

UNIVERSITY OF GUELPH OPERATING BUDGET

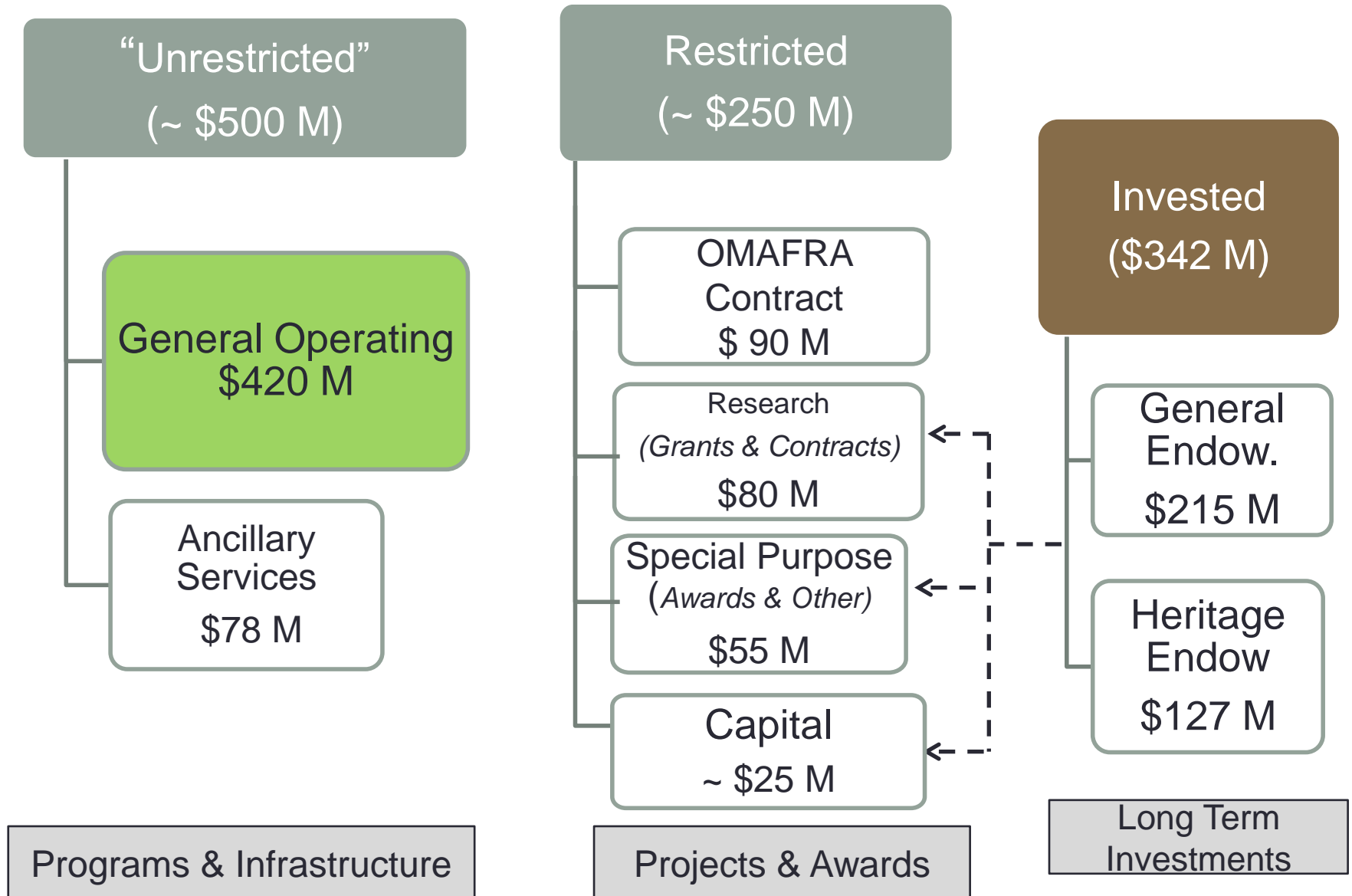
INITIAL ASSUMPTIONS FOR 2016 2017

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)



Major Risks & Opportunities

Area	Risks & Uncertainties	Plans & Opportunities
Provincial Funding	<ul style="list-style-type: none"> • Provincial deficit • New Tuition/Funding 	<ul style="list-style-type: none"> • Fiscal Flexibility (reserves) • Investment Capacity
Enrolment	<ul style="list-style-type: none"> • Demographics • Competition (e.g. graduate) 	<ul style="list-style-type: none"> • Application/Demand Strength • Guelph Humber & non-traditional recruitment
Pension	<ul style="list-style-type: none"> • Solvency relief ends 2017 • Going concern deficits • 100% university risk 	<ul style="list-style-type: none"> • Ontario JSPSP options • Political necessity <ul style="list-style-type: none"> • Sector solvency risks
Salaries	<ul style="list-style-type: none"> • Major contracts in 2017 • Sector pressures 	<ul style="list-style-type: none"> • Multi-year planning • Provincial “mandate” pressures
Capital	<ul style="list-style-type: none"> • \$330 million in DM • limited provincial funding 	<ul style="list-style-type: none"> • Risk assessment and prioritization • Multi-year planning • Heritage funding
Information Technology	<ul style="list-style-type: none"> • Functional Improvements • Security, Inflation 	

