UNIVERSITY OF GUELPH

OMAF Agreement - 2005/2006 Preliminary Budget

For Presentation to the
Finance Committee of the Board of Governors
March 28, 2005

A. The OMAF Agreement: Background

History: Since its formation in 1964, the University of Guelph has had an agreement (the Agreement) with the Ontario Ministry of Agriculture and Food (OMAF) to provide research and diploma education and services to the agri-food sector in the province of Ontario. This Agreement, which is unique in the Ontario university system provides 16% or approximately $74.5 million (in fiscal 2005) of total University revenues, a significant portion of which funds 90 faculty FTEs (Full Time Equivalents), and 470 staff FTEs working at a variety of locations across Ontario. The Agreement also provides operating, equipment and infrastructure costs including University main campus infrastructure costs of approximately $6.4 million. In addition to research and teaching on the Guelph campus, the University operates programs delivers services at a number of provincially-owned facilities under the Agreement including:

- 3 campuses of the Ontario Agricultural College at Alfred and Kemptville located near Ottawa, and Ridgetown in south-western Ontario,
- a major laboratory testing facility located in Guelph and
- agricultural research stations located across Ontario including three major research stations located near Guelph at Arkell and Elora .

The Agreement also provides funding for both provincial agricultural diploma education which includes nearly 900 students enrolled in the Associate Diploma in Agriculture program and the Veterinary Clinical Education Program (VCEP) in the Ontario Veterinary College (OVC) which supports the clinical education of veterinary students. In May 2002, the Agreement was renewed for another five-year term ending March 2007.

Funding: Total 2004/2005 OMAF estimated revenues of $74.5 million ($75.4 million in fiscal 2003/2004) are derived from three major sources: $50.5 million in OMAF provincial funding, $3.0 million in tuition (diploma and continuing education) and $21 million in revenues earned from operations of programs and facilities under the Agreement. These revenues consist of items such as the sale of goods and services such as laboratory services, continuing education and professional certification programs and materials, and the sale of farm products and special provincial funding (e.g., for facilities renovations and repairs). With provincial funding support having been at a constant $50.5 million since fiscal 2001, any cost increases including coverage of general cost increases such as salaries and benefits or new program investments have been funded by a combination of increases in other revenues or cost recoveries or by reallocating resources within programs. While non-provincial funding has grown substantially over the past several years to help offset cost increases (non-provincial revenues now form 33% of total funding compared to 22% in fiscal 2000), program restructuring was unavoidable in order to keep the total Agreement funding in balance. This restructuring has been reflected in the past several years' budgets and continues to provide the main context for OMAF budget planning (Refer to section below on Budget Context).

Reporting and Restrictions: Agreement funds are managed by University college/departments as specific program allocations approved jointly by the University and OMAF. All revenues received are restricted under the terms of the Agreement and are reported separately within the University's Operating Budget. Any unspent funds or deficits in a fiscal year are restricted within the Agreement and are carried forward in total to the next fiscal year. Each year, the OMAF budget is presented to the University's Board of Governors after details on the overall level of provincial support and program priorities are confirmed and key budget assumptions are reviewed with OMAF.

B. 2005/2006 Budget Context

A significant restructuring was initiated in the 2002/2003 fiscal year of how the University manages the Agreement with OMAF. Each step of this restructuring has been carried out in consultation with the Ministry. The steps taken were designed to eliminate a $6.181 million structural deficit projected for the 2002/03 fiscal year, to develop a more business-like approach for cost recovery throughout the various activities supported by the contract, and to strategically change the research directions under the contract to reflect shifting priorities toward value chains, bio-products, food and health.

