

Proposed Budget

2007/2008

A presentation to the Board of Governors

April, 2007

ALGONQUIN
COLLEGE

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President's Budget Overview

I am pleased to recommend, to the Board of Governors, the 2007-08 Budget which is focused on the areas of Reputation, Registration, Retention and People. The Ontario postsecondary education system continues to be significantly less well funded when compared with all of the other provinces; however, progress has been made with the Reaching Higher Plan and as a result, this College has been able to make important improvements to the quality of the learning environment, increase the number of full-time faculty and increase our focus on student success.

The sands of political change continue to shift and the plans for expansion of dual credit choices will have to be realigned to adjust to the final outcome of deliberations within the government on the role of colleges in the program. The College remains committed to assisting the government in its goals of increasing access to postsecondary programs and in achieving a 70% postsecondary graduation. To achieve these goals, significant increases in student support services will be required thus necessitating a stronger partnership between the secondary school system, postsecondary institutions and the government so that all parties are working together, sharing resources and are focused on student success.

As space challenges at all of our campuses pose serious access and program challenges, we continue to advocate at both the local and provincial levels for the government to allocate appropriate capital funding to alleviate the present situation and give the College the ability to address its infrastructure needs in terms of both increased capacity as well as unfunded maintenance.

Of specific interest to Algonquin is our request for funding for a new "green" Trades Centre, which when constructed, will increase by 600 places, Algonquin's capacity to accommodate more applicants for trades and trades related programs, utilizing a dynamic new interactive model. With the amalgamation of trades and trades related programs, vital space will be freed up which, when retrofitted, will add 2,000 more student spaces and allow the College to increase access in other high demand programs.. We are also exploring the capital needs at our two rural campuses and will establish a plan to address their facility needs for the future.

In the 2007 Provincial budget, additional one time capital funding has been committed for colleges which will allow them to deal with some of the facility challenges which have not been able to be addressed with past budgets. There was also recognition of the deficits in funding resulting from the high cost of clinical education in programs such as nursing and they have committed additional dollars this year to begin to address that issue. It is our understanding that there may also be further announcements flowing from Labour Market Agreements and skills training initiatives with the Federal and Provincial governments, however, any further announcements will have to be reflected in our quarterly updates to the Board. There are also commitments of funding from the Federal government for postsecondary education commencing 2008-09 with a further annual 3% increase in future years. However, the Provincial government has not as yet indicated their intention with regard to the distribution of those funds.

The 2007-08 Budget is a transitional budget as the College moves from the previous Strategic Plan established in 2002 to the one currently being developed. We have already seen strong indications that to meet the future educational needs of our students and to give them a competitive edge in the global workplace, our programs and delivery modalities will have to adjust more quickly as the College becomes faster and more flexible and responsive to market conditions. As information technology flattens the globe, good data and information management is essential to establishing future directions. The College is putting in place structures and processes to monitor and analyse the changing environment and to take action as the evidence becomes clear.

We are also taking note of the adoption of mass collaboration opportunities that are being utilized around the globe with programs such as YouTube, Wikipedia, InnoCentive, Flickr, etc. as well as podcasting, Ipods, and blogs and how the College can embrace such programs to engage a far larger audience and to prepare for a world of education which is fundamentally different from what we have previously known.

With this submission, the College is once again presenting a balanced budget to the Board for its consideration. Funding for a number of key objectives is included within the 2007-08 Budget and these initiatives will be described in detail in the Business Plan and Multi-Year Accountability Agreement which the Board will receive in June. Some of the areas of focus are the following:

- Student success initiatives
- Environmental initiatives
- Business development
- Infrastructure enhancement
- Client Service Standards
- Technology innovations
- Academic equipment enhancement

The College, as it celebrates its 40th year, is well positioned to play a leading role in the provision of the skilled knowledge workers to meet the needs of the employers in this region and beyond. I commend all of the employees of the College for their continued commitment to the good work of this institution for it is their efforts that make all of the success possible.

I recommend approval of this budget to the Board of Governors.

Robert C. Gillett
President

Treasurer's Report to the 2007-08 Budget

This year's budget process has concluded in a positive net contribution of approximately \$1,475,000 as compared to \$954,000 last year. I would like to acknowledge the collaboration and cooperation of countless staff throughout the College. Under the direction of the President's Executive Committee, the College Budget & Finance Committee oversaw all of the analysis and work necessary in drafting this budget for the Board of Governors' consideration.

As previously indicated to the Board in a pre-budget briefing, the budget includes multi-year projections which match the Provincial Government's multi-year funding announcements.

