

University of Guelph

2003/2004 Revised MTCU Operating Budget

For presentation to the Board of Governors

December 4, 2003

The following presents details of the significant revisions to the University of Guelph's 2003/2004 Preliminary MTCU (Ministry of Training Colleges and Universities¹) Operating Budget that was approved by the Board of Governors in March 2003. The Revised Budget contains the financial impact of changes to any assumptions made in the Preliminary Budget. The presentation consists of a brief explanation of the changes to revenues and savings assumptions (Table A) and Costs and Investments (Table B), comparing original assumptions made in March with current revised assumptions. Table C presents details by major organizational groups incorporating the above revisions. In total, the University remains committed to a balanced budget with \$1.745 million being allocated to complete the Board approved deficit repayment plan.

□ Background:

The University starts any 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. In January and February of 2003, the 2003/2004 Preliminary MTCU Operating Budget was prepared in the context of significant uncertainties about provincial funding, most recently targeted for enrolment growth. It also reflected the University's priority commitment to investments in maintaining quality and accessibility. The University's 2003/2004 major budget objectives can be summarized as:

1. To continue planning for growth and investing in the maintenance of quality and accessibility particularly in;
 - faculty and staff
 - teaching support services
 - student services and financial assistance
 - maintaining facilities
2. To balance and stabilize the budget including;
 - 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).

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. (A further \$65.9 million was added in the 2003 provincial budget increasing the total commitment to \$353.9 million.) This increased operating grant funding is to be distributed to each university in Ontario based upon actual enrolment increases beyond historical enrolment levels. As actual fall 2003 enrolment is not confirmed until mid-November, after enrolments are verified and reported to the Ministry, assumptions made in March on the distribution of provincial grants were considered preliminary. As well as uncertainty around provincial funding and enrolments, the University increased reliance on recently announced provincial and federal government external cost recovery programs (the Ontario Research Performance Fund - RPF

¹Ministry 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.

and the Federal Indirect Costs Program - FICP) to fund structural incremental expenditures in its operating budget. Confirmation of these funds is not received until well into the fiscal year. There were also a number of critical assumptions made in the Preliminary Budget that relied upon fiscal 2002/2003 year-end results that could not have been confirmed until after the University's fiscal year was closed and audited (July 2003). As the University receives confirmation of the financial impact of these events, they are immediately factored into the budget.

Summary of Revisions:

During the course of the summer and early fall the University experienced several major events that impacted both revenues and expenses:

- Continued increased demand for the University and its programs resulted in additional enrolments over what was originally budgeted in the Preliminary Budget (target 4,000 new semester 1 students, 4,600 registered).
- Several significant adjustments to provincial grants reflecting the Ontario government's response to continued demands for university education in excess of their estimate coupled with the provincial commitment for "full-cost"² funding of new enrolments.
- With additional enrolment the University was also faced with additional expenses. While some of these expenses were expected (e.g., costs associated with numbers of students), unexpected student awards costs were generated as a result of the impact of the "double cohort" which saw applications from Ontario high schools to the University double, to just over 40,000, for the fall of 2003. In addition the quality of applicants (as measured by entering grades) was significantly higher than expected.
- At the time of the preparation of the Preliminary Budget, high-priority incremental investments totalling just over \$12 million were identified. Not all could be supported out of funds that the University felt reasonably assured of receiving at that time. It was decided therefore to only budget for the highest priority items in the Preliminary Budget on the understanding that if additional funds became available further investments would be funded on a priority basis.

The following table outlines both the major areas of investments based on identified priorities plus those costs which are the direct result of additional enrolments and the double cohort. The net impact of these events was an increase in total net revenues of \$8.35 million (4.2% of total revenues and recoveries) with an offsetting use (costs and investment) of those funds of \$8.35 million.

