University of Guelph

2005/2006 Preliminary MTCU
(Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2005 to April 30, 2006

For presentation to the Board of Governors
April 6, 2005

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A. Budget Context and Provincial Funding:

Preliminary 2005/2006 MTCU Operating budget assumptions have been prepared in a context of continuing cost increases for both operating and capital needs and an uncertain provincial funding framework. The University of Guelph, like other universities in Ontario is facing significant cost increases in a number of critical areas including salaries and benefits, utilities, equipment and maintenance of its physical infrastructure. It should be noted that cost increases (excluding capital and deferred maintenance costs) for the university sector in Ontario are on average about 4-5% per year reflecting the specialized nature of many expenses in delivering graduate/undergraduate programs and research. For many years provincial funding has not recognized necessary general cost increases in the transfers made to universities creating increasing pressures on existing budgets to maintain the quality of programs and still meet balanced budget objectives.

The principal challenge for 2005/2006 will be to balance plans to make strategic and focused reinvestments with the need to meet major institutional commitments. Such commitments include ensuring salaries remain competitive, employee benefits particularly those associated with the growing costs of post-employment and pension benefits and capital infrastructure repairs which can no longer be deferred. Complicating our efforts to meet these challenges is an uncertain provincial funding environment which through tuition and funding policies affects 75% to 80% of our revenues. In February 2005 after several months of consultation, the province released "Ontario – A Leader in Learning" an extensive review of higher education in the province chaired by the Honourable Bob Rae (the "Rae Report"). While this report contained several significant recommendations for increased funding for higher education in the province, none of these recommendations are binding on the provincial government. It is expected that the 2005/2006 provincial budget (estimated to be issued late in April 2005) will contain a financial response to the findings of this report. However universities have yet to receive confirmation of any increases. In the meantime, the administration will continue to press the provincial government to reinvest in operating funds to address issues of increasing costs and deferred maintenance.

In the 2001 Ontario Budget, the Province announced special measures to alleviate anticipated enrolment pressures emerging from the double-cohort including an increase in operating grants to universities. The key provincial commitment was that the province would fund incremental enrolment (growth) at the "full-cost" grant per student[1]

Incremental grant funding from the province in recent years has been focussed solely on enrolment growth. This increased operating grant funding is distributed to each university in Ontario based upon <u>actual</u> enrolment increases beyond present enrolment levels. As actual enrolments will not be confirmed until after November (for fall) and February (for winter), when enrolments are verified and reported to the Ministry, the University will not know the exact distribution of provincial grants until well into the fiscal year. In addition, in 2004/2005 the new provincial government implemented a two-year tuition "freeze" which applies to 2005/2006. It is assumed the province will provide base funding to offset the annual income lost to the University as a result of this decision. During the 2004/2005 fiscal year, despite promises from the previous government, the second and third instalments of the Quality Assurance Fund (totalling $9.0 million in base funding) were cancelled. This grant was targeted for improvements in quality and its loss has caused a significant disruption to the University's multi-year plan. The University is assuming there will be no increase to funding for inflation or improvements in quality such as reducing student-to-faculty ratios, a measure on which Ontario ranks worst among all ten provinces.

In preparing the 2005/2006 budget, the University has assumed a planned level of risk. This is reflected in the budgeting assumption for provincial grants that is based on both previous provincial funding announcements (unconfirmed at this time) that contained commitments to fully fund incremental enrolment, including the

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

impact of the double cohort and a response to the Rae Report in 2005/2006 including the need to improve the quality of existing programs. There are also a number of other critical assumptions made in the budget that will not be confirmed until after the start of the fiscal year in May. These assumptions include enrolment levels and fiscal 2004/2005 year-end funds. As the University receives confirmation of the financial impact of these events, they will immediately be factored into the budget. Should major changes occur in these assumptions the University will bring a revised budget to the Board. The University will meet its budget targets through additional funds from a variety of potential sources or by further budget cost reductions if necessary. For this reason, the University is presenting a Preliminary Budget that will not be finalized until November at the earliest.

Planning and 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 directions and priorities 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 and quality improvement as expressed in the Rae Report. When measured against these objectives, the University has realized several key successes over the past five years including the elimination of our structural deficit and the repayment of the SERP deficit in accordance with our plan. Over the period 2001 to 2005 the University has managed to balance cost increases and investments while meeting our fiscal responsibilities. Over that period of four years there have been new investments to address issues of quality and growth and at the same time all cost increases necessary for critical expenses such as salaries and benefits and utilities were absorbed.

The following table presents the MTCU base (excludes one-time adjustments) budget for the five years from 2000/2001 to 2004/2005. It illustrates the elimination of the base deficit (peaked at $9.4 million in 2002/2003) that had been covered using one-time savings derived mainly employer pension contributions. Of the $77.6 million increase in revenues over that time period, $6.1 million was applied to the elimination of the base deficit and $71.5 million was used to cover expense increases including investments of $34 million and general cost increases (inflation) of $37 million.

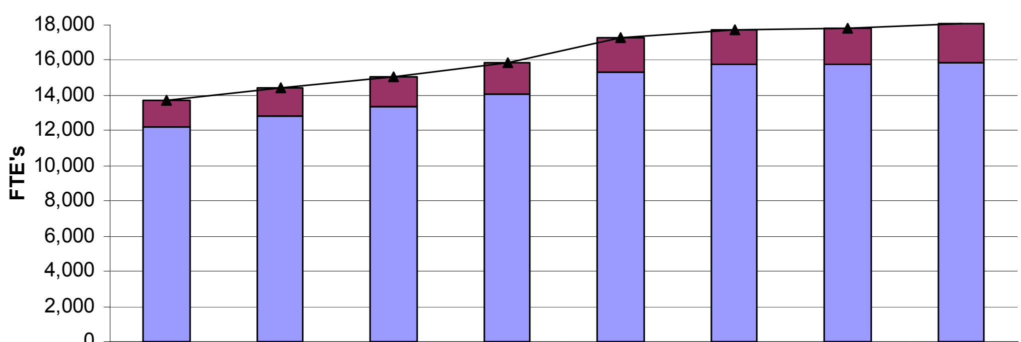
	00/01	***01/02***	***02/03***	***03/04***	***04/05***	**Change**
Provincial Operating Grants	90.6	94.6	99.1	114.1	123.2	
Tuition	59.7	61.4	66.7	77.0	80.6	
Other	28.5	33.0	38.0	39.4	41.7	
Cost Recoveries	20.9	20.6	23.2	26.7	31.7	
	199.7	209.6	227.0	257.3	277.3	77.6
Personnel	147.8	155.7	164.9	182.1	193.8	
Operating	44.6	44.3	52.4	55.7	59.1	
Utilities	10.8	14.8	16.4	16.7	18.1	
Capital Infrastructure	0.4	0.4	0.4	1.0	6.3	
Repayment	2.2	2.2	2.2	1.7	-	
Total Expenses	205.8	217.4	236.4	257.3	277.3	71.5
Structural (Base) Deficit	**(6.1)**	**(7.8)**	**(9.4)**	**-**	**-**	**6.1**

The major budget objectives for 2005/2006 are summarized below:

1. To continue planning for investment 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:
   - managing any deficit repayment requirement
   - managing the University's structural or base deficit

For the past several years, the University has been engaged in planning across the academic and support units. At the start of this process, a maximum enrolment target was set at 18,000 students for the main campus. Originally, based on information provided by the Ministries of Education and Training, Colleges and Universities, the University of Guelph expected to increase enrolment each year and reach maximum enrolment by 2007/2008. These predictions proved to be an underestimate of the number of students applying to university. (The significant increase in applications to universities is due to three factors: an increase in the number of university-age high-school graduates; a significant year-over-year increase in participation rate and the double cohort.) Coupled with an increase in applications which exceeded the system average, the Guelph effectively achieved its maximum enrolment of 18,000 in 2004/2005, three years ahead of schedule. (Refer to the following chart which shows FTE (full-time equivalent) student enrolments at the University

Fall Full Time Equivalent Enrolment



	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Graduate	1,547	1,619	1,668	1,783	1,890	1,957	2,000	2,200
Undergraduate	12,173	12,855	13,388	14,113	15,356	15,735	15,800	15,900
Total	13,719	14,474	15,056	15,896	17,246	17,692	17,800	18,100

The complexity of the planning process is compounded by three issues: (1) the impact of flow-through enrolment on planning which means that decisions on the current and preceding years must be integrated into longer-term plans; (2) the extended time scale of faculty recruitment (on average it takes 8-10 months to recruit faculty); and (3) the variability of program demand – there can be significant shifts in the applicant pool between academic programs from year to year which cannot be predicted. The original plans for incremental investment have had to be accelerated to keep pace with the faster than anticipated enrolment increase. In response to both the challenge to respond to the shifting needs for resources and the continued uncertain provincial funding environment, the University has started to implement a formal integrated planning process starting with the major academic units. While integrated planning, which involves multi-year planning, has not been formally implemented as part of the 2005/2006 budget process, Deans and Directors are to consider longer term implications of decisions when meeting their budget targets. This will take the form of restructuring faculty and staff complements, planning for new space and establishing enrolment plans and methods of program delivery.

