

University of Guelph

2004/2005 Preliminary MTCU (Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2004 to April 30, 2005

*For presentation to the Board of Governors
April 7, 2004*

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A. Budget Context:

The 2004/2005 MTCU Operating budget has been prepared in the context of continuing cost pressures in a number of critical areas; increases in salaries and benefits, utilities, a significant deferred maintenance problem and a need to respond to the added costs of increased enrolments while maintaining quality with investments particularly in academic programs. This year, in addition to these challenges from the cost side, there is limited reinvestment by the province (sufficient only to fund incremental enrolment growth) coupled with a tuition freeze. It should be noted that general cost increases for the university sector in Ontario are on average about 4-5% per year reflecting the specialized nature of many expenses in delivering graduate/undergraduate programs and research. The principle challenge for 2004/2005 will be balancing the need to meet major institutional commitments such as negotiated salaries to remain competitive, benefits both negotiated and statutory and utilities while making strategic and focused reinvestments all in the context of a changing provincial funding environment. At the same time, the administration will continue to press the provincial government to reinvest in operating funds to address quality issues and deferred maintenance.

Planning:

For the past several years, the University has been engaged in planning integrated across the academic and support units. At the start of this process, a maximum enrolment target was set at 18,000 students for the main campus. Originally, based on information provided by the Ministries of Education and Training, Colleges and Universities, the University of Guelph expected to increase enrolment each year and reach maximum enrolment by 2007/2008. These predictions proved to be an underestimate of the number of students applying to university. (There is a significant increase in applications to universities for three reasons: an increase in the number of university-age high-school graduates; a significant year-over-year increase in participation rate; and, the double cohort.) Coupled with an increase in applications to the University of Guelph which exceeded the system average, the University will achieve its maximum enrolment of 18,000 in 2004/2005, three years ahead of schedule. The planning process is made more difficult by three issues: (1) the impact of flow-through enrolment on planning which means that decisions on the current and preceding years must be integrated into longer-term plans; (2) the length of time that faculty recruitment takes (on average it takes 8-10 months to recruit faculty); and, (3) the variability of program demand – there can be significant shifts in the applicant pool between academic programs from year to year which cannot be predicted. Planning for the enrolment growth has been managed through the Planning Steering Committee: a group of faculty, staff, students and administrators. This group has integrated plans for development of appropriate physical facilities with plans to increase faculty and staff to cope with the increased enrolment. The vice-presidents (finance and administration, and academic) have managed the proposed incremental investments, balancing needs and priorities within the budget available. The original plans for incremental investment have had to be accelerated to keep pace with the faster than anticipated enrolment increase. The initial plans for the 2004/2005 budget were set in the context of the previous increases in enrolment, the program mix of the enrolments and the overall plans for incremental investment balanced against the resources available.

Provincial Funding:

In the 2001 Ontario Budget, the Province announced special measures to alleviate anticipated enrolment demand pressures emerging from the double-cohort factor including an increase in operating grants to universities. The key provincial commitment was that the province would fund incremental enrolment (growth) at the “full-cost” grant per student¹.

Incremental grant funding from the province is focussed solely on enrolment growth. This increased operating grant funding is distributed to each university in Ontario based upon actual enrolment increases beyond present enrolment levels. As actual fall 2004 enrolment will not be confirmed until after November, when enrolments are verified and reported to the Ministry, the University will not know the exact distribution of

¹ “Full cost” funding refers to the commitment by the Province to fund new student enrolments at a level reflecting the total provincial grant income per student in accordance with the established funding formula. Prior to this commitment, provincial grants were effectively fixed and universities received only tuition for new enrolments effectively, discounting provincial grants received per student. A full-cost grant level is on average approximately \$6,800 per student in the Ontario university system.

provincial grants until well into the fiscal year. In addition, the new provincial government has implemented a tuition “freeze” and has not confirmed the amounts of a number of grants that were based on both the “full-cost” grant assumption plus other multi-year commitments (e.g., the Quality Assurance Fund program of the previous government). For this reason, the University is presenting a Preliminary Budget that will not be finalized until November at the earliest. The University is assuming there will be no increase to the basic operating grant therefore no provincial funding for inflation or improvements in quality such as reducing student-to-faculty ratios, which are currently higher in Ontario than in the other nine provinces.

During the initial planning for the 2004/2005 budget, the provincial government indicated that certain revenues mainly in the form of existing grant envelopes, may not flow to the universities as originally expected. This has created significant planning challenges in preparing the budget. In particular the government has:

- Implemented a tuition freeze (approximately \$1.4 million lost revenue). Although the government has indicated that it will compensate universities no announcement has been made to date.
- Despite promises from the previous government, no announcement has been made about the second instalment of the Quality Assurance Fund (total of \$5.0 million in 2004/2005). There is legitimate concern that a significant part of this fund (\$4.4 million), may not be forthcoming from the government.
- Recent discussions with the government indicate that the final commitments for funding associated with the double-cohort enrolment – so-called *slip-year funding* - will not be provided. This will create a shortfall of \$3.2 million in 2004/2005 revenue projections.

Base Budget Reduction and the Voluntary Early Retirement/Resignation (VERR) Program:

In light of the concerns about the expected increase in revenue, the University is forced, despite our best endeavours in planning, to reconsider the initial budget position and find ways to reduce the planned expenditures in 2004/2005. The uncertainty about revenue from the government makes it difficult to predict the size of the problem. The government has recently indicated that the provincial budget will be finalized several weeks after the Board must approve the preliminary budget for the University. Initial estimates indicated that the problem could be \$5.7 million at best and \$11.1 million at worst depending on government response to previous commitments. Unfortunately this significant level of uncertainty in our funding, forced the decision to instruct University of Guelph Colleges and Directorates to identify 3.5% (\$6.150 million) to be removed from their operating base budgets for 2004/2005. Because over 70% of the total operating budget consists of salaries and benefits, in order to accomplish this, positions will be affected.

At the same time as the University is dealing with the uncertainties of the MTCU funding, the University is also engaged in restructuring of the \$74 million OMAF contract. This is part of a multi-year plan in agreement with OMAF and the Agri-Food industry, to ensure that a greater proportion of the money in the contract between OMAF and the University is allocated to competitive research funding and that the University is able to assimilate incremental costs for salaries and benefits associated with the personnel in the OMAF contract.

To assist unit managers in reducing their overall budgets including positions, the University is proposing to offer employees a program to leave voluntarily or retire early from the University. The objective of this program (VERR) is to allow unit managers to restructure their operations/programs without resorting to involuntary layoffs. The key operating principles of this program include: approval for any early retirements/resignation will only be granted where base budget savings are generated and where the resignation does not materially weaken the ability of the University to meet its operational objectives i.e., a voluntary early retirement/resignation proposed under this program must directly result in base budget savings and the proposed resignation must not be in an area where there are critical service requirements. Where these conditions are met, the one-time costs of the program will be accumulated in a University deficit that will be eliminated over the next three fiscal years (2005/2006 to 2007/2008). The maximum one-time cost of this

program is estimated at \$7.5 million which includes a provision for restructuring the OMAF contract. Refer to Section D. for further information on the VERR program.

The Budget Process:

Each year, the annual operating budget process normally starts in the January preceding the start of the fiscal year in May. The University first develops a set of planning assumptions to establish an initial net budget position. These assumptions focus on inflationary and incremental cost provisions for large critical cost items such as salaries, benefits and utilities – collectively referred to as “core” expenditure commitments. For fiscal 2004/2005, the next step involved the incorporation of the on-going planning commitments determined as part of the University’s multi-year planning process in dealing with the double cohort and associated capital investments. From this initial analysis more detailed budget estimates were prepared (refer to section C.).

