

2022/23 Budget

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 Introduction

This report presents Sheridan's 2022/23 operating budget and a 5-year capital budget forecast. The global pandemic has left significant impacts over the past two years. The pandemic has disrupted the delivery of programs and services, notably impacted enrolment and recruitment (particularly for international students) and has resulted in significantly reduced revenue and expense budgets.

Despite the pandemic, Sheridan continues to remain in strong financial health, but the need remains to focus on its long-term fiscal well-being. To effectively recover from the pandemic while ensuring that Sheridan maintains its strategic direction and long-term sustainability, Sheridan adopted the following budget goals in 2021/22 and will continue to rely on these to guide the College's financial recovery in 2022/23:

1. Continue to the advance the strategic plan through the year four objectives.
2. Prioritize strategies that minimize the impact on permanent staff and students.
3. Prioritize programs and services that support broader community impact.
4. Prioritize enrolment recovery and revenue generating opportunities to improve the bottom-line and re-invest to support the strategic plan.
5. Prioritize operational efficiency strategies to reduce costs while maintaining or improving value.

The 2022/23 fiscal year is the first that Sheridan will employ the Activities Based Budget (ABB) model to develop and manage the budget. This shift is intended to promote increased transparency and accountability within budget processes and support long term financial sustainability.

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 Budgeting (ABB)

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.

2022/23 is the first 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, information technology and equipment.

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 on a PSAB basis, use of reserves is 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.

2.4 Glossary

The following acronyms and terms are used throughout this report:

FAAD	Faculty of Animation, Arts & Design
FAST	Faculty of Applied Science & Technology
PSB	Pilon School of Business
FAHCS	Faculty of Applied Health & Community Studies
FHASS	Faculty of Humanities & Social Sciences
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 volatility and uncertainty for enrolment. The following is a summary of the key factors that are expected to impact enrolment in 2022/23:

Pandemic Recovery

There is significant uncertainty for the trajectory of pandemic recovery. There is potential for pent-up international demand. As an early indicator of this, as of February 2022, international applications returned to pre-pandemic levels with accept rates significantly higher than pre-pandemic. Domestic demand and applications continue to show decline; this is a trend that Sheridan and the College sector were seeing pre-pandemic.

International student impacts: Visa Processing Times and Denial Risk

Visa study permit processing times continue to be significantly delayed with the process currently requiring at minimum 13 weeks depending on the country/market. With the significant backlog and high volumes and high commission multi-office processing model (e.g., applications are being distributed across global high commission offices as opposed to being processed in market specific offices), visa study permit refusal rates have increased. Moreover, this visa denial risk also applies to our current international student population.

In-Person Recruitment Challenges

For domestic recruitment, fairs, high school visits, major College sector events, community events, Sheridan-hosted/on campus events are still largely virtual. Virtual fatigue is an ongoing challenge – any event longer than 45 minutes to 1-hour experiences virtual drop off. For international recruitment, travel restrictions have been impacting in-market representation at fairs, school visits, and agent events. Sheridan has been able to leverage in-country representatives, when possible, but in-person events were still limited. Most events transitioned to virtual format but have also been impacted by virtual fatigue. Agent relationships are being maintained virtually but impacted by Sheridan representatives not being able to be in-country.

Global Competition

Sheridan is seeing increased global competition, specifically from Australia and the UK, because of expedited visa study permit processing and approval times. Currently, Australia is achieving rapid approval rates with the application process being completed in a few days instead of the weeks or months that Sheridan is experiencing. As a result, there is considerable competition from Australia for students across multiple markets, especially from East Asia. Australia has also recently introduced a new 5-year visa. There is potential for competition from the US again as travel restrictions continue to lift, but this is secondary to the competition from Australia and the UK.

Local Competition

Other local post-secondary institutions are introducing strategies that are intensifying competition for international students. These include enhanced agent incentives, increased financial support for students (scholarships, bursaries, quarantine support) and more flexible payment plans. Universities are also introducing more aggressive admissions practices such as

lowering admissions cut-offs. We are also seeing increased partnerships between public Colleges and private “career” colleges, as well as plans for new or expanded offerings at satellite campuses from universities and colleges, that are affording the opportunity to bridge into Sheridan’s catchment areas. Examples of this are: Mohawk College/TriOS partnership in Mississauga, Algoma University campus offerings in Brampton, etc.).

3.1 Enrolment Recovery Strategies

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

Entrance Scholarships

Offering an \$1,000 entrance scholarship to all incoming international students in Spring 2022, Fall 2022 and Winter 2023 to remain competitive with similar strategies at other GTA (Greater Toronto Area) institutions. Also, providing additional scholarships for specific programs and specific markets to support an enrolment diversification strategy. In addition, incoming international students from specific markets and/or to specific programs may receive an additional \$1,000 entrance scholarship to continue to move Sheridan’s diversification strategy forward.

International Agent Incentives

Offering high performing agents across various international markets a financial incentive to recruit for Sheridan as a preferred institution, again to remain competitive with strategies employed by other GTA institutions and encourage market diversification.

Freezing International Tuition Fees

As approved by the Board of Governors in February 2022, Sheridan has frozen international tuition rates for 2022/23 to improve competitiveness with other rival Ontario institutions.

3.2 Enrolment Trends

Figure 1 shows the 10-year enrolment history for Sheridan while Figure 2 provides the budgeted enrolment forecast for 2022/23. The following are the key enrolment highlights as they relate to Sheridan’s budget:

- Domestic enrolments have been gradually declining by about 1.4% per year since enrolments peaked in 2015/16. In addition to the tuition loss from fewer students, the provincial government mandated a 10% cut to tuition fees in 2019/20 and a freeze since.
- Total domestic enrolment is forecasted to continue to decline for 2022/23, however new student intake is expected to improve over the last two pandemic years and be closer to 2019/20 pre-pandemic levels. Domestic returning enrolments are forecasted to be lower due to lower intakes during the pandemic.
- International enrolments grew to a peak in 2019/20 but have since dropped 30% combined over the past two years due to the pandemic. Prior to the pandemic, international tuition revenues were growing close to \$150 million so this drop in enrolment has had a significant fiscal impact.

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- For 2022/23, international enrolments are forecasted to grow back and be close to 2019/20. International returning enrolments will be growing due to a rebound in new intake enrolments in 2021/22.