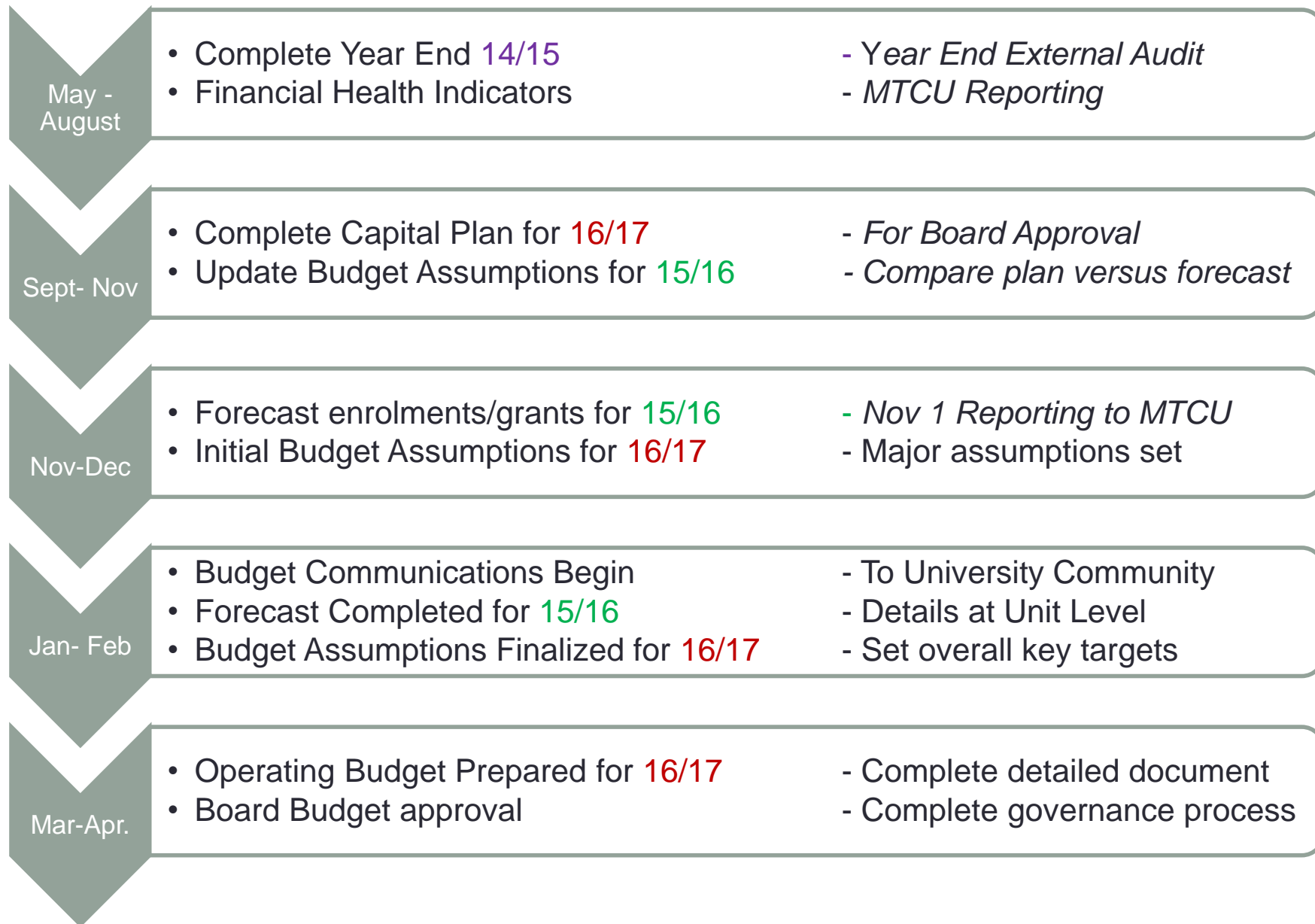
Fiscal Context- for next year

- 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

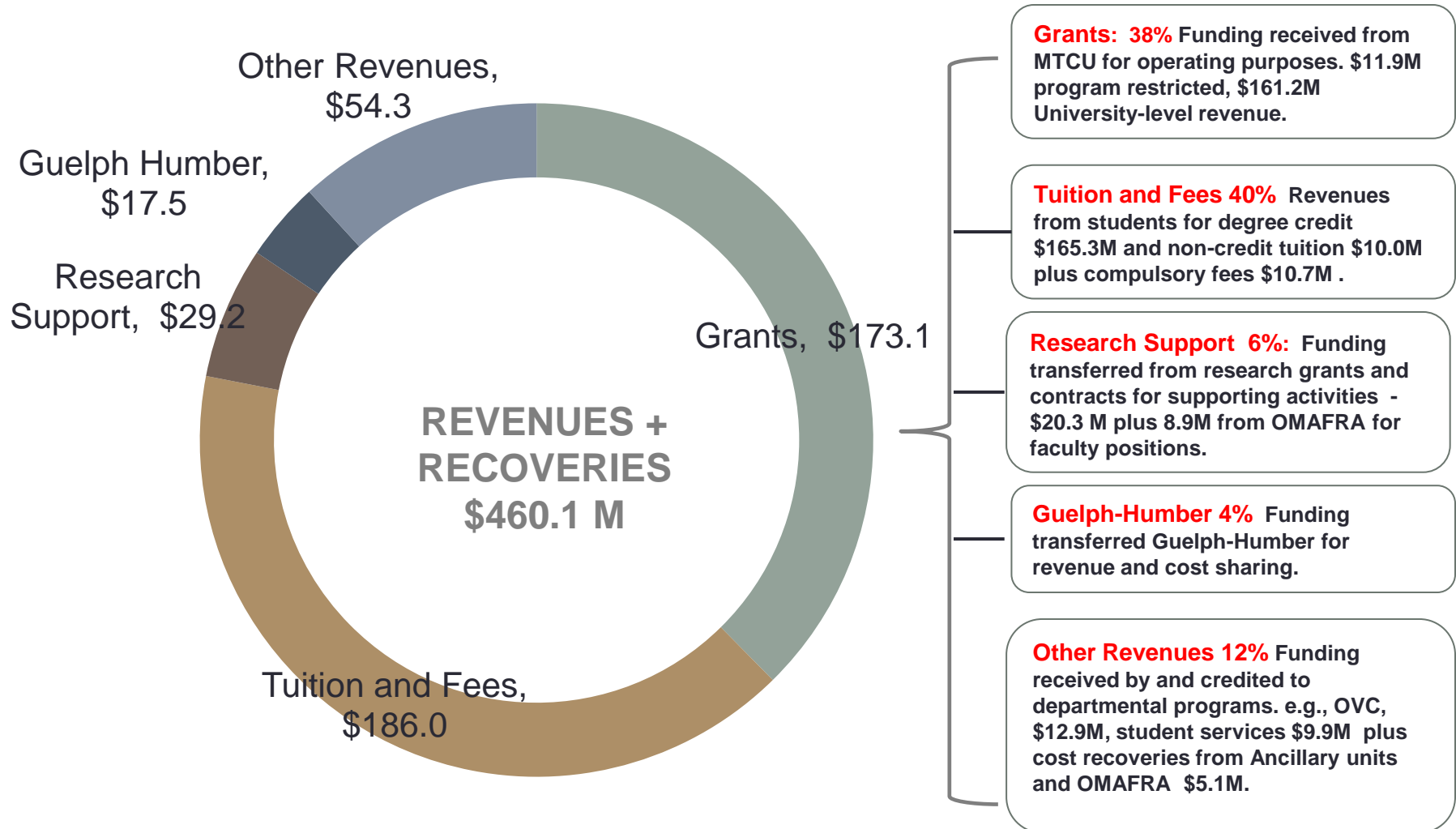
- Recruit and Retain
 - *Best faculty and students*
- Be employer of choice
 - *to recruit and retain top staff*
- Invest in infrastructure
 - *To enhance learning, research and student success*
- Ensure Fiscal Sustainability
 - *Flexibility to weather uncertainties*
 - *Diversify revenues*
 - *Effective management of resources*
- Increase Impact
 - *On local/regional/global societies and economies*

