Sheridan | 2024
Defining our Future

2023/24 Budget

May 8, 2023

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.

1.0 Introduction

This report presents Sheridan's 2023/24 operating budget and a 5-year capital budget forecast. This is a balanced budget that reflects a significant recovery following the devastating impacts of the COVID-19 pandemic. Included are record high revenues and spending, which indicate Sheridan is well on the path to growth. Despite this, there remain some key considerations that impact this budget:

Government Policy – Under the Ministry of Colleges and Universities Binding Policy on Tuition and Fees, domestic tuition rates have been frozen since 2019 after a 10% decline from the start of 2019. The cumulative impact of this policy is a loss of $80 million in domestic tuition revenue. Additionally, operating funding has been frozen for many years, which reflects a decline in real terms due to inflation. Furthermore, under the Strategic Mandate Agreement, the government has moved to a performance-based model which puts up to 60% of this funding at risk.

Capital Needs – Sheridan has $211 million in identified projects over 5 years. This increases to $477 million over ten years. There are limited external funding sources available for these capital needs. Sheridan will need to set aside approximately $20 to $30 million each year from its operating budget to fund future capital needs. As part of the Campus Master Plan, Sheridan also intends to build two new buildings: the Centre for Healthy Communities and the Centre for Digital Innovation. These projects are expected to cost $200 to $300 million each. Sheridan plans to complete the functional design work to get these projects "shovel ready" in the hopes of attracting external funding.

Expense Management – Sheridan is budgeting for revenue growth of $50 million above 2019/20. However, operating expenses are budgeted to grow by $70 million during this same period. High inflation continues to be a concern that impacts Sheridan's spending. As Sheridan seeks to grow enrolment, the challenge will be to do so efficiently, finding opportunities to scale current resources. This is important to ensuring Sheridan's long term financial sustainability and the ability to prepare for future uncertain times.

To ensure that Sheridan remains on track for long term fiscal sustainability, the following are the key strategies to ensuring Sheridan's financial health:

1. **Pan-institutional focus on enrolment growth:** Includes an enhanced marketing and recruitment strategy focused on both domestic and international student recruitment; an international recruitment diversification strategy, tapping into new markets; and international scholarship incentives and other financial aid offerings.
2. **Development of long-term fiscal sustainability goals:** Includes alignment with a new multi-year enrolment plan, and a focus on strategic entrepreneurship and revenue diversification.
3. **Expense management**: Strategies will be developed and implemented in the 2023/24 fiscal year to ensure that resources are being used efficiently and that Sheridan is achieving good value for money.

2.0 Budget Overview

This section of the report describes the various components that make up Sheridan's overall consolidated budget.

2.1 Operating Budget – Activities Based 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, and other operational expenses.

2023/24 is the second year that the budget has been developed in accordance with the Activities Based Budget (ABB) Framework. The following are the ABB guiding principles under which this budget was developed.

Transparency and Accountability – Sheridan's budget related activities will promote transparency wherever possible and promote accountability for budget management.

Financial Sustainability – Sheridan's budget related activities will be driven by the need to ensure long term fiscal sustainability.

Fairness and Equity – Sheridan's budget will ensure fairness and equity across all business units to ensure a consistent experience for students and stakeholders.

Alignment with Institutional Plans – Sheridan's budget is a means to allocate resources to support Sheridan's strategic plan and the initiatives and objectives within it.

2.2 Capital Budget

The Capital budget shows a 5-year plan for 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.

2.3 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 to fund future capital). It is important to note that according to accounting standards, use of reserves is not considered revenue. Thus, spending from reserves will show as an in-year deficit on the income statement and then will show the amount funded from reserves below the bottom-line. Government policy does allow colleges to use reserves to balance the budget.

2.4 Glossary

The following acronyms and terms are used throughout this report.

- **FAAD** – Faculty of Animation, Arts & Design

- **FAHCS** – Faculty of Applied Health & Community Studies
- **FAST** – Faculty of Applied Science & Technology
- **FHASS** – Faculty of Humanities & Social Sciences
- **PSB** – Pilon School of Business
- **CAPS** – Continuing and Professional Studies
- **Business Unit** means the group of departments for an area, overseen by the Budget Owner. The three types of business units are: Revenue Units, Shared Service Units and Ancillary Units.
- **Revenue Unit** means business units at Sheridan associated with the generation of revenue from academic programming, of which course delivery is a primary activity.
- **Shared Service Unit** means business units at Sheridan that provide services to the college, such as the Library and Learning Services, Human Resources, Student Affairs, IT, etc. They are not associated with the generation of revenue from academic programming or ancillary operations.
- **Ancillary Unit** means business units at Sheridan that serve and enhance the institution's mission by providing goods or services other than academic programming and research, to students, faculty, or staff on a fee-for-service model.
- **Central Fund** Contains money centrally to fund institutional costs, strategic initiatives, and redistribution to units.

3.0 Enrolment Planning

Enrolment is the main driver of Sheridan's budget. Historically, enrolment trends have been predictable, however the pandemic has created significant volatility and uncertainty for enrolment. The following is a summary of the key factors that are expected to impact enrolment in 2023/24:

Competition for international students

There is significant and growing competition for international students, both in Ontario, across Canada and globally. In the Ontario college sector, the average college now has 56% international students (Sheridan is at 39%). A large portion of this has come from growth in private career college partnerships. Colleges are employing aggressive tactics to recruit international students, including compromising on admissions standards. Sheridan will compete for international students without compromising on the quality of education.

Competition for domestic students

There is also significant competition for domestic students. Due to mainly demographic trends of a declining school aged population, the college sector has experienced about a decade of gradually declining domestic enrolment. Sheridan is currently outperforming local rivals by maintaining or increasing market share due to the effectiveness of our current marketing and recruitment efforts. Universities are also competing with colleges due to credential overlap (colleges offering degrees and universities offering graduate certificates).

3.1 Enrolment Strategies

Sheridan has implemented several enrolment strategies to respond to the enrolment threats outlined above, as follows:

Reducing Barriers

- Entrance Scholarships – Sheridan offers a $1,000 scholarship to all incoming international students to remain competitive with similar strategies at other GTA institutions. Also, Sheridan provides additional scholarships for specific programs and specific markets to support an enrolment diversification strategy.
- International Agent Incentives – Sheridan offers high performing agents in India and China a financial incentive to recruit for Sheridan as a preferred institution, again to remain competitive with strategies employed by other GTA institutions.
- Sheridan has streamlined admissions criteria to eliminate non-value-added components that have previously deterred students from applying.
- Freezing International Tuition Fees – Sheridan has frozen international tuition fees and reduced the price of select Business programs to better compete in the market.