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

Costs of Restructuring:

As a result of the shortfall between expected revenues and projected costs, the University has been forced to find ways to reallocate unit budgets to maintain an overall balanced base budget. Indications are that the impact of the provincial budget may not be known until after the start of our fiscal year. Despite these uncertainties the University has taken action to prepare a preliminary budget for 2005/2006 that provides a balance of risk versus the need to proceed with actions to prepare an annual financial plan. It is important to allocate a portion of our expenditure base to meet the projected shortfall to ensure the fiscal stability of the institution and where possible preserve options for strategic investment. Therefore, the administration has required that colleges and directorates identify 4.5% ($8.43 million) to be removed from their operating base budgets for 2005/2006. Because over 70% of the total operating budget consists of salaries and benefits, in order to reach this target, positions will be affected.

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

To assist unit managers in reducing their overall budgets including positions, the University is proposing to offer employees an enhanced buyout program to leave voluntarily or retire early from the University. The objectives and features of this program are similar to last year's VERR [2]. This program will provide unit managers with important options for restructuring their operations/programs and minimizing the numbers of layoffs or involuntary position reductions. The key operating principle of this program is that approval for any early retirements/resignation will only be granted where base budget savings are generated and where the resignation does not materially weaken the ability of the University to meet its operational objectives. While it is hoped that all budget objectives can be met without layoffs, there will be position redundancies and this program will be to provide enough flexibility in the total budget to absorb individuals whose positions have been made redundant. Where this condition is met, the one-time costs of this program, up to a maximum of $6.0 million, will be added to the University's overall accumulated deficit. It is proposed that the combined deficit (the 2004/2005 VERR program and 2005/2006 restructuring costs) not exceed $10.0 million at the end of 2005/2006 and that the one-time deficit be retired over the fiscal years 2005/2006 to 2010/2011. Refer to Section D for further information on the restructuring costs and the deficit.

[2] "Voluntary Early Retirement and Resignation" program. Under this program approximately 90 faculty and staff left the University enabling unit managers to meet their 2004/2005 targets without resorting to involuntary departures. That target included a 3.5% reduction in net budget (before allocation for personnel cost increases and investments). The unfunded costs of the program (about $6.0 million) are accumulated centrally in a one-time deficit and will be repaid over a time period to be approved by the Board of Governors – refer to section D of this document.

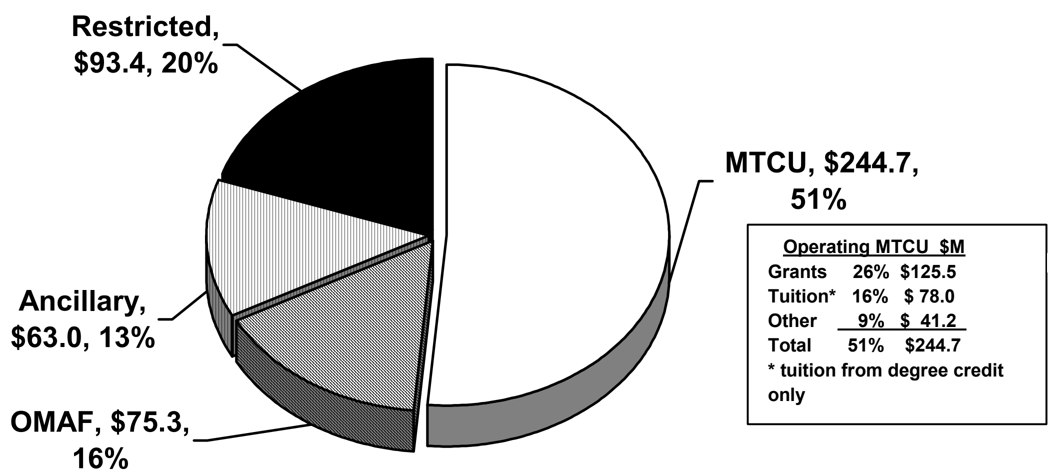
A.1 Definitions:

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. In fiscal 2003/2004 revenues from all sources totaled $476.5 million ($446.2 million in 2002/2003). Many of these funds are restricted for specific purposes and cannot be used to support ongoing teaching, research and infrastructure operations. All major graduate and undergraduate teaching costs are managed and funded within the **"MTCU Operating Budget".** The following chart presents all 2003/2004 University revenues by source:

University of Guelph

2003/2004 Total Revenues from All Major Funds: $476.5 Million

(source 2003/2004 audited financial statements)



* Note**: Restricted** funds are derived from a large variety of sources including capital, sponsored research, donations and endowments.

A.1.1 MTCU:

The 'Ministry of Training, Colleges and Universities' (MTCU) 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 removed all provincial support for international student enrolments and allowed each university to set these fees. In 1998, further partial deregulation of fees was announced for all graduate and specified professional undergraduate programs such as Medicine, Law, Dentistry, Veterinary Medicine and Engineering, Business and Computing Science. All other undergraduate fees continue to be regulated and must conform to MTCU rules that allow a maximum average increase in any year. MTCU mandated that 30% of all fee increases be set aside for needs-based student financial assistance. Failure to adhere to these rules will result in penalties from the province including a reduction in the provincial operating grant. In 2000/2001, the province announced a five-year "cap" (to 2004/2005) on all regulated tuition fees that limited annual increases to no more than 2% of the 1999/2000 maximum regulated fee. The 30% set-aside applied to those increases.

In the fall of 2003 the province announced that post-secondary fees would be "frozen" at current levels. The freeze applied to all regulated programs (programs which received some amount of provincial grant support). To offset the lost revenues associated with this freeze the province allocated a compensating grant to each institution based on projected lost income net of the 30% set-aside for student aid.

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. The University of Guelph has such a protocol with student groups under which student vote to accept or reject changes other than CPI adjustments on these fees, through referendum. All tuition fees and compulsory non-tuition student fees are presented to the Board for approval.

A.1.2 OMAF

'Ontario Ministry of Agriculture and Food ': Unique in the Ontario university system is a contract for ongoing research, services and education between OMAF and the University of Guelph. In fiscal 2003/2004, total revenues within the contract were $75.3 million consisting of $50.9 million in OMAF contract payments and $24.4 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. These colleges became the three regional campuses of the University's Ontario Agricultural College (OAC). The contract was renewed for a five year period on March 31, 2002 (ending March 31, 2007). Included in the total contract are $14 million in costs incurred in the MTCU Operating budget for research faculty full-time equivalents and infrastructure costs such as physical plant, academic and administrative services which are recovered by the MTCU Operating budget annually from contract revenues.

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

A.1.3 Operating Budget:

The University's total Operating Budget of $320 million in 2003/2004 revenues (67% of total University 2003/2004 revenues) is composed of two major sub-funds described above: the MTCU Operating Budget with $ 244.7 million in revenues and the OMAF Contract with $75.3 million in revenues. OMAF has very specific reporting requirements, defined as part of the contract with the Ontario Ministry of Agriculture and Food.

A.1.4 Ancillary:

Ancillary operations are self-funded service operations managed by the University. Total 2003/2004 revenues of $63 million or 13% 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. As these units are self-funded, they are charged for all support services including utilities, rent and administration provided by the MTCU portion of the Operating fund. In 2004/2005 the ancillary units were charged approximately $8.0 million for such services. Two Ancillary Services, Hospitality Services and Parking Services also provide a portion of their annual net income to fund special academic capital projects, $0.200 million and $0.442 million respectively in 2004/2005. In addition, these units may (subject to availability) assist the MTCU Operating budget in meeting its overall budget target. Parking Services contributes $0.200 million annually for this purpose.

B. 2005/2006 BUDGET ASSUMPTIONS:

B.1 2005/2006 MTCU Core Expenditure Commitments:

The following is a table quantifying the major components of the University's core expenditure commitments for fiscal 2005/2006. ("Core" costs contain mainly inflationary and non-discretionary cost categories such as salaries, benefits, insurance and utilities.) It should be noted that these commitments exclude the impact of assumptions for incremental adjustments to department and budgetary adjustments necessary to meet budget targets. The remaining sections of the budget detail assumptions and incremental changes to the budget based on estimations of the financial impact of the province's funding announcements, planned program expenditures and capital and other expenditure and revenues assumptions necessary to meet the University's overall budget objectives. (Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings.)

		$ Million
B.1.1	**Provision for Salaries and Benefits:**	
	A provision of $11.0 million has been made to cover 2005/2006 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 (seven of which will be negotiating agreements in fiscal 2005/2006), temporary and contracted labour and all associated employer benefit costs. Estimates include a provision for the increased costs of agreements with all employee groups and adjustments to cover projected changes to employer benefits costs. Employer benefit costs include both statutory benefits such as CPP (Canada Pension Plan) and EI (Employment Insurance), and other benefits such as pension, extended health and dental coverage for current and retired employees. Final allocation in the budget of the costs of salaries and benefits will be made upon completion of any negotiations and specific costs incurred during the course of the fiscal year.	(11.000)
B.1.2	**Estimated Utilities and Other Institutional Operating Costs:**	
	This category includes provisions for increases in major University operating accounts such as utilities, insurance and certain existing University-wide information systems' maintenance. The University's 2004/2005 central utility budget is $18.0 million. A total increase of 8% ($1.35 million) has been provided in the budget for 2005/2006 due to a combination of rate changes on heating, hydro, water usage and waste disposal, plus increases in general consumption of all utilities due to new space (including the new science complex) and research activity on campus. The University undertakes regular reviews of both hydro and natural gas (campus heating) rates with the objective of reducing exposures to possible significant rate changes. This is accomplished through fixing prices for future supply and participating with other universities in bulk buying where possible. A major review is also underway to mitigate possible exposure to what is considered the most significant risk in fiscal 2005/2006, the continued deregulation of hydro in the province. In addition, $0.500 million has been provided for the increased costs of a number of central expense items including insurance and legal expenses.	(1.850)
	RESULTS OF INITIAL EXPENDITURE PLANNING ASSUMPTIONS: ***(Note overall core cost increases are estimated to equal approximately 5.2% of the revenue base budget.***	**(12.850)**

C. 2005/2006 Budget Assumptions: Incremental Cost and Investment Proposals, Revenue Assumptions and Proposals to Meet the Budget Target:

The following section contains specific proposals with the estimated incremental budgetary impact that complete the University's 2005/2006 MTCU Preliminary Operating Budget. Estimates have been made for the projected impact of the provincial funding announcement, enrolment revenue and cost recovery estimates and incremental cost items. These assumptions have been allocated by major organizational unit, with accompanying notes on **Table A**. The 2005/2006 Preliminary MTCU Operating Budget compared to 2003/2004 actual and 2004/2005 forecast results is presented in **Table B**.

