UNIVERSITY OF GUELPH
OPERATING BUDGET

INITIAL ASSUMPTIONS FOR 2016 2017

Jan 18, 2016
Major Budget Principles

• Process that is;
  • Deliberate and Transparent
  • Accountable and Fair

• Supports of our academic mission of excellence in;
  • Quality of education
  • Research and Knowledge transfer
  • Student Success and accessibility

• Committed to a Model that;
  • Shares Risk and Responsibility
  • Benchmarks activities against standards and goals
Major Fiscal Building Blocks

“Unrestricted” (~ $500 M)
- General Operating $420 M
- Ancillary Services $78 M

Restricted (~ $250 M)
- OMAFRA Contract $90 M
- Research (Grants & Contracts) $80 M
- Special Purpose (Awards & Other) $55 M
- Capital ~ $25 M

Invested ($342 M)
- General Endow. $215 M
- Heritage Endow $127 M

Long Term Investments

Programs & Infrastructure

Projects & Awards
## Major Risks & Opportunities

<table>
<thead>
<tr>
<th>Area</th>
<th>Risks &amp; Uncertainties</th>
<th>Plans &amp; Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial Funding</td>
<td>• Provincial deficit&lt;br&gt;• New Tuition/Funding</td>
<td>• Fiscal Flexibility (reserves)&lt;br&gt;• Investment Capacity</td>
</tr>
<tr>
<td>Enrolment</td>
<td>• Demographics&lt;br&gt;• Competition (e.g. graduate)</td>
<td>• Application/Demand Strength&lt;br&gt;• Guelph Humber &amp; non-traditional recruitment</td>
</tr>
<tr>
<td>Pension</td>
<td>• Solvency relief ends 2017&lt;br&gt;• Going concern deficits&lt;br&gt;• 100% university risk</td>
<td>• Ontario JSPP options&lt;br&gt;• Political necessity&lt;br&gt;• Sector solvency risks</td>
</tr>
<tr>
<td>Salaries</td>
<td>• Major contracts in 2017&lt;br&gt;• Sector pressures</td>
<td>• Multi-year planning&lt;br&gt;• Provincial “mandate” pressures</td>
</tr>
<tr>
<td>Capital</td>
<td>• $330 million in DM&lt;br&gt;• limited provincial funding</td>
<td>• Risk assessment and prioritization&lt;br&gt;• Multi-year planning&lt;br&gt;• Heritage funding</td>
</tr>
<tr>
<td>Information Technology</td>
<td>• Functional Improvements&lt;br&gt;• Security, Inflation</td>
<td></td>
</tr>
</tbody>
</table>
Fiscal Context- for next year

• Provincial Funding
  • *Province of Ontario* recently “downgraded”
  • *Deficit scheduled to be eliminated by 2017*
  • *Impact in Provincial 16/17 Budget ?*

• Demographics and Demand
  • *Traditional undergraduate “101” Ontario high school numbers in decline*
  • *Yet U of G “market” position remains strong*

• University MYP2 Targets
  • *16/17 is the final year*
  • *Find revenue or reduce expense - University or Unit level*

• Financial Markets
  • *Multi-year double digit gains (past)*
  • *Impact pension costs and endowment revenues*
2016 2017 Budget Goals

• Recruit and Retain
  • Best faculty and students

• Be employer of choice
  • to recruit and retain top staff

• Invest in infrastructure
  • To enhance learning, research and student success

• Ensure Fiscal Sustainability
  • Flexibility to weather uncertainties
  • Diversify revenues
  • Effective management of resources

• Increase Impact
  • On local/regional/global societies and economies
Major Fiscal Reporting and Planning Activities

May - August
• Complete Year End 14/15
• Financial Health Indicators - Year End External Audit - MTCU Reporting

Sept - Nov
• Complete Capital Plan for 16/17 - For Board Approval
• Update Budget Assumptions for 15/16 - Compare plan versus forecast

