UNIVERSITY OF GUELPH

# Capital Plan

## For 2016/17

**November 2015**

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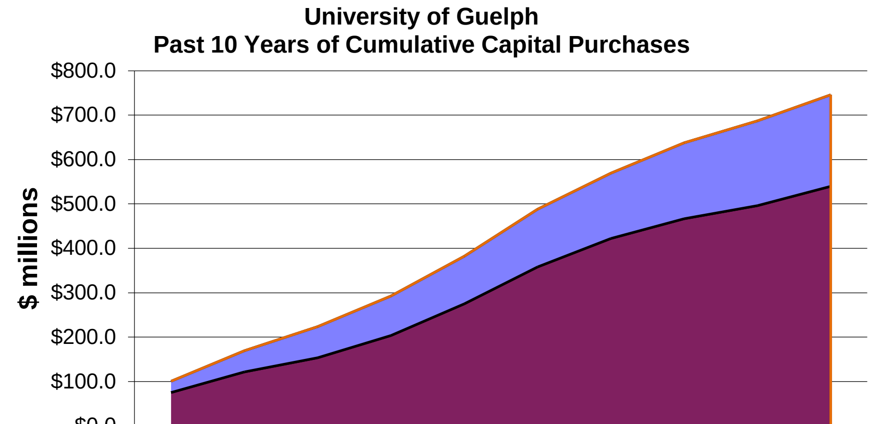
# A. Background

The University of Guelph is responsible not only for the effective use of operating funds but also for maintaining the physical assets and infrastructure that enable the delivery of programs and services. Physical assets consist mainly of buildings and the utilities infrastructure that have an estimated total replacement value of $1.7 billion. With 145 buildings with 6.6 million square feet of space, maintaining capacity and quality of space is an on-going effort. Further adding to the University's challenge is the average of its buildings (47 years) one of the oldest in the Ontario university system. Investments in buildings and the related infrastructure are supported from a number of sources, the primary ones being revenues and fees generated from operations, government grants and University debt. Over the past ten years, the University has invested $540 million (refer to chart) in its buildings. Projects have ranged from completely new buildings to critical maintenance projects.




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Equipment | 25.4 | 47.7 | 70.1 | 89.0 | 107.2 | 130.0 | 147.1 | 171.0 | 190.9 | 206.1 |
| Building | 75.3 | 121.7 | 153.6 | 203.7 | 275.0 | 358.1 | 422.2 | 466.7 | 496.2 | 539.7 |
| Total | 100.7 | 169.4 | 223.7 | 292.7 | 382.2 | 488.1 | 569.3 | 637.7 | 687.1 | 745.8 |

While these investments are considerable they have not been able to address the backlog for capital maintenance created from many years of underfunding. With the typical annual provincial contribution of about $1 million and annual demands approaching $20 million, the gap to address critical capital maintenance necessitated a debt financing program. Over this same period the University incurred $132 million in external capital-related debt most of which was for addressing deferred maintenance. With current debt levels at $260 million, any remaining debt capacity will need to be carefully rationed for projects of the highest priority. In 2014, the University developed a Capital Debt Policy to both set key metrics for controlling debt levels and establish a prioritization process to assessing capital project proposals.

Capital planning for major projects has been an on-going effort across the University for many years. Efforts have focused on two major objectives; maintaining what we have and enabling new and improved programs and services. More specifically plans are organized around the following project groupings;

1. "Capital Renewal": this refers to investments for main campus buildings and related infrastructure used for teaching, research and service programs. The Physical Resource directorate is the unit with the primary responsibility for this plan.

2. Ancillary Units: this refers to units that have a mandate to be self-supporting including responsibility for capital expenses and any related debt servicing. Currently there are five ancillary operations with the major capital programs in Student Housing Services and Transportation & Parking Services
3. Academic and Support Facilities; The grouping tends to consist of major individual projects such as new buildings or major repurposing/renovations of existing buildings. In recent years major examples of projects have been;
   a. the $50 million engineering expansion program,
   b. $12 million for the repurposing of Macdonald Hall and
   c. the implementation of a long-term Athletics campus master plan that to date has included a new multiplex of synthetic outdoor playing fields ($7 million), a new field house with an interior 4-lane track ($9.0 million), the conversion of Alumni Stadium to artificial turf and in 2014 the start of a $45 million major fitness centre.

## B. Purpose of this Report

With the increasing complexity of capital planning and the inherent risks given limited financing capacity, the coordination of planning and prioritization of capital projects is critical. The ability to leverage both internal University resources and external funding for the projects with the highest priority requires a continuous and transparent process. The focus of this report is to summarize, for the Board of Governors, all of the considerable planning efforts that occur each year into a single report with two primary objectives;

- To confirm major capital project plans for the next fiscal year
- To identify major capital financing and funding requirements for the next fiscal year

Given the uncertainty that exists with government funding programs, donor opportunities and economic conditions, plans are open to change. Any changes related to this plan will be presented to the Board for information and if necessary approval.

## C. Summary (and Table A)

The plan presented in this report is the current proposal for 2016/2017. Table A on the following page summarizes the projects in terms of;

1. **Total Cost;** Projects are at various stages of design/planning. For certain projects, "Request for Approval" column indicates planning and costing (and funding) are sufficiently advanced to submit the projects for Board of Governors approval. Other projects (indicated by a "TDB") are not yet at a stage where design and costs are sufficiently advanced to request approvals. The "All in Cost" presented for these projects are reasonable indicative estimates at this time.
2. **Funding During Construction**; This section of the Table presents the various sources of funding that are expected to be substantially realized prior to completion of construction. The Unfunded Balance is the current estimate of the financing requirement for the year. (Further discussion on financing is presented later in the report).