In addition to provisions for general core cost increases and institution wide commitments including personnel costs, utilities and certain institutional expense items such as insurance (as summarized in Section B), $6.0 million in new funding is allocated for expense items allocated for academic planning, the operating costs of new construction (space) and general re-investments. These are detailed under the following section entitled "Incremental Costs and Investments".

ITEM	*DESCRIPTION*	*$MILLION*
C.1	**Incremental Costs and Investments:**	
C.1.1	**Academic Faculty and Staff Planning:**	
	An addition of $0.500 million has been made to the budget to be directed to academic units for approximately seven positions (five faculty and two staff). This allocation completes the planning for new faculty and staff positions associated with accommodating the enrolment increases of the double-cohort in 2003/2004	(0.500)
C.1.2	**Institutional Support:**	
	An increase of $0.650 million has been allocated for a number of critical central support areas $0.500 million of which is for additional expenses related to operating and maintenance for new space the Science Complex Phase 1, the new atrium in the School of Hospitality and Tourism and several new research facilities which have been completed and will become fully operational in fiscal 2005/2006. $0.150 million has been allocated for operating costs related to improved campus safety and the creation of a new bio-safety function within the Environmental Health and Safety Office.	(0.650)
C.1.3	**Priorities Investment Fund:**	
	A new fund called the Priorities Investment Fund has been established at an amount of $1.350 million. This fund although undesignated at this time, will be used to fund both major initiatives proposed by units for strategic restructuring and to provide re-investment in areas that can demonstrate critical need.	(1.350)

C.1.4	**Capital Infrastructure Planning:**	
	Capital Financing: By the end of fiscal 2004/2005 it is expected that $90 million will have been spent on the construction of both Rozanski Hall and the new science complex (in total these facilities are expected to cost $160 million to be paid from SuperBuild funds, donations, grants and external financing). Collectively, these projects are referred to as GSBP - Guelph SuperBuild Programs. About $56 million of the $90 million has been covered from grants and donations received. The balance of the cash requirement has been financed using a portion of the proceeds of a $100 million debenture. (In October 2002, the University with Board approval issued a $100 million debenture, for the purpose of financing a number of major capital projects including GSBP. In the 2004/2005 budget $2.6 million was added to the base to provide for interest and debt repayment of the GSBP financing requirement in 2004/2005.) As Phase 2 of the science complex begins, the University will apply further amounts of the debenture proceeds. When complete it is estimated the GSBP will use about $75 million of the total debenture. Further uses of the debenture proceeds in fiscal 2005/2006 will include an extension to the MacKinnon building of $11 million and about $14 million towards a major project ($19.6 million in total) to repair critical campus infrastructure. A provision of $2.5 million has been made in this budget to pay for interest costs and principal repayment (in the form of an internal "sinking fund") of a portion of debt used to finance net expenditures anticipated in 2005/2006 for these projects. Deferred Maintenance: The University has, for several years, faced an increasingly significant backlog of capital infrastructure maintenance needs. These include replacement of critical physical plant components such as utilities control and distribution systems and structural building repairs (roofs, windows, etc.). In addition with the increased enrolments of recent years, the general University population increase has added to the strain on all building systems. It is planned to add $1.0 million to the existing base budget for deferred maintenance. (This excludes funding from MTCU facility renewal grants currently estimated at $1.7 million per year).	(3.500)
	Total Incremental Costs and Investments	**(6.000)**

C.2	PROPOSALS TO MEET THE BUDGET TARGET:	*$MILLION*
C.2.1	**Provincial Operating Grant**	
	Provincial grants form approximately 46% of the University's operating fund revenue base. As these are "targeted", there are many categories of grant envelopes that must be estimated as part of the budgeting process. The following summarizes the major assumptions and envelopes expected, at this time, to impact the 2005/2006 budget. The University constantly monitors these grants (implemented through MTCU) and material updates are factored into the budget as they occur. Background information on these grants is provided below. In the May 9, 2001 Ontario Budget, the Province announced specific targeted funding to encourage institutions to absorb the anticipated enrolment demand pressures emerging from the double cohort (elimination of Ontario Grade 13). In every fiscal year since the province has announced revisions to the original estimates and programs reflecting the additional demand for post-secondary education in the Province over initial estimates made in 2001. This new "growth" funding envelope is referred to as the "Accessibility" grant by the province. The critical working assumption made by the University in estimating the Accessibility grants is that "full-cost" grant funding would be provided for all eligible incremental growth during that period. Accessibility funding is to be distributed to each university in Ontario based upon <u>actual</u> year-over-year increases in eligible enrolment at each university. (Enrolment in unregulated categories e.g., international students are not eligible for provincial grant support.) Because actual enrolments are not confirmed until November (for fall) and February (for winter), when enrolments are verified and reported to the Ministry, the University normally does not know the actual distribution of this provincial grant until well into the fiscal year (confirmations can be as late as March - our fiscal year ends in April.). Historically, estimates of total demand for the university system have exceeded Ministry estimates (and therefore funding) which has resulted in "discounting". Discounting refers to a less than full-cost grant provided for student increases as the fixed dollars provided in annual Ministry budgets are spread over more students than were provided for. Discounting creates further uncertainty in our planning as it is not known when (if at all) the province will meet the full-cost grant funding promised as part of the challenge to meet increasing demand for university education. In July 2003 the province announced a 3-year Quality Assurance Fund grant which budgeted $75 million in new funding for the post-secondary system in each of the three years of the program for a total of $225 million. The University of Guelph share of this grant was estimated to be about $4.5 million in each year or $13.5 million by fiscal 2005/2006 in new base funding – only the first year of the grant was received in 2003/2004 after which this program was cancelled. In the fall of 2003 the newly elected provincial government announced that there would be a general "freeze" on post-secondary tuition covering two years. This cancelled a previous policy that limited tuition increases to 2% of the 1999/2000 base. Subsequent discussions with MTCU resulted in compensation in the form of a special grant referred to as the Tuition Compensation grant. The calculation of this grant is based upon the estimated tuition income loss net of any mandatory student aid requirements. In February 2005 after several months of consultation, the province released the "Ontario – A Leader in Learning" referred to as the "Rae Report". This report contained several recommendations that could affect provincial funding however none of the recommendations are binding on the province. The fiscal impact will not be known until the provincial budget is issued (estimates are late April 2005) and analysed. The University has assumed that the province will allocate some new funding in 2005/2006 as a result of this report. There is a risk however that the funding will not be as expected or	

	it may be targeted for incremental costs that the University has not planned for thereby forcing a major re-allocation of resources. For the purposes of the 2005/2006 budget $7.100 million in total grant increases have been added. They are based on the following assumptions regarding provincial grants. • Basic grant: The Basic grant which represents most provincial grant funding is not expected to increase. This means no general funding for inflationary cost increases which in the university sector range from 4-5%. • Accessibility Fund: This is the funding envelope that funds increased enrolment primarily from the impact of the double cohort. It consists of allocations for both undergraduate and graduate enrolment increases. For Preliminary MTCU 2005/2006 budgeting purposes an estimated increase of $0.600 million in provincial grant funding (over the 2004/2005 Base Budget) has been made using projected total enrolment growth at Guelph relative to the total system. This enrolment growth is the result of retention/flow-through (more students from increased first year intakes in prior years). • Quality Assurance Fund (QAF): On July 25, 2003, the Province announced that a new 3 year grant program for actual post-secondary enrolment growth in "excess" of forecasted Ontario system enrolment upon which earlier Accessibility Grant envelopes were based. In fiscal 2003/2004 the University received $4.100 million under this program. While the final two years of this program were cancelled indications are that the $4.100 million will continue to flow to the University. • Tuition Compensation Grant: The loss in net revenues for the University as a result of the provincially directed tuition freeze is estimated at $1.5 million annually. • "Rae" Grant: Despite no formal announcement, the University has factored in a $5.000 million increase in provincial grants as the province's response to recommendations in the Rae Report. While there are informal indications that a positive response will occur, there are no specifics on the exact size or nature of this funding. For that reason this estimate is a significant risk. However in planning for this budget the University determined the alternatives for not recognizing some grant increase were not reasonable and could present a greater risk in terms of more reductions to programs than had already been planned. There are several other targeted grant envelopes received by the University including ATOP (Access to Opportunities Program – increase computing and computing engineering enrolments). Overall it is expected that these grants will remain frozen at 2004/2005 levels.	0.600 1.500 5.000
	TOTAL INCREASE IN PROVINCIAL GRANTS	7.100
C.2.2	**Tuition and Enrolment Revenues:**	
	Tuition Fees: Contained in a March 2000 provincial funding announcement were regulations that "capped" regulated tuition fee increases at 2% for the five-year period 2000/2001 to 2004/2005. In the fall of 2003 the province announced that post-secondary fees would be "frozen" at current levels. It has been determined that the freeze applies to all regulated programs (essentially all programs that receive MTCU grant funding). The freeze does not apply to international fees or "full cost recovery" programs such as executive-type MBA programs. For fiscal 2005/2006 the University is proposing a 4% increase in international student fees (both graduate and undergraduate). In proposing this increase consideration was given to Guelph's ranking with respect to fees (estimated to be the lowest in the province for graduate fees and the third lowest in the province for undergraduate fees, after this increase), the goal of maintaining a strong international	

