

INITIAL ASSUMPTIONS FOR 2017 2018 OPERATING BUDGET

University Town Hall

March 8, 2017

UNIVERSITY
of **GUELPH**

Agenda

- **Provincial Context**
 - The SMA and New Funding Formula
 - Risks and Opportunities
- **2017 2018 Budget Planning**
 - Initial “block” assumptions

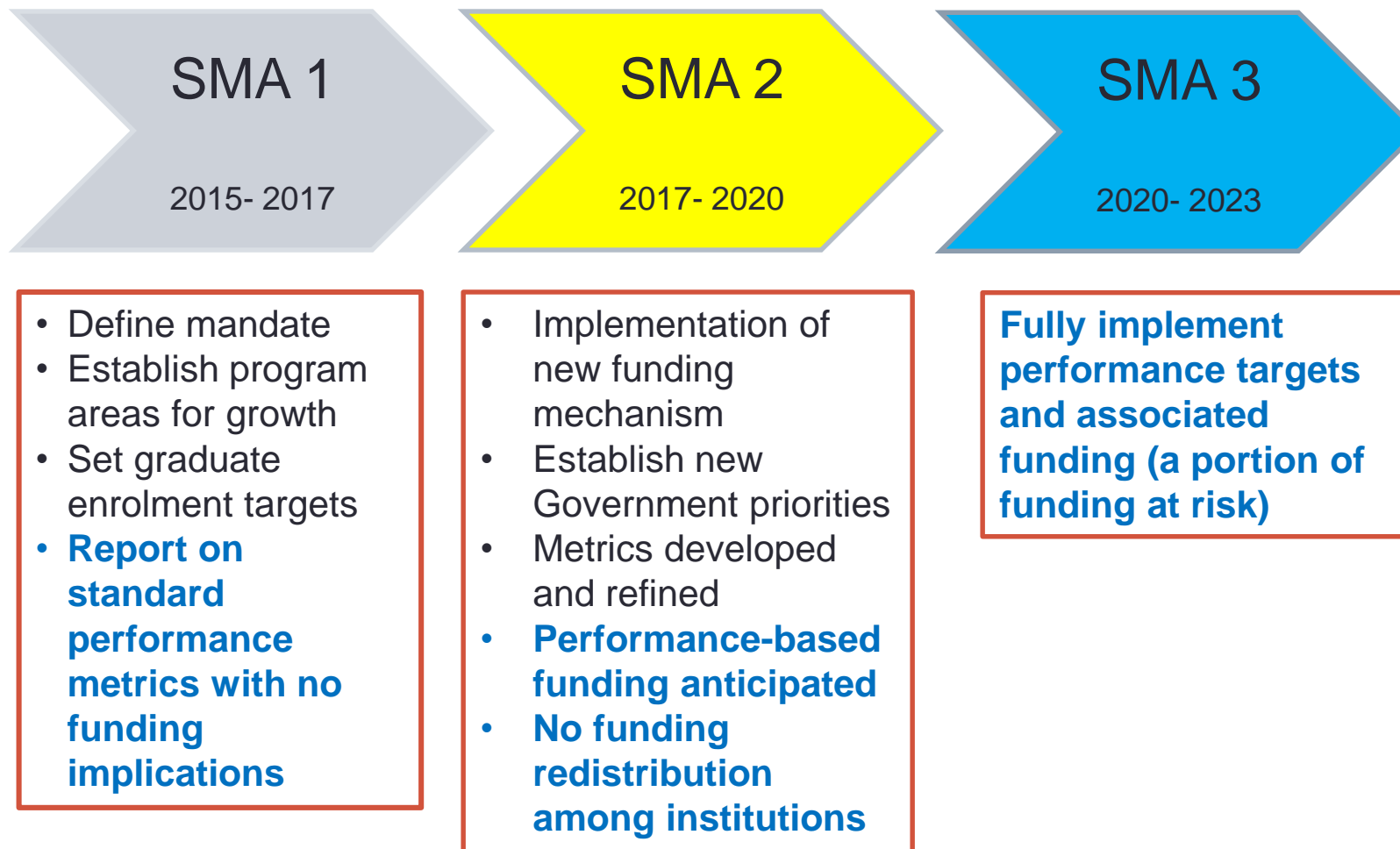
SMA and Funding Formula

“The Strategic Mandate Agreements (SMAs) are the mechanism through which ...universities articulate their unique mandates, strengths, and aspirations. They outline the relationship between the ministry ... and how each institution’s mission and activities align with Ontario’s vision for postsecondary education as articulated in this framework.”