Major Fiscal Reporting and Planning Activities



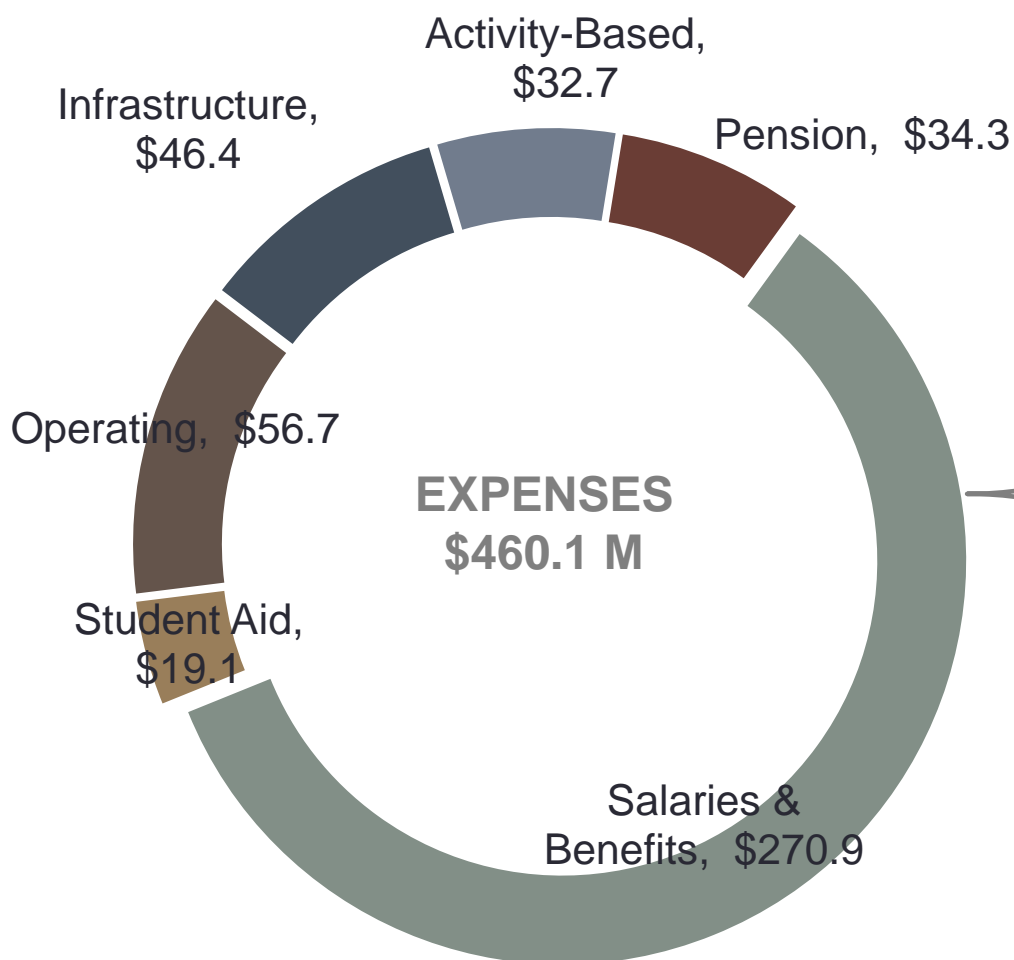
Operating Budget - Revenue Profile

2015/2016 Opening Base Budget (the starting point)



Operating Budget Expense Profile

2015/2016 Base Budget (the starting point)



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 Situation15/16

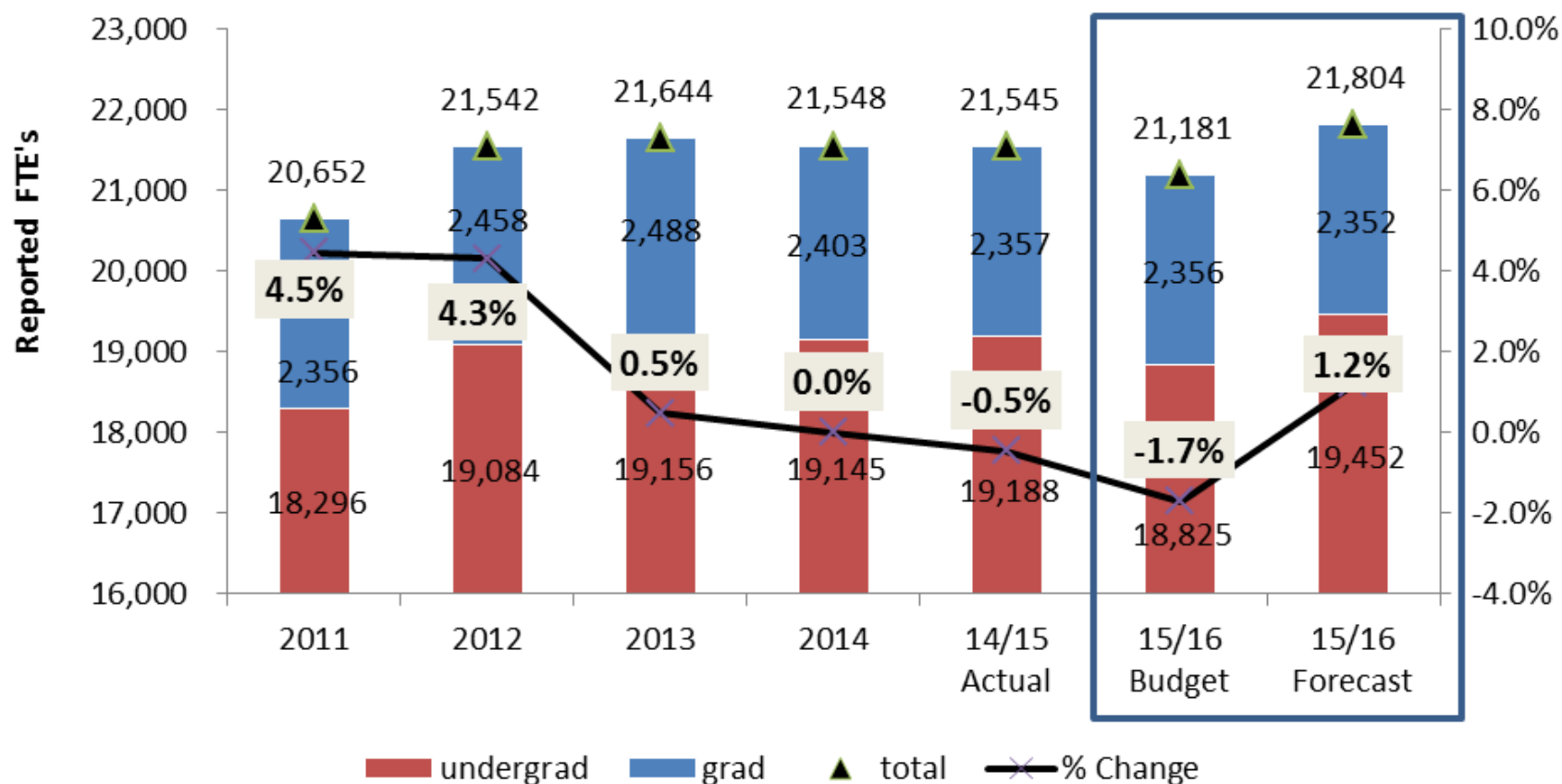
- Key Budget Assumptions for 15/16
 - *Decline in enrolment of 350 FTE's over 14/15*
 - *Second year of MYP2 savings targets*
 - *Overall balanced budget*



