

2019/20 Budget

MAY 29, 2019

Sheridan acknowledges that all of its campuses reside on land that for thousands of years before us was the traditional Territory of the Mississaugas of the Credit First Nation, Anishinaabe Nation, Huron-Wendat and the Haudenosaunee Confederacy. It is our collective responsibility to honour and respect those who have gone before us, those who are here, and those who have yet to come. We are grateful for the opportunity to be working on this land.

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1.0 Executive Summary

Sheridan's 2019/20 operating budget will provide the resources necessary to enable Sheridan's new 5-year strategic plan, Galvanizing Education for a Complex World. The following report presents a balanced operating budget for Sheridan in 2019/20, a multi-year balanced outlook and a five-year capital budget plan.

There have been significant changes to revenues in 2019/20 as a result of new government policies. First, the Ministry of Training, Colleges and Universities (MTCU) has approved a new Tuition & Fees policy that will result in a 10% cut to domestic tuition rates as well as stipulating rules regarding the eligibility of compulsory student ancillary fees. Also, the MTCU has announced a move towards performance based funding where, in 2020/21, 25% of our operating funding will be performance based, increasing to 60% by 2024/25.

Sheridan's revenues have also grown significantly over the past ten years. The primary driver of that growth was international enrolment. However, this rate of growth will decline as Sheridan executes its Strategic Enrolment Management (SEM) plan. As a result, year-over-year revenue growth is planned to be less in the future.

In 2019/20, Sheridan will have a balanced \$367 million operating budget and will be in the first year of a \$240 million capital budget. The operating budget provides continuity for all existing base budgets across Sheridan and moreover provides for approximately \$12 million in new investments.

Sheridan's new strategic plan identifies key priority areas that will be supported through this budget. Key investments will be made in support of academic priorities, the student experience and equity & inclusion. Also, budgets will be established to support technology modernization and the sustainability of Sheridan's infrastructure.

Sheridan's capital budget proposes a new fund based approach using Sheridan's reserves and will support major capital projects like Hazel McCallion Campus Phase 2A in Mississauga, continuation of Integrated Energy & Climate Master Plan projects and the implementation of the campus master plan. The capital budget will also provide for minor capital projects including roads & grounds, space adaptations, equipment & furniture, building envelope & systems and IT infrastructure.

Sheridan's 2019/20 budget, multi-year outlook and five-year capital plan will position Sheridan to effectively execute the new strategic plan. It will provide the resources necessary to deliver on our mission, while being flexible in light of significant government funding uncertainty. Sheridan will continue to be financially healthy and sustainable for the foreseeable future which aligns with one of the key enablers within the strategic plan of fiscal and environmental sustainability..

2.0 Introduction

This report presents Sheridan's 2019/20 Operating budget, a multi-year operating budget forecast and a 5-year capital budget forecast. This budget will enable Sheridan's new Strategic Plan by ensuring that the resources are in place to support the successful execution of our strategic priorities. It also supports the modernization of Sheridan's systems and will also provide appropriate resources to ensure the ongoing renewal and development of Sheridan's physical infrastructure. The 2019/20 budget and multi-year forecast responds to the changing Provincial policies and is balanced without making any cuts to spending in 2019-20.

Looking Back

Over the past ten years, Sheridan has grown significantly. Revenues have more than doubled from \$195 million in 2009/10 to approximately \$400 million as of the 2018/19 year-end. This growth has been fuelled by significant increases to international enrollments. International student tuition in 2009/10 was \$8.6 million. This has now grown to over \$130 million per year.

In the same time frame, government grants have changed minimally, going from \$96 million in 2009/10 to just under \$100 million now. Government grants used to be nearly 50% of the Sheridan's revenue ten years ago, but now represent less than 25% of our revenues today. In fact, when adjusted for inflation, government grants have declined by over \$13 million over the 10-year period.

Looking Forward

Sheridan is now the fourth largest college in the province by operating revenue. The size and complexity of our budget has increased significantly. New challenges are emerging with uncertainties around government funding and the move to a performance based funding model. In addition, the growth in international enrolments is no longer sustainable and will be balanced with domestic enrolment growth.

In order to address these challenges while also ensuring that fiscal resources are being used efficiently, Sheridan will be moving to an Activities Based Budgeting (ABB) model over the next two years. This incentive-based model will promote transparency, empower budget holders and will lead to better informed, evidence-based budget decisions. This will ensure effective use of increasingly limited financial resources. A parallel ABB model will be developed in 2020/21 with full implementation of the ABB model in 2021/22.

2019/20 Budget Report

This report will provide an overview of the principles and process used to develop the budget. Next, we will provide an overview of forecasted revenues and expenses. Third, we will present a multi-year balanced operating budget. Finally, the report will present Sheridan's first 5-year capital plan.

Sheridan's vision

Sheridan is the epicentre for ground breaking, standard-setting higher education that unleashes everyone's full potential and empowers people to flourish in and shape an ever-changing world.

Sheridan's mission

Cultivate resourceful, highly skilled, and creative people and communities through cross-pollinated, active learning and the relentless incubation of new ideas.

3.0 Guiding Principles

In 2018/19, PVP adopted a set of principles to support budgeting activity at Sheridan. These principles are intended to support the development and management of the 2019/20 budget and beyond. The principles were developed through internal discussion and research of successful practices from postsecondary and other public sector institutions.

3.1. Student Focused

Allocation of resources will be informed by objectives and priorities that are articulated in the Strategic, Academic and Departmental Operating plans. There should be clear alignment between resource allocation decisions and the ultimate benefit to students. This includes funding of operating costs and infrastructure projects.

3.2. Balanced Budget

The budget will be balanced in total, such that all planned expenditures do not exceed expected revenues and use of reserves.

3.3. Conservatism

The overall college budget will incorporate a degree of financial conservatism through contingency provisions to mitigate the risk of year-end deficits. The budget will also include worst case, best case and most likely scenarios

3.4. Long-term Focus

The budget process will encourage budget holders to take a multi-year view to financial planning. Long term financial sustainability will be key criteria in resource allocation decisions.

3.5. Rewards Innovation and Results

The budget process will contain mechanisms to motivate and reward budget holders for efforts that achieve increased revenues or efficiencies.

3.6. Accuracy and Forecasting

The budget process will include mechanisms for the regular review of budget performance. Regular reports will be reviewed by the PVP team and will focus on the overall college outlook. The budget process and reporting mechanisms will be simple as possible but that simplicity cannot compromise our principles and objectives. Reviewing activities should consider adopting a materiality threshold.

3.7. Transparency

The budget development and monitoring processes will be transparent with regular reporting that is available to a broad range of college stakeholders, led by the President and Vice-Presidents.