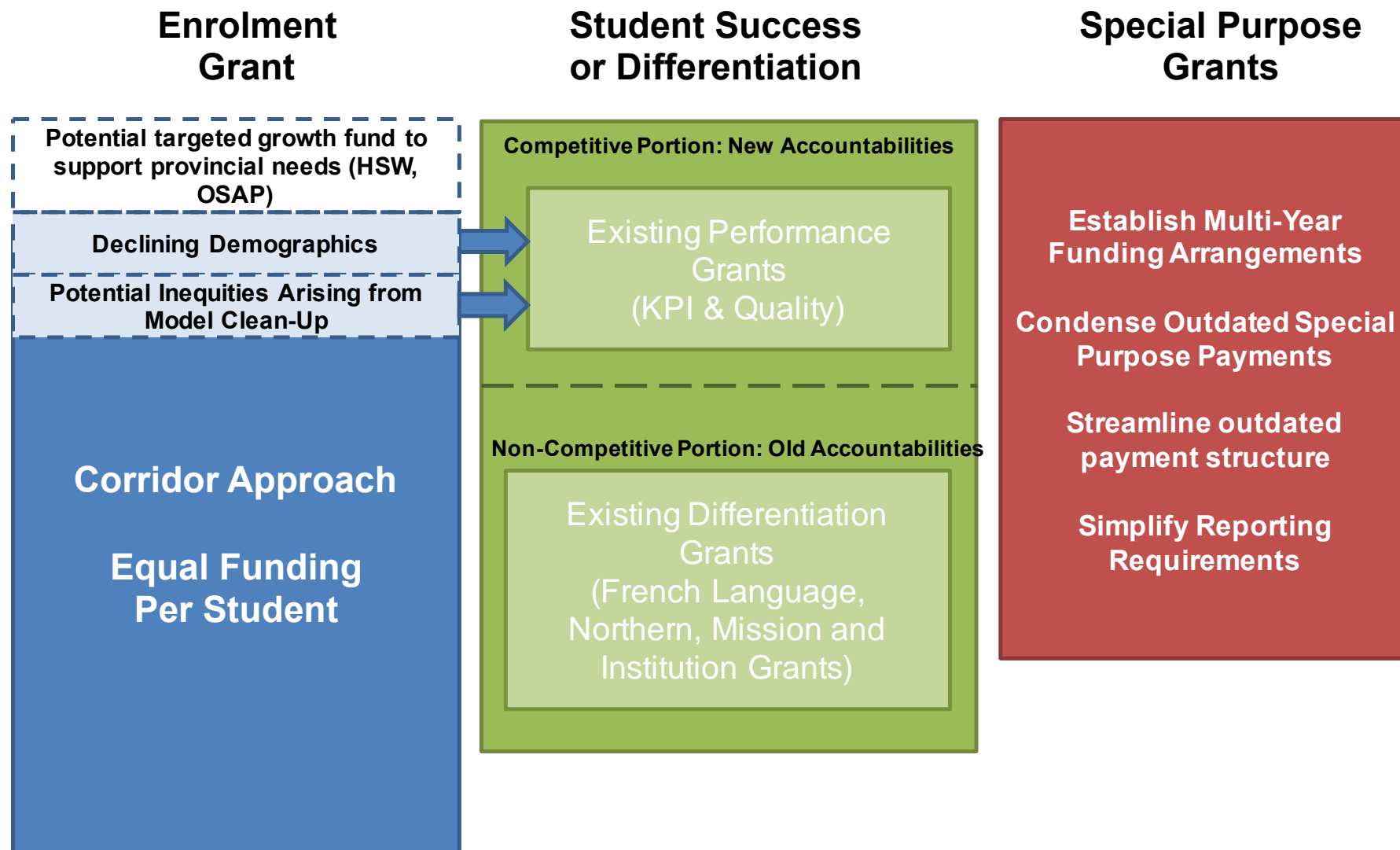
Provincial Funding Priorities:

- 1. Enhance Quality and Student Experience*
- 2. Support the Differentiation Process*
- 3. Increase Transparency and Accountability*
- 4. Financial Sustainability*

SMA – Changing the Funding Landscape



Reformed Funding Model Conceptual Approach



Areas for Differentiation for Guelph

...commitment to remain as one of Canada's best comprehensive universities

...academic programs responding to global issues and industry (e.g., food, health, environmental, biomedical)

... an innovator in teaching and learning (e.g., learning outcomes, experiential education, pathways, co-curricular opportunities)