Demand and capacity

- Sheridan has increased the spring/summer term intake by 1,500 seats, a term with typically lower activity levels.
- Sheridan has focused on developing program bundles combining graduate certificates into a two-year experience that is ideal for international students.
- Sheridan has also focused on a laddering of credentials strategy. This allows current students to internally apply for other Sheridan programs using a streamlined process and eliminating the $100 application fee from not using the Ontario Colleges Application Service.

Engagement

- Sheridan is leveraging its customer relationship management system to increase effectiveness and reach of recruitment efforts.
- Sheridan has also improved the response times to admissions decisions from one month to two weeks.

3.2 Enrolment

Figure 1 shows the 10-year enrolment history for Sheridan while Figure 2 provides the budgeted enrolment forecast for 2023/24. The following are the key enrolment highlights as they relate to Sheridan's budget:

- Domestic enrolments have declined by 2,705 students from 2015/16 (the year domestic enrolment peaked) to 2022/23. This represents a 16% decline or 2.3% per year. In addition to the tuition loss from fewer students, the provincial government mandated a 10% cut to tuition fees in 2019/20 and a subsequent freeze.

- Total domestic enrolment is forecast to bounce back in 2023/24 with year-over-year growth of 575 students or 4%. At this growth rate, Sheridan could get back to the peak domestic enrolment by 2027/28. The domestic growth is due entirely to growth in the new student intake.
- International enrolments have grown by 5,288 students from 2013/14 to 2022/23. This represents a growth rate of 146% or 16% per year.
- For 2023/24, international enrolments are forecast to grow by an additional 4,531 students, reflecting an increase of 51% over 2022/23. The majority of this increase is in returning students that started in 2022/23.

Figure 1 - Enrolment History

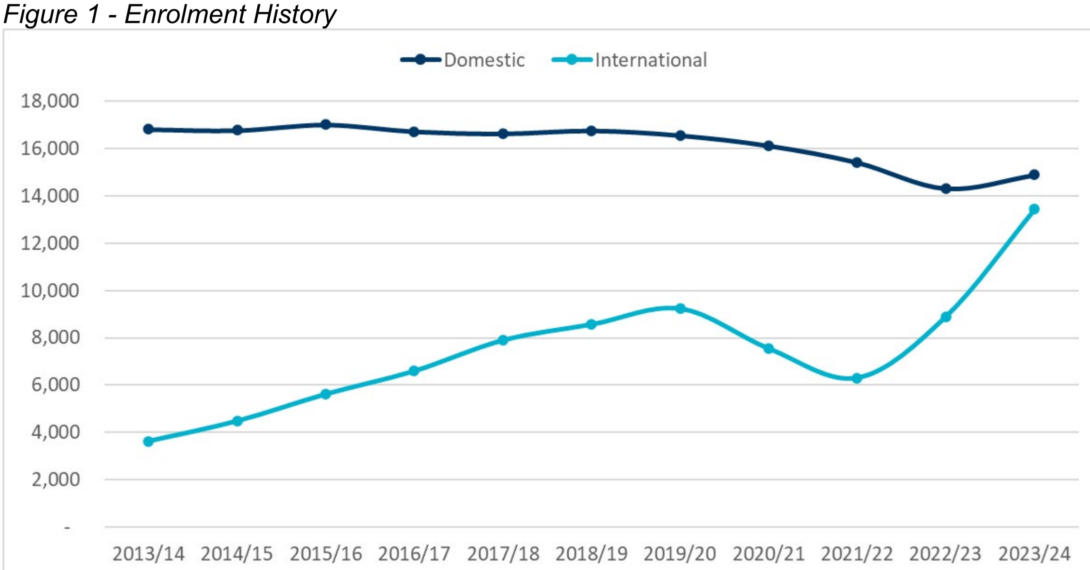
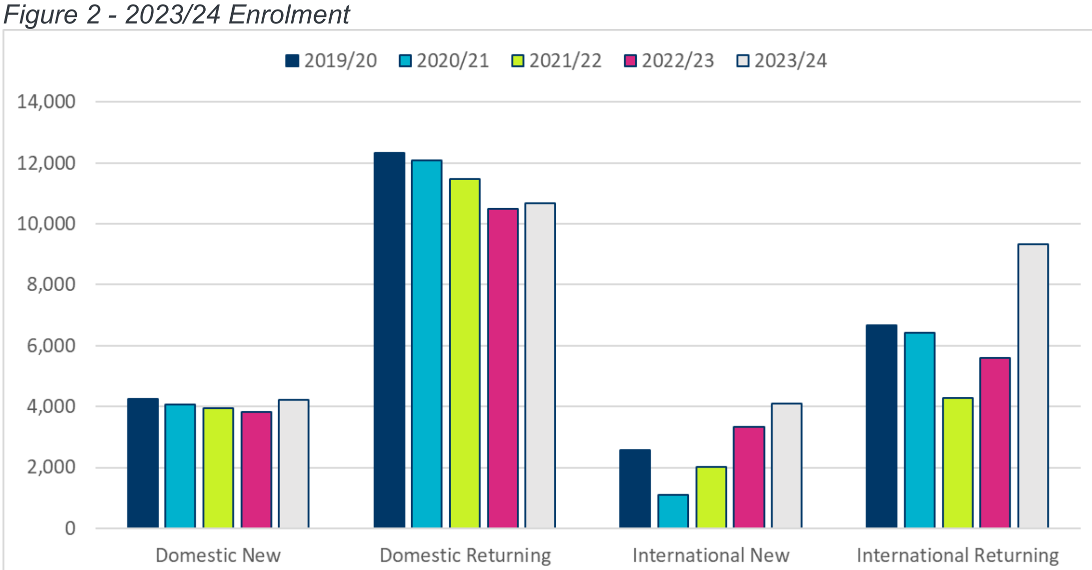


Figure 2 - 2023/24 Enrolment

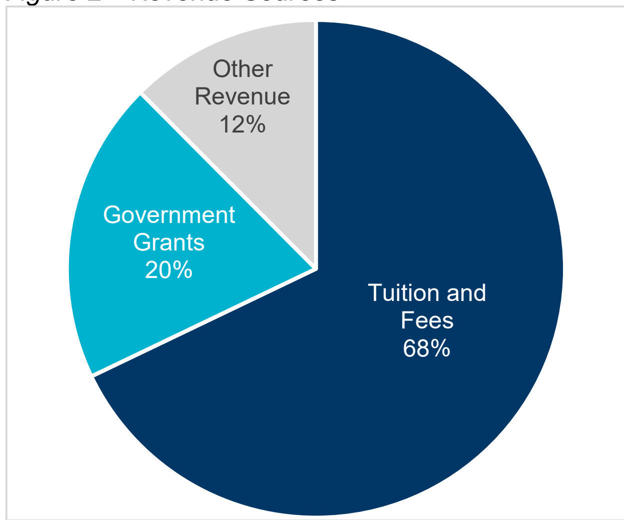


4.0 Operating Budget - Revenue

The first step in creating the 2023/24 operating budget is the revenue forecast. Approximately 68% of Sheridan's overall revenue comes from Tuition and Student Fees (see Figure 2). Only 20% of the operating funds come from the provincial government. The remaining 12% of revenues come from ancillary operations, research, investment income, other revenues, and amortization of deferred contributions.