**Table A: Projects for 2016 2017**

| 2016/2017 CAPITAL PLANNING ($ millions) | Total Cost | | Funding During Construction | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | All In Cost (estimated) | Request for Approval | Fund Raising | Grants | Fees | Central Reserves | Unit Reserves | Heritage | Total Funding | Financing |
| **Current Projects (Proposed for 2016/17)** | | | | | | | | | | |
| A. **Capital Renewal (DM)** | | | | | | | | | | |
| A.1 Main Campus Infrastructure | 10.00 | | | 1.55 | 0.05 | | | | 1.60 | 8.40 |
| A.2 Athletics | 1.70 | | | | | | 1.70 | | 1.70 | - |
| A.3 Ancillary - Housing | 6.70 | | | | | | 6.70 | | 6.70 | - |
| A.4 Ancillary- Parking | 6.50 | | | | | | 1.00 | | 1.00 | 5.50 |
| **SUB TOTAL - Capital Renewal** | **24.90** | **Yes** | **-** | **1.55** | **0.05** | **-** | **9.40** | **-** | **11.00** | **13.90** |
| B. **Major Buildings/Renovations** | | | | | | | | | - | - |
| B.1 OVC Phase 1 - Advanced Surgery | 10.00 | **Yes** | 8.00 | | | | - | 2.00 | 10.00 | - |
| B.2 Turf Grass Institute | 15.00 | **Yes** | | 15.00 | | | | | 15.00 | - |
| B.3 Powell Building Renovations | 10.00 | TBD | | | | 10.00 | | | 10.00 | - |
| B.4 Library (storage and space) | 5.00 | TBD | | | | - | - | 5.00 | 5.00 | - |
| B.5 University Centre | 3.00 | TBD | | | | - | | 3.00 | 3.00 | - |
| **SUB TOTAL - Major Buildings/Renovations** | **43.00** | | **8.00** | **15.00** | **-** | **10.00** | **-** | **10.00** | **43.00** | **-** |
| **Total 1 (Current Projects ALL)** | **67.90** | | **8.00** | **16.55** | **0.05** | **10.00** | **9.40** | **10.00** | **54.00** | **13.90** |

## 2016 2017 Approvals

At this time the Board is asked to consider and approve;

1. $24.9 million in Capital Renewal spending (section A). This category consists of many projects all below $2.0 million.
2. $10.0 million approval is requested for the OVC Phase 1 (Project B.1) Advanced Surgery project. Fund raising and contributions from the Heritage Fund will fully fund this project.
3. $15.0 million approval is requested for the Turf Grass Institute (Project B.2). The $15 million total cost will be funded from provincial grants (from OMAFRA) designated for this purpose.
4. Maximum total financing is requested at $13.9 million. Given the planned amount and repayment periods (less than 15 years) expected for this requirement "internal financing" will be used (no new external debt will be issued this year, related to these projects.) All debt serving costs will be budgeted for and carried in the respective budgets of the funds incurring the debt.

For the remaining projects, approvals will be requested on a project by project basis as they are finalized. It is planned to have all approvals in place in the next fiscal year.

# D. Details

## A.1 Capital Renewal Program – Main Campus Infrastructure

The University of Guelph is one of the oldest institutions in Ontario with an average building age of 47 years. Many building systems exceed the lifetime assigned to those systems. The capital renewable program has enabled us to continue to provide safe, reliable infrastructure to serve the university. Having said that, it's important to note that our deferred maintenance for the entire Guelph campus, including Student Housing, Infrastructure and Ancillaries is $350 million. The University has multi-year (5-Year rolling) capital planning process to identify major capital renewal investments necessary to reduce the likelihood of a major building or utility breakdown. An extensive building and facilities condition audit was completed which determined capital priorities, project schedules and the capital investments required. This investment referred to as "deferred maintenance" arrives at an annual estimate that identifies what we should spend to address the entire backlog. Through the annual planning process we identify what we can spend based on available resources.

The objective of preparing a 5 year rolling capital renewal plan is to identify the relative priority and costs of addressing campus facility needs. The plan enables the University to assess and prioritize the ongoing capital investment required to address critical capital renewal and reduce the likelihood of a major building or utility breakdown which would negatively impact the operations of the University. Updating energy efficiency and planning infrastructure for the future of the campus is also addressed through this process. In 2016/2017 a total of $10 million is planned for spending under this category.

**Highlights of Deferred Maintenance Projects for 2016-17 totaling $10 million;**

- On-going roof maintenance and repairs.
- Massey Hall – Wall and Window Rehab: Phase 2.
- McLaughlin Library – modernization of elevators – year 3 of 3.
- Upgrade electrical distribution infrastructure to avoid failure and enhance electrical safety.
- Crop Science – replace perimeter heating system.
- Electronic Building Access – Phase 3.
- Alumni House – exterior wall rehabilitation.
- Central Plant – boiler and chiller controls upgrade.
- University Centre – HVAC upgrades to AC-5 and perimeter heating system.
- Annual requirements include; hazardous material abatement; classroom upgrades; fire code compliance; barrier free accessibility; interior repairs/life safety signs; sprinkler inspections; safety relief valve program; piping re-insulation; arc flash study; electrical substation maintenance; annual electrical shutdown.