The base budget reductions of $6.181 million were largely completed in 2003/2004, and the remaining reductions were implemented in 2004/05. The total costs associated with this restructuring, incurred because of position redundancies and program relocation was $4.285 million, and in the 2004/2005 budget we projected to a repayment of these costs with minimum target of $0.25 million and the commitment to apply any additional one-time unallocated recoveries or budget funds to repayment (it is currently estimated that $1.421 million in total will be applied in fiscal 2004/2005 reducing the accumulated costs to $1.574 million. Refer to Section D). The development of a cost recovery model for research station operations was carried out during the 2004/05 fiscal year, for implementation in May 2005. The restructuring of research programs was initiated with research in food and the environment, and is slated to include the plant and animal programs in 2005/2006. It was agreed with the Ministry that the restructuring of the animal research program would be delayed by one year from its scheduled 2004/05 start so that the food and environment program changes could be implemented. This delay is one of the reasons why we could not effectively introduce the cost recovery model to the research stations until the 2005/06 fiscal year.

The fiscal measures put in place over the past two years, and continuing into 2005/06, are designed to stabilize the finances in all aspects of the contract by building in mechanisms to deal with incremental costs on an annual basis. Incremental costs associated with salaries and benefit increases are in the range of $1.5 million annually, and the restructuring efforts have been aimed at creating revenue as the main source to cover them.

- Laboratory Services Division and the VCEP program in OVC have been moved to a fixed cost model, wherein their allocation from the contract is fixed at $9 million and $4.7 million, respectively. Revenues and cost reallocations from within those units are now being used to cover incremental costs.
- A significant reduction in personnel costs on the main campus assigned to the contract, coupled with a go-forward plan for a fixed cost model for technical support, is positioning the campus to use non-OMAF research revenues to assist in dealing with incremental staff costs.
- The college campuses already receive a fixed base budget from the OMAF contract, and use revenues or cost re-allocations to deal with incremental costs.
- The research stations will be moving to a fixed cost model on May 1, 2005. At that time, revenues will have to generated through access charges to cover annual incremental costs.

C. Major Budget Assumptions for fiscal 2005/2006:

Table A summarizes the results of the major planning assumptions for the 2005/2006 Agreement budget. The total initial budget challenge (estimated expenses greater than revenues) at the start of the 2005/2006 budget process was estimated at $3.13 million (about 4.4% of the total budget). Included in this is a provision of $0.500 million to be allocated towards repayment of the accumulated unfunded transition costs (refer to section D) and estimated incremental costs from personnel cost increases from both 2004/2005 (when a portion of 2004/2005 costs increases were covered by one-time solutions) and estimates for 2005/2006 (3 of the four major employee groups included on agreement funding will be entering negotiations for the period of this budget).

What follows is a summary of the major changes **(incremental to base budget**) proposed for the Agreement Budget in fiscal 2005/2006. The overall target is to cover incremental costs and to generate $0.500 million in net revenues to reduce the net accumulated Transition Costs to $1.074 million (refer to section D)

D. Summary of 2005/2006 OMAF Budget Assumptions:

D.1	**Opening Deficit and Cost Increases:**	$ millions
D.1.1	**Opening Base Budget Deficit:** The first step in the budget process each year is to review the prior year's budget and remove any "one-time" budget adjustments. This results in what is referred to as the base budget. The difference between total base revenues and base expenses becomes the starting point for the budget planning process. For fiscal 2005/2006 the starting base budget position was a $1.100 million deficit (It is important to note that this is NOT an actual deficit, however, unless addressed it would result in a deficit at the end of the fiscal year). The 2005/2006 Opening Base Budget Deficit consisted primarily of research staff salary and benefit costs incurred in fiscal 2004/2005 that were supported by one time savings and recoveries of costs from other external funding sources in that year. As those one-time sources of funding were not available again in 2005/2006, the costs which are ongoing commitments appear as unfunded base costs.	(1.100)
D.1.2	**Salary and Benefit Cost Increases (incremental costs):** Under the current arrangement, the Agreement budget is responsible for covering cost increases for mainly staff (non faculty) salaries and benefits. *(Note: Agreement financial support for faculty costs is recorded as an annual fixed i.e., no exposure to salary or benefit cost increases, charge of $7.915 million.)* It is estimated that the costs of salary and benefit increases for staff supported by the Agreement will be $1.53 million in the 2005/2006 fiscal year. The assumptions used in this estimate are consistent with the assumptions used in all of the University's general budget planning and contain provision for increases for all University employee groups charged to the Agreement.	(1.530)
D.1.3	**Estimated 2005/2006 Transition Repayment:** The costs of completing the major 2002/2003 restructuring of the Agreement ($6.181 million in cost re-allocations) totalled $4.285 million to the end of 2003/2004. These costs were all one-time and will be covered over several years from Agreement revenues. To date, $2.428 million has been repaid with an additional $0.500 million designated for 2005/2006 (refer to section C below). It is planned to accelerate repayments as revenues and cost recoveries become available.	(0.500)
D.1.4	**Total Opening Deficit and Cost Increases**	**(3.130)**

