University of Guelph

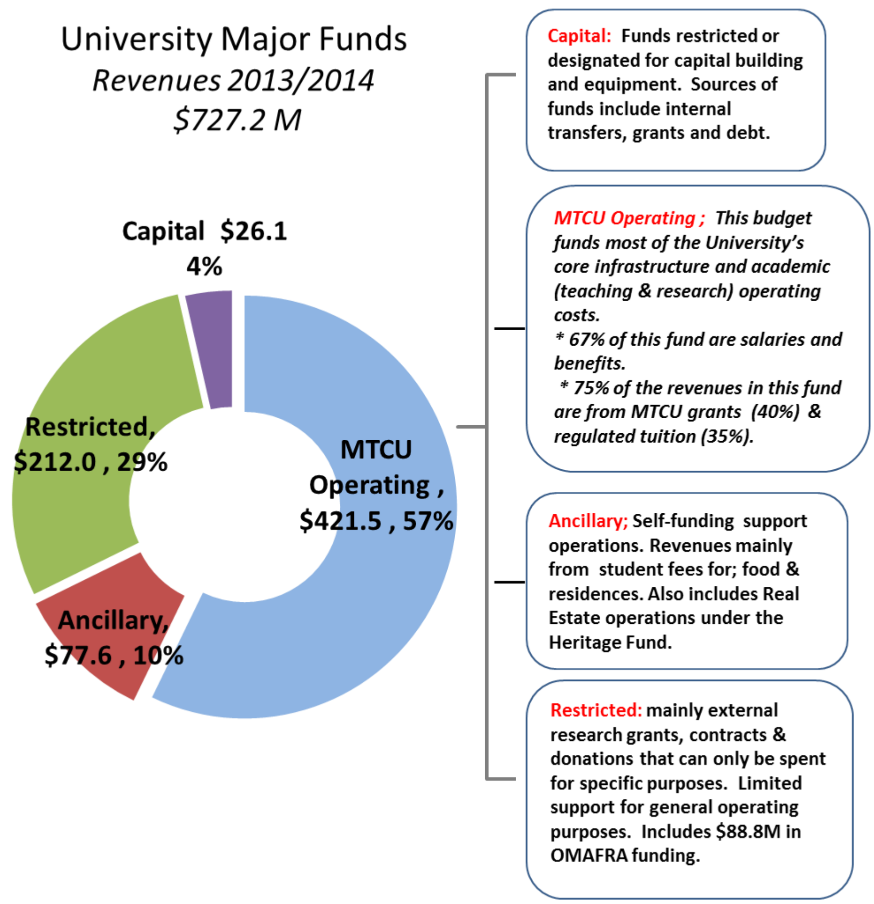
2015/2016 MTCU Operating Fund Budget

[April 26, 2015]

Board of Governors

1 Introduction

The University of Guelph is the seventh largest of twenty universities in Ontario with 22,000 students enrolled in a wide variety of programs and courses, offering curricula that integrates a strong foundation in broad-based liberal learning with concentrated study in specialized and applied fields. In fiscal 2013/2014, the University recorded $727.2 million in revenues from all sources (refer to the chart below). Revenues and expenses are recorded in major “funds” in order to properly account for their use for external funding organizations and individuals. Major funding sources include, $180 million from MTCU (Ministry of Training Colleges and Universities), $170 million in tuition, $80 million miscellaneous sales/services and $145 million earned specifically for research activities from a large number of sponsors including funding under the University of Guelph/Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) partnership.



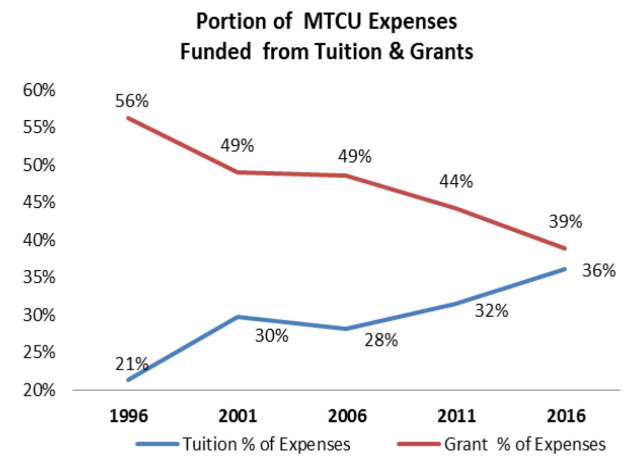
Similar to other universities, Guelph's funds are received from many sources including donors, provincial and federal governments, and students who pay tuition and fees for ancillary services. A significant portion of revenues are restricted as to purpose, and support project-based activities such as research and capital projects.

In general, the current funding environment is marked by sponsor requirements for greater restrictions and accountability regarding the use of funds. This trend has led to increased targeted funding and less support for general cost increases and core university-wide infrastructure. In addition, economic challenges facing governments mean increased competition and smaller overall award sizes as sponsors try and leverage lower overall levels of funding.

The direction to limit the use of funds is not limited to the usual types of “restricted” funding for research or donor sponsored activities. The MTCU (Ministry of Colleges and Universities) is the primary source of operating grants for university teaching and infrastructure support in the province. The ministry manages all major provincial post-secondary policy through operational directives which determine grant funding levels and purpose and sets tuition fee rates for most degree-credit programs.

Of the major funds the “MTCU Operating Fund” is not only the largest but is foundational to University operations. Its revenues, mainly MTCU operating grants and tuition support 90% of all faculty and 80% of regular full time staff positions as well as the University's core teaching and research services and infrastructure. Most of the revenue (75%) earned in this fund are derived from MTCU Operating grant and provincially regulated tuition.

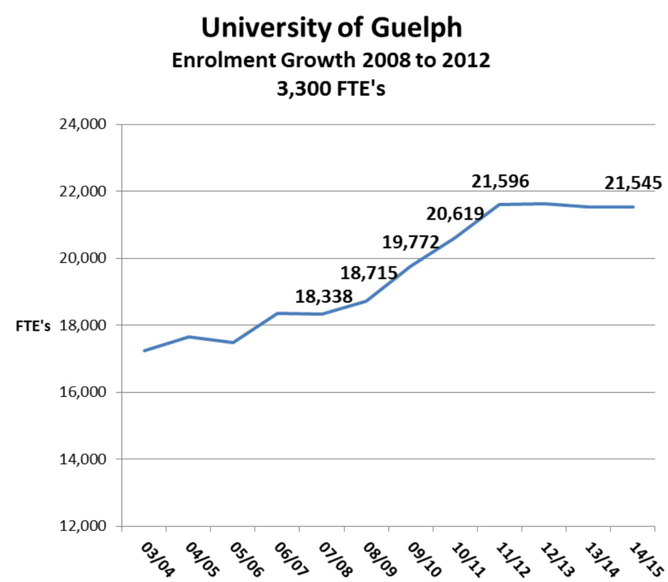
Changes to the MTCU operating grant funding is now either contingent on total enrolment levels or directed for specific programs with targeted outcomes. There has not been any general inflation-based funding in several years and the opportunity for additional operating funds to support general cost increases is limited now to a combination of higher tuition fees and increasing enrolments.



While holding steady at about 60% of total University income, since the mid-1990's there has been a major shift within the fund in the portion of income realized from MTCU operating grants versus tuition fees. The dollars received have moved from a 3 to 1 ratio (grants; tuition), to almost equal (refer to adjacent chart).

With the fact that most of the MTCU grant funding is based on the numbers of student taught, this shift has dramatically increased the importance of managing enrolments when determining overall revenues.

The context for current planning includes two significant enrolment-related factors; one a recent University experience and the other a system-wide challenge.



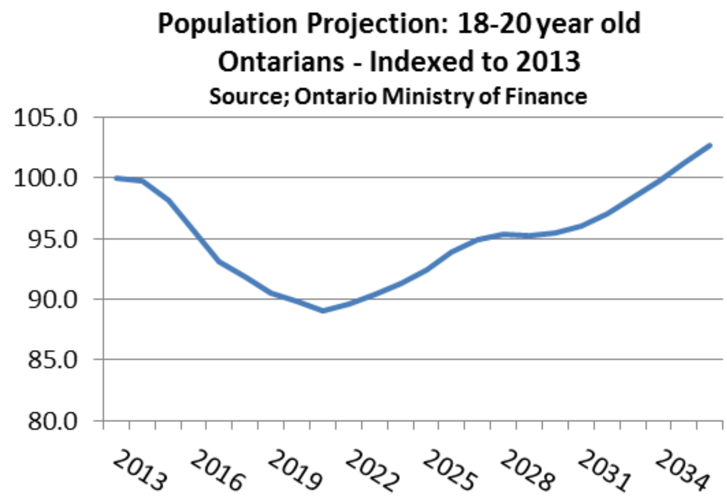
Over the period 2009 to 2012, the University of Guelph experienced undergraduate enrolment growth of 3,300 students, an 18% increase over that five-year period. This growth, much of it unplanned, was the result of an increase in demand for post-secondary education in general and in the University of Guelph programs in particular. The increase in students and revenues were above baseline budget assumptions for that period which was set at relatively constant overall levels.

Using this opportunity to create budget flexibility, it was decided to absorb the new enrolments and contain cost increases. A certain amount of the new funding generated was allocated to maintain the quality of programs and services however a significant portion of this "productivity" gain was used to create reserve funds in the MTCU operating budget.

While a portion of the reserves were used in the following two years to balance the budget (thereby avoiding the need for further unit cost reductions), the remainder has been retained and will be an important consideration as part of the University's fiscal planning in 2015/2016 and beyond.

Looking ahead, the days of revenue growth through increased enrolments will be limited. Demographic projections show an eight year period of declining university-age students (from high schools) before the trend reverses around 2021. Historically, this age group has been the major source for university undergraduate recruitment and its decline will have a major impact on both fiscal planning and program design in the next decade.

Accompanying this overall decline of this age group is a shift in regional distributions with declines significantly less in the Greater Toronto Area (GTA) where it is expected that most of the recovery by 2034 will occur. Under the constant intake rate scenario, which assumes 2014 rates going forward, domestic enrolment in direct-entry programs is projected to decrease significantly (~9 per cent compared to 2014-15) over the next eight years and begin to rebound after 2023-24.[1]



In this scenario, the changing population levels have a direct impact on enrolment. For the University of Guelph, which historically recruited 95% of undergraduate enrolments from Ontario and still does, the shift to the GTA as a recruitment base has been already begun. In 2003 27.5% of our undergraduate student population was recruited from the GTA; in 2014 that number was 48.7%. This was a deliberate strategy in response to the population shift from rural locations to large cities that was already underway.

This demographic challenge will be a critical consideration in planning for the next decade. With tuition fee increases for most programs capped at 3% all universities in Ontario will be facing a period of very slow, if not declining operating revenue growth.

Without adapting new strategies to seek diversified revenue opportunities, become more competitive and to develop more sustainable programs, universities will be facing a major challenge to maintain fiscal health through this period.

Planning assumptions in the MTCU Operating Budget are also influenced by our internal multi-year Integrated Planning process and our external commitments to the province under the new provincial differentiation framework policy.

The University's 2012-2017 Integrated Plan (IP) established a five year operational planning objectives for both academic programs and infrastructure support. Major goals under this plan were built around five major areas; Student Success; Engagement, Knowledge Creation, Mobilization and Impact; Transformative Program Innovation; and Institutional Capacity and Sustainability. Under the IP, funding guidelines were initiated that directed outcome-based funding for targeted priority areas such as undergraduate and graduate growth, and research support enhancements.

An important goal of the University's IP is to ensure that the University has sufficient resources to maintain an annual balanced budget and to provide budget flexibility both to help mitigate major fiscal

[1] From report on Fall 2014/2015 Enrolment Update from COU (Council of Ontario Universities.)

uncertainties and to create reinvestment funding for initiatives that could help achieve the goals of the IP.

An important component of IP is the multi-year financial plan built around continuous projections over the next 3-5 year period. With limited revenue growth expected and annual cost increases at the 3.0%-3.5% the outlook is that we will need to continuously "rebalance" expenses to revenues to ensure the fiscal sustainability of programs and services. The means to this is the assignment of savings targets to major operational units that they must achieve (these targets are referred to as the Multi-Year Plan or MYP targets). Funds released from these savings are reallocated back into units mainly in the form of increases to compensation budgets. Continuing to build on the principles of IP as expressed in this document will remain a priority in the budget plan for 2015/2016.

A second major consideration in planning is the University's Strategic Mandate Agreement (SMA) with the Ministry of Training Colleges and Universities (MTCU) that defines the University's commitments under the ministry's Differentiation Policy Framework. The SMA contains clear institution and system base performance metrics in the provincially defined, six components of differentiation;

1. *Job, Innovation and Economic Development* (contribution to the economy)
2. *Teaching and Learning* (educational methods and experience)
3. *Student Population* (diversity and support programs)
4. *Research and Graduate Education* (research capacity, competitiveness and profile)
5. *Program Offerings* (breadth of programming and institutional areas of strength)
6. *Institutional Collaboration to Support Student Mobility* (improved credit-transfers)

In addition, the SMA establishes our current enrolment strategies for both undergraduate and graduate students (for the next two years) and our commitment to financial sustainability in managing our resources. While unclear at this point as to how this important provincial policy will impact funding[2], our SMA reaffirms with the province, the University's range of strengths incorporating all our programs and outlines how our priorities align with each of the components in the framework.

The University's 2015/2016 MTCU Operating Fund Budget reflects these realities and planning objectives by continuing with the three key multi-year financial goals established under the Integrated Plan;

1. Continue to implement annual target savings to achieve a balance budget.
2. Continue to maintain the infrastructure platform on which all successful programs depend.
3. Continue to provide funds for program transformation required to achieve IP goals.

[2] MTCU has initiated a major review of the funding policy for universities which will engage a wide variety of stakeholders. It is expected that the results of this review will be released for the 2017/2018 fiscal year.

