEGE

Business Plan and Capital and Project Plan 2014/2015





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Our 2014-15 Business Plan supports and aligns with our
Strategic Plan 2009-2014:

Mission

Loyalist College offers a comprehensive range of career-oriented education and training opportunities to support and enhance the economic and social development of individuals and our communities.

Vision

Loyalist will be Ontario's premier community college for applied learning, innovation, and entrepreneurship, demonstrating excellence, sustainability and responsiveness.

Values

The following values guide us daily to create a caring culture focused on the success of our learners, staff and community. To support, sustain and fulfill our mission, we act with:

- Respect
- Integrity
- Transparency
- Commitment to excellence
- Innovation
- Responsibility / Accountability
- Sustainable stewardship of economic, human and environmental resources
- Responsiveness and flexibility

Strategic Directions

To guide Loyalist through the next five years of our development, we have chosen three Strategic Directions. The following directions will frame our actions and directions as an organization, as well as individual program and department operational plans each year:

- **Academic Excellence**
- **Service and Systems Excellence**
- **Sustainability and Capacity-Building**

Forecasts, estimates, plans and new initiatives were developed and are directed toward fulfilling the above Mission, Vision and Values, and to achieving the strategic priorities of Loyalist College.

BUSINESS PLAN

EXECUTIVE SUMMARY

The 2014-15 Business Plan has been prepared responding to the financial challenges of yesterday and today, while providing capacity and flexibility to respond to the opportunities and challenges of the future.

2013-14 was a challenging financial year at Loyalist College. An overall shortfall of \$2.5 million against the Business Plan provision took place in operating revenues. Shortfalls in most revenues areas (tuition, entrepreneurial and other incomes) were somewhat offset by one time Provincial grants due to the Productivity Improvement Fund and the Financial Health and Sustainability grant programs. These programs while beneficial, are short-lived and will not provide ongoing provincial funding beyond 2014-15. Expenditure levels were limited to below Business Plan levels. However, with the revenue shortfall, the operating deficit rose from the Business Plan level of \$1.8M to \$3.7M. These circumstances, in combination with the ongoing pressures of limited funding and lack of economies of scale that are experienced by smaller colleges in Southern Ontario, have created a financial imperative to which the college must respond. Costs and revenues must be brought into alignment through a multi-year plan.

This 2013-14 financial outcome has heavily influenced the 2014-15 Business Plan.

Revenues have been estimated reflecting 2013-14 actual levels, with limited increases forecast. Ongoing emphasis on Strategic Enrolment Management generated increased applications for fall 2014 enrolment, and efforts towards enhanced enrolment continue. As a result, an increase in tuition fee revenue above 2013-14 actuals is planned for 2014-15, through rate increases (limited by the provincial 3% cap), an overall approximately 1% increase in enrolment levels and further enhanced retention efforts resulting in more returning students. The 3% tuition cap introduced in 2013, which was reduced from the previous allowable 5%, reduces potential tuition fee revenues in 2014-15 by a cumulative \$400,000. Operating grant revenues are reduced in the 2014-15 plan, based upon enrolment levels, and upon application of further “policy lever” reductions announced in the 2013 Provincial budget, which further reduced basic, nursing and growth operating grant levels by \$333K in 2014-15. All other revenues are budgeted at or near 2013-14 actual levels.

Expenditures, although subject to continuing cost increase factors such as added pension costs for Other than Full-time Employees in 2014-15, have been reduced by more than \$1.5 million from 2013-14 actual levels. Given that 2013-14 expenditures were essentially flat from 2012-2013 levels, this is a net reduction over the entire 2 year period. This has been achieved through an early retirement initiative to increase labour cost flexibility and assist with organizational restructuring, efficiency and effectiveness improvements throughout the College, and targeted service level reductions. This has resulted in a reduction in full-time complement throughout all

three (3) employee groups, and significant restructuring in a number of departments. There will be service impacts, but they are deemed to be manageable within overall priorities. Many of the 2014-15 initiatives will also generate increased savings in 2015-16 and beyond. These cost-cutting initiatives, and more, will be continued throughout 2014-15, to both achieve further savings within 2014-15 and to assist in controlling future costs. The net 2014-15 result is an operating deficit of \$2.4 million, down more than \$3.5 million from initial projections for 2014-15. This necessitates a further draw on our limited reserves.

The College's continuing Business Intelligence project will produce enhanced decision support data to optimize both decision making within 2014-15, and future Business Plan decision making. Key pillars of that project include Strategic Enrolment Management, Program Prioritization and Service Delivery metrics, analysis and enhancements.

Through these and already existing efforts, the multi-year plan calls for balancing of costs and revenues in 2015-16, with a return to a surplus budget position in 2016-17, allowing for some replenishment of critical College reserve levels. Continued emphasis upon Strategic Enrolment Management and other revenue enhancement initiatives, combined with ongoing commitment to rigorous expenditure reductions and cost containment will be required in order to achieve these essential financial goals.