□ **Comparison of Preliminary MTCU Operating Budget and Revised Budget Assumptions:**

The following tables compare the major revenue and expense assumptions approved by the Board in the Preliminary MTCU Operating budget in March with Revised Budget assumptions only for those elements of the budget that have changed. The Preliminary Budget contained the projected financial impacts of both general budget assumptions and specific incremental adjustments to budget line items. The full Preliminary Operating Budget details are not repeated here. For those readers interested, details, including a description of each item, are contained in the "[2003/2004 Preliminary Operating Budget](http://www2.uoguelph.ca/finweb/reports)" at <http://www2.uoguelph.ca/finweb/reports> or available in hard copy at Financial Services or the Board Office.

It is important to note, that with the exception of those items discussed below as revisions to the budget, no other key assumptions have changed and the University remains committed to implementing the revenue and expenditure items as approved.

² "Full cost" funding refers to the commitment by the Province to fund new student enrolments at a level reflecting the total provincial grant income per student in accordance with the established funding formula. Prior to this commitment, provincial grants were effectively fixed and universities received only tuition for new enrolments effectively discounting provincial grants received per student.

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TABLE A - REVENUES AND SAVINGS:

| A. | Note: ()'s indicates costs or use of funds. No ()'s indicate revenues or cost savings | Prelim. \$ Million | Revised. \$ Million | Change \$ Million |
|-----|---|-------------------------------|--------------------------------|------------------------------|
| A.1 | <p>Provincial Grants: Increase of \$6.2 million</p> <ul style="list-style-type: none"> • <u>Accessibility Fund</u>: This is the name of the funding envelope created by the Province to fund increased enrolment primarily from the impact of the double cohort. It consists of allocations for both undergraduate and graduate enrolment increases. The University has received confirmation of an <u>additional \$2.5 million</u>. This grant recognizes funding for the University's fall 2003 enrolment over the Preliminary Budget's target (refer to A.2 below). • <u>Quality Assurance Fund</u>: On July 25, 2003, the Province announced that a new grant for actual post-secondary enrolment growth in "excess" of forecasted Ontario system enrolment upon which earlier Accessibility Grant envelopes were based. The University, which has received <u>\$3.5 million in new funds</u> was required to file a plan on the use of the funds with the Ministry prior to transfer of the funds. • <u>Other grants</u>: There is an <u>additional \$0.200 million</u> expected to be received on smaller grants such as the Performance Fund and ATOP (Access To Opportunities Program) as a result of adjustments to original estimates. | 8.800 | 11.300 | 2.500 |
| | | - | 3.500 | 3.500 |
| | | | 0.200 | 0.200 |
| | Total Provincial Grants: | 8.800 | 15.000 | 6.200 |
| A.2 | <p>Enrolments and Tuition: Increase of \$2.2 million</p> <p>As part of the planning process for the 2003/2004 budget and consistent with negotiations with the Province, the University set its fall 2003 target for semester 1 (first year) undergraduates at 4,000. Actual enrolments were approximately 4,600. In combination with other smaller adjustments in other categories of enrolment, total additional enrolment income is estimated at \$2.200 million. There is no change to any tuition rates approved in the Preliminary Budget.</p> | 8.050 | 10.250 | 2.200 |
| A.3 | <p>Other Institutional Revenues: Research overhead funding (RPF and FICP) are expected to generate an additional <u>\$1.000 million</u> over funds forecasted at the time of the Preliminary budget. These revenues will be recognized in the MTCU Operating budget and used to partially support the costs of the funding of start-up costs for new faculty (refer to section B.3 below).</p> | 3.925 | 4.925 | 1.000 |
| A.4 | <p>Fiscal 2002/2003 Year-end Savings: Decrease of \$1.050 million</p> <p>In the Preliminary MTCU Operating Budget it was estimated that \$3.250 million in year-end savings could be realized. Due to the unexpected shortfall in funding of a specific federal indirect cost grant, this target was not achieved in total. The shortfall has been made up from other in-year revenues.</p> | 3.250 | 2.200 | (1.050) |
| | Additional Revenue/Savings | | | 8.350 |