- 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

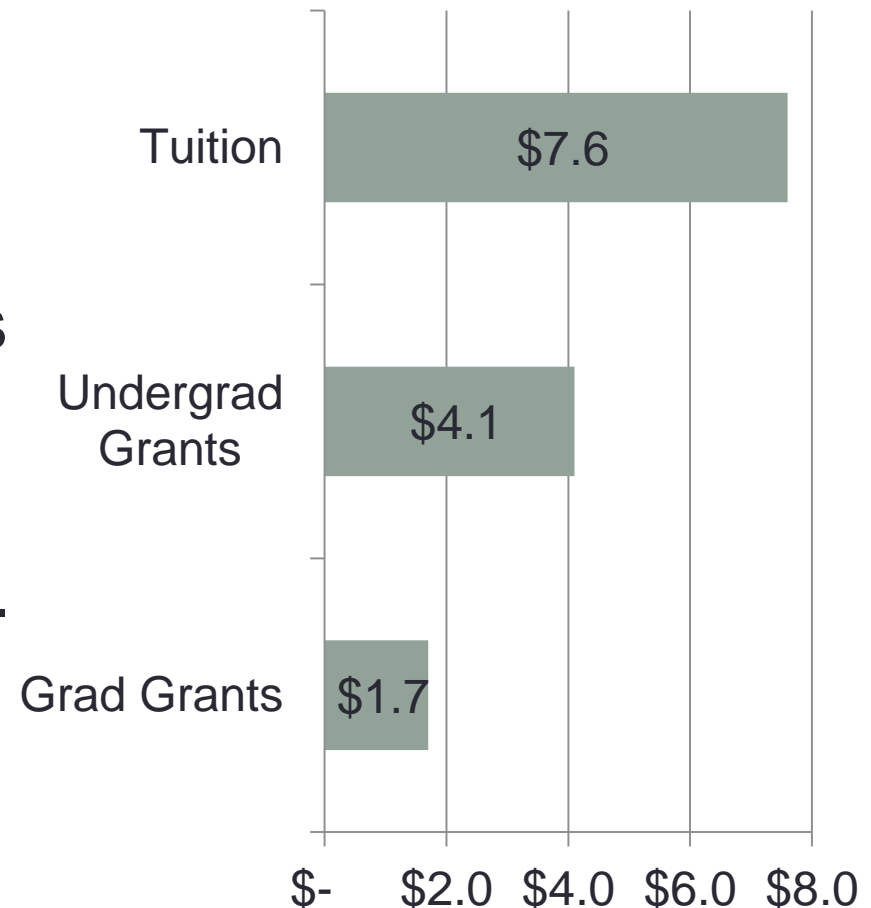
Total University Enrolment Degree Credit Programs