Schedule 1 - College Operating Revenue and Expenditure

	2013-14 Business Plan (\$,000)	2013-14 Actual Results (\$,000)	2014-15 Business Plan (\$,000)	Increase/ (Decrease) over 2013-14 Results (\$,000)	%
General Purpose Revenues:					
General Purpose Operating Grants	26,355.0	27,086.5	25,470.0	(1,616.5)	-6.0%
Tuition Fees	13,390.0	12,433.4	13,250.0	816.6	6.6%
Interest and Other Income	4,040.0	2,600.6	2,770.0	169.4	6.5%
Net Contributions from:					
Entrepreneurial Centres	210.0	(238.9)	150.0	388.9	-
Envelope Programs	560.0	323.3	350.0	26.7	8.3%
Ancillary Operations	295.0	433.5	475.0	41.5	9.6%
Total Operating Revenue	44,850.0	42,638.4	42,465.0	(173.4)	-0.4%
Expenditures:					
Academic Programs	32,680.0	32,483.3	31,581.2	(902.1)	-2.8%
Human Resources and Organizational Development	965.0	960.2	826.7	(133.5)	-13.9%
Corporate Services	7,770.0	7,549.7	7,323.0	(226.7)	-3.0%
Board and President	555.0	562.9	525.0	(37.9)	-6.7%
College Advancement	1,805.0	1,703.8	1,596.2	(107.6)	-6.3%
Financing Commitments funded from Operations	410.5	747.4	420.4	(327.0)	-43.8%
Corporate Commitments and Initiatives	2,450.0	2,328.6	2,554.8	226.2	9.7%
Total Operating Expenditures	46,635.5	46,335.9	44,827.3	(1,508.6)	-3.3%
NET Expenditure over Revenue	(1,785.5)	(3,697.5)	(2,362.3)	1,335.2	
Drawdown of Reserves to Balance	1,785.5	3,697.5	2,362.3	(1,335.2)	

Financial Summary

2013-14 Business Plan	<i>Revenues and Expenses Netted - Brackets indicate Deficit</i>	2014-15 Business Plan (\$000's)
Results of College Operations (Schedule 1):		
58,841.8	Operating Revenue and Other Support	56,996.0
60,627.3	Operating Expenses	59,358.3
(1,785.5)	Net Revenue over Expenditure (Expenditure over Revenue)	(2,362.3)
Support from Reserves for Capital and Projects:		
(995.1)	2014-15 Projects	(799.0)
	2013-14 Projects incomplete and carried forward	(195.5)
at March 31 2014 as Audited	ESTIMATED OPERATING RESERVE (Net Assets) POSITION at March 31, 2015:	2014-15 Business Plan
	Internally Restricted - College	
	<i>Parking Operations</i>	315.3
	<i>AccessAbility</i>	265.6
1,141.1	<i>Residence</i>	810.2
	Internally Restricted - Student Government	1,743.3
(1,984.8)	Unrestricted	(2,387.6)
1,108.6		746.8
<i>detail of estimated Reserves balances, in both Business Plan and GAPP/Ministry format, are found on the following schedule</i>		

NOTES and COMMENTARY – FINANCIAL TABLES and SCHEDULES

College Operations (Schedule 1): This Schedule presents the broad elements associated with the College’s “core business” – Certificate, Diploma, Post-Graduate Diploma, Second Career, Apprenticeship, and Distance Education programs, along with related student and academic support functions. Some brief comments are offered here about some of those elements; more detail is available through the Chief Financial Officer’s (CFO’s) office.

General Purpose Operating Grants: As noted in the Introduction, details of the 2014-15 Operating Grant allocations have not yet been received. These allocations include the General Purpose Operating Grant (GPOG), Growth Funding, and Small, Northern and Rural Grants Funding. Although the per-college allocations have not been communicated, we do not anticipate any significant differences from our simulations.

Through the impact of recent enrolment levels, and the application of the “policy levers” from the 2013 Ontario Budget, our formula-driven operating grants are reduced from 2013-14.

This category also includes \$1.34 million in grants from the Second Career program, and \$1.8 million in Apprenticeship Funding.

Tuition Fees: The year-over-year increase in Tuition Fees is the result of two factors – a modest forecast increase in planned full-time enrolment generated both through new applications and enhanced retention of existing students; and fee increases in line with new Ministry policy, which limits annual increases to 3% for the next three years.

As these revenue estimates include projections for enrolment and for Second Career and Apprenticeship activity, there is an element of uncertainty involved, and therefore some risk that budgeted levels may not be attained.

Interest and Other Income: This line item includes a variety of revenue elements: incidental fees, sales and rental revenue; some cost-recovery items; and investment income. There are planned increases in incidental fees associated with increased enrolment, along with some other minor adjustments, and have been reduced from 2013-14 plan levels to reflect 2013-14 actuals.

