

University of Guelph

2001/2002 Preliminary MTCU (Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2001 to April 30, 2002

For presentation to the Finance Committee of the Board of Governors

June 4, 2001

Description	Page #
2001/2002 Preliminary MTCU Operating Budget	
A. Introduction.....	1
A.1 Definitions/Background.....	2
A.1.1 MTCU - Ministry of Training, Colleges and Universities	3
A.1.2 OMAFRA - Ontario Ministry of Agriculture, Food and Rural Affairs.....	3
A.1.3 The Operating Budget.....	3
A.1.4 Ancillary	4
A.1.5 SERP.....	4
A.1.6 CSR (1996/97) Reduction	4
A.2 The Accumulated Operating Deficit	5
B. 2001/2002 Budget Assumptions: Initial Institutional Position.....	6
B.1 Opening Structural or Base deficit	6
B.2 Provision for salaries and benefits	6
B.3 Estimated Utilities	6
B.4 Summary of the Initial Institutional Position.....	7
C. 2001/2002 Budget Assumptions	7
C.1 Investments in Quality, Accessibility and Growth	7
C.1.1 Teaching Support.....	7
C.1.2 Learning Enhancement Fund	8
C.1.3 Library Acquisitions.....	8
C.1.4 Classroom Support Services.....	8
C.1.5 Research Enhancement Fund.....	8
C.1.6 Student Financial Assistance	8
C.1.7 Student and Academic Support Services	8
C.2 Solutions to Balance the Budget; Revenues and Cost Savings	9
C.2.1 Provincial Operating Grants	9
C.2.2 Tuition Revenues: Enrolment and Tuition.....	10
C.2.2.1 Enrolment	10
C.2.2.2 Tuition Fees.....	10

University of Guelph
2001/2002 Preliminary MTCU Operating Budget

C.2.3	2001/2002 Employer Pension Contribution Savings.....	11
C.2.4	Other Institutional Revenues.....	11
C.2.5	Budget Support from Ancillaries.....	11
C.2.6	Cost Recoveries from Ancillaries	11
C.2.7	Resignation and Retirement Savings	11
C.2.8	Unallocated One-time Savings or Revenues.....	11
D.	Summary of 2001/2002 MTCU Preliminary Budget Assumptions and Objectives..	12-13
E.	Tables and Graphs	13
Table A	2001/2002 Preliminary MTCU Operating Budget by Unit and Major Expense Category	14-15
Table B	2001/2002 Preliminary MTCU Operating Budget Net Expenses by Unit	16-17
	Notes for Table B	18-19
Table C	2000/2001 MTCU Forecast to Net Budget Comparison by Unit.....	20
Graph A	Total Headcount Enrolment by Semester.....	21
Graph B	Undergraduate Semester One Enrolment Full-time Headcount.....	22

A. Introduction:

Budget Timing :

Budget planning for the 2001/2002 fiscal year was highlighted by an extraordinarily late provincial funding announcement with respect to operating grants from the Ministry of Training, Colleges and Universities (MTCU). (Although provincial grants, as a portion of total Operating Fund revenues, have dropped from 70% in 1993 due to government reductions, they still comprise almost 50% and are therefore critical to the budget.) While there is normally no specific date for the release of funding information, in recent years, announcements for a budget year have been received between December and March of the preceding fiscal year. This year, the first formal indication of 2001/2002 funding levels was not received until the provincial budget was presented, May 9, 2001 (our fiscal year starts on May 1). While awaiting the provincial announcement, the University started preliminary planning in January, by identifying changes in major revenue and expense assumptions and strategic areas for potential investment subject to funding. At its April meeting the Board of Governors approved temporary spending authority for the new fiscal year, pending preparation of the Preliminary Operating Budget.

May 9th Provincial Budget; Summary of Major Funding Announcement;

The May 9 provincial budget contained, for the first time in recent history, a multi-year (three year) announcement of grant levels. It contained \$293 million in new funding for post-secondary education (\$70 million to colleges and \$223 million to universities) to be allocated over a three year period ending in fiscal 2003/2004. \$216 million of the total \$223 million funding for universities, is targeted to fund forecast enrolment growth over the three year period which includes the impact of the "double cohort" (elimination of grade 13 in Ontario) in 2003/2004. Consequently most of the funding is projected to flow in the last year, 2003/2004.