Sheridan's first principles

INSPIRED
QUESTING

INTENTIONAL
IMPACT

EMOTIONAL
ACUMEN

RADICAL
ENGAGEMENT

TRAILBLAZING

ALL EMBRACING
EXCELLENCE

3.8. Accountability and Authority

Budget holders will be held responsible for the overall performance of their budgets through the monitoring process and performance management mechanisms. Budget holders will have the authority to spend dollars (for non-contractually limited budgets, i.e. research) at their discretion across their span of control within their total approved revenue or expenditure limits. (subject to approval processes for hiring of permanent staff positions)

3.9. Generational Neutrality and Asset Management

The cost of educating the current generation of students should be borne by the current generation and not deferred to future generations. This includes consideration of how capital projects are funded, particularly those through student levies. A fund based approach will be implemented to ensure the ongoing maintenance and renewal of key college assets, including buildings, equipment, IT infrastructure and academic programs.

3.10. Carry Forwards

Establishing realistic timelines is critical for project spending. To facilitate effective execution of projects, project funding will be eligible for carry-over from one fiscal year to the next. In addition, budget holders will be able to carry forward a proportion of any year end non-salary operating surplus. Similarly, departments that overspend their budget will need to determine how to address the shortfall in future years.



4.0 Budget Development Process

This section provides an overview of the budget development process.



4.1 Enrolment Planning

In summer and early fall, Sheridan's Institutional Research department works with each of the Academic Faculties to develop a multi-year enrolment forecast. This forecast is based on historical trends, industry needs and program capacity. Enrolment targets are finalized in consultation with the office of the registrar to ensure that first year recruiting targets are achievable. While enrolment forecasts are continually updated and refined, the finance department relies on a snapshot in December to build the budget.

4.2 Tuition and Fee Rates

Tuition fees are built in accordance with Ministry policy and are the result of a collaborative discussion between Finance and the academic faculties to ensure that any rate increases are reasonable and won't adversely impact student demand. College-wide ancillary fees are approved consistent with the Ministry mandated protocol agreement with the Sheridan Student Union. An ancillary fee committee representing Sheridan and the Sheridan Student Union meets throughout the fall to finalize ancillary fees. Program fees are determined by the Academic faculties and approved internally by the Academic Resources Committee. Tuition fees, Compulsory Ancillary Fees and Program fees were approved by the Finance, Audit and Property Committee in November 2018 and by the Board in January 2019, subject to revisions as required by the new MTCU binding policy.

4.3 Base Budget Development

From December to February, departments are provided with detailed budget templates that are used for salary and non-salary planning. Overall allocations are consistent with the prior year's budget, however, budget holders have the flexibility to reallocate budgets within their portfolios as well as request additional base budget if the need is justifiable (i.e. a contractual obligation).

4.4 Strategic Needs

Starting in December, budget holders across Sheridan had the opportunity to revise their three-year list of budget priorities. This process culminated with PVP holding a full-day budget retreat whereby needs across the college were analyzed and assessed for alignment with the new Strategic Plan.

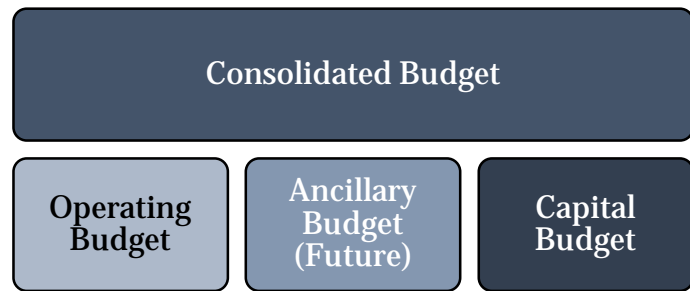
4.5 Approvals

The final stage of the process is budget approvals. PVP approved the 2019/20 budget in April 2019. FAP will review and approve the budget at their May 15, 2019 meeting and the Board will review and approve the budget on May 29, 2019. The final approved budget will be submitted to the MTCU along with Sheridan's 2019/20 Business Plan in June.



5.0 Budget Overview

This section of the report describes the various components that make up Sheridan's overall consolidated budget, including the Operating Budget, Capital Budget and, in the future, and Ancillary Budget. Also, this section will explain the accounting approaches used, including Modified Cash Basis, PSAB basis and the use of reserves as a funding source.



5.1 Operating Budget

The Operating budget shows the revenues and expenses associated with the day-to-day, ongoing operations of Sheridan. This budget includes tuition, fee, operating grant, ancillary and other revenues. For expenses, this budget includes expenses like salaries and benefits, supplies, services, fees, utilities, etc...

Sections 5.0, 6.0, and 7.0 of this report provide an overview of the operating budget – revenues, expenses, and summary with a 3-year outlook.

5.2 Ancillary Budget

Currently ancillary operations are included in Sheridan's Operating budget. In the future, we intend to present a separate budget for Ancillary Operations. This will support the goal to have ancillary operations as a self-sustaining activity. Ancillary operations include parking, food services, residence, book store, one-card, conference services and the print shop.

5.3 Capital Budget

The Capital budget shows a 5-year plan for major infrastructure spending that includes projects that are typically one-time in nature and are considered assets. This budget includes new construction projects, major renovations, equipment purchases, etc...

5.4 Modified Cash Basis

Sheridan's budget is prepared and managed on a modified cash basis. Revenues and expenses are still accrued according to generally accepted accounting principles. The exception is with respect to capital costs within the operating budget. The principal and interest cost is budgeted for within the operating budget and transfers to reserves are viewed as reductions in expenditures.

5.5 Public Sector Accounting Board (PSAB) Basis

Sheridan's financial statements and budget submission to the MTCU are reported on a PSAB basis. The differences between modified cash and PSAB include the following:

- The purchase of capital assets are depreciated over a period of time. For example, the purchase of a \$10,000 piece of minor equipment is amortized over 5-years so the annual expense is \$2,000.
- Government grants for the purchase of capital assets are deferred and then subsequently recognized over the same timeframe that the asset is depreciated. For example, the \$100,000 purchase of major equipment is amortized over 10 years. If a government grant paid for this purchase, then the grant would also be recognized over the same 10-year period.
- Additional adjustments are made for employee future benefit obligations such as vacation pay, sick leave and pension.

5.6 Reserves

Reserves reflect the total amount of money that has been set aside on Sheridan's balance sheet for future spending. This funding source is the result of cumulative year end surpluses from previous fiscal years. The capital budget will be relying significantly on the use of reserves as a funding source (and the proposed budget shows purposeful allocations to reserves in order to fund future capital). It is important to note that on a PSAB basis, use of reserves are not considered revenue. Thus, spending from reserves will show as an in-year deficit on the income statement and then we will show the amount funded from reserves below the bottom-line. MTCU policy does allow colleges to use reserves to balance the budget.