The capital planning process is an iterative, collaborative and consultative process that draws upon the data collected during a condition assessment audit and upon the expertise of our internal staff and external consultants. The foundation of the process is based on the assessment of risk to the University. Using the University's Enterprise Risk Management (ERM) methodology, all identified requirements are rated by the likelihood/frequency of failure or loss and the impact/severity of the failure or loss as indicated in the table below.

| | | | |
|---|---|---|---|
| **Likelihood/Frequency of loss or failure** | Almost certain (Very Likely) | Extremely likely to occur (at least once per year); failure/dealing with the situation a daily consideration | **5** |
| | Likely | Likely to occur; has occurred previously and could reasonably occur again; failure/dealing with the situation a monthly consideration | **4** |
| | Periodic (Somewhat Likely) | Periodically has occurred in the past; failure/dealing with the situation a consideration in one to 2 years | **3** |
| | Unlikely | Has happened in the past; failure/dealing with the situation a consideration in 3 to 5 years | **2** |
| | Rare (Very Unlikely) | Extremely rare/has not occurred in the past; requires attention in 5 to 10 years | **1** |
| **Impact/Severity of loss or failure** | Catastrophic (Critical) | Imminent/certain life safety risk; entire campus/large area may require shutdown; a critical failure with a long recovery period; legislated/code requirement with major legal/fine/penalty implications; failure would have severe/catastrophic financial consequences (call into question the viability of the institution) | **5** |
| | Major (Serious) | Potentially major safety risk; legislated/code violation; major failure requiring a building or system shutdown with a long recovery period; failure would have major financial consequences (create financial hardship for the institution) | **4** |
| | Moderate | A significant failure requiring actions beyond routine activity; failure requires closing of floor or section of a building; failure would have moderate financial consequences (budget restrictions, reallocations, increased borrowing) | **3** |
| | Minor | A failure which can be managed under routine activity; failure requires closing of a small area such as one or two rooms; failure would have minor financial consequences (handled within existing budgets by re-prioritization) | **2** |
| | Insignificant (Negligible) | A failure not requiring shutdown/closure; minor occupant discomfort; poor appearance; failure would have insignificant or no financial consequences | **1** |

The resulting score (likelihood/frequency *times* impact/severity is the basis for the prioritization of all requirements and establishes the 5 Year Capital Renewal Plan. (Refer to adjacent Table)

| **Table of Ranking (Likelihood times Impact)** | |
|---|---|
| Very High Risk | **= 16 or over** |
| High Risk | **= 12 to 15** |
| Moderate Risk | **= 6 to 10** |
| Low Risk | **= Less than 6** |

## Five Year Plan Going Forward (2016/17 to 2020/21)

Physical Resources maintains a Facilities Condition database that outlines all deficiencies that need to be addressed on campus, and assigns priorities to them based on a risk assessment process. Building condition assessments are completed on a rolling 5 year schedule, and infrastructure condition assessments are completed once every 5 years.

The deficiencies are updated in the database accordingly. Over the next 5 years, an estimated investment of $79M (ranked using the ERM methodology as very high and high risk priorities) will be required to upgrade and maintain the basic systems and infrastructure of our physical plant including; mechanical and electrical systems, building envelope structures (roofing, windows and wall caulking), elevator modernization, infrastructure (electrical service upgrades and service tunnel repairs), health and safety and code requirements.

**5 YEAR CAPITAL RENEWAL PLAN - Main Campus**
**Buildings and campus Infrastructure**

| CAPITAL RENEWAL PLAN ($ millions) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total Plan |
|---|---|---|---|---|---|---|
| **Category** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2016-17 to 2020-21** |
| Unforeseen Requirements | **1.20** | 1.20 | 1.30 | 1.30 | 1.33 | 6.33 |
| Academic & Administrative Buildings | **6.30** | 12.20 | 13.50 | 13.40 | 11.10 | 56.50 |
| Campus Infrastructure | **2.40** | 1.80 | 1.70 | 3.70 | 6.70 | 16.30 |
| Energy Conservation Projects | **0.10** | 0.10 | 0.10 | | | 0.30 |
| **Total Capital Renewal Plan Spending** | **10.00** | **15.30** | **16.60** | **18.40** | **19.13** | **79.43** |
| **Funding** | | | | | | |
| Facilities Renewal Program - estimate | **1.55** | 2.13 | 2.71 | 3.29 | 3.88 | 13.56 |
| Student Energy Program (SERF) - estimate | **0.05** | 0.05 | 0.05 | | | 0.15 |
| **Total Funding** | **1.60** | **2.18** | **2.76** | **3.29** | **3.88** | **13.71** |
| **Net Capital Renewal Plan Financing Required** | **8.40** | **13.12** | **13.84** | **15.11** | **15.25** | **65.72** |

## A.2 Capital Renewal Program – Athletics

In January 2008 the Board of Governors approved the Athletics Master Plan, which established a long-range (30 year) building strategy for Athletics. The Plan is the framework for implementing future changes to facilities and playing fields and identified priorities for new projects and deferred maintenance items. Since this report, the following major projects have been completed or are underway:

1. **Multiplex Project (Synthetic Fields)** completed fall 2011: This project included two full-size lit synthetic turf fields, one smaller synthetic field, one full-size natural turf field and laying the foundation for the building. This project was funded entirely through student fees. In addition to this project, a synthetic Field Hockey pitch was created on the north-east corner of campus, using operating dollars from Athletics.
2. **Fieldhouse** completed Spring 2012: The 91m x 53m Fieldhouse includes a 4-lane 200 metre synthetic track, and an interior field surface that can be divided into 3 fields for intramural play. The facility was built to replace the Dome, which had to be removed due to code issues. This project was funded through a combination of Athletics' operating dollars and central resources.
3. **Alumni Stadium** completed fall 2012**:** The stadium renovations included an eight lane track, a synthetic field, new lights and new scoreboard. This project was funded through a combination of donors and central support. Focus is now on finding external funding that will support a throws area. The addition of a professional throws area will enable the University to bid on larger meets, which will help to offset the ongoing costs of the stadium.

