

University of Guelph

2003/2004 Preliminary MTCU (Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2003 to April 30, 2004

For presentation to the Board of Governors
March 6, 2003

Table of Contents

Description	Page #
2003/2004 Preliminary MTCU Operating Budget	
A. Budget Context.....	1
A.1 Definitions	3
A.1.1 MTCU - Ministry of Training, Colleges and Universities	3
A.1.2 OMAF - Ontario Ministry of Agriculture and Food	4
A.1.3 The Operating Budget	4
A.1.4 Ancillary	4
A.1.5 SERP	4
A.2 The Accumulated Operating Deficit	5
B. 2003/2004 Budget Assumptions:	5
B.1 Opening Structural or Base Deficit	5
B.2 Provision for Salaries and Benefits	6
B.3 Estimated Utilities and Other Institutional Operating Costs	6
B.4 Summary of the Initial Institutional Position	7
C. 2003/2004 Budget Assumptions: Incremental Proposals, Revenue Assumptions and Solutions:.....	7
C.1 Investments in Quality, Accessibility and Growth	7
C.1.1 Academic Programs	7
C.1.2 Library Acquisitions and Operations	8
C.1.3 Student Financial Assistance	8
C.1.4 Student Support Services	8
C.1.5 Deferred Maintenance	8
C.1.6 Institutional Support Services.....	9
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 Tuition Fees	10
C.2.2.2 Enrolment	10

University of Guelph
2003/2004 Preliminary MTCU Operating Budget

C.2.3	Other Institutional Revenue.....	11
C.2.4	Cost Recoveries from Ancillaries	11
C.2.5	Resignation and Retirement Savings	11
C.2.6	Reduced Deficit Repayment Obligation	11
C.2.7	Fiscal 2002/2003 Year-end Forecast Revenues/Savings	11
D.	Summary of 2003/2004 MTCU Preliminary Budget Assumptions and Objectives	12
E.	<i>Tables and Graphs</i>	13
Table A	<i>2003/2004 Preliminary MTCU Operating Budget by Unit and Major Expense Category</i>	14-15
Table B	<i>2003/2004 Preliminary MTCU Operating Budget Net Expenses by Unit</i>	16-17
Notes for Table B	18
Graph A	<i>Total Headcount Enrolment by Semester</i>	19
Graph B	<i>Undergraduate Semester One Enrolment Full-time Headcount</i>	19

A. Budget Context:

The 2003/2004 MTCU Operating budget has been prepared in the context of continuing costs pressures including increases in the cost of living (inflation); wage and benefit adjustments; rising costs of utilities; a significant deferred maintenance problem, and a need to restore quality with investments particularly in academic programs. This year, there are additional challenges including: increased enrolment, a larger staff and faculty complement, limited reinvestment by the province (sufficient only to fund incremental enrolment growth) and incremental pressures on space and facilities. 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 such as laboratory and teaching equipment and library acquisitions.

A number of other universities are dealing with these issues by implementing budget cuts, and increasing tuition to the maximum allowable, including implementing significant differentiation and deregulation of tuition fees.

In prior years the University has also made strategic re-investments, particularly in the areas most affected by planned enrolment growth: the Arts and Social Sciences and has begun extensive programs to rebuild facilities and plan for renovation and improvements. To date, Guelph has been among the few Ontario universities making incremental investments. Each year these incremental investments have become part of the base budget of the University in order to sustain our plan to grow with quality. For example, in 2002/2003 the University made a \$4 million incremental investment which included funds to support enrolment flow-through, an increase in the faculty and staff complement, additional support for programming in Student Affairs, an increase in student financial support, additional support for institutional services and the Library.

The principle challenge for 2003/2004 will be balancing the budget, not just in fiscal terms, which will be done, but in terms of the balance between 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. 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. It is important to understand that incremental funding from the government has focused to date on enrolment growth, not on existing students or enhancing quality.

The University is committed to continuing to implement the objectives of its multi-year strategic plan (Towards 2010) to increase enrolment with quality, to increase faculty and staff, to address deferred maintenance, and to improve 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.

Planning for the double cohort, "Towards 2010:"

For the past several years, the University has been engaged in a broad consultative process at many levels to prepare for the increased enrolment associated with the double cohort. It is predicted that although the greatest adjustments arising from increased undergraduate enrolment will be necessary in fall 2003 and 2004, the flow-through impact of increased semester 1 intake will take about 4 years to have its full effect on the University. This means that decisions made in the current and preceding years must be integrated into the longer-term plan for the University. Over the past several years, a Planning Steering Group, comprised of faculty, staff, students and administrators, sought input from a variety of organizational units on campus to identify the areas needing incremental investment to support growth from the double cohort while addressing quality concerns. The total requests made in this process far exceeded the projected increase in revenues made available by government in the form of full-grant funding for enrolment growth. As a result, the President's Advisory Group (PAG) and principally the vice presidents (finance and administration, and academic) have been engaged in discussions with various University governance and advisory bodies to bring these requests more into line with the projected revenues. Thus, the requests for incremental investment have been prioritized and matched to total current estimates of incremental revenue and savings. Given the current uncertainty of the precise timing and levels of government funding, requests for incremental investment that cannot be funded as part of the Preliminary Budget will be reviewed both in the context of actual 2003/2004 revenues and future budget priorities. The key point is that the budget will be balanced both in its preliminary

stage, currently being developed, and rebalanced, if necessary, in the fall, once total revenues are confirmed following the final November 2003 registration data. In addition, the structural deficit will be reduced.