Nov - Dec
• Forecast enrolments/grants for 15/16 - Nov 1 Reporting to MTCU
• Initial Budget Assumptions for 16/17 - Major assumptions set

Jan - Feb
• Budget Communications Begin - To University Community
• Forecast Completed for 15/16 - Details at Unit Level
• Budget Assumptions Finalized for 16/17 - Set overall key targets

Mar - Apr.
• Operating Budget Prepared for 16/17 - Complete detailed document
• Board Budget approval - Complete governance process
Operating Budget - Revenue Profile

2015/2016 Opening Base Budget (the starting point)

REVENUES + RECOVERIES $460.1 M

- Tuition and Fees, $186.0
- Research Support, $29.2
- Guelph Humber, $17.5
- Other Revenues, $54.3
- Grants, $173.1

Grants: 38% Funding received from MTCU for operating purposes. $11.9M program restricted, $161.2M University-level revenue.

Tuition and Fees 40% Revenues from students for degree credit $165.3M and non-credit tuition $10.0M plus compulsory fees $10.7M.

Research Support 6%: Funding transferred from research grants and contracts for supporting activities - $20.3 M plus 8.9M from OMAFRA for faculty positions.

Guelph-Humber 4% Funding transferred Guelph-Humber for revenue and cost sharing.

Other Revenues 12% Funding received by and credited to departmental programs. e.g., OVC, $12.9M, student services $9.9M plus cost recoveries from Ancillary units and OMAFRA $5.1M.
Operating Budget Expense Profile
2015/2016 Base Budget (the starting point)

EXPENSES $460.1 M

Salaries & Benefits, $270.9
Student Aid, $19.1
Infrastructure, $46.4
Activity-Based, $32.7
Pension, $34.3
Operating, $56.7

Salaries & Benefits 59% Includes, Staff $97.7M, Faculty and Librarians $113.0M, temporary $21.0M and Benefits $39.1M (excluding pension).

Pension 8% Includes payments for University's current service contributions and going concern deficit payments.

Activity-Based Funds 7% Funding allocated to colleges/division each year using certain activity-based metrics e.g., grad. enrolment, undergrad growth, research funding.

Infrastructure 10%: Includes central utilities, debt servicing IT and Library information resources.

Operating 12% Includes mainly unit operating supplies and services for teaching, research support and central services.

Student Aid 4% Including UPIF $10.0M, Research Support Funds $3.5M, Grad RAG $9.7M, Undergrad RAG $9.5M.
This Year’s Situation ….15/16

• Key Budget Assumptions for 15/16
  • Decline in enrolment of 350 FTE’s over 14/15
  • Second year of MYP2 savings targets
  • Overall balanced budget

• Experience to date…
  • Guelph’s strong market demand offset application decline
  • Indicates 260 increase over 14/15 or ~ 600 FTE’s more than budgeted.
  • Increase in grants and fees
  • Most units have met their Year 2 targets
  • Surplus for the year end
Forecasting this year…. enrolment

Total University Enrolment
Degree Credit Programs

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Undergrad</th>
<th>Grad</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>20,652</td>
<td>18,296</td>
<td>2,356</td>
<td>4.5%</td>
</tr>
<tr>
<td>2012</td>
<td>21,542</td>
<td>19,084</td>
<td>2,458</td>
<td>4.3%</td>
</tr>
<tr>
<td>2013</td>
<td>21,644</td>
<td>19,156</td>
<td>2,488</td>
<td>0.5%</td>
</tr>
<tr>
<td>2014</td>
<td>21,548</td>
<td>19,145</td>
<td>2,403</td>
<td>0.0%</td>
</tr>
<tr>
<td>2015/16 Actual</td>
<td>21,545</td>
<td>19,145</td>
<td>2,357</td>
<td>-0.5%</td>
</tr>
<tr>
<td>2015/16 Budget</td>
<td>21,181</td>
<td>18,825</td>
<td>2,356</td>
<td>-1.7%</td>
</tr>
<tr>
<td>2015/16 Forecast</td>
<td>21,804</td>
<td>19,452</td>
<td>2,352</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
2015/2016 Projected “Experience” Gains….