It is estimated that the total system increase in 2001/2002 will be only 1.9% or \$33.5 million allocated to major funding "envelopes" as followed (*note details on the projected impact of these grants on the University of Guelph's budget are presented on page 10*);

- 0.3% or \$7.8 million has been used to increase:
 - the "Performance" Fund by \$6.7 million to \$23.2 million In addition, the basis of allocation has been changed to provide for greater equity and broader distribution of these funds to institutions.
 - "mission-related" grants to northern institutions by \$1.1 million .
- The remaining 1.6% or \$25.7 million of the 2001/2002 increase will be distributed to institutions (including Guelph) based on actual increases in 2001 total enrolment measured against 2000 levels. As fall 2001 enrolment will not be confirmed until November (after enrolments are verified and reported to the Ministry), the University will not know the exact distribution of this grant until well into the fiscal year. For this reason the University is presenting a Preliminary Budget that will not be finalized until November at the earliest.
- there is no increase to the basic operating grant therefore no funding for inflation or improvements in quality such as to student-to-faculty ratios .
- Although not included in the University's Operating Budget, it was also announced that there would be an one-time increase in Facilities Renewal Program (FRP) funding of \$100 million for the total post-secondary system (the university system share was \$67 million). Of this amount the University of Guelph received \$4.4 million. When combined with the base FRP grant it is estimated that the University will have \$6 million available for projects in 2001/2002. These funds will be allocated to the highest priority safety, classroom renovation and capital infrastructure projects over the 2001/2002 fiscal year.

Budget Objectives:

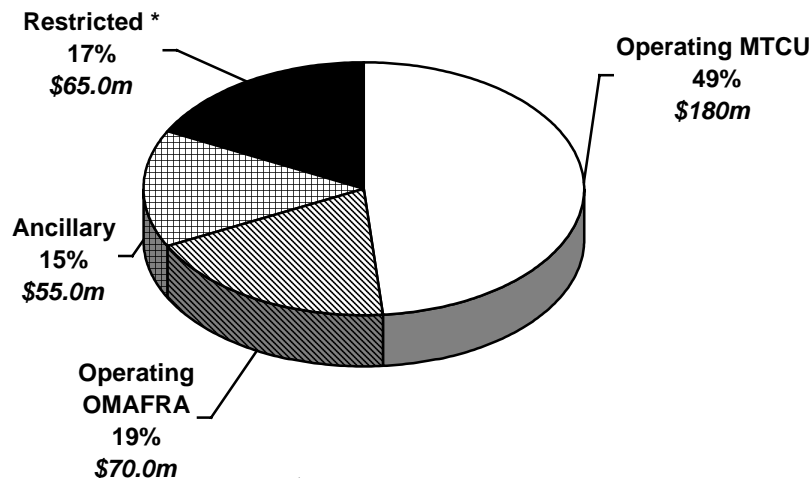
In preparing annual budget assumptions, the University starts with a review of multi-year budget objectives. The purpose of these objectives is to establish general direction and priority to annual budget planning including decisions on investments, year-end review and where applicable, mid-year budget adjustments. They have been prepared in the context of greater uncertainties created by the targeted provincial funding most recently aimed at enrolment growth as well as the University priority commitment to maintaining quality and accessibility in its programs. The following are the University's 2001/2002 major budget objectives.

1. Continue both planning for growth and investing in the maintenance of quality and accessibility particularly in;
 - faculty and staff
 - teaching costs and learning facilities
 - research support
 - student support and financial assistance and
 - Infrastructure (facilities, research, campus facilities).
2. Balance and stabilize the budget including;
 - meet the annual deficit repayment requirement
 - reduce the University's structural or base deficit by reducing reliance on annual 'one-time' cost savings by various means including contingency/stabilization funds.

A.1 Definitions/Background:

The 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 2000/2001 will total about \$370 million (\$349.5 in 1999/2000). Many of these funds are restricted as to use and cannot be used to support ongoing teaching, research and infrastructure operations. These costs are managed and funded within the "MTCU Operating Budget". The following chart presents all University revenue by source:

University of Guelph
Estimated 2000/2001 Total Revenues: \$370 Million



* 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.

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. Historically, MTCU controlled all tuition fee increases for degree programs through strict formulas. In 1996, 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 and Veterinary Medicine and Engineering. All other undergraduate fees continue to be only partially deregulated and must conform to MTCU rules that allow a maximum average increase in any year and a requirement that 30% of the increase be set aside for needs-based student aid. 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 that limited annual increases to no more than 2% of the maximum standard fee. The 30% set-aside would still apply to those increases.

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. Such a protocol was signed with student groups at the University of Guelph in 1994. All tuition fees and compulsory non-tuition student fees are presented to the Board for approval. 2000/2001 MTCU Operating grants were \$94 million or about 47% of all MTCU expenses (down from over \$114 million or 70% in 1992/93).

