

# GENERAL OPERATING BUDGET 2018 2019 INITIAL PLANNING DISCUSSION

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University Town Hall

April 2, 2018

**UNIVERSITY**  
*of* **GUELPH**

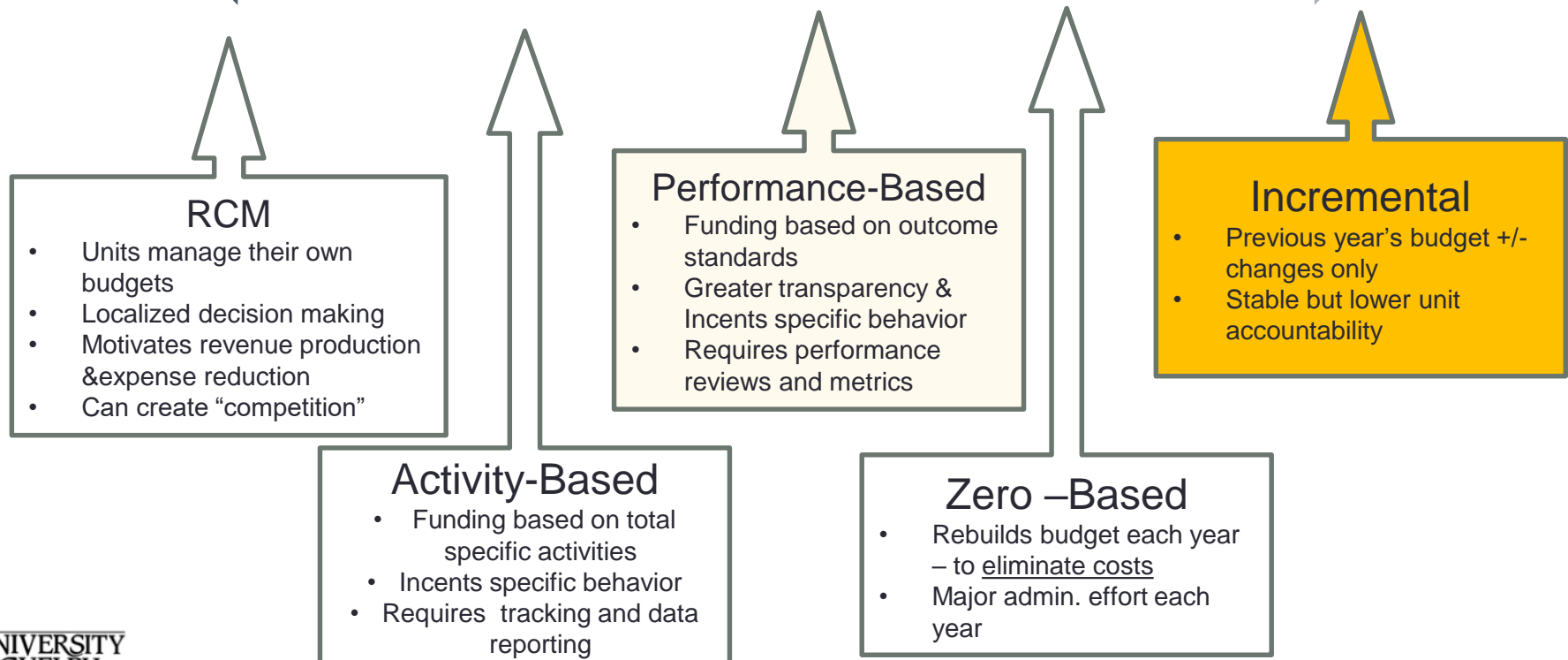
# Agenda Today

- **Budget Overview at Guelph**
  - “Type” of budgeting
  - Scope of the Operating Budgets
- **Planning Overview – Revenues**
  - Impact of new funding formula
- **Planning Overview – Expenses**
  - University “inflation”
  - Infrastructure and Investments
- **Baseline Planning**
  - Multi-year baseline
  - Scenario Analysis
  - Balance Budget Contribution
- **Next Steps**
  - Options and opportunities

