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  
source 14/15 year end audit)

```
“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>
</table>
| Provincial Funding | • Provincial deficit  
• New Tuition/Funding                                                                       | • Fiscal Flexibility (reserves)  
• Investment Capacity                                                               |
| Enrolment          | • Demographics  
• Competition (e.g. graduate)                                                          | • Application/Demand Strength  
• Guelph Humber & non-traditional recruitment |
| Pension            | • Solvency relief ends 2017  
• Going concern deficits  
• 100% university risk                                                              | • Ontario JSPP options  
• Political necessity  
  • Sector solvency risks                                                            |
| Salaries           | • Major contracts in 2017  
• Sector pressures                                                                       | • Multi-year planning  
• Provincial “mandate” pressures                                                      |
| Capital            | • $330 million in DM  
• limited provincial funding                                                                  | • Risk assessment and prioritization  
• Multi-year planning  
• Heritage funding                                                                  |
| Information Technology | • Functional Improvements  
• Security, Inflation                                                                    |                                                                                      |
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
- Update Budget Assumptions for 15/16
- For Board Approval
- Compare plan versus forecast

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

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

Mar - Apr.
- Operating Budget Prepared for 16/17
- Board Budget approval
- Complete detailed document
- Complete governance process
Operating Budget - Revenue Profile
2015/2016 Opening Base Budget (the starting point)

REVENUES + RECOVERIES $460.1 M

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

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
Activity-Based, $32.7
Infrastructure, $46.4
Pension, $34.3
Operating, $56.7
Student Aid, $19.1

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% 
Includes tuition 
reinvestment plus merit based awards from the Operating budget. Excludes endowment 
and donations for student aid ($12 M).
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>Reported FTE's</th>
<th>undergrad</th>
<th>grad</th>
<th>total</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>20,652</td>
<td>18,296</td>
<td>2,356</td>
<td></td>
<td>4.5%</td>
</tr>
<tr>
<td>2012</td>
<td>21,542</td>
<td>19,084</td>
<td>2,458</td>
<td></td>
<td>4.3%</td>
</tr>
<tr>
<td>2013</td>
<td>21,644</td>
<td>19,156</td>
<td>2,488</td>
<td></td>
<td>0.5%</td>
</tr>
<tr>
<td>2014</td>
<td>21,548</td>
<td>19,145</td>
<td>2,403</td>
<td></td>
<td>0.0%</td>
</tr>
<tr>
<td>14/15 Actual</td>
<td>21,545</td>
<td>19,188</td>
<td>2,357</td>
<td></td>
<td>-0.5%</td>
</tr>
<tr>
<td>15/16 Budget</td>
<td>21,181</td>
<td>18,825</td>
<td>2,356</td>
<td></td>
<td>-1.7%</td>
</tr>
<tr>
<td>15/16 Forecast</td>
<td>21,804</td>
<td>19,452</td>
<td>2,352</td>
<td></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

<table>
<thead>
<tr>
<th>Category</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$7.6</td>
</tr>
<tr>
<td>Undergrad Grants</td>
<td>$4.1</td>
</tr>
<tr>
<td>Grad Grants</td>
<td>$1.7</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%
- Heritage, $10.0, 15%
- Reserves, $19.4, 29%
- Fund Raising, $8.0, 12%
Plan for Base Incremental Changes
Maintaining a Balanced Base Budget:

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

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