4. **Mitchell Centre Renovations:** Construction is well underway for Phase 1 of the extension to Mitchell building. The construction contract was awarded to Aquicon Construction and the project began mid-November 2014. The project completion deadline is August 2016, to be in time for the start of Fall 2016. This expansion of the Mitchell Centre will include enhanced cardio and weight room space as well as space for recreational use and classes. The plan also includes gymnasium space, locker rooms, meeting rooms and extensive student lounge space. The new primary gymnasium would be designed to support large events such as convocation, plenaries and concerts. Such a space will provide opportunities for revenue generation both through hosting athletic competitions but also conferences. All but $5 million of this project will be financed through a student capital fee of $38 per semester (until 2038/2039), with a 3% increase each year.
5. **Stadium Enhancement:** In 2015/2016 the University has received funds from a donor to build and enhancement to the stadium. The new addition will include the Home Team Change room, large group space for game reviews and programming, as well as a space for VIP events and viewing. The full cost of this project is $6.350 million and will be covered in its entirety by the donor.

**Future Activities;** The Department continues to fundraise for Phase 2 of the Mitchell Renewal which involves renovating the existing Mitchell building. This project has been divided into two parts – phase 2A, is the renovation to the entrance and the side of the building that connects to the new facility. As noted in the plan for the Powell Building, there is an opportunity to address the front entrance needs as part of this project. No major projects are planned for 2016-17 at this time with $1.7 million in spending on a number of minor renovations that will be fully funded from current operations.

## A.3 Capital Renewal Program – Ancillary - Student Housing

The Student Housing Services (SHS) capital planning and expenditures have been guided by a strategic planning document that outlines how SHS will address the issues of aging infrastructure, deferred maintenance and aesthetic renewal of our residence buildings. This ambitious plan was originally tabled before the Physical Resources and Property Committee (PRPC) in the spring of 2007 based on an external audit of the residence stock (conducted in 2003). The audit has been supplemented by additional reports and investigations in subsequent years that have provided more detailed examinations of building components and infrastructure. The resulting 5 Year Rolling plans have identified priorities designed to address our two primary objectives: 1) deferred and anticipated maintenance issues; and 2) the need for modernization and aesthetic renewal of the living areas occupied by students.

The SHS strategy of addressing high priority items while at the same time making aesthetic improvements is critical to ensuring that our residences continue to be an effective recruitment tool, as well as provide a critical supportive learning environment. As indicated in the attached table, investments continue for 2016-2017 and plans are in place for the next 4 years. Our actions will enable us to continue to remediate critical deferred maintenance issues and to plan for future life cycle challenges within our buildings and infrastructure.

Beginning with the 2015-2016 academic year, SHS has minimized its reliance on debt financing for capital projects.

The table below shows total renovation costs over the next five year period from 2016-2017 to 2020-2021. As noted in the current plan, all projects are being funded through the use of student fees and operational reserves.

**5 YEAR CAPITAL RENEWAL PLAN - Student Housing Services**

| CAPITAL RENEWAL PLAN - SHS ($millions) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total Plan |
|---|---|---|---|---|---|---|
| **Category** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2016-17 to 2020-21** |
| Building Envelope/ Exterior | **3.10** | 5.57 | 5.36 | 6.08 | 5.11 | 25.22 |
| Mechanical/Electical | **1.13** | 0.12 | 0.56 | 0.90 | 0.04 | 2.75 |
| Interior Improvements | **0.46** | 0.14 | 1.01 | 0.37 | 1.87 | 3.85 |
| Family Housing | **1.69** | 0.06 | 0.06 | 0.06 | 0.06 | 1.93 |
| Projects to be Identified by VFA | | | | | | |
| Contingency/Emergency/Unplanned Projects | | | | | | |
| Design Fees & VFA | **0.32** | 0.30 | 0.30 | 0.30 | 0.30 | 1.52 |
| **Total Funding Required** | **6.70** | **6.19** | **7.29** | **7.71** | **7.38** | **35.27** |
| **Contribution from SHS Operations** | **6.70** | **6.19** | **7.29** | **7.71** | **7.38** | **35.27** |
| **Net Financing Required** | - | - | - | - | - | - |

**Potential Adjustment to this Plan;** In recent years, wireless internet access on campus has become an increasing priority for students. Survey data, communication with residence students, and advocacy efforts by Interhall Council (a residence student government) shows overwhelmingly that Wi-Fi is not only desired, but expected. Students have communicated that they expect a seamless wireless experience throughout campus, beginning with the residence halls.