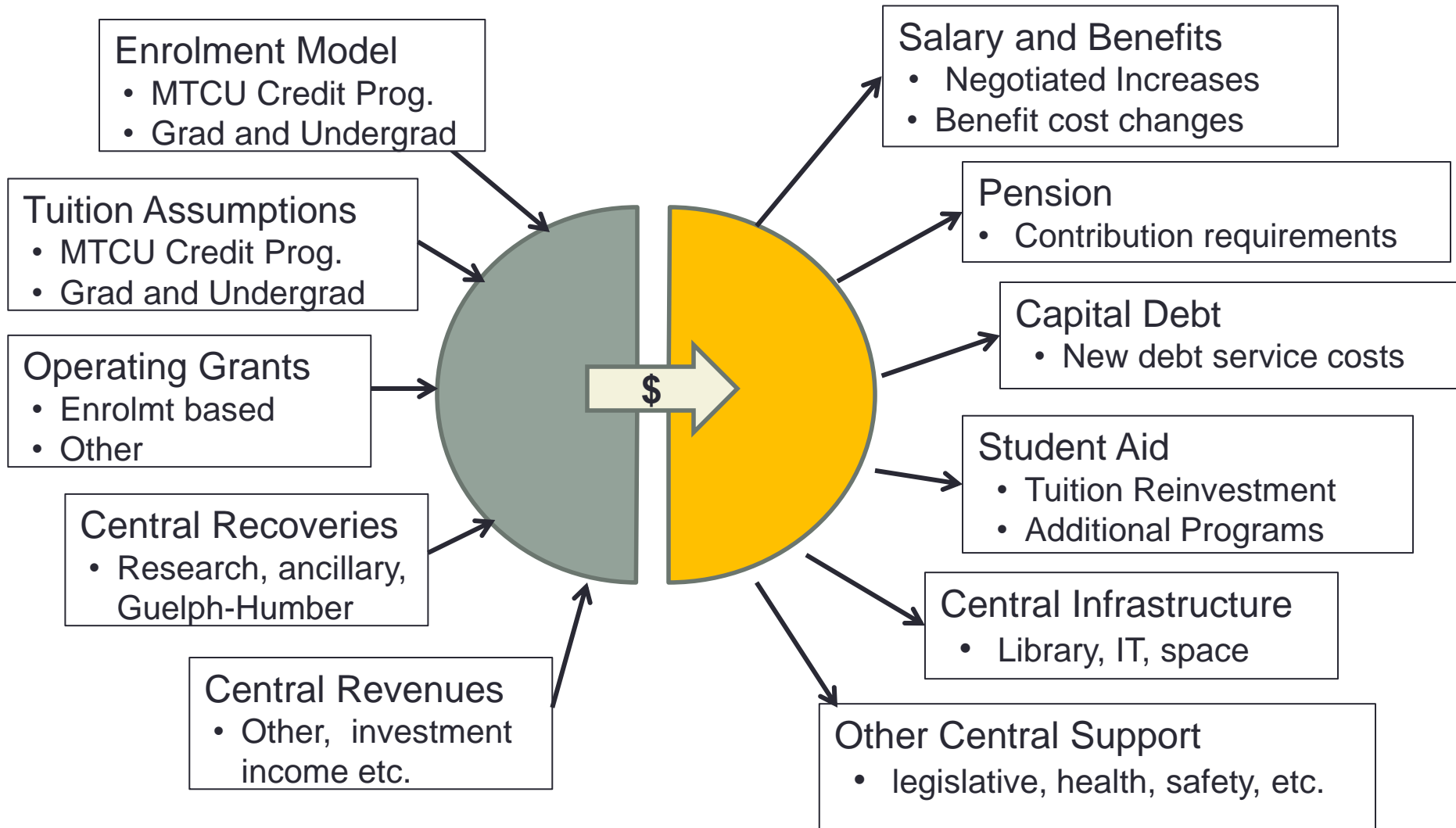
2015/2016 Projected “Experience” Gains....

- 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



Key Assumption Categories....



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”**

Provincially Funded	#	Entering	Continuing
Undergraduate - Regular		2.90%	2.90%
Undergraduate - Professional		3.35%	3.35%
Graduate – all programs	1.	3.0%	3.0%

- **No provincial framework for international students**

International (no provincial funding)	#	Entering	Continuing
Undergraduate - Regular		5%	0%
Undergraduate - Professional		5%	0%
Graduate – masters		5%	0%
Graduate – doctoral		5%	0%

