New Brunswick Community College
Annual Budget 2017-2018
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Introduction and Context

The annual budget for the year ending March 31, 2018, outlined in this document, presents a balanced budget, and builds upon the financial forecast included as part of the Annual Business Plan Proposal to Government 2017-2018 submitted in December 2016. The annual business plan also outlines the planned activity, including the annual training plan, of NBCC for the upcoming year, and provides the foundation and many of the initial assumptions used in the process of refining this final operating budget. Since the preparation of the business plan last fall, new and more accurate information with respect to both projected costs and revenues has become available or has been developed in more detail, and this information is incorporated into the Annual Budget 2017-2018.

NBCC relies heavily on funding from the Province of New Brunswick, with approximately two-thirds of annual revenue coming in the form of an annual operating grant from the Province. The current fiscal situation of the Province of New Brunswick is challenging, resulting in a general climate of budget austerity. Despite the Province’s fiscal challenges, the Government has continued to demonstrate its commitment to the post-secondary education sector in the 2017-2018 provincial budget, and although additional specific-purpose funding requests were not granted, the 2017-2018 base operating grant was not reduced, and a wage bill adjustment was allocated. Further, enhancements to New Brunswick’s student financial aid system introduced in 2016-2017 and 2017-2018 should assist in making a college education even more financially accessible to a diverse range of learners.

The 2017-2018 fiscal year will be an exciting and transformational time for NBCC as we move forward into our next five-year strategic planning cycle. As we conclude the final operating year for Imagine the Possibilities, NBCC’s Strategic Commitments 2012 to 2017, we will most certainly pause for reflection and celebrate all that we have accomplished since 2012. At the same time, the 2017-2018 Annual Budget must provide for the ambitious initiatives and directions being launched with our new 2017-2022 strategic plan, which will commence on July 1, 2017. As of the time of budget preparation, specific strategic initiatives for the upcoming fiscal year were still in the planning stage. It is anticipated, however, that the College will finish the year ending March 31, 2017 with a modest surplus and, in accordance with our policy on fund accounting, funds will be designated from this surplus to begin work on the new strategic initiatives and projects in 2017-2018.
Enterprise Risk Management

Part of the budget process at NBCC includes addressing significant risks identified through the enterprise risk management framework. The enterprise risks identified as high in the *Enterprise Risk Management Report, Year Ended March 31, 2016* include fiscal sustainability, aging infrastructure and equipment, integration and automation of administrative services, information technology use in academic service delivery and strategic enrollment management. Planned activity to mitigate these risks is also found in the report, and these, in turn, are incorporated into the College's annual operational and budget planning, as applicable. An updated risk management report for the year ending March 31, 2017 is being prepared, and will inform the 2017-2018 operational plan.

Budget Framework and Guiding Principles

NBCC commenced the 2016-2017 fiscal year with an accumulated surplus of $7,372,072, which represents the net total of an accumulated operating surplus, investment in capital assets and funds internally restricted for specific purposes, partially offset by unfunded future obligations for employee benefits. While final figures for the 2016-2017 fiscal year are not yet available as of the time of writing, it is anticipated that the net accumulated surplus will show a moderate increase. The contingency fund included in the internally restricted funds is forecast to remain at $1,000,000.

The guiding principles for this year's budget planning remain consistent with prior years:

- **Alignment with NBCC's Strategic Commitments, Priorities and Values** -- resources are allocated to highest priorities of the College as defined by our Strategic and Operational Plans.
- **Inclusion and Encouragement of Innovative Ideas** from key stakeholders in the budget development process.
- **Long-Term Planning with a Focus on Financial Sustainability** incorporating multi-year academic plans, multi-year financial forecasts and a consistent reporting format facilitating year-to-year comparisons.
- **Maximizing Flexibility** wherever possible so that some resources can be allocated and redeployed to changing priorities and or unforeseen requirements (e.g. contingencies).
- **Responsibility and Accountability** is clearly assigned to budget managers and tools are provided to those budget managers which facilitate access, input, monitoring and review of those accountabilities.
- **Checks and Balances** -- Important elements in NBCC’s budget control framework include:
  a. A balanced budget will be presented to the Board;
  b. Fiscal conservatism with regard to budget (and in-year forecasting) assumptions in order to mitigate risks related to fiscal sustainability;
c. Fiscal sustainability with regard to new one-time costs. Incremental one-time or term costs may be supported by matching one-time or term funding or ongoing funding. Note that one-time or term funding may only support one-time or term costs;

d. Fiscal sustainability with regard to new ongoing costs. Incremental ongoing positions must be supported by an ongoing source of funding whether new or through redeployment of existing funding; and,

e. Consideration of risks identified within the College’s risk registry, along with mitigating measures, in the development of ongoing budgets and one-time projects. New ongoing or one-time activities shall be considered within the context of the College’s risk framework.