	student presence on campus. The total increase in revenue as a result of this increase is estimated at $0.250 million. (To support in-course students in adjusting to this increase, $0.040 million will be made available from other existing financial aid funds.) Enrolment: As part of the planning process for the double-cohort and consistent with the University's longer term strategic plan (to hold total Guelph campus enrolments to about 18,000 students) the University has set its fall 2005 target for semester 1 (first year) undergraduates at 3,400. While this intake target is significantly lower than prior years (in 2003/2004 and 2004/2005 we accepted 4,600 and 4,000 new students respectively), there is a small projected increase in total enrolment resulting in an estimate $0.500 million in new revenue. This increase in enrolment is due to the flow-through of prior years relatively high semester 1 intakes progressing through their programs to graduation. Enrolment estimates are presented in Graphs A and B (attached). The graphs also show the historical head counts and the impact of the changes due to earlier enrolment plans.	0.250 0.500
	Total Enrolment and Tuition Revenues:	0.750
C.2.3	**Recoveries: Full-Cost Recovery Programs**	
	The Ontario Agricultural College and the College of Social and Applied Human Science over the past several years established three graduate programs (MBA's in Agriculture, Hotel and Food Management and a MA in Leadership) which are fully funded from tuition fees (they receive no provincial grant support). Enrolment in these full-cost recovery programs is currently about 110 students and program fees range from $26,000 to $34,650. A target of $0.120 million has been set as a contribution from these programs to assist in covering centrally provided services.	0.120
C.2.4	**Recoveries: Research Contracts**	
	The University of Guelph is a very research-intensive university with research revenues of over $100 million per year. As part of normal practice the University will charge certain external research contracts for general infrastructure services. Of the total charges for these services 40% is returned to the departments which delivered the research and 60% is retained by the institution to assist in covering centrally provided services such as physical space and general administrative and financial services. (In total, there is $2.5 million budgeted annually for these charges.) It is proposed to increase these recoveries by $0.250 million per year of which $0.150 million or 60% would be available for central budget relief. Sources for this increase will be both increased grant activity and reviews to ensure contracts provide for these costs in their budget proposals.	0.150
C.2.5	**Resignation and Retirement Savings:**	
	An estimated $0.600 million in net savings will be available as a result of position turnover and retirements (normally new appointments replace retirements at lower salaries). This estimate is net of any funds required for replacement salaries and for the temporary funding of "bridging" positions whereby an upcoming faculty retirement is filled in advance of (or bridged to) an actual retirement.	0.600
C.2.6	**New Student Fee (subject to student referendum) :**	
	It has been proposed that a new $15 per semester IT (Information Technology) fee be introduced as a non-tuition compulsory fee charged to all graduate and undergraduate students This fee falls under the protocol agreement between student groups and the University whereby all new compulsory non-tuition fee increases must be approved by a general student referendum. The income from this fee is targeted for a number of items including improved wireless access, computing hardware upgrades accessible by students and improvement of the proposed campus "portal" for student use. The referendum results related to this proposed fees will not be completed until April 8, 2005 and therefore this estimate of $0.550 million is subject to the outcome of that process. Should the fee fail to pass the referendum, action will have to be taken to remove an appropriate level of expenses currently in the budget designated for these services. (Note; in 2005/2006 there is also a $5 per semester increase proposed to the Student	0.550

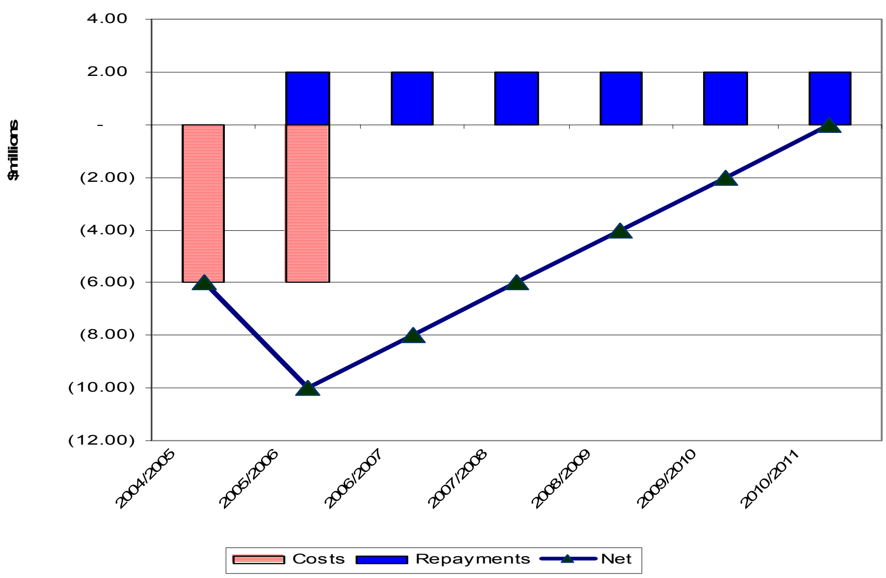
	Support Services Fee. Should this fee increase be approved the increase in revenue (estimated at $0.180 million) is targeted for specific enhanced student services in writing and employment counseling services. It is not factored into this budget at this time as there is no contribution to meeting the University's overall budget targets.)	
C.2.7	**Cost Recoveries from Ancillaries:**	
	A 3.0% increase in the general cost recovery charges to Ancillaries will be made in 2005/2006 to help offset continuing increases in utilities charges. In addition a special one-time charge of $0.400 million will be made to the Parking Services budget to be provided from net parking revenues. These increases were factored into the 2005/2006 budget of each ancillary unit to be presented to the Finance Committee in March 2005. The total combined increase in cost-recoveries for these charges is $0.650 million.	0.650
C.2.8	**Cost Recoveries: Fund Raising Target:**	
	It is proposed that $1.000 million in external fund-raising income be directed to operating budget relief. These funds may be general undesignated funds or they may be designated by donors for a number of objectives including positions, equipment or operating costs. This target is in addition to the annual giving and major gifts target that has been increased to $14 million in 2005/2006 (from $11 million in prior years).	1.000
C.2.9	**General Unit Base Reductions:**	
	Despite best efforts at anticipating provincial funding and matching revenues to expenditures, a shortfall between required core cost commitments, investments and revenues/savings was determined. (This assumes that the grant assumption for $5.000 from the Rae review will be realized.) In order to close this gap the University implemented an "across-the-board" 4.5% base budget reduction for major units. Because of the relatively short lead time in which to implement these reductions, colleges and divisions will use a combination of base and one-time solutions in order to meet their 2005/2006 budget targets. In addition, the University has proposed a special enhanced "buy-out" program similar to last year's Voluntary Early Retirement and Resignation (VERR) program, be implemented in order to encourage regular full-time employees to voluntarily leave the University (refer to section D). This program will allow units to identify base savings over the course of the fiscal year. *At this time units are preparing detailed plans on how to realize their budget targets including this reduction. As these plans are completed, reviewed and approved they will be incorporated in detail into unit budgets. This budget reflects the reduction as a single line item. An update on its impact will be presented after plans are finalized and clarification on the grants and enrolments is received.*	8.430
	TOTAL: PROPOSALS TO MEET THE BUDGET TARGET:	**19.350**

D. 2005/2006 Enhanced Buyout Program and the Accumulated Deficit :

In fiscal 2004/2005 in order to assist in meeting a 3.5% ($6.1 million) base reduction in units, the University received approval to offer a buyout package that was improved over both normal University practices and those contained in collective agreements with bargaining groups. The key component to that program was the approval by the Board of Governors to incur a one-time deficit of up to $7.5 million which was to be repaid over three years starting in 2005/2006. That program referred to as the Voluntary Earlier Retirement/Resignation or VERR program successfully achieved the objective of allowing unit managers to restructure their operations/programs without resorting to involuntary layoffs[3]. The overall deficit projected to be incurred under that program is just under $6 million. Assuming a three year pay back of those costs, $2.0 million will be required annually over that time period.

In fiscal 2005/2006 it is proposed that the University offer a similar enhanced program. A budget of $6.500 million is proposed as the maximum cost of this program[4], of which $6.000 million is proposed as an increase in the University's deficit to a projected accumulated level of $10.000 million at the end of fiscal 2005/2006. The final costs recorded under this program will not be known until unit plans have been approved (refer to section C.2.9)

In order to repay the deficit, the University will identify $2.0 million in repayment funds each year as part of its annual budgeting process and report the progress of this program and deficit repayment regularly to the Board of Governors. The following chart presents the estimated cash flow of this program in combination with last year's VERR program.