Figure 1: Enrolment History

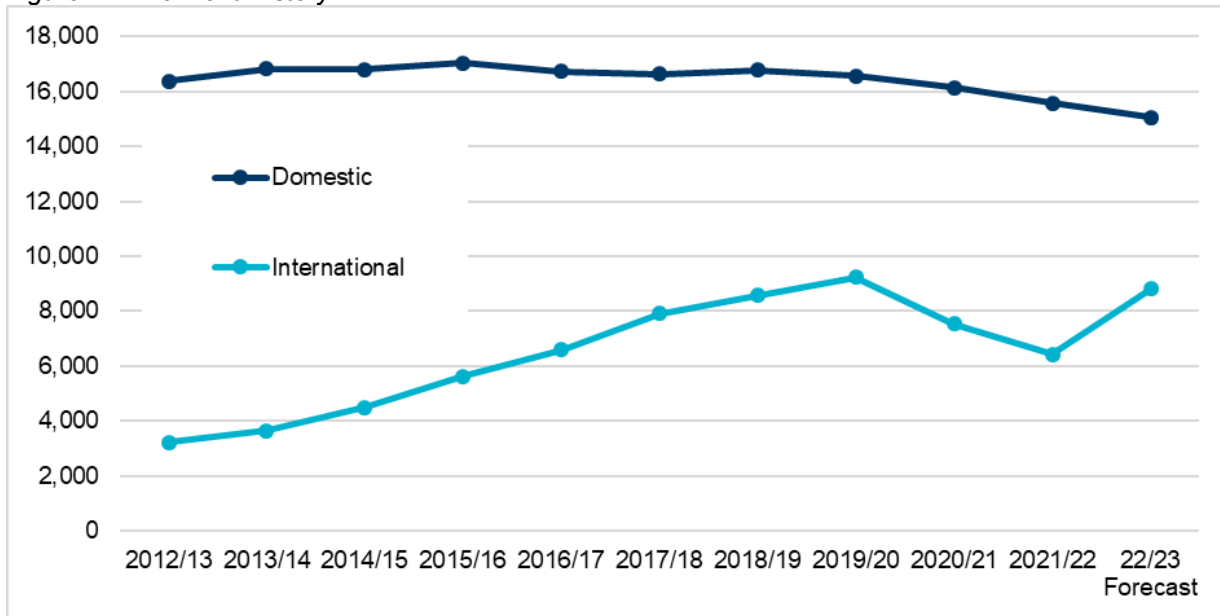
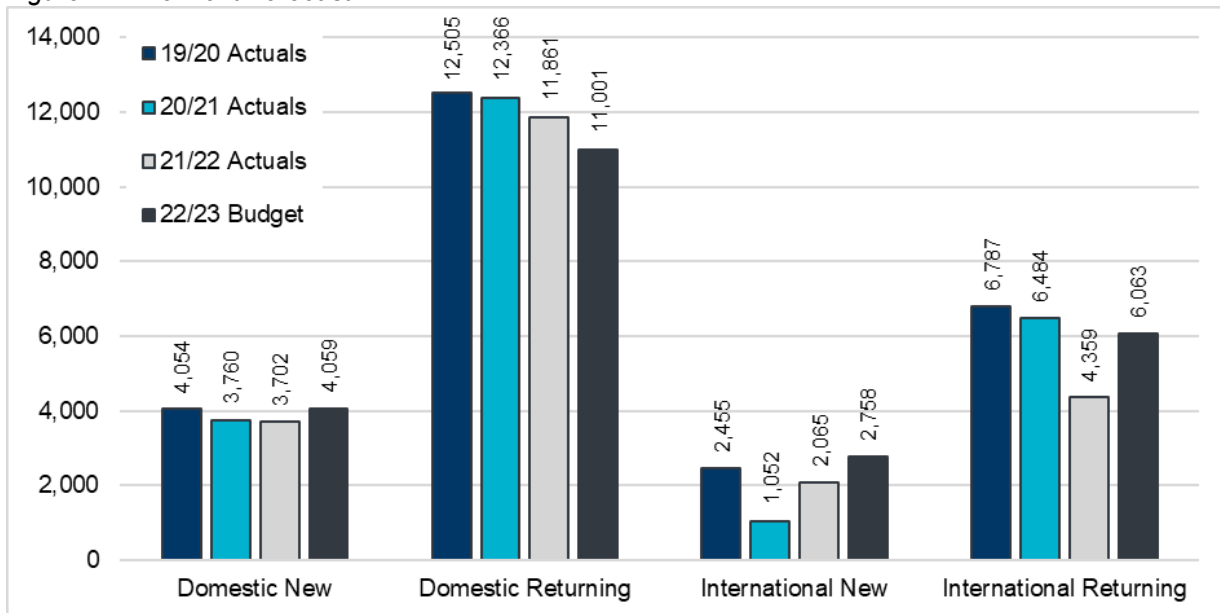


Figure 2: Enrolment Forecast

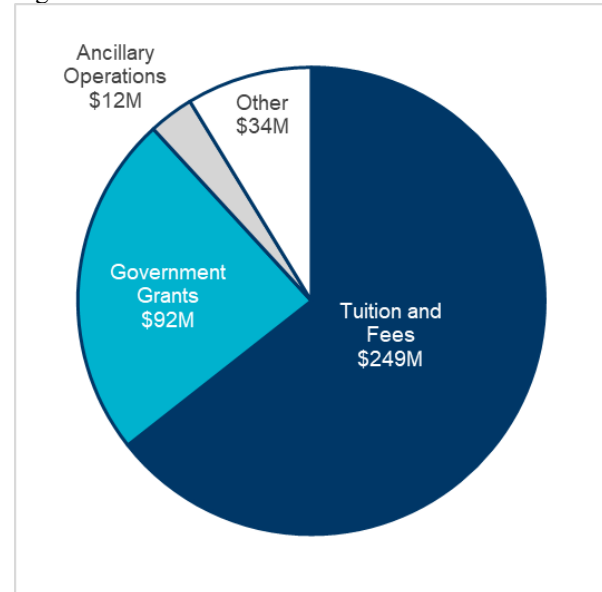


4.0 Operating Budget - Revenue

The first step in creating the 2022/23 operating budget is the revenue forecast. Approximately 64% of Sheridan's overall revenue comes from Tuition and Student Fees (see Figure 3). Only 24% of the operating funds comes from the provincial government. This has declined significantly over the past decade. In 2012/13, government grants were 39.9% of Sheridan's revenue. The remaining 12% of revenues comes from ancillary operations, research, investment income 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 3: Revenue Sources