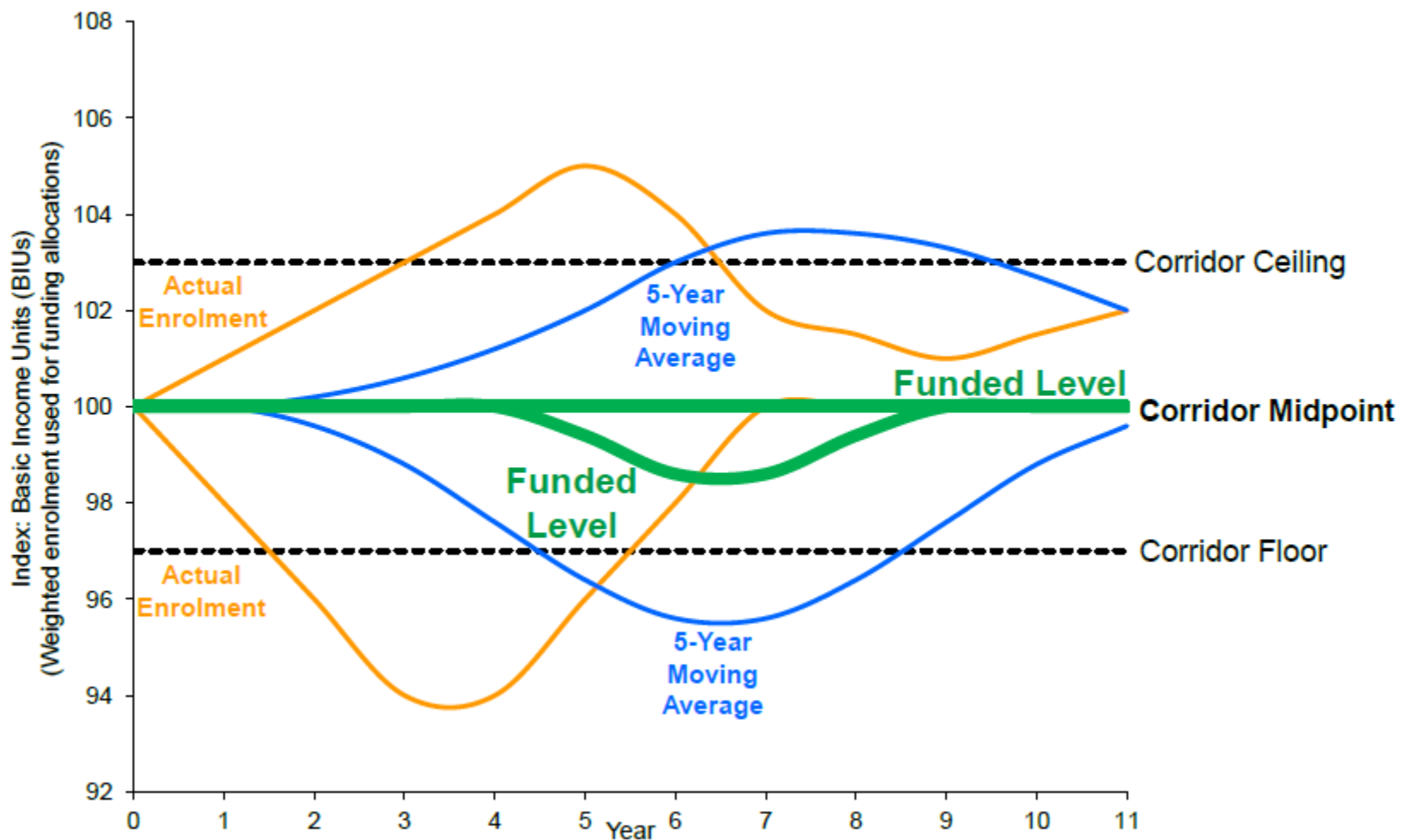
... developing caring and connected citizens (e.g., community engagement, international opportunities, volunteerism)

... a research intensive university (e.g., global impact, international partners, doctoral student recruitment)

New Funding Formula

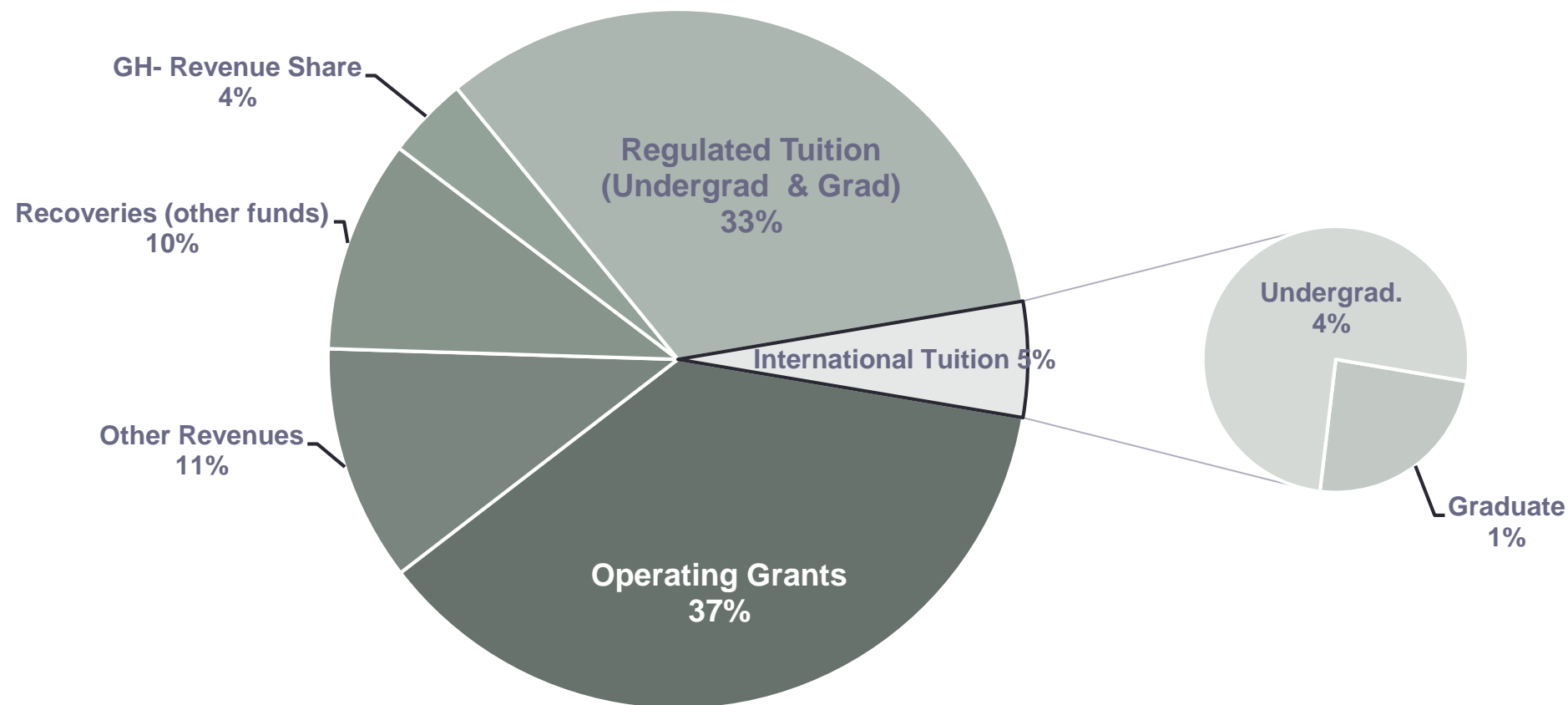
- **Objectives**
 - More enrolment management control by Ministry
 - More Outcomes “metric-based” funding
- **What it means:**
 - Enrolment Funding
 - *Default: Fixed Within a +/- 3% corridor*
 - Growth now subject to negotiations
 - *No longer can assume funding for all growth*
 - Funding Opportunities shifting to
 - *Metric-based - Student Success/Differentiation*
 - *This funding to grow as system enrolments decline*