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

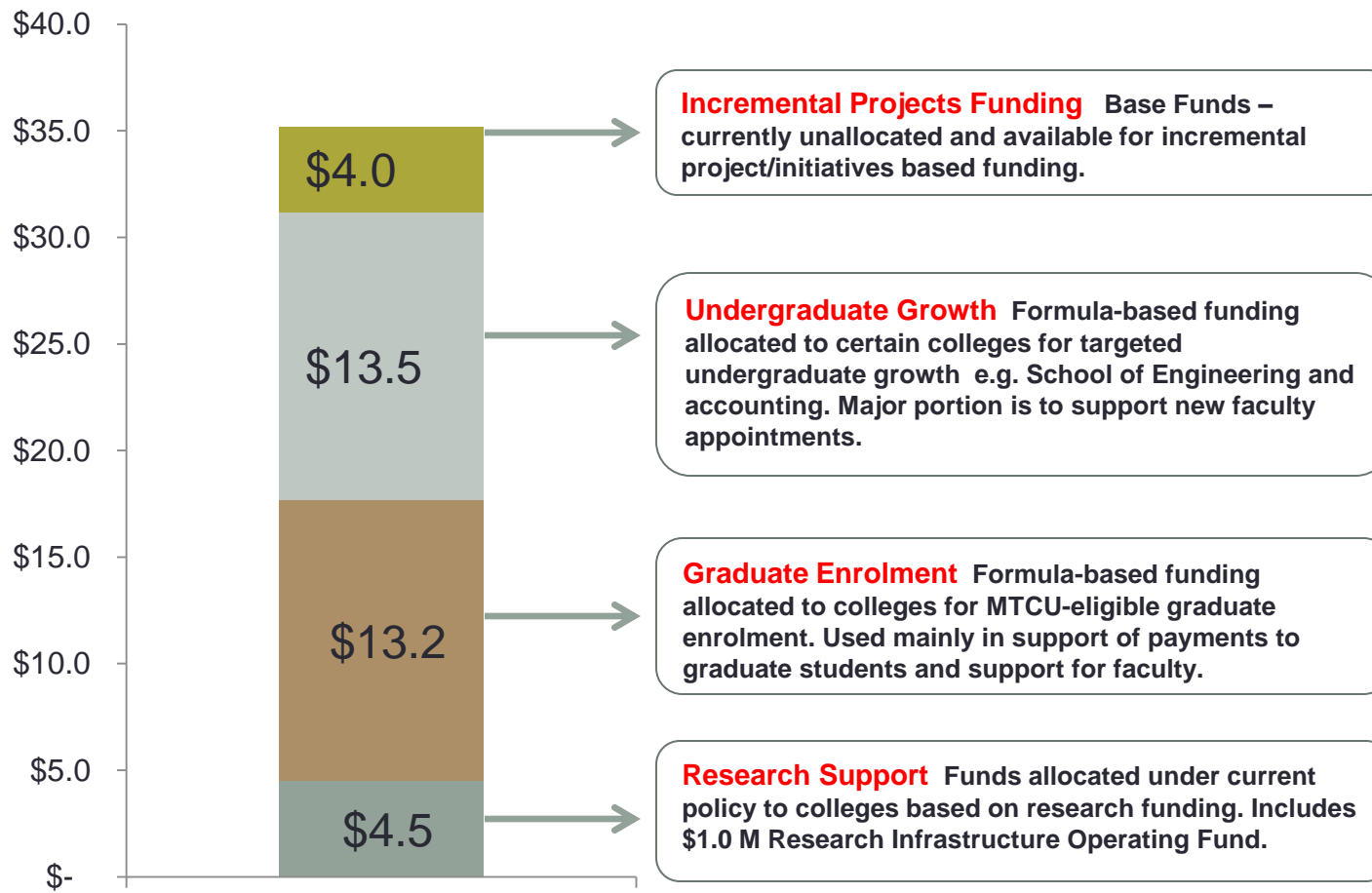
- Activity-Based Funding \$6.0 M
 - *Graduate Enrolment* \$3.5 M
 - Transfer increase to colleges
 - *Undergraduate Growth* \$1.5 M
 - Transfer increase to Colleges
 - *Research Infra. Operating Fund* \$1.0 M
 - From Indirect research recoveries
 -

Finallyrelief 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....