The Budget Process:

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. The University's 2003/2004 major budget objectives therefore 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;
 - complete deficit repayment requirement
 - manage the University's structural or base deficit

Overlaying these objectives is a provincial funding environment that has targeted any increases in operating grants only to those institutions that increase their enrolment, particularly in response to the "double cohort" (elimination of grade 13 in Ontario in 2003/2004).

For fiscal 2003/2004 the University budgeting assumption for provincial grants has been prepared based on provincial funding announcements that have committed to funding the incremental enrolment including the impact of the double cohort at a full-average grant level which is on average approximately \$6,800 per student in the Ontario university system.

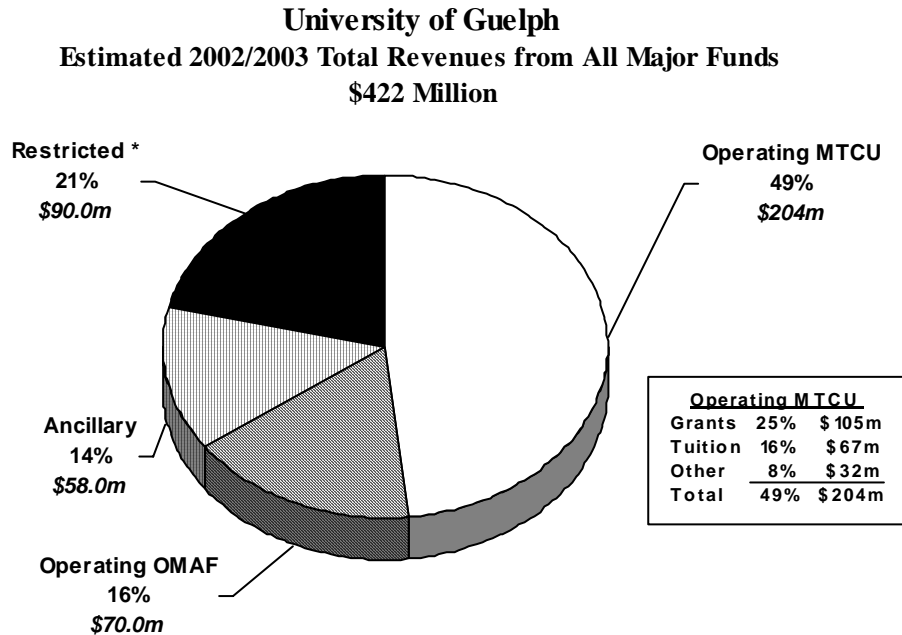
In the 2001 Ontario Budget, the Province announced special measures over three years to alleviate anticipated enrolment demand pressures emerging from the double-cohort factor including an increase in operating grants to universities in an amount estimated at \$218 million by 2003-2004. In the June 17, 2002 provincial budget, this amount was increased by \$70 million to \$288 million reflecting the demand, greater than estimated in the 2001 budget, for post-secondary education in the Province.

The increased operating grant funding is to be distributed to each university in Ontario based upon actual enrolment increases beyond present enrolment levels. As actual fall 2003 enrolment will not be confirmed until after November, after 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. For this reason, the University is presenting a Preliminary Budget that will not be finalized until November at the earliest (*note: details on the projected impact of these grants on the University of Guelph's budget are shown on page 9.*) There is no assumption for an 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.

In preparing the 2003/2004 budget, the University has assumed a planned level of controlled risk. This is reflected in the use of projected one-time revenues/savings and recently announced external cost recoveries to fund incremental expenditures in program quality. There are also a number of critical assumptions made in the budget that will not be confirmed until after the start of the fiscal year in May. These assumptions include provincial funding, enrolment levels and fiscal 2002/2003 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 final budget to the Board. Nevertheless the University will balance the budget through additional revenues from a variety of potential sources or by budget cost reductions if necessary.

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 2002/2003 will total about \$422 million (\$414 million in 2001/2002). Many of these funds are restricted as to use and cannot be used to support ongoing teaching, research and infrastructure operations. Core teaching costs are managed and funded within the “MTCU Operating Budget”. The following chart presents all University revenue 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 2001/2002 were \$86 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 still applies 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. 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 2002/2003, it is estimated that total revenues within the contract will be \$70 million consisting of \$50.5 million in OMAF contract payments and \$19.5 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; 470 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 \$274 million in 2002/2003 revenues (66% of total University revenues) is composed of two major sub-funds described above: the MTCU Operating Budget with \$ 204 million in revenues and the OMAF Contract with \$70 million in revenues. The OMAF sub-fund has very specific reporting requirements, defined as part of the contract with the Ontario Ministry of Agriculture and Food. The following presentation, entitled the '**2003/2004 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 2003/2004 Preliminary Budget assumptions occur during the year, a revised 2003/2004 MTCU Operating Budget will be prepared for the Board incorporating those changes in November 2003. 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 2002/2003 revenues of \$58 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 2002/2003 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 2002/2003. In addition, these units may (subject to availability) assist the MTCU Operating budget in meeting its overall budget target. In fiscal 2002/2003 Parking contributed \$0.200 million for this latter purpose.