How the Funding Corridor Works



General Operating Budget (Total Funding Sources \$500M)

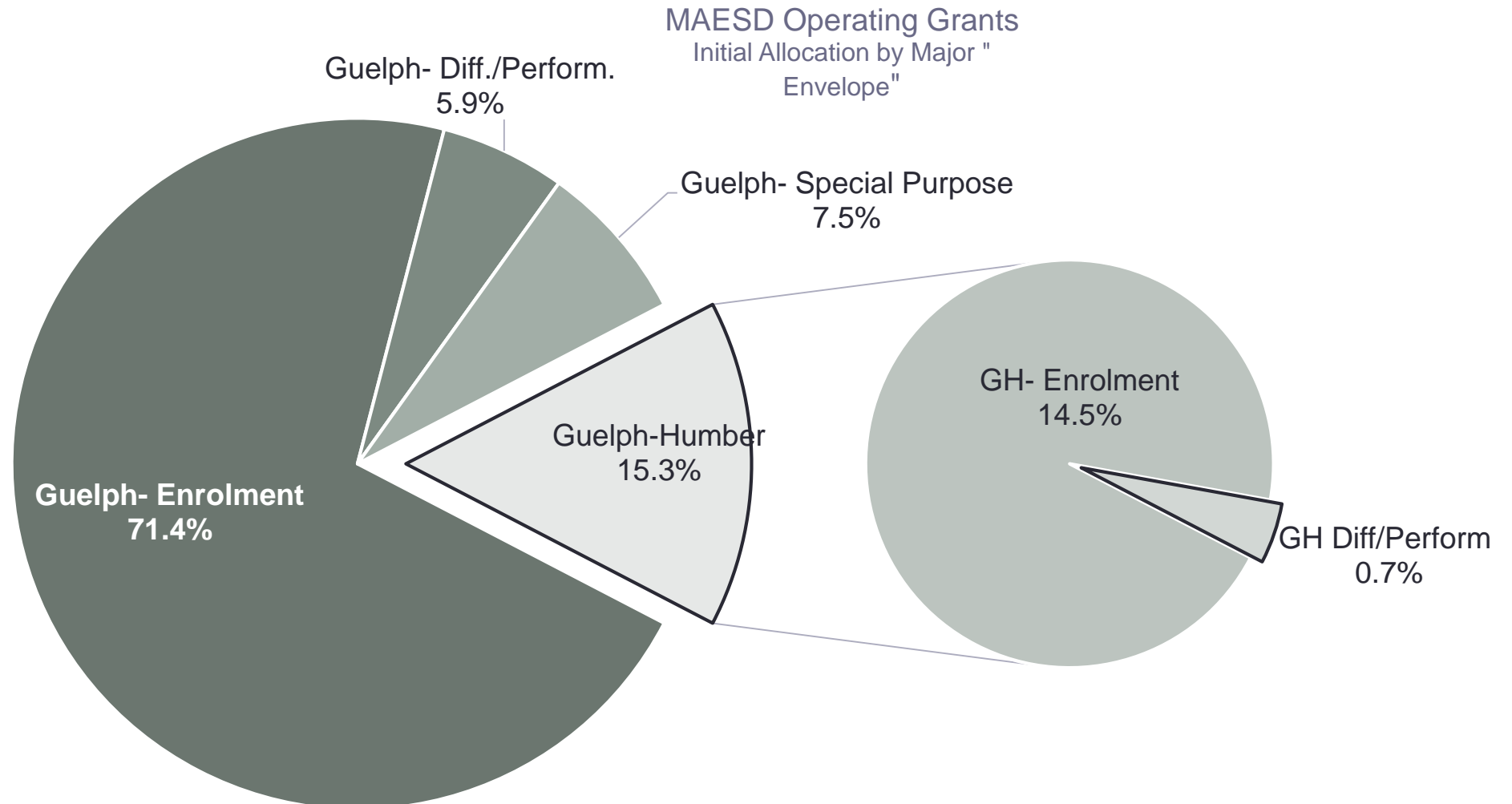
Regulated Tuition and Operating Grants - 70% of Total Income