This section will present a breakdown of each of the revenue components: tuition, student fees, government grants, ancillary operations, research and other.

Figure 2 – Revenue Sources



4.1 Tuition and Student Fees

The Ministry of Colleges and Universities (MCU) Binding Policy for Tuition and Fees governs the setting of tuition and fee rates for Ontario colleges. This policy included a 10% reduction in domestic tuition rates for 2019/20 and a freeze for subsequent years. This reduction and freeze 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 February 2023 to be frozen for 2023/24 except for certain Business programs where a fee decrease was approved to be competitive in the market.

Tuition and Fee assumptions are as follows:

- The Ministry mandated domestic tuition freeze will continue.
- International tuition fees will be frozen except for specific PSB Business programs where the price was decreased by the Board in October 2022.
- Tuition set-aside refers to Ministry binding policy that requires approximately 10% of domestic tuition revenues to be spent on financial aid for students.
- A new partnership with the Canadian Institute for Technology and Trades is conditionally approved and expected to launch successfully in September 2023.
- Tuition deferral refers to the portion of the winter semester in April which represents a new fiscal year. Each fiscal year includes revenue from the previous year's winter semester and defers revenue from the current year's winter semester to the following fiscal year.

Highlights of the main year over year changes as shown in Table 2 are:

- Tuition revenues are $58.5 million higher than the 2022/23 budget which can be broken down as follows:
    - $56.7 million in increased international tuition revenue due to enrolment growth.
    - $8.1 million in increased revenue from the new partnership with the Canadian Institute for Technology and Trades (CITT).

- $3.3 million less from domestic students (including tuition set-aside) due to the 2023/24 enrolment being forecast to continue declining.
- $1.9 million less due to the tuition deferral related to the timing of the Winter 2024 term relative to the fiscal year.

- Student fees are expected to be $5.2 million higher than 2022/23 due to enrolment recovery.

Table 1 - Tuition and Fees Revenue

Tuition & Fees Revenue (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
Domestic – Full-time	57,354	54,772	(2,582)
Domestic – Part-time	6,766	5,580	(1,186)
International – Full-time	145,144	203,166	58,022
International – Part-time	5,647	4,283	(1,364)
Collaborative Programs	5,091	5,026	(65)
Tuition Set-Aside	(6,113)	(5,682)	430
CITT Partnership	-	8,100	8,100
Tuition Deferral from prior year	16,070	20,251	4,181
Tuition Deferral to following year	(18,394)	(24,430)	(6,036)
Total Tuition Revenue	**211,565**	**271,067**	**59,501**
Student Fees:			
Compulsory Institutional Fees	22,128	27,308	5,180
Program Fees	11,641	11,119	(522)
User fees and charges	3,992	4,509	517
Total Student Fees Revenue	**37,761**	**42,936**	**5,175**

The Activities Based Budget Allocation shown on Table 3 includes the following adjustments:

- International tuition overhead of 20% is allocated to shared service units to account for the incremental costs of supporting international students, including expenses like international agent commission.
- Tuition set-aside is accounted for in the Central fund as these amounts are dictated by Ministry policy and are outside the control of Sheridan business units.
- The tuition deferral is accounted for entirely in the Central fund to minimize budget volatility that is due solely to timing differences between the fiscal year and academic year calendar.
- Student fee revenues are allocated to the business unit most responsible for providing the services intended from those fees.
- Cross teaching allocation reflects the teaching activity that is performed by FHASS for post secondary programs, namely general education, and breadth courses.

Table 2 - Tuition and Fees ABB Allocation

Tuition & Fees Revenue (in $ thousands)	FAAD	FAHCS	FAST	FHASS	PSB	CAPS	Revenue Unit Total	Central Fund	Shared Service Units	Ancillary Units	Grand Total
Domestic – Full-time	18,970	10,189	10,161	8,368	6,934	-	54,622	150	-	-	54,772
Domestic – Part-time	381	916	815	370	1,159	1,940	5,580	-	-	-	5,580
International – Full-time	17,108	20,859	60,364	6,227	57,176	-	161,733	1,000	40,433	-	203,166
International – Part-time	176	422	1,921	128	739	40	3,426	-	857	-	4,283
Collaborative Programs	5,026	-	-	-	-	-	5,026	-	-	-	5,026
Tuition Set-Aside	(2,072)	(1,227)	(1,155)	(510)	(862)	(155)	(5,981)	299	-	-	(5,682)
CITT Partnership								8,100			8,100
Tuition Deferral from prior year	-	-	-	-	-	-		20,251	-	-	20,251
Tuition Deferral to following year	-	-	-	-	-	-		(24,430)	-	-	24,430
Total Tuition Revenue	**39,589**	**31,159**	**72,106**	**14,583**	**65,146**	**1,825**	**224,407**	**5,370**	**41,290**		**271,067**
Student Fees:											
Compulsory Institutional Fees	-	-	-	-	-	-	-	6,500	19,464	1,344	27,308
Program Fees	5,130	1,323	1,917	193	551	100	9,215	-	1,904	-	11,119
User fees and charges	168	-	-	-	-	258	426	1,600	2,478	5	4,509
Total Student Fees Revenue	**5,298**	**1,323**	**1,917**	**193**	**551**	**358**	**9,641**	**8,100**	**23,846**	**1,349**	**42,936**

ABB Methodology:

- Tuition revenue initially flows to the faculty of registration.
- 20% of international tuition revenue is allocated to Shared Service Units to reflect the incremental costs of supporting international students.
- Tuition revenues are allocated from faculties to FHASS to reflect the general education and breadth courses that are delivered.
- Tuition set-aside is allocated from faculties to the Central fund to provide for Ministry required financial aid programs.
- The tuition deferral is allocated to the central fund to minimize the annual volatility that is due to the timing of the academic calendar vs the fiscal year.
- Student fees are allocated directly to the business unit that provides those services.

4.2 Government Operating Grants

2023/24 will be the fourth year of Sheridan's Strategic Mandate Agreement with the Provincial government and the performance-based funding model. Other key assumptions and year over year changes include:

- The combined Core Operating grant and Performance funding amounts of $85.6 million are consistent year over year. For 2023/24, the performance-based funding portion increases to 60% of this amount with the remaining 40% in the core operating grant.
- The international student recovery is $4.0 million higher due to growing international enrolments. The Ministry recovers $375 per international student per term.
- The main change with special purpose grants is the addition of $0.9 million for nursing expansion, a program that started in 2022/23. Other special purpose grants change slightly due to activity levels.
- The Ministry of Labour, Immigration, Training and Skills Development (MLTSD) provides funding for apprenticeship and employment services. The largest increase here is due to apprenticeship activity.
- Other operating grants include School College Work Initiative, municipal childcare and WSIB training revenues.
- Sheridan also receives limited capital grant funding from the MCU. This has been included in the capital budget.