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[3]. As college/directorate budgets are composed largely of salaries and benefits costs, up to 90% in some cases, managers usually need to restructure their faculty/staff complements in order to permanently meet their budget targets.

[4] There is a critical need to also restructure the OMAF contract portion of the Operating Fund. Over 60% of this contract budget is allocated for personnel cost much of which is related to regular full-time University employees. It is proposed that a portion of the $6.5 million restructuring fund be made available to help with OMAF restructuring where it can be demonstrated that by incurring one-time costs base savings will be made.

E: 2004/2005 Forecast

Table C shows the current forecast net position for the MTCU operating budget by major organizational unit. When reviewing these results it is important to note that the University operates under a policy whereby colleges and divisions (the largest organizational groups at the University) may “carry forward” unspent funds into the following fiscal year. Under this policy units are also responsible for any deficits incurred. Most deficits are incurred as part of planned restructuring or capital purchases funded over several years. Included in total University carry-forwards are both departmental and institutional funds. Included in institutional funds are revenue and expense accounts such as provincial operating grants, tuition fees (mainly regulated programs), central utilities and general expense and contingency funds.

Carry-forward funds are committed for a variety of one-time expenses including outstanding purchase orders, departmental renovations, teaching equipment or faculty start-up funds and if possible assisting with meeting future years’ budget targets. Historically, in each year there has been between 3% and 5% of departmental net budgets unspent at the end of each year. While departmental carry forwards are not normally available to meet overall University budget commitments (such as salary or utility increases) they do provide departments with flexibility in planning for major expenses, encourage multi-year planning and therefore form a critical part of the University’s budget management policy.

The forecast for 2004/2005 indicates that total University carry forwards will decline from approximately $14.19 million to $7.317 million.

Contingency Funds and the 2005/2006 Budget:

Included in the total forecast carry-forward of $7.317 million is the University Contingency account of $2.777 million. In fiscal 2004/2005 the University had access to one-time provincial grant funding of $3.556 million (These funds were actually received late in fiscal 2003/2004 as the province met a past year’s obligation to full grant funding on enrolment growth. This transfer is referred to as “slip year funding”.). In combination with this funding, plus remaining contingency funds (the University starts each fiscal year off with $1 million in unallocated contingency funds) less known commitments for items such as extra teaching sections and emergency renovations, the University’s contingency shows $2.777 million in available funds. At this time, $2.0 million of this forecast contingency will be committed to the 2005/2006 budget to assist in meeting the overall target. This amount and the final year end position of the University will not be confirmed until July 2005 when the year end is closed and audited. Therefore this estimate is subject to completion of that audit.

F: Summary of 2005/2006 MTCU Preliminary Budget Assumptions and Objectives:

The following table summarizes the results of assumptions and incremental changes included in the University's 2005/2006 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 2005/2006 Budget Assumptions and Objectives:

B.1	**Assumptions: Core Cost Commitments**	**$ Million**
B.1.1	Provision for Salaries and Benefits	(11.000)
B.1.2	Estimated Utilities and central account increase (e.g. insurance and legal)	(1.850)
	Summary: Core Cost Commitments	**(12.850)**
C.1	**Incremental Cost and Investment Proposals:**	
C.1.1	Academic Planning	(0.500)
C.1.2	Institutional Support	(0.650)
C.1.3	Priorities Investment Fund	(1.350)
C.1.4	Capital Infrastructure Planning	(3.500)
	Sub-total Total Investments	**(6.000)**
	Total: Cost Increases:	**(18.850)**

C.2	**Proposals to Meet the Budget Target**	
C.2.1	Total Provincial Grants	7.100
C.2.2	Increased Enrolment/Tuition	0.750
C.2.3	Recoveries: Full-cost Recovery Programs	0.120
C.2.4	Recoveries: Research contracts	0.150
C.2.5	Resignation and Retirement Savings	0.600
C.2.6.	New Student IT Fee	0.550
C.2.7	Cost Recoveries from Ancillaries	0.650
C.2.8	Cost Recoveries: Fund Raising Target	1.000
C.2.9	General Unit Base Reductions	8.430
	Total: **Proposals to Meet the Budget Target**	**19.350**
D.	**Total :Enhanced "buy-out" One-Time Costs**	**(6.500)**
E:	**Total: 2004/2005 Year End Forecast**	**2.000**
	Net Increase to Deficit	**(4.000)**

G: Tables and Graphs:

The following Tables present the 2005/2006 Preliminary MTCU Operating Budget in the context of actual 2003/2004 results and 2004/2005 forecast results:

Table A — 2005/2006 *Preliminary MTCU Operating Budget by Unit and Major Expense Category:*
A table showing the 2005/2006 Preliminary MTCU Operating Budget incorporating all budget assumptions, by major category of expense and organizational group.

Table B — 2005/2006 *Preliminary MTCU Operating Budget Net Expenses by Unit:*
A time series showing the 2003/2004 results, 2004/2005 forecast results and the 2005/2006 Preliminary Budget by major organizational group, net of departmental revenues.

Table C — 2004/2005 Forecast :*MTCU Operating Budget Net Expenses by Unit:*
Table showing 2004/2005 forecast results compared to 2004/2005 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 **1996/1997 to 2005/2006 (budget).**

Graph B — *Total Headcount Enrolment by Semester:*
Summary of full-time, part-time undergraduate and graduate student headcounts by semester for the years **1996/1997 to 2005/2006 (budget).**

Graph C — *Full-time Undergraduate Headcount - Fall Only (actuals and projections, indexed to fall 1998 count)*
Comparison of growth in undergraduate enrolment relative to 1998 for BA, BComm and all other major programs.

University of Guelph
2005/2006 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in thousands of dollars)

	(A) **Total Personnel**	*(B)* **Operating**	*(C)* **Internal Recoveries**	*(D)* **Budget Reductions**	*(E) = (A)+(B)+(C)+(D)* **Total Expenses**	*(F)* **External Recoveries**	*(G)* **Revenues**	*(H) = (F)+(G)* **Total University Recoveries & Revenues**	*(I) = (E)+(H)* **Net Budget**	
<u>Institutional Revenues and Recoveries</u>										
Provincial Grants							131,648	131,648	131,648	
Tuition							81,350	81,350	81,350	
Other							6,702	6,702	6,702	
Total Revenues							**219,700**	**219,700**	**219,700**	
<u>Cost Recoveries</u>										
OMAF						6,410		6,410	6,410	**#7**
Research						9,000		9,000	9,000	
Fund Raising						1,000		1,000	1,000	
Ancillaries						9,070		9,070	9,070	
Total Cost Recoveries						**25,480**		**25,480**	**25,480**	
Total Institutional Revenues and Recoveries						**25,480**	**219,700**	**245,180**	**245,180**	**#8**
<u>Institutional Expenses</u>										
<u>Teaching Units</u>										
College of Arts	16,934	1,140		(779)	17,295		(6)	(6)	17,289	
College of Biological Science	16,862	1,457	(226)	(760)	17,333	(132)	(179)	(311)	17,022	
College of Social and Applied Human Science	26,107	3,318	(27)	(1,191)	28,207	(73)	(1,649)	(1,722)	26,485	
Ontario Agricultural College	24,278	755	(328)	(827)	23,878	(4,778)	(673)	(5,451)	18,427	
Ontario Veterinary College	26,672	8,874	(1,621)	(758)	33,167	(2,832)	(14,417)	(17,249)	15,918	
College of Physical and Engineering Science	19,713	1,838	(116)	(894)	20,541	(100)	(200)	(300)	20,241	
Office of Open Learning	2,415	3,681	(563)	(58)	5,475		(4,185)	(4,185)	1,290	
Other Teaching Units	856	4,291			5,147				5,147	**#9**
Student Assistance	601	9,175			9,776				9,776	
Total Teaching Units	**134,438**	**34,529**	**(2,881)**	**(5,267)**	**160,819**	**(7,915)**	**(21,309)**	**(29,224)**	**131,595**	
<u>Library Operations and Information Resources</u>										
Library Operations	7,635	2,343	(241)	(401)	9,336		(519)	(519)	8,817	
Library Information Resources		5,500			5,500				5,500	
Total Library Operations and Information Resources	**7,635**	**7,843**	**(241)**	**(401)**	**14,836**		**(519)**	**(519)**	**14,317**	
<u>Academic Services</u>										
Office of Research	4,325	1,163	(469)	(202)	4,817				4,817	
Teaching Support Services	1,375	352	(89)	(71)	1,567		(20)	(20)	1,547	
Registrar	4,561	988	(26)	(227)	5,296		(307)	(307)	4,989	
Other Academic Services	1,673	483	(15)	(34)	2,107		(636)	(636)	1,471	**#10**
Total Academic Services	**11,934**	**2,986**	**(599)**	**(534)**	**13,787**		**(963)**	**(963)**	**12,824**	

University of Guelph
2005/2006 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in thousands of dollars)