Covering the Opening Deficit and Cost Increases:

This preliminary budget contains adjustments allocated to each major unit that must be implement to assist in meeting the overall objective. (Refer to Table A, Column J for the specific allocation by unit.) In meeting the budget target, units have been encouraged first to raise revenues or cost recoveries from external research, increased enrolments or other sources. Also, units are expected to build on their research and teaching infrastructure capacities to generate additional revenues to support operations. In addition to new revenues, a key solution for meeting the challenge of cost-increases involves the introduction of a cost-recovery target of research infrastructure costs from all users (research programs).

However, given the size of the required reallocations, particularly within OAC, and the fact that 60% of the OMAF budget is allocated to University personnel costs, positions will have to be closed.

Accordingly an enhanced buy-out program is available to encourage people in positions that can be closed to leave voluntarily. The one-time costs of this program (mainly buy-out costs) will be incurred by the University as part of an overall deficit in the MTCU portion of its operating budget. Only where it is demonstrated that occupied positions can be deleted, will these buy-outs be approved.

The budget presented at this time does not include the details of how units intend to allocate their budgets by expense type (e.g. personnel, operating, equipment etc.) At this time, details on take-up rates of the enhanced buy-out package and budgetary impact of reallocations on units' budgets are still being finalized. Updates will be prepared when budget allocation changes are approved and implemented. This is expected to occur over the next several months.

D. Accumulated Transition Costs:

Given the size and complexity of the 2002/2003 restructuring, $4.285 million in one-time transition costs were incurred, of which $1.290 million were covered from additional one-time revenues and savings in that year leaving a net cost of $2.995 million at the end of fiscal 2003/2004. Revenues were generated from the net proceeds of livestock sales and interest earned on provincial cash advances. No further transition costs related to these reductions will be incurred.

It is proposed to repay the accumulated transition costs as quickly as possible. Repayments will be found within the Agreement from annual savings or net revenues. Although we projected at the outset of fiscal 2004/05 a minimum repayment of $0.25 million, forecast results indicate that $1.421 million will be available for this purpose (consisting of $0.533 million in exigency and LRF funds, $0.611 million in cost recoveries from restricted trust accounts and $0.277 million in unallocated one-time contingency funds). It is budgeted to repay a minimum of $0.500 million in fiscal 2005/2006 reducing the total accumulated balance at the end of fiscal 2005/06 to $1.074 million.

Opening Net Accumulated Transition Costs (from fiscal 2003/2004)	(2.995)
Less: Projected available revenues/recoveries/savings in 2004/2005 These are specific revenues/recoveries and unallocated budget savings accumulated during the fiscal year and attributed to accelerated repayment of transition costs. Specific revenues are mainly from centrally managed accounts such as interest earned on the Agreement cash flow and the sale of livestock. (The 2004/2005 budget minimum target for repayment was $0.250 million)	1.421
Ending Net Accumulated Transition Costs (2004/2005)	(1.574)
Less: 2005/2006 planned repayment of Transition Costs These are specific revenues identified mainly from centrally managed accounts such as interest earned on the Agreement cash flow and the sale of livestock.	0.500
Ending Net Accumulated Transition Costs (2005/2006) It is proposed to repay the accumulated transition costs as quickly as possible from annual savings or net revenues no later than the end of fiscal 2007 (maximum of three years).	(1.074)

E. 2005/2006 OMAF Budget – Description of Charts and Tables:

Chart A: Agreement: Total 2005/2006 Expense Budget by Location
Chart A estimates the OMAF expense budget by major location incorporating the budget assumptions as presented.