2 Executive Summary

The following is a summary of major assumptions used to build the 2015/2016 MTCU Operating Budget, including highlights of 2014/2015 forecast results.

2.1 Key Revenue Assumptions

With the expected decline in applications for university education in the province, the University will be planning for essentially flat institutional revenues relative to last year.

- Plan for a small (1.6%) decline of approximately 350 FTE (full-time equivalents) in domestic graduate and undergraduate students. This is a mid-range assumption with a best case at flat levels and a worse-case being a loss of 800 FTE's. The reduction is in response to two events; the decline in system-wide applications from the traditional Ontario high school population; and the graduation of the large 2009-2010 cohort from the University. This assumption will result in a combined decrease of $6.40 M or 1.4% in budgeted income relative to 2014/2015.
- Implement tuition increase in line with current provincial framework (maximum for regulated programs of 3% across all programs) and maintain a cohort fee for international students with revenue increases of 5%, balancing our competitive positioning with the objective of generating new funds for investment in the continued recruitment of international students. The total revenue increases will be an estimated $4.7 million or 1.0% increase in total income.
- Fully recognize the increased contribution from the University of Guelph-Humber (GH) operations to the University. GH operations are expected to generate overall net incomes of $20 million annually for the near term, of which 50% will flow to the University. The annual target for GH will be increased to $10 million; a $1.5 million increase over last year's estimate. Along with other smaller adjustments to revenues and recoveries of $0.500 million, $2.0 million in new funding or 0.5% of total income will be planned for 2015/2016.

2.2 Key Expenditure Assumptions

Cost increases for compensation continue to dominate major planning assumptions. In addition, it is necessary to invest in major infrastructure in order to sustain the platform to deliver all programs and services. Combined, all cost increases will add 3.5% to the University expense base.

- Provide for compensation increases of $8.4 million plus $2.0 million in pension contribution increases to meet going concern obligations. With contracts for major groups completed, estimation risk is low. Total costs in this category are estimated at $10.4 million 2.2% of the total budget expense base.
- Provide for infrastructure and support costs increases including physical space, information technology, health and safety and administrative support. Major components include;
    - $2.4 million for information technology systems, mainly to implement improved IT security protocols and oversight.
    - $2.1 million for physical space related cost increases including $1.5 million for debt servicing for main campus deferred maintenance and the implementation of an improved building security system.
    - $0.550 million for a number of health, safety and legislative support services
    - $0.300 million for library information resources

  Combined, the above will add 1.2% to the University's cost base.

- $0.550 million will be added to the central student assistance budget of which $0.150 million will be used for international graduate recruitment and the remainder for general undergraduate needs-based awards.
- Provide $24.4 million for Integrated Planning allocations. Since the initial IP at the University in 2005, a priority has been to create funds that could be allocated to units based on certain performance-based metrics. Over time this "Integrated Planning" fund has grown to almost 5% of the total budget at $24.5 million. For 2015/2016 $7.5 million of this fund will be targeted for new initiatives and at this point is unallocated. Most of the remaining funds are targeted for established performance-based programs such as supporting undergraduate targeted areas and encouraging graduate growth particularly for domestic students. (In providing this total level of funding, the General Reserve of $10 million in base funding will be reduced to $3.5 million for which the priority will be high priority, unforeseen university-level events. For all in-year initiatives funding will be drawn from the $7.5 million priorities investment fund noted above.)

2.3 Key Cost Savings Assumptions

Two other major assumptions have been used to help balance this year's budget. They include the release of annual funding previously committed for a deficit repayment and previously scheduled 2015/2016 unit savings targets (MYP). Combined, these assumptions when realized will save 3.5% of the current expenditure base.

- $6.0 million in annual funding (built into the previous budget) will be released with the prepayment of a 2011 restructuring deficit (mainly buy-out costs associated with a 4 year plan to reduce $46 million from the University expense base. This plan ended in 2011). At the end of fiscal 2014/2015 the remaining deficit which started at $40 million will have been reduced to $23.1 million. The funds to prepay this deficit have been already realized from prior years surpluses that are held as University net assets (refer to the next section on Forecast Results for 2014/2015). This $6.0 million will be used to help balance the overall budget.
- $10.0 million has been assigned to units as part of the multi-year plan to help keep the budget balanced. These are structural savings required of all operating units. It is recognized that for some colleges, realizing these savings will require several years given the high portion of budgets that are allocated to faculty and staff. In these cases, "bridging" strategies such as the use of one-funding are used to help balance the overall budget.

2.4 Forecast Results for 2014/2015

Overall, it is forecasted that the University will generate $15.2 million in surplus by April 30, 2015 in the Operating fund. (Refer to the Supplementary Tables; Section 6.3 for full details on the forecast). Variances in the major revenue and expenses categories include;

- $3.3 million positive results in institutional revenues most of which was generated from increased income for the University of Guelph-Humber and a positive variance in tuition income. Major changes include:
    - MTCU grants will be under budget by 1.5% or $2.5 million due to missed enrolment targets particularly in the area of domestic graduate student.
    - Tuition will be 2.2% or $3.3 million higher than the budget due to conservative estimations.
    - GH revenues will be $2.6 million greater than budget due to continued positive results in the joint venture with Humber College.
- University in-year reserves (both the general reserve and specialized funds) that were not spent in 2014/2015 contributed a combined total of $3.7 million in net income.

- Colleges and divisions have forecast a combined net positive variance (underspending relative to budget) of $2.2 million. Under current University policy these funds will be added to funds carry-forward (appropriated) into the next fiscal year.
- $6.0 million was generated in net income that was planned as part of the repayment plan for the 2011 restructuring deficit. This net income will reduce the deficit from $29.1 million to $23.1 million in accordance with the Board approved plan.

2.4.1 Summary of University Operating Fund Net Assets

The following table summarizes the forecast results for Operating Fund net assets at April 30, 2015. The "net assets" grouping is the "equity" portion of the University's balance sheet which receives the accumulated results of operations over the course of time. (Note: this table does not include the other major funds of the University including Ancillary operations, restricted funds such as research and endowment or capital activities. In accordance with fund accounting practice, annual results will remain within the net assets of each fund). Increasing net assets requires that funds be generated from operations i.e., net income. Incurring deficits decreases net assets.

Forecast Operating Fund Net Assets
At April 30, 2015

Category ($ millions)	Audited Opening Balances April 30, 2014	Forecast Changes (2014/2015 Results)	Transfer to eliminate the Restructuring Deficit	Forecast Closing Balances April 30, 2015
Operations *;				
Unit Carry Forwards	58.7	2.2		60.9
University Reserves	64.6	7.0	(23.1)	48.5
Sub-Total	**123.3**	**9.2**		**109.4**
2011 Restructuring Deficit	(29.1)	6.0	23.1	-
Total Operations	**94.2**	**15.2**	**-**	**109.4**
Post-Employment Costs:				
Reserves for Contributions	80.8	(7.2)		73.6
Accumulated Accounting Charge	(354.3)	($25.0)		($379.3)
Total Post Employment	**(273.5)**	**(32.2)**	**-**	**(305.7)**
** excludes all other funds; Ancillary, Restricted and Capital.*				

The above table is separated into two major sections;

1. "Operations" which records the accumulation of net MTCU operating results. As indicated earlier it is currently forecast that operations will generate $15.2 million in net income, split among units ($2.2 million), central operations ($7.0 million) and a deficit repayment ($6.0 million). Total net assets under operations are expected to increase to $109.4 million. While $60.9 million of these funds will remain with major operating units, $70.6 million is forecast for central reserve. It is proposed to use $23.1 million of this reserve to eliminate the "2011 Restructuring Deficit" leaving $48.5 million remaining.
2. "Post-Employment Costs" which records both the account charge for post-employment costs and the cash reserve the University has accumulated for future pension contributions.

- The "Reserve for Contributions" was created several years ago when it was realized future annual pension contributions required to fund pension deficits could not be fully generated from any single year's operating activities. In periods of surplus, particularly through the 2010 to 2013 period, a reserve of $80 million was created. This reserve will be used to fund pension deficit funding requirements for as long as they last. In fiscal 2014/2015, an estimated $7.2 million will be used to top-up the $38 million budget for in operations to meet the overall contribution requirement for 2014/2015 of $45 million.
- Under accounting regulations, the University is required to estimate the current value of post-employment costs (pension and non-pension) earned for all future periods (accrued) and record that estimate as an expense in its audited financial statements. This estimate uses actuarial assumptions and is updated each year. The result is a deficit that represents the estimated funding we should have allocated to cover these future obligations over the past years. Fortunately, we are not required to fund this deficit today, however under current plan design and assumption; it will need to be in the future in the form of cash disbursements. In the table above, the current "Accumulated Accounting Charge" is shown to recognize the significant liability these obligations represent.

2.5 Looking Forward: Risks and Opportunities

As part of regular fiscal planning, the University prepares projections based on major revenue and expense categories. The purpose is to identify any major funding shortfalls in order to have time to prepare appropriate plans in response to both risks and opportunities. The assumptions made in preparing projections are based on the best information available at the time. The following is a summary of current assumptions and an assessment of the unknowns that accompany each one.

Major Revenue Categories

- <u>MTCU Operating Grants:</u> Currently, the longer term assumption is that there will be no major adjustments to this grant, either increases or decreases. This assumption is mainly based on the lack of information to the contrary at this time. With the provincial economic situation as difficult as it is, the risk is that some form of "constraint" measure will occur. (There has already been a small – $3.0 million "productivity" improvement and international student claw back implemented in 2012/2013). The one controllable aspect of grants is their linkage to enrolments – within limits defined under the SMA. This also presents an opportunity; more enrolment more grants. Longer term, by 2017/2018 it is expected that the review of the current funding formula will be complete. Results of this review could have major impact on both the levels of funding and how grants are allocated.
- <u>Enrolment:</u> The 2015/2016 assumption of 350 fewer students is the first time a downturn in enrolment has been built into budget assumption in many years. Going forward the projections are that we will hold this level as the new baseline. While some scenarios show even a larger decline, there is an opportunity to increase student numbers in specific areas where there is capacity both in terms of the quality of the recruitment pool and provincial funding is available under the current formula and SMA. In addition, non-tradition populations (transfer and international) could be exploited to help offset further declines.
- <u>Tuition Fees:</u> The current provincial framework, with a 3% maximum annual increase, is due to end after the 2016/2017 fiscal year. Major uncertainty will remain regarding what will happen in 2017/2018 and beyond (when a new funding formula could also be in force). For projection purposes a 2% increase is assumed.

- Other Revenue Categories: In this category, the two largest single sources of revenue are research indirect support ($29 million annually) and our revenue share with Guelph-Humber ($10.0 million annually). Having now recognized all of the actual funding expected from Guelph-Humber, which is at capacity, the risk is that any pull back in enrolment could reduce our income. On the opportunity side, there is a possibly of Guelph-Humber expansion which could yield additional net income. The indirect costs of research are in direct proportion to our total research funding levels. Recent years have seen a slowdown of funding levels with more completion and government economic constraints. Opportunities for additional funding increase with more research activity.

Major Expense Categories

- Salaries and Benefits: This category continues to dominate in terms of proportion of the budget (66%) and impact on our overall fiscal position. Forecasting this cost is made more accurate when multi-year negotiated agreements cover future periods. With many of the major agreements covering the period to 2017, there is a higher degree of certainty on estimating this cost until 2017/2018. Included in this category is a provision to increase our pension contributions to fund our going concern costs. (Solvency payments, if they become an actual requirement in 2018 are not included).
- Infrastructure costs: Ensuring the capacity to operate our facilities and central services effectively is a critical objective of our fiscal planning. Going forward the assumption is that we will need to continue to support information technology and the resources necessary to ensure effective health and safety programs across the University. With the prospects of no inflation support in our funding, supporting this category of expenses will require continued commitments from any revenue source or reallocations within the overall budget.
- Integrated Planning: The 2015/2016 budget contains funding of $7.5 million for IP initiatives to continue investments to enable in program transformation and adaption to new opportunities in both the recruitment of new students and improvement of their educational experience.
- MYP Targets: In order to maintain a balanced budget, colleges and divisions have been assigned annual savings targets that help contribute to overall cost increases. Over the past decade major contributions by units e.g., $46 million in the period 2007 to 2011 alone, have removed much of the internal flexibility such as access to voluntary retirements and any discretionary funding within unit budgets. As we move forward with requirements for more savings, options are becoming limited. We have begun to see saving limitations, especially in the colleges. Moving forward the assumption is that eventually all the current targets will be met, recognizing that the timing is not fully controllable given the constraints of collective agreements and the commitment to students to deliver programs to completion. The current saving target schedule ends next year (2016/2017) by which time an assessment will be required on further allocations.

Factoring in these assumptions, the following table is one projection to the end of fiscal 2018. With limited revenue growth prospects and increasing costs, projections show the increasing probability of a base budget deficit starting in 2016/2017. (This assumes that the current MYP target saving will be achieved). With a balanced budget currently a key priority, the primary effort of this fiscal year will be to identify not only the MYP target saving (by units) but the realization of opportunities in the area of new enrolments (and grants) relative to current budget assumptions.

In 2017/2018 and beyond, the University will need, in all likelihood, need to prepare for another round of targeted savings if we are to achieve a balance budget. In addition, that year could be a pivotal one as there are a number of major decision points arising including; new collective agreements for major employee groups; a new tuition framework and possibility of a new funding formula (as the current SMA will be complete in 2016/2017); the end of the current temporary solvency relief legislation.