% of Total Revenue and Recoveries

Initial Allocation of MAESD Operating Grants (\$213M)

86% enrolment (corridor based)



Risks and Opportunities - the new Funding Formula

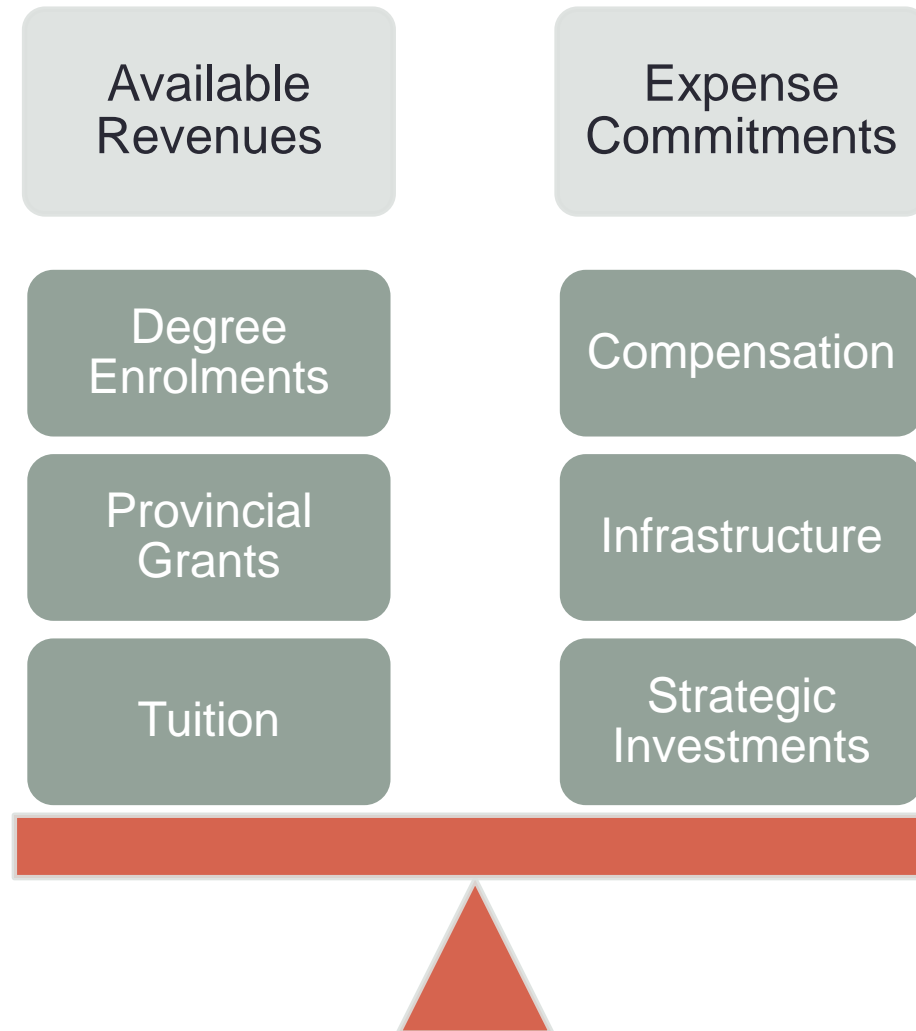
Feature	Risks	Opportunity / Mitigations
“Fixed” Corridor Funding	<ul style="list-style-type: none"> • Restrictions on most of our revenue growth • No funding for costs increases – pressures to reallocated among programs • Discourage innovation in curriculum 	<ul style="list-style-type: none"> • Negotiations with province for: <ul style="list-style-type: none"> • Targeted growth • Fixing long-standing funding anomalies • Diversification of revenues <ul style="list-style-type: none"> • International strategies • Cost-recovery programs
More Performance Based funding	<ul style="list-style-type: none"> • Competition (relative to others) • Difficult to control 	<ul style="list-style-type: none"> • Guelph strong in many areas (metrics) <ul style="list-style-type: none"> • Student success • Teaching and learning innovation • Could gain greater share with continuous improvements
Differentiation Priority	<ul style="list-style-type: none"> • Government directing priorities and defining our strategic priorities <ul style="list-style-type: none"> • Specialized or comprehensive • Micro-managing growth and disciplines based on short-term priorities 	<ul style="list-style-type: none"> • Maintain our strengths <ul style="list-style-type: none"> • Exploit those areas where we can realize funding – meeting provincial priorities but... • Stay the course as we see our future!