- 600 more students
  - More tuition
  - More “accessibility” grants
- % “professional” programs
  - Greater BIU value
  - Greater tuition value
- Grad. enrolment flat but….
  - Greater % eligible
  - Means increased grants

Positive Variances $13.4 M

- Tuition $7.6
- Undergrad Grants $4.1
- Grad Grants $1.7

<table>
<thead>
<tr>
<th>$-</th>
<th>$2.0</th>
<th>$4.0</th>
<th>$6.0</th>
<th>$8.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.7</td>
<td>$2.0</td>
<td>$4.0</td>
<td>$6.0</td>
<td>$8.0</td>
</tr>
</tbody>
</table>
Key Assumption Categories...

- **Enrolment Model**
  - MTCU Credit Prog.
  - Grad and Undergrad

- **Tuition Assumptions**
  - MTCU Credit Prog.
  - Grad and Undergrad

- **Operating Grants**
  - Enrolmt based
  - Other

- **Central Recoveries**
  - Research, ancillary, Guelph-Humber

- **Central Revenues**
  - Other, investment income etc.

- **Salary and Benefits**
  - Negotiated Increases
  - Benefit cost changes

- **Pension**
  - Contribution requirements

- **Capital Debt**
  - New debt service costs

- **Student Aid**
  - Tuition Reinvestment
  - Additional Programs

- **Central Infrastructure**
  - Library, IT, space

- **Other Central Support**
  - Legislative, health, safety, etc.
Key Assumptions - Revenues 16/17

• Provincial Grant Funding
  • Will be stable e.g., no reductions

• Undergraduate Enrolment
  • 15/16 enrolment will be the new base target
    • i.e., hold 16/17 enrolment at 15/16 levels
    • Higher risk due to demographics and competition

• Graduate Enrolment;
  • Hold at current levels
  • Any gains target for reinvestment into academic programs

• Tuition Fees
  • Regulated (Provincial Funded) programs:
    • Implement maximum (3%) permitted under MTCU framework
  • International (No provincial funding support)
    • Maintain cohort fee
Tuition framework(s) - Proposed

- **Tuition framework for domestic students; subject to 3% “cap”**

<table>
<thead>
<tr>
<th>Provincially Funded</th>
<th>#</th>
<th>Entering</th>
<th>Continuing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate - Regular</td>
<td></td>
<td>2.90%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Undergraduate - Professional</td>
<td></td>
<td>3.35%</td>
<td>3.35%</td>
</tr>
<tr>
<td>Graduate – all programs</td>
<td>1.</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

- **No provincial framework for international students**

<table>
<thead>
<tr>
<th>International (no provincial funding)</th>
<th>#</th>
<th>Entering</th>
<th>Continuing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate - Regular</td>
<td></td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Undergraduate - Professional</td>
<td></td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Graduate – masters</td>
<td></td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Graduate – doctoral</td>
<td></td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

1. *maximum is the same as undergraduate professional programs i.e., 5%.*
Key Expense Assumptions 16/17

Core On going expenses.....

• Compensation increases $9.0 M
  • Most under existing contracts (~3%)

• Central infrastructure $8.3 M
  • New & repurposed buildings $3.1 M
    • Mitchell and Mac Hall
  • Deferred Maintenance $1.0 M
    • Main campus
  • Information Technology $3.4 M
    • $1.4 base + $2.0 M 1 time
    • Inflation, security and new capacity
  • Library Information Resources $0.8 M
    • $0.3 M base + $0.5 M 1-time
Investments....