Table 3 - Government Grant Revenue

Government Grant Revenue (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
MCU Operating Grants:			
Core Operating Grant	38,515	34,236	(4,321)
Performance Funding	47.074	51,354	4,229
International Student Recovery	(5,285)	(9,330)	(4,045)
Joint Programs	555	290	(265)
MCU Special Purpose Grants			
Clinical Education	92	92	-
Nursing Expansion	-	900	900
Access Fund for Students with Disabilities	1,592	1,100	(492)
Grant in Lieu of Municipal Taxation	1,000	1,000	-
Ontario Postsecondary Access and Inclusion	-	311	311
Mental Health Funds	237	235	(2)
Credit Transfer Institutional Grant	219	219	-
Campus Safety	144	144	-
Indigenous Funds	110	110	-
Reporting Entities	59	59	-
MLTSD Funding:			
Provincial Apprenticeship Training	2,194	2,556	361
Pre-Apprenticeship	632	1,422	790
Second Career	220	270	50
Canada-Ontario Jobs Grant	178	178	-
Literacy and Basic Skills	2,247	2,247	-
Employment Services	1,135	1,162	27
Other government revenues:			
WSIB Training	-	15	15
School College Work Initiative	946	1,506	560
Municipal Childcare Grant	278	142	(136)
Total Grant Revenues - Operating	**92,236**	**90,218**	**(2,018)**

The Activities Based Budget Allocation is shown in Table 4.

Table 4 - Government Grant Revenue ABB Allocation

Government Grant Revenue (in $ thousands)	FAAD	FAHCS	FAST	FHASS	PSB	CAPS	Revenue Unit Total	Central Fund	Shared Service Units	Ancillary Units	Grand Total
Core Operating Grant	21,780	18,393	18,975	14,236	9,713	2,492	85,589	-	-	-	85,589
International Student Recovery	(837)	(1,212)	(3,488)	(208)	(3,585)	-	(9,330)	-	-	-	(9,330)
Special Purpose	(84)	779	2,207	(21)	(359)	-	2,523	2,263	1,809	-	6,594
Other Operating	290	92	311	-	-	1,506	2,199	-	15	-	2,214
Other Government Contracts:											
Canada-Ontario Jobs Grant	-	-	-	-	-	-	-	-	178	-	178
Literacy and Basic Skills	-	-	-	-	-	2,247	2,247	-	-	-	2,247
Employment Services	-	-	1,422	-	-	-	1,422	-	1,162	-	2,584
Other government revenues:											
Municipal Daycare Grant	-	142	-	-	-	-	142	-	-	-	142
Total Grant Revenues	**21,150**	**18,193**	**19,426**	**14,008**	**5,769**	**6,245**	**84,791**	**2,263**	**3,164**	**-**	**90,218**

ABB Methodology:

- The core operating grant and performance funding envelopes are allocated to faculties based on the 2023/24 forecast weighted funding units. These revenues are further allocated from faculties to FHASS to reflect the general education and breadth courses that are delivered.
- International student recovery is allocated based on the 2023/24 enrolment plan.
- All other envelopes are allocated to the business unit that provides the service.

4.3 Ancillary Operations

Ancillary operations include parking, food services, residence, bookstore, OneCard, conference services and print shop. Ancillary revenues are forecast to be $3.8 million higher than last year due to a return to normal operations that were disrupted by the pandemic. Specific highlights include:

- Residence revenues are expected to increase by $1.8 million due to higher utilization, particularly during the spring/summer term.
- Food revenues are forecast to be minimal as the contract with the food services provider specifies minimum sales levels before Sheridan is eligible to receive commissions.
- Parking revenues are forecast to be $1.4 million higher due to greater on-campus activity.
- Similarly, the conference centre & services are expected to grow by $0.4 million due to greater event activity.

Table 5 - Ancillary Operations Revenue

Ancillary Operations Revenue (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
Residence	10,436	12,273	1,837
Food Services	-	115	115
Parking	1,206	2,560	1,354
Bookstore and Printing	175	224	50
OneCard*	5	5	-
Conference Centre & Services	302	734	433
Total Ancillary Operations Revenue	**12,123**	**15,911**	**3,788**

*There is also a OneCard compulsory institutional fee that is included instead in the revenues in Section 4.1

4.4 Other Revenues

Other Sheridan revenue sources include research grants, investment income and other sources. Assumptions are as follows:

- Research revenues are forecast to be up by $0.9 million in 2023/24.
- Investment income is forecast to be $5.1 million higher than last year due to ongoing elevated interest rates. Investment income does not include returns from the endowment fund – these flow directly to the endowment fund on the balance sheet and are not recognized as revenue.
- Amortization of deferred contributions for capital assets refers to revenues that were received to acquire capital assets that must be divided over the expected useful life of the asset. For example, if Sheridan received a $1 million contribution for a piece of equipment that is expected to last 10 years, then $100,000 of revenue is recognized each year.
- Amortization of deferred contributions for expenses of future periods refers to externally restricted contributions that were received but are then recognized as revenues at the same time that the related expense is incurred (e.g., contributions for a non-endowed scholarship are recognized as revenues when the actual scholarship is awarded to a student.)

- There is an increase of $1.6 million for other revenues. Other revenues include childcare fees, athletics non-student fees, corporate training, theatre ticket sales and other miscellaneous revenues.

Table 6 - Other Revenue

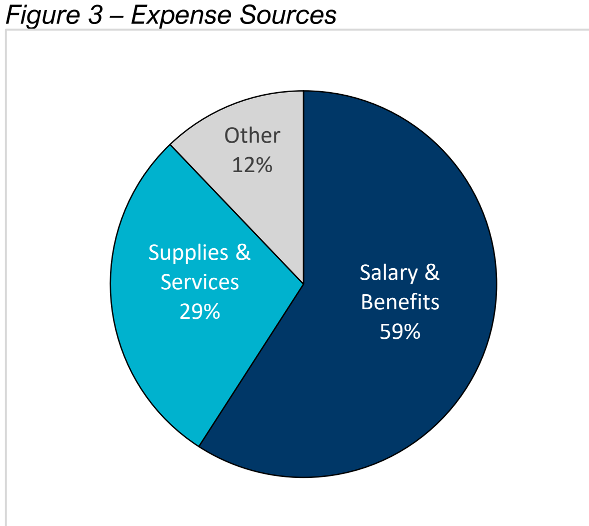
Other Revenue (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
Research	5,583	6,482	899
Investment Income	5,300	10,383	5,083
Amortization of deferred contributions for capital assets	8,500	9,000	500
Amortization of deferred contributions for expenses of future periods	10,500	10,500	-
Other revenue	3,814	5,365	1,551
Total Other Revenues	**33,697**	**41,730**	**8,033**

5.0 Operating Budget - Expenses

This section of the report will provide an overview of the operating expense budget. 59% of Sheridan's expenses are for salaries and benefits. A further 29% are spent on supplies and services. The other 12% is spent on depreciation of capital assets, expenses related to deferred contributions, strategic initiatives, a contribution to capital and an operating contingency.