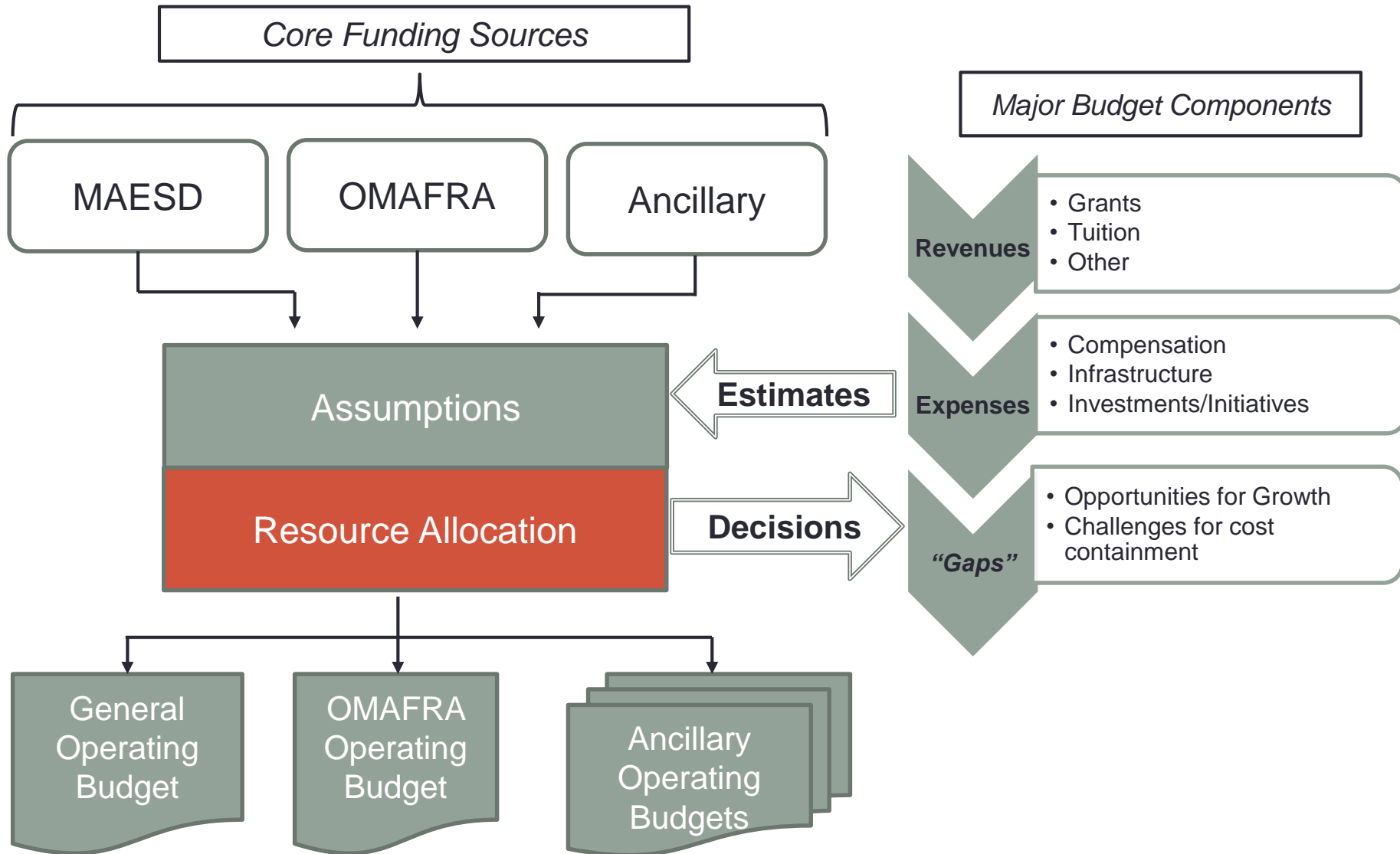
# Budget “processes” – in General

Decentralized & Formula-driven

Centralized & Precedent Driven



# Overview of the Our Operating Budget Framework<sup>4</sup>



**University of Guelph - 2017 2018 Operating Budget Base  
By Major Fund (Source)**

<b>INCOME</b>	General		OMAFRA	Ancillaries	TOTAL	
Provincial Grants	182.8	36%	71.3	-	254.1	37%
Tuition	202.0	40%	-	-	202.0	29%
Student Fees	16.0	3%	-	41.6	57.6	8%
Sales	32.6	6%	17.4	34.2	84.2	12%
Guelph- Humber (cost recovery & 50%)	19.0	4%	-	-	19.0	3%
OMAFRA Faculty & Indirect	24.3	5%	-	-	24.3	4%
Ancillary - cost recoveries	12.2	2%	-	-	12.2	2%
Research Indirect Recoveries	11.1	2%	-	-	11.1	2%
Other Revenues	8.3	2%	5.5	9.8	23.6	3%
<b>TOTAL INCOME</b>	<b>508.3</b>	<b>100%</b>	<b>94.3</b>	<b>85.6</b>	<b>688.2</b>	<b>100%</b>
<b>EXPENSES</b>						
Salaries	269.1	53%	32.8	18.6	320.5	47%
Benefits (Including Pension)	79.4	16%	8.9	4.0	92.2	13%
Student Assistance	24.2	5%	0.5	-	24.7	4%
Utilities	23.7	5%	3.0	1.1	27.8	4%
Operating	90.1	18%	24.7	36.1	150.9	22%
Major Capital and Debt Servicing	21.9	4%	-	9.3	31.2	5%
Expense Transfers	-		24.3	16.5	40.9	6%
<b>TOTAL EXPENSES</b>	<b>508.3</b>	<b>100%</b>	<b>94.3</b>	<b>85.6</b>	<b>688.2</b>	<b>100%</b>
<b>NET BASE</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	