MYP 2 - MTCU OPERATING FUND BASE BUDGET

Summary of Funds 100, 102, 104 & 105				Budget		Estimate		Estimate	
	Notes	13/14	14/15	15/16	% Chg	16/17	% Chg	17/18	% Chg
Revenues and Recoveries:									
MTCU Operating Grants		178.2	179.2	173.3	-3.3%	173.3		173.3	
Tuition Fees - Credit		151.4	161.4	165.7	2.7%	170.6	3.0%	174.0	2.0%
Tuition Fees - Non-Credit		12.8	12.9	12.9		12.9		12.9	
Other Revenues	*1*	47.9	48.4	48.9	1.0%	49.3	0.9%	49.3	
Recoveries - Research		29.3	29.3	29.3		29.3		29.3	
Recoveries - Other	*2*	28.1	32.2	34.3	6.8%	34.5	0.5%	34.7	0.5%
Total Revenues and Recoveries		**447.7**	**463.4**	**464.3**	0.2%	**469.9**	1.2%	**473.5**	0.8%
Salaries and Benefits		295.2	301.8	308.9	2.5%	319.6	3.6%	330.5	3.4%
Operating Costs		78.1	80.5	80.8	0.3%	81.1	0.3%	81.2	-0.1%
Internal Recoveries		(20.7)	(22.6)	(22.6)		(22.6)		(22.6)	
Infrastructure Costs	*3*	35.7	36.2	38.2	5.6%	40.3	5.5%	41.6	3.4%
Capital Financing Costs		17.3	19.3	21.5	11.3%	23.8	10.6%	25.7	8.3%
Student Aid and Awards	*4*	17.5	18.5	19.0	3.0%	19.5	2.6%	19.8	1.5%
Total Integrated Planning		25.5	24.7	24.5	-0.8%	24.5		24.5	
University Reserves		3.5	3.5	3.5		3.5		3.5	
Restructuring Deficit Repayment		6.0	6.0	0.0	-100.0%	0.0		0.0	
MYP Targets (Remaining)	*5*	(2.6)	(4.5)	(9.5)	111.3%	(15.5)	62.9%	(15.5)	
Total Oper & Oth Institutional Expenses		160.3	161.6	155.4	-3.8%	154.6	-0.5%	158.2	2.3%
Total Expenses		**455.5**	**463.4**	**464.3**	0.2%	**474.2**	2.1%	**488.7**	3.1%
ANNUAL BUDGET (DEFICIT) (base)		**(7.8)**	**0.0**	**(0.0)**		**(4.3)**		**(15.2)**	
Contingency Funds (one-time)		7.8	(0.0)	0.0					
NET BUDGET (DEFICIT)		**0.0**	**0.0**	**0.0**		**(4.3)**		**(15.2)**	

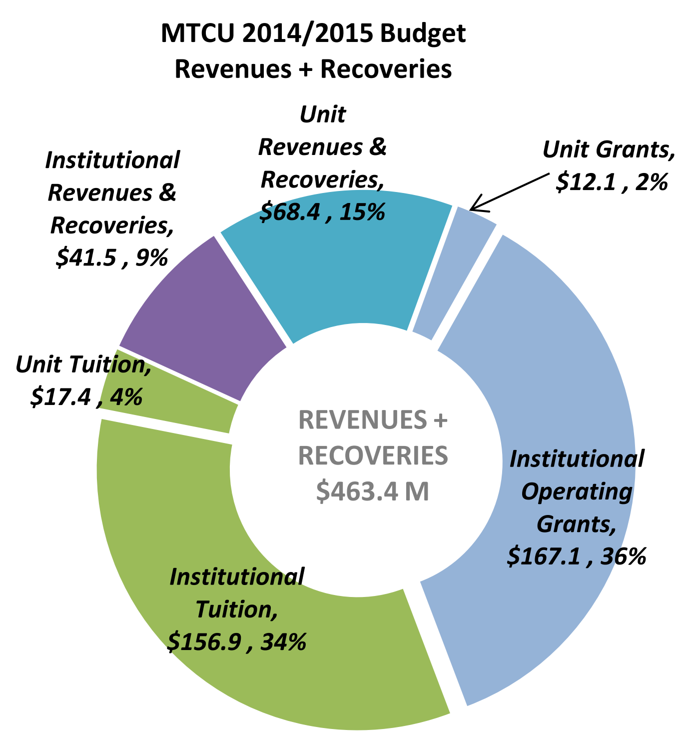
Notes

1. **Other Revenues** directly support the units providing the services such as non-credit program and student fees or are restricted for a special purpose. Any adjustments to these revenues are absorbed by the department responsible.
2. **Recoveries - Other** are received from Ancillary operations, Guelph Humber and other program sources in support of services (utilities, space, administrative) provided from the MTCU operating budget.
3. **Infrastructure Costs** are a grouping of institutional support costs including utilities, information technology services (networking, servers, and applications) and library information resources.
4. **Student Aid and Awards** are the operating funds awarded to students as scholarships and bursaries including funds set aside from tuition increases ($9.3M) and entrance awards ($4.4M).
5. **MYP Targets (Remaining):** These are college/division savings targets that are scheduled until 2016/2017. As savings are identified this number is reduced.

3 Detailed Revenue Assumptions

Revenue assumptions at this point in the annual budget process include only those that affect major **institutional-level** sources. The main budget assumptions focus on institutional-level income sources as these provide the funding to support the major expense categories of compensation and central infrastructure. In addition, there are $87.9 million in revenues and recoveries[3] credited directly to individual unit budgets. This **unit-level income** is earned from a wide variety of sources (described below). Any changes to unit-level income is the responsibility of the local unit and can be an important component of a unit's ability to both deliver key services and to meet overall budget targets.

The chart below indicates the concentration of revenue funding in institutional-level grants and tuition (combined at 70%) and the distribution of revenues and recoveries between unit and institutional level categories.



- **Institutional Operating Grants**; are grants received from MTCU mainly based on university degree-credit programs. In general these grants are not directed for specific purposes but may require supporting metrics e.g., numbers of students enrolled.
- **Unit Grants**; are mainly MTCU operating grants received for specific purposes. Major examples include a grant directed to support the OVC of $6.5 million, a $4.5 million grant in support of diploma education in the OAC.
- **Unit Revenues and Recoveries**; includes a wide variety of sources from operations in., OVC Hospital of $12.3 million, OMAFRA program funding of $13.4 million (OVC support and faculty positions), student services support fees of a combined $18.6 million and $7.5 million in revenues from Guelph-Humber for program delivery services provide by colleges.
- **Institutional Revenues and Recoveries**; Funding received for general university purposes such as research indirect cost ($20.4 million), ancillary indirect cost recovery ($8.7 million) and revenue sharing with the University of Guelph-Humber ($8.5 million).
- **Unit Tuition**; tuition fees collected for number of credit, non-credit and diploma programs. Examples include the OAC diploma program tuition of $5.5 million, Open Education tuition of $7.8 million and business executive programs at $1.7 million.
- **Institutional Tuition**; tuition charged for university degree-credit enrolment. Includes both graduate and undergraduate programs.

[3] The distinction between "revenues" and "recoveries" is related to how the funding is received. Revenues are typically received directly from external sources e.g., grants flowing directly from MTCU this fund. Recoveries are usually received from other funds within the University e.g. ancillary cost recoveries and transfers from research funds for indirect costs.

3.1 Assumptions for Institutional MTCU Operating Grants

Grant funding is received in 15 to 20 specific funding envelopes, reflecting an increasing trend by the province to allocate funding based either on performance metrics or targeted for specific purposes. However, the largest portion of this funding is derived using metrics that are based on the numbers of students taught in provincially-regulated[4] degree credit programs. Enrolment-based grant funding is calculated using the ministry's long-standing and very complex FTE (full-time- equivalent) weighting system that allocates differentiated per FTE funding based on program. For example undergraduate FTE's attract grants ranging from $3,000 to $24,000 depending on program and between $12,000 (masters) and $29,000 (PhD) per graduate student in the Ontario university system. In addition, grants will not be provided for students who are registered in their programs longer than provincially predetermined periods of time.

In 2015/2016 institutional MTCU Operating grants are expected to decline by 3.5% or $5.8 million from current budgeted levels, mainly due to expected overall declines in enrolments (currently it is projected that there are no provincial grant reductions and no significant adjustment to grants other than those impacted by enrolment changes).

3.1.1 Enrolments and Grants

Often referred to as Accessibility grants, enrolment-based funding is influenced by both specific MTCU goals which effectively set limits on how much enrolment will be funded and market demand for university programs, either in general or at each institution. In the period of growing university-age population in the province, planning concerns revolved around how much enrolment growth the province would fund. Now, in period of declining demographic related demand, the planning focus has shifted to increased recruitment from non-traditional populations e.g., international and transfer students. Under the SMA universities have received overall enrolment targets in both undergraduate and graduate provincially regulated programs.

Undergraduate enrolment: For the 2015/2016 MTCU Operating Fund budget purposes, the assumption is for overall undergraduate enrolments to decline by about 350 FTE's from 2014/2015 levels where actual experience already showed a small decrease in total enrolment.

To some extent, a shift in program "mix" with declining lower-funded BA program enrolments partially offset by growth in programs with greater funding value e.g., commerce and engineering, has cushioned some of the grant decline. However, using current assumptions the accessibility grant funding is projected to be $3.000 million (1.8% of total grants) lower than last year's budget. This is a mid-range estimate; planning scenarios had declines as large as 800 FTE's depending upon demand for Guelph-specific programs.

Undergraduate Enrolment Planning: At this time, planned 2015/2016 intakes (first year) in most programs will not change from last year. As the recruitment cycle approaches its final phases when acceptances and payments are received from students during the summer, opportunities for targeted

[4] Student enrolment in unregulated programs, including those for all international students, are not eligible for any provincial grant support. Universities set their own levels of tuition in these programs based on competitive market conditions and internal planning objectives. In addition, universities may select programs that could qualify for provincial grant support as "fully-cost recoverable". Similar to international fees, tuition rates for these programs are market-based. The province normally does not provide funding for these programs. The University of Guelph has very few such programs.

growth in programs with capacity may occur. Selected intakes can then be increased where both the quality of the students and program delivery can be assured. Likely candidates for this targeted growth may be in undergraduate accounting, computing science and agriculture. However for planning purposes, a reduction in overall enrolment will be expected to, on a net basis, decrease total tuition by $1.000 million.

Graduate: Since 2005, the province has made graduate student enrolment growth a major priority. Institution-specific targets are allocated from a notional overall system target and assigned as growth of domestic (non-international) masters and doctoral students set relative to 2004 levels. Actual growth, measured against the 2004 baseline, receives full funding making this program attractive as a reliable source of new funding. However, this program has created a very competitive environment and many institutions have struggled to meet their annual targets.

The University of Guelph's total eligible graduate enrolment target for 2014/2015 was 1,891 FTEs (full-time equivalents). As of fall 2014, we had achieved a total level of 1,704 FTEs. The result is decreasing accessibility grant funding (relative to budget) projected to be -$2.400 million from the target set in the 2014/2015 budget.

TABLE OF ELIGIBLE GRADUATE ENROLMENTS Versus MTCU Targets				
ACTUALS	**13/14**	**14/15**	**15/16**	**16/17**
Masters	1,222	1,198		
PHD	546	506		
Total Actuals	**1,768**	**1,704**		
TARGETS				
Masters	1,344	1,344	1,383	1,400
PHD	547	547	570	590
Total Target	**1,891**	**1,891**	**1,953**	**1,990**
OVER/(UNDER)	Using 14/15 Actuals as a baseline			
Masters	(122)	(146)	(185)	(202)
PHD	(1)	(41)	(64)	(84)
Total Shortfall	**(123)**	**(187)**	**(249)**	**(286)**

Under the current SMA, the MTCU allocated an additional 4,350 graduate FTEs across the system (there are about 40,000 eligible FTEs system wide). Guelph's new total target for 2016/2017 (the end of the current SMA) is 1,990. The adjacent table shows both actual levels of MTCU eligible FTEs achieved as of fall 2014 compared to the University's current provincially-assigned "target" and the proposed new SMA target. It indicates that there are 286 growth FTEs available for provincial funding. The total income that could be earned by achieving these targeted is $8.5 million (grants and tuition).

Planning for graduate enrolment is even more complex than that of undergraduate recruitment. Graduates are recruited in a decentralized University process which makes graduate enrolment planning difficult. In addition, recruiting graduate students is very competitive and a significant amount of support must be provided to attract students to any institution. In recognition of these challenges, the 2015/2016 budget contains additional resources that will be allocated to colleges under a performance-based formula designed to promote increased support of graduate students. While the operational objective is to meet the provincial target, at this time, the budget reflects little change in current graduate enrolments. As actual results, relative to this assumption are confirmed in November, any necessary budget adjustments will be made.

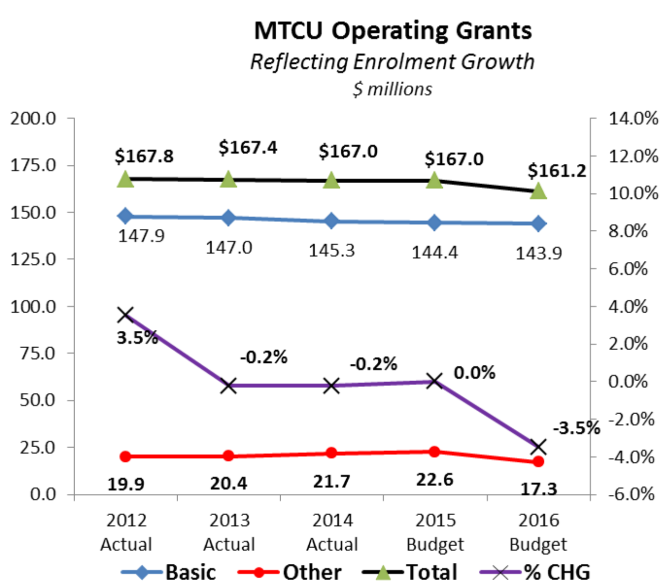
Complicating financial planning is the requirement that Accessibility funding be distributed among universities in Ontario based upon *actual* in-year increases in enrolment (in undergraduate and graduate programs). As enrolments are not confirmed until November (for fall) and February (for winter), when student counts are verified and reported to the MTCU, the University does not know the final distribution of this provincial grant until well into the fiscal year (MTCU confirmations can be as late as March).