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TABLE B - COSTS AND INVESTMENTS:

| B | Note: ()'s indicates costs or use of funds. No ()'s indicate revenues or cost savings | Prelim. \$ Million | Revised. \$ Million | Change \$ Million |
|-----|---|-------------------------------|--------------------------------|------------------------------|
| B.1 | <p>Academic Programs: New Investments in Quality, Accessibility and Growth An additional <u>\$3.200 million</u> has been allocated to academic teaching units for increased investments toward the enhancement of current and future teaching capacities and to help maintain quality. The major component of this increase is \$1.3 million currently targeted to fund approximately 20 new faculty positions (total of 50 in 2003/2004). The remaining funds have been allocated to cover additional costs of new graduate teaching assistants, staff and operating costs in the academic units. Specific allocations have been targeted to those programs experiencing the greatest increased enrolment pressures.</p> | (2.695) | (5.895) | (3.200) |
| B.2 | <p>Academic Programs: "Excess" enrolment growth It is estimated that an <u>additional \$1.205 million</u> will be required to cover the costs of an extra 600 undergraduate students (4,600 student were registered; the Preliminary Budget target was of 4,000). This additional funding will be used to cover the costs of extra sessional teaching staff, graduate teaching assistants and related operating costs.</p> | - | (1.205) | (1.205) |
| B.3 | <p>Faculty Start-up Funding: \$1.430 million has been allocated to cover new faculty start-up costs. In the Preliminary Budget funds for new faculty start-up (research support and professional development funds) were to be mainly funded from new external cost recoveries (subject to confirmation of approval of the level of funding for the provincial RPF and federal FICP. Refer to section A.3 above).</p> | - | (1.430) | (1.430) |
| B.4 | <p>Library Acquisitions and Operations: An <u>additional \$0.500 million</u> allocation has been made to the Library to be used for a variety of acquisition needs and high quality investments in research and learning technology and related support services.</p> | (1.000) | (1.500) | (0.500) |
| B.5 | <p>Student Financial Assistance: Student Financial Assistance is estimated to increase by \$1.850 million as the result of a major increase in entrance scholarships awarded. This increase was the result of a number of factors including increased enrolments (over target) and the significant increase (over expectations) in the quality of students as measured by entrance averages particularly in the business and professional programs. (Note: entrance awards are based on entering students' high school grades and are made as part of the initial offer to all students. Upon acceptance of the offer by the student, the funds must be committed. The cost to the University therefore reflects both the numbers and grade averages of accepting students.)</p> | (1.100) | (2.950) | (1.850) |
| B.6 | <p>Student Support Services: An <u>additional \$0.165 million</u> will be allocated to cover the costs of improved student support and community liaison services and classroom teaching equipment maintenance.</p> | (0.375) | (0.540) | (0.165) |
| | Additional Costs/Investments | | | (8.350) |

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 By Unit and Major Expense Category

Table C
 (in \$ Thousands)
 (I) = (G)+(H)
Total
University
Recoveries
& Revenues
 (J) = (F)+(I)