6.0 Operating Budget - Revenue

The first step in creating the 19/20 operating budget is the revenue forecast. Sheridan's revenue for 2019/20 is forecasted to be \$364 million. Approximately 2/3 of our overall revenue comes from Tuition and Student Fees. Only 24% of our operating funds comes from the provincial government.

This section will present the enrolment trend and 19/20 forecast that was used to prepare the revenue budget. We will then discuss each of the revenue components: tuition, student fees, government grants, ancillary operations, research and other.

6.1 Enrolment

Figures 2 and 3 below show the historical enrolment trend for full-time and part-time students respectively. Full-time domestic enrolments have been relatively flat for the past 8 years while international enrolments have grown significantly. The 19/20 budget has been built under the assumption of 0% growth in domestic enrolments and 5% growth in international. Sheridan intends to slow the pace of international growth and instead focus on growing domestic enrolments.

Part-time enrolments have been steadily increasing for both domestic and international students. For the purposes of developing the budget, part-time tuition revenue projections are simply based on past year's actuals.

Figure 1 - Revenue Breakdown

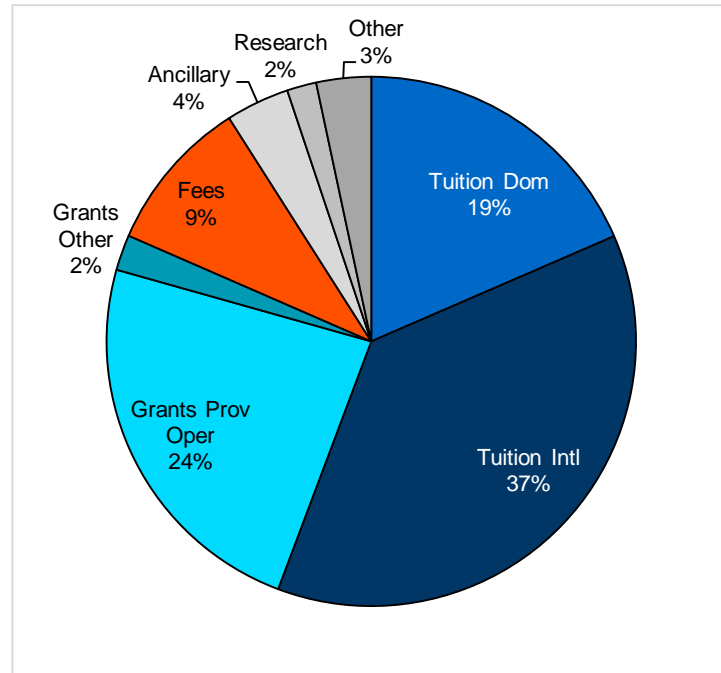


Figure 2 - Full-time Enrolment

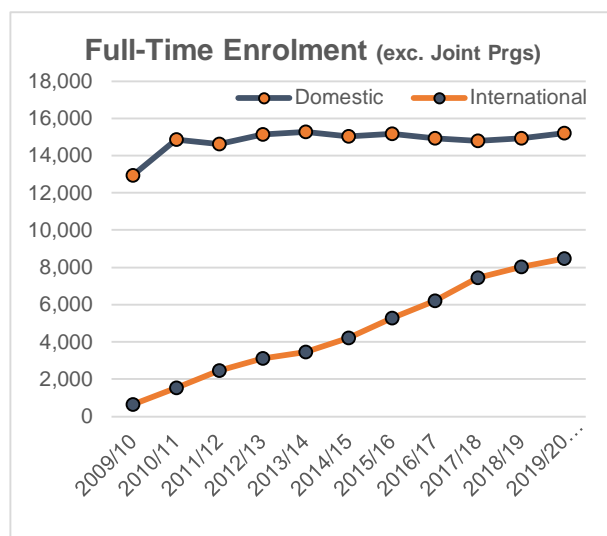
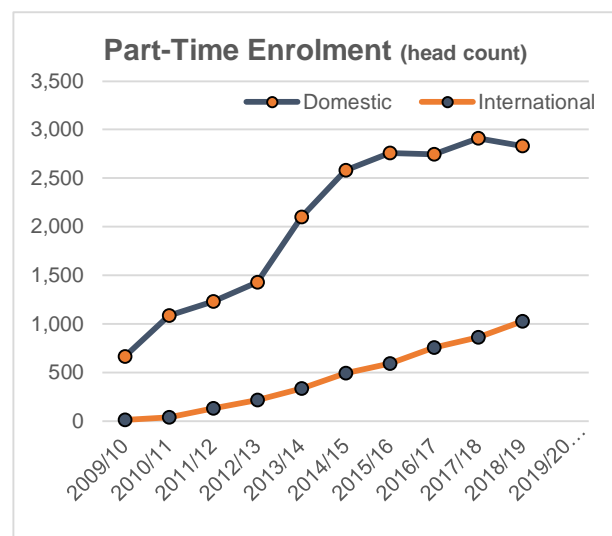


Figure 3 - Part-time Enrolment



6.2 Tuition and Student Fees

The MTCU has implemented the new Binding Policy for Tuition and Fees. The main components of this policy include a 10% reduction in domestic tuition rates for 2019/20 and a freeze for 2020/21. This reduction applies to all students in Ministry funded programs (full-time and part-time). International tuition rates are exempt from this policy and were approved by the Board in January 2019 to increase by 3% for 2019/20. Table 1 shows the impact of the new policy and continued growth in International.

Table 1 - Tuition Revenues

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Domestic – Full-time	68,542	62,907	(5,635)
Domestic – Part-time	8,370	8,438	68
International – Full-time	122,988	134,036	11,048
International – Part-time	4,220	6,125	1,905
Collaborative programs	5,499	6,547	1,048
Tuition set-aside	(7,213)	(6,270)	943
Total Student Tuition	202,406	211,784	9,377

Additionally, the MTCU has mandated that only select fees can be considered essential. Non-essential fees must now be optional for the student to pay. For Sheridan, this policy will impact the Alumni fee as well as the technology fee. Additionally, the Sheridan Student Union will be significantly impacted by this policy. While International fees are exempt from the Ministry policy, Sheridan has chosen to provide International students the same opportunity to decide on optional fees. Table 2 shows the impact on student fee revenues.