Chart B: Agreement: Diploma Program Enrolments by Location
Chart B compares the OMAF diploma student enrolment by location over a time series 2002/2003 actual to 2005/2006 budget.

Chart C: Agreement: Revenue by Major Category 2002/2003 to 2005/2006
Chart C compares the OMAF revenues in each major category over a four year period including the 2005/2006 budget.

Chart D: Agreement: Expenses by Major Category 2002/2003 to 2005/2006
Chart D compares the OMAF expense budget by major category incorporating the budget assumptions as presented.

Table A: OMAF Agreement Preliminary Budget, By Unit and Major Expense category
Table A shows the 2005/2006 OMAF Opening Base Budget by major revenue and expense category plus budget assumptions for carry forwards, salary and benefit cost increases and reallocation targets by organizational group, before final allocation within the base budget.

Table B: OMAF Agreement 2004/2005 Forecast of Results, by Unit
Table B presents the 2004/2005 forecast actual results compared to budget by unit, for projected carry forwards * for operations and net accumulated transition costs.

** It should be noted that the 2005/2006 Preliminary Budget includes departmental carry-forward funds projected at the end of the previous fiscal year, 2004/2005. (Carry-forwards are departmental unspent funds or net revenues over annual budget targets remaining at fiscal year end committed for open purchases orders, capital equipment, multi-year projects or helping meet future years' departmental budget targets.) The budget determines the total approved expenses/revenue limits for units, however, it is normal to expect departments to under spend in any year. Any funds remaining for carry-forward purposes in fiscal 2004/2005 will be determined at the end of the fiscal year in April 2005.*

Chart A: Agreement: Total 2005/2006 Expense Budget by Location: Total $74 Million

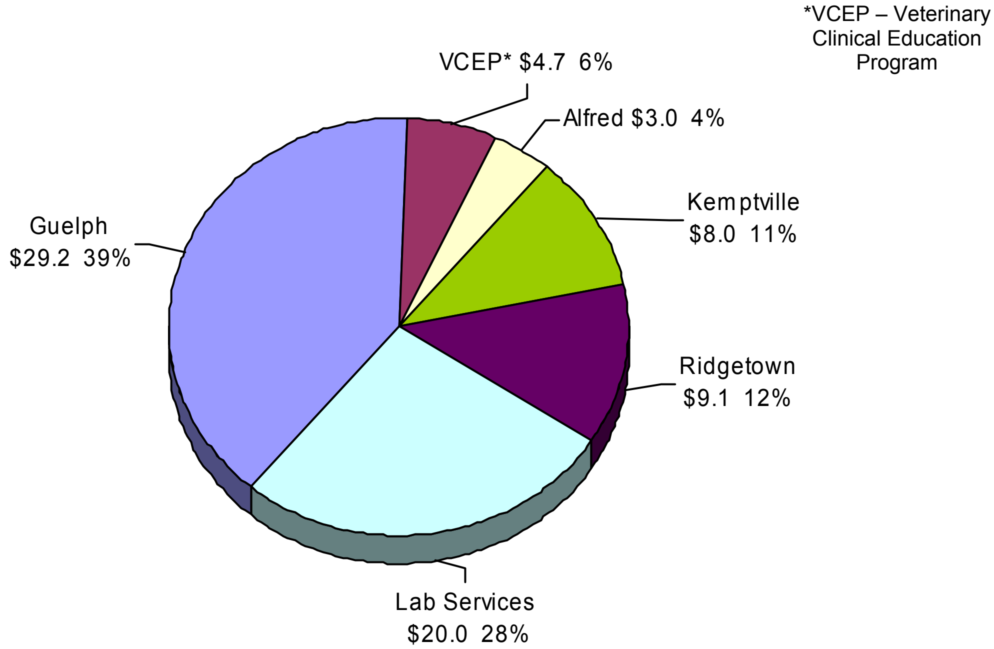
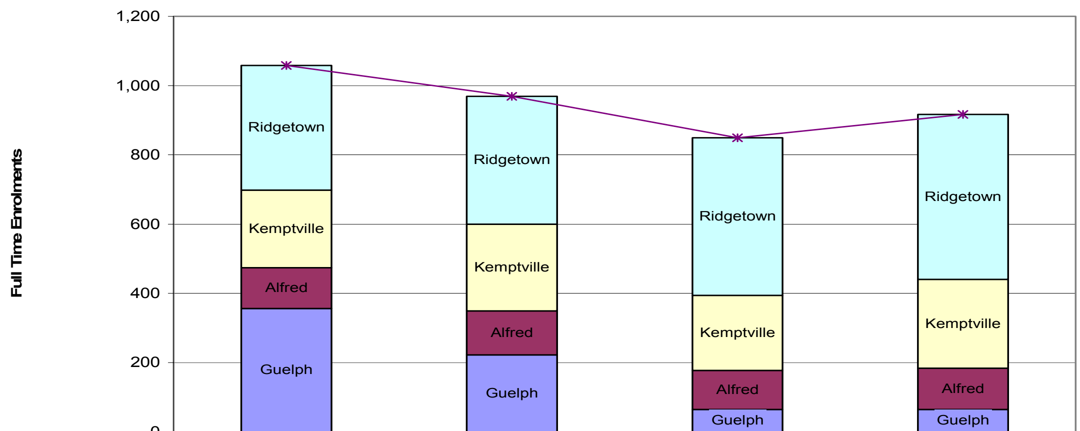