The University starts its annual budget preparation process with a review of multi-year budget objectives. The purpose of these objectives is to establish general direction and priority for annual budget planning including decisions on investments, year-end review and, where applicable, mid-year budget adjustments. This budget has been prepared in the context of significant uncertainties about provincial funding, most recently targeted for enrolment growth. Nevertheless, it also reflects the University’s priority commitment to invest in maintaining quality and accessibility. When measured against these objectives, the University has realized several key successes over the past four years including the elimination of our structural deficit (i.e., reliance on one-time savings such as pension expense savings), repayment of the SERP deficit in accordance with our plan and the investment of almost \$28 million in new investments to address issues of quality and growth. These objectives were achieved while covering general cost increases of \$31 million for critical expenses such as salaries and benefits and utilities. The University’s 2004/2005 major budget objectives can be summarized as:

1. To continue planning for growth and investing in the maintenance of quality and accessibility particularly in;
 - faculty and staff
 - teaching support services
 - student services and financial assistance
 - maintaining facilities
2. To balance and stabilize the budget including;
 - manage any deficit repayment requirement
 - manage the University’s structural or base deficit

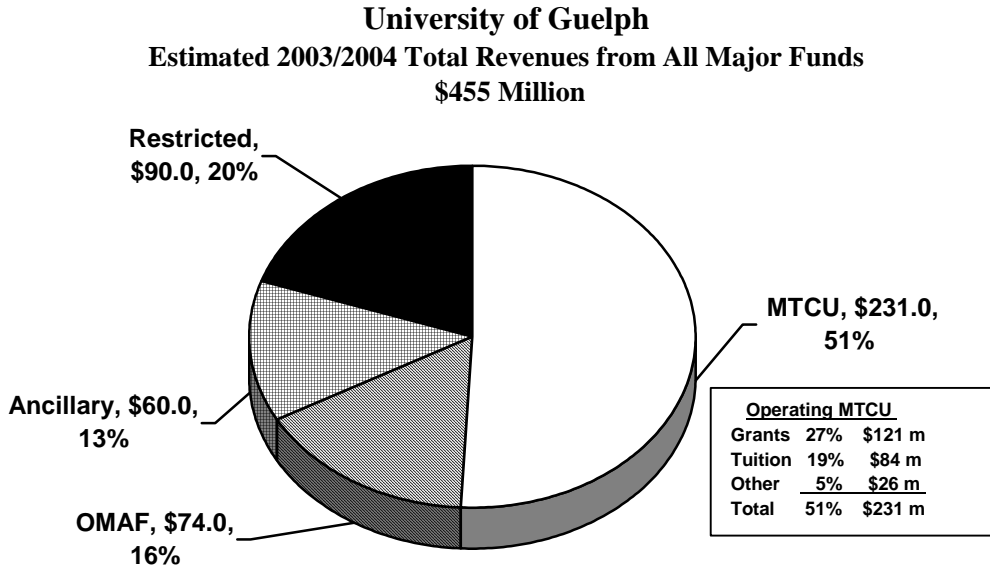
In preparing the 2004/2005 budget, the University has assumed a planned level of risk. This is reflected in the budgeting assumption for provincial grants that is based on previous provincial funding announcements (unconfirmed at this time) that contained commitments to fully fund the incremental enrolment, including the impact of the double cohort and a multi-year commitment to improving quality. There are also a number of other critical assumptions made in the budget that will not be confirmed until after the start of the fiscal year in May. These assumptions include enrolment levels and fiscal 2003/2004 year-end funds. As the University receives confirmation of the financial impact of these events, they will immediately be factored into the budget. Should major changes occur in these assumptions, the University will bring a revised budget to the Board. Nevertheless, the University will meet its budget targets through additional funds from a variety of potential sources or by further budget cost reductions if necessary.

The University is committed to continuing to implement the objectives of its multi-year planning to increase enrolment with quality, to increase faculty and staff, to address deferred maintenance, and to maintain the quality of the educational experience of all our students.

Ultimately, the goal of the budget is to sustain and, where possible, enhance the University’s status as one of Canada’s highest quality, learner-centred, research-intensive, accessible universities.

A.1 Definitions:

Total University of Guelph revenue is derived from a variety of sources including government grants, tuition and other fees, research contracts, donations and endowment income. It is estimated that funds from all sources in 2003/2004 will total about \$455 million (\$446.2 million in 2002/2003). The use of many of these funds is restricted for specific purposes and cannot be used to support ongoing teaching, research and infrastructure operations. All major graduate and undergraduate teaching costs are managed and funded within the “**MTCU Operating Budget**”. The following chart presents all estimated University revenues by source:



* Note: **Restricted** funds are derived from a large variety of sources including capital, sponsored research, donations and endowments. It is very difficult to precisely predict the amount of these funds. This is an estimate only. Final amounts are confirmed in the audited financial statements. Revenues from these funds in fiscal 2002/2003 were \$88.5 million.

A.1.1 MTCU:

'Ministry of Training, Colleges and Universities' is the provincial Ministry responsible for the administration of grants and regulated fees for all post-secondary institutions in the province. Until 1996, MTCU controlled all tuition fee increases for degree programs through strict formulas. At that time however, the province deregulated all fees for international students thereby allowing each university to set these fees. In 1998, further deregulation of fees was announced for all graduate and specified professional undergraduate programs such as Medicine, Law, Dentistry, Veterinary Medicine and Engineering. All other undergraduate fees continue to be regulated and must conform to MTCU rules that allow a maximum average increase in any year. MTCU mandates that 30% of all fee increases be set-aside for needs-based student financial assistance. Failure to adhere to these rules will result in penalties from the province including a reduction in the provincial operating grant. In 2000/2001, the province announced a five-year "cap" to 2004/2005 on all regulated tuition fees that limited annual increases to no more than 2% of the 1999/2000 maximum regulated fee. The 30% set-aside applied to those increases.

However, in the fall of 2003, the province announced that post-secondary fees would be "frozen" at current levels. At this time while there are no specifics as to what programs the freeze covers, or if there is any compensating grant, the University has assumed tuition will remain at 2003/2004 levels all basic programs (domestic and international, graduate and undergraduate).

For compulsory non-tuition student fees (such as athletics and student health fees), MTCU requires that University and student groups agree on a protocol for fee increases. A protocol has

been signed with student groups at the University of Guelph. All tuition fees and compulsory non-tuition student fees are presented to the Board for approval.

A.1.2 OMAF

'Ontario Ministry of Agriculture and Food ': Unique in the Ontario university system is a contract for ongoing research, services and education between OMAF and the University of Guelph. In fiscal 2003/2004, it is estimated that total revenues within the contract will be \$74 million consisting of \$50.5 million in OMAF contract payments and \$23.5 million in diploma fees and revenues from the sale of goods and services. On April 1, 1997 the University and OMAF expanded their contract whereby operations of 3 colleges of agricultural technology (CAT), several horticultural research stations and two major laboratory testing facilities were assumed by the University. The contract was renewed for a five year period March 31, 2002. Included in the total contract are almost \$14 million in costs incurred in the MTCU Operating budget for research faculty full-time equivalents and infrastructure costs such as physical plant, academic and administrative services which are recovered by the MTCU Operating budget annually from contract revenues.

Although the OMAF contract is restricted (accounted for separately) and must have a balanced budget, it is considered part of the University's total Operating Budget as it funds a total of 100 University faculty positions; 450 full-time University staff and operating and infrastructure costs. A detailed presentation on the entire OMAF budget, including the enhanced partnership, will be presented separately to the Board.

A.1.3 Operating Budget:

The University's total Operating Budget of approximately \$305 million in 2003/2004 revenues (66% of total University revenues) is composed of two major sub-funds described above: the MTCU Operating Budget with \$ 231 million in revenues and the OMAF Contract with \$74 million in revenues. OMAF has very specific reporting requirements, defined as part of the contract with the Ontario Ministry of Agriculture and Food.

The following presentation, entitled the '**2004/2005 Preliminary MTCU Operating Budget**' presents only the MTCU component of the University's Operating budget (its major revenue component is the operating grant from MTCU). Should major differences in the 2004/2005 Preliminary Budget assumptions occur during the year, a revised 2004/2005 MTCU Operating Budget will be prepared for the Board incorporating those changes after November 2004 when enrolments are confirmed. Included will be any required expenditure revisions due to actual enrolments, grant confirmations and the final distribution of any budget line items unallocated at the time of the Preliminary Budget preparation.