| | (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 | University Recoveries & Revenues | (J) = (F)+(I) Net Budget |
|---|--------------------------|--------------------------|-------------------------------------|------------------|-------------------------------|--|-------------------------------|-----------------|--|-----------------------------|
| <u>Institutional Revenues and Recoveries</u> | | | | | | | | | | |
| Provincial Grants | | | | | | | 115,264 | 115,264 | 115,264 | |
| Tuition | | | | | | | 77,000 | 77,000 | 77,000 | |
| Other | | | | | | | 5,650 | 5,650 | 5,650 | |
| Total Revenues | | | | | | | 197,914 | 197,914 | 197,914 | |
| <u>Cost Recoveries</u> | | | | | | | | | | |
| OMAF | | | | | | | 6,600 | 6,600 | 6,600 | |
| Research and Other | | | | | | | 6,517 | 6,517 | 6,517 | |
| Ancillaries | | | | | | | 8,155 | 8,155 | 8,155 | |
| Total Cost Recoveries | | | | | | | 21,272 | 21,272 | 21,272 | |
| Total Institutional Revenues and Recoveries | | | | | | | 21,272 | 197,914 | 219,186 | 219,186 #1 |
| <u>Institutional Expenses</u> | | | | | | | | | | |
| <u>Teaching Units</u> | | | | | | | | | | |
| College of Arts | 11,487 | 2,131 | 13,618 | 1,839 | | 15,457 | | (6) | (6) | 15,451 |
| College of Biological Science | 11,477 | 2,204 | 13,681 | 2,871 | | 16,552 | (213) | (364) | (577) | 15,975 |
| College of Social and Applied Human Science | 18,877 | 3,513 | 22,390 | 2,669 | (39) | 25,020 | (146) | (424) | (570) | 24,450 |
| Ontario Agricultural College | 19,542 | 3,792 | 23,334 | 1,030 | (676) | 23,688 | (5,211) | (1,828) | (7,039) | 16,649 |
| Ontario Veterinary College | 19,592 | 3,764 | 23,356 | 9,600 | (2,132) | 30,824 | (1,450) | (14,441) | (15,891) | 14,933 |
| College of Physical and Engineering Science | 15,372 | 2,864 | 18,236 | 2,310 | (116) | 20,430 | (198) | (155) | (353) | 20,077 |
| Office of Open Learning | 1,258 | 288 | 1,546 | 3,473 | (61) | 4,958 | | (3,246) | (3,246) | 1,712 |
| Other Teaching Units | 510 | 111 | 621 | 4,207 | 0 | 4,828 | | | 0 | 4,828 #2 |
| Student Assistance | 550 | 51 | 601 | 11,665 | | 12,266 | | | | 12,266 |
| Total Teaching Units | 98,665 | 18,718 | 117,383 | 39,664 | (3,024) | 154,023 | (7,218) | (20,464) | (27,682) | 126,341 |
| <u>Library Operations and Acquisitions</u> | | | | | | | | | | |
| Library Operations | 5,480 | 1,279 | 6,759 | 2,178 | (48) | 8,889 | | (487) | (487) | 8,402 |
| Library Acquisitions | 0 | 0 | 0 | 5,523 | | 5,523 | | | | 5,523 |
| Total Library Operations and Acquisitions | 5,480 | 1,279 | 6,759 | 7,701 | (48) | 14,412 | 0 | (487) | (487) | 13,925 |
| <u>Academic Services</u> | | | | | | | | | | |
| Office of Research | 2,830 | 633 | 3,463 | 961 | (335) | 4,089 | 0 | 0 | 0 | 4,089 |
| Teaching Support Services | 1,075 | 247 | 1,322 | 363 | (95) | 1,590 | | (20) | (20) | 1,570 |
| Registrar | 3,292 | 779 | 4,071 | 1,849 | (26) | 5,894 | | (307) | (307) | 5,587 |
| Other Academic Services | 1,233 | 273 | 1,506 | 967 | (15) | 2,458 | | (619) | (619) | 1,839 #3 |
| Total Academic Services | 8,430 | 1,932 | 10,362 | 4,140 | (471) | 14,031 | 0 | (946) | (946) | 13,085 |
| <u>Student Services</u> | | | | | | | | | | |
| Student Services | 4,715 | 946 | 5,661 | 2,994 | (323) | 8,332 | | (4,226) | (4,226) | 4,106 #4 |
| Athletics | 2,252 | 424 | 2,676 | 2,785 | (26) | 5,435 | | (4,451) | (4,451) | 984 #5 |
| Total Student Services | 6,967 | 1,370 | 8,337 | 5,779 | (349) | 13,767 | 0 | (8,677) | (8,677) | 5,090 |
| Total Teaching and Academic Services | 119,542 | 23,299 | 142,841 | 57,284 | (3,892) | 196,233 | (7,218) | (30,574) | (37,792) | 158,441 |