# Budget Planning Overview

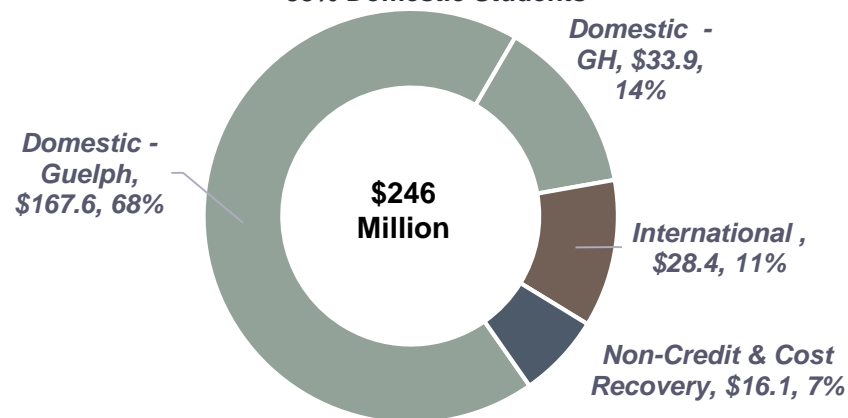
- **Revenue – growth is limited:**
  - “Corridor” limits growth funding (unless negotiated)
  - “Capacity” limited (without investments)
  - “Competition” more competition for all students
- **Expenses on what we currently do:**
  - Labour Agreements (negotiations)
    - *Now cover next 2-3 years – increased certainty in planning*
  - Increases required to fund basic central infrastructure:
    - *Physical plant operations and maintenance, IT support and security*
- **Investments needed if we are to:**
  1. Remain competitive - IT strategy, capital planning, classroom quality
  2. Meet our Strategic Goals –e.g., to enhance recruitment and support of top international PhD students through financial support

# Concentration of Our Student Population

- Highly concentrated in domestic undergraduate:
  - Provincially funded and controlled
  - Lack of diversification increases risk
- Objective: to grow international and graduate portion for:
  1. Revenue growth and diversification
  2. Meeting internationalization strategies of diversity, enhanced learning experience,
  3. Strengthening research excellence
- But there are challenges:
  - Competition – others have followed same strategy earlier
  - Increased costs - support services