4.1 Tuition and Student Fees

The Ministry of Colleges and Universities (MCU) Binding Policy for Tuition and Fees included a 10% reduction in domestic tuition rates for 2019/20 and a freeze for subsequent years, including 2022/23. 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 February 2022 to be frozen for 2022/23. Other assumptions are as follows:

- Tuition set-aside refers to Ministry binding policy that requires approximately 10% of domestic tuition revenues to be spent on financial aid for students.
- 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 1 are:

- Tuition revenues are \$38.8 million higher than the 2021/22 budget which can be broken down as follows:
 - \$46.6 million in increased international tuition revenue due to enrolment being forecast to recover from the pandemic.
 - \$1.8 million less from domestic students (including tuition set-aside) due to the declining enrolment forecast.
 - \$1.3 million less from collaborative programs due to the phase out of the York partnership.
 - \$5.1 million less from the Personal Support Worker Accelerated program as we are awaiting government announcements for 2022/23.

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- \$5.8 million less due to the tuition deferral related to the timing of the Winter 2021 term relative to the fiscal year.
- The budget also includes \$6.2 million for targeted in-year revenue growth. This revenue will be generated from opportunities to recover enrolments lost due to the pandemic.
- Student fees are expected to be \$10.2 million higher than 2020/21 due to enrolment recovery.

Table 1: Tuition and Fees Revenue

Tuition & Fees Revenue (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Domestic – Full-time	62,766	46,366	58,843	57,354
Domestic – Part-time	8,468	7,008	7,083	6,766
International – Full-time	134,036	98,754	93,697	138,984
International – Part-time	6,125	4,082	4,350	5,647
Collaborative Programs	6,547	6,417	6,417	5,091
Tuition Set-Aside	(5,929)	(4,626)	(6,111)	(6,113)
Personal Support Worker - Accelerated	-	-	5,131	-
Targeted In-Year Revenue Growth				6,159
Tuition Deferral from prior year	-	15,659	19,078	16,070
Tuition Deferral to following year	-	(15,449)	(15,607)	(18,394)
Total Tuition Revenue	212,013	158,212	172,882	211,565
Student Fees:				
Compulsory Institutional Fees	17,197	12,874	14,654	22,128
Program Fees	13,581	7,751	10,013	11,641
User fees and charges	5,308	2,451	2,867	3,992
Total Student Fees Revenue	36,087	23,077	27,534	37,761

The Activities Based Budget Allocation as shown on Table 2 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.
- Tuition set-aside is accounted for in the Central fund as these amounts are dictated by Ministry policy and outside the control of Sheridan business units.
- The tuition deferral is accounted for in the Central fund. This minimizes 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.
- 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	20,638	11,987	9,832	7,735	8,262	-	58,454	(1,100)	-	-	57,354
Domestic – Part-time	590	1,060	823	421	1,379	2,493	6,766	-	-	-	6,766
International – Full-time	15,084	15,495	43,623	5,317	34,868	-	114,387	(4,000)	28,597	-	138,984
International – Part-time	271	344	2,370	170	498	50	3,704	-	1,943	-	5,647
Collaborative Programs	5,091	-	-	-	-	-	5,091	-	-	-	5,091
Tuition Set-Aside	(2,263)	(1,435)	(1,139)	(400)	(1,017)	(197)	(6,451)	339	-	-	(6,113)
Targeted in-year revenue growth	-	-	-	-	-	-	-	6,159	-	-	6,159
Tuition Deferral from prior year	-	-	-	-	-	-	-	16,070	-	-	16,070
Tuition Deferral to following year	-	-	-	-	-	-	-	(18,394)	-	-	(18,394)
Total Tuition Revenue	39,412	27,451	55,509	13,242	43,991	2,347	181,952	(927)	30,540	-	211,565
Student Fees:											
Compulsory Institutional Fees	-	-	-	-	-	-	-	4,500	16,402	1,227	22,128
Program Fees	5,877	944	1,992	160	643	100	9,716	-	1,925	-	11,641
User fees and charges	171	-	-	-	-	258	429	1,600	1,958	5	3,992
Total Student Fees Revenue	6,048	944	1,992	160	643	358	10,145	6,100	20,285	1,232	37,761

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

2022/23 will be the third year of Sheridan's Strategic Mandate Agreement with the Provincial government and the performance-based funding model. In this year, 45% of funding was planned to be performance based. However, due to the pandemic, the Ministry has delayed the start of performance-based funding until 2023/24 therefore the amount budgeted below is guaranteed for 2022/23.

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.
- The international student recovery is \$1.2 million higher due to growing international enrolments.
- Special Purpose grants include funding for: Apprenticeship, students with disabilities, Aboriginal learners, mental health, campus safety, credit transfer and municipal taxes.
- Other operating grants include School College Work Initiative, collaborative programs and WSIB training revenues.

Table 3: Government Grant Revenue

Government Grant Revenue (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Core Operating Grant	82,492	82,492	50,495	40,273
International Student Recovery	(6,000)	(5,195)	(4,134)	(5,285)
Performance Funding	3,635	3,635	35,186	45,316
Special Purpose	4,301	4,089	6,246	5,556
Other Operating	1,071	2,382	769	1,617
Total Operating Grants	85,500	87,404	88,562	87,569
Other Government Contracts:				
Canada-Ontario Jobs Grant	225	178	178	178
Literacy and Basic Skills	2,247	2,043	2,253	2,247
Employment Services	3,309	2,951	2,267	1,987
Total Contract Revenue	5,781	5,172	4,698	4,412
Other government revenues:				
Federal Operating Grant	2,847	-	-	-
Municipal Daycare Grant	118	118	118	278
Total Grant Revenues	94,246	92,694	93,378	92,259