Chart B: Agreement - Diploma Program Enrolments by Location

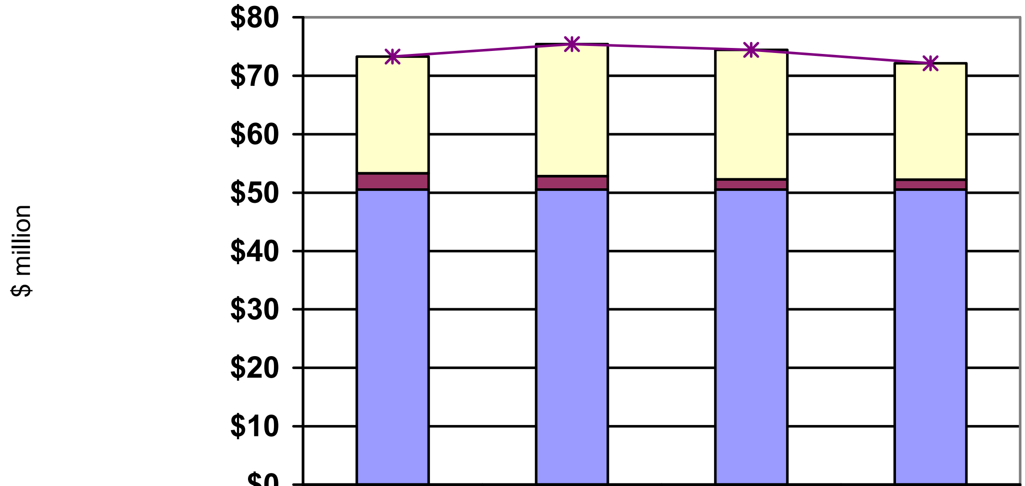


	2002/2003	2003/2004	2004/2005	2005/2006
Ridgetown	360	369	455	477
Kemptville	224	251	217	256
Alfred	118	127	113	120
Guelph	356	222	64	64
Total	1,058	969	849	917