A.1.4 Ancillary:

Ancillary operations are self-funded service operations managed by the University. Projected total 2003/2004 revenues of \$60 million or 14% of total University revenues, for the four University ancillary operations are derived mainly from the sales of goods and services. Separate budgets are prepared and approved by the Board for each operation. Because of self-funding objectives, ancillary units are charged for services including utilities, rent and administration provided by the MTCU portion of the Operating fund. In 2003/2004 the ancillary units were charged approximately \$8.0 million for such services. Two Ancillary Services, Hospitality Services and Parking Administration, also provide a portion of their annual net income to fund special academic capital projects, \$0.200 million and \$0.442 million respectively in 2003/2004. In addition, these units may (subject to availability) assist the MTCU Operating budget in meeting its overall budget target. In fiscal 2003/2004 Parking contributed \$0.200 million for this latter purpose.

B. 2004/2005 BUDGET ASSUMPTIONS:

B.1 2004/2005 MTCU Core Expenditure Commitments:

The following is a table quantifying the major components of the University's core expenditure commitments for fiscal 2004/2005. ("Core" cost increases focus on inflationary and incremental provisions for critical cost categories such as salaries, benefits and utilities.) It should be noted that these commitments exclude the impact of assumptions for incremental investments in quality and accessibility, grants, tuition, enrolment or other budgetary adjustments necessary to meet budget targets. The remaining sections of the budget detail assumptions and incremental changes to the budget based on the province's funding announcement, expenditures for dealing with the enrolment growth and other expenditure and revenues calculations to meet the University's overall budget objectives.

(Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings.)

		\$ Million
B.1.1	Provision for Salaries and Benefits:	
	A provision of \$9.250 million has been made to cover 2004/2005 estimated costs of salary and benefit increases. Salaries and benefits which make up 70% of MTCU Operating Budget costs, include the salary costs of nine employee groups (eight of which already have agreements for fiscal 2004/2005), temporary and contracted labour and all associated employer benefit costs. Estimates include a provision for the increased costs of agreements with all employee groups and adjustments to cover projected changes to employer benefits costs. Employer benefit costs include both statutory benefits such as, CPP (Canada Pension Plan) and EI (Employment Insurance), and negotiated benefits such as pension, extended health and dental coverage for current and retired employees. Final allocation in the budget of the costs of salaries and benefits will be made upon completion of any negotiations and specific costs incurred during the course of the fiscal year.	(9.250)
B.1.2	Estimated Utilities and Other Institutional Operating Costs:	
	This category includes provisions for increases in major University operating accounts such as utilities, insurance and certain existing University-wide information systems' maintenance. The University's 2003/2004 central utility budget was \$16.7 million. A total increase of 5% has been provided in the budget for 2004/2005 due to a combination of rate changes on heating, hydro, water usage and waste disposal, plus increases in general consumption of all utilities due to new space (including the new science complex), enrolment growth and research activity on campus. On April 1, 2004 the provincial "cap" on hydro will be lifted exposing users to market pricing. The University has entered into contracts that reduce exposure to electrical power rate increases however it is expected that a 11% increased will be incurred. In addition, \$0.400 million has been provided for the increased costs of maintenance agreements for University-wide information systems. The remaining allocation is for the increased costs of both University insurance coverage and waste removal costs mainly associated with research activities.	(1.860)
RESULTS OF INITIAL EXPENDITURE PLANNING ASSUMPTIONS: <i>(Note overall core cost increases are estimated to equal approximately 4.3% of the revenue base.</i>		(11.110)

C. 2004/2005 Budget Assumptions: Incremental Investment Proposals, Revenue Assumptions and Solutions to Meet the Budget Target:

The following section contains specific proposals with their estimated incremental budgetary impact, that complete the University's 2004/2005 MTCU Preliminary Operating Budget. Estimates have been made for the projected impact of the provincial funding announcement, enrolment revenue estimates and incremental investments. The impact of these assumptions by major organizational unit, with accompanying notes, is shown on **Table A**. The 2004/2005 Preliminary MTCU Operating Budget compared to 2002/2003 actual and 2003/2004 forecast results is presented in **Table B**.

Initial planning assumptions for general core cost increases for institution wide commitments and services such as personnel costs, utilities and insurance total approximately 4.3% of total revenues. Spending on other institutional and general departmental operating expenses is expected to remain within current budget allocations, except for new funding provided for in this budget. New funding has been allocated for investments to address critical quality enhancement items particularly for academic and staff teaching support, the library resources, student financial assistance and high priority support services. A total of \$12.075 million (4.8% of the operating expense base budget) has been initially allocated for the following major items:

ITEM	DESCRIPTION	\$MILLION
C.1	Incremental Investments:	
	<i>Incremental Investments refer to new funding to address critical quality enhancement items, particularly for academic and staff teaching support, the library, student financial assistance and high priority support services.</i>	
C.1.1	Academic Planning:	
	An addition of <u>\$6.000 million</u> has been made to the budget to be directed to academic units. The major component of this increase is \$3.7 million currently targeted to fund approximately 48 new faculty positions. Specific allocations will be targeted to those programs experiencing significant increased enrolments. The greatest growth in undergraduate enrolment in the last four years has been in the Baccalaureate of Arts (BA) and Commerce (BComm) programs (refer to Graph C). Therefore, incremental investment to support growth in the faculty complement has been focused in the College of Arts and the College of Social and Applied Human Sciences.) The remaining funds have been allocated to primarily colleges to cover additional costs of the new minimum stipend program (graduate student assistance), staff, and operating costs in the academic units.	(6.000)
C.1.2	Library Resources:	
	An increase of <u>\$0.500 million</u> has been allocated for the Library to provide for increased costs of new staff and to assist in covering information resources (including acquisitions) price increases.	(0.500)
C.1.3	OMAF Restructuring:	
	The University has a long-standing \$50.5 million research, education and services agreement with OMAF which currently supports 550 University faculty and staff positions. In 2002 a major restructuring of the contract was started with the objective of creating a sustainable and effective funding model for deliverable services under the agreement. In fiscal 2004/2005, it is proposed to <u>transfer about \$1 million</u> in faculty costs currently charged to the contract to the MTCU budget. The equivalent funds released in the OMAF agreement budget will be used to restructure the contract and help create a larger pool of competitively available research funds.	(1.000)

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C.1.4	Incremental Costs of New Space:	
	In fiscal 2004/2005, new space, consisting mainly of the Science Complex Phase 1, will be opened. The \$0.600 million 2004/2005 allocation includes staff and operating related to this space, plus a small provision for operating costs related to enrolment growth.	(0.600)
C.1.5	Institutional Support:	
	Additional funds have also been allocated to improve campus safety and to regularize positions focussing on continuous fund raising activities with the objective of increasing the ongoing level of annual donations particularly for academic units. In addition, funds have been allocated to occupational health programs on campus to assist in improving general workplace health and controlling the costs of University health care.	(0.375)
C.1.6	Capital Infrastructure Planning:	
	<p>By the end of fiscal 2003/2004 it is expected that \$51 million provided by the province under the SuperBuild program in 1999/2000 will have been spent on the construction of both Rozanski Hall and the new science complex (in total these facilities are expected to cost \$160 million to be paid from SuperBuild funds, donations, grants and external financing). Collectively, these projects are referred as GSBP - Guelph SuperBuild Programs. As Phase 1 of the science complex nears completion and Phase 2 begins, the University will be applying a portion of the proceeds of a \$100 million debenture to the GSBP. In October 2002, the University with Board approval, issued a \$100 million debenture, for the purposes of financing a number of major capital projects including GSBP. A provision of <u>\$2.6 million</u> has been made in this budget to pay for interest costs and principal repayment (in the form of an internal "sinking fund") of a portion of debt used for these projects during the course of the year estimated at \$40 million. (The remaining portion of the debenture proceeds will be serviced from general capital fund revenues until assigned for specific projects.)</p> <p>The University has, for several years, faced an increasingly significant backlog of capital infrastructure maintenance needs. These include upgrades to critical fire detection, utilities distribution and building structural (roofs, windows, etc.) systems. In addition with the increased enrolments of recent years, the general University population increase has added to the strain on all building systems. It is planned to add <u>\$1.0 million</u> to the existing base budget for deferred maintenance of \$1.0 million increasing the total 2004/2005 base budget allocation to \$2.0 million. (This excludes funding from MTCU facility renewal grants currently estimated at \$1.7 million per year).</p>	(3.600)
	Total Incremental Investments	(12.075)