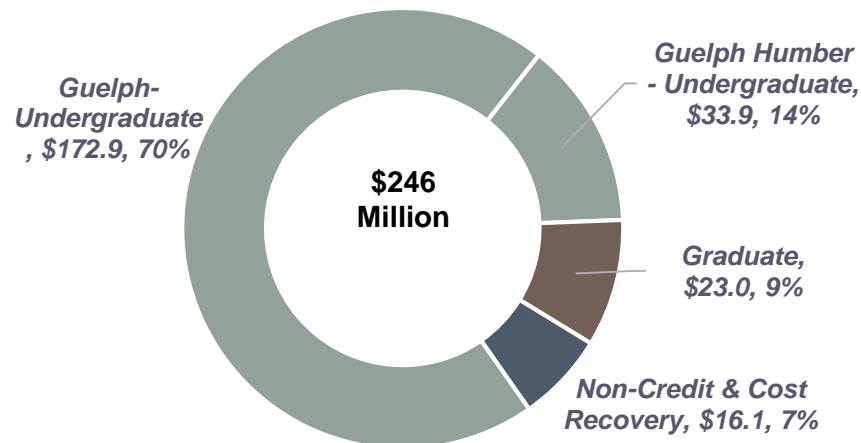
## Tuition- By Major Source

Including Guelph-Humber  
88% Domestic Students



## Tuition- By Major Program

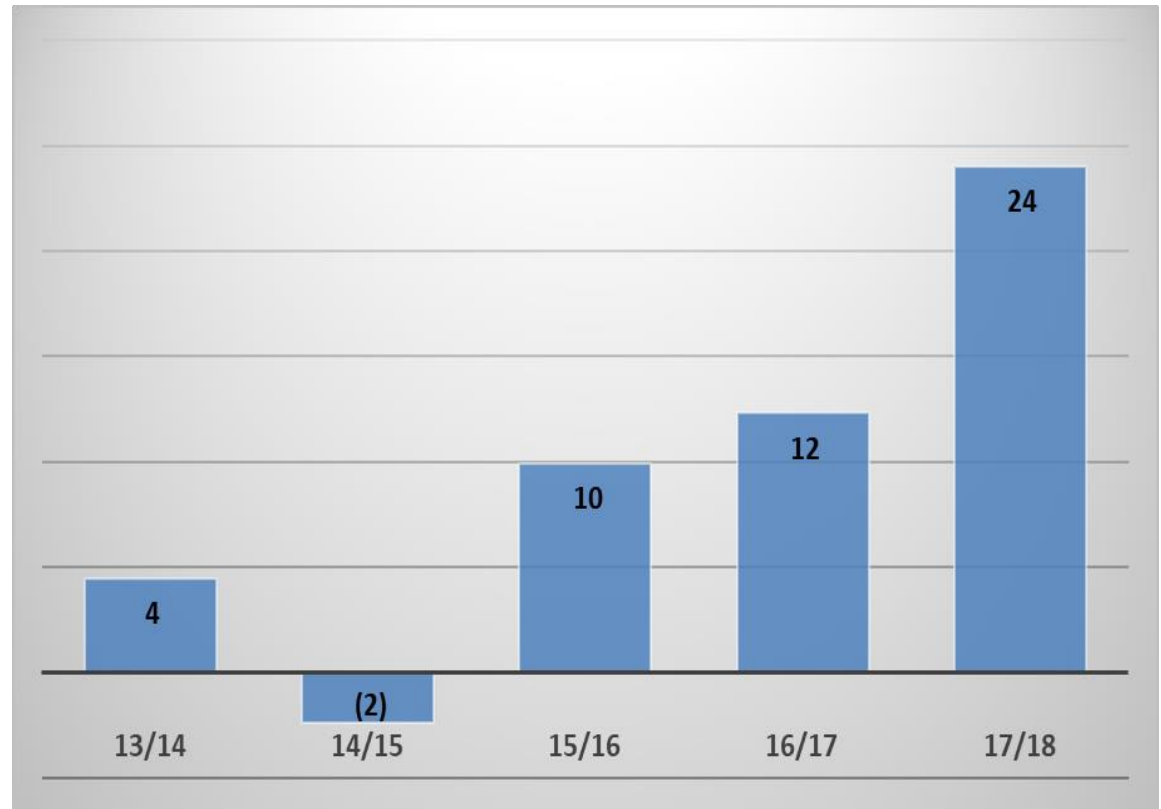
Including Guelph-Humber  
84% Undergraduate Programs



# 5 Year Growth in Budgeted Faculty Positions

- Positive change in Faculty Full-Time Equivalents (FTEs) funded from General Operating:

- 6% growth from 2012/13 to 2017/18
- 3% growth in Faculty positions in the last fiscal year



*2017/18 net growth up to date as of Jan 2018*

*Net growth includes approved tenure, contractually limited, bridging and open positions*



# Block Assumptions – 3 Year Baseline

## Income Base

- **Enrolment:**
  - Hold enrolment relatively flat
    - *Enrolment gains from 2017 2018 are allocated to 2018 2019*
- **Provincial Grants:**
  - Fixed overall funding
    - *Any new funding will be “targeted”*
- **Tuition:**
  - “3%” framework for 2018 2019
    - *3% in 2019 2020 and 2020 2021*
- **Other Revenue/Recoveries:**
  - No change from base

