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Introduction and Context

New Brunswick Community College remains committed, as in past years, to achieving our stated strategic initiative that “we will instill confidence in New Brunswick citizens through the balancing of our budgets year after year”. The annual budget for the year ending March 31, 2017, outlined in this document, presents a balanced budget, and builds upon the financial forecast included as part of the 2016-2017 Business Plan submitted to Government in December 2015. The annual Business Plan for NBCC also outlines the planned activity, including the annual Training Plan, of NBCC for the upcoming fiscal 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 been developed in more detail, and this information is incorporated into the Annual Budget 2016-2017.

NBCC relies heavily on funding from the Province of New Brunswick, with 67% 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, but the Government, demonstrating its commitment to the postsecondary education sector in the 2016-2017 provincial budget, did not impose cuts to the 2016-2017 operating grant. Changes to the student financial aid system, both provincial and federal (details forthcoming), should assist in making a college education more financially accessible to a diverse range of learners.

After operating grants, the most significant revenue for NBCC is tuition and fees, at approximately 17% of total revenue. These revenues, being directly a result of enrollment, are largely dependent on demographic factors, and this too presents a challenging situation, with an overall population decline reported each year in 2012 to 2015 (Statistics Canada, Quarterly Demographic Estimates, October to December, 2015, Table 1-3). The overall population decline is exacerbated by the fact that New Brunswick has the second oldest population of any province in Canada, at 43.9 years in 2013, projected to increase to between 49.1 and 51.1 years by 2038 (Statistics Canada, Population Projections for Canada, 2013 to 2063). Between 2010 and 2014, the Province experienced an overall decrease of 5% or 14,252 people in the 15 to 44 age group (Statistics Canada, 2015).This situation will make it difficult to maintain existing levels of enrollment of students, as this demographic declines and competition for these students with other postsecondary education institutions increases.
Risks

Part of the budget process at NBCC includes addressing significant risks identified through the enterprise risk management framework. The enterprise risks identified as high for the 2016-2017 fiscal year include fiscal sustainability, aging infrastructure and equipment, integration and automation of administrative services, information technology use in academic service delivery, and strategic enrollment management. The discussion above regarding grant and tuition revenues informs both the fiscal sustainability risk and the strategic enrollment management risk. Planned activity to mitigate these risks is found in the Enterprise Risk Management Report, Year Ended March 31, 2016. Several of the planned activities have budget requirements or impacts, which have been included in this annual budget. These include commencing the development of strategic facilities master plans for the two largest campuses, beginning the phase-in of a minimum repairs and maintenance budget allocation, and the implementation of a plan to increase international enrollment through release of additional seats and increased offers. The implementation of a new learning management system will assist in improving the use of information technology in academic service delivery. Additionally, frameworks have been and will be developed to guide reviews of non-academic service areas, the academic delivery model and the student services model, with anticipated improvements in both effectiveness and efficiency in these areas in this and future years. The College plans to implement a process for ongoing service area reviews on a rotational basis.

Budget Framework and Guiding Principles

NBCC commenced the 2015-2016 fiscal year with a modest accumulated surplus of $5,704,291, 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 2015-2016 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 Plan.
- **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 2016-2017 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 2% increase in tuition fees;
• An increase from $3,215 to $4,660 in the international supplementary fee for international students commencing studies in September, 2016;
• A projected enrollment increase in regular programs to 4,025 students (see Appendix B);
• A $650K decrease in apprenticeship training and cost recovery funding;
• Business Development will earn an average 25% (2015-2016 budget, 21%) contribution margin on contract training activity;
• Approved wage bill increases will continue to be funded by Government;
• There will be no net staff increases, unless new funding sources are identified;
• Differentiated inflationary adjustments will be applied where deemed necessary;
• Existing $1M contingency fund in restricted funds is maintained, with no drawdowns or additions from operating budget;
• An increase of $350K to repairs and maintenance, beginning the phase-in of a targeted annual budget allocation of 2.5% of revenues;
• Savings of $500K identified and implemented through service area reviews; and
• There will continue to be increased engagement in, and support of, innovation and intrapreneurship to enhance operational effectiveness and efficiency.
### REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget 2016-2017</th>
<th>% of Total</th>
<th>Budget 2015-2016</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant from Province</td>
<td>$52,888,455</td>
<td>66.8%</td>
<td>$52,406,959</td>
<td>67.3%</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>13,248,520</td>
<td>16.7%</td>
<td>12,448,514</td>
<td>16.0%</td>
</tr>
<tr>
<td>Sales</td>
<td>4,237,470</td>
<td>5.4%</td>
<td>4,242,263</td>
<td>5.4%</td>
</tr>
<tr>
<td>Apprenticeship and cost recoveries</td>
<td>4,650,000</td>
<td>5.9%</td>
<td>5,300,000</td>
<td>6.8%</td>
</tr>
<tr>
<td>Contract training</td>
<td>3,300,000</td>
<td>4.2%</td>
<td>2,800,000</td>
<td>3.6%</td>
</tr>
<tr>
<td>Recovery from Special Operating Agency</td>
<td>0</td>
<td>0.0%</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>0</td>
<td>0.0%</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other revenue</td>
<td>800,327</td>
<td>1.0%</td>
<td>661,000</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