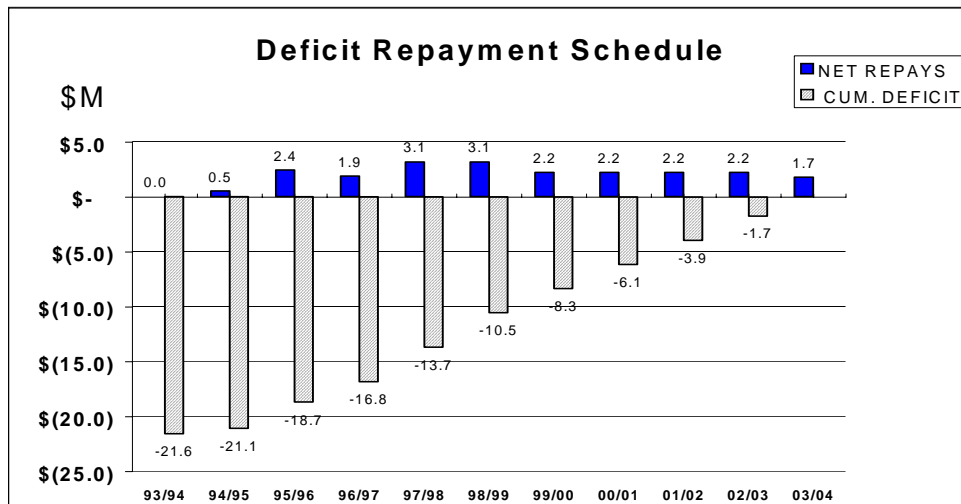
A.1.5 SERP:

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 1993/1994 because of major provincial grant reductions which

were temporarily covered with one-time savings e.g., pension contribution savings and days off without pay. In total, approximately \$10 million in base 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 - "Common Sense Revolution" grant cuts, of some 15%, imposed by the province in 1996/97, the administration requested from the Board and received approval for an extension of the repayment period to 2003/2004. 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 have been directed toward deficit repayment until the year 2003/2004 when the deficit will be fully repaid.

A.2 Accumulated Operating Deficit:

The University carried a total of \$3.945 million of accumulated Operating Fund deficit into the 2002/2003 fiscal year. The Operating Fund 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 2003/2004. The following chart presents that approved repayment schedule. At the end of the 2002/2003 fiscal year the deficit will stand at \$1.745 million and will be completely eliminated at the end of 2003/2004. As the deficit repayment obligation is reduced/eliminated funds previously allocated for repayment will be released for other uses.



B. 2003/2004 BUDGET ASSUMPTIONS:

Each year, the annual operating budget process normally starts in 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. From this initial analysis more detailed budget estimates were prepared (refer to section C).

The following is a summary of the 2003/2004 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 final 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 \$1.745 million is considered a base or ongoing commitment until the year 2003/04 when the deficit will be eliminated.)

The Opening 2003/2004 Base surplus/deficit is a \$9.375 million deficit. The Opening Base deficit is due mainly to the implementation of negotiated salary obligations, increases in institutional costs such as utilities and incremental investments in academic quality such as the library, teaching support and facilities maintenance which in past fiscal years exceeded increased revenues. In prior fiscal years, the base deficit position was covered using a number of budgeted one-time solutions such as employer pension contribution and year-end savings from the previous fiscal year realized from institutional revenues in excess of budget and cost savings from institutional accounts such as the University contingency.

For fiscal 2003/2004 the University is planning to resume employer pension contributions (i.e., realize no savings) and to maintain all of the previous year's commitments including investments in quality. In order to achieve this goal, the budgetary Base Deficit must be covered in the 2003/2004 assumptions.

B.2 Provision for Salaries and Benefits:

A provision of \$7.945 million has been made to cover 2003/2004 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 (five of which have agreements for fiscal 2003/2004), temporary and contracted labour and all associated employer benefit costs. Estimates include a provision for the increased costs of agreements with these employee groups and adjustments to cover projected changes to employer benefit costs. Employer benefit costs include both statutory benefits such as, CPP (Canada Pension Plan) and EI (Employment Insurance), and negotiated benefits such as 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 negotiations with all employee groups during the course of the fiscal year.

B.3 Estimated Utilities and Other Institutional Operating Costs:

This category includes provision for increases in core University operating accounts such as utilities, insurance and certain existing campus-wide information systems' maintenance.