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C.2	SOLUTIONS:	\$MILLION
C.2.1	Provincial Operating Grant	
	<p>Provincial grants form approximately 47% of the University's operating fund revenue base. Because of the "targeted" nature of provincial funding, there are many categories of grant envelopes that must be estimated as part of the budgeting process. The following summarizes the major assumptions and envelopes expected, at this time, to impact this year's budget. The University constantly monitors these grants (and provincial funding implemented through MTCU) and material updates are factored into the budget as they occur.</p> <p>In the May 9, 2001 Ontario Budget, the Province announced special measures to alleviate anticipated enrolment demand pressures emerging from the double cohort (elimination of Ontario Grade 13) including an increase in operating grants to universities. In every fiscal year since the province has announced revisions to the original estimates and programs reflecting the additional demand for post-secondary education in the Province over initial estimates made in 2001. The critical working assumption made by the University in all of these grant programs is that full-cost grant funding would be provided for all eligible incremental growth during that period.</p> <p>This increased operating grant funding is to be distributed to each university in Ontario based upon <u>actual</u> year-over-year increases in eligible enrolment at each university. (Enrolment in unregulated categories e.g., international students is not eligible for provincial grant support.) Because actual fall 2004 enrolment will not be confirmed until November, when enrolments are verified and reported to the Ministry, the University will not know the exact distribution of provincial grants until well into the fiscal year</p> <p>For the purposes of the 2004/2005 budget <u>\$10.6 million</u> in total grant increases have been added. They are based on the following assumptions regarding provincial grants.</p> <ul style="list-style-type: none"> • <u>Basic grant</u>: The Basic grant which represents 85% of all provincial grant funding is not expected to increase. This means no general funding for inflationary cost increases which in the university sector range from 4-5%. • <u>Accessibility Fund</u>: This is the name of the funding envelope created by the province to fund increased enrolment primarily from the impact of the double cohort. It consists of allocations for both undergraduate and graduate enrolment increases. For Preliminary MTCU 2004/2005 budgeting purposes an estimated increase of <u>\$3.8 million</u> in provincial grant funding (over the 2003/2004 Base Budget) has been made using projected total enrolment growth at Guelph relative to the total system. This enrolment growth is the result of retention/flow-through (more students from increased first year intakes in prior years). (The fall 2004 target for undergraduate semester 1 students in MTCU regulated programs will be set at 4,000, down from a fall 2003 actual of approximately 4,600 students). Because this grant is based on actual increased enrolment, the final allocation will not be known until after November 2004, when fall enrolments are reported to MTCU at which time final results will be presented to the Board of Governors. (Related to the "accessibility" funds are funds known as "slip year" which are effectively grants "owed" by the province to universities mainly from 2001/2002 enrolment growth not fully funded. It is estimated that Guelph's share of the one-time funding is \$3.2 million. 	10.600

	<p>Because of the lack of any obvious commitment by MTCU over the past several years to flow these funds, they have not been built into the budget at this time.)</p> <ul style="list-style-type: none"> • <u>Quality Assurance Fund (QAF)</u>: On July 25, 2003, the Province announced that a new 3 year grant program for actual post-secondary enrolment growth in “excess” of forecasted Ontario system enrolment upon which earlier Accessibility Grant envelopes were based. In fiscal 2003/2004 the University received \$3.5 million under this program, which if continued in accordance with the original program guidelines will result in <u>\$5.000 million</u> in new 2004/2005 funding. (At this time, there is no confirmation from the province that all of this grant will flow in fiscal 2004/2005, however, the University has assumed this risk in these Preliminary Budget assumptions.) • <u>Tuition Compensation Grant</u>: In the fall of 2003 the newly elected provincial government announced that there would be a general “freeze” on post-secondary tuition. This cancelled a previous policy that limited tuition increases to 2% of the 1999/2000 base. (The loss in net revenues for the University is estimated at <u>\$1.4 million</u>.) Discussions have occurred with MTCU indicating that compensation in the form of a special grant was possible. While, at this time, the University has received no confirmation that this grant will be made, the compensation has been factored into the current assumptions. • <u>Other grants</u>: There are several other targeted grant envelopes received by the University including ATOP (Access to Opportunities). Overall it is expected that these grants will increase by <u>\$0.400 million</u>. <p><i>NOTE: The University is aware that several of these grants (QAF and Tuition Compensation) are “at risk”. Should they not be received in accordance with these assumptions, mid-year adjustments will be made to meet overall budget targets.</i></p>	
C.2.2	Tuition and Enrolment:	
	<p><u>Tuition Fees</u>: Contained in a March 2000 provincial funding announcement were regulations that “capped” regulated tuition fee increases at 2% for the five-year period 2000/2001 to 2004/2005. In the fall of 2003 the province announced that post-secondary fees would be “frozen” at current levels. At this time, while there are no specifics as to what programs the freeze covers, or if there is any compensating grant, the University has assumed tuition will remain at 2003/2004 levels for all basic programs (domestic and international, graduate and undergraduate).</p> <p><u>Enrolment</u>: As part of the planning process for the 2003/2004 budget and consistent with negotiations with the province, the University set its fall 2003 target for semester 1 (first year) undergraduates at 4,000. Actual results for fall 2003 were approximately 4,600 (reflecting a high demand for Guelph particularly in the BA and BComm programs). Although Semester 1 intakes will decrease in 2004/2005, overall enrolment is expected to increase generating an additional <u>\$1.700 million</u> in revenues. This increase in enrolment is due to the flow-through of prior years relatively high semester 1 intakes progressing through their programs to graduation.</p> <p>Enrolment estimates are presented in Graphs A and B (attached). The graphs also show the historical head counts and the impact of the changes due to earlier enrolment plans.</p>	1.700

University of Guelph
2004/2005 Preliminary MTCU Operating Budget

C.2.3	Research and Other Recoveries:	
	Institutional funds from research overhead funding are projected to generate additional income for the Operating budget of <u>\$1.200 million</u> . The main component of this projected increase is due to increased support from the federal (Indirect Costs of Research Grant) and provincial (Research Performance Fund) governments for the infrastructure costs of research (major examples being utilities, maintenance and research administration). These revenues will be recognized in the MTCU Operating budget in support of these types of costs as well as an investment for restructuring of the OMAF contract and the Office of Research which started in 2001/2002.	1.200
C.2.4	Resignation and Retirement Savings:	
	An estimated <u>\$0.790 million</u> in <u>net</u> savings will be available as a result of position turnover and retirements (normally new appointments replace retirements at lower salaries). This estimate is net of any funds required for replacement salaries and for the temporary funding of "bridging" positions whereby an upcoming faculty retirement is filled in advance of (or bridged to) an actual retirement.	0.790
C.2.5	Other Institutional Revenues:	
	It is estimated that there will be an additional \$0.400 million generated from a variety of fees, interest income on operating cash flows and recoveries. Most of this revenue is derived from a general increase in activity (enrolment).	0.400
C.2.6	Cost Recoveries from Ancillaries:	
	A 2.5% increase in the general cost recovery charges to Ancillaries will be made in 2004/2005 to help offset continuing increases in utilities charges. In addition a special charge of \$0.400 million will be made to the Parking Services budget to be provided from net parking revenues. These increases were factored into the 2004/2005 budget of each ancillary unit to be presented to the Finance Committee in March 2004. The total combined increase in cost-recoveries for these charges is <u>\$0.600 million</u> .	0.600
C.2.7	SERP Deficit Repayment Obligation:	
	In fiscal 1996/97 a \$2.2 million base budget expenses line item was established to help repay the SERP (Special Early Retirement Program deficit of \$26 million). At the beginning of fiscal 2003/2004 this obligation had been reduced to \$1.745 million. By fiscal end 2003/2004 the total deficit will have been eliminated thereby releasing <u>\$1.745 million</u> for use in the 2004/2005 budget.	1.745
C.2.8	General Unit Base Reductions:	
	Despite best efforts at anticipating provincial funding and matching revenues to expenditures, a shortfall between required, core cost commitments, investments and revenues/savings was determined (currently estimated at \$6.150 million). (This assumes that the grants "at risk": the QAF and Tuition Compensation will be received.) In order to close this gap the University implemented an "across-the-board" 3.5% base budget reduction for major units. Because of the relatively short lead time in which to implement these reductions, Colleges and Departments have used a combination of base and one-time solutions in order to meet their 2004/2005 budget targets. In addition, the University has proposed that a special one-time Voluntary Early Retirement and Resignation (VERR) program be created in order to encourage regular full-time employees to voluntarily leave the University (refer to section D). This program will allow units to identified base savings over the course of the fiscal year.	6.150
	TOTAL " Solutions"	23.185