Computing and Communication Services (CCS) is currently engaged in assessing the entire campus for Wi-Fi infrastructure and equipment requirements. CCS recognizes the importance of a robust Wi-Fi system within the residence system to meet student academic, social and personal use expectations. A comprehensive report is expected within the year. As this assessment is still ongoing, the financial impact on SHS for both capital and operating expenses is unknown. However, SHS is positioned to act on this report and recognizes that this may impact the five year plan budget. The department has built flexibility into its capital and operating plans to ensure that it can respond to the need.

## A.4 Capital Renewal Program – Ancillary – Sustainable Transportation and Parking Services (STPS)

STPS has responsibility for developing, maintaining and operating all parking lots on campus. Many services provided by the STPS align and complement those offered by Physical Resources such as the design, building and maintenance of our on campus transportation infrastructure. Primary responsibilities include; maintaining 22 km of roadways; 56 km of sidewalks and public transit facilities; 4 million square feet of aging transportation network including parking space consisting of 51 parking lots with 5442 parking spaces. STPS also supports other transportation demand initiatives, including public transit facilities, cycling facilities, lighting, signage, and emergency call stations.

To meet the growing needs of our community and to address an ever increasing deferred maintenance problem, future budgets will provide for significant funding to design, build, maintain and develop our parking, maintenance and transportation related programs. Opportunities to reduce costs associated with capital projects will continue to be thoroughly investigated. Our Dundas Lane project this past summer was completed in coordination with Physical Resources and the construction of our new Water Storage Facility. Considerable time and cost savings were a result of these collaborations. Of primary importance is the continued development of our public transit facilities that handle in excess of 2.3 million trips annually. Continued investment to encourage alternative transportation modes will negate, or at least delay, the construction of very expensive multi-level parking structures. Our efforts aimed at reducing motor vehicle trips to campus, through our Transportation Demand Management Program (TDM), have been very successful these past several years. Information contained in our asphalt study will be continually analyzed as part of the development of our TDM strategy and will be used to refine our short and long-term capital project plan and determine the level of parking revenues required to maintain our aging transportation infrastructure.

In 2016 2017 we are taking on an ambitious capital project plan totaling $6.5 million to take advantage of favorable market conditions. These expenditures are expected to help address concerns associated with our aging Transportation and Parking infrastructure, and the associated deferred maintenance problem, which is estimated to be in excess of $30 million for parking related facilities.

Major categories of projects include; parking lot and related equipment maintenance; road and parking lot repairs and reconstruction; traffic light systems; public transit facilities; installation of new sidewalks connecting to parking lots; repairs to existing sidewalks; bicycle racks; signage, and personal safety and security programs (lighting, surveillance systems and blue emergency phones). Construction projects planned (outlined on the attached map) for the year 2016/17 total $6.5 million as follows:

- $0.300 million has been allocated for the annual road, sidewalk and line painting maintenance program including improving the lighting system using LED fixtures in all future projects.
- $3.0 million has been allocated for the renovation of P13 and South Ring Road from the bus loop to East Ring Rd. New curbs, LED lighting, storm water management systems, asphalt, a redesign to increase efficiency and upgrading to present construction standards will all be included.
- $1.5 million has been allocated to parking lots, P3 and P19 both of which are in very poor condition. Resurfacing has not been done in over 40 years.
- $1.0 million is being dedicated to the installation of a long overdue Way-Finding sign project, designed to improve on pedestrian and vehicular movements around campus.
- $0.600 million is being dedicated to the removal and replacement of the west portion of the stadium walk, running from Winegard Walk to Gordon St. and the south portion of Reynolds Walk. Not only is this walkway in desperate need of replacement, the future plan is to dedicate the area as “Alumni Walk of Fame” recognizing the accomplishments of significant alumni.
- $0.100 million is being allocated to bus loop maintenance and the storm water system.

Of total of $6.5 million, $1.0 million will be funded through STPS in year revenues. The remaining $5.5 million will be financed.

### B.1 Major Building and Renovation- OVC Surgery Facility (Phase 1)

The University recently completed an OVC Master Plan that reviewed existing space use and made recommendations for infrastructure renewal to ensure OVC meets the needs of the Province and to train veterinarians, provide leading veterinary medical service and conduct research in up to date facilities. The OVC Master Plan centers on re-purposing and renovating existing OVC areas to enhance functions and improve proximities, and as needed, adding new space to support identified learning outcomes.

To meet its commitment to Ontario and remain at the forefront of veterinary medicine, OVC must maintain it facilities. The OVC Master plan identified insufficient facilities (many of which were built in the 1950's) for the delivery of quality teaching and healthcare program. The Plan identifies the two highest priorities: New Spaces for Enhanced Clinical Learning and an Advanced Surgery and Anesthesia Facility. In the new clinical learning space students would learn using skills training models, computer-based simulations and standardized clients. Two out of date classrooms will be replaced with modern, flexible classrooms. The Advanced Surgery and Anesthesia Facilities will be built in renovated space within the existing Hospital. The total estimated project cost is $33 million. Phase 1 refers to the Advanced Surgery and Anesthesia Facilities Phase 2 is the advanced learning centre.

This Phase of the total project has been brought to the Board of Governors attention on several occasions. A $10.0 million investment is proposed to build state of the art Advanced Surgery and Anesthesia Facilities.

A fundraising campaign is underway to pay for this project project. Should any shortfalls in fund raising occur, contingency plans are in place from existing reserves. Approval is requested for the project.