• Institutional Support and Accountability $1.1 M
  • Quality assurance, research, health & safety, student recruitment

• Student Aid Increases (21%) $4.0 M
  • For scholarship $2.3 M
  • Needs-Based $1.7 M

• Activity-Based Funding $6.0 M
  • Graduate Enrolment $3.5 M
    • Transfer increase to colleges
  • Undergraduate Growth $1.5 M
    • Transfer increase to Colleges
  • Research Infra. Operating Fund $1.0 M
    • From Indirect research recoveries
Finally ….relief from MYP2 - Year 3

- $7.825 M Year 3 MYP target will be removed
  - Reversed at same value they were assigned

- Assumes
  - we maintain enrolment revenue gains
  - No negative surprises on provincial funding

- Unmet targets for MYP (years 1 and 2) remain
  - Almost all units have achieved these targets
Activity-Based Funding $35.2 M

and funds for incremental initiatives….

**Incremental Projects Funding**  Base Funds – currently unallocated and available for incremental project/initiatives based funding.

**Undergraduate Growth**  Formula-based funding allocated to certain colleges for targeted undergraduate growth e.g. School of Engineering and accounting. Major portion is to support new faculty appointments.

**Graduate Enrolment**  Formula-based funding allocated to colleges for MTCU-eligible graduate enrolment. Used mainly in support of payments to graduate students and support for faculty.

**Research Support**  Funds allocated under current policy to colleges based on research funding. Includes $1.0 M Research Infrastructure Operating Fund.
Annual Capital Plan for 16/17

Minimal Debt and Diversified Funding Sources . . .

- Capital Investment (total of $67.9 M)
  - No New Buildings - Priority is “repurposing” and capital renewal

Spending $67.9 M

- Student Space, $24.7, 36%
- Academic Programs, $25.0, 37%
- Capital Renewal, $18.2, 27%

$67.9 M in Funding Sources

- Debt, $13.9, 20%
- Grants, $16.6, 24%
- Reserves, $19.4, 29%
- Heritage, $10.0, 15%
- Fund Raising, $8.0, 12%
Plan for Base Incremental Changes
Maintaining a Balanced Base Budget:

Incremental Structural Changes in 2016/2017 Operating Budget
($ Millions)

Net exp. incr. or rev def.
Net new revs or savings

Sum of all changes = 0
2017/2018 – a Year of “Events”

- Pension Solvency “relief” legislation ends
  - Unknown solutions….. at this time
- Provincial Funding
  - End of current “3%” tuition framework and SMA
  - Provincial Agenda to eliminate their Deficit
  - University Formula Review due for Implementation
    - Ministry’s objectives for the review are:
      1. Enhance quality and improve student experience
      2. Support the existing differentiation process
      3. Financial sustainability
      4. Increased transparency and accountability.
- Major Negotiation Year
  - Groups with major salary costs
- Last Year of the current OMAFRA contract
  - $90 M in total revenues
Summary

*consolidate gains and reinvest….*

- **Revenues**
  - *No changes in provincial formula or system grant levels*
  - *Establish a new (higher) enrolment target at this year’s actuals*

- **Expenses**
  - *Remove need for MYP2*
  - *Compensation and cost increases from revenue gains*
  - *Continue to invest in University support services*

- **Investments**
  - *Student Success*
    - Capital, aid and recruitment
  - *Academic Programs*
    - Capital and activity-based funding

- **Fiscal Sustainability**
  - *Reserves to absorb downside (in the short term)*
  - *Maintain overall “financial health”*
Next Steps

• Prepared detailed 15/16 Forecast
  • Gains from current year revenues will provide one-time funding
  • College/divisions need to prepared their forecasts
    • Under new “carry-forward policy”

• Complete assumptions for 16/17…
  • Monitor provincial funding (their budget)
  • Prepare for completion of detailed budget document

• Budget Communications and Input
  • College/Town Halls; Jan-March
  • Senate April 6
  • Finance Committee April 7
  • Board of Governors April 20