St. Lawrence College

2025-26

Annual Budget

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EXECUTIVE SUMMARY

This budget comes at a time that reflects a pivotal inflection point in St. Lawrence's history. Federal Immigration policy that limits international enrolment, Provincial tuition policy that has been frozen since 2019, and outdated operating grant funding models are converging to threaten SLC's future.

This budget paints the picture of a reimagined SLC. One that has emerged following a government mandated efficiency review resulting in layoffs of approximately 1/3 of staff and suspending the intake of 55 programs.

Despite these drastic measures, the financial outlook is still challenging. This budget is forecasting an $11.2 million deficit for 25/26. Through prudent financial management over the past decade, SLC can weather the storm for the next couple of years by drawing on reserves. Here are the key highlights from this budget:

- Revenue of $140 million reflects a decrease of $58 million compared to 2023/24. This is mainly driven by a $60 million decrease in international tuition revenue and revenue from public private partnerships.

- Expenses of $151 million reflect a decrease of $24 million compared to 2023/24. This is driven by the efficiency review recommended layoffs and savings on non-salary spending.

- This results in a forecasted deficit of $11 million. This deficit will be funded from reserves which are forecasted to have an opening balance of $87 million. After funding the deficit and required capital investments, the forecasted reserve balance at the end of the year is $75 million.

INTRODUCTION

This budget report will provide detailed information and analysis for SLC's budgeted 2025/26 revenues and expenses. SLC is budgeting revenues of $140 million and expenses of $151 million, resulting in a deficit of $11 million. This report will start by discussing some of the key issues that have led to this financial position. Next, an analysis of the enrolment plan for 2025/26 will be provided. This will lead to the analysis of revenues, expenses and the deficit. The appendices to this report provide detailed financial schedules and are referenced throughout the report.

KEY ISSUES

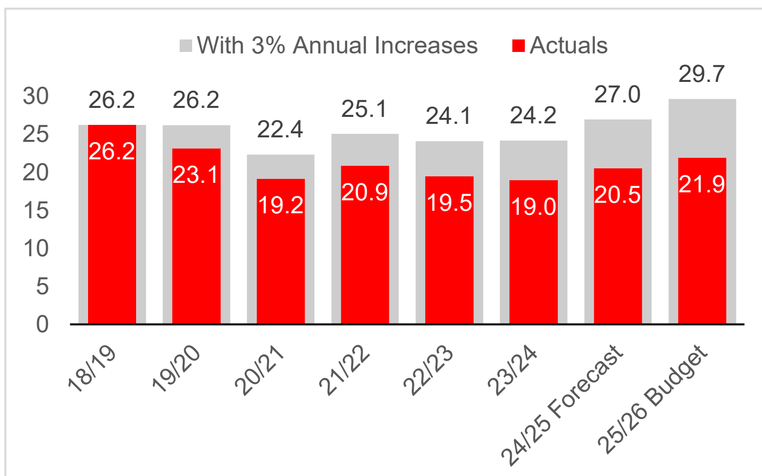
There are three main issues that are currently impacting SLC's ability to achieve a balanced budget and longer-term financial sustainability: Government Tuition Policy; Government Operating Grants and Reliance on International Enrolment for Financial Sustainability.

GOVERNMENT TUITION POLICY

Prior to 2019/20, the Provincial Government Tuition Policy allowed colleges to increase tuition rates by 3% per year. In 2019/20, the government mandated a 10% reduction in tuition fees and a subsequent freeze that continues to the current day.

If SLC had been able to maintain the 3% annual increases to fees, our domestic tuition revenues would be $7.8 million (or 36%) higher in the 2025/26 budget (see figure 1). This represents roughly 70% of the forecasted deficit for 2025/26.