Table 2 - Student Fees

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Compulsory Institutional Fees	18,897	16,998	(1,900)
Program Fees	12,620	13,246	626
User fees and charges	5,073	5,760	687
Total Student Fees	36,591	36,004	(586)

6.3 Government Grants

The majority of the college's grant funding comes from the MTCU's Enrolment Based Envelope. This is the second year that the MTCU has used the Corridor funding model which provides for fixed funding so long as our enrolment (expressed in weighted funding units - WFUs) stays within a 10% range. The 10% range is based on the corridor mid-point which is calculated as the average WFUs from 2014/15, 2015/16 and 2016/17. Table 3 shows the forecasted revenues for each funding category.

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Other government grants will change as follows:

- Special Purpose Grants will decrease due to the one-time nature of the \$4 million Supporting Quality Initiatives grant that was received in 2018/19.
- Provincial capital grants will decrease due to the MTCU announcing that it will be reviewing the \$1.5 million Facility Renewal Program and \$0.5 million Capital Equipment Renewal Fund.
- Provincial Employment Services grants are also uncertain pending the government's review of Employment Ontario programs.

Table 3 - Government Grants

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
MTCU Enrolment Based Envelope	82,400	82,400	-
MTCU Differentiation Envelope	3,635	3,635	-
MTCU Special Purpose Grants	8,136	3,781	(4,355)
MTCU International student recovery	(5,897)	(6,000)	(103)
MTCU Capital Grants	2,245	980	(1,265)
MTCU Employment Training Grants	7,463	7,171	(292)
Federal Operating	3,171	2,847	(324)
Federal Capital	-	-	-
Municipal (Daycare)	117	118	1
Total Grants and reimbursements	101,270	94,932	(6,338)

6.4 Other Revenues

Other Sheridan revenue sources include ancillary operations, research grants, investment income and other sources. Ancillary operations include parking, food services, residence, book store, one-card, conference services and print shop. As the college moves towards an Activity Based Budget model, the goal for Ancillary Operations is to become self-sustaining.

Research grants are budgeted based on the timing of approved research agreements. While the initial budget is less than 18/19 actuals, revenues will increase as 19/20 research agreements are executed.

Table 4 - Other Revenues

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Ancillary Operations	14,765	14,913	148
Research	1,270	1,734	464
Investment Income	2,000	3,500	1,500
Other	4,999	4,940	(59)
Total Other Revenues	23,034	25,087	2,053

7.0 Operating Budget - Expenses

This section of the report will provide an overview of the operating expense budget. First, we will detail major investments that are being made over the next three years. Next, we will provide an overview of the salaries and benefits budget and finally, there will be an overview of the non-salary expense budget.

7.1 Major Investments

The Sheridan budget holders had an opportunity to identify 3-year strategic priorities as part of the 2019/20 budget development process. PVP met in late March to have a full-day budget retreat to review priority needs for the next three-years, aligned with Sheridan's new Strategic Plan. Appendix 1 provides a detailed listing of approved priorities. Highlights include:

- A significant investment in the Academic division. This will be used to deliver on Academic plan priorities, maintain high quality academic delivery and provide resources to support Sheridan's recent enrolment growth.
- An investment in the Student experience. This will be used to develop and implement innovative programs promoting lifelong learning, flexibility and pathways and a personalized student experience. This will also support the development of "S-Factor" capabilities and the Work-in-Learning / Learning in-work strategic priorities.
- An investment in the Centre for Equity and Inclusion. This will help CEI re-position as both a strategic and operational community hub to help foster a culture of inclusion, beyond the current compliance mandate.
- A significant investment in IT systems. This will serve to modernize Sheridan systems to improve the student and staff experience and streamline processes.
- An investment in post-secondary governance excellence which will support improved decision making throughout Sheridan.
- Other modest investments will be made throughout the college to support strategic needs, including the development of a new fundraising campaign and more efficient use of legal resources.

Figure 4 - Sheridan's Strategy



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Table 5 - Major Investments

In \$'000s	2019/20	2020/21	2021/22
Academic Investments	3,026	3,620	3,359
Student Experience and CEI	1,961	2,441	2,441
IT Systems	5,000	5,000	5,000
Other investments	1,710	1,195	1,195
Total Investments	11,697	12,256	11,995

7.2 Salaries and Benefits

Salaries and benefits are budgeted based on collective agreement provisions. Full-time budgets are calculated centrally on a position by position basis while part-time budgets are calculated by departments. Figure 4 shows the breakdown of the salary & benefits amongst the three employee groups.

Historically, Sheridan has budgeted for 100% of full-time positions. Due to the size of the organization, Sheridan consistently has approximately 40 to 60 vacant full-time positions at any point in time. These vacancies have contributed to a year end surplus. Starting in 2019/20, Sheridan will leverage these vacant positions by budgeting to 98% of full-time salaries. This will provide approximately \$3.4 million that will support the strategic investments discussed above.

Fiscal 2019/20 will be the first full budget year for the new part-time support staff collective agreement. This agreement includes wage increases of 1.5% in January 2019 and 1.5% in January 2020 as well as improved job stability. Table 6 shows the breakdown and year-over-year change for salaries and benefits by employee group and full-time vs part-time. Table 7 shows the year-over-year breakdown by department.

Figure 5 - Salary & Benefits by Employee Group

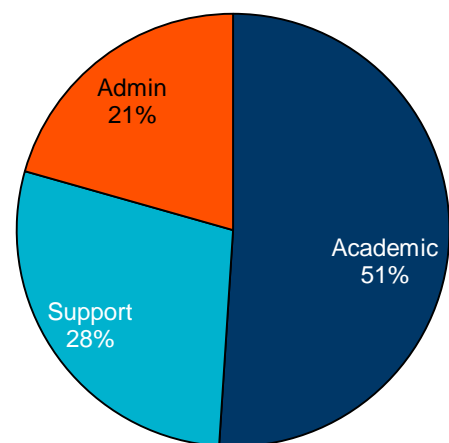


Table 6 - Salaries and Benefits

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Faculty – Full-time	79,053	79,898	845
Faculty – Part-time	45,199	41,056	(4,143)
Administration – Full-time	40,911	45,456	4,545
Administration – Part-time	2,081	3,653	1,572
Support Staff – Full-time	51,974	53,128	1,155
Support Staff – Part-time	17,506	14,268	(3,238)
98% FT Budget Strategy	-	(3,364)	(3,364)
Total Salaries and Benefits	236,722	234,095	(2,628)

Table 7 - Salaries & Benefits by Department

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Academic	149,878	158,136	8,257
Finance and Administration	24,661	26,389	1,727
Student Experience & Enrollment Management	32,335	34,039	1,704
Chief Communications Officer	3,043	3,361	319
Human Resources	4,141	4,024	(116)
External Relations	2,314	2,437	123
Chief Change Officer	2,159	2,631	472
President's Office	618	561	(57)
Centre for Equity and Inclusion	-	729	729
Legal	701	1,121	420
College-wide	16,872	4,030	(12,842)
98% FT Budget Strategy	-	(3,364)	(3,364)
	236,722	234,095	(2,628)

7.3 Non-Salary

Non-salary budgets are determined based on historical needs. Departmental budgets will typically be set at the prior year's approved budget level unless specific needs are identified and justified through the budget process. Departments then allocated their non-salary budgets across the various accounts. Table 7 shows the non-salary budgets by department.