A.1.2 OMAFRA:

'Ontario Ministry of Agriculture, Food and Rural Affairs': Unique in the Ontario university system is a contract for ongoing research, services and education between OMAFRA and the University. In fiscal 2000/2001 it is estimated that total revenues within the contract will be \$70.0 million consisting of \$52.7 million in ministry transfer payments and \$17.3 million in diploma fees and revenues from the sale of goods and services. On April 1, 1997 the University and OMAFRA entered into an "enhanced partnership" whereby operations of 3 colleges of agricultural technology (CAT), the Horticultural Research Institute of Ontario (HRIO) and two major laboratory testing facilities were assumed by the University. These operations now represent about 50% of total contract activity. Included in the total contract are some \$13 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 OMAFRA 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; 510 full-time University staff and operating and infrastructure costs. A detailed presentation on the entire OMAFRA budget, including the enhanced partnership is presented separately to the Board.

A.1.3 The Operating Budget:

The University's total Operating Budget of approximately \$250.0 million in 2000/2001 revenues (68% of total University revenues) is composed of two major sub-funds described above: the MTCU Operating Budget with \$180.0 million in revenues and the OMAFRA Contract with \$70.0 million in revenues. The OMAFRA sub-fund has very specific reporting requirements, defined as part of the contract with the Ontario Ministry of Agriculture, Food and Rural Affairs. The following presentation, entitled the '**2001/2002 Preliminary MTCU Operating Budget**' presents only the MTCU component of the University's Operating budget (its single major revenue component is the operating grant from the Ministry of Training, Colleges and Universities). A final 2001/2002 MTCU Operating Budget will be prepared for the Board in the fall incorporating any major changes to the 2001/2002 Preliminary Budget assumptions. Included will be any required revisions due to actual fall enrolments, grant confirmations and the 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 2000/2001 revenues of \$55 million or 15% of total University revenues, for the six 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 2000/2001 the ancillary units were charged approximately \$6.995 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 2000/2001. In addition these units may (subject to availability) assist the MTCU Operating budget in meeting its overall budget target. In fiscal 2000/2001 Parking Services contributed \$0.100 million for this latter purpose.

A.1.5 SERP:

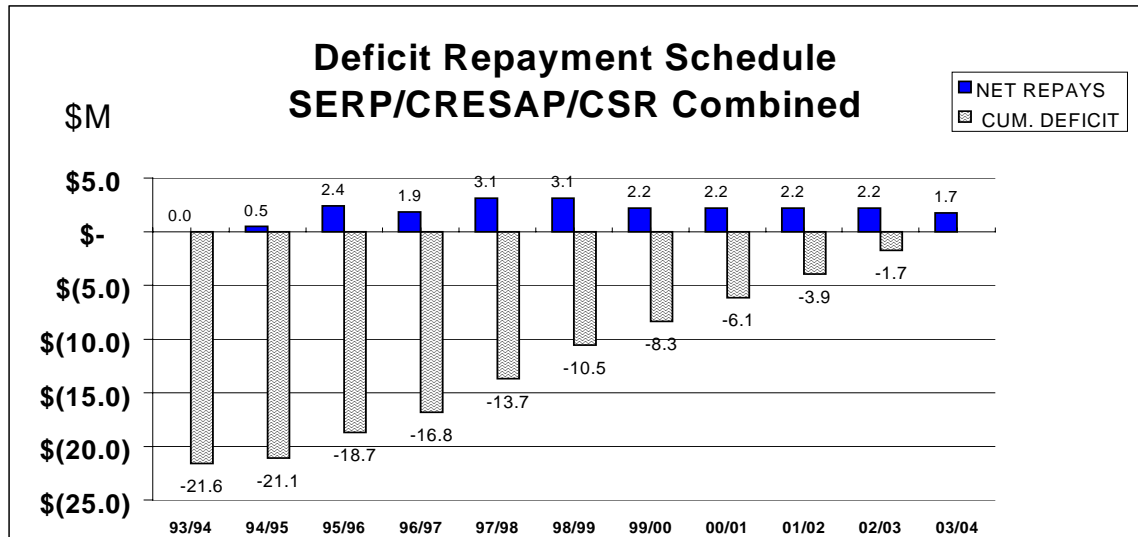
In March of 1994, the Board of Governors approved the offering of a Special Early Retirement Program (SERP). The main objective of SERP was to reduce total University ongoing compensation (salary and benefit) costs without resorting to layoffs or other involuntary restructuring methods. Eligible employees had the opportunity to leave under the program by May 1, 1996 at the latest. The final actual take-up rate was 44% of all eligible employees (247 employees accepted) at a one-time cost of \$26.2 million. The SERP was targeted to cover the structural or base deficit created in 1993/94 because of major provincial grant reductions which were temporarily covered with one-time savings negotiated under a Local Social Contract agreement e.g., pension contribution savings and days off without pay. In total, approximately \$10 million in base salary and benefit savings, net of approved rehiring, were identified over the three fiscal years of SERP 1994/95 to 1996/97. Originally, \$6.0 million of these base savings were temporarily allocated to repay the costs of the program over a Board approved schedule that concluded in fiscal 1998/99. However due to the extraordinary size of the subsequent "CSR" grant cuts (see below) imposed by the province in 1996/97, the administration requested from the Board and received approval for an extension of the repayment period to 2003/04. By doing so, \$5.0 million of the originally scheduled annual repayments were used to avoid further base expenditure reductions including involuntary terminations. The remaining savings of \$1.0 million were combined with other savings of \$1.2 million and are now directed toward deficit repayment until the year 2003/04.