The University's 2002/2003 central utility budget was \$16.5 million. A total increase of 5.2% or \$0.862 million has been provided in the budget for 2003/2004 due to a combination of rate increases in elements of the utilities budget such as heating, hydro, water usage and waste disposal plus increases in general consumption of all utilities due to new space (including the new classroom complex), additional enrolments and research activity on campus. In addition, \$0.318 million has been provided for the increased costs of both computing maintenance agreements for University-wide systems and University insurance coverage due to general industry rate increases.

B.4 Summary of the Initial Institutional Position:

The following is a table quantifying 2003/2004 expenditure planning assumptions. It should be noted that the shortfall of \$18.500 million shown in the 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 province's funding announcement and other expenditure and revenue 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.)

		\$ 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.	(9.375)
B.2	Provision for 2003/2004 salary and benefit increases	(7.945)
B.3.	Estimated Utilities and other Institutional Operating cost increases	(1.180)
RESULTS OF INITIAL EXPENDITURE PLANNING ASSUMPTIONS:		(18.500)

C. 2003/2004 Budget Assumptions: Incremental Investment Proposals, Revenue Assumptions and "Balancing the Budget" Solutions:

The following section contains specific proposals with their estimated incremental budgetary impact that complete the University's 2003/2004 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 2003/2004 Preliminary MTCU Operating Budget compared to 2001/2002 actual and 2002/2003 forecast results is presented in **Table B**.

Initial planning assumptions for general non-personnel cost increases have been limited to specific institutional wide services such as utilities and insurance which total approximately 4.3% of total revenues. 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 academic and staff teaching support, the library, student financial assistance and high priority support services. A total of \$6.990 million (3% of the operating expense base budget) has been initially allocated for the following major items. It should be noted that final distribution of funds will be made in the fall after enrolment and performance related MTCU operating grants are confirmed.

ITEM	DESCRIPTION	\$MILLION
C.1	Investments in Quality, Accessibility and Growth:	
	.	
C.1.1	Academic Programs:	
	An addition of <u>\$2.695 million</u> has been made to the budget to be directed to academic units, The major component of this increase is \$2.0 million currently targeted to fund approximately 30 new faculty positions. The remaining funds have been allocated to cover additional costs of new Graduate Teaching Assistants, academic counsellors, staff and operating costs in the academic units. 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	(2.695)

University of Guelph
2003/2004 Preliminary MTCU Operating Budget

	(BA) and Commerce (BComm) programs. 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.) In 2003/2004, funds also will be targeted for the upgrade of teaching equipment and the academic and support staff costs of additional sections and courses to meet increased enrolments from both fall 2003 semester 1 (first year) intakes and retention and flow-through enrolment (second-year and above students returning to complete their programs).	
C.1.2	Library Acquisitions and Operations:	
	An increase of 8.5% or <u>\$1.000 million</u> has been made for the Library to reflect increased costs resulting from both exchange rate changes and increased enrolment and to extend hours of operation. Continuing investments in technology will make the most efficient use of limited resources and maximize access for students and faculty through electronic sources of information.	(1.000)
C.1.3	Student Financial Assistance:	
	Student financial assistance in the Operating Fund will increase by 12.5% or <u>\$1.100 million</u> in 2003/2004. This increase consists of <u>\$0.400 million</u> in funds allocated from increased tuition as part of the MTCU requirement for 30% reinvestment of fee increases for student financial assistance (see note C.2.2 below) plus an additional <u>\$0.100 million</u> to be used for undergraduate bursaries to assist those students in need that do not qualify under Ontario Student Awards Program (OSAP) rules, <u>\$0.050 million</u> for international student aid plus <u>\$0.550 million</u> for new graduate student awards as part of a multi-year plan to create a guaranteed minimum stipend for all graduate students. In total, there will be an estimated \$9 million in student financial assistance allocated from the Operating Budget. In addition, an estimated \$8 million in student financial assistance is provided from restricted funds and endowments making the total estimated student financial assistance \$17 million in 2003/2004 (in 1991 \$1.6 million was spent on student financial assistance from all sources).	(1.100)
C.1.4	Student Support Services	
	Student support services includes units that deliver a variety of important services to students. These range from learning support and career services in the Student Services unit to enrolment management, admissions and recruitment, and registration services in the Registrar's office. Student Services faces a number of challenges as it responds to an increased enrolment of a more diverse student population. Many of the Student Services programs are offered to all students, both undergraduate and graduate resulting in a significant increased demand for services from these units. Pressures from increased enrolment require investments in the <u>Office of Registrarial Services</u> for recruiting students, administering the increasing number of bursary and scholarship programs and managing scheduling and course registration. It is proposed to add <u>\$0.375 million</u> to these areas primarily for funding new staff and related operating costs.	(0.375)
C.1.5	Deferred Maintenance	
	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 both recent years and the proposed increase in fiscal 2003/2004, the general University population increase has added to the strain on all systems. It is planned to add <u>\$0.560 million</u> to the existing base budget for deferred maintenance of \$0.440 million plus a one-time allotment of <u>\$0.500 million</u> increasing the total 2003/2004 allocation to \$1.5 million. (This excludes funding from MTCU facility renewal grants currently estimated at \$1.7 million per year).	(1.060)