The non-salary budgets are generally consistent year-over-year. There are some changes due to functions moving between departments. For example, the Centre for Equity and Inclusion has moved from Human Resources to the President's Office. Also, Special events has moved from Finance & Admin to External relations. The college-wide budget is significantly down due to the consolidation of numerous contingencies and provisions that had previously been built into the budget, but never required for operating purposes.



Table 8 - Non-Salary by Function

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Academic	22,680	22,981	301
Finance and Administration	42,383	42,743	360
Student Experience & Enrollment Management	15,673	15,775	102
Chief Communications Officer	4,675	4,809	134
Human Resources	1,510	1,229	(281)
External Relations	658	1,221	563
Chief Change Officer	1,366	1,191	(174)
President's Office	99	99	-
Centre for Equity and Inclusion		274	274
Legal	128	169	41
College-wide	31,800	18,844	(12,956)
Fixed Assets	5,606	3,100	(2,506)
	126,578	112,436	(14,142)

The following tables show a further breakdown of the Academic, Finance & Administration and Student Enrolment & Experience Management budgets. The significant decrease in the facilities management budget is due to one-time initiatives related to Federal Strategic Infrastructure fund projects, Greenhouse Gas Carbon Reduction program and IECMP. The significant variance in International is due to lower than expected agent commission payments in 2018/19.

Table 9 - Academic Non-Salary

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Faculty of Animation, Arts & Design	8,513	8,861	349
Faculty of Applied Health & Community Studies	1,564	1,645	81
Faculty of Applied Science & Technology	5,059	5,105	47
Faculty of Humanities & Social Sciences	402	441	40
Pilon School of Business	1,125	1,119	(6)
Continuing and Professional Studies	952	1,009	57
Research	1,387	1,422	36
Language & Skills	1,231	1,140	(91)
Centre for Teaching and Learning	1,419	1,443	24
Other	1,030	795	(236)
Total Academic	22,680	22,981	301

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Table 10 - Finance & Admin Non-Salary

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
Facilities Management	16,231	14,600	(1,631)
Business Services	12,636	13,159	523
Information Technology	8,901	10,482	1,581
Risk Management	4,429	4,333	(96)
Finance	186	169	(16)
Total Finance & Admin	42,383	42,743	360

Table 11 - SEEM Non-Salary

In \$'000s	2018/19 Budget	2019/20 Budget	Year-over-Year Change
International	9,117	9,342	226
Student Affairs	3,070	2,900	(170)
Library & Learning	2,277	2,320	43
Office of the Registrar	1,060	1,061	0
Indigenous	28	31	3
Other	121	121	-
Total SEEM	15,673	15,775	102

Finally, the following table shows the college-wide budget. Miscellaneous expenses include a 1.5% operating contingency (aligned with the MTCU Financial health indicator target of 1.5% annual surplus). Also, the miscellaneous budget includes provisions for sick/maternity leaves, the flow-through application revenue to OCAS, and other general expenses. Overhead recovery is used to report on overhead for externally funded projects and initiatives.

Table 12 - College-wide Non-salary

In \$'000s	2019/20 Budget
Contingency	6,000
Insurance	4,541
Long Term Debt Repayment	2,416
Municipal Taxes	1,452
OCAS Processing Expense	1,300
Central employment expenses	750
Other	1,285
Bad Debt	600
Professional Fees	500
Total College-wide	18,844

8.0 2019/20 Operating Budget and Multi-year Outlook

Appendix 2 provides a summary of the 2019/20 balanced budget and forecast for 2020/21 and 2021/22. Overall, it is anticipated that the College will be able to balance the budget for the next three years. This section provides an overview of the key assumptions and highlights for the multi-year outlook.

“Sheridan will be innovative in its approaches to environmental and fiscal sustainability.”

Sheridan 2024

Tuition

The tuition forecast is based on 0% growth in domestic enrolment and 5% growth in international enrolment. Domestic tuition rates are frozen for 2020/21 and then assumed to resume a 3% rate increase in 2021/22. International tuition rates are forecasted to increase by 3% each year.

Student Fees

Student fees have been adjusted to comply with the new MTCU Student Choice Initiative. The forecast also includes potential new fees for services that are allowed under the new Ministry policy. Potential new fees include Health & Counselling, Financial Aid, Campus Safety and Career Services. These will be reviewed as part of the 2020/21 fee setting process which we expect to be presented to the Board for approval in January 2020.

Government Grants

Grants are forecasted to remain the same as 2019/20. As part of the 2019/20 Ontario budget, the province has announced that, starting in 2020/21, a significant portion of the college's funding will be based on performance outcomes. In 2020/21, 25% of each college's funding will be performance based, increasing to 60% in 2024/25. There is not enough information available at this time to assess the potential impact.

Salaries & Benefits

Salaries and benefits are forecasted, consistent with, annual collective agreement defined, grid and cost of living increases.

Supplies & Services

Supplies and services are forecast to remain consistent with the 2019/20 budget allocation.

Fixed Assets

The \$3.1 million fixed assets budget includes \$2 million for Academic space adaptations, \$600K for Academic equipment renewal and \$208K for apprenticeship enhancement fund. These funds will now support the capital budget as will be described in the next section.

Strategic Investments

The strategic investments proposed for 2019/20 are intended to meet needs for the next three years. All future needs will be addressed through re-allocation of existing budgetary resources, or seeking external funding where it becomes available.

Operating Efficiencies

The outlook for 2020/21 and 2021/22 is showing a decrease (0.4% in 2020/21 and 1.0% in 2021/22) that will need to be addressed through operating efficiencies. This will be reviewed in detail during the budgeting process for those years.

Transfer to Reserves

The capital budget in the following section will propose that infrastructure needs are financed using a reserve fund based approach. Each year, we are budgeting for an annual transfer from the operating budget to the reserve funds.



9.0 Capital Budget

Appendix 4 is the five-year outlook for capital spending and includes major capital projects, minor capital projects and the corresponding funding sources. This is Sheridan's first long-term capital budget. This long-term plan will be continually refined and improved each year going forward.