SMA2: Next Steps

- **SMA negotiation - January 2017**
 - 1st phase focused on establishing corridor and enrolment plans
 - 2nd phase focused on establishing areas of differentiation and corresponding performance indicators
- **Bonnie Patterson named to oversee negotiations with universities**
 - Past President & CEO, Council of Ontario Universities
 - Past President & Vice Chancellor, Trent University

BUDGET PLANNING 2017 2018

The Balancing Act



Provincial Priorities - 2017 2018

- **Provincial Deficit**
 - No new money for university funding
 - New SMA and related new funding formula (starts)
- **Tuition: extend current framework 2 yrs**
 - *3% cap on overall increase*
 - (framework excludes international fees)
 - *5% increases permitted for graduate and professional programs*
- **“Net tuition” billing**
 - Implementation begins

Our 2017 2018 Budget Goals

Unchanged from Last year

- **Recruit & Retain Best:**
 - faculty, staff and students
- **Invest in infrastructure:**
 - To enhance learning, research and student success
- **Increase Impact:**
 - On local/regional/global societies and economies
- **Ensure Fiscal Sustainability:**
 - Diversify revenues
 - Effective management of resources

Major Planning Components – 2017 2018

Funding

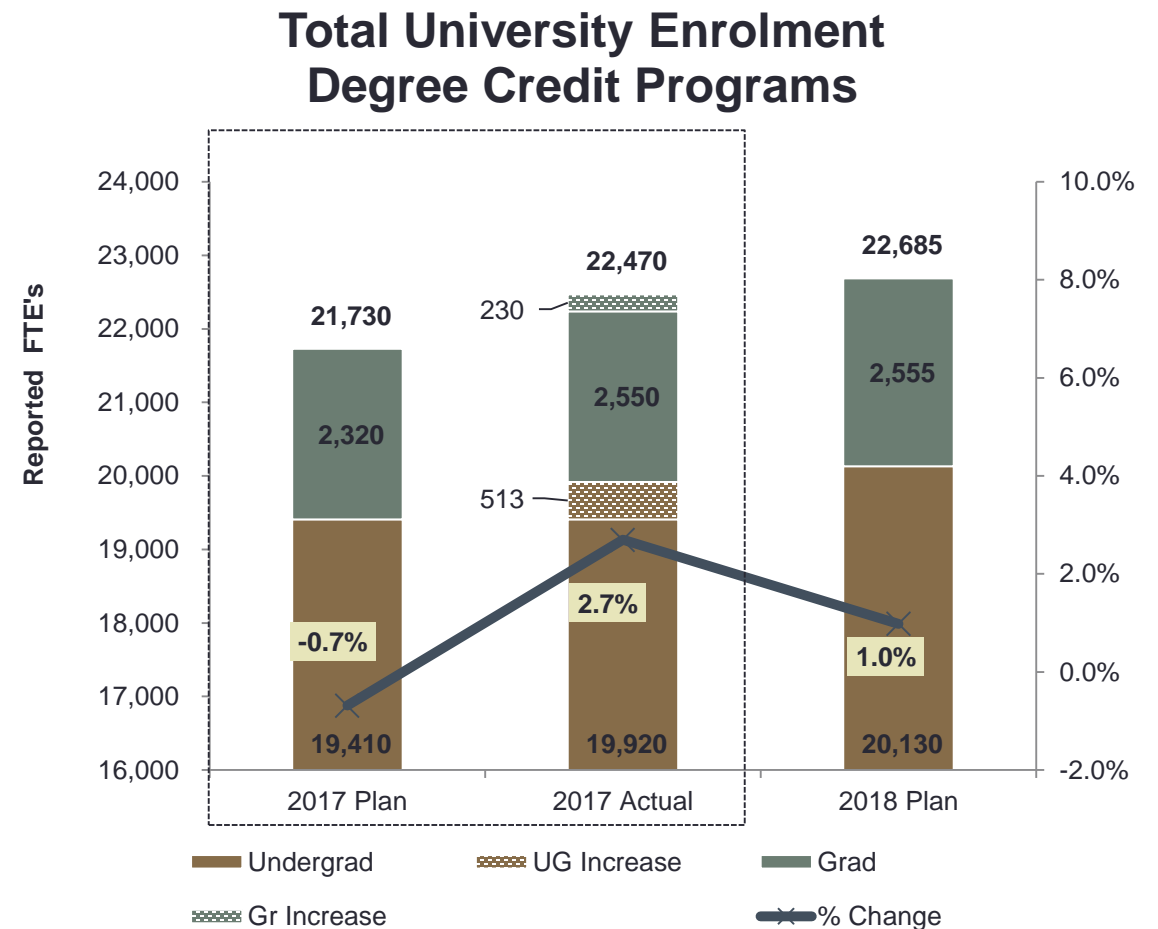
- **Enrolment**
 - Traditional sources declining
 - Increased competition
 - Need to negotiate grant funding for any enrolment growth
- **Provincial Grants:**
 - Fixed overall funding
 - No funding for inflation
 - Shift to “metrics” based
- **Tuition**
 - Tuition framework extended
 - Operational impacts of “net tuition”

Costs

- **Compensation**
 - Year of major negotiations
 - 90% of compensation budget under negotiation
- **Infrastructure**
 - Systems/information technology
 - Capital demands
 - Aging Buildings
 - Modern teaching & learning space
- **Strategic Investments**
 - Funding our priority areas
 - Innovation and renewal