- **Ongoing Learning and Adjustments** by consultative reviews of historical budget allocations to our regions, units, programs and non-instructional services for reasonableness, efficiency, effectiveness as well as alignment with our Strategic Commitments, Priorities and Values. Learning from these reviews will be incorporated to the extent possible in future budgets.

**Major Budget Assumptions**

The major assumptions used to formulate the 2017-2018 annual budget are:

- A 0% increase in NBCC’s base operational grant;
- Funded training capacity will remain stable at 4,756 seats, as per the Training Plan;
- A 1% increase in tuition fees;
- An increase from $4,660 to $5,195 in the international supplementary fee for international students commencing studies in September, 2017;
- A projected enrollment increase in regular programs to 4,000 students (see Appendix B);
- Business Development initiatives will contribute $300,000 (net) to College overhead;
- Approved wage bill increases will continue to be funded by Government;
- Any staff increases (net) will be accompanied by a funding source or redeployment of funding;
- Differentiated inflationary adjustments will be applied where deemed necessary;
- Existing $1M contingency fund in restricted funds is maintained;
- An increase of $180K to maintenance; and
- Increased engagement in, and support of, innovation and intrapreneurship to enhance operational effectiveness and efficiency.
## Budgeted Statement of Operations, Year Ending March 31

<table>
<thead>
<tr>
<th></th>
<th>Budget 2017-2018</th>
<th>% of Total</th>
<th>Budget 2016-2017</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant from Province</td>
<td>$53,940,636</td>
<td>67.1%</td>
<td>$52,888,455</td>
<td>66.8%</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>13,357,281</td>
<td>16.6%</td>
<td>13,248,520</td>
<td>16.7%</td>
</tr>
<tr>
<td>Sales</td>
<td>4,104,504</td>
<td>5.1%</td>
<td>4,237,470</td>
<td>5.4%</td>
</tr>
<tr>
<td>Apprenticeship and cost recoveries</td>
<td>4,800,000</td>
<td>6.0%</td>
<td>4,650,000</td>
<td>5.9%</td>
</tr>
<tr>
<td>Contract training</td>
<td>3,418,802</td>
<td>4.2%</td>
<td>3,300,000</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other revenue</td>
<td>779,053</td>
<td>1.0%</td>
<td>800,327</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>80,400,276</td>
<td>100.0%</td>
<td>79,124,772</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>60,264,967</td>
<td>73.2%</td>
<td>59,399,122</td>
<td>74.4%</td>
</tr>
<tr>
<td>Services</td>
<td>10,378,348</td>
<td>12.6%</td>
<td>10,170,341</td>
<td>12.7%</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,803,566</td>
<td>5.9%</td>
<td>4,162,681</td>
<td>5.2%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>2,496,839</td>
<td>3.0%</td>
<td>2,447,882</td>
<td>3.1%</td>
</tr>
<tr>
<td>Small tools, equipment and building repairs</td>
<td>3,163,152</td>
<td>3.8%</td>
<td>2,478,866</td>
<td>3.1%</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>700,000</td>
<td>0.9%</td>
<td>680,000</td>
<td>0.9%</td>
</tr>
<tr>
<td>Bank fees and miscellaneous</td>
<td>115,683</td>
<td>0.1%</td>
<td>115,683</td>
<td>0.1%</td>
</tr>
<tr>
<td>Grants and payments to others</td>
<td>250,831</td>
<td>0.3%</td>
<td>259,257</td>
<td>0.3%</td>
</tr>
<tr>
<td>Inventory obsolescence and adjustments</td>
<td>67,100</td>
<td>0.1%</td>
<td>67,100</td>
<td>0.1%</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>74,000</td>
<td>0.1%</td>
<td>74,000</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>82,314,486</td>
<td>100.0%</td>
<td>79,854,932</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</strong></td>
<td>(1,914,210)</td>
<td></td>
<td>(730,160)</td>
<td></td>
</tr>
<tr>
<td><strong>CHANGES IN NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in assets - Capital Fund</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Net change in assets - Internally Restricted Funds</td>
<td>1,914,210</td>
<td>730,160</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Net change in unfunded future employee benefits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN ACCUMULATED OPERATING SURPLUS</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Discussion of Major Revenues and Expenditures

Revenues

While total revenue for 2017-2018 is projected to increase from the 2016-2017 budget by 1.6%, or $1.3M, the percentage distribution of revenue by type is consistent with prior years. The major components of the increase are discussed below.

Operating Grant from Province: While the base operating grant from the Province will not be increased for 2017-2018, it is anticipated that wage bill increases reflecting negotiated wage increases in collective agreements will be received as in past years, and this accounts for the 2.0% anticipated increase reflected in the operating grant.

Tuition and fees: The forecast amount reflects a 1% increase in tuition fees, an increase 7% in international tuition, and a projected increase in enrollment of 242 students over 2016-2017 actual enrollment.