	(A) **Total Personnel**	*(B)* **Operating**	*(C)* **Internal Recoveries**	*(D)* **Budget Reductions**	*(E) = (A)+(B)+(C)+(D)* **Total Expenses**	*(F)* **External Recoveries**	*(G)* **Revenues**	*(H) = (F)+(G)* **Total University Recoveries & Revenues**	*(I) = (E)+(H)* **Net Budget**	
Student Services										
Student Services	6,044	3,054	(129)	(165)	8,804		(5,000)	(5,000)	3,804	**#11**
Athletics	3,220	3,266	(31)	(40)	6,415		(5,498)	(5,498)	917	**#12**
Total Student Services	**9,264**	**6,320**	**(160)**	**(205)**	**15,219**		**(10,498)**	**(10,498)**	**4,721**	
Total Teaching and Academic Services	**163,271**	**51,678**	**(3,881)**	**(6,407)**	**204,661**	**(7,915)**	**(33,289)**	**(41,204)**	**163,457**	
Physical Resources										
Physical Resources Operations	20,162	4,932	(2,217)	(972)	21,905		(127)	(127)	21,778	
Utilities		19,807	(394)		19,413				19,413	
Total Physical Resources	**20,162**	**24,739**	**(2,611)**	**(972)**	**41,318**		**(127)**	**(127)**	**41,191**	
Capital Infrastructure Planning										
Renovations/Deferred Maintenance		2,000			2,000				2,000	
Capital Investment Support & Servicing		7,800			7,800				7,800	
Total Capital Infrastructure Planning		**9,800**			**9,800**				**9,800**	
Institutional Services and General Expenses										
Alumni Affairs & Development	2,925	475	(570)	(118)	2,712		(96)	(96)	2,616	
Computing & Comm Services	6,966	4,036	(4,372)	(182)	6,448		(114)	(114)	6,334	
Central Administration Offices	13,149	1,896	(73)	(640)	14,332		(157)	(157)	14,175	**#13**
University General Expenses and Contingency	275	7,111	(1,296)	(111)	5,979		(222)	(222)	5,757	**#14**
Total Institutional Services and General Exp.	**23,315**	**13,518**	**(6,311)**	**(1,051)**	**29,471**		**(589)**	**(589)**	**28,882**	
Priorities Investment Fund		**1,350**			**1,350**				**1,350**	
Total Institutional Expenses	**206,748**	**101,085**	**(12,803)**	**(8,430)**	**286,600**	**(7,915)**	**(34,005)**	**(41,920)**	**244,680**	
Restructuring Costs		6,500			6,500				6,500	
2004/2005 Year end One-time Savings		(2,000)			(2,000)				(2,000)	
Net Budget	**206,748**	**105,585**	**(12,803)**	**(8,430)**	**291,100**	**(33,395)**	**(253,705)**	**(287,100)**	**(4,000)**	**#15**

Notes for Table A

1. Column A "Total Personnel" includes budgeted salary and benefit costs for all regular full-time, contract and part-time employees.

2. Column B "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.

3. Column C "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.

4. Column D "Budget Reductions" due to the shortfall between core costs and investments and expected revenues/ savings, the university implemented a 4.5% base budget reduction (see Item C.2.9).

5. Column H "Total University Recoveries and Revenues" of $287.1M includes Provincial Grants of $131.6M, Tuition of $81.4M, Other revenue of $6.7M, Cost Recoveries of $25.5M and Departmental Revenues of $41.9M.

6. Column I "Net Budget" is the total of departmental expenses less departmental cost recoveries and revenues for each major unit. Net budget is the total allocation amount that unit managers are accountable for. Any surplus or deficit at year-end is determined using the Net Budget versus Net actual results and all deficits and surpluses within policy limits are charged or credited to the unit's budget as a Carry- forward into the following year's budget.

7. OMAF Cost Recoveries of $6.4M are for services provided by the MTCU budget (i.e., utilities and space costs). In addition, there is $7.915M in recoveries from the OMAF agreement for faculty salaries (up from $6.325M in 2004/05 due to the conversion of 14 VCEP positions to MTCU funded). These recoveries are recorded in the college budgets according to faculty time awarded to research projects. The 2005/2006 estimated recoveries by college are: CBS - $0.132M; CSAHS - $0.073M; OAC - $4.778M; OVC - $2.832M; and CPES - $0.100M.

8. Total Institutional Revenues and Recoveries include provincial operating grants, general revenues and external recoveries received for central funding purposes and exclude external departmental revenues and recoveries or funds received for restricted purposes.

9. 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.

10. Other Academic Services includes: MacKinnon Building Mgmt, Co-op Education, Centre for International Programs and miscellaneous academic support funds.

11. Student Services Revenues includes: Accessibility Grant for Students with Disabilities, Student Health Services Fee, Health and Performance Centre revenues, Child Care revenues and other Student Services revenues.

12. Athletics Revenues includes: Student Athletic Fee, Student Athletic Building Fee and other revenue from athletic services and facility rentals.

13. Central Administration Offices includes: Human Resources, Executive Offices, Finance, Purchasing and Mail Services, Security Services, Communications and Public Affairs, Human Rights and Equity Office, Office of Investment Management, and Environmental Health and Safety.

14. General Expenses includes costs incurred for property taxes, memberships, legal, auditing and external services, insurance, convocation and banking charges.

15. The $4.0 million in net budget expenses consists of a net $6.0 million in 2005/2006 one-time restructuring costs less a deficit repayment of $2.0 million

University of Guelph
2005/2006 Preliminary MTCU Operating Budget
Net Expenses by Unit

Table B
(in thousands of dollars)

Institutional Revenues and Recoveries	**03/04 Actual**	**Notes**	**% of Total**	**04/05 Forecast**	**Notes**	**% of Total**	**05/06 Preliminary Budget**	**Notes**	**% of Total**
Provincial Grants	119,922			124,345			131,648		
Tuition	78,019			80,100			81,350		
Other	6,006			5,973			6,702	#1	
Total Revenues	203,947			210,418			219,700		
Cost Recoveries									
OMAF	6,600			6,410			6,410		
Research	9,410			9,260			9,000	#2	
Fund Raising							1,000	#3	
Ancillaries	8,173			8,620			9,070	#4	
Total Cost Recoveries	24,183			24,290			25,480		
Total Institutional Revenues and Recoveries	**228,130**			**234,708**			**245,180**	*	
Institutional Expenses (Net of Departmental Recoveries & Revenues)									
Teaching Units									
College of Arts	15,379			17,749			17,289		
College of Biological Science	14,689			16,207			16,941		
College of Social and Applied Human Science	24,039			25,528			26,411		
Ontario Agricultural College	18,011			19,330			18,698		
Ontario Veterinary College	14,456			15,272			15,900		
College of Physical and Engineering Science	20,712			20,688			20,143		
Office of Open Learning	227			1,409			1,290		
Other Teaching Units	4,590			4,732			5,147		
Student Assistance	11,300			10,197	#5		9,776		
Total Teaching Units	**123,403**			**131,112**			**131,595**		
Library Operations and Information Resources									
Library Operations	7,873			9,366	#6		8,817		
Library Information Resources	5,470			5,561			5,500		
Total Library Operations and Information Resources	**13,343**			**14,927**			**14,317**		
Academic Services									
Office of Research	4,577			5,370	#7		4,817		
Teaching Support Services	1,520			1,601			1,547		
Registrar	5,216			5,357			4,989		
Other Academic Services	1,417			1,360			1,471		
Total Academic Services	**12,730**			**13,688**			**12,824**		
Student Services									
Student Services	3,659			4,185			3,804		
Athletics	612			1,074			917		
Total Student Services	**4,271**			**5,259**			**4,721**		
Total Teaching and Academic Services	**153,747**		69.4%	**164,986**		68.3%	**163,457**		66.8%

University of Guelph
2005/2006 Preliminary MTCU Operating Budget
Net Expenses by Unit

Table B
(in thousands of dollars)

	03/04 Actual	Notes	% of Total	04/05 Forecast	Notes	% of Total	05/06 Preliminary Budget	Notes	% of Total
Physical Resources									
Physical Resources Operations	21,404			21,451			21,778		
Utilities	15,453			18,804			19,413		
Total Physical Resources	**36,857**		16.6%	**40,255**		16.7%	**41,191**		16.8%
Capital Infrastructure Planning									
Renovations/Deferred Maintenance	1,500			2,502			2,000		
Capital Investment Support & Servicing	2,000			4,560			7,800	*#8*	
Total Capital Infrastructure Planning	**3,500**		1.6%	**7,062**		2.9%	**9,800**		4.0%
Institutional Services and General Expenses									
Alumni Affairs & Development	2,127			2,629			2,616		
Computing & Communication Services	5,892			6,449			6,334		
Central Administrative Offices	13,606			14,044			14,175		
University General Expenses and Contingency	6,009			6,156			5,757		
Total Institutional Services and General Exp.	**27,634**		12.5%	**29,278**		12.1%	**28,882**		11.8%
Priorities Investment Fund							**1,350**		0.6%
Total Institutional Expenses	**221,738**		100.0%	**241,581**		100.0%	**244,680**		100.0%
Restructuring Costs				5,974	*#9*		6,500	*#10*	
Net Institutional Expenses	**221,738**			**247,555**			**251,180**		
2004/2005 Year end One-time Savings							(2,000)	*#11*	
Annual Operating Income (Expense)	**6,392**			**(12,847)**			**(4,000)**		
Transfer (To) From Appropriations	(4,647)			6,873	*#12*				
Net Increase (Decrease) in Fund Balance	**1,745**	*#13*		**(5,974)**	*#9*		**(4,000)**		
Opening Deficit	(1,745)			0			(5,974)		
Closing Deficit	0			(5,974)			(9,974)	*#14*	

Note: Net Expenses: Unit MTCU budgets are shown net of college/division revenue.