The first section of this part of the report details major investments that are being made. The second section provides an overview of the salaries and benefits budget, and the final section is an overview of the non-salary expense budget.

Figure 3 – Expense Sources



5.1 Strategic Operating Investments

Sheridan has undergone a comprehensive process to identify year 5 strategic objectives and the requirement for associated resources. The specific investments include the following:

- $5.9 million for various operating resource requests to support enrolment growth and a return to normal operations following the pandemic.
- $1.3 million for new springboard projects to support technology transformation. This is in addition to the current springboard budget of $10 million.
- $2.3 million for new strategic investments:
    - $1,000,000 for brand building
    - $216,984 for the Office of Clinical and Experiential Learning

- $200,000 for implementation of Indigenous Review Recommendations
- $200,000 for Strategic Entrepreneurship
- $200,000 for the Centre for Chronic Disease Management and Prevention
- $121,000 for Data Governance Strategy and Framework
- $122,000 for Campus Wellness Strategy
- $100,000 for Flexible Workspace Strategy implementation
- $100,000 for Employee Engagement Survey
- $30,000 for improvements to the Procure-to-Pay Process
- $30,000 for Employment Systems Review

Table 7 - Strategic Objectives and Goals

Year 5 Objective	Year 5 Goals
Galvanize Education	1. Enrolment growth: Fortify enrolment through a domestic and international recruitment and admission strategy
	2. Student experience: Enhance our services, technology, and interventions to achieve our student experience and retention aspirations
	3. Academic innovation: Drive academic innovation through forward-looking programming, projects, and the signature student experience
	4. Internationalization: Execute an outward, proactive approach to global connectivity and internationalization
	5. S-sense: Cement and launch a trajectory of S-Sense as the differentiating signature learning experience
Strengthen our Communities	6. Anchor institution: Build community relationships locally and globally to enhance Sheridan's reputation
	7. Well-being: Foster the Sheridan community well-being
	8. Equity, Diversity, and Inclusion: Advance the foundational work to embed EDI principles in everything we do at Sheridan
	9. Workforce: Attract and retain the best workforce with a flexible work-learn environment that supports development and fosters belonging, respect and accountability
Solidify our Foundation	10. Fiscal health: Support long term financial sustainability and pandemic recovery
	11. Campus experience: Ensure optimum on-campus experiences for Sheridan's learning community
	12. Decision support: Provide expertise in research, data analysis, and planning to fuel evidence-informed decision making
	13. Operational effectiveness: Invest in technology, systems and processes that support the Sheridan community to be productive and effective in their work

5.2 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. Other assumptions are as follows:

- Previously the budget included a 2% adjustment to account for vacant positions that occur throughout the year. This year, the approach has been adjusted to reflect historical vacancy rates. This has been built into each line item rather than budgeting as a separate line.
- The largest increase is $9.9 million for part-time faculty. This is due to the significant enrolment growth budgeted for next year.
- Full-time faculty shows as a $2.3 million decrease; however, this is mainly due to the new vacancy approach described above.
- The other employee groups have expected year-over-year increases due to cost of living increases and other collective agreement related grid movement.
- Post employment obligations include vacation pay, sick leave and employee future benefits. These rates vary year-to-year and range from a recovery to an expense. The budget is set at $0 for these items as they are uncertain until year end.

Table 8 - Salary and Benefits

Salary & Benefits (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
Faculty – Full-time	82,017	79,749	(2,268)
Faculty – Part-time	43,310	53,217	9,907
Administration	53,594	55,734	2,139
Support Staff – Full-time	59,911	62,971	3,060
Support Staff – Part-time	18,579	21,377	2,798
98% Vacant Positions Adjustment	(3,725)	-	3,725
Post employment obligations	450	-	(450)
Total Expenses	**254,136**	**273,048**	**18,912**

5.3 Non-Salary

Non-salary budgets are determined based on historical needs. Assumptions are as follows:

- Supplies and services include a wide range of expenditures such as contract services, supplies, utilities, maintenance and repairs, insurance, travel and meals, IT devices, student kits and materials, and financial aid. These expenses are forecast to increase by $37.5 million. This is due to:
    - $13.2 million more for contract services which is driven by a significant increase in international agent commissions related to enrolment growth, and the operationalization of project springboard (instead of funding from reserves).
    - $7.0 million more for software expenses as a direct result of Sheridan's multi-year focus on technology modernization.
    - $6.9 million more for furniture, equipment, and information technology purchases. This includes employee devices, due to shifting this budget from capital to operating.

  - $2.4 million more for maintenance and repairs. This budget was reduced during the pandemic and this increase brings it back to pre-pandemic levels.
  - $1.9 million more for international health insurance that is covered by student fees.
  - $1.3 million more for advertising, the result of last year's strategic investment.
  - $1.2 million more for special events, particularly the new venue for convocation ceremonies.
  - $1.1 million more for long-term debt interest expense due to the HMC C-Wing loan.
- Strategic investments were previously identified in section 5.1.
- A contingency has been added to the budget to address the risks related to enrolment growth and the new CITT partnership.
- Depreciation of capital assets is based on current assets plus expected additions in 2023/24.
- Expenses related to future periods are the offset for amortization of deferred contributions that was described in Section 4.4. (e.g., contributions for a non-endowed scholarship are recognized as revenues when the actual scholarship is awarded to a student – this amount represents the scholarship amount.)
- The operating contribution to capital is intended as savings to address future capital needs. This is discussed in more detail in the next section of the report.

Table 9 - Non-Salary Expenses

Non-Salary Expenses (in $ thousands)	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
Supplies and Services	95,209	132,722	37,513
Strategic Investments	4,560	9,000	4,440
Depreciation of capital assets	23,000	21,000	(2,000)
Expenses related to future periods	10,500	10,500	-
Contingency	-	4,879	4,879
Operating contribution to capital		10,711	10,711
Total Non-Salary Expenses	**133,269**	**188,813**	**55,344**

6.0 2023/24 Operating Budget

Appendix 1 provides a summary of the 2023/24 budget. This section will review the key highlights for the 2023/24 budget, a multi-year outlook, and a summary of the optimistic and pessimistic scenarios.