**Total Revenue:** $79,124,772 (100.0%)  
**Total Expense:** $79,854,932 (100.0%)

### EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget 2016-2017</th>
<th>% of Total</th>
<th>Budget 2015-2016</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>59,399,122</td>
<td>74.4%</td>
<td>59,596,403</td>
<td>76.5%</td>
</tr>
<tr>
<td>Services</td>
<td>10,170,341</td>
<td>12.7%</td>
<td>9,917,688</td>
<td>12.7%</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,162,681</td>
<td>5.2%</td>
<td>3,973,752</td>
<td>5.1%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>2,447,882</td>
<td>3.1%</td>
<td>2,445,981</td>
<td>3.1%</td>
</tr>
<tr>
<td>Small tools, equipment and building repairs</td>
<td>2,478,866</td>
<td>3.1%</td>
<td>823,536</td>
<td>1.1%</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>680,000</td>
<td>0.9%</td>
<td>510,650</td>
<td>0.7%</td>
</tr>
<tr>
<td>Bank fees and miscellaneous</td>
<td>115,683</td>
<td>0.1%</td>
<td>222,164</td>
<td>0.3%</td>
</tr>
<tr>
<td>Grants and payments to others</td>
<td>259,257</td>
<td>0.3%</td>
<td>228,962</td>
<td>0.3%</td>
</tr>
<tr>
<td>Inventory obsolescence and adjustments</td>
<td>67,100</td>
<td>0.1%</td>
<td>65,600</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>
</tbody>
</table>

**Total Expenses:** $79,854,932 (100.0%)

### EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget 2016-2017</th>
<th>% of Total</th>
<th>Budget 2015-2016</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (Deficiency) of Revenue Over Expense</td>
<td>(730,160)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget 2016-2017</th>
<th>% of Total</th>
<th>Budget 2015-2016</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net change in assets - Capital Fund</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net change in assets - Internally Restricted Funds</td>
<td>730,160</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net change in unfunded future employee benefits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### INCREASE (DECREASE) IN

**Accumulated Operating Surplus:** $0

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(6 | Page)
Discussion of Major Revenues and Expenditures

Revenues

Total revenue for 2016-2017 is projected to increase from the 2015-2016 budget by 1.6%, or $1.3M. The major components of this increase are discussed below.

**Operating Grant from Province:** While the base operating grant from the Province will not be increased for 2016-2017, 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 0.9% anticipated increase.

**Tuition and fees:** The forecast amount reflects a 2% increase in tuition fees, an increase from $1,445 in the international supplement, and a projected increase in enrollment of 202 students over 2014-2015 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 2016-2017 budget target has been revised slightly downward based on forecast actual results for 2015-2016.

**Apprenticeship and cost recoveries:** Forecast revenue has been reduced by $650K to reflect provincial funding allocation reductions in this area.

**Contract training:** Forecast revenue has been increased by $500K based on actual experience to date in 2015-2016. Note that these revenue increases are accompanied by additional costs to deliver these contracts, however the contribution margin target on contract training revenue has also been increased from 21% to 25%.
Expenditures

Total expenses for the year ending March 31, 2017 are expected to increase by $2.0M, or 2.6%. The major components of this increase are discussed below.

Salaries and benefits: At 74.4% of total costs (2015-2016, 76.5%), salaries and benefits comprise the largest element of NBCC’s costs. A small projected decrease of $197K, or 0.3%, reflects estimated negotiated wage agreement impacts and estimated merit increases, offset by estimated in-year savings from normal attrition and turnover, and additional reviews for cost savings. No new positions will be added to our staffing complement unless new funding sources are identified, and all vacancies will continue to be assessed by senior management 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. Some of these services, such as utilities, are anticipated to increase in 2016-2017, while many, such as travel and telecommunications, have targeted reductions. A small net increase of $253K or 2.5% is anticipated for 2016-2017.

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 a small increase of $189K, or 4.8%.

Cost of goods sold: This item includes the costs of items purchased for resale, mainly with respect to food services, bookstores, and print centres. This is anticipated to remain relatively unchanged in 2016-2017 from the previous year.
Small tools, equipment and building repairs: A significant spending increase of $1.7M is anticipated in this category for 2016-2017. The budget of $2.5M is comprised mainly of planned expenditures to update classroom, lab and shop furniture and equipment, expenditures relating to new academic programs, and computer equipment evergreening. Repairs and renovations costs are largely captured in this category as well, and include an increase of $350K 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. The total allocated for repairs and maintenance costs is now $1.3M, or 1.6% of revenues for 2016-2017.
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 2016-2017 capital budget information is discussed here as supplementary information.

In September, 2015, NBCC presented a 2016-2017 Capital Budget Submission to PETL, requesting funding for projects totaling $15.4M. 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.

On March 31, 2016, NBCC received confirmation that the capital budget allocation to NBCC for 2016-2017 is $1.9M. The approved capital projects include installation of a fire suppression system and replacement of the electrical panels at the St. Andrews Campus, roof replacement projects at the Saint John and Moncton Campuses, and fire safety and building envelope work on the B-Block building at the Saint John Campus.

On April 6, 2016, the Government of Canada announced a $2B Post-Secondary Institutions Strategic Investment Fund to improve research, innovation and training infrastructure at Canada’s post-secondary institutions. Applications require a 50% funding partner, and must meet specific criteria, including that they be substantially completed by April 30, 2018. The deadline for applications is May 9, 2016, and NBCC is working diligently to identify projects and submit proposals that align with the fund criteria.
Appendix B – Enrollment Report

Enrollment is a key determinant of operational activity for NBCC. Projected enrollment is of critical importance 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 2016-2017 are shown in the table and chart below.

**Enrollment by Year (regular programs)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3,885</td>
<td>3,860</td>
<td>3,950</td>
<td>3,823</td>
<td>3,796</td>
<td>4,025</td>
</tr>
</tbody>
</table>

![Enrollment Chart](chart.png)