Year

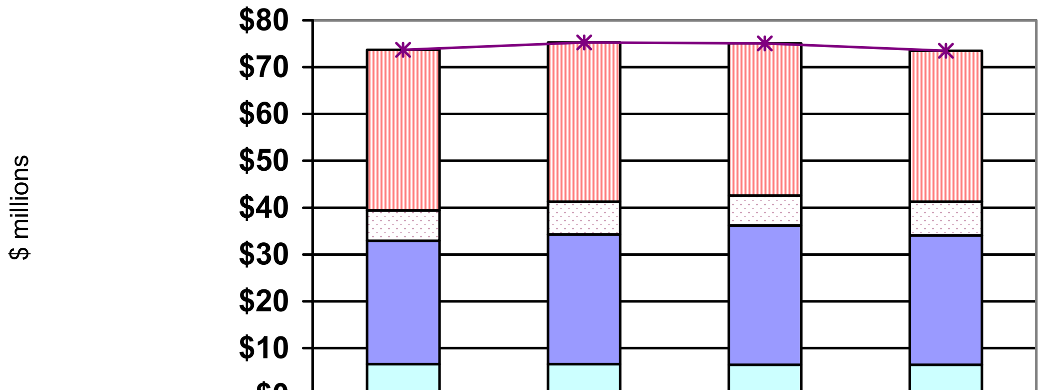
Note: With the exception of a program in turf management which has a total projected enrolment of 64 students, all diploma programs at the Guelph campus were phased out at the end of fiscal 2003/2004. (September 2002 was the year of the last intake for most diploma programs on the Guelph campus.)

Chart C: Agreement: Revenue by Major Category 2002/2003 to 2005/2006



	2002/2003	2003/2004	2004/2005	2005/2006
Goods/Services	20.0	22.6	22.1	19.9
Diploma Tuition	2.8	2.3	1.8	1.7
Provincial	50.5	50.5	50.5	50.5
Total	73.3	75.4	74.4	72.1

Chart D: Agreement: Expenses by Major Category 2002/2003 to 2005/2006



	2002/2003	2003/2004	2004/2005	2005/2006
Salaries	**34.3**	**34.0**	**32.5**	**32.2**
Benefits	**6.5**	**7.0**	**6.4**	**7.2**
Operating	**26.3**	**27.7**	**29.8**	**27.7**
Central Support	**6.6**	**6.6**	**6.4**	**6.4**
Total	**73.7**	**75.3**	**75.1**	**73.5**

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In Thousands of Dollars

By Unit & Major Expense Category
Table A

	(A) Total Personnel	(B) Faculty Pool Costs	(C) Operating	(D) Dept Cost Recovery	(E) = (A)+(B)+(C)+(D) Total Expenses	(F) Revenues	(G) = (E)-(F) Opening Base Budget	(H) Forecast Carry-Forwards	(I) Estimated Personnel Increases	(J) Reallocation Targets	(K) =(G)+(H)+(I)+(J) Preliminary Net Annual Budget	Notes
<u>Institutional Revenues</u>												
Provincial Funding						50,500	50,500				50,500	
Total Institutional Revenues						**50,500**	**50,500**				**50,500**	
<u>Institutional Expenses</u>												
<u>Teaching Units</u>												
College of Biological Sciences	28	132	389		549		549	202			751	
College of Social and Applied Human Sciences	18	73	272		363		363	18			381	
OAC Guelph	4,631	4,778	3,270	(400)	12,279	(197)	12,082	(115)	223	(1,323)	10,867	
Alfred College	2,445		1,121	(190)	3,376	(1,188)	2,188	(340)	82	(82)	1,848	
Kemptville College	5,020		2,719	(172)	7,567	(3,988)	3,579	396	187	(187)	3,975	
Ridgetown College	5,947		2,864	(235)	8,576	(4,532)	4,044	519	251	(251)	4,563	
Total: Ontario Agricultural College	18,043	4,778	9,974	(997)	31,798	(9,905)	21,893	460	743	(1,843)	21,253	#1, #2
Ontario Veterinary College - VCEP	2,095	1,400	1,205		4,700		4,700		71	(71)	4,700	
Ontario Veterinary College - Research	518	1,432	674		2,624		2,624	74	32	(32)	2,698	
College of Physical and Engineering Sciences	102	100	400		602		602	201			803	
Total Teaching Units	**20,804**	**7,915**	**12,914**	**(997)**	**40,636**	**(9,905)**	**30,731**	**955**	**846**	**(1,946)**	**30,586**	
<u>Academic Services</u>												
Guelph Research Station Operations	4,383		2,162		6,545	(1,270)	5,275	(1,153)	177	(177)	4,122	
Exigency & LRF	-		650		650	(650)	0			(500)	(500)	
Research Program Support Accounts	-		184		184		184	97			281	#3
Lab Services Division	11,295		8,352	(1,838)	17,809	(8,809)	9,000	1,693	507	(507)	10,693	
Central Support Costs	-		6,410		6,410		6,410				6,410	
Total Academic Services	**15,678**	**0**	**17,758**	**(1,838)**	**31,598**	**(10,729)**	**20,869**	**637**	**684**	**(1,184)**	**21,006**	
Total Expenses	**36,482**	**7,915**	**30,672**	**(2,835)**	**72,234**	**(20,634)**	**51,600**	**1,592**	**1,530**	**(3,130)**	**51,592**	
Carryforward from Prior Years for Operations								(1,592)			(1,592)	#4
Net Annual Budget	**36,482**	**7,915**	**30,672**	**(2,835)**	**72,234**	**(71,134)**	**(1,100)**	**0**	**(1,530)**	**3,130**	**500**	#5