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	21,752	19,887	18,400	12,164	10,945	2,533	85,681	-	-	-	85,681
International Student Recovery	(740)	(900)	(2,524)	(223)	(2,040)	-	(6,426)	1,141	-	-	(5,285)
Special Purpose	(74)	(90)	1,942	(22)	(204)	-	1,552	1,702	2,302	-	5,556
Other Operating	555	-	-	-	-	900	1,456	100	61	-	1,617
Total Operating Grants	21,494	18,897	17,818	11,919	8,702	3,433	82,262	2,943	2,363	-	87,569
Other Government Contracts:											
Canada-Ontario Jobs Grant	-	-	-	-	-	-	-	-	178	-	178
Literacy and Basic Skills	-	-	-	-	-	2,247	2,247	-	-	-	2,247
Employment Services	-	-	632	-	-	-	632	220	1,135	-	1,987
Total Contract Revenue	-	-	632	-	-	2,247	2,879	220	1,313	-	4,412
Other government revenues:											
Municipal Daycare Grant	-	278	-	-	-	-	278	-	-	-	278
Total Grant Revenues	21,494	19,174	18,450	11,919	8,702	5,680	85,419	3,163	3,676	-	92,259

ABB Methodology:

- The core operating grant and performance funding envelopes are allocated to faculties based on the 2022/23 forecasted 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 2022/23 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 forecasted to be \$3.0 million higher than last year due to a gradual return to normal operations that were disrupted by the pandemic. It is expected that revenue recovery back to pre-pandemic levels will take multiple years. Specific highlights include:

- Residence revenues are expected to return to pre-pandemic levels.
- Food revenues are forecast to be \$0 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 better than the pandemic budget with a gradual return to on campus activity.

Table 5: Ancillary Operations Revenue

Ancillary Operations Revenue (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Residence	10,239	9,361	7,837	10,436
Food Services	900	388	254	-
Parking	3,200	2,688	877	1,206
Bookstore and Printing	438	324	-	175
One Card*	-	2	15	5
Conference Centre & Services	703	470	123	302
Total Ancillary Operations Revenue	15,481	13,232	9,105	12,123

Note: There is also a Onecard compulsory institutional fee that is included 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 down by \$0.5 million due to some major grants ending in 2021/22.
- Investment income is forecasted to be \$0.9 million higher than last year due to expected interest rate increase over the course of the next two years. Investment income does not include returns from our 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 we received a \$1 million contribution for a piece of equipment that is expected to last 10 years, then we recognize \$100,000 of revenue 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 while 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.)

Table 6: Other Revenue

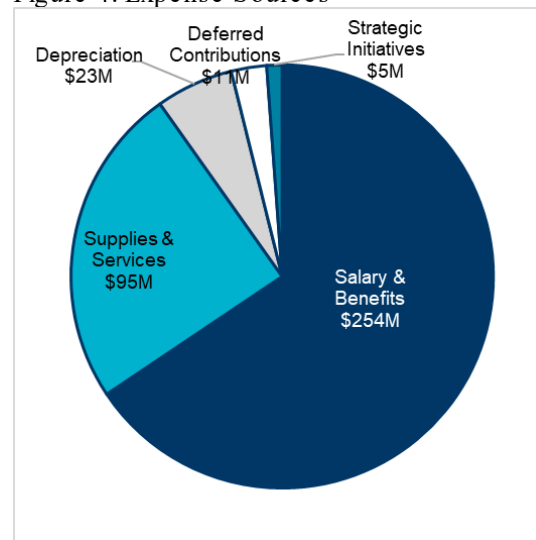
Other Revenue (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Research	2,327	6,578	6,081	5,583
Investment Income	3,500	5,444	4,377	5,300
Amortization of deferred contributions for capital assets	8,300	8,300	9,196	8,500
Amortization of deferred contributions for expenses of future periods	11,000	10,445	11,354	10,500
Other revenue	3,174	2,397	2,396	3,814
Total Other Revenues	28,301	33,164	33,403	33,697

5.0 Operating Budget - Expenses

This section of the report will provide an overview of the operating expense budget. 67% of Sheridan's expenses are for salaries and benefits. A further 24% are spent on supplies and services. The remaining 9% is spent on depreciation of capital assets, expenses related to deferred contributions and strategic initiatives.

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

Figure 4: Expense Sources



5.1 Strategic Operating Investments

Sheridan has undergone a comprehensive process to identify year 4 strategic objectives and the requirement for associated resources. The budget will support these objectives and goals by funding \$4.56 million for ongoing resources and providing funding from various strategic reserves for one-time initiatives. The focus for these strategic investments is on activities that will support Sheridan's enrolment-based recovery from the pandemic, including:

- \$2.0 million for enrolment recruitment incentives in the form of scholarship and bursaries that is additional to current financial aid supports.
- \$1.0 million for additional marketing and recruitment budgets to support enrolment growth.
- \$560,000 to celebrate catch-up convocation ceremonies to deliver on a promise to those students that graduated during the pandemic.
- \$1.0 million for Provost priorities that will support academic and student experience priorities.

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:

- The current academic collective agreement expired on August 31, 2021. The budgetary impact of a new collective agreement is not yet known so any significant impact would require an update to the operating budget.
- The strategy of budgeting to 98% of full-time positions to reflect that there will be vacancies throughout the year remains in place for 2022/23.

Table 7- Salary and Benefits

Salary & Benefits (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Faculty – Full-time	79,898	79,840	78,286	82,017
Faculty – Part-time	41,056	40,155	42,294	43,310
Administration – Full-time	45,456	49,349	50,043	53,594
Administration – Part-time	39	26	131	-
Support Staff – Full-time	53,128	54,523	55,628	59,911
Support Staff – Part-time	17,882	15,553	17,267	18,579
98% Vacant Positions Adjustment	(3,364)	(3,552)	(3,679)	(3,725)
Post-employment obligations	-	288	450	450
Total Expenses	234,095	236,180	240,419	254,136

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.
- Strategic investments were previously identified in section 5.1
- Depreciation of capital assets is based on current assets plus expected additions in 2022/23.
- The principal payments on long-term debt will reduce our liability on the balance sheet and do not show as an expense on our financial statements so that transaction is reflected below.
- 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.)

Table 8: Non-Salary Expenses

Non-Salary Expenses (in \$ thousands)	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
Supplies and Services	103,335	87,770	89,456	98,203
Principal payments on long term debt	(2,800)	(2,996)	(2,994)	(2,994)
Contingency	6,000	-	-	-
Strategic Investments	11,697	-	7,891	4,560
Depreciation of capital assets	23,000	29,900	25,000	23,000
Expenses related to future periods	11,000	10,445	11,354	10,500
Total Non-Salary Expenses	152,232	125,119	130,707	133,269

6.0 2022/23 Operating Budget

Appendix 1 provides a summary of the 2022/23 budget. This section will review the key highlights for the 2022/23 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 shown in Table 10 and the detailed budgets for Revenue Units and Shared Service Units are provided in Appendix 2 and Appendix 3.

