

University of Guelph

2006/2007 Preliminary MTCU (Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2006 to April 30, 2007

*For presentation to the Board of Governors
April 20, 2006*

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A. Budget Context:

The 2006/2007 fiscal year will present the University with a number of difficult challenges. The principal one will be to identify sufficient funds to meet institutional commitments and at the same time be able to make strategic and focused investments in those areas identified as priorities for the University. Institutional commitments include costs of ensuring salaries remain competitive, escalating energy costs and employee benefits, particularly those associated with the growing costs of post-employment and pension benefits.

Complicating our efforts to meet this challenge is an uncertain provincial funding environment which, through tuition and funding policies, affects 75% to 80% of our Operating Budget revenues. The administration continues to press the provincial government to reinvest in operating funds to address issues of increasing costs and deferred maintenance. 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 and undergraduate programs and research. For many years, provincial funding has failed to recognize 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.

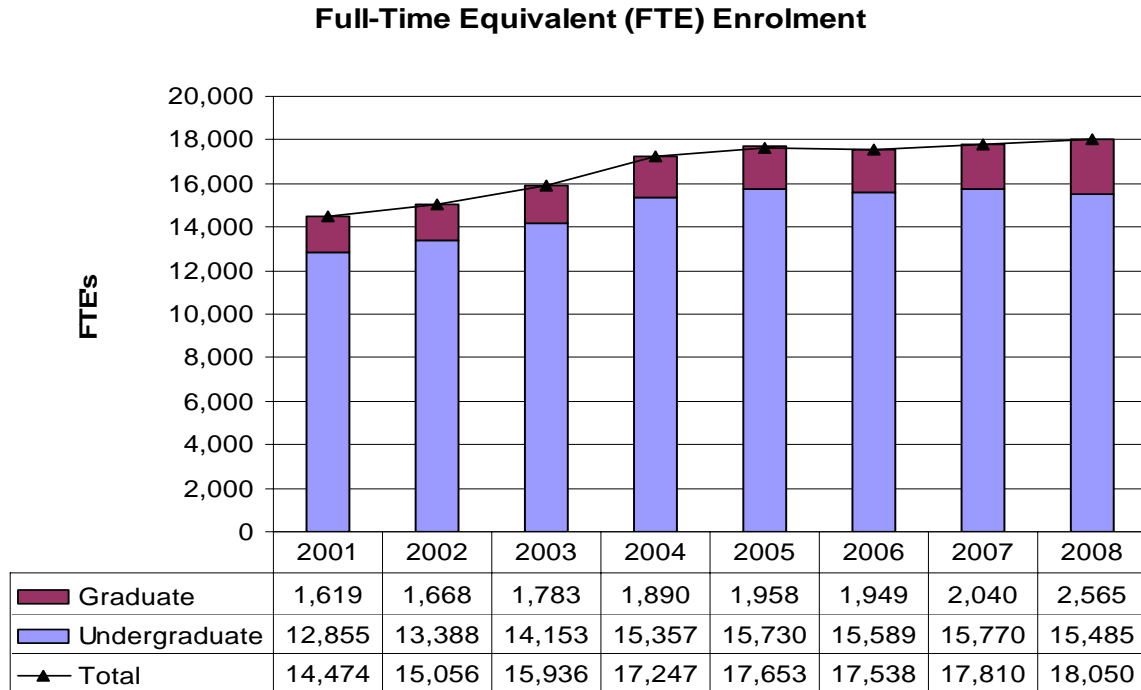
As in prior years, there are a number of critical assumptions made in the Preliminary Budget that will not be confirmed until after the start of the fiscal year in May. These assumptions include enrolment and provincial funding (e.g., provincial funding dependent on fall enrolments is not confirmed by the province until after November) and fiscal 2005/2006 year-end results. As the University receives confirmation of the financial impact of these events, they will 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, it is the University's practice to present a Preliminary Budget in April 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, the impact of the previous year-end and, where applicable, mid-year budget adjustments. 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 “institutional” expenditure commitments. The next step incorporates on-going planning commitments, including specific areas of investment identified as part of the multi-year planning process, and budget adjustments necessary to meet overall budget targets.

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 (MTCU), the University of Guelph expected to increase its 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. Coupled with an increase in applications which exceeded the system average, the University of 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.