### B.2 Major Building and Renovation- The Guelph Turf Grass Institute

This project has also been brought to the attention of the Board of Governors. The present Turfgrass Institute is located on land leased until 2018. The land owner, the Province of Ontario, is not willing to renew the land lease however the Province has agreed to provide $15 million to relocate facilities onto University owned lands. The new facilities will be owned by the University and in addition to the capital contribution, the Province will contribute to the facilities annual operating costs. This is a significant opportunity for the University ensuring the continuation of this important research facility. An agreement between the Province and the University confirming funding for the $15 million cost of this project is complete. Before final approval, at the November 19 ,2015 meeting of Physical Resources and Property Committee (PRPC), a complete design and project development presentation will be made. Subject to approval of this plan, the project will be forwarded to the Finance Committee.

*Design and cost estimates for the remain projects are not yet finalized however are presented here to indicate that these projects are of a high priority for the University to begin in 2016/2017. Design and engineering will be completed to finalize estimates before they are submitted for approval however the costs provided in this report are reasonable estimates and we feel that the more detailed estimate will not vary materially. Prior to beginning construction on any of the following projects, future Board of Governors approval is required*.

## B.3 Major Building and Renovation- Expansion of the Powell Building

The objective of this project is to enable the creation of a fully integrated Student Wellness Centre and to provide a new entrance to the Mitchell Athletics Centre – this project, although a significant investment, is an opportunity to help address the growing demand for improved student health and counselling services. The new entrance component of the project is taking advantage of the location of the Powell Building being immediately adjacent to the existing Mitchell Athletics Centre. Construction efficiencies can be realized with the proposed Powell building addition and renovations.

The presently proposed project budget is $10 million however further cost estimating is necessary. The project is consistent with the University's master plan which proposes establishing an athletics and wellness hub at the east end of the campus. More complete costing and design plans will be presented to the Physical Resources and Property Committee (PRPC) of the Board of Governors once completed.

## B.4 &B.5 Major Building and Renovations- Student Study and Gathering Spaces in the Library and University Centre

There is a continuous student demand for more student study and activity space. The Library and the University Centre are the two primary student gathering locations and it is proposed that renovations will be made in both buildings to provide more student space. The Library plan includes the installation of compact shelving for information resources freeing up space for renovation that provide for more student study space. The University Centre proposal includes renovations on the first floor (south side) that would enhance washroom facilities and provide an open multi-use area for which the primary use would be student "gathering" space which is in constant demand. The existing space is now mainly allocated for rooms restricted for events (bookings) with limited availability for student use.

More complete costing and design plans for both of these projects will be presented to the Physical Resources and Property Committee (PRPC) of the Board of Governors once completed.

## E. Projections and Compliance with the Capital Debt Policy

In 2014 the University adopted a new Capital Debt Policy. A major feature of that policy was a series of "metrics" or "financial health indicators "including targets or benchmarks that would be used in monitoring capital debt levels and the costs of servicing that debt. A key concept in the use of indicators and targets is that they are not normally used as absolutes in making debt financing decisions i.e., if a target is exceeded does not mean there will be no more debt until levels are restored. As indicated in the Policy, capital financing decisions are intended to be made in the context of risk/return, cost/benefit of the project under consideration for approval.

The purpose of this section is to provide readers with an update on those policy metrics both for actual results to the end of fiscal with projection for the next five years using a "baseline" set of assumptions. As 2015/2016 is the final year of the current five-year plan, efforts will now begin on the next cycle, beginning in 2016/2017. The "baseline" presented in this section will serve as a starting point for the development of that plan. It should be noted that this is not a projection of any specific plan or proposal but simply a singular view of the status quo reflecting no major negative events beyond steady annual returns and limited new debt. The major baseline assumptions are presented below.

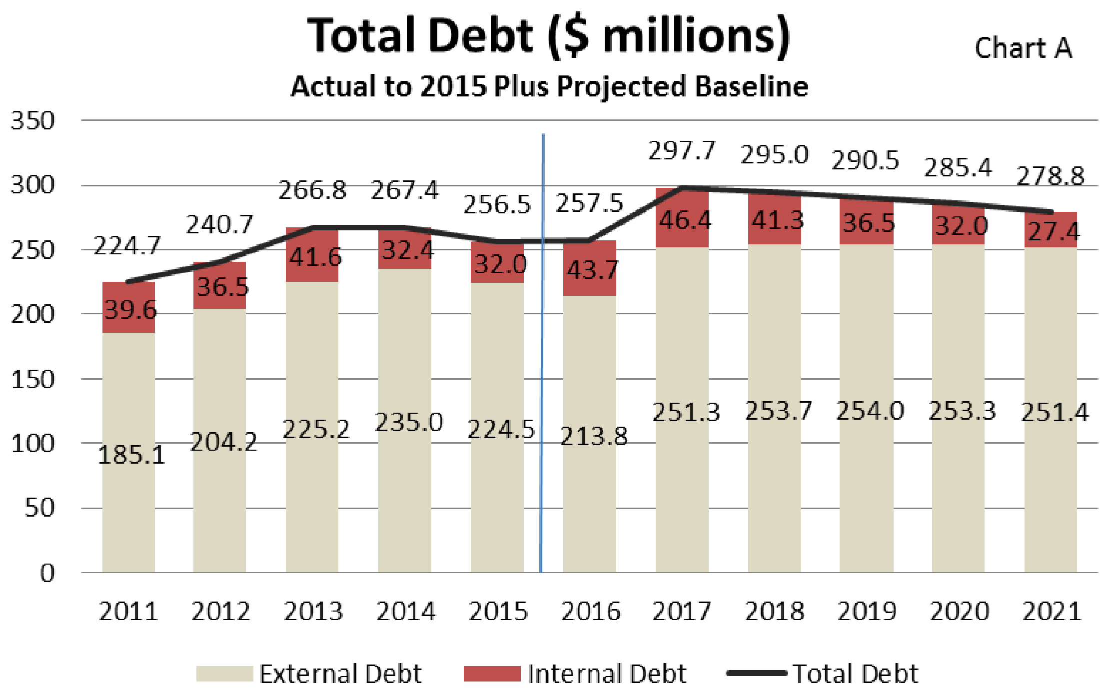
### "Baseline" Assumptions for total debt and debt metrics projections;