University of Guelph
2003/2004 Preliminary MTCU Operating Budget

	<p>million is built into the base budget in fiscal 2002/2003. It is assumed, at this time, that the University will retain its overall share of this envelope and therefore will earn \$1.4 million again in fiscal 2003/2004 (no change to the Base Budget). As with the Accessibility fund, actual allocations will not be confirmed until late in the fall at which time any revisions will be incorporated into any final budget update.</p> <ul style="list-style-type: none"> There are no increases to the <u>Basic Operating</u> grant in provincial funding. This means no general funding for inflationary cost increases which in the University sector range from 4-5%. <p>TOTAL INCREASE IN PROVINCAL GRANTS:</p>	<p style="text-align: right;">-</p> <hr style="width: 50px; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">8.800</p>
C.2.2	Tuition Revenues: enrolment and tuition. The tuition revenue budget is impacted by both fee rate changes and changes to enrolment numbers.	<i>\$MILLION</i>
C.2.2.1	<p>TUITION: Contained in a March 2000 provincial funding announcement were regulations that “cap” 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 fee in 1999/2000 (removes the compounding of annual increases). This translates into an increase of 1.89% or \$39 per semester for a B.A. program for 2003/2004.</p> <p>As recommended by the Enrolment Coordinating Committee, a 1.89% tuition increase for regulated undergraduate programs and graduate programs and a 5% increase to all international student programs is reflected in this budget. The impact is estimated at a <u>\$1.4 million</u> increase in gross revenues, prior to allocating the <u>30% set aside for student financial assistance required by MTCU</u> estimated at \$0.4 million - see section C.1.4 above. The NET impact of total tuition increases is estimated at \$1.0 million.</p> <p>Details of all tuition fee increases by major academic program are presented separately to the Board as part of the 2003/2004 budget.</p>	1.400
C.2.2.2	<p>ENROLMENT: 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 3,300 new students (a level that was established and maintained from the fall of 2000 in order to access additional targeted provincial funding).</p> <p>As part of the planning process for the 2003/2004 budget and consistent with negotiations with the province, the University has set its fall 2003 target for semester 1 (first year) undergraduates at 4,000. Because of this increase and past year's increases in intakes, <u>total</u> University enrolment will generate an estimated <u>\$6.65 million</u> in additional revenue. This revenue is solely because of increased enrolment (numbers of students).</p> <p>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>	6.650

University of Guelph
2003/2004 Preliminary MTCU Operating Budget

C.2.3	Other Institutional Revenues	
	Institutional Revenues from research overhead funding and miscellaneous fees and recoveries are projected to generate additional income for the Operating budget of <u>\$3.925 million</u> . The largest single component of this projected increase (\$2.850 million) 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 including an investment for restructuring of the Office of Research which started in 2001/2002. Other revenues in this category included general cost recoveries and fees due to increased research and enrolment at the University.	3.925
C.2.4	Cost Recoveries from Ancillaries:	
	A 2% increase in the general cost recovery charges to Ancillaries will be made in 2003/2004 to help offset continuing increases in utilities charges. In addition a special charge of \$0.200 million will be made to the Parking Services budget to be provided from net parking revenues. These increases were factored into the budget of each ancillary unit to be presented to the Finance Committee in February 2003. The total combined increase in cost-recoveries for these charges is <u>\$0.360 million</u> .	0.360
C.2.5	Resignation and Retirement Savings:	
	An estimated <u>\$0.650 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 retirement is filled in advance of (or bridged to) an actual retirement. This action assists in transition planning and provides temporary additional teaching/research capacity in the department. In fiscal 2002/2003, 16 temporary new positions were created in this manner and a further 10 are scheduled for 2003/2004. Over time as the actual retirements occur, those positions will be removed returning total complements to base levels.	0.650
C.2.6	Reduced Deficit Repayment Obligation	
	In fiscal 1996/97 a \$2.2 million budget expenses line item was established to help repay the SERP deficit. By fiscal 2003/2004 the total deficit will have been reduced to \$1.745 million thereby releasing <u>\$0.455 million</u> for use in the 2003/2004 budget.	0.455
C.2.7	Fiscal 2002/2003 Year-end Forecast Revenues/Savings	
	The current forecast of University 2002/2003 revenues/expenses indicates that there will be an estimated \$3.250 million in net revenues/savings over/under initial budget assumptions. The most significant contribution is estimated from additional provincial grants (when compared to 2002/2003 budget assumptions). Other revenues are projected from a variety of sources including revenues from additional enrolments realized during the year. The first priority on any net revenues/savings will be to meet the 2002/2003 budget target including the deficit repayment, added costs of new enrolments (over budget), high priority deferred maintenance e.g., watermains, steamlines and the cost of the University's resumption of employer pension contributions in September 2002. Confirmation of these funds for the 2003/2004 budget cannot be made until after the year-end is completed and audited in July 2003. Should the University be unable to meet this target other means will be taken to balance the budget including the deferral of investments, additional revenues/savings in fiscal 2003/2004 and if necessary mid-year expenditure reductions.	3.250