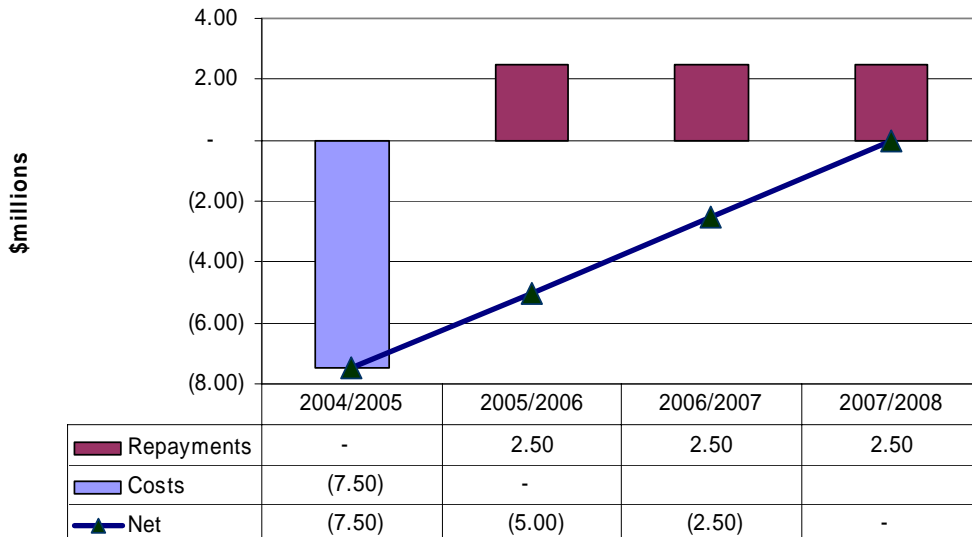
D. Voluntary Early Retirement/Resignation Program Deficit (VERR):

In order to assist in meeting a 3.5% base reduction in units, the University is proposing a Voluntary Earlier Retirement/Resignation program. The objective of this program is to allow unit managers to restructure their operations/programs without resorting to involuntary layoffs. As college/directorate budgets are composed largely of salaries and benefits costs, (up to 90% in some cases), managers will need to restructure their faculty/staff complements in order to permanently meet their budget targets. In addition, there is a critical need to restructure the OMAF contract, particularly with respect to structural costs in technical and facilities support areas. (The OMAF contract has just over 60% of total expenses in personnel costs).

In the past, when faced with similar budget difficulties, the University has created windows of time in which regular full-time employees could voluntarily choose to leave/retire from the University. The main cost of such programs has been the one-time cost of lump sum payments made as an incentive to leave the University. (For example, in 1996/97 the University introduced a less formal program to help deal with the CSR – “Common Sense Revolution” cuts.) In all cases, the University met all of its financial commitments and objectives associated with these programs. We propose to initiate a limited program for the 2004/2005 budget year.

The University will limit the costs of the 2004/2005 program to \$7.5 million and repay these costs over the following three years from general one-time savings. The final outcome across the MTCU and OMAF budgets will depend both on the level of interest in the early retirement/resignation window and on the mix of faculty and staff who are approved under this program. Until these costs are fully repaid the University will incur a special one-time deficit. The University will identify the repayment funds each year as part of its annual budgeting process and report the progress of this program and deficit repayment regularly to the Board of Governors. The following chart presents the estimated cash flow of this program.

Estimate of 2004/2005 Restructuring Costs and Repayment



E. Summary of 2004/2005 MTCU Preliminary Budget Assumptions and Objectives:

The following table summarizes the results of assumptions and incremental changes included in the University's 2004/2005 MTCU Operating budget. (Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings.)

Summary of 2004/2005 Budget Assumptions and Objectives:

B.1	Assumptions: Core Cost Commitments	\$ Million
B.1.1	Provision for Salaries and Benefits	(9.250)
B.1.2	Estimated Utilities and Insurance increase	(1.860)
	Summary: Core Cost Commitments	(11.110)
C.1	Incremental Investments	
C.1.1	Academic Planning	(6.000)
C.1.2	Library Resources	(0.500)
C.1.3	OMAF Restructuring	(1.000)
C.1.4	Incremental Costs of New Space	(0.600)
C.1.5	Institutional Support	(0.375)
C.1.6	Capital Infrastructure Planning	(3.600)
	Sub-total Total Investments	(12.075)
	Total Before Solutions	(23.185)

C.2	SOLUTIONS: (incremental to base budget)	
C.2.1	Total Provincial Grants	10.600
C.2.2	Increased Enrolment	1.700
C.2.3	Research and Other Recoveries	1.200
C.2.4	Resignation and Retirement Savings	0.790
C.2.5	Other Institutional Revenues	0.400
C.2.6.	Cost Recoveries from Ancillaries	0.600
C.2.7	SERP Deficit Repayment (Deficit Repaid in 2003/2004)	1.745
C.2.8	General Unit Base Reductions	6.150
	Total Solutions	23.185

D.	VERR Program One-Time Costs	(7.500)
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F. Tables and Graphs:

The following Tables present the 2004/2005 Preliminary MTCU Operating Budget in the context of actual 2002/2003 results and 2003/2004 forecast results:

- Table A *2004/2005 Preliminary MTCU Operating Budget by Unit and Major Expense Category:*
A table showing the 2004/2005 Preliminary MTCU Operating Budget incorporating all budget assumptions, by major category of expense and organizational group.
- Table B *2004/2005 Preliminary MTCU Operating Budget Net Expenses by Unit:*
A time series showing the 2002/2003 results, 2003/2004 forecast results and the 2004/2005 Preliminary Budget by major organizational group, net of departmental revenues.
- Graph A *Undergraduate Semester One Enrolment Full-time Headcount:*
Full-time Degree Program Semester One Total Headcount Undergraduate Enrolment for the fall semester for the years **1993/1994 to 2004/2005 (budget)**.
- Graph B *Total Headcount Enrolment by Semester:*
Summary of full-time, part-time undergraduate and graduate student headcounts by semester for the years **1993/1994 to 2004/2005 (budget)**.
- Graph C *Full-time Undergraduate Headcount - Fall Only (actuals and projections, indexed to fall 1998 count)*
Comparison of growth in undergraduate enrolment relative to 1998 for BA, BComm and all other major programs.