A.1.6 CSR (1996/97) Reduction:

CSR "Common Sense Revolution" is the label used to refer to dramatic reductions in provincial operating grants of \$15 million or 15.4% which was the largest component of an initial 1996/97 total budget shortfall of \$19.6 million. Part of the solution in meeting this challenge included 1996/97 reductions in University departmental budgets of \$8.9 million. The grant reduction was the University's share of grant reductions of over \$285 million or 16.2% of the Ontario university system's allocation. In order to enable voluntary resignations to assist in meeting the CSR budget reduction target, the University incurred approximately \$2.5 million in termination costs, charged in 1995/96 and 1996/97. These costs were primarily lump sum payments to employees. In addition to the rescheduled SERP deficit repayment plan noted above, the Board approved a temporary deficit, not to exceed \$1.89 million, which was repaid in equal portions, of \$0.945 million over a 24-month period including fiscal years 1997/98 and 1998/99. The impact of these decisions on the University of Guelph was presented in detail in the 1996/97 Operating Budget.

A.2 The Accumulated Operating Deficit:

The University carried a total of \$8.345 million of accumulated operating deficit into the 2000/2001 fiscal year. The operating deficit is composed of the one-time costs of the SERP restructuring programs initiated by the University in 1994/95. The Board-approved repayment plan requirement is that the deficit be completely repaid by the end of fiscal 2003/04. The following chart presents that approved repayment schedule. At the end of the 2000/2001 fiscal year the deficit will stand at \$6.145 million or about 3.6% of MTCU revenues.



B. 2001/2002 BUDGET ASSUMPTIONS: INITIAL INSTITUTIONAL POSITION

Each year, the annual operating budget process normally starts in January, preceding the start of the fiscal year in May. In March 2000, the province announced regulations on allowable tuition fee increases for a five-year period (2000/2001 to 2004/2005). Overall, tuition fees for regulated programs may be increased by no more than 2% on average across all programs above the maximum allowable standard fee. For fiscal 2001/2002, the province did not release university system wide operating grant levels until May 9, 2001. Prior to this announcement, the University developed a set of planning assumptions to establish an initial net budget position. These assumptions mainly included inflationary and incremental cost provisions for large critical cost items such as salaries, benefits and utilities (From this initial analysis more detailed budget estimates were prepared after the announcement - refer to section C.) The following is a summary of the 2001/2002 initial assumptions.

B.1 Opening Structural or Base deficit:

The first step in preparing the University's annual operating budget is to calculate the Opening Base surplus/deficit. The Opening Base deficit (also referred to as the structural deficit) for any given budget year is calculated by removing one-time budget adjustments from the prior year's ending budget. What remains is referred to as the University's base budget.

One-time budget adjustments occur only in the fiscal year in which they are recognized. Recent examples include employer pension contribution savings from the operating budget, one-time reductions in department budgets and carry forward surplus/deficits from prior years. (It should be noted that in the current budget, the SERP deficit repayment obligation of \$2.2 million is considered a base or ongoing commitment until the year 2003/04.)

The Opening 2001/2002 Base surplus/deficit is a \$6.1 million deficit, which represents a \$0.5 million decrease from the \$6.6 million deficit starting position of the prior year. The opening Base deficit is due mainly to the implementation of negotiated salary obligations in past fiscal years that were funded from employer pension contribution savings. Salary increases are considered base or structural commitments. The base deficit arose as salary costs increased faster than offsetting base revenue increases such as grant and enrolment. In keeping with one of the budget objectives, an effort has been made to reduce this deficit within the constraints of available revenue increases and demands for investments in quality, accessibility and growth. In fiscal 2000/2001, the base deficit position was covered using a number of one-time solutions such as pension contribution and year-end savings from the previous fiscal year (1999/2000). The ability to take employer pension contribution savings is subject to the financial condition of the pension and federal and provincial government pension regulations. Year-end savings were realized in 1999/2000 from institutional revenues in excess of budget and cost savings from institutional accounts such as the University contingency.