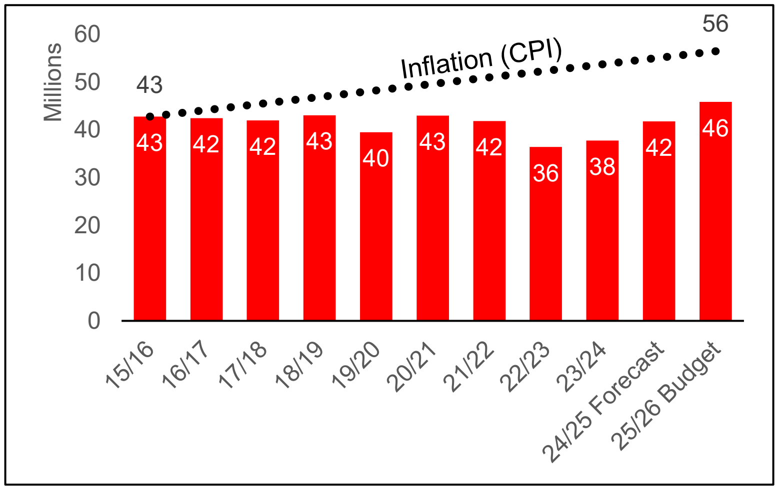
Figure 1 - Impact of Government Tuition Policy



GOVERNMENT OPERATING GRANTS

Government Operating Grants have not increased overtime. In fact with the international student recovery, grants have declined over the past decade. Figure 2 shows the 10-year trend for government operating grants. The increases in 24/25 and 25/26 are due to lower international student recovery from lower international enrolment. There also has been limited one-funding sustainability funding provided to help close the gap. If grants had kept pace with inflation, revenues would be approximately $10 million higher in the 25/26 budget, which would cover 95% of the forecasted deficit.

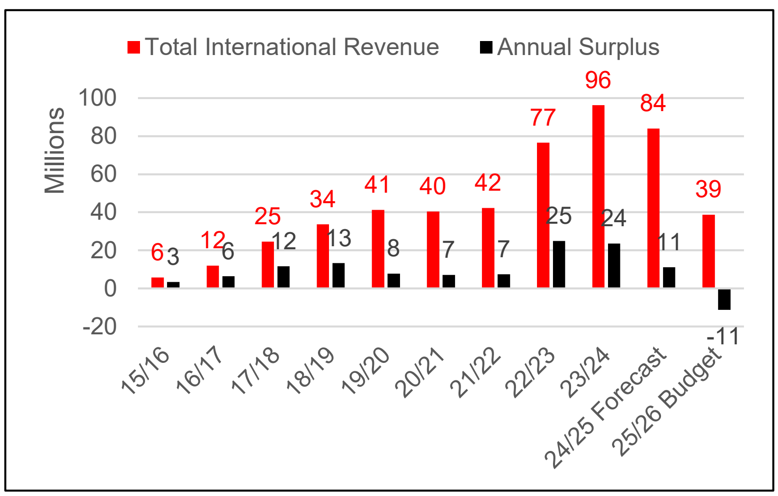
Figure 2 - Government Operating Grant Trend



RELIANCE ON INTERNATIONAL ENROLMENT FOR FINANCIAL SUSTAINABILITY

Figure 3 shows the total international revenue from both tuition and private partnerships as well as the annual surplus / deficit. To overcome the shortfall from domestic tuition and government operating grants discussed above, SLC, like all colleges in the sector, have relied on international revenues to sustain financial viability. It is important to note that these surpluses do not represent profit. These surpluses are invested back into the college, particularly renewal of capital assets. SLC needs to spend roughly $10 to $20 million per year for asset lifecycle costs, but only receives roughly $4 million per year in government capital funding. These surpluses are necessary to close that gap.

Figure 3 - International Tuition and Surplus



ENROLMENT

ASSUMPTIONS

The changes to federal government immigration policies will have a significant impact on international enrolment and tuition revenue as follows:

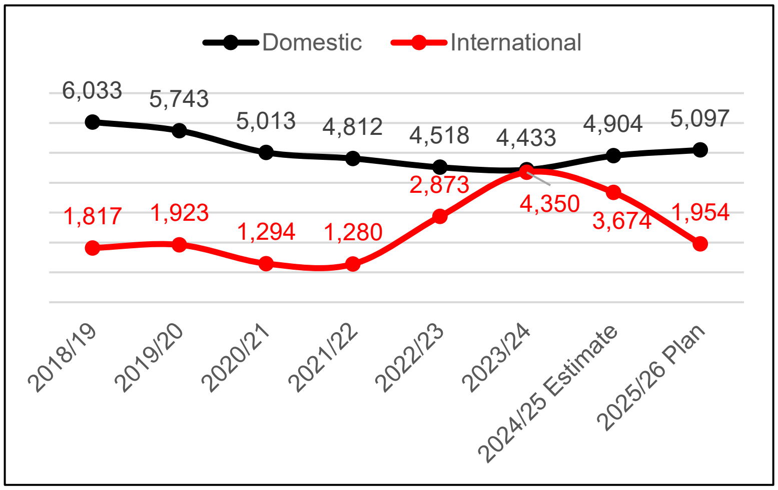
- The new policies do not allow private partners to be eligible for post-graduate work permits. As a result, our private partner activity is winding down with Spring 2025 expected to be the final term.
- There have been significant reductions to the student Permit Allocation Limit (PAL) that will further result in reduced international enrolment.
- There is a requirement for programs to be aligned with federally determined labour market needs. This has resulted in some program suspensions and will change the enrolment mix across SLC.

Furthermore, this budget assumes that the academic program suspensions will not have an adverse impact on domestic enrolment. Many of the programs that were suspended had low domestic enrolments. Also, there are similar related programs at SLC that students will be able to choose instead.

DISCUSSION

The College has a Strategic Enrolment Management (SEM) Committee with a mandate to recommend SEM objectives and targets, guided by the SLC in Five +3 Strategic Plan, SMA Performance Metrics and the 5 Year Enrolment Profile. As part of this mandate, the SEM Committee makes recommendations to the Senior Leadership Team (SLT) to optimize domestic and international recruitment, increase conversion and retention rates, and successfully graduate our students on all three campuses and at our private partners. The enrolment strategy is informed by data-driven decision making and cross-functional expertise.

Figure 4 - Multi-year Enrolment Trend



Figures 4, 5 and 6 provide an overview of enrolment trends. Key highlights include:

- Domestic enrolment is rebounding after several years of decline. The estimate for 2024/25 represents an 11% year-over-year increase. The budget for 2025/26 represents an additional 4% increase.
- International enrolment is budgeted to decrease by 47% from the 2024/25 estimate and by 55% compared to the peak enrolment achieved in 2023/24.
- 68% of on-campus enrollment will be in Kingston, 21% in Cornwall, 9% in Brockville and 2% online.
- Private partnership enrolment reflects the winddown of partnerships that will be completed in 2025/26.

Figure 5 - 25/26 Enrolment by Campus

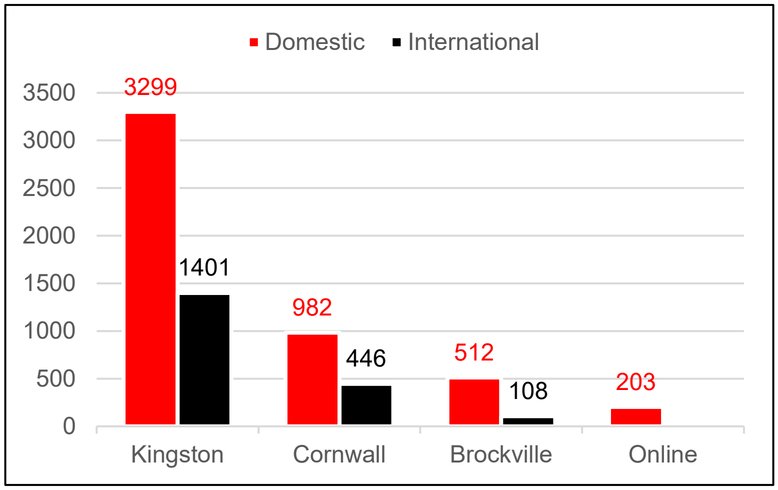
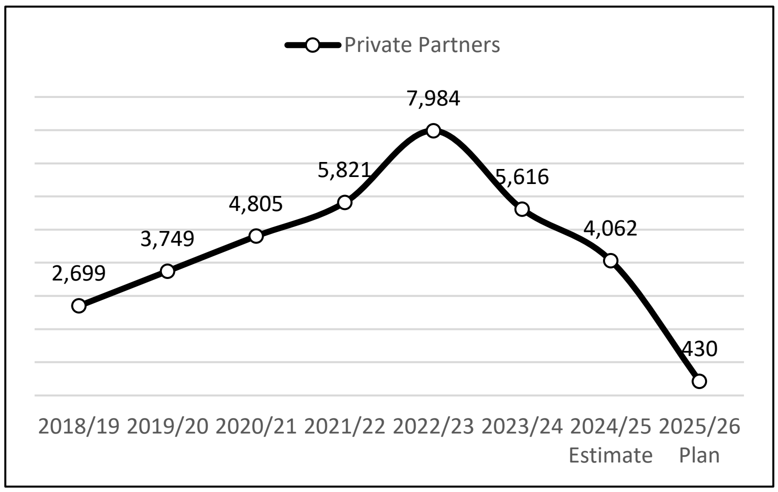