* Total 2005/2006 Institutional Revenues and Recoveries are budgeted at $245.2 million which excludes college/division revenues and recoveries of $41.9 million for total University revenues and external recoveries of approximately $287.1 million (see Table A). Many of these revenues are earned by specific programs in units and are normally the result of initiatives in departments designed to help offset cost increases. Table B presentation shows net budget targets college/divisons are responsible for achieving.

Major examples of college/division revenues are fees earned by the Vet Teaching Hospital ($9.4M), Office of Open Learning ($4.2M), CSAHS Executive Programs ($1.2M), and Student Activity fees ($9.9M).

Notes for Table B

1. Other Institutional Revenues and Recoveries in fiscal 2005/2006 include $0.550 M for the proposed new Student IT Fee which is subject to student approval and $0.150 M for Research Contract Cost Recoveries.

2. Research Recoveries is funding from two grants: the Federal Infrastructure Cost Program (FICP) and the provincial Research Performance Fund (RPF). These funds are restricted to the indirect costs of research activity and are reported to funding agencies annually. Over the past several years this funding has provided significant budget assistance in covering cost increases. In the absence of these funds additional budget adjustments (reductions/reallocations) would have been required to meet the overall University budget target.

	Actual 2003/04	Forecast 2004/05	Budget 2005/06
FICP	4.83	5.12	4.50
RPF	4.58	4.14	4.50
Total Funding	9.41	9.26	9.00
Campus Operating Infrastructure	4.64	5.03	4.80
Research Support Services	2.23	2.16	2.20
Campus Capital Infrastructure	2.54	2.07	2.00
Total Allocation	9.41	9.26	9.00

Campus Operating Infrastructure includes utilities, physical plant, library and central support services. *Research Support Services* are primarily services funded in the Office of Research for compliance and research administrative support services. *Campus Capital Infrastructure* is assistance toward the costs of major campus capital repairs and upgrade of utilities, energy and communications in support of research.

3. A Fund Raising Cost Recovery of $1.0 M has been added for 2005/2006 in support of the Operating fund.

4. The Ancillaries cost recovery budget was increased by 3.0% in 2005/2006 to reflect the increased cost of utilities plus $0.4 M in net revenues from Parking Administration.

5. Student Assistance in 2003/2004 includes a one-time increase in Student Entrance Awards as a result of both increased numbers and quality of entering students. 2004/2005 includes transfers for Ontario Graduate Scholarship matching requirement funded from Operating Fund.

6. The Library expenditures in the 2004/2005 Forecast reflect approximately $0.5 M in funds carried forward from 2003/2004 spent on renovations and facilities renewal.

7. Cost increases for the Office of Research in 2004/2005 resulted from staffing changes funded from research cost recoveries and the university contribution for the Advanced Food and Materials Network.

8. Capital Investment Support and Servicing includes debt servicing of $6.1 M and capital renewal of $1.7M.

9. The 2004/2005 Voluntary Early Retirement/Resignation program assisted the University in meeting the 3.5% base budget reduction. The actual costs incurred in 2004/2005 were $5.974 M which will be repaid from general one-time savings in the subsequent three years.

10. In 2005/2006 a budget of $6.5 million has been established to fund the one-time costs (such as employee buyouts) of restructuring department budgets to meet the 4.5% reduction.

11. One-time Savings/Revenues will be realized in the 2004/2005 operating budget to be used in 2005/2006 to cover part of the restructuring costs.

12. 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. (For forecast 2004/2005 results refer to Table C.) The actual amount will be calculated when the 2004/2005 results are confirmed as part of the year-end audit to be completed in July 2005.

13. In 2003/2004, the remaining accumulated deficit due to the SERP program is fully covered.

14. The closing balance for the restructuring costs is comprised of the following: $5.974 M Opening balance, plus $6.0 M restructuring costs for 2005/2006, less the $2.0 M repayment in 2005/2006.

University of Guelph
2005/2006 Preliminary MTCU Operating Budget
MTCU Forecast Results for 2004/2005

Table C

	04/05 Budget	04/05 Forecast	Variance + (-)	Notes
Institutional Revenues and Recoveries				
Provincial Grants	124,548	124,345	(203)	#1
Tuition	80,600	80,100	(500)	#2
Other Revenues	5,886	5,973	87	
Total Institutional Revenues	211,034	210,418	(616)	
Cost Recoveries				
OMAF	6,410	6,410	0	
Research and Other	9,000	9,260	260	#3
Ancillaries	8,620	8,620	0	
Total Cost Recoveries	24,030	24,290	260	
Total Institutional Revenues and Recoveries	235,064	234,708	(356)	
Teaching Units				
College of Arts (COA)	17,361	17,749	(388)	
College of Biological Science (CBS)	17,880	16,207	1,673	
College of Social and Applied Human Science (CSAHS	26,545	25,528	1,017	
Ontario Agricultural College (OAC)	18,666	19,330	(664)	
Ontario Veterinary College (OVC)	16,665	15,272	1,393	
College of Physical and Engineering Science (CPES)	20,529	20,688	(159)	
Office of Open Learning	2,529	1,409	1,120	
Other Teaching Units	4,743	4,732	11	
Student Assistance	10,783	10,197	586	
Total Teaching Units	135,701	131,112	4,589	#4
Library Operations and Information Resources	14,964	14,927	37	
Academic Services	13,822	13,688	134	
Student Services	5,665	5,259	406	
Total Teaching and Academic Services	170,152	164,986	5,166	
Total Physical Resources	39,841	40,255	(414)	
Capital Infrastructure Planning	6,802	7,062	(260)	#3
Institutional Services and General Expenses	29,682	29,278	404	#5
University Contingency	2,777		2,777	#6
Restructuring Costs	5,974	5,974		#7
Total Institutional Net Costs	255,228	247,555	7,673	
Annual Operating Income (Expense)	(20,164)	(12,847)	7,317	#8
Transfer (To) From Appropriations	14,190	6,873	(7,317)	#8
Net Increase(Decrease) in Fund Balance	(5,974)	(5,974)	0	#7

Notes:

#1. Provincial grants are forecast to be slightly below budget due to some small adjustments between the Accessibility and Quality Assurance funding grants.

#2. Tuition is forecast to be $0.500 million less than budget due to fewer winter enrolment revenues in a number of categories than budgeted.

#3. The FICP (Federal Indirect Cost Program) funding is forecast to be slightly higher than expected. It will be directed towards helping fund campus deferred maintenance and utilities infrastructure costs related to research.

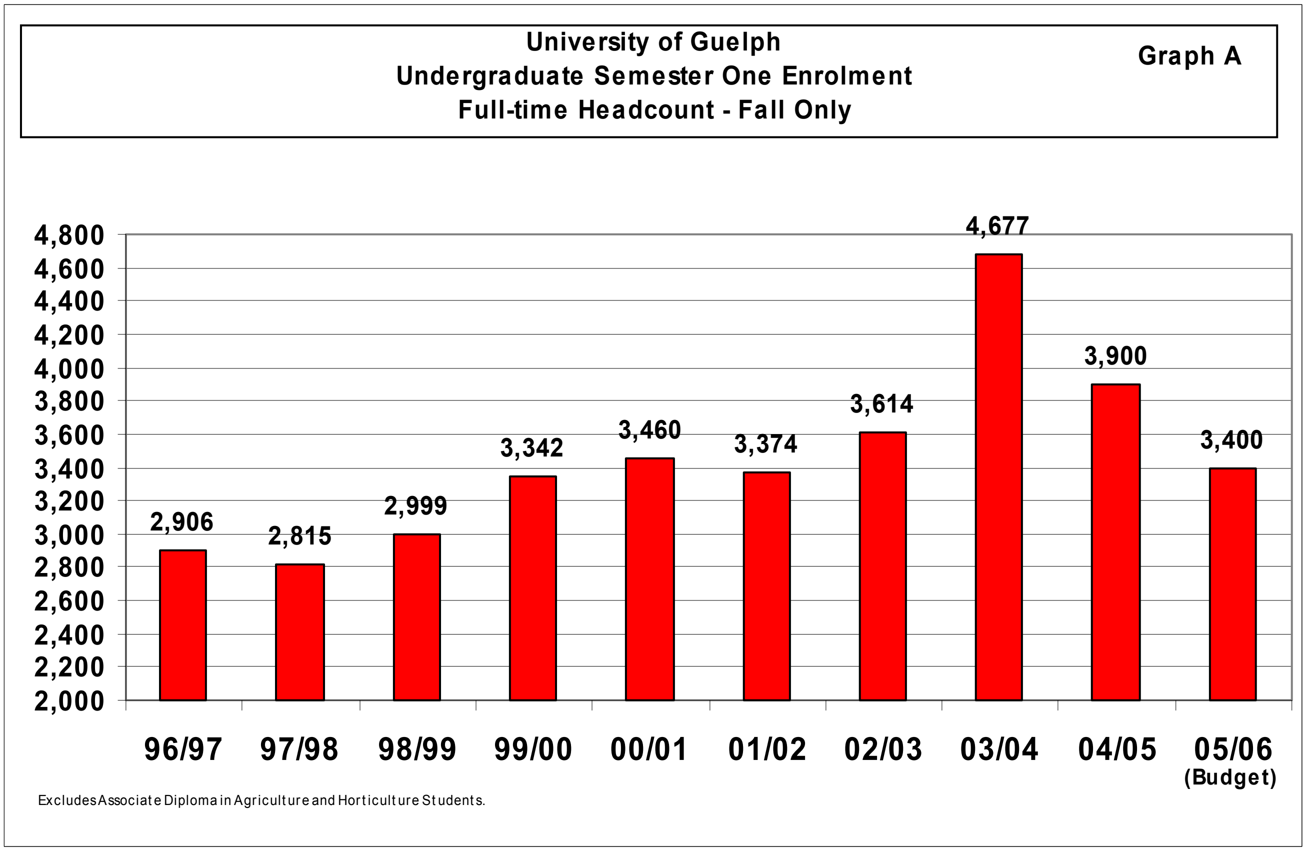
#4. Total net carry forwards in Teaching units (3.3%) is net of certain forecast deficits in COA of $0.388 million (related to a capital project which will be funded over two years 2004/2005 and 2005/2006), OAC $0.664 million (result of one-time costs incurred as part of restructuring College programs), CPES $0.159 million (related to one-time cost of personnel restructuring.)