Table 10: ABB Budget Allocation

(in \$ thousands)	Revenue Units	Central Fund	Shared Service Units	Ancillary Units	Total
Tuition	181,952	(927)	30,540	-	211,565
Student Fees	10,145	6,100	20,285	1,232	37,761
Government Grants	85,419	3,163	3,676	-	92,259
Ancillary Operations	-	-	-	12,123	12,123
Other	1,759	25,100	6,832	7	33,697
Central Fund Contribution	(25,170)	25,838	-	(668)	-
Total Revenues	254,105	59,274	61,333	12,693	387,406
Salary and Benefits	155,833	(482)	97,170	1,616	254,136
Supplies and Services	14,822	12,826	54,961	12,061	95,209
Depreciation	-	23,000	-	-	23,000
Strategic Investments	-	4,560	-	-	4,560
Other	-	10,500	-	-	10,500
Shared Services Allocation	90,004	1,334	(91,338)	-	-
Total Expenses	260,659	51,737	61,333	13,676	387,406
Surplus / (Deficit)	(6,553)	7,537	-	(983)	-

6.2 History and Multi-year Outlook

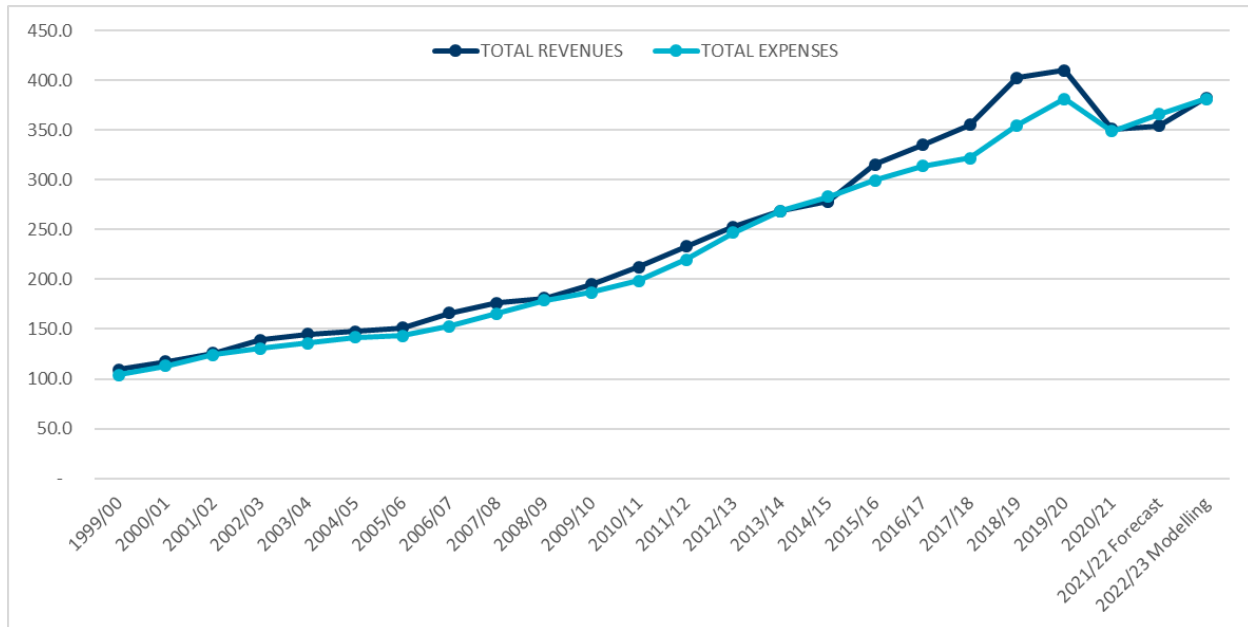
Figure 5 shows Sheridan's revenue and expenses over the past 20 years. The graph shows that revenues kept pace with expenses for the first 15 years and then revenues grew significantly due to aggressive international enrolment growth. The graph then shows the sharp decline in 2020/21 due to the pandemic. Here are the key highlights from this graph:

- Expenses grow an average of \$14 million to \$20 million per year.
- Revenues have kept pace with a 20-year average \$15M growth per year or 6.9%.
- Expenses will continue to grow at least at this rate given high inflation.

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- Revenues are constrained due to international enrolment constraints, domestic decline, and government policy (funding framework and tuition policy)

Figure 5: Historical Revenues and Expenses



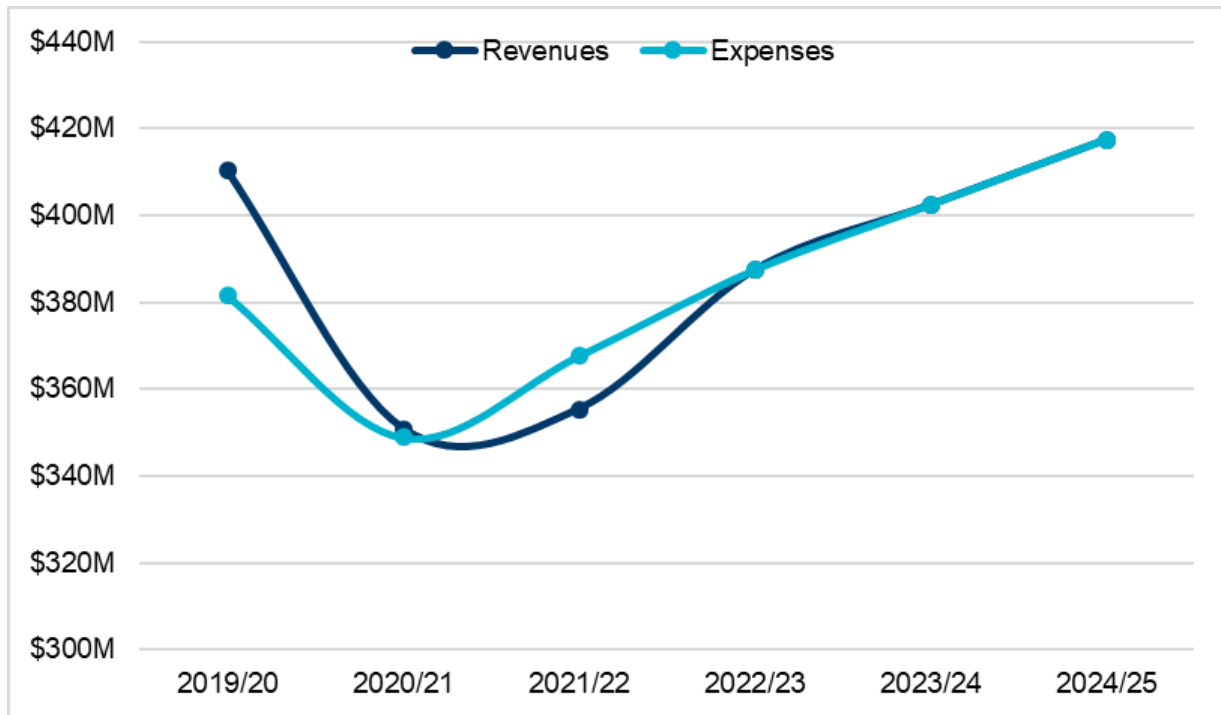
More recently, the key factors that impact Sheridan’s budget and financial performance include:

- **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 are no mechanisms 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 then frozen since. The previous policy allowed colleges to increase tuition rates by an average of 3% per year. This results in an impact of more than \$11 million in lost revenue this year.
- **International Market** – There has been significant growth in competition in the international market both in Ontario and globally. Within Ontario, 8 small and rural colleges have partnered with private career colleges to deliver to international students, bringing in a total revenue of about \$270 million in 2020/21.
- **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.

Multi-year Outlook

Figure 6 shows the multi-year outlook under the scenario whereby revenues keep pace with expenses. This would be a normal, historical trend for expenses; however, revenues would need to keep pace through enrolment growth.

Figure 6: Multi-year Outlook



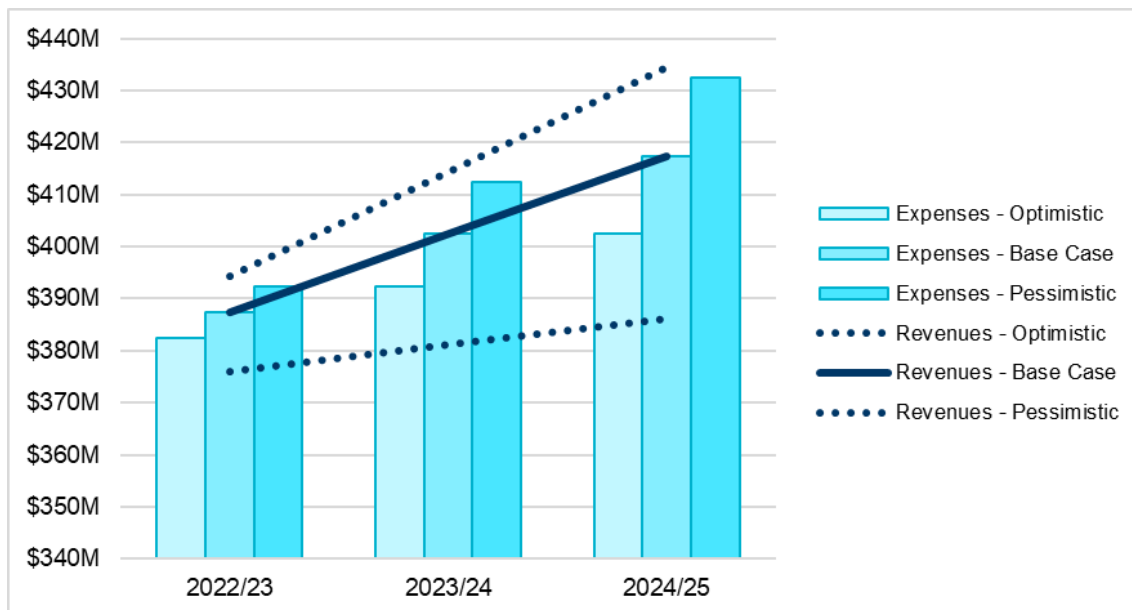
6.3 Optimistic and Pessimistic Scenarios

Sheridan has modelled the financial implications of more optimistic and more pessimistic enrolment scenarios as shown below in Figure 7. The base case scenario is based on the proposed budget with future year growth of \$15 million (approximately 4% growth) for both revenues and expenses which is aligned with historical trends and shown in the multi-year modeling above.

The optimistic scenario shows the revenue and expenses whereby international enrolments are better than expected, there is ongoing revenue growth of \$20 million per year (5% growth), and ongoing expense growth of \$10 million per year (2.5% growth). In this scenario, Sheridan would benefit from healthy surpluses, enabling the funding of long-term priorities.

The pessimistic scenario shows the revenue and expenses whereby both domestic and international enrolments are lower than budget, with only ongoing revenue growth of \$5 million per year (1% growth) but expense growth of \$20 million per year (5% growth). Under this scenario, Sheridan would be facing significant deficits requiring budget cost savings exercises on an annual basis.

Figure 7: Sensitivity Analysis



7.0 Capital Budget

Appendix 4 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 our capital priorities, Sheridan is undertaking several activities during the planning cycle to enhance our capital planning cycle. 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 assessments 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 board room for large meetings.

HMC (Hazel McCallion Campus) 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 2022/23.

Site Infrastructure

Includes projects such as parking lots & roads, grounds & landscaping and other site infrastructure.

- Grounds & landscaping enhancement projects – replace benches, bicycle racks, fencing and gates, building entrances improvements (all campuses), West Morrison Creek Erosion and Control (Davis), Pond Revitalization (Davis)

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- Paving the access road south of C-wing and asphalt replacement at B-wing main entrance (Trafalgar).
- Waste management improvements at B-wing loading dock area (Davis).

Building Infrastructure

Includes mechanical / electrical upgrades, residence improvements, fire safety upgrades, emergency power, roofing work and walls & foundation.