The pro-forma figures reflect:

- known government grant announcements and tuition fee policies including the impact of the funding announced in the March 2007 Provincial Budget;
- reasonable provisions for inflation;
- a 2% growth in full-time post-secondary enrolment;
- capital spending to match announced capital grants and normal historical provisions.

The pro-forma figures do not reflect:

- any major capital projects or debt financing which may be under consideration including possible new Trades Modules, a new Student Centre/Auditorium or an expansion to the Early Learning Centre;
- disbursement of the Provincial Grants at other than existing system share;
- enrolment assumptions different than provincial projections.

It should be noted that the proposed cash contribution of \$2.4 million from Ancillary Operations in 2007/08 is reinvested to support the Academic operations of the College.

ASSUMPTIONS

A number of assumptions must be made in the preparation of estimates to be included in the budget. A list of the most significant assumptions for 2007/08 follows:

Revenues

- Grant projections are based on the assumption that the College will earn the provincial government projected system share of Quality Improvement Funds;

- Tuition Fees for funded programs are estimated to increase by an average of 5% in accordance with the Provincial Ministry's most recent Tuition Policy;
- Enrolment Growth in full-time post-secondary programs is projected to remain relatively flat at 2%;
- Fees for Ancillary Services and other Revenues have been increased depending on market conditions.

Operating Expenditures

The majority of operating expenditures have been increased between 2% to 5% for inflation depending on market conditions and based on collective agreements and Ministry guidelines for salaries and benefits.

Capital Expenditures

Priority setting has been based on investments that maintain or enhance quality and support our reputation, registration, retention and people priorities.

Proposed Capital Expenditures have increased over previous years due primarily to the announcement of a one-time facility renewal grant by the Provincial Ministry for 2007/08. Algonquin's share of the grant is \$8.2 million. Combined with the existing on-going facility renewal grant of \$900,000 per annum, Algonquin must complete \$9.1 million of facility renewal and maintenance projects within the 2007/08 fiscal year plus an additional \$1.1 million facility projects which are not directly funded through capital grants.

RISKS

We believe this budget is reasonable under the circumstances. Major risks include:

- The Pro forma statement included in this document identifies a cash flow deficiency in both the 2008/2009 and 2009/2010 fiscal years, based on tabled figures from the government multi-year funding announcement. Clearly, a number of measures must be taken between now and then to maximize revenues and continue to assure efficiencies throughout our operation to reverse this projection into one that is positive for the College by that time;
- The budget is based on known government grant announcements. If Algonquin is unable to achieve the Ministry's projection for system share of enrolments, revenue shortfalls may occur relative to budgeted targets.

Risk mitigation has been added to the budget by the inclusion of a \$700,000 enrolment contingency account. In addition, the Government has announced additional funding for clinical operations which has not yet been included in the budget due to the lack of confirmed figures.

BUDGET IMPACT BY AREA

All Areas of the College have been able to prepare their specific departmental net estimates within the targets that were provided. The targets required the identification of \$1.7 million in increased efficiencies or additional revenue. Improved retention was one of the primary focuses during the target setting process, as well as the impact of increased registrations and the need for maintaining long-term financial stability.

New initiatives in the proposed budget include:

- the addition of 7 new faculty positions;
- the addition of 18 new support and administrative positions primarily in the areas of program marketing and supporting student success;
- expanding the ability to collect and analyze business intelligence data;
- additional focus on partnerships with school-boards, and government organizations specializing in the support of newcomers to Canada and first generation students;
- resources to review and enhance the College's environmental positioning.

Additional details of new initiatives will be included in the College's annual Business Plan.

I would like to conclude by thanking all of those involved for their hard work and ongoing commitment to the College.

Robert Letourneau
Vice President, Administration

Algonquin College
Summary of Proposed Budget for 2007/08

(all figures in \$ 000's)

	2007/08 Proposed Budget	2008/09 Proforma	2009/10 Proforma
Revenue	\$ 206,001	\$ 202,294	\$ 209,720
Operating Expenditures	187,878	195,008	203,460
Capital Expenditures	16,250	8,197	8,213
	<hr/>	<hr/>	<hr/>
Net Cash Flow	\$ 1,873	\$ (911)	\$ (1,953)
Add:			
Assets Capitalized	4,585	4,585	4,585
Princ Portion Debt	1,612	1,577	1,563
Less:			
Grants Capitalized	-	-	-
Amortization (net)	(6,150)	(6,150)	(6,150)
Prev Yr Int Restr	0	0	0
Incr in Vacation, etc.	(445)	(459)	(472)
	<hr/>	<hr/>	<hr/>
Net Contribution	<u>\$ 1,475</u>	<u>\$ (1,358)</u>	<u>\$ (2,427)</u>

Assumes amortization remains constant.