9.1 Major Capital Projects

Hazel McCallion Campus Phase 2A (HMC2A)

HMC2A is a 70,000 sq. ft. facility which comprises an athletics facility with a gym, track and fitness area. Student Union space includes a lounge, food services and office space. College space includes a multi-purpose board room for Senate and other large meetings.



Hazel McCallion Campus Phase 2 (HMC2)

HMC2 is a 220,000 sq. ft. facility which includes state-of-the-art classrooms, studios, labs, production spaces, and a gallery space to showcase students' creativity and innovation. This budget is to rectify issues relating to the construction which impacts both the B-wing building and the construction of HMC2A.

HMC Scholar's Green

Landscaping work required as a condition of planning approval by the City of Mississauga following the completion of HMC2A construction phase.

Integrated Energy and Climate Master Plan (IECMP)

IECMP projects significantly reduce Sheridan's energy consumption and greenhouse gas emissions, including construction of efficient, flexible, reliable, district energy and combined-heat and power systems for the Oakville and Brampton campuses. Projects include updating and replacing poorly-functioning mechanical and electrical systems, upgrading the building envelope, connecting heating and cooling systems between buildings, preparing for connecting thermal networks to the broader community, and construction of modern central plants.

Campus Master Plan

Sheridan has initiated a process to develop a bold, innovative and comprehensive Campus Master Plan that will provide a road map to transform our built environment over the next 30 years. The Campus Master Plan aspires to provide Sheridan students, faculty and staff with inspiring spaces to learn, teach, work, collaborate and innovate. The Campus Master Plan will

be guided by and reflect the vision and goals of Sheridan 2024 Plan and other key guiding plans and strategies. The funding identified in the capital budget is a place holder to support the implementation of the Campus Master Plan and will be refined as the project progresses.

9.2 Minor Capital Projects

Grounds and Site Infrastructure – includes projects such as parking lots & roads, grounds & landscaping and other site infrastructure.

Space Adaptations including academic classroom improvements, general campus improvements, ancillary space adaptations and accessibility, AODA, health & safety.

Furniture, fixtures and equipment includes academic equipment renewal, ancillary needs and general college-wide needs.

Building envelope and systems includes mechanical / electrical upgrades, residence improvements, fire safety upgrades, emergency power, roofing work and walls & foundation.

IT infrastructure renewal includes server upgrades, computer replacements and major software replacements.

9.3 Capital funding Sources

Reserves – Infrastructure Funds – Starting in 2019/20, Sheridan will use a fund based approach to pay for infrastructure renewal needs. Various funds, as shown below, will be set up in reserves. Each year, these funds will be drawn down based on infrastructure spending and then topped up with a contribution from operating budget.

Table 13 - Reserve Funding

In \$'000s	2018/19 Initial Reserve Allocation	Annual Contribution from Operating	Total 5-Year Funding	Fund Use (Minor Capital Projects)
Major Capital Projects	23,200		23,200	
Space Adaptations	20,000	3,500	37,500	Space Adaptations – Academic Space Adaptations - Campus
Facilities Infrastructure	16,500	1,500	24,000	Site – Grounds & Landscaping Site – Infrastructure & Services Building Systems Building Envelope
IT Infrastructure	6,500	1,500	14,000	IT Infrastructure
Academic Equipment & Furniture	2,400	600 (1-yr)	3,000	FF&E - Academic
Non-academic equipment & furn.	1,300		1,300	FF&E – Campus General
Ancillary – parking & roads	2,480		2,480	Site – parking & roads
Ancillary - residence	2,000		2,000	Space Adaptations – Ancillary
Ancillary – food services	2,000		2,000	FF&E – Ancillary
Ancillary - bookstore	400		400	Space Adaptations – Ancillary
	76,780	6,500	109,880	

Operating Budget Contribution – the capital budget will rely on an annual \$4.5 million contribution from operating to maintain the reserve funds, in addition to \$2 million that has been historically included in the operating budget for academic space renovations. This amount will be included in each annual operating budget and then transferred at year end to the appropriate reserve fund.

Internal Loan – as mentioned previously in this report, the goal is for Ancillary Operations to become financially self-sustaining in the future. Ideally, ancillary operations should build up reserves to address deferred maintenance, leasehold improvements and future capital expansion. In order to provide time to reach that goal, we will use internal loans to support current infrastructure needs. Internal loan payments will be budgeted for within the corresponding ancillary operation. Internal loans will require a business case that demonstrates the operations ability to repay the loan. The college’s working capital will be used as the funding source and the loans will be set-up with an appropriate repayment term that is not greater than the useful life of the capital asset being purchased. The interest rate will cover the cost of the lost investment income to the operating budget.

Table 14 - Internal Loan Financing

In \$'000s	Forecasted 5-Yr Internal Loan Requirements	Fund Use (Minor Capital Projects)
Ancillary – parking & roads	4,065	Site – parking & roads
Ancillary - residence	2,981	Space Adaptations – Ancillary
Ancillary – food services	4,178	FF&E – Ancillary
	11,224	