## Expense Base

- **Compensation:**
  - 2-3 years estimates
    - *range 2.0-3.5%*
  - Pension:
    - *No major new pension requirements*
  - Overall position complement:
    - *No new major changes in position FTE counts*
- **Infrastructure:**
  - Provision for IT and Utilities:
    - *3%-5% annual increase*
  - Capital Debt Servicing:
    - *\$1.5 million for deferred maintenance*
- **Strategic Investments:**
  - \$3 million for investments in academic priorities

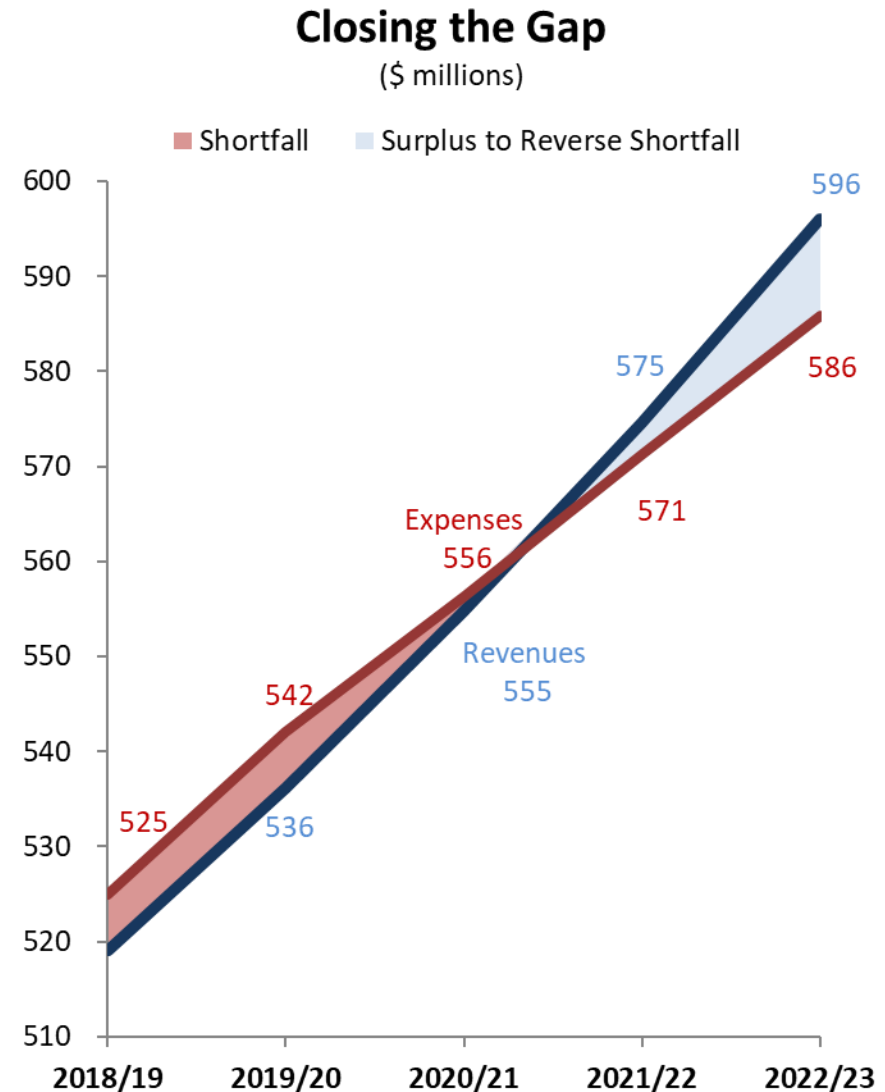
# General Operating Fund Base Budget (3 Year Baseline)