Net Assets

Unrestricted	965	965	965
Capital Assets	24,719	24,731	24,729
Vacation, etc.	(15,291)	(15,750)	(16,222)
Internally restricted	15,977	15,065	13,112
Endowments	7,830	8,830	9,830
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 34,200</u>	<u>\$ 33,841</u>	<u>\$ 32,414</u>

Vacation, Sick Leave and Future Employee Benefits assumed to increase by 3% per annum.
Endowments assumed to increase by \$1 million per annum

**Algonquin College
Revenue by Source
with comparisons to previous year approved
and Q3 Projection**

(all figures in \$ 000's)

	Approved Budget 2006/2007	3rd Quarter Projection 2006/2007	Proposed Budget 2007/2008	Variance 3rd Quarter vs Proposed
Revenue				
General Purpose Operating Grant	\$ 60,587	\$ 60,792	\$ 62,455	\$ 1,663
Specific Purpose Operating Grants	23,038	24,641	28,093	3,452
Grand Total (MTCU)	83,625	85,433	90,548	5,115
Apprenticeship	4,010	4,592	4,108	(484)
Job Connect	2,657	2,694	2,660	(34)
Other Training Programs	2,507	3,353	2,400	(953)
Grand Total Training	9,174	10,639	9,168	(1,471)
Other Ontario Government Ministries	-	-	-	-
Total Provincial Funding	92,799	96,072	99,716	3,644
Direct Funding - Federal & Municipal	-	-	-	-
Total Grants from Governments	92,799	96,072	99,716	3,644
Adult Training (Third Party)	-	-	-	-
Other Contracts	8,965	10,070	9,542	(528)
Total Contract Training	8,965	10,070	9,542	(528)
Tuition and Miscellaneous Fees	54,290	53,809	57,761	3,952
Ancillary Income	32,167	32,557	33,030	473
Other Income	4,814	6,124	5,952	(172)
Total Income, Other Sources	91,271	92,490	96,743	4,253
Total Revenue Cash In	193,035	<u>\$ 198,632</u>	206,001	<u>\$ 7,369</u>
Less: Grants Capitalized	(2,700)		-	
Add: Amortization of Grants Capitalized	4,353		4,353	
Total Revenue per GAAP	<u>\$ 194,688</u>		<u>\$ 210,354</u>	

**Algonquin College
Expenditure by Object Type
with comparisons to previous year approved
and Q3 Projection**

(all figures in \$ 000's)

	Approved Budget 2006/2007	3rd Quarter Projection 2006/2007	Proposed Budget 2007/2008	Variance 3rd Quarter vs Proposed
Expenditures				
FT Salaries & Benefits - Academic	46,291	46,115	49,436	3,321
FT Salaries & Benefits - Administration	14,253	14,883	16,384	1,501
FT Salaries & Benefits - Support	<u>25,781</u>	<u>24,632</u>	<u>27,571</u>	<u>2,939</u>
Total Full-time Salaries	<u>86,325</u>	<u>85,630</u>	<u>93,391</u>	<u>7,761</u>
Other Staff Salaries & Benefits - Academic	14,941	15,382	15,890	508
Other Staff Salaries & Benefits - Admin	1,337	1,637	1,567	(70)
Other Staff Salaries & Benefits - Support	<u>7,781</u>	<u>9,218</u>	<u>7,565</u>	<u>(1,653)</u>
Total Other Staff Salaries & Benefits	<u>24,059</u>	<u>26,237</u>	<u>25,022</u>	<u>(1,215)</u>
Total Salary Costs	<u>110,384</u>	<u>111,867</u>	<u>118,413</u>	<u>6,546</u>
Mandated Student Aid	3,822	3,822	3,624	(198)
Contingencies	4,199	3,399	3,399	-
Utilities	4,188	4,026	4,342	316
Debt Servicing	5,476	5,421	5,149	(272)
Ancillary Cost of Goods Sold	20,129	20,253	20,575	322
Other Non-labour costs - operating	32,029	33,803	32,376	(1,427)
Non-labour costs - capital	<u>11,555</u>	<u>14,202</u>	<u>16,250</u>	<u>2,048</u>
Total Non-Labour Costs	<u>81,398</u>	<u>84,926</u>	<u>85,715</u>	<u>789</u>
Total Expenditures Cash Out	191,782	<u>\$ 196,793</u>	204,128	<u>\$ 7,335</u>
Less: Assets Capitalized	(7,900)		(4,585)	
Less: Principal Portion of Debt Payments	(1,663)		(1,612)	
Add: Amortization of Capital Assets	11,000		10,503	
Add: Employee Future Benefits	515		445	
Total Expenditures per GAAP	<u>\$ 193,734</u>		<u>\$ 208,879</u>	