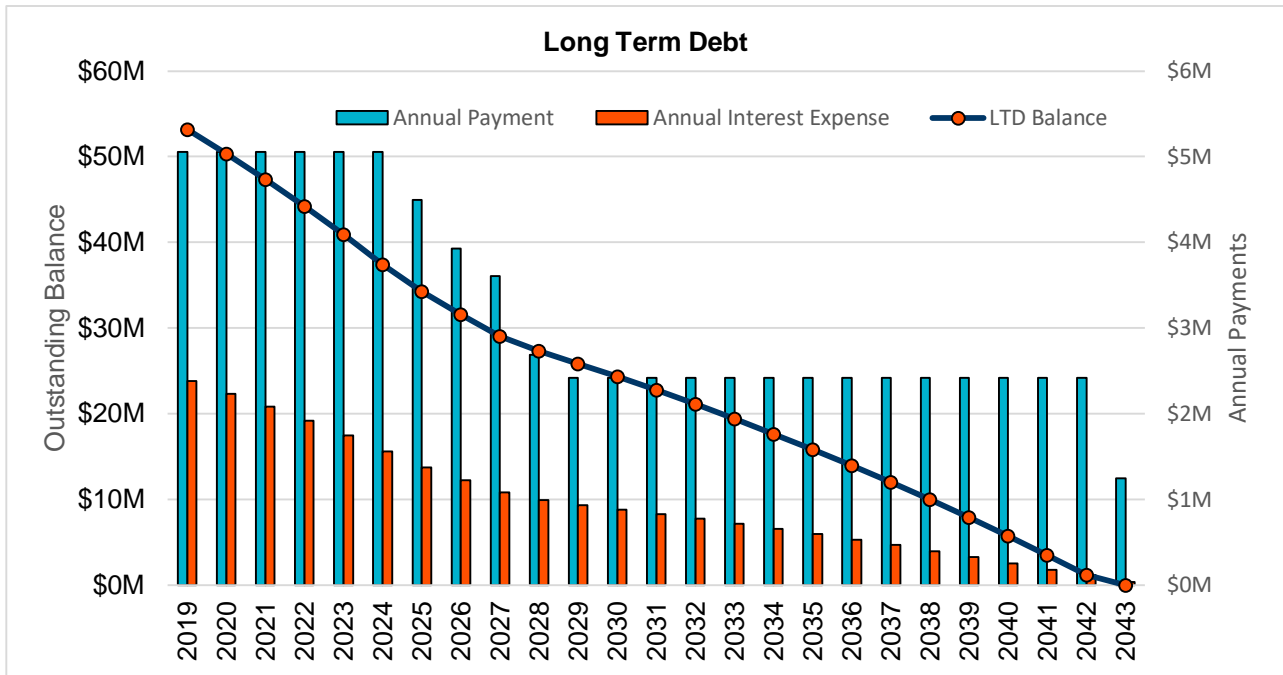
New funding sources / Debt – Sheridan will continue to seek out new funding sources, including government grants, partnership opportunities, other revenue generation initiatives, donations and other sources. Approximately \$32 million will be found from other sources in order to fund the full 5-year needs for capital projects. Debt financing may be considered for any future major new building initiatives that arise from the Campus Master Plan. Sheridan currently has capacity to take on approximately \$100 million in new debt based on the current financial health indicators that the MTCU uses.

Table 15 - Debt Capacity Metrics

Criteria	Current Metric (Mar 31/18)	Amount of Additional Debt Available
Debt to Assets Ratio < 35%	21.05%	~ \$118 million
Debt Servicing Ratio < 3%	1.27%	~ \$80 to \$100 million

Sheridan’s existing long-term debt is approximately \$53 million and consists of four loans: Davis Residence, Trafalgar Residence, Davis gymnasium and Davis A-wing. The following chart shows the annual balance on the debt.

Figure 6 - Long Term Debt



Appendix 1: Major Investments

Academic

Division	Description	One-time	Ongoing
Faculty of Animation, Arts & Design	FAAD continues to purposefully enhance interdisciplinary opportunities and activities in addition to focusing on areas requiring program and administrative support. Examples of enhancements for this fiscal year include the expansion of the Public Creativity Studio and Research and Creative Problem-Solving Labs, a full time Gallery Installer and two part time Computer Animation Technologists.	-	559,000
Faculty of Applied Health & Community Studies	FAHCS continues to focus on experiential learning and the Centre of Community Innovation and Interprofessional Practice. Examples of enhancements for this fiscal year include two full time positions related to Field Placements and Experiential Learning as well as an infusion of money to move initiatives in the Centre forward.	-	639,000
Faculty of Applied Science & Technology	FAST continues to be committed to the quality of students learning experiences. Examples of enhancements for this fiscal year include eight new professor positions, a part time Placement Officer for Skilled Trades and Apprenticeship as well as additional applied research and entrepreneurship activities.	71,000	987,000
Faculty of Humanities & Social Sciences	FHASS continues to focus on a differentiated learning experience that is marked by creativity and innovation. Examples of enhancements for this fiscal year include a part-time Writer in Residence position and a Program Manager for the English as a Second Language program.	-	348,000
Pilon School of Business	Producing for the Creative Industries (graduate certificate) will launch in September 2019. The enhancement for this fiscal is related to operating expenses.	15,000	46,000
Research	Research continues to be an institutional priority as demonstrated by the first ever Scholarship, Research and Creative Activities Plan which was endorsed by Senate in 2018 as well as the growth in research activities (e.g. more faculty staff involved; more grant funding received). Examples of enhancements for this fiscal year include research administration software, an increase in internal research grant funding, and additional access to research intensive libraries.	250,000	473,000
Centre for Teaching & Learning	The Centre for Teaching and Learning continues to provide a wide range of central services focused on academic excellence that promotes an exceptional student experience. Priorities are focused on educational development. Examples of enhancements for this fiscal year include one full time faculty position for Indigenous Learning and one full time contract faculty position for Accessible Learning.	12,000	238,000
Academic Systems	Priorities established for Academic Systems Operations in the next fiscal year are focused on Phase 2 of the Sheridan Academic Logistics system, scheduling of Continuing and Professional Studies courses in DCU and incorporating planning software to support Course Based Registration.	-	330,000

Non Academic

Division	Description	One-time	Ongoing
Finance & Administration	Resourcing needs related to enterprise risk concerns in data management, application system support and life safety.	25,000	323,000
Student Experience & Enrolment Management	This investment will fuel transformative change in the creation of a differentiating student experience. Informed by the priorities of the Strategic Plan, resources will be directed toward the leadership enhancements required to advance key initiatives such as S-Factor competencies and sustained SEM discipline, as well as the functional resources required to shift legacy practice into future-facing approaches and processes. The key feature of these investments is a focus on innovative service programming and enabling our team to support student success.	120,000	2,138,000
Communications, Public Relations & Marketing	The one-time investment will support the development of a digital content hub, aimed at external audiences (industry research partners, employers, news media, community groups). The staff position will oversee content for new soon-to-be released Sheridan intranet. The site is intended to foster real-time, two-way communication with students and employees, create efficiency by automating processes and/or making information easier to find, and spur collaboration by enabling every student and employee to have a personal profile.	400,000	80,000
Human Resources	\$60K for the next two years to conduct a workplace hazard audit for all campuses. \$310k to resource HR to support the part-time support staff collective agreement.	310,000	60,000
Sheridan 2024	CPOD continues to build on its extensive programming in learning and leadership development, employee engagement, and change consulting. SIP continues to build an integrated planning framework and tools with a heightened focus on building institutional capacity to support of the Strategic Plan implementation. Sheridan 2024 continues to focus on building organizational capacity to successfully implement the Strategic Plan through leadership development, decision support, integrated planning, creative campus activities, employee engagement, and change leadership.	135,000	382,000
Centre for Equity and Inclusion	The onetime \$125,000 will support initial priorities that will be identified in Sheridan's EDI Action Plan to be released August/September 2019. Some funds will be used to support a pilot Equity Ambassador Program. This program will provide an opportunity for Sheridan students across the three campuses to serve as equity Ambassadors. The Ongoing \$303,000 will be used to establish CEI offices across Sheridan campuses.	125,000	303,000
External Relations	\$150,000 increase to base funding supports the establishment of augmented leadership resources in community engagement and stakeholder relations functions, specifically: dedicated resources in Brampton, strategic events, government relations and database management. The one-time \$83,000 funding is earmarked for external consulting services to support and steer a process of identifying fundraising priorities at Sheridan.	83,000	150,000
Legal	This investment will support a focus on governance excellence and increasing legal resources to meet needs across Sheridan.		200,000