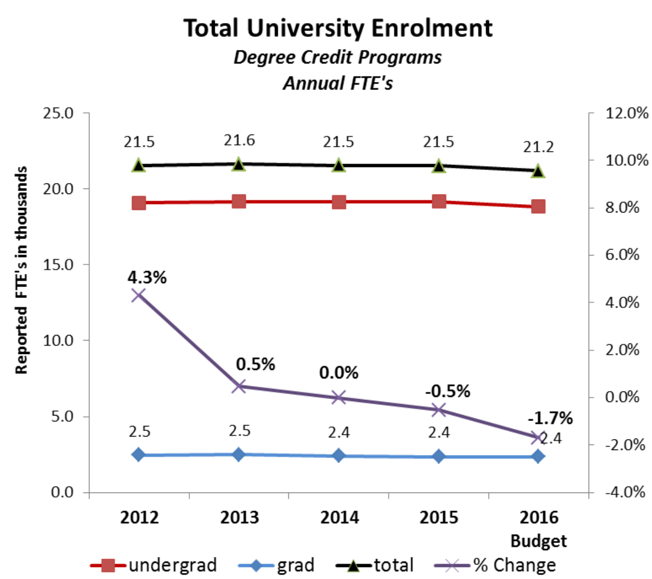
3.1.2 The Basic and Other MTCU Grants

"Basic": this grant envelope is by far the largest with about 89% ($144 million) of total provincial grant funding. This grant reflects the accumulation of numerous historical adjustments and is typically where general grant reductions are applied. For example, in the 2013 provincial budget, the province announced that grants to post-secondary education would be reduced as a provincial "efficiency target" of $40 million (2014/2015 was the second of two years) allocated to Colleges and Universities. The University of Guelph's share, overall, was a reduction of $3 million. In 2015/2016 there is a small negative adjustment of $0.100 million related to the provincial "negative grant" introduced in 2014 on international student enrolment growth (now totalling $0.500 million). The University continues to assume there will be no general increases to funding for inflation on existing costs and that there will be no further basic grant reductions.

Other Provincial Grants: The University also receives smaller grants under a number of older programs such as a "Quality" grant (quality/enrolment metrics based), a "Performance" grant (funding based on overall graduation rates and the employment rates of our graduates) and the Research Infrastructure grant (based on our share of federal granting council[5] awards) as well as several other small targeted grants. For 2015/2016 there is an estimated $0.300 million reduction in the Research Infrastructure Grant as a result of a declining share in our awards received for these grants.

The following two charts present major enrolment and grant changes showing the correlation between enrolments and grants.

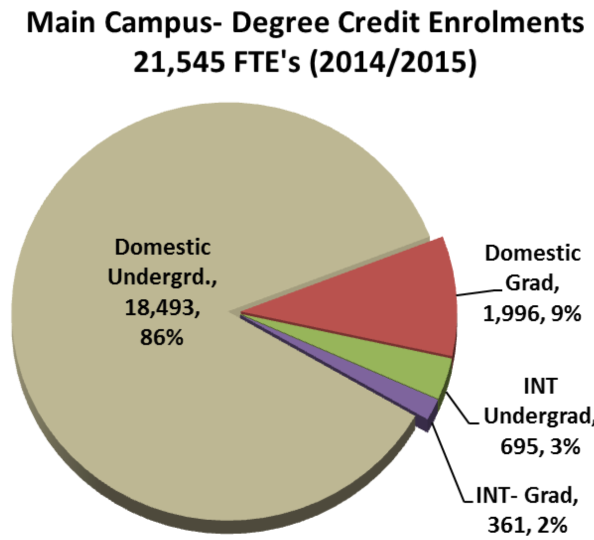




[5] There are 3 primary granting councils; NSERC – National Science and Engineering Research Council; SSHRC Social Science and Humanities Research Council; CIHR Canadian Institutes of Health Research.

3.2 Tuition Rates

The University's tuition revenue of $160 million is earned from a variety of different programs. 90% of these revenues are generated from University-degree credit programs. Most of the tuition rates in this category are set by the province normally under multi-year "frameworks" that often include a requirement that a certain portion be set aside for needs-based student assistance. Exceptions to this framework are mainly international students which are currently about 5% of total University enrolments (refer to the adjacent chart).



On March 28, 2013 a new framework was announced by the province for provincial-controlled programs over the next four years. Under this framework, limits[6] to tuition rate changes for provincially regulated programs must not exceed an average total 3% across all programs with a maximum increase of 5% for student entering into a graduate or professional program (with a 4% maximum increase for continuing students in those programs).

For the deregulated programs which receive no grant funding, the University is proposing that international student rates for incoming students be increased by 5% and there be no increase for continuing students. For Full Cost Recovery graduate programs, there will be no increase applied to 2015/2016[7] entering students. Below is a table of the framework for provincially-controlled programs and proposed changes for those programs that are not covered by the framework. The rates are in compliance with all provincial rules.

Impact of Tuition Rate Increases in 2015/2016: Overall, tuition revenues are expected to generate an additional $4.700 million due to the new rates. The following table summarizes the changes in tuition fees proposed for 2015/2016 for university degree-credit and diploma programs.

[6] If an institution exceeds these limits, the province will reduce that institution's operating grant by an amount equivalent to the excess tuition revenue.

[7] These programs are advertised one full year in advance requiring rates for that intake be set one year in advance. Fees are fixed for the duration of the normal program.

A: MTCU Provincially Regulated Tuition Fees: 4 year framework				
Subject to an overall 3% "cap" of the total institutional average increase. The actual fee increase by program at				
Category:		**Entering**	**Continuing**	**Notes**
Undergraduate (maximum) 2015/16 Fee Increase				
• Regular Programs		2.95%	2.95%	Full-time and Part-time studies
• Professional Programs	Note 1	5%	5%/4%	Full-time studies
• Diploma Programs		2.95%	2.95%	Full-time and Part-time studies
All Graduate Programs		1%	1%	Full-time and Part-time studies
B: Full Cost Recovery Programs (Graduate)				
Category:		**Entering**	**Continuing**	**Notes**
2016/2017 Fee Increase	Note 2			
Canadian & Permanent Status Students		0%	0%	MBA and MA
Visa (International) Students		0%	0%	MBA and MA
C: Tuition Fees not Provincially Regulated: *(2015/16 Fee Increase)*				
Category:		**Entering**	**Continuing**	**Notes**
International Undergraduate				
• Regular Programs		5%	0%	Full-time and Part-time studies
• Professional Programs		5%	0%	Full-time and Part-time studies
• Diploma Programs		5%	0%	Full-time and Part-time studies
International Graduate				
• Masters Programs		5%	0%	Full-time and Part-time studies
• PhD Programs		5%	0%	Full-time and Part-time studies
Note 1	*Approved framework allows increases for professional undergraduate programs students at 5% for students who entered in or after 2013-14 and 4% for students prior to 2013-14.*			
Note 2	*Recruitment for these programs begin one year prior to the actual intake, fees must be approved one year in advance. The MBA and MA students have an option to register in an additional residential course at a cost of $1,330.*			

3.3 Other Institutional Revenues and Recoveries

In addition to provincial grants and tuition funding, last year the University budgeted $41.5 million for revenues and recoveries that were not designated to support specific programs or purposes. These funds are generally unrestricted and may be used to support university-level infrastructure and support services. In 2015/2016 the major categories of this income and any assumptions changes are presented below.

Research Indirect Cost Recoveries (total budget of $20.4 million): Generally most funding received for research projects does not contain funding to support costs for services and facilities ranging from utilities to library resources provided for research. The amounts of these "indirect costs" are difficult to predict precisely, but are estimated at 40% of typical direct research dollars spent. The University uses best efforts to have this funding incorporated into its research proposal; however, not all sponsors will provide funding for these costs. On average our recovery is about 15% of total direct costs.

The major components of this cost recovery are received from; OMAFRA (at $ 9.8 million), the federal government (at $5.8 million) and a wide variety of industry and other government sponsors (at $4.8 million) annually. As most of these services for research are provided from the MTCU Operating fund, the cost recovery from research is credited to this budget. For 2015/2016 budgeting assumptions, it is assumed that this budget will remain fixed. Efforts continue to improve recovery rates and should they be realized, at sustainable and material levels, they will be factored into the budget.

The University of Guelph-Humber (total budget of $8.5 million); In 1999 the University of Guelph entered into a joint venture (JV) with the Humber College Institute of Technology and Advanced Learning with the objective of delivering joint programs (and credentials) in focused undergraduate programs. With MTCU approval, the funding for these enrolments is based on university funding and tuition rates/regulations. The programs are delivered jointly at the Humber College campus at a dedicated facility funded by MTCU for this purpose. Students graduate with both a college diploma and a university degree. The first cohort graduated in 2006. Guelph-Humber enrolments are currently at its planned capacity of 4,100 students each year with total revenues for 2015/2016 estimated at $58.4 million.

Guelph-Humber's financial impact on the University of Guelph is measured in two ways: funding received by colleges/divisions for services provided to the JV such as course delivery ($7.5 million per year) and the University's share (50%) of the JV's overall net income/expense. For the purpose of MYP2, it is assumed that the services recovery will continue to flow to colleges/divisions to offset costs. In 2014/2015 the University's share of JV's net income was set at a target of $8.5 million. In recent years Guelph-Humber annually has exceed this target. For 2015/2016, the JV has estimated net income that will realize the University an additional <u>$1.500 million</u>, recognizing our total share of 2015/2016 JV's net income at $10.0 million.

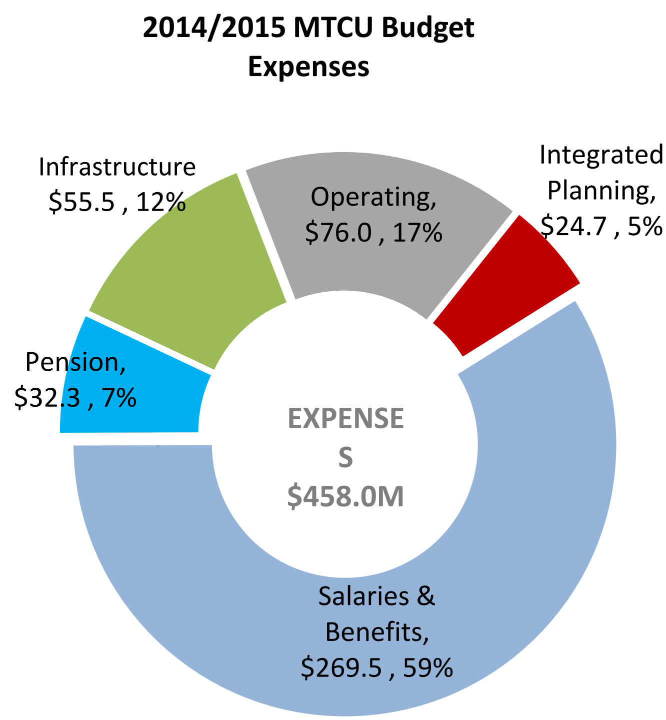
Ancillary cost recoveries (total budget of $8.7 million): Under MTCU funding directives there are a number of services/functions that are not eligible to receive MTCU grant or tuition support. Major examples of these activities include: providing student housing, food operations and parking services. Support costs provide to these operations such as physical plant and administrative services provided from the MTCU Operating Fund budget are therefore recovered annually. Each year this charge is adjusted; for 2015/2016 it will be increased by 2% or <u>$0.150 million</u>.

Other Institutional Revenues (total budget of $3.4 million): This category consists of investment income (earned from operating fund cash flows) and a number of general external cost recoveries. For this budget and MYP2 purposes the target for Investment Income increased by <u>$0.350 million</u> reflecting increased operating cash balances and active short term investment management strategies

4 Expenditure Budget Assumptions

The following sections contain the expenditure assumptions for major expense categories used for the 2015/2016 Preliminary MTCU Operating Fund Budget. The financial impact of these assumptions is presented in terms of *incremental changes* to the current base budget estimates. Units are responsible for the detailed allocation of minor expense categories within their assigned budgets. The details of those changes are not presented here.

- **Salaries and Benefits**; includes, position budgets for over 815 faculty and Librarians at $109.8 million, 1,535 full-time professional and support staff at $98.9 million and funding for temporary academic and support staff at $22.0M. In addition there are the cash requirements for employer-provided benefits at $38.8 million (excluding pension contributions).Due to the relative size of this expense line, providing for negotiated increases in compensation rates is a priority in the budgeting process. A key activity is estimating cost changes each year for the 2,400 faculty and staff positions and ensuring funding is provided to cover all expected costs.
- **Pension**; includes cash payments for pension contributions from this budget. While the majority of required pension contributions are funded from the MTCU budget, allocations to other funds e.g., ancillary and restricted funds add to the total annual contribution requirements which are currently $45 million.
- **Infrastructure**; centrally provided support includes: central utilities $23.1 million, capital debt servicing $19.3 million, central information technology and systems at $5.7million, and central library information resources at $7.4 million.
- **Operating**; includes large number of expense types ranging from travel to minor renovations and equipment.
- **Integrated Planning;** includes mainly metrics-based funding that is reallocated into colleges and support units. Major components are UPIF (University Priority Investment Fund) at $7.5 million (committed and unallocated), research support funds at $3.6 million, Graduate growth support at $5.2 million, Undergraduate growth support at $4.7 million Other Support funds at $2.8 million.