- General replacement of doors & windows (multi-year, all campuses)
- A-wing - envelope & mechanical improvements (multi-year, Trafalgar)
- B-wing 'State of Good Repair' project – replacement of roofing & skylights, chiller & AHU's, electrical switches, main panels & power feeds (Davis)
- Heating plant refurbishment– moving over building heat and electrical loads over to the A-wing Energy Centre (multi-year, Davis)
- Upgrades to main electrical transformer and substations (Trafalgar)
- General re-lamping and lighting replacement (multi-year, all campuses)
- Fire safety system upgrade (all campuses)

Space Adaptations

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

- Academic renovations - Experiential Design – 6 rooms & SOCAD dust collector (Trafalgar), VR simulation room & forensics relocation (Davis)
- IT & facilities classroom refresh
- Washroom renovations
- Health & Safety and Accessibility improvements – roof access (all campuses) and A-wing shop spaces (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 & Trafalgar)

Studies and Software

Includes common facilities-related consulting and planning work such as implementing an asset management program.

- Upgrade of Archibus and implementation of Enterprise Asset Management, and Maintenance Modules
- Mission Zero 2024
- Phase II of the Front Running project (Davis)
- Detailed Asset Register Development, Level of Service/Function Definition, and Functional Failure Assessment
- Electrical coordination study (Davis & Trafalgar)

Ancillary projects

Includes residence, food services, bookstore, and parking projects.

- Completion of the Trafalgar bookstore renovation
- Continued parking lot asphalt removal and replacement and AODA compliance (Trafalgar Lot 2 & Davis Lot 4)

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- Food services equipment replacement and necessary enhancements
- HMC OneCard office renovation and additional one card equipment
- Residence common room window replacement (Davis)
- Athletics heating and cooling upgrades and roof replacement (Trafalgar)

IT infrastructure renewal

Includes server upgrades, computer replacements and major software replacements.

- Creativity Commons – Audio/Visual Infrastructure
- Campus Security Centre Video Wall
- Cisco Unified Communication Manager Cloud
- Cisco Networking Equipment
- Multi-Functional devices and server replacements

IT employee devices

Includes laptops, workstations, monitors, and cell phones.

IT academic technology

Includes technology within academic classrooms and labs such as printing equipment, and specialized technology.

- Approximately 35 general classroom technology refreshes
- Equipment for Sheridan Lecture Theatres
- Faculty (mainly FAAD & FAST) replacement of workstation computers, printers, servers, and new VR equipment

IT systems (Springboard)

Relates to a specific Sheridan strategy to implement new technology that supports the user experience and improved efficiency.

- Payroll and HR Automation
- Performance and Talent Management
- PT Contracting
- Chat Software
- Service and Asset Management
- Oracle Managed Services
- Research Admin Software

Academic capital

Includes projects that enhance academic classrooms and labs.

- Equipment required to support programs such as Theatre, Photography, Nursing, Policing, Kinesiology, Chemical and Environmental Studies.

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 with 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 contributions 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

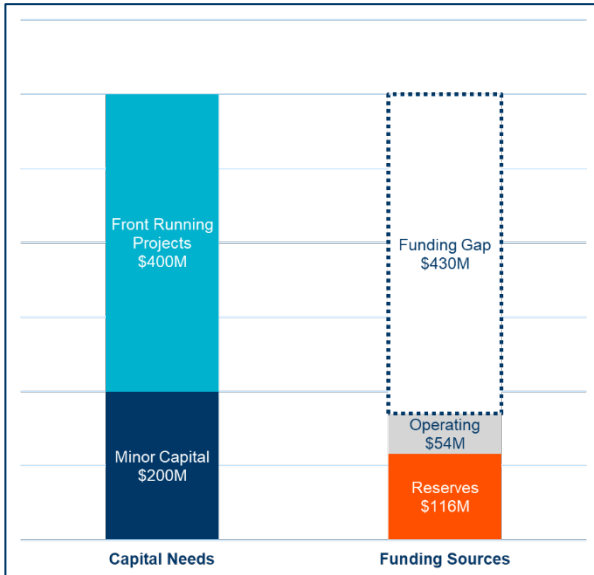
Ancillary operations are intended to be self-sustaining and should build up reserves to address deferred maintenance, leasehold improvements, and future capital expansion. Internal loans will be used in the short term to support current infrastructure needs. Internal loan payments will be budgeted for 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 Comparison to 2021/22 5-Year Plan

The following is a summary of the main changes to the 5-year budget compared to last year:

- An increase of \$4 million for facilities projects to include research capital funding.
- A decrease of \$3 million for ancillary operations to reflect work that has been deferred due to the pandemic.
- A decrease of \$1 million for athletics projects that reflects a refinement of future needs and alignment with the campus master plan.
- An increase of \$3 million for academic capital that was deferred due to the pandemic and required to support programs.
- A decrease of \$8 million for Technology that reflects a revision in the outflow of costs for IT employee devices and work that was completed for IT System projects

7.5 Capital Funding Gap



Sheridan has significant capital requirements including \$200 million for 5-year minor capital needs as well as at least \$400 million for front running projects. On an ongoing basis, Sheridan conducts various assessments to refine and prioritize the funding needs. Recent analysis indicates that as the Sheridan’s assets continue to age, funding needs are likely to increase over the next five to ten years.

Currently, we have \$116 million in capital reserves and \$54 million available from existing operating budget sources including government and research grants, and program fees. A comparison between the funding needs and funding gap is shown in the adjacent figure.

In the absence of outside funding, this leaves a capital funding gap of \$430 million over the next five years. Considering the accounting expected life of assets (40 years for buildings, 10 years for equipment, etc.), the approximate incremental annual expense is \$15 million.

This funding gap could be covered by:

- An annual contribution from operating to capital to be funded from revenue growth. This could fund up to \$15 million but beyond that would impact operations.
- Taking on additional long-term debt or other private lending. The debt limit for Sheridan college is about \$100-\$120 million.
- External funding sources including government and donations.