Figure 6 - Private Partnership Enrolment



REVENUES

ASSUMPTIONS

- Government funding projections are based on the most recent memorandums from the Ministry of Colleges, Universities, Research Excellence and Security (MCURES) and Ministry of Labour, Immigration, Training and Skills Development (MLITSD) if received, or based on prior year actual funding.

- Enrolment plan targets, approved by the College's Strategic Enrolment Management (SEM) committee, form the basis on which the tuition and related ancillary fees budget was developed. Targets for international student enrolment are based on the College's 2025 allocation for international study permit applications approved by the provincial government.

- In accordance with the MCURES's Tuition Fee Framework, Domestic tuition rates are maintained at 2024-25 rates, while International tuition rates have been increased by 3% over 2024-25 rates.

- Tuition related ancillary fees are based on fees and rates approved by the Board of Governors at its meeting held on December 10th, 2024.

- Revenues from Ancillary Operations consist of revenues from the residences, parking, bookstore, food services, and event and banquet services. Increased promotional activity is expected to boost residence room rentals during the summer.

- Variable interest rates on bank balances and short-term investments are expected to decrease in fiscal 2025-26.

DISCUSSION

Total revenue is budgeted to decrease by $49 million (25%) compared to 2024/25 and by $56 million (28%) compared to 2023/24 actuals. Figure 7 shows the trend for major revenue categories. Key highlights include:

- The main change to Government Grant revenue is the reduction of the International Student Recovery due to lower international student enrolment, which will have a favourable impact of $6 million on revenues. Also, Ministry funding includes one-time grants received for sustainability funding and the Efficiency and Accountability review. The budget assumes that SLC will receive $1 million in sustainability top up funding, however, the Ministry has not yet released their evaluation. These grant increases is offset by reductions in Employment Services and Research grant revenues due to the elimination of those activities. Appendix B provides a complete summary of Ministry funding.

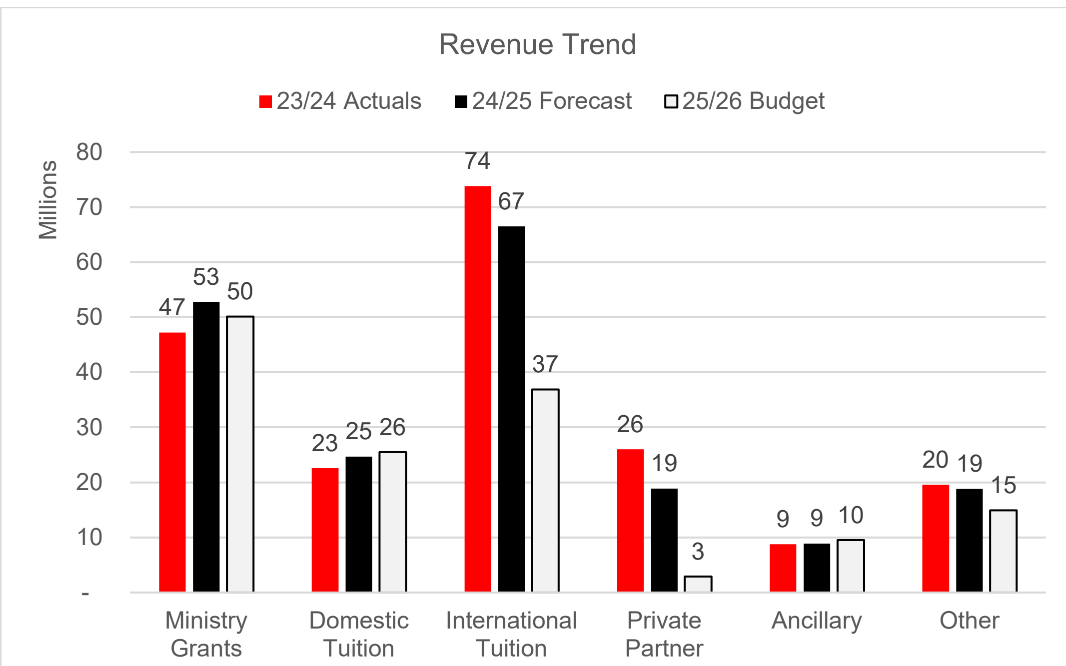
- Domestic tuition is forecasted to increase by $2.9 million (13%) compared to 2023/24 and by $1.3 million (5%) compared to the 2024/25 forecast, due to the enrolment growth trend discussed above.