B.2 Provision for salaries and benefits:

A provision of \$4.5 million has been made to cover 2001/2002 estimated costs of salary and benefit increases. Salaries and benefits which make up almost 80% of MTCU Operating Budget costs, include the salary costs of eleven employee groups, temporary and contracted labour and all associated employer benefit costs. Estimates have been included to cover the costs of agreements signed with these employee groups and adjustments to cover projected changes to employer benefit costs including both statutory benefits such as, CPP and EI (Employment Insurance), and negotiated benefits such as extended health and dental coverage.

B.3 Estimated Utilities:

The University's 2000/2001 central utility budget was \$10.8 million (actual expenses are projected at \$12.6 million). Due to significant increases in energy costs for campus heating, particularly natural gas and projected electrical rate and usage increases in 2001/2002, an increase of 37% or \$4 million has been provided in the budget for 2001/2002. It should be noted that \$0.750

million of this increase (based upon cost factors) will be recovered from ancillary units (see section C.2.6)

B.4 Summary of the Initial Institutional Position:

The following is a table quantifying the results of the 2001/2002 planning assumptions made prior to the announcement on provincial funding received May 9, 2001. It should be noted that the shortfall of \$14.6 million (refer to table below) excludes 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 budget document is devoted to the incremental changes to the budget based on the announcement and proposals 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.)

		\$ Millions
B.1	Opening Base Deficit: result of ongoing cost increases covered in prior years' from one-time savings such as employer pension contributions and year-end savings.	(6.100)
B.2	Provision for 2001/2002 salary and benefit increases	(4.500)
B.3	Estimated Utilities costs increases	(4.000)
RESULTS OF INITIAL PLANNING ASSUMPTIONS:		(14.600)

C. 2001/2002 Budget Assumptions: Incremental Proposals, Revenue Assumptions and Solutions:

The following section contains specific proposals with their estimated incremental budgetary impact that complete the University's 2001/2002 MTCU Preliminary Operating Budget. Estimates have been made for the projected impact of the provincial funding announcement, enrolment estimates and incremental investments. The impact of these assumptions by major organizational unit with accompanying notes is shown on **Table A**. The 2001/2002 Preliminary MTCU Operating Budget compared to 1999/2000 actual and 2000/2001 pre-audit results is presented in **Table B**.

ITEM	DESCRIPTION	\$MILLION
C.1	Investments in Quality, Accessibility and Growth:	
	No provisions were made in the initial planning assumptions for general non-personnel cost increases other than for utilities. Spending on other institutional and general departmental operating expenses is expected to remain within current budgets. Specific estimates, however, have been made for investments to address critical quality enhancement items particularly for teaching and student financial assistance and support services. A total of \$4.000 million has been initially allocated for the following major items. It should be noted that final distribution of these funds will be made in the fall after enrolment and performance related MTCU operating grants are confirmed.	
C.1.1	Teaching Support:	
	An addition of <u>\$1.100 million</u> has been made to the budget to cover increased teaching costs related to increased enrolments. Funding will be targeted at the support costs of additional sections and courses to meet predicted increased retention and flow-through enrolment. In addition, there is an allocation of resources to address sessional appointments in colleges associated with delivery of the BA program.	(1.100)