Enrolment Gains – this year (2016 2017)

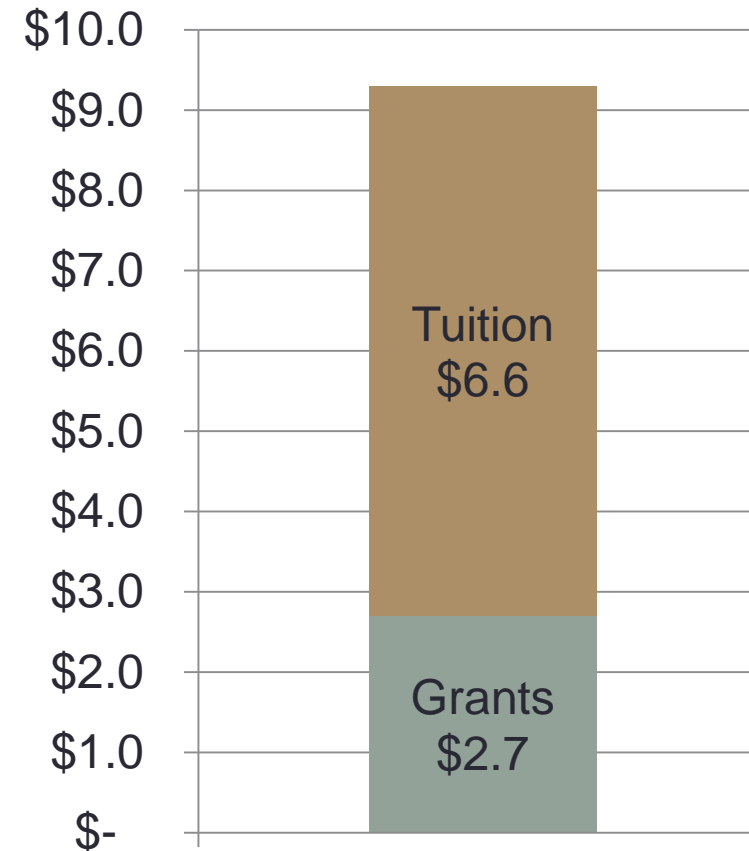
- Exceeded budgetary targets fall 2016
 - Undergraduate and graduate
 - Includes international
- This level will be:
 - Our 2017 2018 budget target
 - Used by MAESD for setting our “corridor” under new formula.



2016 2017 Projected “Enrolment Experience” Gains....

- **Gains**
 - 700 more students than planned:
 - 500 undergrads
 - 200 grads
 - MAESD funded “eligible” (grants)
- **Impact:**
 - Expenses were contained within initial budget allocations
 - Means: Net revenue available
- **Plan:**
 - Sustain this higher enrolment level
 - Use revenue gains to balance 2017 2018

Revenue Above Budget \$9.3 M



Key Assumptions - Revenues

- **Provincial Grant Funding**
 - Assume: frozen at current levels: per SMA and funding formula
 - *However explore negotiated growth in targeted areas*
- **Enrolment**
 - Lock in enrolment revenue gains from 2016 2017
 - Undergraduate set intake at:
 - *4,625 - domestic and international*
 - *Will result in small flow - through increase*
 - Graduate Enrolment;
 - *Assume current levels (any funded gains will be reinvested)*
- **Tuition**
 - Implement the new framework at 3% overall