Sales: The sales figure is comprised mainly of revenue generated from ancillary services such as food services, bookstore operations and printing services. The 2017-2018 budget target has been revised slightly downward based on forecast actual results for 2016-2017.

Apprenticeship and cost recoveries: Forecast revenue includes $4.5M for apprenticeship and $300K for cost recoveries.
Contract training: Forecast revenue has been increased by $119K. These revenue increases are accompanied by additional costs of delivery. It is assumed that contract training will contribute $300K (net) to College overhead.

Expenditures

The percentage allocation of expenditures by type remains consistent with prior years. Total expenses for the year ending March 31, 2018 are expected to increase by $2.8M, or 3.5%. Major components of this increase are discussed below.

Salaries and benefits: At 73.2% of total costs (2016-2017, 74.4%), salaries and benefits continue to comprise the largest element of NBCC’s costs. Any staff increases (net) will be accompanied by a funding source or redeployment of funding, and vacancies will continue to be reviewed prior to filling.

Services: Services is comprised of a wide range of expenses at NBCC, including, for example, advertising, consulting, communications and information technology services, utilities, maintenance and repair services, travel, security, and professional services. A moderate net increase of $208K is anticipated for 2017-2018.

Supplies: Included in this category are items such as educational and academic program resources and supplies, maintenance and cleaning supplies, and office supplies. Program costs are provided for based on adjusted historical data. This category is expected to experience an increase of $641K, from 5.2% to 5.9% of total expenditures, and these increases are dispersed across a wide variety of areas. The most
significant of these are increases of $116K in educational and teaching materials, $109K in vehicle, machinery and equipment supplies, and $168K in structural materials and supplies.

**Small tools, equipment and building repairs:** A spending increase of $684K, reflecting an increase from 3.1% to 3.8% of total expenditures, is anticipated in this category for 2017-2018. The budget of $3.2M is comprised mainly of planned expenditures to update classroom, lab and shop furniture and equipment, expenditures relating to new program delivery, and computer equipment evergreening. Repairs and renovations costs are largely captured in this category as well, and include an increase of $180K for this year, as we begin phasing in increases in this area to bring us closer to a target of 2.5% of revenues, to help address deferred maintenance issues.
Appendices

Appendix A – Capital Budget

The capital budget process at NBCC is such that capital funds are allocated by the Province to the Department of Transportation and Infrastructure (DTI), which owns the facilities occupied by the College. NBCC then works with DTI to complete these projects, which remain on DTI’s financial records, rather than NBCC’s. As such, the capital budget does not form part of the operating budget for NBCC, and the 2017-2018 capital budget information is discussed here as supplementary information.

In September, 2016, NBCC presented a 2017-2018 Capital Budget Submission to PETL, requesting funding for projects totaling $12.7M. The list of projects submitted included DTI recommended roofing projects, identified high operational risk projects, and identified Priority 1 and 2 hazard mitigation projects. This list was prepared from a list of projected deferred maintenance requirements as presented in a 2014 independent engineer’s report, which identified $25M in Priority 1 (immediate) repairs, $75M in Priority 2 (within five years) repairs and $149M in Priority 3 (within 15 years) requirements. Our deferred maintenance issues have been identified as a high risk in our enterprise risk management process and as a significant challenge for the College in the Five-Year Organizational and Operational Review, 2010 – 2015.

In December 2016, NBCC received confirmation that the capital budget allocation to NBCC for 2017-2018 is $1.9M. The approved capital projects include abatement, fire safety and building envelope projects at the St. Andrews campus; air quality and electrical upgrades at the Woodstock campus; building envelope, fire safety and mechanical projects at the Miramichi campus; and electrical systems and emergency lighting projects at the Moncton campus.

In May 2016, the College submitted seven projects valued at $50.5M for consideration under the federal Post-Secondary Institutions Strategic Investment Fund (PSISIF) initiative. Under the PSISIF initiative, colleges could apply for up to 50% funding for new buildings and building renovations which improved research, innovation and training infrastructure. The projects must be substantially complete by April 30, 2018. NBCC was successful in obtaining approval for two projects. A new trades building is being constructed at the Saint John campus, with $7.2M in funding from PSISIF, and the remaining $8.7M being contributed by the Province of New Brunswick. The Miramichi campus will receive significant structural and mechanical upgrades to enhance energy efficiency, with $1M in funding from PSISIF, and the remaining $1.3M from the Province of New Brunswick.
Appendix B – Enrollment Report

Enrollment is a key determinant of operational activity for NBCC. Projected enrollment is important in forecasting not only tuition revenues, but also expenditures related to the delivery of academic programs, our main activity.

Historical enrollment totals, and projections for 2017-2018 are shown in the table and chart below.

**Enrollment by Year (regular programs)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>3,885</td>
<td>3,860</td>
<td>3,950</td>
<td>3,823</td>
<td>3,796</td>
<td>3,758</td>
<td>4,000</td>
</tr>
</tbody>
</table>

![Enrollment by Year](image)