6.1 Activities Based Budget

The Activities Based Budget Allocation is included in Appendix 2. Table 10 below provides a summary view. Here are the key highlights:

- The revenue units and ancillary units' financial performance is measured by contribution margin. The contribution margin is calculated as the direct revenues less the direct expenses. The total contribution margin must cover the central fund and shared services net expense.
- Revenue units are budgeted to realize a contribution margin of $139.5 million. Ancillary units are budgeted to achieve a contribution margin of $3.0 million.
- The shared service unit's financial performance is measured against the budgeted net expense of $112.8 million.
- The central fund includes college-wide revenues and expenses, including:
    - Non-cash accounting related revenue and expense adjustments (amortization and depreciation)
    - Tuition deferral
    - Investment income
    - International health insurance
    - Long term debt payments
    - Bad debt expense
    - Municipal taxes
    - Several other smaller revenues and expenses.

Table 10 – ABB Breakdown

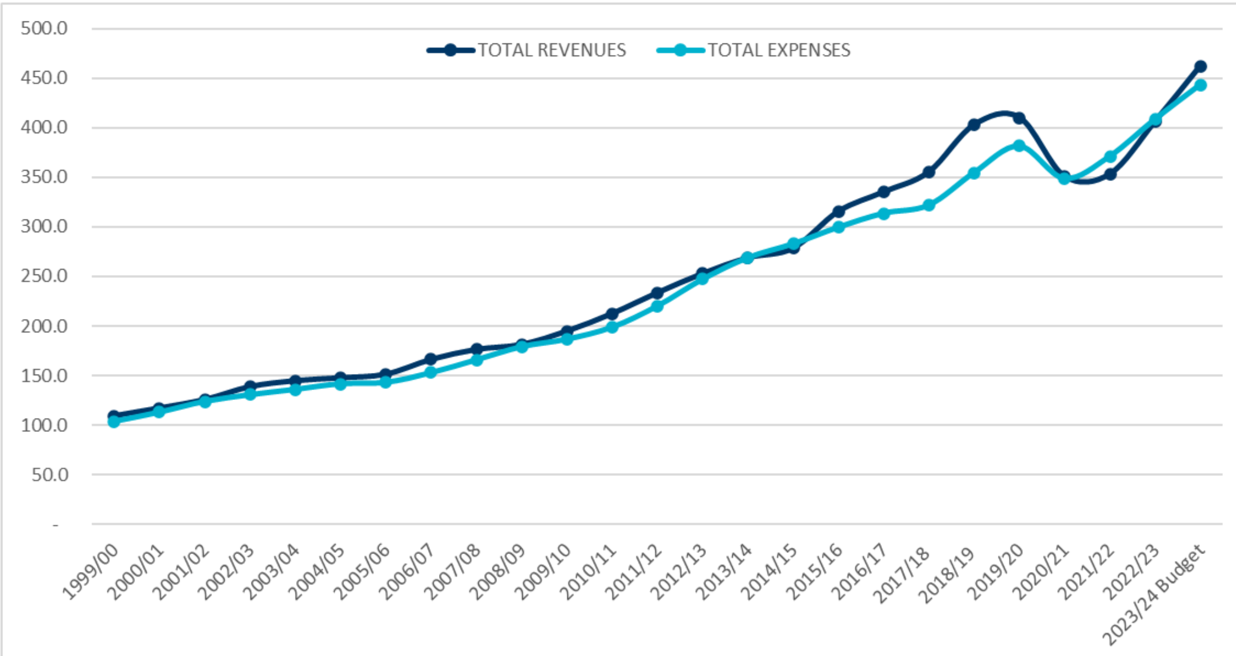
(in $ thousands)	Revenues	Expenses	Contribution Margin / Net Expense
Revenue Units	320,861	181,325	139,535
Central Fund	47,738	77,568	(29,830)
Shared Service Units	75,999	188,749	(112,750)
Ancillary Units	17,263	14,218	3,044
Total	461,861	461,861	-

6.2 History

Figure 4 shows Sheridan's revenue and expenses over 25 years. The graph shows that revenues kept pace with expenses for the first 15 years and then revenues grew significantly due to aggressive international enrolment growth. The graph then shows the sharp decline in 2020/21 due to the pandemic. Here are the key highlights from this graph:

- From 1999 to the 2023/24 budget, revenues have grown an average of $14.7 million per year. This represents a compound average annual growth rate of 6.2%.
- During the same time, expenses have grown at an average of $14.2 million per year. This also represents a compound average annual growth rate of 6.2%.

Figure 4 – Historical Revenues and Expenses



More recently, the key factors that impact Sheridan's budget and financial performance include:

- **Provincial funding model** – Operating funding has not increased in at least the past decade. Moreover, under the current model, which consists of performance and enrolment envelopes, there is no mechanism for increased funding that is tied to enrolment. It is expected that operating grants will continue to be frozen or slightly decline in the future.
- **Provincial tuition policy** – In 2019, the government introduced a tuition policy that required domestic rates to be reduced by 10% and subsequently frozen. The previous policy allowed colleges to increase tuition rates by an average of 3% per year. This has resulted in a cumulative impact of over $80 million in lost revenue.
- **International Market** – There has been significant growth in competition in the international market both in Ontario and globally. Within Ontario, several colleges have partnered with private career colleges to deliver to international students, bringing in a total revenue of $420 million in 2021/22.
- **Pandemic Impact** – In the short-term, the pandemic related measures resulted in reduced revenues of over $60 million compared to 2019/20. In addition, there is now a high inflationary environment which is expected to have a significant impact on operating expenses going forward.

6.3 Risk and Uncertainty

There are a few significant uncertainties that could impact actual financial performance to budget, including enrolment, partnerships, inflation, and staffing. The table below identifies potential impacts for each of these factors. The total impact could be range from a $20 million decrease to the bottom-line up to an increase of $16 million.

The budget includes a $4.9 million contingency as well as a $10.7 million contribution to capital that will not be spent in 2023/24. This means that the income statement forecast based on the budget is expected to be an $15.6 million surplus. With the potential impact identified below, the forecast 2023/24 year-end position ranges from a $4.4 million deficit in the worst-case scenario to a $31.6 million surplus in the best-case scenario.

Table 11 - Risk Factors

Risk Factor	Potential Impact to Bottom-Line ($ millions)
International enrolment – impact of a 5% variance to budget	(10) to 10
Domestic enrolment – continued decline instead of increase	(2) to 0
Successful launch of CITT partnership	(4) to 0
Changes to inflation – impact of a 2% change	(2) to 2
Staffing efficiency – faculty resources to support enrolment growth	(2) to 4
Total potential impact	(20) to 16

7.0 Capital Budget

Appendix 3 is the five-year outlook for capital spending and includes major capital projects (approved and proposed), minor capital projects and the corresponding funding sources. In support of capital priorities, Sheridan is undertaking several activities during the planning cycle to enhance the process. These activities include supporting the implementation of the Campus Master Plan and advancement of the Front Running projects, the development of a capital framework, a capital needs assessment and reviewing the asset service level models. This long-term plan will be continually refined and improved each year.