Tuition Framework - University's Position

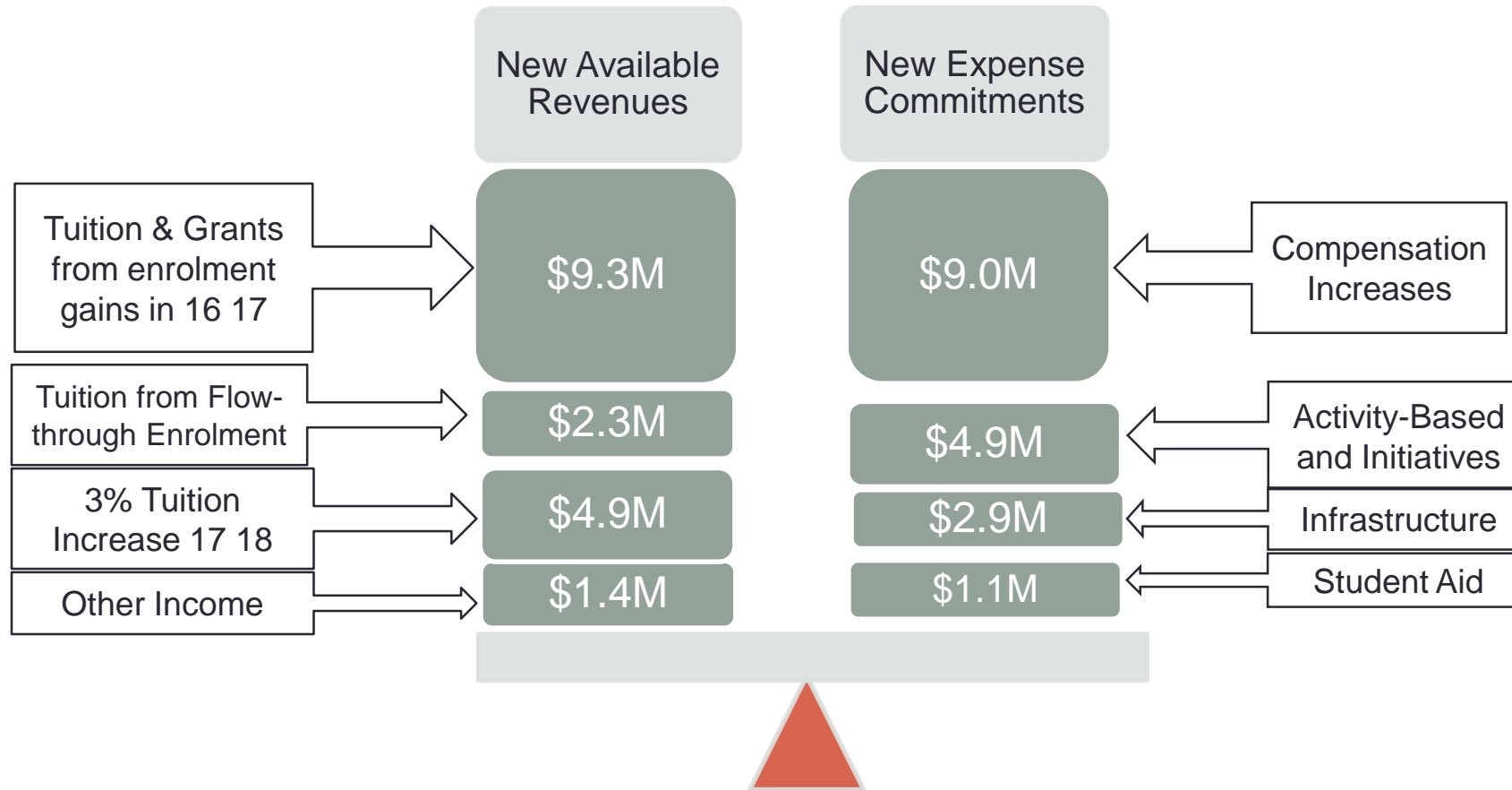
- **Overall 3% on Regulated**
 - increases will reflect maximum permitted
- **Minimum increases for:**
 - Most graduate programs
 - Doctoral and doctoral-stream programs especially
 - *Both international and domestic*
- **Higher increases for:**
 - Undergraduate professional programs
 - Certain professional-based masters
- **International**
 - Maintaining our position competitively
 - *Eliminate cohort fees*

Provincially Regulated Programs	Max Allowed	Proposed	Note
Undergraduate – Regular	3%	3%	
Undergraduate – Professional	5%	5%	1.
Graduate- Doctoral	5%	0%	
Graduate - MA/MSc/MASc	5%	1%	
Graduate – professionally oriented	5%	3.5%	
MBA	5%	2%	
MA- Leadership	5%	0%	
International – Not Provincially Regulated		Entering Cohort	
Undergraduate - Regular	n/a	3%	2.
Undergraduate - Professional	n/a	3%	2.
Graduate- Doctoral & MA/MSc/MASc	n/a	0%	2.
Graduate - professionally oriented	n/a	3%	2.
MBA	n/a	3%	
MA- Leadership	n/a	0%	
1. Excluding certain engineering programs (Mech.; Computing; Biomed.) which will be <u>increased 3%</u> to realign fees closer to other engineering programs 2. Remove the fixed “cohort” fee for the entering class. Prior years cohorts will be grand parented i.e., have no increase consistent with prior commitment.			

Key Assumptions - Expenses

- **Compensation**
 - General provision for negotiation costs
 - *covering ~ \$350 million in compensation costs*
- **Infrastructure Investments**
 - Maintain both capacity and quality
 - Technology – WIFI, inflation, security, demand
 - Space – new buildings, inflation
 - Safety – building security, emergency notification
- **Student Assistance**
 - Maintain increases of last year (\$ 3.9 million)
 - Add \$1.1 million (grad and undergrad)
- **Continue to provide to strategic investment**
 - Last year \$3.5 million in base was allocated (mainly to colleges)
 - Provide for additional opportunity this year

Major Block Assumptionsso far



Summary – Initial Assumptions

consolidate gains and reinvest....

- **Revenues**
 - Frozen provincial grant levels
 - Lock in this year's enrolment level
- **Expenses**
 - Cost Increases:
 - *Compensation and infrastructure*
 - Provide for strategic investment
 - *Targeted and based on our budget goals*
 - Student Success
 - *Maintain and continue to grow allocations for student assistance*
- **Fiscal Sustainability**
 - Reserves to absorb downside (in the short term)
 - Maintain overall “financial health”

Next Steps

- **Prepare detailed 16/17 Forecast**
 - Gains from current year revenues will provide one-time funding
 - College/divisions need to prepare their forecasts
 - *Under “carry-forward policy”*
- **Complete assumptions for 17/18...**
 - Finalize initial assumptions
 - SMA negotiations begin....
 - Prepare for completion of detailed budget document
- **Budget Communications and Input**
 - College/Town Halls; Jan-March
 - Senate April 4
 - Finance Committee April 4
 - Board of Governors April 21



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