- International tuition is forecasted to decrease by $31 million (46%) compared to 2024/25 and by $37 million (50%) compared to 2023/24, again due to the enrolment issues discussed above.

- Private partnership tuition will represent a loss of $16 million compared to 2024/25 and $23 million compared to 2023/24.

- Ancillary and other revenue sources are budgeted to be relatively stable, except for investment income which is forecast to decline from $8 million to $5 million due to Bank of Canada interest rate reductions and having lower cash flow available to invest.

Figure 7 - 25/26 Revenue by Category



EXPENDITURES

ASSUMPTIONS

- Salaries and benefits are budgeted based on approved staffing levels, administrative wage rates and collective agreement wage rates and step increases. Overall, salaries and benefits comprise 61% of the College's total budgeted expenditures.

- Contracted services are based on current contract amounts or expected contract renewal amounts.

- Expenses directly driven by enrolment levels, such as international recruiting agent commissions, are based on enrolment plan targets.

- Discretionary expense budgets have been adjusted based on the recommendations included within the efficiency review.

- New initiatives and operating expenditures were approved through a rigorous review and approval process. Significant items have been highlighted in the next section of this report.

DISCUSSION

Total expenses are budgeted to decrease by $25 million (14%) compared to 2024/25 and by $20 million (11%) compared to 2023/24 actuals. Figure 8 shows the trend for major expense categories. Key highlights include:

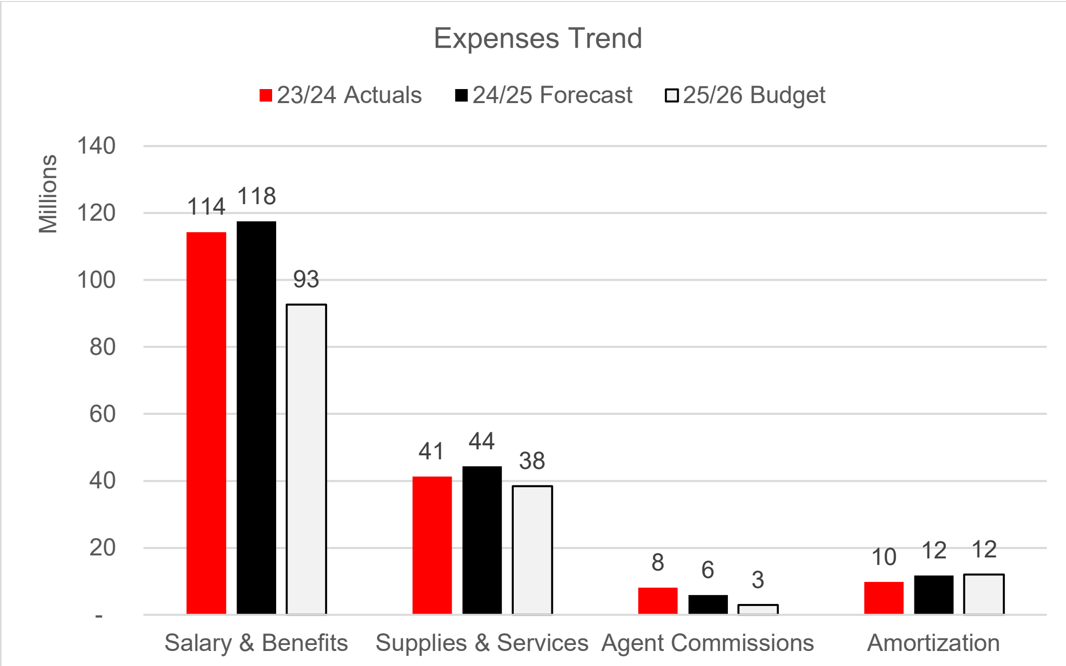
- Salary and benefit spending is down by $25 million (21%) compared to 2024/25 and by $23 million (20%) compared to 2023/24. This is based on realizing $26 million in savings due to re-structuring, and $4 million in accrued termination expenses, offset by $5 million in salary inflation due to collective bargaining agreement and cost of living increases. Detailed salary information is available in Appendix C.