University of Guelph
2001/2002 Preliminary MTCU Operating Budget

C.1.2	Learning Enhancement Fund:	
	A new fund called the Learning Enhancement Fund has been established at <u>\$0.150 million</u> . This fund will be allocated for one-time expenditures for initiatives in teaching Innovations especially those that employ new learning technologies. This is an initial allocation and will be reviewed annually for possible additions in future years.	(0.150)
C.1.3	Library Acquisitions:	
	An increase of 12% or <u>\$0.500 million</u> has been made for library acquisitions to reflect increased costs and to meet increased enrolment pressures. Continuing investments are planned in technologies that will make the most efficient use of limited resources and maximize access for students and faculty through electronic sources of information.	(0.500)
C.1.4	Classroom Support Services:	
	An investment of <u>\$0.110 million</u> has been added to the budget to provide for the operation of classroom technical services and maintenance of classroom equipment. This excludes any classroom renovations which will be funded from Facilities Renewal Grant not part of this budget.	(0.110)
C.1.5	Research Enhancement Fund:	
	The Research Enhancement Fund will receive an addition of \$0.400 million (in addition to \$0.100 million already in the base). This fund will be allocated for one-time costs to assist faculty, particularly in the humanities and social sciences, to more effectively compete for research funds from a variety of external funding organizations.	(0.400)
C.1.6	Student Financial Assistance:	
	Student assistance in the Operating Fund will increase by 16.5% or \$1.15 million in 2001/2002. This increase consists of <u>\$0.500 million</u> in funds allocated from increased tuition as part of the MTCU requirement for 30% reinvestment of fee increases for student aid (see note C.2.2 below) plus an additional <u>\$0.500 million</u> to be used for undergraduate entrance scholarships plus <u>\$0.150 million</u> for new graduate awards. In total, there are \$8.110 million in student aid allocated from the Operating Budget. In addition, an estimated \$5.5 million in student aid is provided from restricted funds and endowments making the total estimated student aid \$13.6 million in 2001/2002 or about 22% of total tuition revenue (19% in 2000/2001). This level of support represents a 750% increase in student aid allocated from all sources when compared to 1991 when \$1.6 million was spent on student aid.)	(1.150)
C.1.7	Student and Academic Support Services:	
	Student and Academic Support Services provide a variety of critical student and enrolment-based services to students. These range from learning support and career services, enrolment management, admissions and recruitment, and registration services. Student Affairs faces a number of challenges as it responds to an increased enrolment of a more diverse student population. Many of the <u>Student Affairs</u> programs are offered to all students, both undergraduate and graduate. As such, enrolment increases will create a significant strain on these units. The enrolment impact is already being felt in some areas, where wait lists are reaching unacceptable levels Pressures from increased enrolment require investments in the <u>Office of Registrarial Services</u> for recruiting students, marketing and managing scheduling and course registration. Further, the management of increased grant and scholarship programs introduced by the federal and provincial governments and the university bring additional administrative pressures, which will be managed through incremental investment. .	(0.590)
	TOTAL INVESTMENTS IN QUALITY, ACCESSIBILITY AND GROWTH	(4.000)

C.2	SOLUTIONS TO BALANCE THE BUDGET; REVENUES AND COST SAVINGS	
C.2.1	Provincial Operating Grants	
	<p>On May 9, 2001 the province announced its total funding for the entire post-secondary education system (colleges and universities) for the next three fiscal years. The most significant changes to operating grants were:</p> <ul style="list-style-type: none"> • <u>Enrolment Growth Fund</u>: New three-year funding for the university system of \$216 million will be allocated to institutions based upon enrolment growth measured against fall 2000 enrolment. Because the fund is to be allocated according to enrolment growth, most of the funding will not flow until 2003/2004 when the major impact of the “double cohort” (elimination of Ontario Grade 13) will be felt. For 2001/2002 it is estimated that for the total university system, the total increase over 2000/2001 funding as a result of distributions from this fund will be 1.6%. Also, the allocation of the 1.6% increase, to institutions, will not be made until actual fall 2001 enrolments are reported to the Ministry. For budgeting purposes an estimate of \$1.0 million has been made, based upon projected total enrolment growth at Guelph relative to the total system. This enrolment growth will be through retention/flow-through rather than increased intakes. The final allocation will be factored into the budget update presented to the Board of Governors in the fall. • The <u>Performance Fund</u> was created last fiscal year by the province as a \$16.5 million pool allocated to universities based upon each institution’s relative performance in three measures: six-month and two-year employment rates for graduates of that institution and overall graduation rates. Based on the University of Guelph’s relative success in these measures, \$1.4 million was built into the base budget in fiscal 2000/2001. As part of the provincial announcement this fund was increased by \$6.7 million and the methodology of allocation was changed to be more “equitable” and increase the participation by more institutions in the fund. It is estimated that this will reduce Guelph’s allocation by \$0.400 million. Again as with the Enrolment Growth Fund, actual allocations will not be confirmed until late in the fall at which time any revisions will be incorporated into the Final Budget update. • The <u>Accessibility Fund</u>. was a fund of \$16.5 million created by the province last year to encourage universities to increase enrolment. The allocation was based upon a <u>relative</u> position within the Ontario system of total increased enrolment from 1999 to 2000. In fiscal 2000/2001, Guelph’s share, based on this method, was \$4.6 million (\$1.0 million was originally estimated in the 2000/2001 Preliminary Budget). It has also been confirmed, after a small reduction to the original allocation (recognizing system winter 2001 enrolments), that the funding would be added to the base funding of those participating institutions. Accordingly the University base grants will be increased by the difference between the original 2000/2001 estimate of \$1.0 million and the revised allocation of \$4.5 million or \$3.5 million. • No increases to the Basic Operating grant; this means no general funding for inflationary cost increases including improvements in quality e.g. reduction in student-to- faculty ratios. 	<p>1.000</p> <p>(0.400)</p> <p>3.500</p>
	TOTAL INCREASE IN PROVINCAL GRANTS:	4.100