University of Guelph
2004/2005 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in \$ Thousands)

	(A) Total Salaries	(B) Total Benefits	(C) = (A)+(B) Total Personnel	(D) Operating	(E) Internal Recoveries	(F) Budget Reductions	(G) = (C)+(D)+(E)+(F) Total Expenses	(H) Total University Recoveries & Revenues	(I) = (G)+(H) Net Budget
<u>Institutional Revenues and Recoveries</u>									
Provincial Grants								125,864	125,864
Tuition								78,700	78,700
Other								6,002	6,002
Total Revenues								210,566	210,566
<u>Cost Recoveries</u>									
OMAF								6,600	6,600 #1
Research and Other								6,942	6,942
Ancillaries								8,753	8,753
Total Cost Recoveries								22,295	22,295
Total Institutional Revenues and Recoveries								232,861	232,861 #2
<u>Institutional Expenses</u>									
<u>Teaching Units</u>									
College of Arts	13,107	2,519	15,626	1,503		(543)	16,586	(6)	16,580
College of Biological Science	12,895	2,571	15,466	1,965	(226)	(535)	16,670	(323)	16,347
College of Social and Applied Human Science	20,213	3,966	24,179	3,531	(44)	(835)	26,831	(1,676)	25,155
Ontario Agricultural College	20,143	4,242	24,385	1,495	(678)	(586)	24,616	(6,178)	18,438
Ontario Veterinary College	20,406	4,193	24,599	9,731	(2,131)	(568)	31,631	(15,679)	15,952
College of Physical and Engineering Science	15,483	3,062	18,545	1,855	(116)	(650)	19,634	(353)	19,281
Office of Open Learning	1,486	350	1,836	2,996	(61)	(43)	4,728	(3,423)	1,305
Other Teaching Units	1,192	124	1,316	5,172	0	(12)	6,476	0	6,476 #3
Student Assistance	550	51	601	9,085		0	9,686		9,686
Total Teaching Units	105,475	21,078	126,553	37,333	(3,256)	(3,772)	156,858	(27,638)	129,220
<u>Library Operations and Acquisitions</u>									
Library Operations	5,871	1,425	7,296	2,380	(48)	(294)	9,334	(487)	8,847
Library Acquisitions	0	0	0	5,500		0	5,500		5,500
Total Library Operations and Acquisitions	5,871	1,425	7,296	7,880	(48)	(294)	14,834	(487)	14,347

University of Guelph
2004/2005 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in \$ Thousands)

	(A) Total Salaries	(B) Total Benefits	(C) = (A)+(B) Total Personnel	(D) Operating	(E) Internal Recoveries	(F) Budget Reductions	(G) = (C)+(D)+(E)+(F) Total Expenses	(H) Total University Recoveries & Revenues	(I) = (G)+(H) Net Budget
Academic Services									
Office of Research	3,039	699	3,738	867	(337)	(145)	4,123	0	4,123
Teaching Support Services	1,098	267	1,365	349	(95)	(54)	1,565	(20)	1,545
Registrar	3,485	859	4,344	1,134	(26)	(175)	5,277	(307)	4,970
Other Academic Services	1,287	299	1,586	578	(15)	(26)	2,123	(619)	1,504 #4
Total Academic Services	8,909	2,124	11,033	2,928	(473)	(400)	13,088	(946)	12,142
Student Services									
Student Services	4,820	1,068	5,888	2,597	(253)	(156)	8,076	(4,439)	3,637 #5
Athletics	2,384	468	2,852	2,994	(21)	0	5,825	(4,880)	945 #6
Total Student Services	7,204	1,536	8,740	5,591	(274)	(156)	13,901	(9,319)	4,582
Total Teaching and Academic Services	127,459	26,163	153,622	53,732	(4,051)	(4,622)	198,681	(38,390)	160,291
Physical Resources									
Physical Resources Operations	15,452	3,861	19,313	5,065	(2,057)	(734)	21,587	(120)	21,467
Utilities	0	0	0	18,202	(139)	0	18,063		18,063
Total Physical Resources	15,452	3,861	19,313	23,267	0	(2,196)	39,650	(120)	39,530
Capital Infrastructure Planning									
Renovations/Deferred Maintenance	0	0	0	2,000		0	2,000		2,000
Guelph SuperBuild Programs	0	0	0	2,600		0	2,600		2,600
Total Capital Infrastructure Planning	0	0	0	4,600	0	0	4,600	0	4,600
Institutional Services and General Expenses									
Alumni Affairs & Development	2,010	468	2,478	13	(3)	(74)	2,488	(50)	2,364
Computing & Comm Services	5,316	1,205	6,521	4,451	(4,357)	(204)	6,411	(125)	6,286
Central Administration Offices	9,903	2,372	12,275	1,568	(40)	(455)	13,348	(159)	13,189 #7
University General Expenses	113	27	140	6,911	(1,167)	(61)	5,823	(222)	5,601 #8
Total Institutional Services and General Exp.	17,342	4,072	21,414	12,943	(5,567)	(794)	28,070	(556)	27,440
University Contingency				1,000			1,000		1,000
Total Institutional Expenses	160,253	34,096	194,349	95,542	(11,814)	(6,150)	272,001	(39,066)	232,861
Voluntary Early Retirement/Resignation (VERR) Program				7,500			7,500		7,500
Net Budget	160,253	34,096	194,349	103,042	(11,814)	(6,150)	279,501	(271,927)	(7,500) #9

University of Guelph
2004/2005 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in \$ Thousands)

Column Descriptions:

- | | |
|---|---|
| <p>A. "Total Salaries" includes budgeted costs for all regular full-time, contract and part-time employees.</p> <p>B. "Total Benefits" include the budgeted employer benefit costs, allocated in proportion to salaries.</p> <p>D. "Operating Costs" include the budgeted amount departments have allocated for a great variety of costs such as equipment purchases, maintaining day-to-day operations, travel and renovations. Actual costs may vary significantly to budget, however budget managers must cover any costs incurred over budget by reducing expenses in other categories or increasing departmental revenues.</p> <p>E. "Internal Recoveries" are non-cash transfers based on inter-departmental services provided such as telephone, mail, laboratory, physical resources work orders, vehicle rentals and printing.</p> <p>F. "Budget Reductions" due to the shortfall between core costs and investments and expected revenues/ savings, the university implemented a 3.5% base budget reduction (see Item C.2.8).</p> | <p>H. "Total University Recoveries and Revenues" of \$271.9M includes Provincial Grants of \$125.9M, Tuition of \$78.7M, Other revenue of \$6.0M, Cost Recoveries of \$22.3M and Departmental Revenues of \$39.1M.</p> <p>I. "Net Budget" is the total of departmental expenses less departmental cost recoveries and revenues for each major unit. Net budget is the total allocation amount with which unit managers are controlled and measured at the end of each fiscal year. Any surplus or deficit at year-end within policy limits is credited to or charged against the unit as a Carryforward in the following years' budget.</p> |
|---|---|

Notes:

- | | |
|---|--|
| <p>1. OMAF Cost Recoveries of \$6.6M are for services provided by the MTCU budget (i.e., utilities and space costs). In addition, there is \$6.325M in recoveries from the OMAF agreement for faculty salaries (down from \$7.325M in 2003/04 due to \$1.0M investment in OMAF restructuring from the MTCU budget) (see Item C.1.3). These recoveries are recorded in the college budgets according to faculty time awarded to research projects. The 2004/2005 estimated recoveries by college are: CBS - \$0.184M; CSAHS - \$0.127M; OAC - \$4.591M; OVC - \$1.252M; and CPES - \$0.171M.</p> <p>2. Total Institutional Revenues and Recoveries includes institutional grants, revenues and external recoveries with the exception of external departmental revenues and recoveries.</p> <p>3. Other Teaching includes BA Counselling Office, Faculty of Environmental Science, and Academic Support funds which includes Research Support, Academic Contingency, Additional Enrolment Support and Special Projects.</p> <p>4. Other Academic Services includes MacKinnon Building Mgmt, Co-op Education, Centre for International Programs and miscellaneous academic support funds.</p> | <p>5. Student Services Revenues includes Accessibility Grant for Students with Disabilities, Student Health Services Fee, Health and Performance Center revenues, Child Care revenues and other Student Services revenues.</p> <p>6. Athletics Revenues includes the following: Student Athletic Fee, Student Athletic Building Fee and other revenue from athletic services and facility rentals.</p> <p>7. Central Administration Offices includes Human Resources, Executive Offices, Finance, Purchasing and Mail Services, Security Services and Communications and Public Affairs.</p> <p>8. General Expenses include costs incurred for Property Taxes, Memberships, Legal, Auditing and External Services, the Human Rights and Equity Office, Insurance and Banking charges.</p> <p>9. The \$7.5 million in net budget expenses relates to the Voluntary Early Retirement/ Resignation Program.</p> |
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University of Guelph
2004/2005 Preliminary MTCU Operating Budget
Net Expenses By Unit