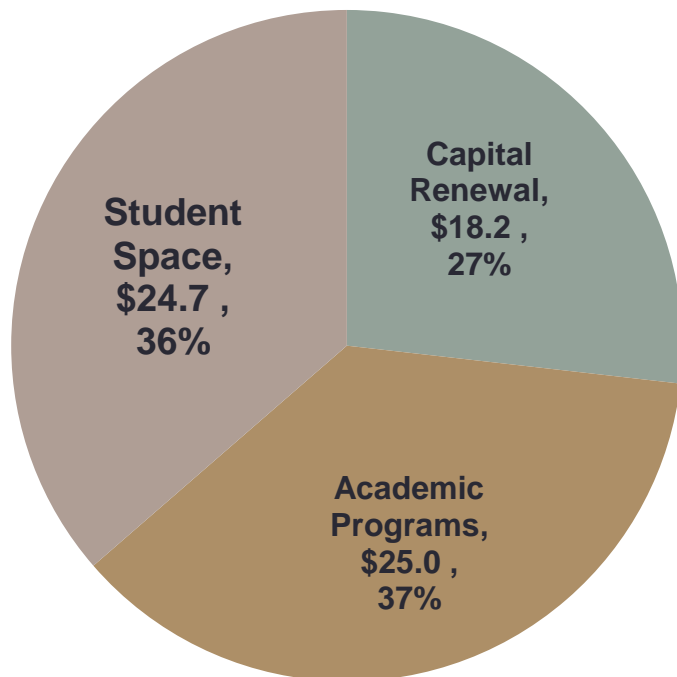


Annual Capital Plan for 16/17

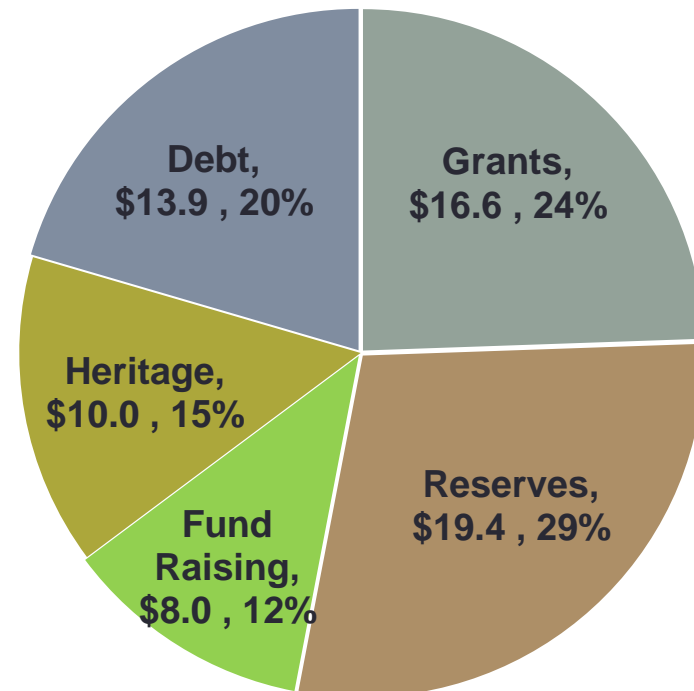
Minimal Debt and Diversified Funding Sources....

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

Spending \$67.9 M



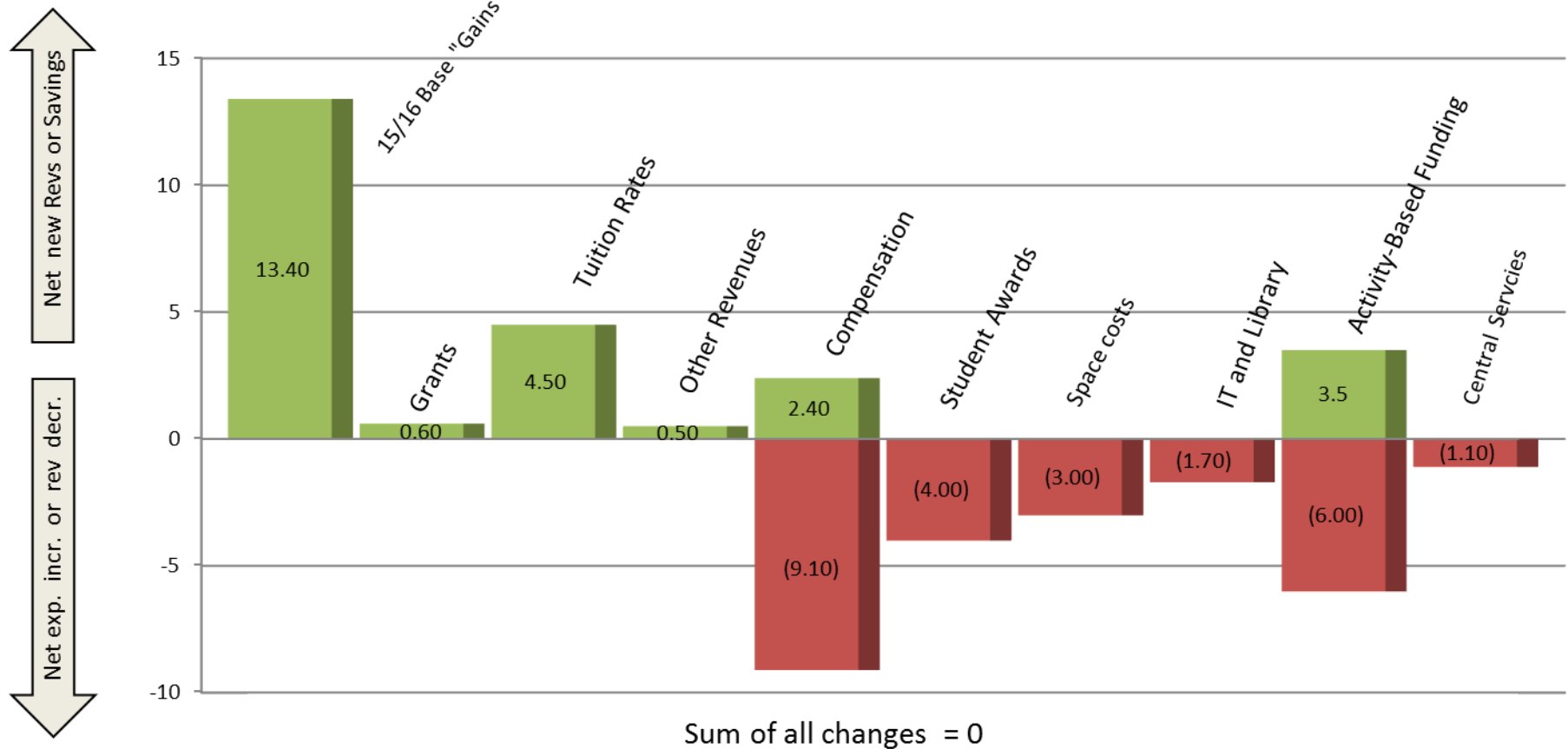
\$67.9 M in Funding Sources



Plan for Base Incremental Changes

Maintaining a Balanced Base Budget:

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



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*