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 at least 8-10 months to recruit faculty); and (3) the variability of program demand and competition for students which means there can be significant shifts in the applicant pool between academic programs and institutions from year to year.

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. Integrated Planning was initiated in 2005/2006. However, full implementation will take several years. Academic units have begun setting multi-year goals to enable Deans and Directors to consider longer term implications of decisions when meeting their budget targets. The next steps include the development of measurements by which programs and decisions may be assessed and of new resource (dollars, space and people) allocation mechanisms. Operational plans developed from Integrated Planning will help establish priorities for the longer term restructuring of faculty and staff complements, planning for new space and establishing enrolment plans and methods of program delivery.

While not fully implemented, some priorities identified in the first iteration of Integrated Planning have been included as part of the 2006/2007 budget process.

University of Guelph
2006/2007 Preliminary MTCU Operating Budget

The major budget objectives for 2006/2007 are summarized below:

1. To continue planning with the introduction of Integrated Planning objectives and priorities. These can be summarized as:
 - Graduate enrolment growth
 - Sustaining and enhancing the quality of teaching and the student learning experience
 - Positioning for the competitive environment
2. To balance and stabilize the budget including:
 - managing any deficit repayment requirement
 - managing the University's structural or base net position

When measured against its past budget 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 (a Special Early Retirement Program initiated in 1996 at a one-time cost of \$26 million) deficit in accordance with our plan. Over the period 2001 to 2006 the University has managed to balance cost increases and investments while meeting our fiscal responsibilities. Over that period, there have been new investments to address issues of quality and growth (approximately 25% increase in enrolments) 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 budget for the five years from 2001/2002 to 2005/2006. 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 from employer pension contributions.

MTCU Budget 2001/2002 to 2005/2006						
	01/02	02/03	03/04	04/05	05/06	4 YR CHG
Operating Grants	96.6	104.5	115.3	124.5	133.7	38.4%
Enrolment & Tuition	61.4	66.7	77.0	80.6	80.6	31.4%
Other Revenues	34.6	36.9	38.4	39.8	40.9	18.2%
Cost Recoveries	23.0	19.0	23.8	24.0	25.5	10.6%
Total Revenues	215.6	227.2	254.5	269.0	280.6	30.2%
Salaries	130.7	139.3	154.2	165.4	169.1	29.4%
Benefits	24.0	25.8	27.2	30.6	31.9	33.0%
Operating Utilities	41.7	42.1	42.1	38.3	40.8	-2.2%
Capital Infrastructure	14.8	16.4	16.7	18.8	19.4	30.8%
Student Assistance	2.6	2.4	3.5	6.3	9.4	266.5%
Deficit Repayment	7.8	8.3	11.2	9.5	9.5	22.5%
Total Costs	223.8	236.5	256.6	269.0	280.6	25.4%
Base Surplus (Deficit)	(8.2)	(9.4)	(2.2)	-	-	
One-time (Costs) or Savings	8.2	9.4	2.2	(6.0)	(4.5)	
Annual Income (Deficit)	-	-	-	(6.0)	(4.5)	

NOTE: The annual deficits recorded in 2004/2005 and 2005/2006 refer to the one-time restructuring costs of two programs implemented in those years. These programs resulted in the elimination of 177 positions and \$12.7 million in base savings/reallocations.

Provincial Operating Grants:

In preparing the 2006/2007 budget, the University has assumed a planned level of risk. This is reflected in the budget assumption for provincial grants (about 50% of our revenue) that is based on the estimated impact of previous provincial funding announcements that contained commitments to provide “full-cost” grant funding per student¹ incremental enrolment and a response to the need to improve the quality of existing programs.

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. In every year since, the province has announced revisions to the original estimates and programs reflecting the changing demand for post-secondary education and new provincial priorities. (New “growth” funding is transferred to universities as the “Accessibility” grant). The critical working assumption made by the University in estimating the Accessibility grants is that “full-cost” grant funding will be provided for all eligible incremental growth. Accessibility funding is to be distributed to each university in Ontario based upon actual year-over-year increases in eligible enrolment at each university. (Enrolment in unregulated categories e.g., international students, is 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 (MTCU 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.