Table B
(in \$ Thousands)

	02/03 Actual	Notes	% of Total	03/04 Forecast	Notes	% of Total	04/05 Preliminary Budget	Notes	% of Total
<u>Institutional Revenues and Recoveries</u>									
Provincial Grants	104,500			114,854			125,864		
Tuition	69,963			78,000			78,700		
Other	6,140			5,906			6,002		
Total Revenues	180,603			198,760			210,566		
<u>Cost Recoveries</u>									
OMAF	6,600			6,600			6,600		
Research and Other	2,437			6,620			6,942	#1	
Ancillaries	7,993			8,153			8,753	#2	
Total Cost Recoveries	17,030			21,373			22,295		
Total Institutional Revenues and Recoveries	197,633			220,133			232,861		*
<u>Institutional Expenses</u> (Net of Departmental Recoveries & Revenues)									
<u>Teaching Units</u>									
College of Arts	13,582			15,654			16,580		
College of Biological Science	14,243			15,350			16,347		
College of Social and Applied Human Science	22,150			24,523			25,155		
Ontario Agricultural College	15,691			17,525			18,438		
Ontario Veterinary College	14,406			15,115			15,952		
College of Physical and Engineering Science	18,875			20,876	#3		19,281		
Office of Open Learning	809			1,018			1,305		
Other Teaching Units	4,457			4,509			6,476	#4	
Student Assistance	8,386			11,416	#5		9,686		
Total Teaching Units	112,599			125,986			129,220		
<u>Library Operations and Acquisitions</u>									
Library Operations	7,278			8,343			8,847		
Library Acquisitions	5,102			5,498			5,500		
Total Library Operations and Acquisitions	12,380			13,841			14,347		
<u>Academic Services</u>									
Office of Research	3,758			4,380	#6		4,123		
Teaching Support Services	1,616			1,585			1,545		
Registrar	5,342			5,712	#7		4,970		
Other Academic Services	1,271			1,528			1,504		
Total Academic Services	11,987			13,205			12,142		
<u>Student Services</u>									
Student Services	3,211			3,617			3,637		
Athletics	717			984			945		
Total Student Services	3,928			4,601			4,582		
Total Teaching and Academic Services	140,894		69.4%	157,633		70.5%	160,291		68.8%

University of Guelph
2004/2005 Preliminary MTCU Operating Budget
Net Expenses By Unit

Table B
(in \$ Thousands)

	02/03		% of	03/04		% of	04/05		% of
	Actual	Notes	Total	Forecast	Notes	Total	Preliminary	Notes	Total
							Budget		
<u>Physical Resources</u>									
Physical Resources Operations	19,813			20,908			21,467		
Utilities	16,409			16,081			18,063	#8	
Total Physical Resources	36,222		17.8%	36,989		16.5%	39,530		17.0%
<u>Capital Infrastructure Planning</u>									
Renovations/Deferred Maintenance	440			1,500			2,000	#9	
Guelph SuperBuild Programs	0			0			2,600	#10	
Total Capital Infrastructure Planning	440		0.2%	1,500		0.7%	4,600		2.0%
<u>Institutional Services and General Expenses</u>									
Alumni Affairs & Development	1,974			2,134			2,364		
Computing & Communication Services	5,361			5,938			6,286		
Central Administrative Offices	12,843			13,643			13,189		
University General Expenses	5,430			5,705			5,601		
Total Institutional Services and General Exp.	25,608		12.6%	27,420		12.3%	27,440		11.8%
University Contingency							1,000		0.4%
Total Institutional Expenses	203,164		100.0%	223,542		100.0%	232,861		100.0%
Pension Contribution Savings	(2,300)			0			0		
Transfer To (From) Appropriations	(5,431)			(5,154)	#11				
VERR Program							7,500	#13	
Net Institutional Expenses	195,433			218,388			240,361		
Net Increase (Decrease) in Fund Balance									
(Allocated for SERP Repayment)	2,200			1,745			(7,500)	#13	
Opening SERP Deficit	(3,945)			(1,745)			0		
Closing SERP/VERR Program Deficit	(1,745)			0	#12		(7,500)	#13	

Note: Net Expenses: Unit MTCU budgets are shown net of departmental revenue.

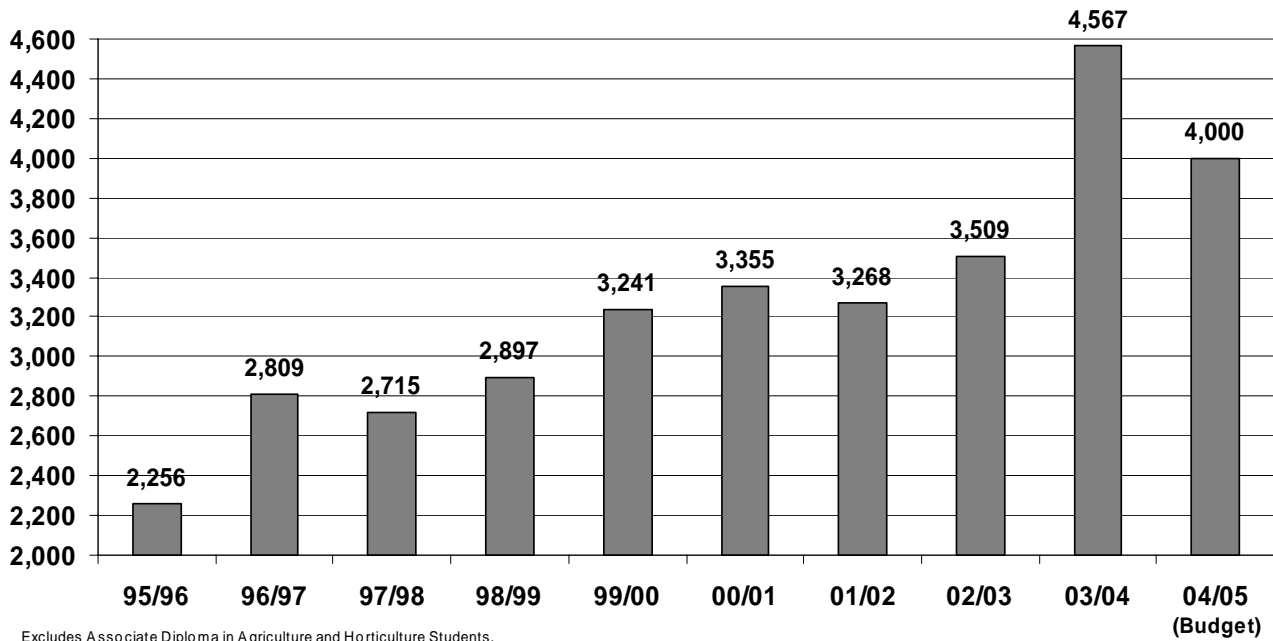
* Total 2004/2005 Institutional Revenues and Recoveries are budgeted at \$232.8 million plus departmental revenues and recoveries of \$39.1 million for total University revenues and external recoveries of approximately \$271.9 million (see Table A). Many of these departmental revenues are targeted to specific programs in units or are the result of initiatives in departments designed to help offset unit cost increases. Departments are responsible for achieving net budget allocations as shown in this presentation.

The following numbered notes provide specific details on the more significant components of the amounts on Table B.