- Supply and service expenses, excluding international agent commissions, are decreasing by $6 million due to lower enrolment and staffing levels across the college. This does not include the impact of tariffs as that remains uncertain. There are currently minimal imports from the United States – only some of our software licenses and some healthcare equipment. Tariffs are unlikely to cause a significant variance.

- International agent commission payments are forecasted to be $3 million due to lower international enrolment. This results in reduced expenditures of $3 million compared to 2024/25 and $5 million compared to 2023/24. It is important to note that this doesn't mean savings as commissions are paid as a percentage of international tuition revenues.

- Amortization of capital assets is consistent with previous years.

Figure 8 - 25/26 Expenses by Category



PRIORITY INVESTMENTS

The 2025-26 Annual Budget allocates adequate resources to successfully deliver the College's ongoing programs and services, as well as the recommendations from the Efficiency Review. The recommendations have enveloped prior strategic initiatives, ensuring all work is aligned to SLC's new priorities. Key investments will support the following priorities:

- **Digital Transformation** – average annual investment of $3 to $4 million is required to support projects that will streamline and automate processes, improving both productivity and customer service.

- **Flexible Learning** – average annual investment of $0.5 to $1.0 million is required to expand high quality flexible learning options to empower learners to personalize their learning journey by choosing how, when, and where to learn.

- **Re-imagining our College** – average annual investment of $0.5 to $1.0 million to support efforts to re-imagine the future of SLC and lead to financial sustainability.

CAPITAL

The Board of Governors approved SLC's 2025-26 capital budget on February 25th, 2025, totaling $9.1M in expenditure for new capital projects.

Some key facilities capital projects include Learning Space renewal to support changes to the Academic Programming mix; building envelope renewal, washroom renewal, and technology refresh.

The 2025-26 operating budget includes $12.0M in amortization expense related to budgeted additional capital assets and existing capital assets.