4.1 Provision for Compensation (Salaries and Benefits) Increases

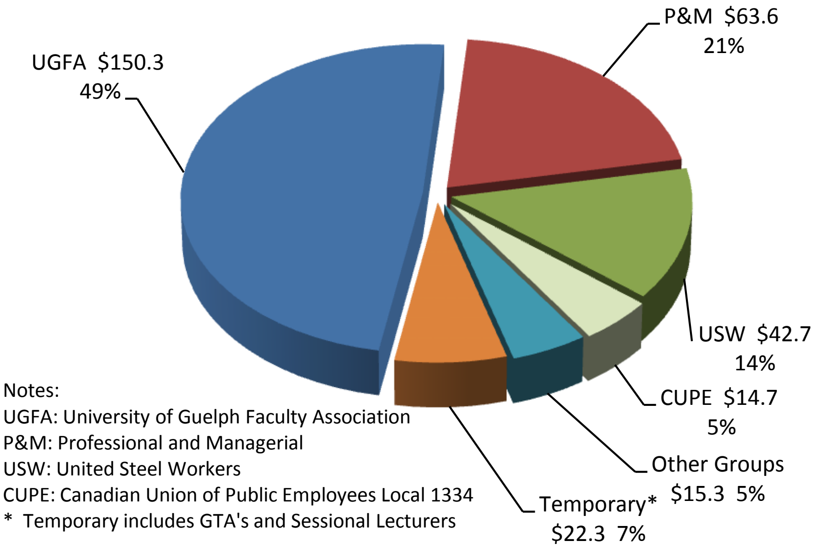
Total compensation (salaries and benefits) comprises approximately 65% of total MTCU Operating Fund costs and therefore, is a critical factor in financial planning. The total compensation budget for the MTCU 2015/2016 Operating Fund budget is estimated at $308.9 million, of which 26% is allocated for expected on-going employer benefit costs (excluding major pension special payments. Refer to the section below on Pension Plans).

In 2015/2016 collective agreements for all but four smaller groups of the 15 bargaining units have been finalized. These four include groups representing CARG (college instructors), OSSTF (technicians in administration, research, and agriculture facilities), police and utility plant staff. Combined these groups comprise 4% of the total compensation within the MTCU Operating budget.

A provision for cost increases to all groups including those covered by signed agreements and those that will be negotiated, has been estimated at $8.400 million. This estimate includes a provision for the increased salary costs of all groups and categories as well as adjustments to cover projected changes to annual employer benefits costs. In addition, a further $2.000 million has been allocated for pension special payments.

2015/2016 MTCU Operating Budget for Compensation
By Major Employee Category: Total $308.9M
(Benefits have been allocated to each employee category)

CHART G



Notes:
UGFA: University of Guelph Faculty Association
P&M: Professional and Managerial
USW: United Steel Workers
CUPE: Canadian Union of Public Employees Local 1334
* Temporary includes GTA's and Sessional Lecturers

Employee Benefit Assumptions: Employer benefit costs have two major cost components:

1. Statutory and negotiated benefits for current employees consisting of statutory items such as CPP (Canada Pension Plan) and EI (Employment Insurance), and negotiated benefits including support for extended health and dental coverage. There are no major changes expected to these costs in the short term and overall increases are expected to be in line with CPI.
2. Post-employment benefits for retirees which are composed of both non-pension post-employment benefit costs (mainly dental and extended health including a supplemental drug plan) and pension plan benefits.

Non-Pension post-employment: At the end of fiscal 2013/2014, the University was carrying $263 million in accrued accounting liability for its non-pension post-employment benefits. While the University is not required to immediately fund this liability (with cash contributions) it will, under current assumptions, have to be paid for over the course of the next 15-20 years. With projected increases of 10% per year in cash requirements, it is estimated that paying for these benefits will approach the current service costs of the pension plans over the next decade. Beginning to control these costs through negotiations, education and the constant review of spending is a growing priority. For budgeting purposes, only current annual cash costs of these plans of $8.0 million are built into the budget assumption.

Pension Plans: Under Ontario law, registered pension plans are required to fund their liabilities on actuarial estimates as opposed to a "pay-as-you-go", cash-only basis, as is allowed for non-pension post-employment benefits. The University of Guelph is the legal sponsor of three pension plans meaning any funding shortfall prescribed under provincial pension legislation falls to the MTCU Operating budget. While there are $1 billion in assets set aside for pension liabilities, those liabilities are increasing at a faster rate than investment returns, and under the provincial measurement requirements, there are major deficits that need to be funded. They are calculated under two methods:

1. **Solvency Deficits:** The solvency valuation is based on the assumption that the pension plans are to be closed ("wind up") and all past and future obligations settled using financial market conditions at the time of the measurement. Key financial drivers used in this wind-up or "solvency" calculation include long-term interest rates and pension plan asset values on the date the plans are valued (the plans "valuation" date). Under solvency rules it is required that the plan sponsor funds any deficit calculated as the difference between plan assets and "wind-up" pension liabilities. The solvency test is much more volatile as it is based upon a number of external financial factors, measured at the date of the valuation which can change daily with market conditions. Normally solvency deficits must be eliminated over 5 years.
2. **Going Concern Deficits:** The other key valuation (going concern) is based on a longer term view of the plans, i.e. that they will continue to operate into the foreseeable future. Any deficits in this case must be paid for over 15 years. Normally, going concern funded positions (surpluses or deficits) are much smaller and less volatile than those resulting from solvency calculations

August 1, 2013 Valuation: Deficits are calculated periodically at valuation dates determined by provincial legislation. The most recent valuation date for the University of Guelph pension plans was August 1, 2013. Based on the results of that valuation, deficits under each of the measurements were:

- $370 million solvency deficits (in two of the three plans). Under standard provincial funding requirements we would have 5 years to pay this deficit – meaning there would have been an estimated $80 million annual contribution requirement.
- $205 million going concern deficit (in two of the three plans). Under standard provincial funding requirements we would have 15 years to pay this deficit – meaning there is $23 million annual special contributions required.

Temporary Solvency Relief: With many universities and other institutions in the province facing similar conditions and because strict application of the normal funding rules would potentially devastate post-secondary educational capacity system-wide, the province announced in August 2010 temporary solvency relief legislation. Under the legislation, subject to specific conditions, university plan sponsors would be permitted to spread the solvency payments over a ten year period (as opposed to the current legislative requirements of five years). While not relieving universities of the requirement to fund "wind-up" based solvency deficits, the ability to spread the payments over a longer period clearly is a more attractive option.

The temporary solvency relief came in two Stages:

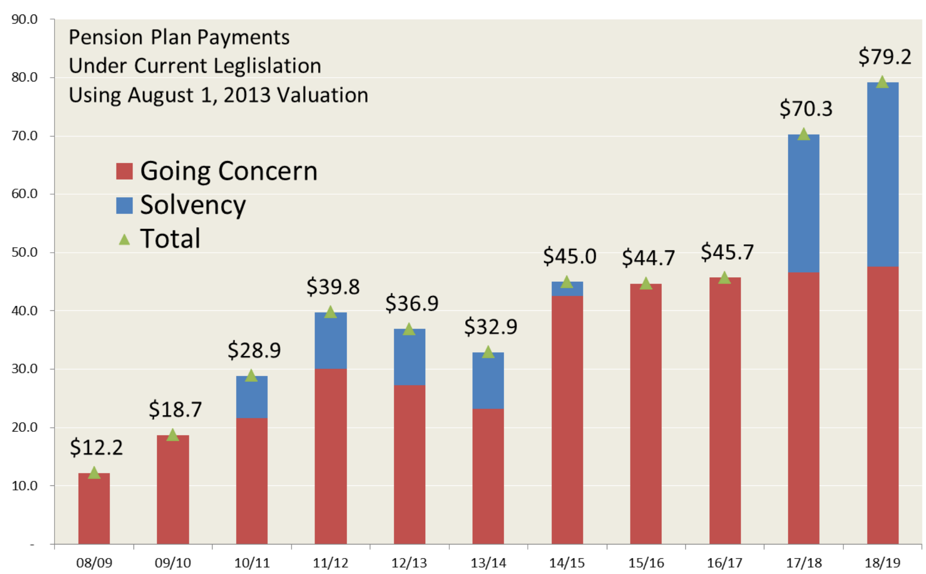
- In Stage 1, the University was required to file a "Plan" with the province indicating both a "Savings Target" (defined in the legislation in a complex set of prescribed calculations) and a more general set of proposed options (changes to future plan benefits, contributions rates and governance structures) that could improve the long-term sustainability of the our plans. Our Stage 1 Plan was approved in May 2011, reducing the University's solvency- related special payments to about $10 million annually – a major "savings" relative to normal requirements. Stage 1 ended on August 1, 2014.

- In Stage 2, beginning August 1, 2014, the University was approved (by the provincial regulators) to amortize or spread any solvency deficits over a ten year period. This approval is based on the University having achieved the Savings Target for both of our plans in deficit. This was accomplished through negotiations as most employee unions and associations agreed to structural changes including employee contribution increases. In November 2013, the province announced amending legislation that in effect extended interest-only payment levels for the first 3 years of Stage 2 (until August 1, 2017), after which any remaining solvency deficits would be required to be funded over the remaining 7 years of the Stage 2 period.

University Pension Plan Contributions: The world of registered pension plans is very complex and increasingly expensive for plan sponsors. Recent experience of solvency relief is recognition by the province, universities and employee groups that changes can and need to be made in both the legislative and funding frameworks for university pension plans. However the most recent actuarial estimates show continuing funding challenges as investment and interest rates "normalize" on lower returns and the mortality rates point to longer pension payment periods for more retirees.

Projected solvency funding contributions are too large to be found within annual University operating budgets for any sustained period of time. Short-term solutions include accumulating one-time year end surpluses (that would normally have been used for investments such as new classrooms or restructuring programs) and designating these funds for solvency special payments. While manageable in the short term there will be major challenges in the future if we are expected to meet the current projected levels of solvency payments.

In combination with the going concern deficit now at $205 million, the share of operating funds allocated for pension funding obligations is at historical highs. With these trends and projected payments over the next ten years, pension plans continue to be one of our highest financial risks. The adjacent chart presents this risk in graph form.



While one-time funding sufficient to cover contribution requirements are in place until fiscal 2018, major "gaps" are projected in the years beyond that date should funding the current solvency deficit remain a legislative requirement.

It is recognized that the practice of employing one-time year end funds for solvency funding has limits. In 2018, current solvency deficit payments are projected to be of such size that fully funding the contribution would require extreme actions such as the disposition of assets (lands and endowments) and the elimination of major programs that would fundamentally impair the University's long-term ability to continue to operate. As the issue of solvency payments is systemic in the province, discussions with provincial regulators continue as the impact of solvency payments on the university sector in Ontario is potentially devastating.

As well as identifying one-time funds, the University, with the Council of Ontario Universities, actively continues to present the case for more effective (and/or extended) solvency relief for all universities in the province. Interim contingency (exigency) planning is underway to identify further funding should there be no relief and the solvency funding requirements become immediate.

4.1.1 Infrastructure Costs

This category consists of centrally-funded main campus costs of critical core services: utilities (hydro, heating, water etc). , information services (library acquisitions and information services), and technology (e.g. core university communications and business support systems). General planning assumptions provide for annual allocations ranging from 3% to 5%. For fiscal 2015/2016 increases in all categories total $4.9 million or 7.5%.

4.1.2 Information Technology Fund

This centrally supported account (total base funding of $5.560 million) will receive an increased allocation of <u>$2.400 million</u> reflecting;

- $0.420 million for inflationary costs of centrally provided computing and communications infrastructure and investments in wireless coverage, D2L learning software and
- $0.180 million for 2 new technical positions to ensure AODA website compliance;
- $0.600 million for the elimination of landline telephone sets in residence rooms. This is the result of the elimination of cost-recoveries charged to Student Housing (and user fees to students).
- $0.400 million for base operating costs of new Integrated Advancement System for the Alumni Affairs and Development. (One-time capital costs estimated at $2.4 million will be funded from the Heritage Fund). ,
- $0.800 million for the first base installment of a multi-year investment in IT security. Costs include the addition of 4 new professional and technical positions to oversee new systems and processes to enhance security in both WEB and core systems infrastructure. (In addition, $1.4 million in one-time equipment and systems acquisitions will be provided).

4.1.3 Central Utilities

Central Utilities (budget of $22.8 million) is comprised of costs to support all centrally provided main campus energy (electricity), heating, cooling, sewage, water, other utilities and central hazardous waste management services. Actual utility costs are sensitive to climate/temperature variations (the budget assumes “normal” range over the course of the fiscal year) and the rates charged by utility providers for the energy/commodities used. The actual experience in 2013/2014 and 2014/2015 was that the current budget is sufficient in light of reduced energy use and low commodity prices, such as natural gas. With expectation for both further energy conservation savings and moderating utility rates, no adjustment to the Utilities budget is being made for 2015/2016.

4.1.4 Library “Acquisitions”

In order for the Library to help maintain the purchasing power of its $7.1 million Information Resources budget an inflationary allocation of <u>$0.225 million</u> will be allocated in 2015/2016 plus $0.600 million one- time allowance available for exchange rate fluctuations versus the US dollar.

There is also $0.075 million for a position for new Research Data Management (RDM) Services as part of a multi-year requirement to improve the disclosure and access of research information. This proposal for is designed to support all researchers on campus in their need to develop research data management plans, to ensure the secure storage and preservation of their research data, and to make their data available for discovery and re-use by other researchers now and into the future.

4.1.5 Capital Infrastructure Debt Servicing

In January 2015, an update of the 5 year Capital Financing plan[8] was presented to the Board of Governors. 2015/2016 which is year 5 of that plan, contained total approved spending of $18.5 million and borrowing of $6.3 million. Projects under this plan include deferred maintenance $7.4 million, Student Housing Services upgrades $8.8 million and $2.2 million for the Athletics Master Plan. An increase of $1.500 million has been added to the existing $19.3 million base allocation for capital funding and debt servicing of projects that do not have capital funding sources.

4.1.6 Capital Infrastructure – Space Costs

For 2015/2016, a total of $0.600 million for investments in space for inflationary maintenance costs including elevators, incremental costs for repurposed space ($0.270 million) and a multi-year project to upgrade electronic building access ($0.330 million).

4.2 Student Aid and Awards

Student assistance (scholarships, bursaries) at the University of Guelph (approximately $33 million in total) is funded from several different sources. In 2014, 63% was funded from the MTCU Operating Fund budget with the balance coming from a variety of annual restricted contributions and donation and endowment funds. A component of student needs-based funding is to meet a MTCU requirement to allocate 10% of the increase in revenue derived from regulated fee increases for student assistance. In 2015/2016 a $0.400 million increase in funding has been provided for this obligation.