1. Research Recoveries are infrastructure support funds received for provincially and federally funded research and support the general operating costs of the University, primarily research related space and utilities costs and research infrastructure support such as the Office of Research.
2. The Ancillaries cost recovery budget was increased by 2.5% in 2004/2005 to reflect the increased cost of utilities, particularly due to expected increases in hydro plus \$0.4 M in net revenues from Parking Administration.
3. In 2003/2004, the College of Physical and Engineering Science experienced a significant growth in costs for the ATOP program, start-up costs for new faculty members and expenditures in programs with significant equipment requirements including Computing and Information Science and Engineering.
4. In 2004/2005, Other Teaching Units includes research support funds (\$2.0M) and support for academic space and equipment costs (\$1.0) and other academic support funds that are distributed to the colleges during the fiscal year.
5. Student Aid in 2003/2004 includes a one-time increase in Student Entrance Awards as a result of both increased numbers and quality of entering students.
6. Incremental investments in research infrastructure and a reorganization of the Office of Research, funded by targeted federal and provincial overhead programs are fully reflected in the 2003/2004 forecast and the 2004/2005 budget. Some of these costs were previously supported by other sources of one-time funds.
7. The Office of Registrarial Services expenditures in 2003/2004 reflect approximately \$0.36M in funds carried forward from 2002/2003 for specific projects related to preparation for application and enrolment growth.
8. The Utilities expense reflects increases over 2003/2004, primarily in the price of hydro, new space (science complex) and waste disposal.
9. The 2004/2005 MTCU budget includes \$2.0M for contributions to deferred maintenance of buildings and facility support systems.
10. The debt servicing of the \$100M debenture includes a \$2.6 million provision from the MTCU budget.
11. In accordance with the University policy on carry-forwards, departments are allowed to retain unspent funds and add them to their budget in the following year, subject to a maximum of 5% of net budget. For the purposes of the Preliminary Budget presentation, there are no carry-forwards assumed. The actual amount will be calculated when the results are confirmed as part of the year-end audit to be completed in July 2004.
12. In 2003/2004, the remaining accumulated deficit due to the SERP program is fully covered.
13. The 2004/2005 Voluntary Early Retirement/Resignation program will assist the University in meeting the 3.5% base budget reduction. The maximum costs incurred in 2004/2005 will be \$7.5M which will be repaid from general one-time savings in the subsequent three years. (See Section D on page #12 for more complete information).

University of Guelph
Undergraduate Semester One Enrolment
Full-time Headcount - Fall Only

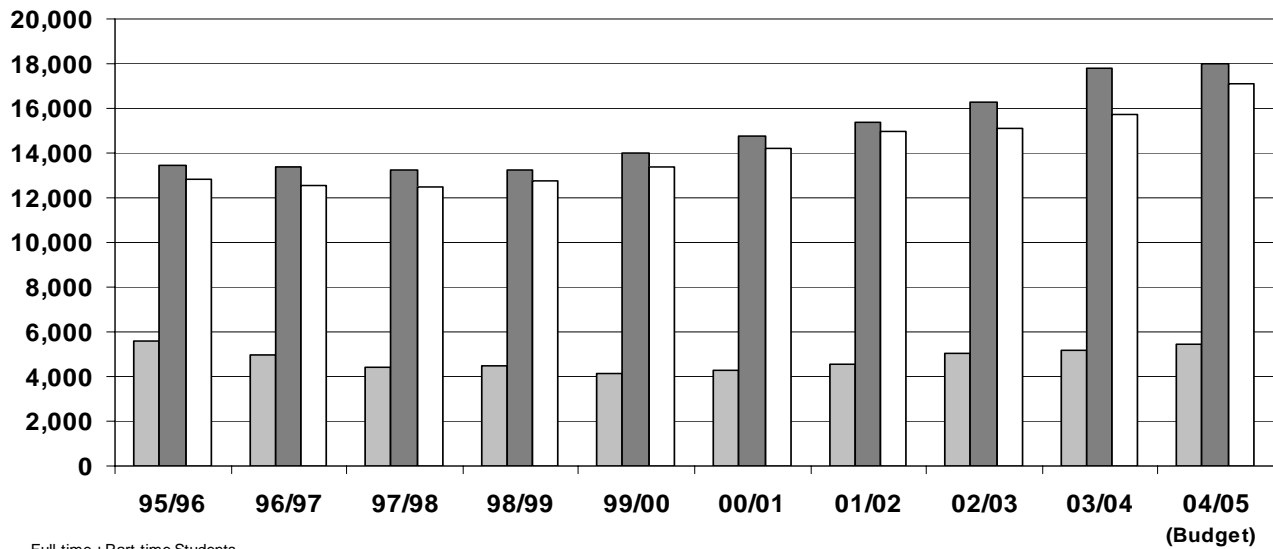
Graph A



Excludes Associate Diploma in Agriculture and Horticulture Students.
Excludes Doctor of Veterinary Medicine Students.

University of Guelph
Total Headcount Enrolment By Semester

Graph B

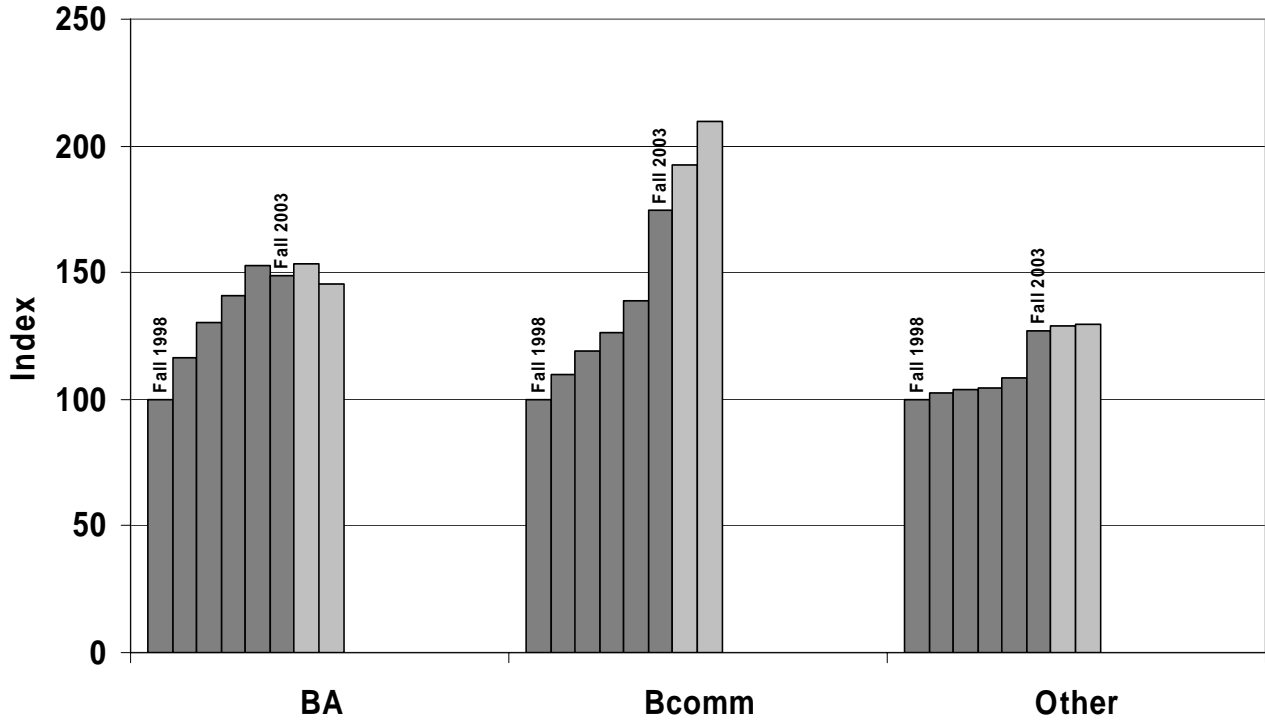


Full-time + Part-time Students
Undergraduate + Graduate Students
Excludes Associate Diploma in Agriculture and Horticulture Students.
Excludes off-campus co-op students and Exec MBA students.

■ Summer ■ Fall □ Winter

University of Guelph
Full-time Undergraduate Headcount - Fall Only
(actuals and projections, indexed to fall 1998 count)

Graph C



Excludes Associate Diploma in Agriculture and Horticulture Students.
 Excludes Doctor of Veterinary Medicine Students.