Divisional Expenditures: Divisional planned expenditures were developed in detail by our budget managers, with a concerted effort to find and implement efficiencies while maintaining effectiveness, responsiveness, and capacity. Cost pressures on salaries and benefits, while more limited than in past years, remain, and there are also other minor non-salary cost pressures. Overall, as noted in the Executive Summary, expenses are lower by about \$1.5 million.

Capital Financing Commitments funded from Current Operations: This line item reflects expenditures of a capital nature that are not funded from designated external source, and includes only existing financing commitments (long term debt payments) at the beginning of the fiscal year, with no new spending or borrowing.

Corporate Commitments and Initiatives: These are expenditures that are not directly associated with any division or function, but rather represent cross-College initiatives and commitments. Included in this group are Restructuring and Recruiting costs; Strategic Enrolment Planning; financial support for Credential Studies; Labour Relations costs; Emergency Response Planning; and Utilities, Legal, Audit and Banking costs.

Enveloped Programs are functions and activities supported by specific purpose, restricted funding sources. Examples are School-College Work Initiative, Access Funding for Students with Disabilities, Aboriginal Education, and Employment Ontario programs. With the exception of Employment Ontario funding, which provides for some contribution to College operating cost, grants provided can be used only for direct costs of the programs they support, with no contribution toward College overhead.

Entrepreneurial Centres – Loyalist Certification/Examination Services (LCS/LES), Loyalist Training Knowledge Centre (LTKC), and Virtual Worlds/Infinite Spaces – are the College’s business enterprises, with net profits going to support College operations. Our entrepreneurial centres have been experiencing increasing competitive pressures, with the results that margins have been eroded. For 2014-15, restructuring and changes to business development practices are being undertaken. New lines of business and market segments are continually being explored and evaluated, and all efforts are being made so that margins will be healthier in following years.

Ancillary Operations include: Residences; Bookstore; Food Service Operations; and Parking Operations. Ancillary revenues also support some \$140,000 in College Entrance Scholarships. Ancillary Operations are designed to be self-funding, and budgeted to provide for a contribution to College operating costs, after providing for debt reduction.

Financial Summary: This Table presents the net operating impact of 2014-15 planned/estimated Revenue and Expense, and the expected impact on Operating Reserves.

CAPITAL PLAN

EXECUTIVE SUMMARY

The 2014-15 Capital Plan provides for very limited capital expenditures, funded by Provincial transfers and College reserves. Overall financial goals for the College, as discussed in the Business Plan summary, are such that expenditures requiring College funding have been restricted to an absolute minimum.

Provincial funding through the College Equipment Renewal Fund (CERF) and the Apprenticeship Enhancement Fund (AEF) are being utilized to purchase essential equipment for both regular post-secondary and apprenticeship programs. In addition, permission has been sought from the Ministry of Training, Colleges and Universities to use a portion of AEF to augment our Facilities Renewal Funding (RFP) to fund a critical roof replacement in our Northumberland Wing. This project, at a cost of greater than \$400,000 will be undertaken in conjunction with a roof and HVAC unit replacement at our student centre, which will be funded through Student Government funds. Beyond painting and flooring repairs, they are the only deferred maintenance projects contained within the Capital Plan on capital assets with a value greater than \$100 million.

Student Government support is evident in the plan through the roof/HVAC unit replacement referenced above, ongoing Student IT Lab and Classroom AV renewal and the refresh of the Student Access Computer Lab. All of these projects directly benefit the students at Loyalist, and the support of Student Government in their funding is appreciated.

Additional Skills Program Equipment is being added, to be funded through the College's Capital Campaign. This equipment is essential for the delivery of the new 2nd year welding program which commences at the College in fall 2014.

Capital and Project Resources

	Comment	2014-15 Capital & Project Plan (\$,000)
College Equipment Renewal Fund (CERF)	<i>allocation to be confirmed</i>	180.0
Apprenticeship Enhancement Fund (AEF)	<i>allocation to be confirmed</i>	345.0
Support from Campaign - Skills Program Equipment		341.6
Student Technology Fees		280.0
Facilities Renewal Program (FRP)	<i>allocation to be confirmed</i>	196.4
Support from Operating Revenues/Reserves		
Internally Restricted Revenues/ Reserves - Student Government		454.0
College Operating Revenues/Reserves		<u>33.0</u>
		<u>487.0</u>
Total Capital and Project Resources		<u>1,830.0</u>

Capital and Project Expenditures

	Comment	2014-15 Capital & Project Plan (\$,000)
Academic and Instructional Equipment		521.6
Apprenticeship Program Equipment		106.4
Student IT Lab and Classroom AV Renewal	<i>from student Technology Fees</i>	280.0
Student Access Lab Refresh	<i>from student Technology Fees</i>	200.0
Facilities Renewal Projects (roofing, painting, flooring)		468.0
Student Center Roofing & HVAC		252.0
Repairs to Bleacher Railings		2.0
		<u>1,830.0</u>
Total Capital and Project Expenditures		<u>1,830.0</u>