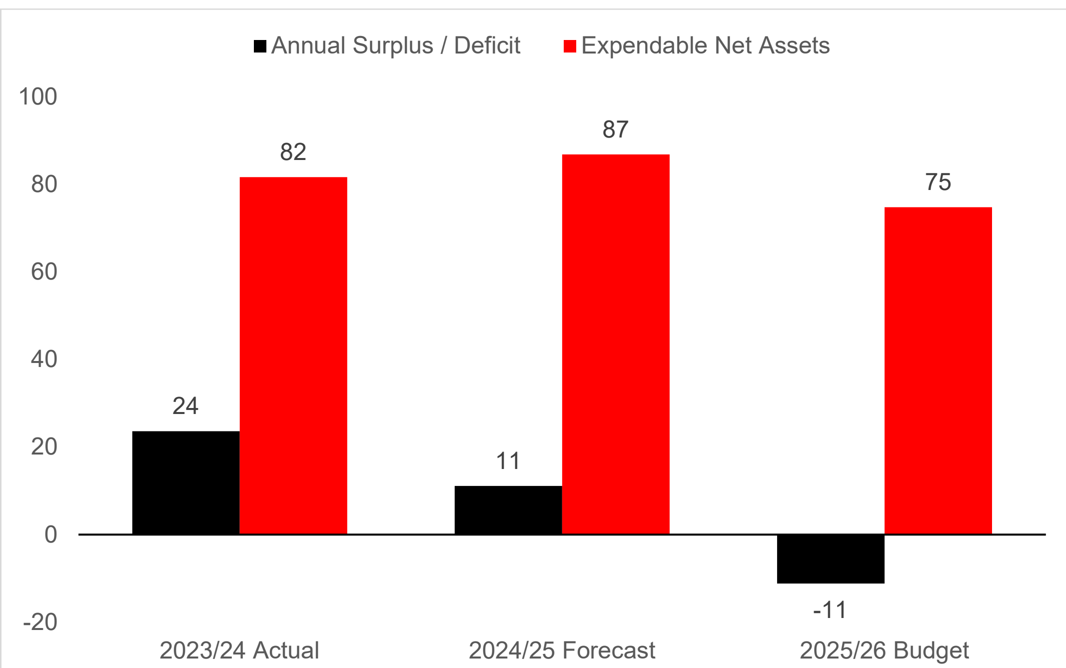
SURPLUS / DEFICIT

Appendix A summarizes the budgeted deficit of $11.2 million for 2025/26. This appendix also includes a forecast for expendable net assets, alternatively referred to as an accumulated surplus, also known as reserves. The forecasted accumulated surplus for 2025/26 is $75 million.

The Ministry's Business Plan Operating Procedure allows colleges to balance the budget using accumulated surplus (reserves), so long as there remains a positive accumulated surplus balance. If a college gets into a position where an accumulated deficit is unavoidable, they must seek approval of the Minister and provide a plan to eliminate the deficit within the subsequent two fiscal years.

SLC's accumulated surplus (reserves) forecast for April 1, 2025, is $86.8 million (see Figure 9). This proposed budget, with an operating deficit of $11.2 million, will forecast an accumulated surplus on March 31, 2026, of $74.6 million. This means that this budget will not require Ministry approval, nor will it require a deficit recovery plan.

Figure 9 - Expendable Net Assets (Reserves)



RISKS

There are four main risks specific to the 2025/26 budget: international enrolment, academic program suspensions and macroeconomic trends.

1. **International enrolment** – The budget is based on the assumption that SLC will continue to be able to recruit students within the constraint of the government's permit allocation limit. There is broader risk that the demand for a Canadian post-secondary education is declining due to the government's policy decisions. SLC intends to mitigate this risk through continued investments in recruitment activity and supports for international students.

2. **Academic Program Suspensions** – The budget is also based on the suspension of approximately 55 academic program intakes. Enrolment plans have assumed that a significant majority of enrolments in suspended programs will instead be re-directed to other SLC programs. While SLC is seeing strong demand from domestic students, there is a risk that fewer programs being available may impact enrolment. SLC is mitigating this risk through targeted recruitment strategies.

3. **Macroeconomic trends** – There is currently a high volatility in the markets due to global tariffs. These tariffs and market uncertainty may have a significant impact on the price of goods and services that SLC procures. Moreover, government policies that limit procurement from US based companies may also affect SLC expenses. SLC is mitigating this risk through increased focus on utilizing collaborative procurements where possible and building in a contingency into the budget.

4. **Contingency** – The assumptions used in this budget are neither optimistic nor conservative. Historically SLC budgets have been developed based on conservative assumptions that resulted in favourable variances. This type of contingency is not built into this budget. The main areas of uncertainty in this budget are international revenues due to enrolment uncertainty and academic salaries which are closely correlated with enrolment.

APPENDIX A - 2025/26 OPERATING BUDGET

in $ millions	2023-2024 Actuals	2024-2025 Forecast	2025-2026 Budget
REVENUES			
Grants and Reimbursement	47.2	51.8	50.1
Tuition Domestic	22.6	24.2	25.5
Tuition International	73.8	68.2	36.9
Tuition Private Partner	26.0	18.9	2.9
Ancillary Operations	8.8	9.0	9.5
Contract Education Services & Other Revenues	5.6	5.9	3.3
Amortization of deferred contributions for capital assets	5.3	5.5	6.0
Donations	0.5	0.6	0.6
Interest	8.3	6.9	5.0
Total Revenue	**198.0**	**190.5**	**139.7**
EXPENSES			
Salaries and Benefits	115.2	117.5	92.7
Supplies and Services	49.4	50.2	41.3
Amortization of capital assets	9.8	11.7	12.0
Strategic Initiatives			5.0
Total Expenses	**174.4**	**179.4**	**150.9**
Surplus / (Deficit)	**23.6**	**11.1**	**(11.2)**
EXPENDABLE NET ASSETS (RESERVES)			
Opening Balance	63.2	81.6	86.8
Surplus / (Deficit) from above	23.6	11.1	(11.2)
Adjust for Net Investment in Capital	(5.3)	(5.9)	(1.0)
Closing Balance	**81.6**	**86.8**	**74.6**