**Algonquin College
Revenue and Expenditures by type of Capital Project
with comparisons to previous year approved
and Q3 Projection**

(all figures in \$ 000's)

	Approved Budget 2006/2007	3rd Quarter Projection 2006/2007	Proposed Budget 2007/2008	Variance 3rd Quarter vs Proposed
Revenue				
Facilities Renewal Grants	900	2,408	9,100	6,692
Equipment Renewal Grants	700	500	-	(500)
Apprenticeship Enhancement Grants	900	900	-	(900)
Superbuild Grants	-	2,055	-	(2,055)
Quality Improvement Grants	3,555	-	-	-
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Total Revenue	6,055	5,863	9,100	3,237
Expenditures				
Facility Renewal Renovations	2,000	4,007	10,200	6,193
Evergreening Hardware/Software	2,000	1,725	2,000	275
Other IT Projects	700	700	-	(700)
Other Equipment	1,500	2,000	1,500	(500)
New Program Initiatives/Curriculum	625	625	625	-
Animal Care Facility	1,600	2,205	-	(2,205)
Student Service Projects	1,300	1,600	1,485	(115)
Business Plan Priorities	930	440	440	-
Apprenticeship Enhancement Projects	900	900	-	(900)
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Total Expense	11,555	14,202	16,250	2,048
Net Cash Flow	(5,500)	(8,339)	(7,150)	1,189

ALGONQUIN COLLEGE 2007/2008 BUDGET SUMMARY OF APPROVED POSITIONS

	<u>Q3</u> <u>2006/2007</u>	<u>Current</u> <u>Budget</u> <u>Proposal</u>	<u>Total</u> <u>2007/2008</u>	<u>Admin</u>	<u>Support</u>	<u>Academic</u>
Finance and Administration						
Office of the Vice-President	2	-	2	2	-	-
Ancillary Services	78	2	80	18	62	-
Finance and Administrative Services	35	-	35	6	29	-
Information Technology Services	68	2	70	7	63	-
Physical Resources	54	2	56	13	43	-
Human Resources	15	-	15	15	-	-
Total	<u>252</u>	<u>6</u>	<u>258</u>	<u>61</u>	<u>197</u>	<u>-</u>
Strategy & Business Development						
Office of the Vice-President	5	-	5	5	-	-
Foundation/Fundraising	3	-	3	2	1	-
Financial Aid	10	-	10	2	8	-
Student Services	41	-	41	5	20	16
Registrar	50	-	50	8	42	-
Institutional Research and Planning	1	1	2	2	-	-
International Education Centre	8	-	8	3	5	-
Contracts and Corporate Learning Services	4	-	4	3	1	-
Total	<u>122</u>	<u>1</u>	<u>123</u>	<u>30</u>	<u>77</u>	<u>16</u>
Academic Services						
Faculty of Arts, Media and Design	118	8	126	4	27	95
Faculty of Business and Hospitality	129	1	130	7	16	107
Faculty of Technology and Trades	185	3	188	7	33	148
Faculty of Health, Public Safety and C.S.	148	2	150	8	31	111
School of Part-time Studies	46	2	48	9	24	15
Algonquin College in the Ottawa Valley	52	1	53	5	26	22
Vice-President Academic	52	-	52	17	24	11
Total	<u>730</u>	<u>17</u>	<u>747</u>	<u>57</u>	<u>181</u>	<u>509</u>
President, Board of Governors and Public Relations						
President and Board of Governors	3	-	3	3	-	-
Advancement	19	1	20	6	14	-
Total	<u>22</u>	<u>1</u>	<u>23</u>	<u>9</u>	<u>14</u>	<u>-</u>
College Total	<u>1,126</u>	<u>25</u>	<u>1,151</u>	<u>157</u>	<u>469</u>	<u>525</u>

The complement report represents the total number of positions for each of the College's major areas assuming the proposed budget is accepted. Not all positions are 100% funded in the Budget as some positions are vacant at the start of the year and other positions have a start date projected for other than April 1st.