C.2.2	Tuition Revenues: enrolment and tuition. The tuition revenue budget is impacted by both fee rate changes and changes to enrolment numbers.	
C.2.2.1	<p>ENROLMENT:</p> <p>In the 1996/97 budget, the University undertook a plan to increase retention and flow-through enrolment through increases in fall semester 1 (first year) intake. This action reversed the previous (1992-1995) enrolment plan which had targeted an overall decrease in undergraduate enrolment to mid-1980's levels. In the fall of 1999 the University increased its intake to approximately 3300 new students (a level that was maintained in the fall of 2000 in order to access the province's 2000/2001 Accessibility Fund noted in section C.2.1 above). Because of these past increases in intakes, <u>total</u> University undergraduate enrolment will increase in 2001/2002 generating an estimated <u>\$2.7 million in additional revenue</u>. This increase in revenue is solely because of increased enrolment as prior years additional semester 1 intakes are retained and "flow-through" to graduation (normally semester 8).</p> <p>For the fall of 2001, the Enrolment Coordinating Committee recommended that the target for intake should be approximately 3100 based on our current enrolment plan.</p>	2.700
C.2.2.2	<p>TUITION FEES:</p> <p>Contained in the March, 2000 (last year's) funding announcement were regulations that "cap" allowable regulated tuition fee increases at 2% for the five-year period 2000/2001 to 2004/2005. (Overall, tuition fees for regulated programs may be increased by no more than 2% on average across all programs above the maximum allowable standard fee of \$1,975 per semester for undergraduate domestic programs and \$1,984 per semester for graduate domestic programs.</p> <p>As approved by the Board of Governors in March 2001, a 2% tuition increase is reflected in this budget. The impact is estimated at a \$1.2 million increase in revenues, prior to removing the <u>30% set aside for student aid required by MTCU</u> of \$0.500 million see section C.1.6 above. The NET impact of total tuition increases therefore is estimated at \$0.700 million.</p> <p>Total tuition revenue increases are consistent with the fees recommended to the Board and enrolment estimates 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>	1.200

University of Guelph
2001/2002 Preliminary MTCU Operating Budget

C.2.3	2001/2002 Employer Pension Contribution Savings	
	It is assumed that the University will be able to realize pension contribution savings of <u>\$6.2 million</u> from the operating budget. The ability to realize this saving is subject to the financial condition of each pension plan during the University's fiscal year May 1, 2001 to April 30, 2002. Because the pension plan fiscal year is October 1 to September 30, the financial conditions of the pension plans and therefore the availability of any savings cannot be confirmed until well into the University's fiscal year. Pension contributions are considered to be one-time savings only and although they contribute to meeting the University's annual budget target, they do not assist in reducing the base or structural deficit. If sufficient flexibility is not available in the plans, other adjustments will have to be made to identify the necessary funds within the current overall budget target.	6.200
C.2.4	Other Institutional Revenues	
	Institutional Revenues from research contract overhead charges, interest earned and miscellaneous fees and recoveries are projected to generate additional income for 2001/2002 of <u>\$0.550 million</u> . The largest single component of this projected increase (\$0.350 million) is due to contract overheads reflecting a general increased level of activity in contracted research at the University. Note other external funds restricted for research indirect support not in the Operating Budget will assist the Office of Research in restructuring, provide start-up funds for new faculty and other research related infrastructure costs.	0.550
C.2.5	Budget Support from Ancillaries:	
	In order to assist in meeting the University's 2001/2002 budget target, Parking Services will contribute net revenues to the MTCU Operating Budget of <u>\$0.200 million</u> . This contribution was factored into the Parking Services budget approved by the Board in April, 2001 and will not impact the long-term viability of operations.	0.200
C.2.6	Cost Recoveries from Ancillaries:	
	With the rapid escalation of utility costs, especially natural gas for heating, it is necessary to increase the recoveries from Ancillary units by <u>\$0.750 million</u> to help offset these increases. The allocation was based on estimated of both space occupied and the type of activity in each ancillary charged. These increases were factored into the budget of each ancillary unit, approved by the Board of Governors in April 2001.	0.750
C.2.7	Resignation and Retirement Savings:	
	An estimated <u>\$0.900 million</u> in net savings will be available as a result of regular retirements and position turnover with planned replacement at lower salaries. This estimate is net of any funds required for replacement salaries, bridging new appointments, prior budgetary commitments or approved alternative uses for savings.	0.900
C.2.8	Unallocated One-time Savings or Revenues:	
	In order to achieve a balanced budget (including required deficit repayments), the University has to identify a further <u>\$2.0 million</u> in cost savings or increased revenues. The first priority of any unallocated year-end funds available after review of 2000/2001 results, including the grant and tuition revenues over budget, and any remaining contingency funds will be used to cover the unallocated savings target. Although the current forecast indicates the unallocated target of \$2.0 million can be covered from year-end savings, confirmation will not be made until after the year-end is completed and audited in July 2001. The final specific allocation of this amount will be made and presented to the Board after fall enrolment and MTCU operating grants are confirmed.	2.000