## Summary of Funds 100, 102, 104 & 105

	Base			Baseline			
	<u>17/18</u>	<u>18/19</u>	<u>% Chg</u>	<u>19/20</u>	<u>% Chg</u>	<u>20/21</u>	<u>% Chg</u>
<b>Revenues and Recoveries:</b>							
MAESD Operating Grants	182.8	182.8		182.8		182.8	
Tuition Fees - Credit	191.7	201.9	5.4%	207.8	2.9%	213.9	2.9%
Tuition Fees - Non-Credit	10.4	10.6	1.5%	10.7	1.5%	10.9	1.5%
Other Revenues	56.8	56.8		56.8		56.8	
Recoveries - Research	30.3	30.6	0.9%	30.6		30.6	
Recoveries - Other	36.3	36.4	0.4%	36.6	0.5%	36.8	0.5%
<b>Total Revenues and Recoveries</b>	<b>508.3</b>	<b>519.1</b>	<b>2.1%</b>	<b>525.4</b>	<b>1.2%</b>	<b>531.9</b>	<b>1.2%</b>
<b>Expenses:</b>							
Salaries and Benefits	349.9	360.8	3.1%	370.8	2.8%	381.2	2.8%
<b>Operating and Other Institutional Costs:</b>							
Operating Costs	77.4	77.4	0.1%	78.4	1.3%	78.4	
Internal Recoveries	(21.7)	(22.1)	1.4%	(22.1)		(22.1)	
Infrastructure Costs	43.5	44.8	3.0%	47.4	5.6%	48.9	3.1%
Capital Financing Costs	21.9	23.3	6.9%	24.9	6.4%	26.4	6.0%
Student Aid and Awards	24.2	26.5	9.5%	28.1	6.0%	28.7	2.1%
Incremental & Committed Academic Funds	14.2	14.8	3.9%	14.8		14.8	
University Reserves	2.5	2.5		2.5		2.5	
MYP Targets (Remaining)	(3.6)	(3.1)		(2.6)		(2.1)	
<b>Total Oper &amp; Oth Institutional Expenses</b>	<b>158.4</b>	<b>164.1</b>	<b>3.7%</b>	<b>171.3</b>	<b>4.4%</b>	<b>175.4</b>	<b>2.4%</b>
<b>Total Expenses</b>	<b>508.3</b>	<b>525.0</b>	<b>3.3%</b>	<b>542.2</b>	<b>3.3%</b>	<b>556.7</b>	<b>2.7%</b>
<b>ANNUAL INCREMENTAL SHORTFALL</b>	<b>(0.0)</b>	<b>(5.9)</b>		<b>(10.9)</b>		<b>(8.0)</b>	
<b>ACCUMULATED BUDGET (DEFICIT)</b>	<b>0.0</b>	<b>(5.9)</b>		<b>(16.8)</b>		<b>(24.8)</b>	
<b>Annual Adjustment Required to Balance *</b>		<b>1.9%</b>		<b>3.4%</b>		<b>2.4%</b>	

# Scenario - Closing the Budget Gap

- **8.0%** growth in total tuition revenue (tuition increase and growth in number of students) required to reverse accumulated shortfall in 5 years
- Balancing the accumulated budget deficit will require more than just a review of tuition revenue growth
- Balancing efforts come from changes in Operating Revenues, Expenses or existing reserves



# Balancing Options...

## • Revenues...

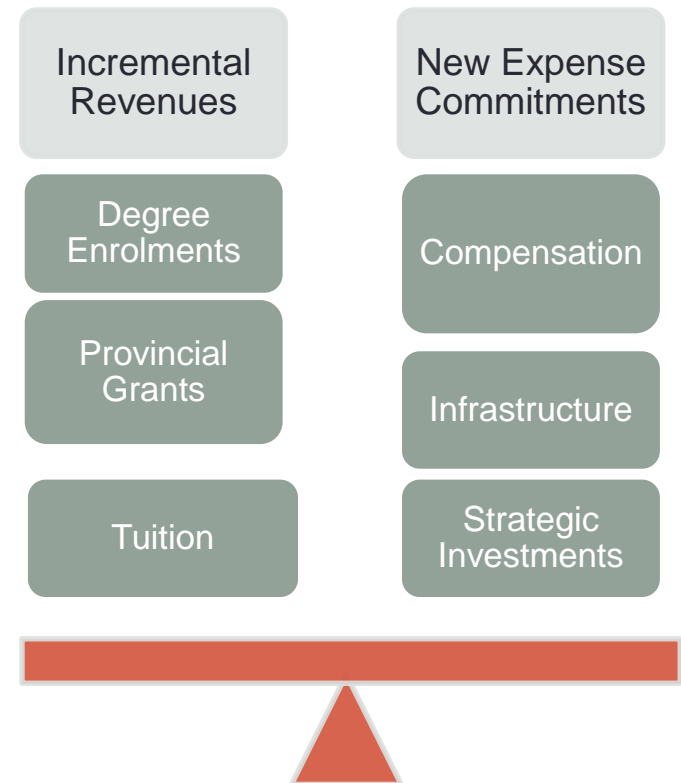
- Strategic enrolment growth
  - *Needs investment but it is one of our goals...*
- Provincial Grants: growth opportunities
  - *Provincial negotiations*
- Departmental sources:
  - *to assist general cost increases*

