Presentation to:	Board of Governors
Subject:	2013/14 Budget Assumptions and 3 Year Pro-forma
Date:	December 10, 2012
Presenter(s):	Duane McNair, Vice-President, Finance and Administration

Purpose

To present the 2013/14 Budget Assumptions and 3-year Pro Forma.

Background

At the Board of Governors meeting in April the Board was presented with the 2012/13 Annual Budget. In addition, highlights of the 2012 Provincial Budget were presented that will have an impact on the College in 2013/14, 2014/15 and beyond:

	Algonquin Impact	
Provincial Budget Measure	**2013/14**	**2014/15**
International Student Recovery Fee	$ (450,000)	$ (923,000)
Elimination of Small Northern and Rural Grant	$ (900,000)	$ (1,800,000)
'Policy Levers' - Operating Grant Reductions	$ (1,000,000)	$ (2,000,000)
International Student Municipal Tax	$ (86,000)	$ (86,000)
Elimination of Ontario Special Bursary Program	TBD*	TBD*
TOTAL IMPACT ON ALGONQUIN COLLEGE	$ (2,436,000)	$ (4,809,000)
** Dependent on impact of Ontario Tuition Grant*		

At the Board of Governors retreat in September, management presented preliminary assumptions for the 2013/14 Annual Budget and a revised budget development timeline:

CURRENT	ACTIVITY	*PROPOSED*
ESTABLISH BUSINESS PLAN PRIORITIES		
Fall	President's Council Retreat	*October 1 - 2*
	College Leadership Council Retreat	*October 25 - 26*
BUDGET DEVELOPMENT		
January/ February/ March	Prepare Budget to Support Business Plan Priorities	*November/ December/ January*
April	Annual Budget Presented to Board	*February*
	If Required - Board Amendments to Budget - Presented for Final Approval	*March*
June	Audited Financial Statements Presented to Board (includes spending from Internally Restricted Net Assets)	*June*

College management has held retreats in October to begin establishing business plan priorities. A task group has been formed to update budget assumptions and prepare a preliminary pro forma resulting in a balanced budget for Funded Activity. While management has achieved a balanced pro forma for 2013/14 Funded Activity, Non-Funded Activities and Strategic Investment Priorities are still under development and will be presented as part of the 2013/14 Annual Budget presentation to the Board in February 2013.

Discussion/Considerations

The preliminary pro forma for 2013/14 includes the following assumptions:

- 3.1% full-time post-secondary enrolment growth
- 0% price increase for full-time tuition and ancillary fees
- No increase to General Purpose Operating Grant
- $2.4 million increase in Enrolment Growth Grant
- Salaries and benefits estimates based on current collective agreements and legislation
- 0% increase for most other operating expenditures
- No new capital funding

The format of the pro forma is a preview of the revised format that will be used for the 2013/14 Annual Budget. This format continues to be aligned with the Strategic Plan (segregating Funded Activity from Non-Funded Activity) and reports the budgeted net contribution as per the new Public Sector Accounting Board Standards (PSAS).

Funded Activity for 2013/14 and beyond is projected to produce a cash net contribution that will be sufficient to annually fund $2 million in contributions to Reserve Funds and the principal portion of long-term debt payments.

The pro forma for Net Assets are projected to result in positive fiscal year-end balances for Unrestricted Net Assets plus Internally Restricted Net Assets. This is compliant with the Ministry's Business Plan Directive on Deficit Recovery Plans and the College's Financial Management Policy.

Recommendation

That the Board of Governor's accepts the report as presented,

ALGONQUIN COLLEGE

PRELIMINARY PRO FORMA SUMMARY

NOTE: this Pro Forma is prepared in a revised format to more closely align to the Strategic Plan and Public Sector Accounting Standards.

(all figures in $ 000's)

	Annual Budget 2012/2013	Q2 Projection 2012/2013	Pro Forma 2013/2014	Pro Forma 2014/2015	Pro Forma 2015-16
Funded Activity/College Operations					
Revenue	$ 190,813	$ 191,569	$ 196,649	$ 201,708	$ 207,174
Expenditures*	188,647	184,241	193,990	199,066	204,499
Net Contribution	2,166	7,328	2,610	2,642	2,675
Contract Activity					
Revenue	27,781	29,107	29,689	30,283	30,889
Expenditures	23,405	26,739	27,017	27,557	28,109
Net Contribution	4,376	2,368	2,672	2,725	2,780
College Ancillary Services					
Revenue	40,641	39,939	40,318	41,032	41,749
Expenditures*	34,118	34,092	33,822	34,295	34,803
Net Contribution	6,523	5,847	6,496	6,737	6,946
International Education Centre					
Revenue	16,575	14,420	15,015	15,600	16,313
Expenditures	12,032	10,844	11,091	11,287	11,503
Net Contribution	4,543	3,576	3,924	4,312	4,809
Strategic Investment Priorities					
Revenue	24,974	23,716	1,900	600	600
Expenditures**	65,571	60,359	14,516	13,890	14,470
Net Contribution	(40,597)	(36,643)	(12,616)	(13,290)	(13,870)
Non-Cash Revenue Adjustments					
Capital grants/Deferred Capital Contributions	(15,988)	(16,668)	(2,560)	(2,560)	(2,560)
Amortization of Deferred Capital Contributions	7,528	7,912	7,900	7,900	7,900
Non-Cash Expenditure Adjustments					
Expenditures to be capitalized	48,962	45,462	7,000	7,000	7,000
Amortization expense	(14,758)	(15,131)	(15,000)	(15,000)	(15,000)
Change in Vacation, Sick Leave and Post-Employment Benefits	517	517	71	51	51
Net Contribution as per Public Sector Accounting Board Standards (PSAS)	**$ 3,272**	**$ 4,568**	**$ 497**	**$ 517**	**$ 731**

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PRELIMINARY PRO FORMA SUMMARY

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(all figures in $ 000's)

	Annual Budget 2012/2013	Q2 Projection 2012/2013	Pro Forma 2013/2014	Pro Forma 2014/2015	Pro Forma 2015-16
Net Assets					
Unrestricted	1,000	1,000	1,000	1,000	1,000
Investment in Capital Assets	55,731	54,602	54,453	54,607	54,771
Vacation, Sick Leave and Post-Employment Benefits	(13,842)	(13,926)	(13,855)	(13,804)	(13,753)
Internally Restricted					
Appropriations	-	-	-	-	-
Specific Reserves	8,585	9,837	5,162	1,566	-
Contingency Reserve Fund		4,500	7,250	8,659	8,884
General Reserve Funds	22,970	19,106	21,606	24,106	25,963
Interest Rate Swaps	(8,744)	(8,744)	(8,120)	(7,900)	(7,660)
Endowments	15,871	17,056	17,656	18,256	18,856
TOTAL NET ASSETS	**$ 81,571**	**$ 83,431**	**$ 85,152**	**$ 86,489**	**$ 88,060**

*Expenditures do not include 'Contributions to Reserve Funds' and 'Principal Repayments of Debt'.

**Strategic Investment Expenditures includes authorized spending from Internally Restricted Net Assets.