7.1 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 boardroom for large meetings.

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.

Campus Master Plan
Sheridan's Campus Master Plan provides a road map to transform our built environment over the next 30 years. The capital budget identifies two building developments, the related site infrastructure and the funding required to support the construction of these projects. Below are two of the proposed front running projects:

Davis: Centre for Healthy Communities
- Anticipated at 150,000 – 200,000 sq. ft.
- Flexible learning space, interdisciplinary and collaborative space focused on allied health programming
- Opportunity for adjacent partnership building and new transit hub.

Trafalgar: Centre for Digital Innovation
- Anticipated at 130,000 sq. ft.
- Collaborative, interdisciplinary learning spaces, flexible spaces, welcome centre, and support space
- Opportunity for adjacent partnership building and new transit hub.

7.2 Minor Capital Projects

The following is a description of the various minor capital project types and examples of projects for 2023/24.

Site Infrastructure includes projects such as parking lots and roads, grounds and landscaping and other site infrastructure.
- Grounds and landscaping enhancement projects – replace benches, bicycle racks, fencing and gates, building entrances improvements (all campuses)
- Continuation of the Fletchers Valley Creek Plan (Davis)
- West Morrison Creek Erosion and Control (Trafalgar)
- Daycare Fence Upgrade (Trafalgar)
- HMC Flagpoles
- Invasive Species Project (multi-year, all campuses)
- Electric Vehicles Charging Stations (multi-year, all campuses)

Building Infrastructure includes mechanical / electrical upgrades, residence improvements, fire safety upgrades, emergency power, roofing work and walls and foundation.
- B-wing 'State of Good Repair' project – replacement of skylights, electrical switches, main panels and power feeds (Davis)
- B and C wing 'State of Good Repair' project – air handling units upgrades (multi-year, Davis)
- Heating plant refurbishment– moving over building heat and electrical loads over to the A-wing Energy Centre (multi-year, Davis)
- J and K-wing – Penthouse and Mechanical Upgrades (Trafalgar)
- J-wing Floor replacement (Trafalgar)
- C and E-wing Emission Trading System (ETS) installation (Trafalgar)
- Upgrades to main electrical transformer and substations (multi-year, Trafalgar)
- South Entrance Cladding and Soffit replacement (HMC)
- A-wing exterior Column refurbishment (HMC)

- General re-lamping and lighting replacement (multi-year, all campuses)
- General replacement of doors and windows (multi-year, all campuses)
- Elevator Upgrades (all campuses)
- Fire safety system upgrade (all campuses)

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

- Academic renovations – B228a Instrumentation lab, B222 Cybersecurity, B.Sc. Nursing Addition and Pharmacy move, MEET and Chem B Wing 1st Floor (Davis), Game Design G406, K130 Research (Trafalgar)
- Flexible Workspace Strategy Plan and Implementation (all campuses)
- Office Space Utilization Sensing (all campuses)
- Common Are Design Enhancements (all campuses)
- Washroom renovations (multi-year, all campuses)
- Lactation rooms all campuses)
- Health and Safety and Accessibility improvements (all campuses), DB17/DB102 (Davis)

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

- Planned replacement of classroom, office and common area furniture and fixtures (i.e., cabinets, chairs, lockers, signage) (Davis and Trafalgar)

Studies and software include common facilities related consulting and planning work such as implementing an asset management program.

- Brampton Housing Catalyst (Davis)
- Single Line Diagram Development
- Archibus CMMS & Service Now Integration (all campuses)
- Long Range Academic Space Strategy
- Mission Zero 2024

Ancillary projects include projects that support the campus academic mission by providing housing for students, parking, food services and other self-supporting initiatives that enhance and support the campus environment.

- Parking Pay station system replacement/upgrade (Davis and Trafalgar)
- Parking lot asphalt removal, replacement and AODA compliance (Trafalgar Lot 4 and 5)
- Food services equipment replacement and necessary enhancements
- HMC OneCard office renovation and additional OneCard equipment
- Residence Suite door lock replacement (Davis and Trafalgar)
- Residence replacement of windows (Davis)
- Residence common area bathroom upgrades (Trafalgar)
- Athletics heating and cooling upgrades and roof replacement (Trafalgar)

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

- Cloud Migration
- Wireless Infrastructure
- Emergency Safety System upgrade (phones and speakers, etc.)
- Audio/Visual Infrastructure refresh for common spaces

- Multi-Functional devices and server replacements
- Data storage and data backup devices

IT academic technology includes technology within academic classrooms and labs such as printing equipment, computer-based and specialized technology.

- Continuation of general classroom technology refreshes (Phase 2- approx. 122 classrooms across all campuses)
- New LED wall to support Screen Industries Workforce Development Initiative
- Faculty (mainly FAAD and FAST) replacement of workstation computers, printers, servers, graphic cards, and new AR/VR equipment

Academic equipment includes needs for teaching and research that enhance academic programs, classrooms, and labs.

- A range of new and renewed equipment for science-based, Film and Television, Visual Art, Craft and Design, Photography and Theatre programs
- Several high-end, expensive equipment items in the Mechanical Technology Degree, Chemical, Kinesiology and Photography program
- Equipment for new Cybersecurity program

7.3 Capital Funding Sources

The following is a description of the various funding sources:

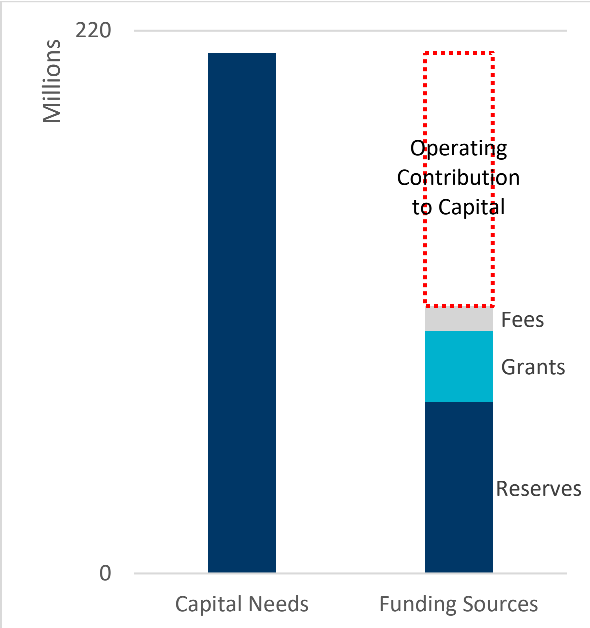
Government Grants – Sheridan receives regular annual capital funding from the Ministry through three grants: Facilities Renewal Program, College Equipment and Renewal Fund and Apprenticeship Enhancement Fund. There are usually other opportunities from time-to-time to access capital grant programs from either the federal or provincial governments.