## • Expenses...

- Department cost containment
  - *E.g., vacancies, turnover*

## • Reserves...

- Access accumulated reserves
  - *“bridging” solution in short term*



# Reserves and the Budget

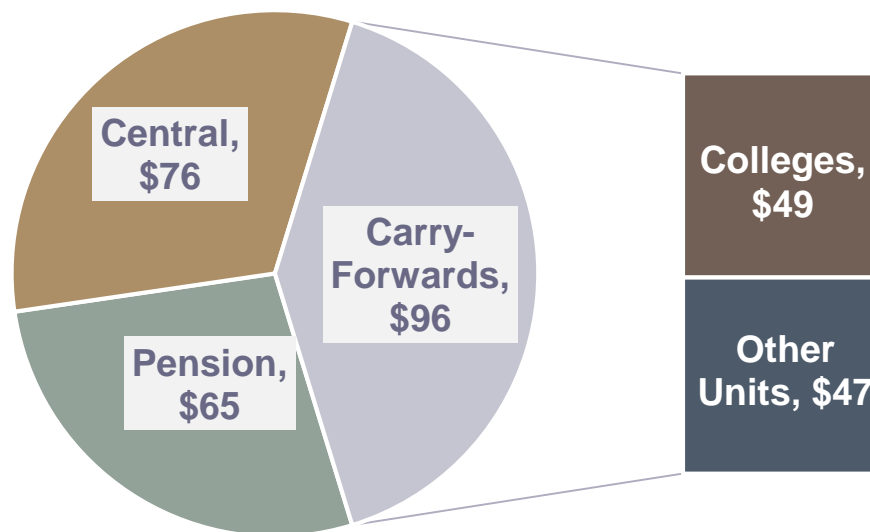
- **University in strong financial position**

- Historically large accumulated surpluses (on the balance sheet)
- 8 years in the making:
  - *mainly from enrolment growth*
- One-time only (non-recurring)

- **Can be used to cover annual budget deficit – but....**

- Will mean we plan for an annual budget deficit:
  - *with all the implications (credit rating, fiscal metrics)*

Accumulated Funds (\$ Millions)  
At the end of fiscal 2017- Total \$237 M



# Balance Budget Contribution

- **How to Close the Budget Gap for 2018/19**
  - Required budget contributions from each major division (Teaching Units and non Teaching Services)
  - Contribution takes into consideration levels of reserves to ensure each division remains financially sound
    - *Carryforward levels used as simple proxy for unit's financial standing*
  - Contribution is against one time funds only (*not a base budget cut*)
  - *This is not a tenable approach in the future*
- **Methodology**
  - Contribution based on percentage of Division's Budget for 2016/17
  - Percentage based on requirement to close budget gap
    - *90% of Divisions are above 10% Carryforward Policy and will contribute 1.50% of their 2016/17 budget*
    - *Exceptions:*
      - Divisions exempt from the Carryforward Policy will not contribute (ie. Student Aid)
      - A few Divisions will contribute according to their reserves (ie. Divisions under 10% Carryforward)

# Other Planning Considerations

- **Overall Provincial Fiscal Outlook**
  - Uncertain....
  - Assumes we do not get cut
  - A major grant reduction will make the decision for expense/savings targets for us
- **Investing for Strategic Goals in 2018 2019**
  - Currently have set aside \$3 million (less than 1% of our total budget)
  - Is it sufficient to move us forward toward our goals?
- **Today we are in a very good financial position...**
  - No structural deficit
  - Strong reserve and liquidity levels at both college/division and central levels
  - We can weather short-term challenges

# Next Steps...

- **Budget Communications and Input**
  - College/Town Halls     March
  - Finance Committee     Apr 4
  - Board of Governors     Apr 20
- **Review strategic efforts to mitigate future budget gaps**
  - Provincial initiatives:
    - *targeted funding opportunities*
  - New Budget Resource Allocation Model:
    - *Begin early discussions (Research and Discovery)*
  - Strategic Enrolment Management:
    - *Consideration for external constraints and opportunities for sustainable growth*
  - Internationalization Review:
    - *Introduce international PhD tuition waivers*
    - *Recruitment strategies for top talent (faculty, undergraduate and graduate students, specialized professionals)*
    - *Grow our existing global research and discovery partnerships*





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