APPENDIX 1 – 2022/23 BUDGET

In \$ thousands	2019/20 Approved Budget	2020/21 Approved Budget	2021/22 Approved Budget	2022/23 Proposed Budget
REVENUES				
Tuition	212,013	158,212	172,882	211,565
Government Grants (excluding capital)	94,626	92,695	93,377	92,259
Student Fees	36,087	23,077	27,534	37,761
Ancillary Operations	15,481	13,232	9,105	12,123
Research	2,327	6,578	6,081	5,583
Other	6,674	6,745	6,772	9,114
Amortization of deferred contributions	19,300	18,745	20,550	19,000
TOTAL REVENUES	386,507	319,283	336,301	387,406
EXPENSES				
Salary & Benefits	234,095	236,182	240,419	254,136
Supplies & Services	103,335	84,773	86,462	95,209
Strategic Investments (ongoing)	11,697	-	7,891	4,560
Operating Contingency	6,000	-	-	-
Capital Adjustment		(11,265)	-	-
Depreciation	23,000	29,900	25,000	23,000
Expenses related to deferred contributions	11,000	10,445	11,354	10,500
TOTAL EXPENSES	386,327	350,035	371,127	387,406
NET SURPLUS / (DEFICIT)	180	(30,752)	(34,825)	-

APPENDIX 2 – REVENUE UNIT BUDGET

(in \$ thousands)	FAAD	FAHCS	FAST	FHASS	PSB	CAPS	Total
Tuition	39,412	27,451	55,509	13,242	43,991	2,347	181,952
Student Fees	6,048	944	1,992	160	643	358	10,145
Government Grants	21,494	19,175	18,450	11,919	8,702	5,680	85,419
Ancillary Operations	-	-	-	-	-	-	-
Other	110	1,244	10	-	-	395	1,759
Central Fund Contribution	(4,624)	(4,112)	(8,158)	(1,981)	(6,143)	(152)	(25,170)
Total Revenues	62,440	44,702	67,804	23,340	47,192	8,628	254,105
Salary and Benefits	38,924	29,436	41,840	15,829	23,687	6,118	155,834
Supplies and Services	6,657	1,757	2,830	436	661	2,479	14,822
Depreciation							
Strategic Investments							
Other							
Shared Services Allocation	20,437	17,758	25,407	6,252	17,269	2,478	90,004
Total Expenses	65,997	48,951	70,077	22,517	41,617	11,075	260,659
Surplus / (Deficit)	(3,579)	(4,249)	(2,273)	822	5,576	(2,448)	(6,553)

APPENDIX 3 – BUSINESS UNIT FINANCIALS

Functional Unit	Revenue	Salary and Benefit	Non-Salary Expense	Shared Services Allocation	Surplus/Deficit
Total Revenue Units	254,105	155,834	14,822	90,004	(6,553)
Shared Service Units:					
Centre for Teaching and Learning	1,352	4,416	980	(4,044)	-
Research	6,715	5,164	4,936	(3,386)	-
Provost, Vice-Provost, and Academic Systems	1,106	3,004	753	(2,652)	-
Office of the Registrar	5,944	12,836	4,885	(11,776)	-
International	4,217	2,177	9,249	(7,209)	-
Student Affairs	9,119	11,990	2,129	(4,999)	-
Integrated Learning Services	7,800	11,597	2,681	(6,478)	-
Facilities	5,048	8,510	11,338	(14,800)	-
Information Technology	9,634	12,925	5,530	(8,821)	-
Business Services	356	829	594	(1,066)	-
Finance	1,113	4,341	102	(3,330)	-
Risk Management	1,641	1,209	4,798	(4,907)	-
Communications & External Relations	3,697	7,109	4,486	(7,898)	-
Human Resources	1,639	5,437	1,105	(4,902)	-
Inclusive Communities	803	1,890	554	(1,641)	-
Creative Campus	36	47	95	(106)	-
Legal and Board of Governors	345	1,056	320	(1,031)	-
President's Office	766	2,634	424	(2,292)	-
Total Shared Service Units	61,333	97,170	55,501	(91,338)	-
Ancillary Units	12,693	1,616	12,061	-	(983)
Central Fund	59,274	(482)	50,886	1,334	7,537
Total 2022/23 Budget	387,406	254,136	133,269	-	-

Sheridan

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APPENDIX 4 – CAPITAL BUDGET

Capital Investment Plan (in \$'000s)	Total Project Budget	Prior to 2021/22	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Total Plan
Major Capital- Approved Projects	51,850	39,722	12,128	-	-	-	-	12,128
Major Capital - HMC2A	43,540	39,422	4,118					4,118
Major Capital - HMC2 Defects	5,310	200	5,110					5,110
Major Capital - HMC Scholars Green	3,000	100	2,900					2,900
Major Capital- Proposed Projects	400,000	-	-	-	-	-	-	-
Campus Master Plan, Centre for Healthy Communities (Davis)	200,000							-
Campus Master Plan, Centre for Digital Innovation (Trafalgar)	150,000							-
Campus Master Plan, Infrastructure	50,000							-
Minor Capital			46,499	36,782	39,725	36,050	37,302	196,359
Facilities - Site Infrastructure			2,200	2,700	2,050	1,500	3,100	11,550
Facilities - Building Infrastructure			10,900	8,000	7,500	8,000	7,900	42,300
Facilities - Furniture/Fixtures/Equipment			500	500	500	500	500	2,500
Facilities- Space Adaptations			10,899	11,150	10,750	10,300	12,650	55,749
Facilities - Studies and Software			650	650	300	300	850	2,750
Academic Equipment Renewal			2,374	1,974	1,974	1,974	1,974	10,270
Business Services			1,210	1,663	5,175	1,580	1,515	11,143
Athletics			1,430	1,500	1,600	1,500	-	6,030
IT - Employee Devices			1,959	819	2,265	1,959	819	7,820
IT - Infrastructure			5,633	2,826	2,611	3,438	2,994	17,502
IT - Systems (Springboard)			3,745	-	-	-	-	3,745
IT - Academic Technology			5,000	5,000	5,000	5,000	5,000	25,000
Grand Total			58,627	36,782	39,725	36,050	37,302	208,487

Funding Sources

Major Capital	12,128	-	-	-	-	-	12,128	
HMC2A Funding			4,118				4,118	
Deferred Revenue			5,110				5,110	
Reserves			2,900				2,900	
Campus Master Plan - Front Running Projects			Funding to be identified					
Minor Capital			46,499	36,782	39,725	36,050	37,302	196,359
Government Grants			4,415	4,415	4,415	4,415	4,415	22,075
Research Grants			2,149					2,149
Reserves			28,682	21,385	19,270	19,597	23,553	112,487
Program Fees			1,789	1,725	1,600	1,832	792	7,738
Athletics Capital Fund			1,430	1,500	328			3,258
External Partnership Funds			705					705
Operating Contribution to Capital			7,169	6,094	7,665	7,127	7,027	35,082
Ancillary Internal Loan			160	1,663	6,447	3,080	1,515	12,865
Total Funding Sources			58,627	36,782	39,725	36,050	37,302	208,487