Internally Restricted Reserves – Infrastructure Funds – Sheridan will continue to use a fund-based approach to pay for infrastructure renewal needs. Various funds have been set up in reserves to pay for long term infrastructure needs. Each year, these funds will be drawn down based on infrastructure spending and then topped up with a contribution from operating budget.

Operating Budget Contribution to Capital – The capital budget will rely on a regular, annual contribution from the operating budget to the capital budget. This amount will be included in each annual operating budget and then transferred to the capital budget as a funded source.

Ancillary Internal Loan – Ancillary operations are intended to be self-sustaining and should build up reserves to address deferred maintenance, leasehold improvements, and future capital expansion. Internal loans will be used in the short term 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.

7.4 Capital Funding Gap



Sheridan has significant capital requirements including $211 million for 5-year capital needs. Over the next 5-years, the following funding sources have been identified: $70 million from capital reserves, $29 million from grants, and $10 million from student fees.

This leaves a capital funding gap of $103 million over the next five years. This works out to an average operating contribution to capital of $20 million per year. Over a ten-year period, this funding gap increases to over $300 million, or an average of $30 million per year.

These figures do not include the total costs to build the two front-running projects. The goal is to have these projects “shovel-ready” in hopes of attracting external funding.

APPENDIX 1: 2023/24 BUDGET

In $ thousands	2022/23 Approved Budget	2023/24 Proposed Budget	Year over Year Change
REVENUES			
Tuition	211,565	271,067	59,502
Government Grants	92,259	90,218	(2,041)
Student Fees	37,761	42,936	5,175
Ancillary Operations	12,123	15,911	3,788
Other	14,697	22,230	7,532
Amortization of deferred contributions	19,000	19,500	500
TOTAL REVENUES	**387,406**	**461,861**	**74,455**
EXPENSES			
Salary & Benefits	254,136	273,048	18,912
Supplies & Services	95,209	132,722	37,513
Strategic Investments (ongoing)	4,560	9,000	4,440
Operating Contingency	-	4,879	4,879
Depreciation	23,000	21,000	(2,000)
Expenses related to deferred contributions	10,500	10,500	-
TOTAL EXPENSES	**387,406**	**451,150**	**63,744**
Savings for Future Capital	-	10,711	10,711
NET SURPLUS / (DEFICIT)	**-**	**-**	**-**

APPENDIX 2: Activities Based Budget Overview

Functional Unit (in $thousands)	Revenues	Expenses	Contribution Margin
Revenue Units:			
FAAD	66,139	41,770	24,369
FAHCS	51,927	30,918	21,008
FAST	93,459	50,492	42,967
FHASS	28,829	18,411	10,418
PSB	71,466	30,427	41,038
CAPS	9,040	9,305	(264)
Total Revenue Units	**320,861**	**181,325**	**139,535**
Shared Service Units:			
International Overhead to be allocated	41,290	-	41,290
Business Services (Procurement & Mailroom)	-	1,396	(1,396)
SPARK	-	4,423	(4,423)
Research	6,749	11,362	(4,613)
Provost and Vice-Provost Offices	100	3,865	(3,765)
Office of the Registrar	4,144	18,566	(14,422)
International	300	25,592	(25,292)
Student Affairs	8,794	16,418	(7,624)
Integrated Learning Services	3,029	6,801	(3,772)
Library and Tutoring	2,902	8,664	(5,762)
Facilities	100	28,115	(28,015)
Information Technology	7,420	27,295	(19,875)
Finance	-	4,286	(4,286)
Risk Management & Security	-	6,357	(6,357)
Communications & External Relations	917	12,388	(11,471)
Human Resources	-	6,500	(6,500)
Inclusive Communities	254	2,227	(1,973)
President's Office	-	4,492	(4,492)
Total Shared Service Units	**75,999**	**188,749**	**(112,750)**
Ancillary Units	17,263	14,218	3,044
Central Fund	47,738	77,568	(29,830)
Total 2023/24 Budget	**461,861**	**461,861**	**-**

APPENDIX 3: CAPITAL BUDGET

Summary Capital Investment Plan (in $'000s)	Year 1 2023/24	Year 2 2024/25	Year 3 2025/26	Year 4 2026/27	Year 5 2027/28	Total Plan
Major Capital	**9,262**	**3,375**	**-**	**-**	**-**	**12,637**
Hazel McCallion Campus – Scholar's Green Phase 2	537	-	-	-	-	537
Davis Centre for Healthy Communities (functional design costs only)	6,225	2,675	-	-	-	8,900
Trafalgar Centre for Digital Innovation (functional design costs only)	2,500	700	-	-	-	3,200
Minor Capital	**38,128**	**43,654**	**38,441**	**39,081**	**39,035**	**198,340**
Facilities - Site Infrastructure	1,700	2,000	2,350	3,350	5,950	15,350
Facilities - Building Infrastructure	11,540	11,345	15,295	14,760	12,945	65,885
Facilities - Space Adaptations	6,820	8,150	5,750	5,050	4,950	30,720
Facilities - Furniture, Fixtures & Equipment	500	700	500	800	500	3,000
Facilities - Studies and Software	1,854	500	500	300	1,015	4,169
Academic Equipment Renewal	1,982	1,982	1,982	1,982	1,982	9,910
Business Services	2,374	4,460	2,073	2,583	883	12,374
Athletics	1,190	1,900	1,300	1,300	1,300	6,990
IT - Academic Technology	6,530	7,249	5,992	5,520	5,784	31,075
IT - Infrastructure	3,638	5,368	2,699	3,436	3,726	18,867
Grand Total	**47,390**	**47,029**	**38,441**	**39,081**	**39,035**	**210,977**

Funding Sources						
Major Capital	**9,262**	**3,375**	**-**	**-**	**-**	**12,637**
Government Grants-Municipal	1,500	1,000	-	-	-	2,500
Reserves	7,762	2,375	-	-	-	10,137
Minor Capital	**38,128**	**43,654**	**38,441**	**39,081**	**39,035**	**198,340**
Government Grants	5,187	5,187	5,187	5,187	5,187	25,935
Research Grants	400	-	-	-	-	400
Reserves	17,506	8,990	10,690	10,555	11,655	59,396
Athletics Capital Fund	540	1,250	650	650	650	3,740
Program Fees	1,539	1,688	1,470	757	757	6,210
Operating Contribution to Capital	12,957	26,539	20,444	21,933	20,787	102,659
Total Funding Sources	**47,390**	**47,029**	**38,441**	**39,081**	**39,035**	**210,977**