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

Notes:

1. Ontario Agriculture College includes major college and research locations in Alfred, Kemptville and Ridgetown.

2. OAC Revenue of $9.905 million by major category includes Diploma Enrolments ($1.707 million), Continuing Education ($4.181 million) and Sales of Goods and Services ($4.017 million).

3. The Research Program Support Accounts are centrally administered allotments for support of specific research infrastructure including a capital equipment budget currently allocated to Plant Ag growth room renovations and discretionary accounts managed by the Research Program Directors.

4. The Carryforward from Prior Years for Operations are forecast to be $1.592 million. This amount excludes the forecast Accumulated Transition Costs of -$1.574 at the end of 2004/2005.

5. The planned repayment of Accumulated Transition Costs for 2005/2006 is $0.500 million towards the current expected balance of -$1.421 million. See Table B for details on the Accumulated Transition Costs.

Definitions:

'"Faculty Pool Costs" are fixed transfers to the MTCU budget in support of faculty effort on research projects (72 FTE's) and VCEP (12 FTE's).

'"Dept Cost Recovery" are non-cash transfers based on inter-departmental services provided for laboratory and other services.

"Revenues" in department revenues are external cash charges for services provided through either the sale of goods and services to third parties; contracted services; or diploma and continuing education enrolments.

"Opening Base Budget" is the current net budget by Unit, before the estimates and assumptions for the 2005/2006 fiscal year. The Opening Base Budget has a structural deficit of $1.1 million representing primarily salary and benefit costs in OAC for research support that have been covered by one-time savings and recoveries from other funds in prior years.

'"Forecast Carry-forwards" are funds generated by cost savings or net revenues in a fiscal year allocated for spending in the following fiscal year.

'"Estimated Personnel" allocates the expected salary and benefit cost increase by unit for the OMAF agreement, using on the same assumptions presented in the MTCU Preliminary Budget.

'"Reallocation Targets" are the amounts each unit is expected to absorb within their current base budget in order to meet overall agreement targets and for OAC, to address the $1.1 million in costs previously covered by one-time savings and external recoveries.

'"Preliminary Net Annual Budget" is the total of departmental expenses less departmental cost recoveries and revenues for each major unit, including forecast carry forwards amounts from the prior year and target reallocation amounts, that at this time have not been specifically resolved within the Agreement base budget. 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 "Carry forward" in the following year's budget.

'"VCEP" is the Veterinary Clinical Education Program in the Ontario Veterinary College

'"Central Support Costs" are the transfers to the MTCU budget in support of infrastructure provided to the OMAF agreement.

'"Carry forward from Prior Years for Operations" are the total funds generated by cost savings or net revenues in a fiscal year allocated for spending in the following fiscal year.