The key assumptions in projected debt and related ratios include the following:

- Amount of borrowing reflects the needs of previously approved financing (for approved capital projects) plus **$15 million annum** (p.a.) for the next five year plan (fiscal 2017 – 2021), all assumed to be external debt.
- Borrowing for the major energy project (internal) and Mitchell Phase 1 project (external), both approved in 2014/2015, will occur in 2016 and 2017 respectively.
- Terms of repayment:
    - 5.0% interest rate; payments are principal plus interest over 10-15 years
    - Borrowing for Mitchell project only is repaid in blended payments over 25 years
- Flat enrolment; no change from 14/15 levels
- 1% increase p.a. in Revenues; 2.5% increase p.a. in Expenses. These amounts effectively take Net Income from $70 million in fiscal 2014 down to $40 million in 2018 and $17 million in 2021.
    - No major pension contribution requirements above that provided in the current annual operating budget assumptions i.e., no major solvency requirements in 2018.
- Net Endowment returns of 4% p.a.

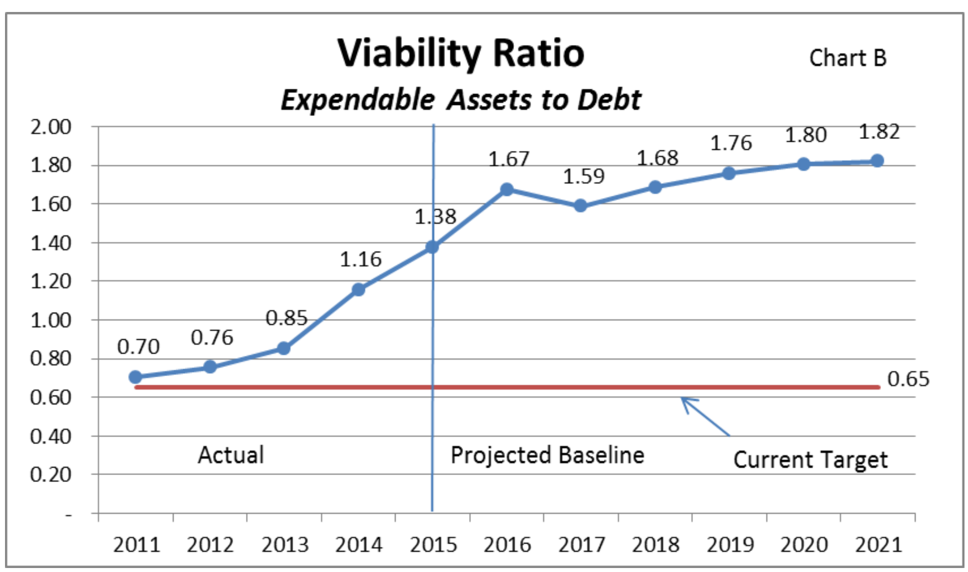
## Total Debt

Chart A shows the total projected debt (both internal and external) over this five years plan plus the baseline scenario for the following five years. It should be noted that even with $15 million in projected new debt each year, total debt declines. This is the result of principal repayments which increase over the time period and eventual will exceed the $15 million level. The increases in 2016 and 2017 reflect the borrowing for the two major projects of 2014/2015; the energy retro fit project and the Mitchell Phase building.

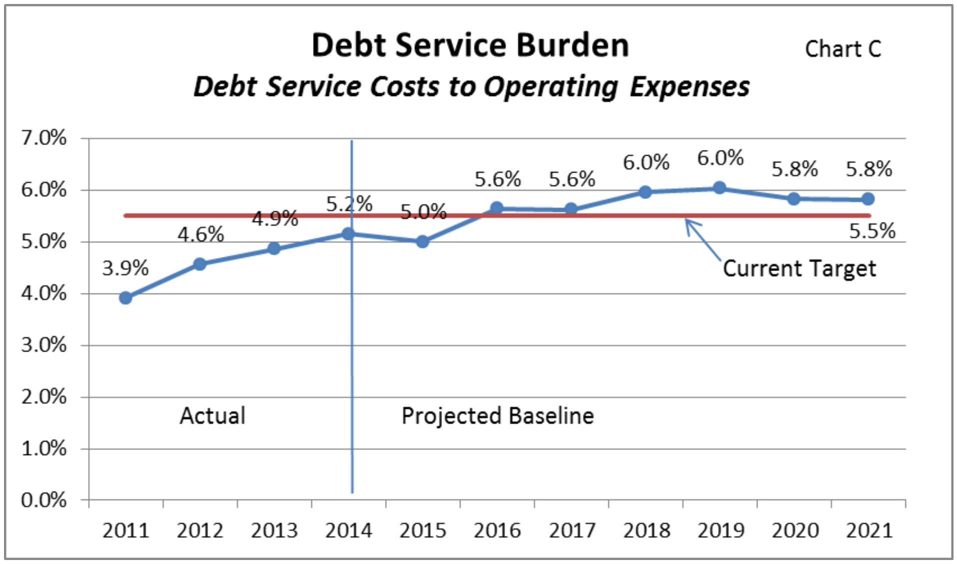



**Policy Debt Management Metrics** - The following includes actual results.

1. Viability Ratio: this key metric in monitoring debt capacity measures how many times expendable net assets could pay for outstanding debt. Projections show very positive results given the assumptions of continuing net income, and declining debt. This ratio is very sensitive to net asset changes e.g., a major downturn in the financial markets (impacting endowments) and net operating deficits will quickly reverse this positive baseline projection.