An additional $0.150 million in base funding has been allocated specifically for the recruitment international students to assist in increasing our international graduate enrolment levels.

4.3 Administrative Support

In response to a number of high priority needs $0.550 million will be provided for support functions with health and safety requirements and the increasing demands in employee relations. New investments in talent include:

- A new full-time counsellor in Student Services as Student Affairs continues to face pressures dealing with the growth in students presenting with mental health challenges. A case manager position is being created that will provide case management for students experiencing significant mental health challenges.
- Two new professionals for staff and faculty relations in support of compliance with employee agreements. One position is part of the Office of Faculty and Academic Staff Relations and one position is in the Human Resources division. These resources are in response both to the

[8] The plan was summarized in a document entitled “The Capital Renewal Financing Five year plan - 2011/2012 to 2015/2016” (the Plan). Under the terms of the approval for spending, the University may borrow to finance the costs of the Plan with the provision that debt servicing is to be allocated from the MTCU Operating Budget annually.

increase in the numbers of bargaining groups and the complexities in legal and legislative issues under all collective agreements.

- A new radiation safety officer is required to meet compliance requirements for training and the effective oversight of radioactive products used at the University;
- Additional staff for the facility management for War Memorial Hall and
- An employment equity officer in the Office of Diversity and Human Rights office to assist in meeting our reporting obligations under both provincial and federal legislation. .

4.4 Deficit Repayment

In June 2008, the Board of Governors approved the 2008/2009 MTCU Budget and Multi-Year Plan (MYP1). The objective of MYP1 was to eliminate a $14 million structural deficit that had been built up by 2008 and provide for significant compensation related costs increases over a period of flat or limited revenue growth expectations. Projections indicated that $46.2 million in structural cost savings or new net revenues would be required over a four year period (2008-2009-2011/2012).

Given the size of target and limited flexibility in overall University expenditures, it was planned to achieve this target over 4 years. It was estimated that the cost of achieving the MYP1 target would result in a one-time deficit of $47.7 million. This deficit is the result of two factors: timing—eliminating the structural deficit took several years to achieve—and the costs associated with restructuring such as buyout costs for employees. As part of the overall plan, the Board of Governors approved a base budget provision of $6.0 million to repay these costs timeframe not to exceed 8 years starting in 2011/2012. Consistent with this plan $6.0 million was applied annually to reduce that deficit to $23.1 million at the end of fiscal 2014/2015.

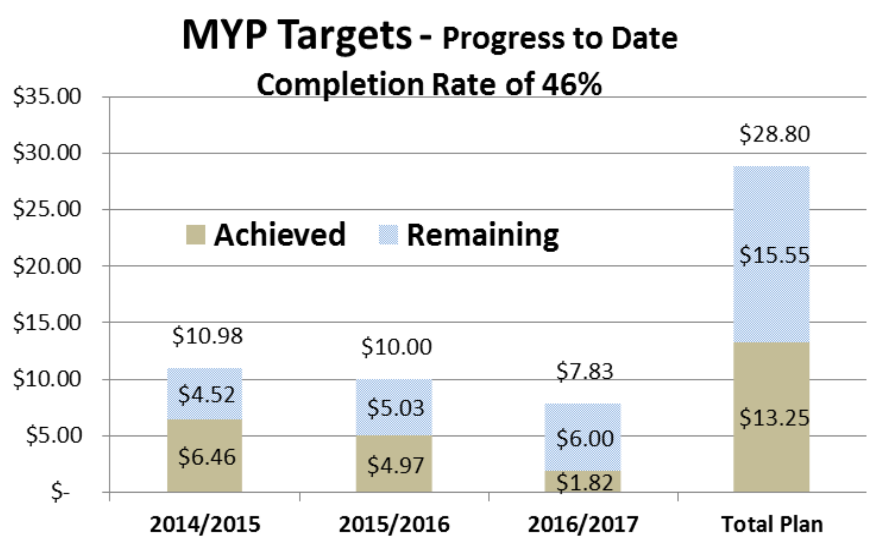
With the accumulation of University one-time reserves since 2011/2012, it is proposed to prepay the remaining deficit of $23.1 million thereby <u>freeing up $6.0 million in base funding</u> which will be used towards balancing the 2015/2016 budget.

4.5 MYP Unit Targets

As part of an on-going multi-year planning process, the University regularly projects its overall fiscal position over several years into the future. Assumptions are made for major revenue and expense categories based upon any known parameters such as provincial funding announcements and tuition frameworks, completed employee agreements, capital or other major commitments such as pension contributions. In addition, assumptions are made for revenue and expenses categories that have uncertain outcomes. This multi-year outlook which began in 2007 is part of the Integrated Planning process in which major objectives include ensuring resources are in place for meeting core objectives and overall the University's fiscal health is maintained.

In 2012/2013 such a projection identified that it would be necessary to realize savings or new net revenues of $32 million over the next five years to remain fiscally balanced. Adjustments based on subsequent events have resulted in that estimate being lowered slightly to $28.8 million. The gap is basically the result of revenue increases being insufficient to cover expected cost increases, mainly in the compensation area. To achieve this significant goal, all major operating units in the MTCU Operating Fund were allocated reduction targets over three years based on several factors such as the size of their compensation budgets and certain IP assessment metrics.

Meeting the targets can be realized at several levels; from institutional-based actions and those actions that could be implemented at the program/unit level.



Unit level plans to achieve the targets are being updated continuously as new actions are implemented over the course of the multi-year period. The adjacent chart shows that to date almost half of the total target has been achieved. (Detailed progress by unit is presented in the Supplementary Information (Table 6.2).

It is expected that the greatest challenges in achieving the targets will be in those colleges where budget flexibility is limited and where program restructuring is required. This can take several years to be fully implemented given contractual commitments to both students and personnel. Major unit-level strategies, especially in the colleges, include program restructuring to enhance teaching productivity through program redesign, changes in curriculum delivery, elimination of small low priority services or programs, targeted revenue/enrolment growth and administrative efficiencies.

A supportive strategy in IP resource planning is to identify funds that can be used to invest in achieving both savings through improving the sustainability of programs and realizing new revenues such as targeted enrolment in areas of capacity and where funding is reasonably assured. The following section identifies those funds available for 2015/2016.

4.6 Integrated Planning (IP) Funding

A major objective of Integrated Planning has been to provide funding for programs and services that contribute to meeting major IP objectives. Starting in 2008, the University began a "resource allocation guideline" process that created funds for specific IP objectives such as supporting both graduate and undergraduate growth in targeted areas, supporting research and other academic-focussed initiatives. In 2015/2016 it is proposed to increase funding further towards this larger objective. The source of funding for this increase (of $6.5 million) will be the University's General Operating Reserve. This reserve which stood at $10 million for several years typically has not been fully utilized. With the priority to transform programs and services particularly in light of enrolment challenges, the need for funds to enable change is of increasing importance.

The following table summarizes 2015/2016 funds available for this purpose;

IP Base Funding Allocations 2015/2016		
Category	Description	Allocation
Priorities Investment Fund	Funding set aside to respond to initiates that can meet major University program objectives including helping units meet their overall fiscal and academic goals. These funds are not yet allocated. The allocation process will require a "business-case" submission for review and final approval by senior management. The allocation process for these funds will occur over the course of the fiscal year.(There is no requirement that they be fully allocated in this year).	$7.5 million
Graduate Growth	Since 2008, the University has allocated funding to colleges based on incremental graduate growth since 2004. For 2015/2016 the allocation model will change to support all eligible graduate enrolment in colleges under a new Resource Allocation Guideline. Allocations to college will be based on total eligible graduate enrolment	$5.3 million
Under graduate Growth	In certain target programs, funding has been allocated to support undergraduate growth based on approved proposals. Funding has been set aside to support this growth in a number of areas including engineering, accounting, animal bioscience and computing science.	$4.5 million
Research Support	For many years, colleges have received a portion of the funding for indirect costs of research earned from their research projects; the greater the funding earning the greater the allocation.	$3.6 million
Other Programs and Projects	This pool of funds contains funding for a number of projects including the Learning Enhancement Fund, special funding for the creative writing program, recruitment costs for senior academic appointments and a reserve for unexpected initiatives and opportunities that typically occur every year.	$3.5 million
TOTAL		$24.4 million

5 Summary of Incremental Budget Assumptions

This table summarizes all of the major incremental assumptions outlined in this report and included in the 2015/2016 MTCU Preliminary Operating Budget *(Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings)*.

Institutional Budget Surplus (Deficit)	**Net Budget** ($ millions)
Opening Base Position	**(0.000)**
Revenues and Recoveries	
Accessibility Grant - Undergraduate	(3.000)
Accessibility Grant - Graduate	(2.400)
Tuition Revenues (3% fee increase cap)	4.700
Tuition Revenues (experience enrolment losses)	(1.000)
Guelph Humber Joint Venture Recovery (U of G share)	1.500
Cost Recoveries from Ancillaries (2% Inflation)	0.150
Other Institutional Revenues	(0.350)
Sub-total: Revenues and Recoveries	**0.300**
Expenses and Commitments	
Compensation:	
Salary and Benefits	8.400
Pension – Special Payments	2.000
Infrastructure Investments:	
IT Infrastructure	2.400
Library Operations & Acquisitions Support	0.300
Physical Plant operations	0.600
Capital Debt Servicing	1.500
Other Investments:	
Student Aid and Awards - Tuition Reinvestment	0.400
Student Aid and Awards - International Graduate	0.150
Administrative Support	0.550
Deficit Repayment	(6.000)
2015/2016 MYP Base Reduction Targets	(10.000)
Sub-total: Expenses and Commitments	**0.300**
Net Budget (Deficit)	**0.000**

Supplementary and Supporting Information

6 Supplementary and Supporting Information

6.1 OMAFRA and the MTCU Operating Budget

For the most part the University's major Funds have their own sources of revenue and objects of expense and do not directly impact the MTCU Operating budget. However, since the inception of the University, our unique relationship with OMAFRA has supported major structural components especially in our research enterprise. While contractual restrictions indicate that the OMAFRA Fund is self-sufficient with its own discrete budget (for separate approval by the Board of Governors), the level of funding and the types of expenses it supports mean the OMAFRA relationship is both complex and critical to our multi-year planning. With most of OMAFRA funding allocated to colleges for research activities, changes in OMAFRA funding levels can have a major impact on University operations.

For example, OMAFRA supports:

- 35% ($57 million annually) of the University's total research
- 98 faculty positions including 13 veterinarians (10% of the University's faculty total)
- 403 staff positions (12% of the University's staff total)

In addition, $23.9 million is transferred each year into the MTCU Operating Fund budget in the form of:

- $10.8 million for 67 faculty positions
- $10.5 million for indirect support costs (physical plant, library and administration)
- $2.6 million for the OVC-HSC (Ontario Veterinary College –Health Science Centre)

A further and growing financial complexity is the province's practice of targeting grants for specific purposes/programs. The result is more partitions and restrictions within the Operating Fund budget, with special reporting requirements for each "envelope" of funding. This is becoming more prevalent within a number of Funds. For example, OMAFRA has designated major envelopes for identified purposes, each with specific outcomes and some with fixed annual allocations. This means that either real spending is reduced, or incremental cost increases, especially for salaries, must be borne elsewhere.

As might be expected with revenues allocated to compensation, incremental costs (mainly compensation related) contribute the bulk of University cost pressures. The following Table summarizes some of the major features of the MTCU and OMAFRA components of the Operating Fund including restrictions and further partitioning of funding sources. It highlights the diversity and complexity of funding that supports University faculty and staff positions.

6.1.1 Table A: 2014/2015 Operating Funding Sources

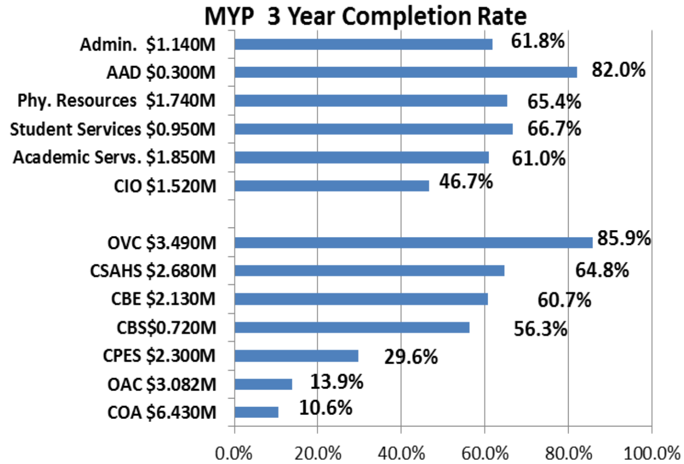
Grant Name	Rev. $M	Purpose/Restriction	Positions				Risks/Limitations
			Fac.	Staff	Temp	Total FTE's	
OMAFRA – Core (Fund 110)	$88.60	Mainly for research and related infrastructure at stations and for regional campuses. Of the $86.5M, $71.3M is an annual direct transfer from the province. Funding of 55 Faculty is based on a fixed dollar "pool".	87	374	158	619	A major source of funding for core University faculty and staff and support costs. Revenue is 80% provincial funding fixed over the contract period. Incremental costs reduce real spending power in some components. Agreement funding renewed for 2013 - 2018.
VCEP	$5.20	Source is the OMAFRA Agreement. Restricted to OVC for veterinary clinical education. Funding for all positions is based on fixed dollar "pools".	11	29	6	46	Fixed grant funding. Incremental costs fall to the MTCU- Core (100% annual provincial funding). Fund is totally allocated to the OVC.
TOTAL OMAFRA	$93.80		98	403	164	666	
OVC- Special Grant (Fund 102)	$6.50	Source is a MTCU grant. Restricted for OVC in support of teaching and related infrastructure	19		1	20	Fixed grant funding. Incremental costs fall to the MTCU- Core (100% annual provincial funding)
MTCU- Ag Diploma	$17.00	Result of transfer in 2008/2009 of all education from OMAFRA diploma (credit) and non-credit programs at regional campuses to MTCU. Most revenue is enrolment based and all is allocated to the OAC.	8	75	44	128	Fixed grant funding. Only sources for incremental cost are growth and tuition increases. (30% annual provincial funding and over 50% of revenue non-credit activity. This fund is totally allocated to the OAC.
MTCU- Core (Fund 100)	$378.40	Revenues and recoveries fund main campus University teaching programs and research infrastructure. Is the main source of unrestricted University funding.	708	1473	705	2887	Fund of final resort if funding issues arise in other funds.
TOTAL MTCU	$401.90		735	1,548	751	3,035	
TOTAL OPERATING	$495.70		833	1,951	918	3,701	

Note: The Faculty numbers above include 34 Librarians and 18 Veterinarians.