- D. Summary of 2003/2004 MTCU Preliminary Budget Assumptions and Objectives:**
The following table summarizes the results of assumptions and incremental changes included in the University's 2003/2004 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 2003/2004 Budget Assumptions and Objectives:

B.	Assumptions: Pre-Provincial Funding Announcement	\$ Million
B.1	Opening Base Deficit	(9.375)
B.2	Provision for 2003/2004 salaries and benefit increases	(7.945)
B.3	Estimated Utilities and Insurance increase	(1.180)
B.4	Summary of the Initial Planning Deficit:	(18.500)
C.1	Projected New Investments in Quality, Accessibility and Growth	
C.1.1	Academic Programs	(2.695)
C.1.2	Library Acquisitions and Operations	(1.000)
C.1.3	Student Financial Assistance	(1.100)
C.1.4	Student Support Services	(0.375)
C.1.5	Deferred Maintenance	(1.060)
C.1.6	Institutional Support Services	(0.760)
	Sub-total Total Investments	(6.990)
	Total Before Solutions	(25.490)

C.2	SOLUTIONS: (incremental to base budget)	
C.2.1	Provincial Grants: Accessibility Fund increase of \$8.8 million	8.800
C.2.2.1	Tuition (increases to be approved by Board of Governors and in accordance with MTCU "cap" before mandated 30% for student financial assistance.)	1.400
C.2.2.2	Enrolment (accumulated increased intakes)	6.650
C.2.3	Other Institutional Revenues	3.925
C.2.4	Cost Recoveries from Ancillary units	0.360
C.2.5	Resignation and Retirement Savings	0.650
C.2.6	Reduced Deficit Repayment Obligation	0.455
C.2.7	Prior Year's Fiscal Year-end Savings	3.250
	Total Solutions	25.490

E. Tables and Graphs:

The following Tables present the 2003/2004 Preliminary MTCU Operating Budget in the context of actual 2001/2002 results and 2002/2003 forecast results:

- Table A 2003/2004 *Preliminary MTCU Operating Budget by Unit and Major Expense Category:*
A table showing the 2003/2004 Preliminary MTCU Operating Budget incorporating all budget assumptions, by major category of expense and organizational group.
- Table B 2003/2004 *Preliminary MTCU Operating Budget Net Expenses by Unit:*
A time series showing the 2001/2002 results, 2002/2003 forecast results and the 2003/2004 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 2003/2004 (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 2003/2004 (budget).

University of Guelph
2003/2004 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in \$ Thousands)
(I) = (G)+(H)

	(A) Total Salaries	(B) Total Benefits	(C) = (A)+(B) Total Personnel	(D) Operating	(E) Internal Recoveries	(F) = (C)+(D)+(E) Total Expenses	(G) External Recoveries	(H) Revenues	Total University Recoveries & Revenues	(J) = (F)+(I) Net Budget
<u>Institutional Revenues and Recoveries</u>										
Provincial Grants								108,994	108,994	108,994
Tuition								74,759	74,759	74,759
Other								5,650	5,650	5,650
Total Revenues								189,403	189,403	189,403
<u>Cost Recoveries</u>										
OMAF							6,600		6,600	6,600
Research and Other							6,511		6,511	6,511
Ancillaries							8,155		8,155	8,155
Total Cost Recoveries							21,266		21,266	21,266
Total Institutional Revenues and Recoveries							21,266	189,403	210,669	210,669 #1
<u>Institutional Expenses</u>										
<u>Teaching Units</u>										
College of Arts	10,730	1,997	12,727	1,385		14,112		(64)	(64)	14,048
College of Biological Science	11,725	2,277	14,002	1,454		15,456	(191)	(356)	(547)	14,909
College of Social and Applied Human Science	18,008	3,377	21,385	3,292	(25)	24,652	(127)	(1,139)	(1,266)	23,386
Ontario Agricultural College	19,342	3,681	23,023	1,263	(1,013)	23,273	(5,419)	(2,178)	(7,597)	15,676
Ontario Veterinary College	18,674	3,656	22,330	10,509	(2,032)	30,807	(1,397)	(13,750)	(15,147)	15,660
College of Physical and Engineering Science	14,893	2,830	17,723	1,527	(116)	19,134	(191)	(155)	(346)	18,788
Office of Open Learning	1,185	270	1,455	2,996	(58)	4,393		(3,143)	(3,143)	1,250
Other Teaching Units	974	192	1,166	2,928	0	4,094			0	4,094 #2
Student Assistance	550	50	600	8,760		9,360				9,360
Total Teaching Units	96,081	18,330	114,411	34,114	(3,244)	145,281	(7,325)	(20,785)	(28,110)	117,171
<u>Library Operations and Acquisitions</u>										
Library Operations	5,345	1,249	6,594	2,187	(48)	8,733		(487)	(487)	8,246
Library Acquisitions	0	0	0	5,000		5,000				5,000
Total Library Operations and Acquisitions	5,345	1,249	6,594	7,187	(48)	13,733	0	(487)	(487)	13,246
<u>Academic Services</u>										
Office of Research	2,993	668	3,661	916	(260)	4,317		(90)	(90)	4,227
Teaching Support Services	1,025	238	1,263	273	(95)	1,441		(20)	(20)	1,421
Registrar	3,222	760	3,982	1,561	(26)	5,517		(307)	(307)	5,210
Other Academic Services	1,131	252	1,383	575	(15)	1,943		(619)	(619)	1,324 #3
Total Academic Services	8,371	1,918	10,289	3,325	(396)	13,218	0	(1,036)	(1,036)	12,182
<u>Student Services</u>										
Student Services	4,433	964	5,397	2,650	(323)	7,724		(4,214)	(4,214)	3,510 #4
Athletics	2,267	424	2,691	2,652	(26)	5,317		(4,451)	(4,451)	866 #5
Total Student Services	6,700	1,388	8,088	5,302	(349)	13,041	0	(8,665)	(8,665)	4,376
Total Teaching and Academic Services	116,497	22,885	139,382	49,928	(4,037)	185,273	(7,325)	(30,973)	(38,298)	146,975