D. Summary of 2001/2002 MTCU Preliminary Budget Assumptions and Objectives:

The following table summarizes the results of assumptions and incremental changes included in the University's 2001/2002 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 2001/2002 Budget Assumptions and Objectives:

B.	Assumptions: Pre-Provincial Funding Announcement	\$ Million
B.1	Opening Base Deficit	(6.100)
B.2	Provision for 2001/2002 salaries and benefit increases	(4.500)
B.3	Estimated Utilities increase	(4.000)
B.4	Summary of the Initial Planning Deficit:	(14.600)
C.1	Projected New Investments in Quality, Accessibility and Growth	
C.1.1	Teaching Support	(1.100)
C.1.2	Learning Enhancement Fund	(0.150)
C.1.3	Library Acquisitions	(0.500)
C.1.4	Classroom Support Services	(0.110)
C.1.5	Research Enhancement Fund	(0.400)
C.1.6	Student Financial Assistance	(1.150)
C.1.7	Student and Academic Support Services	(0.590)
	Sub-total Total Investments	(4.000)
	Total Before Solutions	(18.600)
C.2	SOLUTIONS: (incremental to base budget)	
C.2.1	Provincial Grants: Performance Fund reduction of \$0.4 million; Accessibility Fund increase of \$3.5 million, Growth Fund (new) increase of \$1.0 million.	4.100
C.2.2.1	Enrolment (accumulated increased intakes)	2.700
C.2.2.2	Tuition (increases of 2% in accordance with MTCU "cap" before mandated 30% for student aid.)	1.200
C.2.3	Employer Pension Contribution Savings	6.200
C.2.4	Additional Other Institutional Revenues	0.550
C.2.5	Budget Support from Ancillaries – Parking Administration	0.200
C.2.6	Increase Cost Recoveries for utilities from Ancillary units	0.750
C.2.7	Resignation and retirement savings	0.900
C.2.8	Unallocated one-time savings or revenues	2.000
	Total Solutions	18.600

D. Summary of 2001/2002 Budget Assumptions and Objectives (continued)

The University has prepared the 2001/2002 budget in the context of external challenges presented by both the provincial funding policy announcement and increased inflationary costs. Multi-year budget objectives have been established by the University as set out in section A. The following section reviews these objectives and specific responses contained in the 2001/2002 budget assumptions:

1. Continue to invest in growth and the maintenance of quality and accessibility particularly in teaching and teaching facilities and student financial assistance.

In response to this objective, incremental allocations of \$4.000 million have been added for teaching costs, student assistance and academic and student learning support services.

2. Balance and Stabilize the budget:

Included in the budget assumptions is the SERP deficit repayment of \$2.2 million which will be made. In addition although the budget contains an unallocated item of \$2.0 million, the University is committed to finding these funds from either year-end savings or mid-year budget adjustments including budget reductions if necessary. Although the University still relies on one-time savings, the University's opening base or structural deficit was reduced to approximately 6.1 million (from 6.8 million at the beginning of fiscal 1999/2000). Efforts will continue as part of the budget planning process to reduce the need for one-time savings.

E. Tables and Graphs:

The following Tables present the 2001/2002 Preliminary MTCU Operating Budget in the context of actual 1999/00 results and 2000/2001 pre-audit results:

[Table A](#) 2001/2002 Preliminary MTCU Operating Budget by Unit and Major Expense Category:

A table showing the 2001/2002 Preliminary MTCU Operating Budget incorporating all budget assumptions, by major category of expense and organizational group.

[Table B](#) 2001/2002 Preliminary MTCU Operating Budget Net Expenses by Unit:

A time series showing the 1999/2000 results, 2000/2001 pre-audit results and the 2001/2002 Preliminary Budget by major organizational group, net of departmental revenues.

[Table C](#) 2000/2001 MTCU Pre-Audit Results to Budget Comparison by Unit:

Summary by Organizational unit and institutional account of 2000/2001 pre-audit results compared to budget. Note that these budgets are presented net of departmental revenues. .

[Graph A](#) Total Headcount Enrolment by Semester:

Summary of Full-time, Part time Undergraduate and Graduate Student Headcounts by Semester for the years 1991/1992 to 2001/2002 (budget).

[Graph B](#) Undergraduate Semester One Enrolment Full-time Headcount:

Full-time Degree Program Semester One Total Headcount Undergraduate Enrolment summed for Spring, Fall and Winter for the years 1991/1992 to 2001/2002 (budget).