Appendix 2: Operating Budget

In \$'000s	2018/19 Budget	2019/20 Budget	2020/21 Outlook	2021/22 Outlook
REVENUES				
Tuition	202,406	211,784	222,184	232,404
Government Grants	101,270	94,932	94,932	94,932
Student Fees	36,591	36,004	31,706	31,706
Ancillary Operations	14,765	14,913	14,913	14,913
Research	1,270	1,734	1,734	1,734
Other	6,999	8,440	8,440	8,440
TOTAL REVENUES	363,300	367,806	373,908	384,129
EXPENSES				
Salary & Benefits:				
Academic	124,251	119,471	125,445	131,717
Support	69,480	66,388	69,708	73,193
Administrative	42,991	48,235	50,647	53,180
Total Salaries & Benefits	236,722	234,095	245,800	258,089
Supplies & Services:				
Academic	22,680	22,981	22,981	22,981
Finance and Administration	42,383	42,743	42,743	42,743
Student Experience & Enrollment Mgt	15,673	15,775	15,775	15,775
Chief Communications Officer	4,675	4,809	4,809	4,809
Human Resources	1,510	1,229	1,229	1,229
External Relations	658	1,221	1,221	1,221
Chief Change Officer	1,366	1,191	1,191	1,191
President's Office	99	99	99	99
Centre for Equity and Inclusion	-	274	274	274
Legal	128	169	169	169
College-wide	31,800	18,844	19,082	19,324
Fixed Assets	5,606	3,100	3,100	3,100
Total Baseline Expenses	363,300	346,530	358,473	371,006
Strategic Investments		11,697	12,256	11,995
Operational Efficiencies			(1,321)	(3,372)
TOTAL EXPENSES	363,300	358,227	369,408	379,629
Surplus / (Deficit) before Reserves	(0)	9,579	4,500	4,500
Transfer to reserves for infrastructure		(9,579)	(4,500)	(4,500)
NET SURPLUS / (DEFICIT)	-	-	-	-

Appendix 3: PSAB Budget

In \$'000s	2018/19 Budget	2019/20 Budget	2020/21 Outlook	2021/22 Outlook
REVENUES				
Total revenues – modified cash basis	363,300	367,806	373,908	384,129
Less deferred capital contributions	(745)	(600)	-	-
Amortization of deferred contributions:				
Capital assets	8,142	8,300	8,000	7,700
Expenses of future periods	11,475	11,000	11,000	11,000
TOTAL REVENUES	382,172	386,506	392,908	402,829
EXPENSES				
Total expenses – modified cash basis	363,300	358,227	369,408	379,629
Less fixed asset purchases	(5,606)	(3,100)	(3,100)	(3,100)
Less principal payments on long term debt	(2,532)	(2,800)	(3,000)	(3,100)
Amortization of capital assets	21,379	23,000	22,000	18,500
Vacation pay	363	360	360	360
Employee future benefits	(177)	(180)	(180)	(180)
Sick leave benefit	(175)	(180)	(180)	(180)
Other expenses related to deferred contributions	11,475	11,000	11,000	11,000
TOTAL EXPENSES	388,027	386,327	396,308	402,929
Net Surplus / (Deficit)	(5,855)	179	(3,400)	(100)

Appendix 4: Capital Budget

Major Capital Projects

in \$'000s	Capital Expenses					Funding Sources					
Project	2019/20	2020/21	2021/22	2022/23	2023/24	5-Year Total	Operating Budget	Reserves	New Funding Sources / Debt	Other (see notes)	Total
HMC2A (note 1)	29,700					29,700		4,700		25,000	29,700
HMC2 Defects	4,000	5,000	3,000			12,000		12,000			12,000
HMC Scholars Green	500	2,500				3,000		3,000			3,000
IECMP (note 2)	5,000	5,500				10,500		3,500		7,000	10,500
Campus Master Plan	250	2,000	20,000	20,000	20,000	62,250			62,250		62,250
Total	39,450	15,000	23,000	20,000	20,000	117,450	-	23,200	62,250	32,000	117,450

Note 1: Other funding sources include SSU reserves, SSU loan, Athletics reserve and Athletics loan

Note 2: Other funding sources to be determined – potential for external grants.

Minor Capital Projects

in \$'000s	Capital Expenses						Funding Sources				
Project	2019/20	2020/21	2021/22	2022/23	2023/24	5-Year Total	Operating Budget	Reserves	Internal Loan	Other	Total
Site – Grounds & Landscaping	500	500	500	500	500	2,500	600	1,300		600	2,500
Site – Infrastructure & Services	825	385	135	100	-	1,445	300	800		345	1,445
Site – Parking & Roads (Ancillary)	1,000	1,610	1,420	1,075	960	6,065		2,000	4,065		6,065
Space Adaptations & Improvements - Academic	2,000	2,000	2,000	2,000	2,000	10,000	10,000				10,000
Space Adaptations & Improvements - Ancillary	2,617	2,077	621	-	66	5,381		2,400	2,981		5,381
Space Adaptations & Improv. – Campus Gen.	4,820	10,250	8,300	8,100	8,100	39,570	7,500	20,000		12,070	39,570
Furniture, Fixtures & Equipment - Academic	600	600	600	600	600	3,000	600	2,400			3,000
Furniture, Fixtures & Equipment - Ancillary	3,441	2,202	95	37	403	6,178		2,000	4,178		6,178
Furniture, Fixtures & Equipment – Campus Gen.	500	500	250	250	250	1,750		1,300		450	1,750
Facilities Infrastructure – Building Systems	3,490	5,400	3,350	3,250	1,250	16,740	4,000	8,700		4,040	16,740
Facilities Infrastructure – Building Envelope	1,990	2,500	3,500	1,500	1,500	10,990	2,600	5,700		2,690	10,990
Information Technology Infrastructure	5,727	4,874	3,273	2,920	2,039	18,833	7,500	6,500		4,833	18,833
Total	27,510	32,898	24,044	20,332	17,668	122,452	33,100	53,100	11,224	25,028	122,452

Note: Other funding sources to be determined in the future – potential for external grants.