University of Guelph
2003/2004 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in \$ Thousands)
(I) = (G)+(H)

	(A) Total Salaries	(B) Total Benefits	(C) = (A)+(B) Total Personnel	(D) Operating	(E) Internal Recoveries	(F) = (C)+(D)+(E) Total Expenses	(G) External Recoveries	(H) Revenues	Total University Recoveries & Revenues	(J) = (F)+(I) Net Budget
Physical Resources										
Physical Resources Operations	15,270	3,674	18,944	6,506	(4,542)	20,908		(141)	(141)	20,767
Utilities	0	0	0	17,437	(139)	17,298				17,298
Renovations: Support from Operating	0	0	0	1,500		1,500				1,500
Total Physical Resources	15,270	3,674	18,944	25,443	(4,681)	39,706	0	(141)	(141)	39,565
Institutional Services and General Expenses										
Alumni Affairs & Development	2,710	612	3,322	208	(3)	3,527		(66)	(66)	3,461
Computing & Comm Services	4,980	1,089	6,069	4,363	(4,445)	5,987		(145)	(145)	5,842
Central Administration Offices	8,624	1,958	10,582	960	(71)	11,471		(22)	(22)	11,449 #6
University General Expenses	374	89	463	4,981	(892)	4,552		(270)	(270)	4,282 #7
Total Institutional Services and General Exp.	16,688	3,748	20,436	10,512	(5,411)	25,537	0	(503)	(503)	25,034
University Contingency				600		600				600
Total Institutional Expenses	148,455	30,307	178,762	86,483	(14,129)	251,116	(7,325)	(31,617)	(38,942)	212,174
Prior Year's Fiscal Year-end Savings				(3,250)		(3,250)				(3,250)
Net Budget	148,455	30,307	178,762	83,233	(14,129)	247,866	(28,591)	(221,020)	(249,611)	1,745 #8

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>G. "External Recoveries" are charges to Ancillaries, OVC Special Grant, OMAF for indirect costs such as utilities and admin support plus support for OMAF for 80 FTEs of research faculty effort.</p> | <p>H. "Revenues" in department revenues are external cash charges for services provided through either the sale of goods and services or contracted services e.g. Vet Teaching Hospital and non-credit courses. Department revenues can also be provincial grants or fees charged for restricted or designated purposes such as MTCU grants for students with disabilities, athletic fees and student health fees, all directed to offset costs in the Student Services division.</p> <p>I. "Total University Recoveries and Revenues" of \$249.6 million includes Provincial Grants of \$109 million, Tuition of \$74.7 million, Other revenue of \$5.7 million, External Recoveries of \$28.6 million and Departmental Revenues of \$31.6 million.</p> <p>J. "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 budget 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. Total Institutional Revenues and Recoveries includes institutional grants, revenues and external recoveries with the exception of external departmental revenues and recoveries.</p> <p>2. 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>3. Other Academic Services includes MacKinnon Building Mgmt, Co-op Education, Centre for International Programs and miscellaneous academic support funds.</p> <p>4. 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>5. Athletics Revenues includes the following: Student Athletic Fee, Student Athletic Building Fee and other revenue from athletic services and facility rentals.</p> <p>6. Central Administrative Offices includes Human Resources, Executive Offices, Finance, Purchasing and Mail Services and Security Services.</p> <p>7. 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>8. The \$1.7 million in net budget revenues is allocated for SERP repayments.</p> |
|--|--|

University of Guelph
2003/2004 Preliminary MTCU Operating Budget
 Net Expenses By Unit

Table B
 (in \$ Thousands)