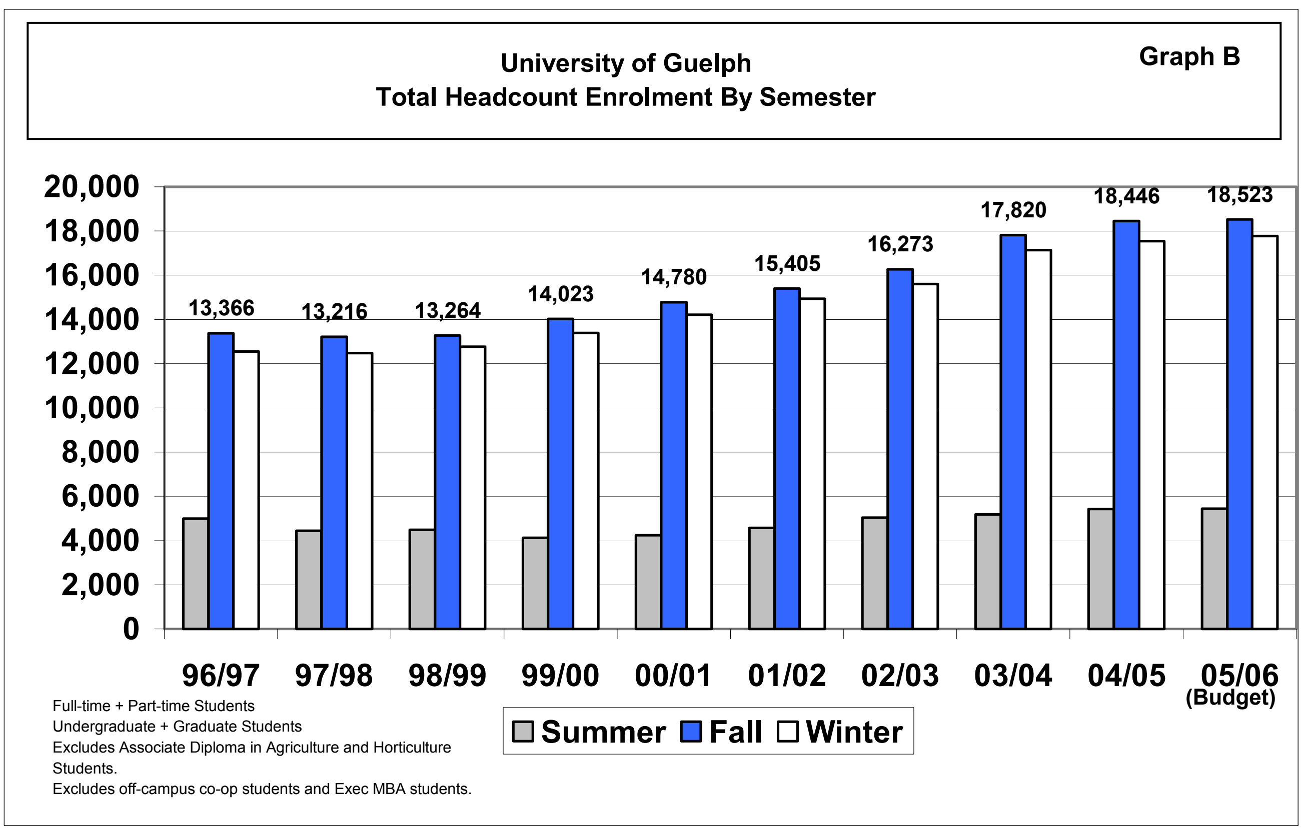
#5. Institutional Services includes central administrative offices and support services (e.g. finance, human resources, computing and communication services, fund raising, public affairs and executive offices). All units are reporting small carry-forwards balances for next year targeted mainly to help deal with budget reductions.

#6. Included in the University Contingency account in 2004/2005 is a one-time “slip year” grant (unexpectedly provided by MTCU in April 2004, the University’s 2003/2004 fiscal year and carried forward for use in 2004/2005) of $3.556 million. It is estimated that $2.0 million of this fund may be available for 2005/2006 budget purposes.

#7. $5.974 million in one-time VERR program costs.

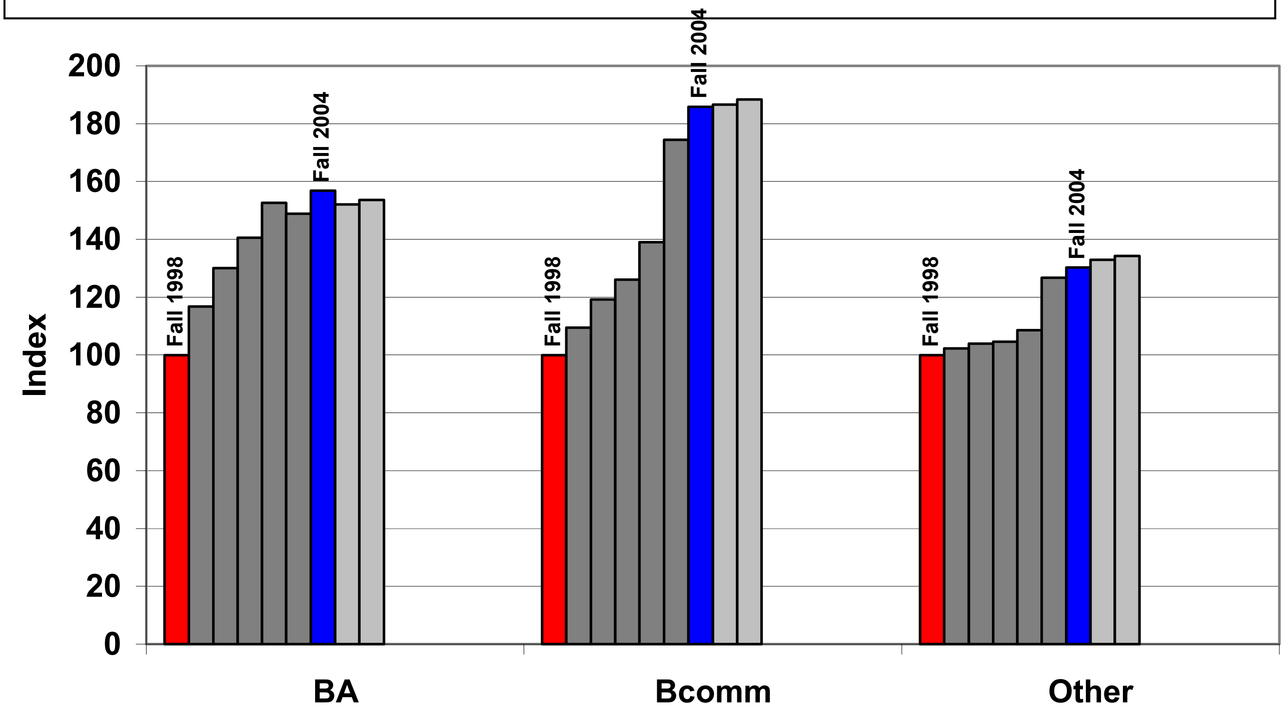
#8. It is forecast that $7.317 million will be carried forward into next year of which $2.0 million will be available to assist in meeting the University’s overall budget target and and $5.317 million will be for department purposes including assisting with meeting unit 2005/2006 budget targets.


University of Guelph
Undergraduate Semester One Enrolment
Full-time Headcount - Fall Only
Graph A
4,800
4,600
4,400
4,200
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
2,906
2,815
2,999
3,342
3,460
3,374
3,614
4,677
3,900
3,400
96/97
97/98
98/99
99/00
00/01
01/02
02/03
03/04
04/05
05/06
(Budget)
Excludes Associate Diploma in Agriculture and Horticulture Students.


University of Guelph
Total Headcount Enrolment By Semester
Graph B
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
13,366
13,216
13,264
14,023
14,780
15,405
16,273
17,820
18,446
18,523
96/97
97/98
98/99
99/00
00/01
01/02
02/03
03/04
04/05
05/06
(Budget)
Full-time + Part-time Students
Undergraduate + Graduate Students
Excludes Associate Diploma in Agriculture and Horticulture Students.
Excludes off-campus co-op students and Exec MBA students.
Summer
Fall
Winter

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

Graph C



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