6.2 Multi Year Plan Unit Targets – Progress Achieved to date

Table B details the progress made towards achievement of the Multi Year Plan 2015-2017. The table is divided into three sections:

- Three Year Target the overall target by Unit compared to total unit gross expense as a percentage.
- Savings by Year amounts that are firm and will be realized in the fiscal year identified. This section excludes any proposals where the ability to achieve savings are unable to be confirmed at this time.
- Achieved to Date are total savings compared to the 3 year target (see adjacent chart) and the percentage of gross expenses represented by these confirmed savings.



6.2.1 Table B – Multi Year Plan Completion Rate (in thousands of dollars)

	3 year Target			Savings by Year			Achieved to Date		
	Notes	Total Target	% of Gross Expenses	2015 Achieved	2016 Achieved	2017 Achieved	Total Achieved	% of Target	% of Gross Expenses
Teaching Units									
College of Arts	1	6,143	23.3%	521	133	0	654	10.6%	2.5%
College of Biological Science		720	3.0%	160	240	5	405	56.3%	1.7%
College of Social & Applied Human Sciences		2,680	9.4%	754	920	63	1,737	64.8%	6.1%
College of Business & Economics		2,130	10.3%	600	509	184	1,293	60.7%	6.3%
Ontario Agricultural College	2	3,082	7.2%	33	208	188	429	13.9%	1.0%
Ontario Veterinary College		3,490	7.5%	984	1,537	477	2,998	85.9%	6.4%
College of Physical & Engineering Science		2,300	7.1%	670	11	0	681	29.6%	2.1%
Total Teaching Units		20,545	9.3%	3,722	3,558	917	8,197	39.9%	3.7%
Non-Teaching Units									
Library		810	4.2%	270	146	50	466	57.5%	2.4%
Computing & Communication Services		710	5.9%	229	15	0	244	34.4%	2.0%
Total CIO and Chief Librarian		1,520	4.8%	499	161	50	710	46.7%	2.3%
Academic Services		1,850	6.3%	617	321	190	1,128	61.0%	3.8%
Student Services		950	4.0%	317	317	0	634	66.7%	2.7%
Physical Resources		1,740	7.1%	580	142	416	1,138	65.4%	4.7%
Alumni Affairs & Development		300	4.6%	100	104	42	246	82.0%	3.8%
Central Administrative Offices		1,140	6.0%	380	212	113	705	61.8%	3.7%
Ancillaries		750	4.4%	243	154	93	490	65.3%	2.9%
Total Non-Teaching Units		8,250	4.1%	2,736	1,411	904	5,051	61.2%	2.5%
Total Multi Year Plan		28,795	6.8%	6,458	4,969	1,821	13,248	46.0%	3.1%

Notes

1. Includes MYP1 remaining target $2,233
2. Includes MYP1 remaining target $1,162

6.3 MTCU Forecast Results for 2014/2015 (in thousands of dollars)

In the winter semester all operating units prepare detailed forecasts of their year-end revenues and expenses. Table C shows the expected results compared to annual unit budgets. The following section briefly explains each column in the table:

- The Net Annual Budget is the net unit target for the year, excluding any fund balance (carryforward) remaining from the prior (ie 2013/2014) fiscal year.
- Revenue/Recoveries are external funds received from a variety of sources (ie. grant, tuition, student fees, sales of goods and services, and cost recoveries from other sources such as Guelph Humber programs or the OMAFRA agreement.
- Expenses are the total costs of personnel and operating incurred by the unit in delivering programs and services.
- Net Actuals are the forecast results for the unit consisting of the total expenses less any revenues credited to the unit.
- Variance is the forecast difference between the Net Annual Budget for each unit compared to Net Actual results. Bracketed numbers are deficit results.
- 2014/2015 Carryforward is the unit's forecast ending fund balance for the fiscal year calculated by adding the Carryforward from 2013/2014 to the Variance

6.3.1 Table C - MTCU Forecast Results for 2014/2015 by Unit

	Net Annual Budget	Forecast Revenue/ Recoveries	Forecast Expenses	Forecast Net Actuals	Variance + (-)	Plus Carry-forward from 2013/2014	2014/2015 Carry-forward
Institutional Revenues and Recoveries							
Provincial Grants	167,100	164,591		164,591	(2,509)		(2,509)
Tuition Revenue	156,878	160,152		160,152	3,274		3,274
Other Revenues	3,057	3,160		3,160	103		103
Institutional Grant and Tuition Revenues	327,035	327,903		327,903	868		868
Research Revenues & Cost Recoveries							
OMAFRA Indirect - Research	9,830	9,830		9,830	0		0
Fed/Prov Research Indirect Programs	5,776	5,776		5,776	0		0
Research Indirect on Grants and Contracts	4,790	4,663		4,663	(127)		(127)
Research Indirect Revenues and Recoveries	20,396	20,269		20,269	(127)		(127)
Other Cost Recoveries							
Misc. Institutional Costs Recoveries	1,950	1,950		1,950	0		0
Guelph Humber Institutional Recoveries	8,500	11,114		11,114	2,614		2,614
Ancillary Services Recoveries	8,833	8,833		8,833	0		0
External Cost Recoveries	19,283	21,897		21,897	2,614		2,614
Total Institutional Revenues and Recoveries	366,714	370,069		370,069	3,355		3,355

	Net Annual Budget	Forecast: Revenue/ Recoveries	Forecast: Expenses	Forecast: Net Actuals	Forecast: Variance + (-)	Plus Carry-forward from 2013/2014	2014/2015 Carry-forward
Teaching Units							
College of Arts (COA)	24,237	1,507	25,843	24,336	(99)	281	182
College of Biological Science (CBS)	23,144	3,813	27,532	23,719	(575)	7,978	7,403
College of Social and Applied Human Science (CSAHS)	27,584	2,434	29,209	26,775	809	5,454	6,263
College of Business and Economics (CBE)	15,902	5,526	21,438	15,912	(10)	1,405	1,395
Ontario Agricultural College ***- MTCU***	20,734	7,332	26,868	19,537	1,197	498	1,695
Ontario Agricultural College - ***Diploma Teaching***	0	16,334	16,514	180	(180)	4,211	4,031
Ontario Agricultural College (OAC)	20,734	23,666	43,382	19,717	1,017	4,709	5,726
Ontario Veterinary College (OVC)	17,862	11,948	28,407	16,460	1,402	5,212	6,614
OVC - Health Sciences Centre	3,768	12,996	16,334	3,338	430	476	906
College of Physical and Engineering Science (CPES)	32,185	717	32,937	32,220	(35)	2,000	1,965
Teaching Units	165,415	62,607	225,083	162,476	2,939	27,514	30,453
Scholarships and Bursaries	17,768	158	17,271	17,113	655	3,554	4,209
Office of Research	7,498	58	6,711	6,653	844	863	1,707
Open Learning and Educational Support	3,224	9,710	15,961	6,251	(3,027)	8,255	5,228
Registrar	6,396	1,569	8,742	7,173	(776)	2,471	1,695
Assoc.VP Academic	826	243	1,288	1,045	(219)	397	178
Graduate Studies	1,021	311	1,345	1,034	(13)	436	423
Other Academic Services	648	66	1,100	1,034	(386)	1,163	777
Academic Services	19,613	11,957	35,148	23,191	(3,578)	13,587	10,009
Library Operations & Information Resources	18,383	649	18,757	18,108	275	1,161	1,436
Computing/Communication Services & IT Infrastructure	9,468	25	9,691	9,666	(199)	901	702
CIO and Chief Librarian	27,851	674	28,448	27,774	76	2,062	2,138
Athletics	1,105	9,183	10,078	895	210	1,518	1,728
Student Services	4,150	12,267	16,009	3,742	408	1,663	2,071
Student Affairs	5,255	21,450	26,087	4,637	618	3,181	3,799
Total Teaching Units and Academic Support	235,902	96,846	332,037	235,192	710	49,898	50,608

	Net Annual Budget	Forecast Revenue/ Recoveries	Forecast Expenses	Forecast Net Actuals	Forecast Variance + (-)	Plus Carry-forward from 2013/2014	2014/2015 Carry-forward
Physical Resources Operations	21,210	2,983	23,302	20,319	892	5,450	6,342
Utilities	22,797	7	19,838	19,831	2,966		2,966
Capital Debt and Infrastructure Support	24,588	0	27,554	27,554	(2,966)		(2,966)
Total Physical Infrastructure	68,595	2,990	70,694	67,704	892	5,450	6,342
Alumni Affairs & Development	5,484	574	5,350	4,776	708	377	1,085
Senior Administrative Offices	6,533	35	6,612	6,577	(44)	708	664
Human Resources	4,878		4,722	4,722	156	616	772
Financial Services	4,789		4,662	4,662	126	513	639
Campus Community Police & Fire Prevention	2,380		2,516	2,516	(136)	314	178
General Expenses	11,697	443	12,394	11,951	(254)	808	554
Pension Going Concern Special Payments Support	11,200		11,200	11,200	0		0
Institutional Services and General Expenses	41,477	478	42,106	41,628	(151)	2,958	2,807
Total Unit Revenues and Expenses	351,458	100,888	450,188	349,300	2,159	58,683	60,842
Institutional Accounts and Reserves							
University General Reserves	3,426		125	125	3,301	0	3,301
Integrated Planning - U-PIF	12,567		3,943	3,943	8,624	3,211	11,835
MYP Support	(6,737)		1,524	1,524	(8,261)	61,429	53,168
Institutional Accounts and Reserves	9,256	0	5,592	5,592	3,664	64,640	68,304
Total Operating Revenue and Expenses	360,714	100,888	455,779	354,891	5,823	123,323	129,146
Net Income (Expense) and Carryforwards	6,000	470,957	455,779	15,178	9,178	123,323	132,501

See section 2.4.1 Summary of University Operating Fund Net Assets on page #7 for the impact of these forecast results on the University fund balances for Operating.

6.4 2015/2016 Preliminary Budget

Table D below presents the results of the preliminary MTCU Operating budget including all budget proposals presented for approval. The table includes detailed budget amounts by operating unit across major revenue and expense categories excluding any unachieved MYP targets remaining from the first and second years of the current plan targets. Also included is a comparison of the current 2014/2015 net budget calculated on the same basis with percentage change between the two years. The last column lists the amount of remaining MYP target by unit as of the 2015/2016 fiscal year (excluding the final year target). The following section is a description of the columns in Table D:

Column A: Total Personnel includes budgeted salary and benefit costs for all regular full-time, contract and part-time employees as well as the contribution from the MTCU budget in support of going concern special payments.

Column B: Operating includes the budget allocations for a variety of costs such as equipment purchases, supplies and maintenance for day-to-day operations, travel and renovations.

Column C: Internal Recoveries are non-cash transfers based on inter-departmental services provided such as telephone, mail, laboratory charges and physical resources work orders.

Column D: Gross Expenses is the total estimated expenditures for all costs in columns A, B and C.

Column E: External Recoveries reimburse the MTCU budget for services provided to other funds and activities. This category includes recoveries from Ancillary units, OMAFRA Agreement, and course delivery costs from Guelph Humber.

Column F: Revenues are all cash receipts from external sources to the University for grants, tuition, goods, services including student fees, hospital revenues, sales of course materials and interest income.

Column G: Total Recoveries and Revenues is the sum of all institutional and unit revenues and external cost recoveries as detailed in columns E and F.

Column H: 2015/2016 Preliminary Net Budget is the total of departmental expenses less departmental cost recoveries and revenues for each major unit. Net budget is the total allocation that unit managers are accountable for. In this presentation for Table D, the Net Budget excludes any MYP target that will not be achieved as of the 2015/2016 fiscal year and therefore represents the expected net expenditures for the units if no further MYP savings proposals can be confirmed during the fiscal year. Any surplus or deficit at year-end is determined using this allocation and becomes part of the unit's budget as a carry-forward into the following year.

Column I: 2014/2015 Net Budget is the current budget amount for each unit excluding current unachieved MYP targets, carryforwards and other one-time budget allotments. The net budget in Column I is calculated on the same basis as the Column H for comparative purposes.

Column J: % Change is the difference between the net budgets for 2014/2015 and preliminary 2015/2016 in columns H and I.

Column K: 2015/2016 Remaining MYP Target is the amount of each Unit's total target for year one and year two less any implemented and confirmed savings proposals that will be achieved by the end of the 2015/2016 fiscal year. The Remaining MYP Target amount is not included in the calculation of the 2015/2016 Preliminary Net Budget as presented in Column H.