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In Thousands of Dollars

Forecast Net Expenses* by Unit
Table B

	04/05 Net Budget	04/05 Net Actuals	Surplus (Deficit)	Notes
Provincial Agreement Revenue	50,500	50,500	0	#1
Institutional Net Expenses				
College of Biological Sciences	579	377	202	
College of Social and Applied Human Sciences	376	358	18	
OAC Guelph	10,890	11,005	(115)	
Alfred College	2,014	2,354	(340)	
Kemptville College	4,147	3,751	396	
Ridgetown College	5,187	4,668	519	
Total: Ontario Agricultural College	22,238	21,778	460	
Ontario Veterinary College	7,396	7,322	74	
College of Physical and Engineering Sciences	612	411	201	
Total Teaching Units	31,201	30,246	955	
Guelph Research Station Operations	4,706	5,859	(1,153)	#2
Lab Services Division	11,443	9,750	1,693	
Research Program Support Accounts	204	107	97	#3
Central Support Costs	6,410	6,410	0	
Total OMAF Agreement Operations	53,964	52,372	1,592	
LRF & Exigency Fund	(320)	(603)	283	#4,#5
Other Unallocated Central OMAF Funds	277	(611)	888	
Additional Repayment of Transition Costs	(43)	(1,214)	1,171	#6
Total Contract Expenses	53,921	51,158	2,763	
Annual Income(Expense)	(3,421)	(658)		
add: Carryforward from Prior Year for Operations	3,671	3,671		
Agreement Funds Unspent	250	3,013		#7
less: Carryforward to Following Year for Operations		(1,592)		
Net Repayment	250	1,421		

Accumulated Transition Costs				
Balance: End of 2003/2004 Fiscal Year	(2,995)	(2,995)	0	
Net Repayment in 2004/2005	250	1,421	1,171	
Balance: End of 2004/2005 Fiscal Year	(2,745)	(1,574)	1,171	#6

* **Net Expenses:** Unit results are shown net of college/division revenues and recoveries (ie Tuition, Produce Sales, Lab Fees)

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

6. Provincial Agreement Revenue of $50.5 million is the base amount. In 2004/2005, an additional $1.925 million in Minor Capital/Repair funds was provided for jointly approved projects. These revenues were recorded in the locations/units of the approved projects.

7. Guelph Research Station Operations have a forecast accumulated deficit of -$1.153 million (-$0.649 million in 2003/ 2004) due to the continuing pressure of facilities maintenance and cost inflation at the same time as significant budget reallocations have occurred. During the 2004/2005 fiscal year, a significant restructuring of station management was implemented. A process to recover the full cost of research animal and facilities usage from both OMAF and other externally funded research projects is being implemented as part of the plan to restore fiscal stability.

8. The Research Program Support Accounts are centrally administered allotments for support of specific research infrastructure such as the $72,000 capital equipment budget allocated annually to Plant Ag growth room renovations and $131,000 in support funds and discretionary accounts managed by the Research Program Directors.

9. Negative amounts in net unit budgets indicates that the overall target for that unit is a revenue amount (net of any expenses). In the case of the LRF and Exigency, revenues are expected to exceed expenses and contribute to offsetting other costs or contributing to the repayment of transition costs.

10. The budget for the Livestock Research Fund (LRF) and Exigency includes $200,000 and $100,000 revenue targets for annual contributions to balancing the Agreement budget, $250,000 revenue target allocated to the repayment of Accumulated Transition Costs and a $230,000 in funds from carried forward from the 2003/2004 fiscal year.

11. Due to receipt the of additional recoveries of prior year's post retirement benefit costs, the allocation of all excess Livestock Research revenues and from the accumulation of miscellaneous central agreement funds, there is $1.171 million available to accelerate the repayment of the prior year's accumulated transition costs. The application of miscellaneous savings to transition costs is consistent with the terms of repayment proposed in the annual budget plan.

12. Of the total $3.013 million in funds projected to be available at the end of 2004/2005, $0.250 million was the planned repayment of Accumulated Transition Costs. Of the remaining $2.763 million, $1.592 million will be carried forward to 2005/2006 for operations and $1.171 million will additionally be applied to Accumulated Transition Costs. The total repayment of Accumulated Transition Costs for 2004/2005 is projected to be $1.421 million consisting of $0.533 million in exigency and LRF funds, $0.611 million in cost recoveries from restricted trust accounts and $0.277 million in unallocated one-time contingency funds.