	01/02 Actuals	Notes	% of Total	02/03 Forecast	Notes	% of Total	03/04 Preliminary Budget	Notes	% of Total
<u>Institutional Revenues and Recoveries</u>									
Provincial Grants	97,463			104,394			108,994		
Tuition	64,584			69,200			74,759		
Other	5,823			5,375			5,650		
Total Revenues	167,870			178,969			189,403		
<u>Cost Recoveries</u>									
OMAF	6,600			6,600			6,600		
Research and Other	6,150			6,135 #1			6,511		
Ancillaries	7,843			7,993 #2			8,155		
Total Cost Recoveries	20,593			20,728			21,266		
Total Institutional Revenues and Recoveries	188,463			199,697			210,669		*
<u>Institutional Expenses</u> (Net of Departmental Recoveries & Revenues)									
<u>Teaching Units</u>									
College of Arts	12,071			12,882			14,048		
College of Biological Science	13,987			14,460			14,909		
College of Social and Applied Human Science	20,652			21,831			23,386		
Ontario Agricultural College	14,159			15,231			15,676		
Ontario Veterinary College	13,317			15,309			15,660		
College of Physical and Engineering Science	18,077			18,289			18,788		
Office of Open Learning	1,686			1,073			1,250		
Other Teaching Units	4,725			5,962 #3			4,094		
Student Assistance	7,574			8,445			9,360		
Total Teaching Units	106,248			113,482			117,171		
<u>Library Operations and Acquisitions</u>									
Library Operations	7,009			7,206			8,246		
Library Acquisitions	4,276			4,675			5,000		
Total Library Operations and Acquisitions	11,285			11,881			13,246		
<u>Academic Services</u>									
Office of Research	3,077			4,040 #4			4,227		
Teaching Support Services	1,389			1,522			1,421		
Registrar	4,528			5,206			5,210 #5		
Other Academic Services	1,175			1,423			1,324		
Total Academic Services	10,169			12,191			12,182		
<u>Student Services</u>									
Student Services	2,612			3,309			3,510		
Athletics	759			800			866		
Total Student Services	3,371			4,109			4,376		
Total Teaching and Academic Services	131,073		69.9%	141,663		69.7%	146,975		69.3%

University of Guelph
2003/2004 Preliminary MTCU Operating Budget
 Net Expenses By Unit

Table B
 (in \$ Thousands)

	01/02 Actuals	Notes	% of Total	02/03 Forecast	Notes	% of Total	03/04 Preliminary Budget	Notes	% of Total
<u>Physical Resources</u>									
Physical Resources Operations	17,932			19,708			20,767		
Utilities	14,679			16,447	#6		17,298		
Renovations: Support from Operating	690			1,685			1,500		
Total Physical Resources	33,301		17.8%	37,840		18.6%	39,565		18.9%
<u>Institutional Services and General Expenses</u>									
Alumni Affairs & Development	2,877			3,151			3,461		
Computing & Communication Services	5,103			5,346			5,842		
Central Administrative Offices	10,723			10,919			11,449		
University General Expenses	4,405			4,397			4,282		
Total Institutional Services and General Exp.	23,108		12.3%	23,813		11.7%	25,034		11.8%
University Contingency							600		0.3%
Total Institutional Expenses	187,482		100.0%	203,316		100.0%	212,174		100.0%
Pension Contribution Savings	(6,200)			(2,300)			0		
Transfer To (From) Appropriations	4,981	#8		(3,519)	#8		(3,250)	#7	
Net Institutional Expenses	186,263			197,497			208,924		
Net Increase (Decrease) in Fund Balance (Allocated for SERP Repayment)	2,200			2,200			1,745	#9	
Opening SERP Deficit	(6,145)			(3,945)			(1,745)		
Closing SERP Deficit	(3,945)			(1,745)			(0)		

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

* Total 2003/2004 Institutional Revenues and Recoveries are budgeted at \$210.7 million plus departmental revenues and recoveries of \$39.0 million for total University revenues and external recoveries of approximately \$249.7 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 mainly 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 in 2001/2002 to reflect the increased cost of utilities, particularly due to increases in natural gas plus additional \$0.2M net revenues from Parking Administration.
3. In 2002/2003, Other Teaching Units includes approximately \$3.6M for capital renovations and alterations for academic space, new faculty start-up funds, faculty retiring allowances and other research support funds.
4. 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 2002/2003 forecast and the 2003/2004 budget. Some of these costs were previously supported by other sources of one-time funds in prior years.
5. The Office of Registrarial Services expenditures in 2002/2003 reflect approximately \$0.39M in funds carried forward from 2001/2002 for specific projects related to preparation for application and enrolment growth.
6. The Utilities expense reflects increases over 2002/2003, primarily in the price of natural gas and hydro.
7. In 2002/2003, the University expects to realize \$3.25M in net revenues/cost savings. These are currently forecasted for both grant/enrolment revenues over original target and uncommitted contingency funds.
8. 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 2003.
9. In 2003/2004, the remaining accumulated deficit due to the SERP program will be fully covered, leaving the University with no operating deficit.