2007 - 2008 PROJECTED ENROLMENT vs. 2006- 2007 Q3 ANALYSIS

Faculty/School		Post Secondary/			Applied Degree			Coop/Apprentice/			
		07/08 Projected	06/07 Q3		07/08 Projected	06/07 Q3		07/08 Projected	06/07 Q3		
Arts Media & Design											
	Level 1	1856	1804	52	50	32	18	0	0	0	
	Returning	3079	2876	203	324	265	59	0	0	0	
	TOTAL	4935	4680	255	374	297	77	0	0	0	
Business & Hospitality											
	Level 1	2465	2394	71	36	33	3	0	0	0	
	Returning	5402	5450	-48	178	157	21	0	47	-47	
	TOTAL	7867	7844	23	214	190	24	0	47	-47	
Technology & Trades											
	Level 1	1692	1598	94	16	13	3	0	25	-25	
	Returning	3509	3446	63	66	57	9	40	95	-55	
	TOTAL	5201	5044	157	82	70	12	40	120	-80	
Health, Public Safety & Community Studies											
	Level 1	1870	1894	-24	0	0	0	0	0	0	
	Returning	4521	4420	101	0	0	0	0	0	0	
	TOTAL	6391	6314	77	0	0	0	0	0	0	
Part Time Studies											
	Level 1	28	25	3	0	0	0	0	0	0	
	Returning	27	27	0	0	0	0	0	0	0	
	TOTAL	55	52	3	0	0	0	0	0	0	
Algonquin College in the Ottawa Valley											
	Level 1	360	365	-5	0	0	0	0	0	0	
	Returning	753	710	43	0	0	0	0	0	0	
	TOTAL	1113	1075	38	0	0	0	0	0	0	
	TOTAL LEVEL 1	8,271	8,080	191	102	78	24	0	25	-25	2.32%
	TOTAL RETURNING	17,291	16,929	362	568	479	89	40	142	-102	1.99%
	TOTAL	25,562	25,009	553	670	557	113	40	167	-127	2.09%

In addition to this data presented, the budget supports: 1,482 semestered enrolments in the Collaborative Programs; 824 semestered enrolments in FT non-funded programs; 38,000 training days in the Adult Training Programs; and 2,459 Seat Purchases in the Apprentices Programs.

**BROADER PUBLIC SECTOR CONSOLIDATION IMPACT SUMMARY
TANGIBLE CAPITAL ASSETS**

PART A: TANGIBLE CAPITAL ASSETS

Construction-in-Progress (CIP)	April 1 Opening Balance	Capital Expenditures ¹	Interest Capitalized	Transfers To In-Service	March 31 Closing Bal.
Year 2006/07					345
Year 2007-08	345			345	0
Year 2008-09	0				0
Year 2009-10	0				0

In-Service Assets	April 1 Opening Balance	Transfers From CIP	Other Additions ²	Retirements/ Disposals ³	March 31 Closing Bal.
Year 2006-07					191007
Year 2007-08	191,007	345	4,240	3,000	192592
Year 2008-09	192,592		4,585	3,000	194177
Year 2009-10	194,177		4,585	3,000	195762

Accumulated Amortization	April 1 Opening Balance	Amortization Expense ⁴	Retirements/ Disposals	March 31 Closing Bal.
Year 2006-07				65,462
Year 2007-08	65,462	10,503	3,000	72,965
Year 2008-09	72,965	10,503	3,000	80,468
Year 2009-10	80,468	10,503	3,000	87,971

¹ Capital expenditures based on capital as defined by generally accepted accounting principles irrespective of whether operating or capital transfers were used to fund the capital projects.

² Additions to capital other than those flowing from Construction-In-Progress, i.e., acquisitions.

³ Includes retirements, sales, disposals and asset valuation adjustments.

⁴ Annual amortization expense on both new assets placed in service and existing assets.

PART B: FINANCING OF CAPITAL EXPENDITURES	Self-Financed	Third Party Capital Contributions Received	Third Party ¹ Borrowings	Other Sources ²	Notes
	Year 2007-08	4,585	-	-	-
Year 2008-09	4,585	-	-	-	
Year 2009-10	4,585	-	-	-	

¹ includes public borrowings, private financing and alternative financing options

² Please specify details of other sources including non-MTCU capital contributions from the Province.

LONG TERM DEBT (including Capital Leases)	April 1 Opening Balance	New Issues	Retirements	March 31 Closing Bal.
Year 2006-07				53,578
Year 2007-08	53,578	-	1,612	51,966
Year 2008-09	51,966	-	1,577	50,389
Year 2009-10	50,389	-	1,563	48,826

All figures in \$000's