APPENDIX B - GOVERNMENT GRANTS

In $ thousands	2023-2024 Actuals	2024-2025 Forecast	2025/26 Budget
General Enrolment Envelope:			
Core Operating Grant for Colleges	10,404	8,606	9,696
International Student Recovery	(7,671)	(5,715)	(1,757)
Differentiation Envelope:			
Performance Based Funding for Colleges	20,383	22,202	21,302
Special Purpose - General			
Grant in lieu of Municipal Taxation	323	322	344
Campus Safety	111	114	100
Financial Health and Sustainability Fund Base	-	924	1,559
Financial Health Sustainability Fund Top-Up	-	2,157	1,064
Efficiency Review (SLC and Collaborative)	-	500	300
MCU Other Grants	365	-	9
Credit Transfer Institutional Grants	70	70	70
Small, Northern and Rural Grant	3,074	3,297	3,074
Core Operating - Supplement	-	39	39
Specific Purpose Premise Rental	7	37	-
Special Purpose - Indigenous Support			
Indigenous Student Success Fund	135	135	135
Indigenous Bursaries	29	30	30
Special Purpose - Disabilities			
Mental Health Workers Grant for Colleges	100	100	100
Mental Health Services Grants	110	110	163
Accessibility Fund for Students with Disabilities	621	625	625
Interpreter's Fund for Colleges	91	200	200
Students with Disabilities - Tuition Fee Compensation	-	102	102
Special Purpose - First Generation Support			
Ontario Postsecondary Access and Inclusion Prg	309	-	309
Special Purpose - Medical / Nursing			
Paramedicine Expansion	-	25	-
Nursing Expansion for Colleges	132	-	-
Allied Health Expansion	-	28	-
Clinical Education for Colleges	912	394	1,000
Post Collaborative Nursing Partnership for Colleges	5,692	4,566	4,852
SUBTOTAL: OPERATING GRANTS	**35,195**	**38,869**	**43,005**

In $ thousands	2023-2024 Actuals	2024-2025 Forecast	2025/26 Budget
Capital Grants (Operating expense Portion only)			
College Equipment and Renewal Fund	28	-	-
Facilities Renewal Program	197	-	-
Student Support			
First Generation Bursaries for Colleges	29	30	30
Federal CSG disable - Colleges	377	342	319
Ministry of Labour, Training and Skills Dev.			
Literacy and Basic Skills	1,285	1,308	1,308
Better Jobs Ontario	65	210	140
Employment Services	478	523	-
School College Work Initiative	1,895	2,395	2,395
Apprenticeship Grants	3,081	3,285	2,500
Other Grants (including Applied Research)	4,552	4,880	70
GRAND TOTAL	**47,181**	**51,841**	**50,076**

APPENDIX C - SALARY AND BENEFITS

in $ millions	2023-2024 Actuals	2024-2025 Forecast	2025-2026 Budget
Academic			
Full-Time	27.8	28.0	27.6
Partial Load	14.6	13.9	11.1
Part-Time	6.9	6.6	4.1
Sessional	0.2	0.1	0.0
Benefits	10.0	9.9	8.6
Total Academic	**59.5**	**58.5**	**51.4**
Support Staff			
Full-Time	18.1	19.6	14.6
Part-Time	6.2	7.2	4.6
Benefits	4.9	5.0	4.8
Total Support	**29.2**	**31.8**	**24.0**
Administrative Staff			
Full-Time	18.1	18.7	13.5
Part-Time	1.5	1.1	0.4
Benefits	6.2	7.3	3.4
Total Administrative	**25.8**	**27.1**	**17.2**
TOTAL SALARIES AND BENEFITS	**114.6**	**117.5**	**92.7**