6.4.1 Table D: 2015/2016 Preliminary Budget by Unit and Major Revenue and Expense Category (in thousands of dollars)

	(A) Total Personnel	(B) Operating	(C) Internal Recoveries	(D =A+B+C) Gross Expenses	(E) External Recoveries	(F) Revenues	(G =E+F) Total Recoveries & Revenues	(H =D-F) 2015/2016 Preliminary Net Budget	(I) 2014/2015 Net Budget	(J =H/I) % Change	(K) 2015/2016 Remaining MYP Target
Institutional Revenues and Recoveries											
Provincial Grants						161,700	161,700	161,700	167,100	-3.2%	
Tuition (for credit programs only)						160,578	160,578	160,578	156,878	2.4%	
Other Institutional Revenues						3,406	3,406	3,406	3,056	11.5%	
Total Institutional Grants, Tuition and Other						**325,684**	**325,684**	**325,684**	**327,034**	-0.4%	
Institutional Cost Recoveries											
OMAFRA Service Costs - Research					9,830	-	9,830	9,830	9,830	0.0%	
Fed/Prov Research Indirect Cost Programs					5,776	-	5,776	5,776	5,776	0.0%	
Research Indirect on Grants and Contracts					4,790	-	4,790	4,790	4,790	0.0%	
Total Research Indirect Revenues and Recoveries					**20,396**	**-**	**20,396**	**20,396**	**20,396**	0.0%	
OMAFRA Service Costs - Other					670		670	670	670	0.0%	
Guelph Humber - Services					10,000		10,000	10,000	8,500	17.6%	
Ancillary Service Recoveries					8,892		8,892	8,892	8,832	0.7%	
Other Institutional Cost Recoveries					**19,562**	**-**	**19,562**	**19,562**	**18,002**	8.7%	
Total Institutional Revenues and Recoveries					**39,958**	**325,684**	**365,642**	**365,642**	**365,432**	0.1%	
Institutional Expenses											
Teaching Units											
College of Arts	24,452	1,939	(27)	26,364	1,865	27	1,892	24,472	23,779	2.9%	(4,384)
College of Biological Science	23,222	811	(384)	23,649	1,528	123	1,651	21,998	21,376	2.9%	-
College of Social and Applied Human Science	25,111	3,956	(536)	28,531	2,016	25	2,041	26,490	26,521	-0.1%	(211)
College of Business and Economics	17,110	3,806	(415)	20,501	1,860	3,199	5,059	15,442	15,302	0.9%	(391)
Ontario Agricultural College	35,506	9,232	(1,251)	43,487	5,704	18,022	23,726	19,761	18,518	6.7%	(2,271)
Ontario Veterinary College	37,900	15,044	(7,074)	45,870	6,015	21,224	27,239	18,631	19,654	-5.2%	61
College of Physical and Engineering Science	27,837	4,608	(271)	32,174	559	55	614	31,560	30,476	3.6%	(994)
Integrated Planning / Other Academic Support	-	24,485	-	24,485	-	-	-	24,485	19,979	22.6%	-
Total Teaching Units	**191,138**	**63,881**	**(9,958)**	**245,061**	**19,547**	**42,675**	**62,222**	**182,839**	**175,605**	4.1%	**(8,190)**
Scholarships and Bursaries	**-**	**18,808**	**-**	**18,808**	**-**	**-**	**-**	**18,808**	**18,258**	3.0%	-

Preliminary 2015/2016 MTCU Operating Fund Budget

	(A) Total Personnel	(B) Operating	(C) Internal Recoveries	(D =A+B+C) Gross Expenses	(E) External Recoveries	(F) Revenues	(G =E+F) Total Recoveries & Revenues	(H =D-F) 2015/2016 Preliminary Net Budget	(I) 2014/2015 Net Budget	(J =H/I) % Change	(K) 2015/2016 Remaining MYP Target
Academic Services											
Office of Research	6,771	1,047	(711)	7,107	-	22	22	7,085	7,002	1.2%	(115)
Open Learning and Educational Support	8,015	6,558	(981)	13,592	309	10,017	10,326	3,266	3,047	7.2%	-
Graduate Studies	1,149	264	(76)	1,337	-	401	401	936	978	-4.3%	-
Registrar	5,788	1,404	(339)	6,853	-	959	959	5,894	5,877	0.3%	-
Associate VP Academic	578	379	-	957	-	32	32	925	960	-3.6%	(180)
Other Academic Services	670	554	(477)	747	-	103	103	644	489	31.7%	-
Academic Services	**22,971**	**10,206**	**(2,584)**	**30,593**	**309**	**11,534**	**11,843**	**18,750**	**18,353**	2.2%	**(295)**
Student Services	10,184	4,028	(219)	13,993	-	9,889	9,889	4,104	4,112	-0.2%	-
Athletics	5,627	4,441	(280)	9,788	-	8,737	8,737	1,051	1,029	2.1%	-
Student Affairs	**15,811**	**8,469**	**(499)**	**23,781**	**-**	**18,626**	**18,626**	**5,155**	**5,141**	0.3%	**-**
Library Operations and Information Resources	11,007	9,023	(379)	19,651	302	640	942	18,709	18,252	2.5%	(124)
Computing Communication Serv. & IT Infrastructure	9,264	7,196	(4,251)	12,209	491	65	556	11,653	9,448	23.3%	(229)
CIO and Chief Librarian	**20,271**	**16,219**	**(4,630)**	**31,860**	**793**	**705**	**1,498**	**30,362**	**27,700**	9.6%	**(353)**
Physical Resources Operations	22,015	5,870	(3,073)	24,812	2,809	-	2,809	22,003	21,200	3.8%	(438)
Utilities	-	23,097	(300)	22,797	-	-	-	22,797	22,797	0.0%	-
Capital Infrastructure Debt Servicing	-	20,800	-	20,800	-	-	-	20,800	19,300	7.8%	-
Total Physical Infrastructure	**22,015**	**49,767**	**(3,373)**	**68,409**	**2,809**	**-**	**2,809**	**65,600**	**63,297**	3.6%	**(438)**
Alumni Affairs & Development	**5,584**	**997**	**(1)**	**6,580**	**-**	**1,051**	**1,051**	**5,529**	**5,243**	**5.5%**	**-**
Central Administration Offices	**17,404**	**2,019**	**(151)**	**19,272**	**-**	**485**	**485**	**18,787**	**18,337**	**2.5%**	**(168)**
Other Expenses											
University General Expenses	768	13,790	(1,650)	12,908	45	108	153	12,755	13,415	-4.9%	(99)
Pension Contribution - GC Special Payments	13,100	-	-	13,100	-	-	-	13,100	11,200	17.0%	-
Total Other Expenses	**13,868**	**13,790**	**(1,650)**	**26,008**	**45**	**108**	**153**	**25,855**	**24,615**	5.0%	**(99)**
Total Unit Revenue and Expenses	**309,062**	**184,156**	**(22,846)**	**470,372**	**23,503**	**75,184**	**98,687**	**371,685**	**356,549**	4.2%	**(9,543)**
University Reserves				3,500				3,500	10,000		
MYP Targets Remaining				(9,543)				(9,543)	(4,517)		
Repayment of Accumulated Restructuring Costs									6,000		
Net Budget	**309,062**	**184,156**	**(22,846)**	**464,329**	**63,461**	**400,868**	**464,329**	**-**	**2,600**		

6.4.2 Table E: Full-time Equivalents (FTE's) for MTCU Budgeted Positions

Table E shows calculated full time equivalent position counts for regular full time faculty and staff across fiscal years 2010/2011 to 2015/2016 and accumulated percentage change over five years, by major operating unit and employee category. The 2015/2016 totals include estimates for the impact of budget proposals presented for approval and MYP position reductions achieved.

College/Division	Position Type	10/11	11/12	12/13	13/14	14/15	15/16	10/11 to 15/16	Notes
COLLEGE OF ARTS (COA)	Faculty	123.9	118.3	114.6	109.0	106.5	105.8	-14.6%	
	Staff	40.8	39.0	39.0	38.8	38.0	38.0	-6.9%	
COLLEGE OF BIOLOGICAL SCIENCE (CBS)	Faculty	98.5	96.2	93.1	93.4	96.7	97.0	-1.5%	
	Staff	60.0	62.1	65.1	65.4	63.5	62.5	4.2%	1
COLL.OF SOC.& APP. HUMAN SCIENCE (CSAHS)	Faculty	120.6	117.5	118.5	121.3	118.7	118.9	-1.5%	
	Staff	43.2	44.1	43.7	44.7	45.2	42.0	-2.7%	2
COLLEGE OF BUSINESS & ECONOMICS (CBE)	Faculty	74.8	78.2	79.2	79.5	79.5	83.5	11.6%	3
	Staff	26.5	27.5	30.3	30.2	29.4	29.2	10.3%	
ONTARIO AGRICULTURAL COLLEGE (OAC)	Faculty	138.8	127.8	126.6	124.8	120.5	122.8	-11.5%	4
	Staff	127.7	124.4	122.1	122.7	117.8	117.8	-7.8%	
ONTARIO VETERINARY COLLEGE (OVC)	Faculty/Vets	125.7	129.2	131.7	132.9	123.9	119.6	-4.9%	5
	Staff	190.3	190.0	193.0	193.4	182.2	174.2	-8.4%	6
COLL OF PHYSICAL & ENGINEERING (CPES)	Faculty	115.3	108.0	108.8	115.2	120.3	125.7	9.0%	7
	Staff	63.0	64.5	68.0	70.5	68.2	69.5	10.3%	8
TEACHING UNITS Total		**1,349.1**	**1,326.9**	**1,333.8**	**1,341.8**	**1,310.4**	**1,306.4**	**-2.9%**	
Academic Support/Other Teaching	Faculty	5.4	7.4	6.8	6.8	6.9	6.9	27.7%	
	Staff	192.6	201.2	213.7	221.2	220.1	218.7	14.3%	9
CIO - Library/CCS	Librarians	29.3	30.1	32.9	33.0	34.0	34.0	16.0%	
	Staff	143.1	146.0	150.5	153.3	149.7	158.7	4.6%	
Student Affairs	Staff	118.5	121.9	127.3	129.6	135.4	139.7	14.2%	10
Alumni Affairs & Development	Staff	47.1	49.2	53.6	55.0	56.1	59.0	19.1%	11
Physical Resources	Staff	289.0	288.0	288.0	288.0	278.0	279.0	-3.8%	
Administration + General Expenses	Faculty	4.0	3.0	3.0	3.0	3.0	3.0	-25.0%	
	Staff	161.7	163.4	163.9	166.1	164.6	169.3	1.8%	12
OTHER UNITS Total		**990.7**	**1,010.2**	**1,039.7**	**1,056.0**	**1,047.8**	**1,068.2**	**5.8%**	
Total Faculty, Veterinarians, and Librarians		836.4	815.8	815.3	818.9	809.9	817.1	-2.3%	
Total Staff		1,503.4	1,521.4	1,558.2	1,578.8	1,548.3	1,557.6	3.6%	
Grand Total		**2,339.8**	**2,337.1**	**2,373.5**	**2,397.7**	**2,358.2**	**2,374.7**	**0.8%**	

6.5 Table F: Proposed Non-Tuition Compulsory Student Fees

Guelph Campus	Fee Basis		Year of Last Increase	2014-2015 Approved Fees	2015-2016 Recommended Fees	% Increase
Athletic Fee						
FT Undergraduate and Graduate	Per semester	Note 1	2014	$106.08	$109.79	3.5%
PT Undergraduate Only	Per semester		2014	$48.67	$50.37	3.5%
Capital Account: Athletic Building Fee						
FT Undergraduate and Graduate	Per semester	Note 2	2014	$44.05	$45.37	3.0%
PT Undergraduate Only	Per semester		2014	$22.02	$22.68	3.0%
College of Business & Economics: Business Career Centre Fee						
FT Undergraduate Bcomm Degree Only	Charged in fall and winter semesters	Note 3	New	$0.00	$50.00	0.0%
PT Undergraduate Bcomm Degree Only	Per 0.5 credit per semester		New	$0.00	$10.00	0.0%
Student Health Services Fee						
FT Undergraduate and Graduate	Per semester	Note 4	2014	$26.62	$27.53	3.4%
PT Undergraduate Only	Per semester		2014	$11.66	$12.06	3.4%
Student Services Fee						
FT Undergraduate	Per semester		2014	$55.36	$56.69	2.4%
PT Undergraduate	Per 0.5 credit per semester		2014	$11.06	$11.33	2.4%
FT Graduate	Per semester		2014	$53.93	$55.22	2.4%
PT Graduate	30% of FT fee per semester		2014	$16.18	$16.57	2.4%
University Centre Fee						
FT Undergraduate and Graduate	Per semester		2014	$14.02	$14.36	2.4%
PT Undergraduate and Graduate	Per 0.5 credit per semester		2014	$2.80	$2.87	2.5%

In accordance with MTCU regulations, non-tuition related compulsory student fees can only be introduced / changed under a protocol established and agreed to with student representatives. The University and student representatives have signed such an agreement which covers the fees shown above. The published Statistics Canada Consumer Price Index (CPI) annual average for Ontario (all Items) for 2014 is 2.4%. Please Note: Each Committee may approve fee increases up to 3% above the CPI for Ontario.

Note 1: Athletic Advisory Committee approved on March 9, 2015 to increase its fee by 3.5%. The increase will assist the cost of the increase to minimum wage.

Note 2: This is a 30 year fee initiated in fall 2009 approved through a referendum process to increase annually by 3%.

Note 3: As per the February 2015 referendum held by the College of Business & Economics for B Comm students.

Note 4: As per the Student Health Advisory Group approval on February 8, 2015 to increase its fee by 3.4%. The additional funds will be used to support wellness programming.

Associate Diploma Program	Fee Basis	Year of Last Increase	2014-2015 Approved Fees	2015-2016 Recommended Fees	% Increase
Ridgetown Campus					
Non Tuition Related Compulsory Student Fees:					
Athletic Fee					
Full Time	Per semester	2014	$70.88	$72.58	2.4%
Student Communication Fee					
Full Time	Per semester	2014	$47.07	$48.20	2.4%
Building Fee	Per semester	2014	$37.82	$38.73	2.4%
Academic Activity Fees					
Full Time	Per semester	2012	$334.20 - $996.80	$334.20 - $996.80	0.0%

Note:
The published Statistics Canada Consumer Price Index (CPI) annual average for Ontario (all Items) for 2014 is 2.4%.