Physical Resources

| | | | | | | | | | | |
|-------------------------------------|---------------|--------------|---------------|---------------|----------------|---------------|----------|--------------|--------------|---------------|
| Physical Resources Operations | 15,123 | 3,631 | 18,754 | 6,711 | (4,542) | 20,923 | (141) | (141) | 20,782 | |
| Utilities | 0 | 0 | 0 | 16,871 | (139) | 16,732 | | | 16,732 | |
| Renovations: Support from Operating | 0 | 0 | 0 | 1,500 | | 1,500 | | | 1,500 | |
| Total Physical Resources | 15,123 | 3,631 | 18,754 | 25,082 | (4,681) | 39,155 | 0 | (141) | (141) | 39,014 |

Institutional Services and General Expenses

| | | | | | | | | | | |
|--|---------------|--------------|---------------|---------------|----------------|---------------|----------|--------------|--------------|---------------|
| Alumni Affairs / Communication | 2,780 | 618 | 3,398 | 215 | (3) | 3,610 | (96) | (96) | 3,514 | |
| Computing & Comm Services | 5,161 | 1,110 | 6,271 | 4,189 | (4,357) | 6,103 | (125) | (125) | 5,978 | |
| Central Administration Offices | 8,869 | 2,039 | 10,908 | 1,365 | (71) | 12,202 | (72) | (72) | 12,130 #6 | |
| University General Expenses | 103 | 26 | 129 | 5,418 | (1,167) | 4,380 | (222) | (222) | 4,158 #7 | |
| Total Institutional Services and General Exp. | 16,913 | 3,793 | 20,706 | 11,187 | (5,598) | 26,295 | 0 | (515) | (515) | 25,780 |

University Contingency

436

436

436

Total Institutional Expenses

| | | | | | | | | | |
|----------------|---------------|----------------|---------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|
| 151,578 | 30,723 | 182,301 | 93,989 | (14,171) | 262,119 | (7,218) | (31,230) | (38,448) | 223,671 |
|----------------|---------------|----------------|---------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|

Prior Year's Fiscal Year-end Savings

0

- Committed for Department Expenses

(4,030)

(4,030)

(4,030)

- Committed to Balance the 2003/2004 Budget

(2,200)

(2,200)

(2,200)

Net Budget

| | | | | | | | | | |
|----------------|---------------|----------------|---------------|-----------------|----------------|-----------------|------------------|------------------|-----------------|
| 151,578 | 30,723 | 182,301 | 87,759 | (14,171) | 255,889 | (28,490) | (229,144) | (257,634) | 1,745 #8 |
|----------------|---------------|----------------|---------------|-----------------|----------------|-----------------|------------------|------------------|-----------------|

Column Descriptions:

- A. "Total Salaries" includes budgeted costs for all regular full-time, contract and part-time employees.
- B. "Total Benefits" include the budgeted employer benefit costs, allocated in proportion to salaries.
- 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.
- 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.
- G. "External Recoveries" are charges to Ancillaries, OMAF for indirect costs such as utilities and admin support plus support for OMAF for 80 FTEs of research faculty effort.
- 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.
- I. "Total University Recoveries and Revenues" of \$257.6 million includes Provincial Grants of \$115.3 million, Tuition of \$77 million, Other revenue of \$5.6 million, External Recoveries of \$28.5 million and Departmental Revenues of \$31.2 million.
- 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.

Notes:

- Total Institutional Revenues and Recoveries includes institutional grants, revenues and external recoveries with the exception of external departmental revenues and recoveries.
- 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.
- Other Academic Services includes MacKinnon Building Mgmt, Co-op Education, Centre for International Programs and miscellaneous academic support funds.
- 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.
- Athletics Revenues includes the following: Student Athletic Fee, Student Athletic Building Fee and other revenue from athletic services and facility rentals.
- Central Administrative Offices includes Human Resources, Executive Offices, Finance, Purchasing and Mail Services, Security Services, Audit Services, Office of Investments and Human Rights and Equity Office.
- General Expenses include costs incurred for Property Taxes, Memberships, Legal, External Services, Insurance and Banking charges.
- The \$1.745 million in net budget revenues is allocated for SERP repayments.