

MEMO

DATE: December 3, 2020

TO: Algonquin College Leadership Team

Cc: Cost Centre Managers
Budget Officers and Business Administrators

FROM: Grant Perry, Chief Financial Officer

SUBJECT: Review of Select Discretionary Expenditure Budgets

As communicated throughout the pandemic, the impact of this event to our projected net contribution will be substantial, and prolonged. While the College has some cash reserves on hand, the amount available to fund our operations is limited and reductions to our reserves will limit the investment choices that the College has in the future.

Background

The College community has focused on making a number of important decisions since the start of the pandemic to support the College in responding to our new environment until we can return to a state of more normal operations.

Based on the Second Quarter 2020-21 Financial Projection process, the impact of the spending decisions made to date are beginning to yield positive results as evidenced by the College's ability to maintain the First Quarter projected deficit at a maximum of \$19 million. Maintaining the projected deficit however, has required the assumption of a measured level of risk. The reduction of this risk can be managed through further spending reductions across the organization.

On April 20, 2020 the College community was directed to cease spending from non-salary discretionary accounts. A discretionary expense is a cost that is non-critical, non-essential and will not prevent the current delivery of programs and services. For example, most spending on travel, meeting expenses and external professional development was to be halted. Professional development offered by the College was permitted and is encouraged to continue. This direction applied to all operational budgets and strategic investment priorities project budgets, including RCM funds. A recent review of select discretionary expenditures reveals that spending in discretionary areas has continued and significant budgets remain in the following expenditure accounts:

- Professional Development and Professional Development Travel

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- Promotion, Advertising, and Public Relations
- Office Supplies
- Hospitality – Internal and External
- Administration Equipment and Furniture

Current State

Effective immediately, all spending within these select discretionary accounts can only occur if the expenditure is deemed to be critical, essential, or if the suspension of spending will adversely affect the current delivery of approved programs and services.

Process

As we are preparing for the Third Quarter 2020-21 Financial Projection Process, we are undertaking a detailed review to reduce the remaining budgets in these accounts to maintain or reduce the projected deficit for the 2020-21 fiscal year.

Each Area listed below will receive a workbook today to undertake this review process. Additional financial details can be obtained through the Adaptive Planning module of Workday.

- Academic Services – Area Level
 - Coordinated by Mark Leduc, Executive Director, Academic Operations and Planning (a separate email will be sent to Academic Services ACLT members providing further guidance)
- Advancement – Area Level
- Finance and Administration – Area Level + Department Level
- Human Resources – Area Level
- Student Services – Area Level + Departmental Level
- Truth, Reconciliation and Indigenization – Area Level
- President, Board of Governors, and Communications – Area Level

Upon receipt of the workbook, please note the following instructions:

- The review process will encompass all Areas of the College
- Q3 projected expenditures cannot exceed Q2 projections in the select discretionary expense accounts noted above
- All Q3 projected expenditures in these select discretionary expense accounts must be justified with an appropriate level of detail to support the continuation of all unspent portions of the budget. Any remaining projected spending must be necessary to meet

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critical and/or essential needs, or support the continuation of essential services for the delivery of programs and services for our learners.

- Overspending against Q2 projection in these expense lines must be contained by underspending in other areas of the department's budget. Where year-to-date expenditures have already exceeded the Q2 projection, identify overspend in the section "JUSTIFIED REQUIREMENTS FOR THE REMAINDER OF 2020-21".
- The appropriate Area Vice President will submit all rationalized budgets for the expense lines for review by the Algonquin College Executive Team (ACET).
- Adaptive Planning is to be updated by departments to reflect the proposed Q3 projected expenditures for these select discretionary expenses prior to the close of the Q3 projection process, along with other Q3 projection updates.
- Should the ACET review process take longer than provided for in the Third Quarter Financial Projection Timeline, Finance will reflect the approved changes in Adaptive Planning at the Area level (see [Third Quarter Timeline](#)).

Timeline

<u>Date</u>	<u>Activity</u>
December 3, 2020	Select Discretionary Expenditure Workbooks Distributed
December 15, 2020	Completed Workbooks Returned to Area Vice Presidents
December 22, 2020	ACET to Review and Approve Area Reports
December 22, 2020	Communication to ACLT Summarizing Results

Questions

If you have any questions about the completion of this workbook, please contact Grant Perry [by email](#).

Our collective efforts in minimizing our expenditures will add flexibility to our budget capacity challenges as we move forward. Thank you in advance for your assistance in working towards a sustainable solution for our College.