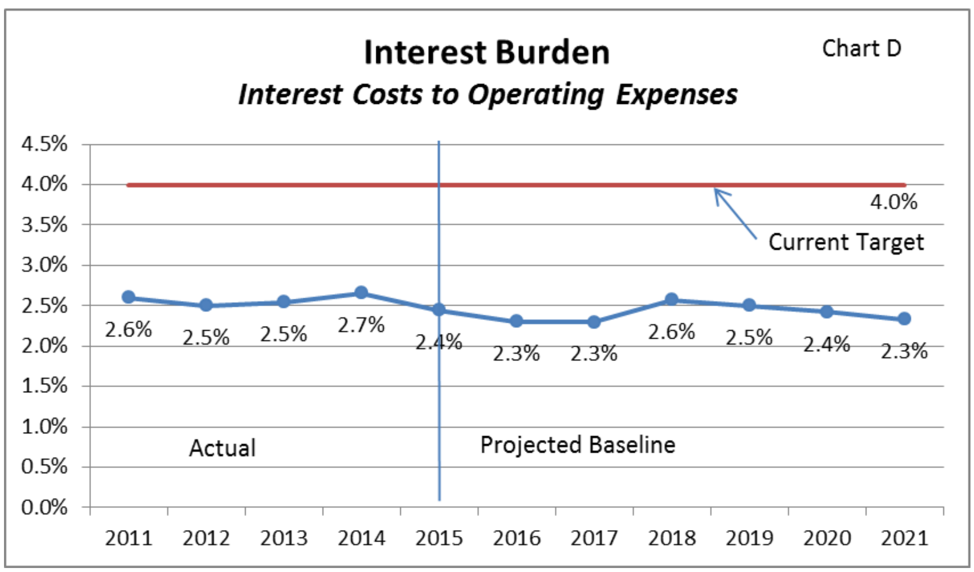


2. Debt Service Burden is an affordability measure that tracks the costs of servicing (both internal and external) debt as a portion of total operating expenses. The increase through to 2019 reflects the initial jump due to financing of the Mitchell Phase 1 project and the energy retrofit project. Both of these projects were approved in 2014.

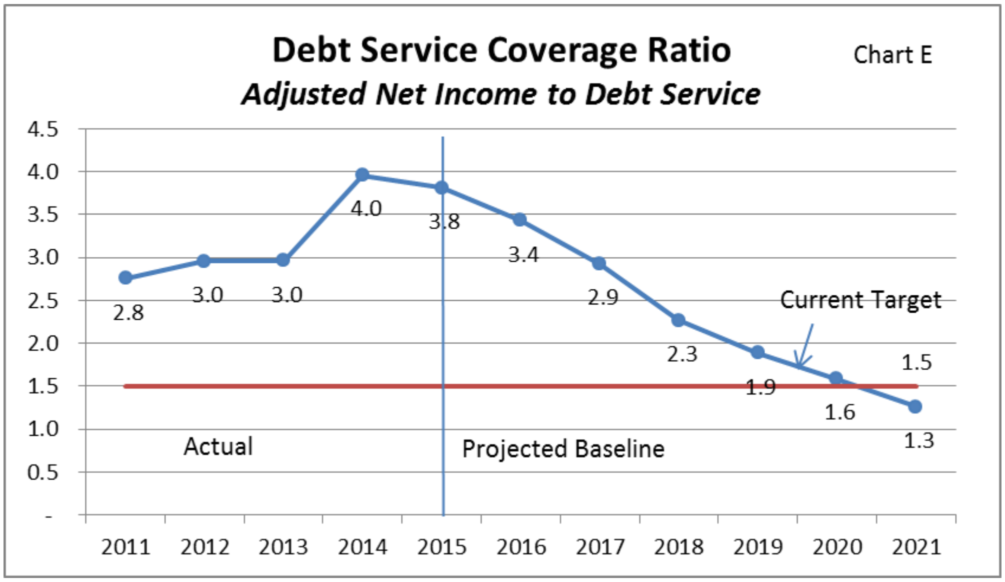



3. Interest Burden is another affordability measure similar to Debt Service Burden only recording interest costs (internal and external) only.

The positive results relative to the benchmark reflect low interest rates and net repayment through the baseline period.



4. Debt Service Coverage results below reflects the expected decline in net income of the current levels which are considered to be overly positive for the next five year period. In effect, it shows a rate of decline in net revenues greater than any slowing or decline of debt servicing and overall debt levels.




5. Debt to FTE is a common measure of overall size of debt (internal and external) relative to enrolment. Debt levels, assuming flat enrolment show levels that are higher than the benchmark rate of $10,000.