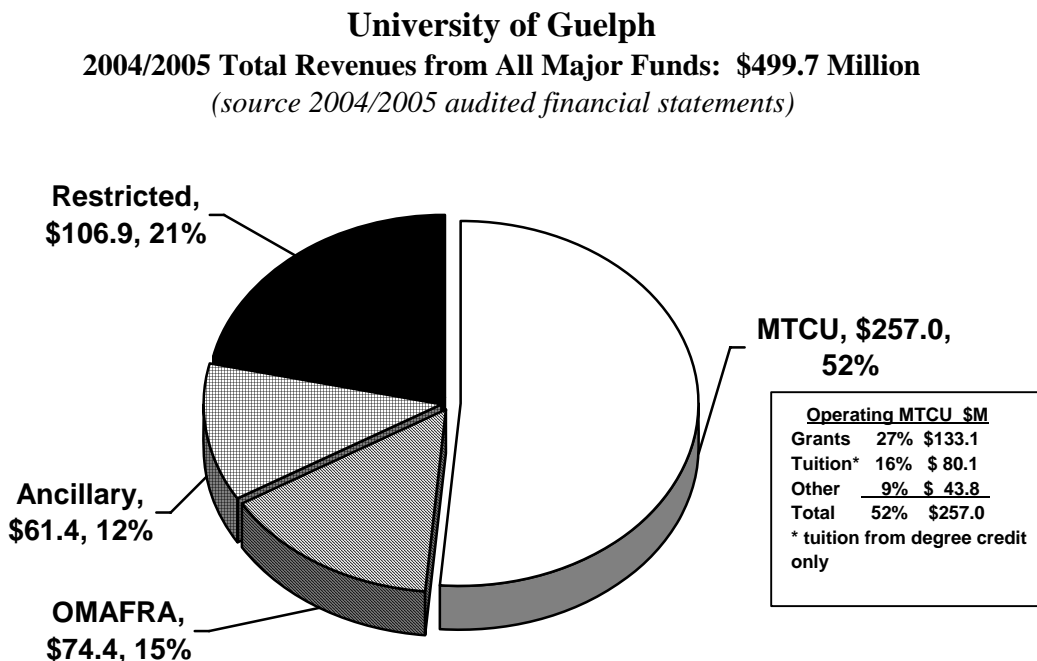
Incremental grant funding from the province in recent years has been targeted mainly for undergraduate enrolment growth. In its 2005 budget, the province announced that the “accessibility” grant funding priority would shift from undergraduate to graduate student growth. (It is uncertain at this time whether undergraduate growth in 2006/2007 will be funded at all.) Funding is being provided to those universities that can achieve certain growth targets for new graduate enrolments. At this time, the details of the allocation of this funding have not been confirmed however for budgeting purposes, the University of Guelph is assuming it will take its share (5% of the Ontario university system) of the funding available for graduate growth. The amount of any funding increases will not be confirmed until well into the fiscal year. (This revenue, estimated at \$2.4 million in 2006/2007, has been allocated in the budget as a single fund available for allocations to units for expenses associated with actual graduate growth. Shortfalls in revenue because of shortfalls in enrolment will be offset by reducing allocations. Refer to section C.1 – Priorities Investment Fund.) Also included in the 2005 provincial budget were funds identified to improve the quality (Quality Improvement Fund) of post-secondary education in Ontario. These funds are received on the condition universities can identify general improvements in the quality of teaching and the student learning experience.

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 revenue for new enrolments effectively discounting provincial grants received per student. A full-cost grant level is on average approximately \$6,800 per undergraduate student and between \$12,000 (masters) and \$27,000 (PhD) per graduate student in the Ontario university system.

Details of estimates of the financial impact of provincial funding on the budget are contained in section D.1.1.1. (Page 12). The University is assuming there will be no increase to funding for inflation on existing costs and any additional provincial funding we receive will be dependent on either enrolment growth or improvements in quality under the terms of the Quality Improvement Fund.

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 2004/2005 revenues from all sources totaled \$499.7 million (\$476.5 million in 2003/2004). 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 2004/2005 University revenues by source:



* 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 tuition fee increases for all degree programs through strict formulas that removed grant income from an institution should fee increase exceed the maximum allowed. In 1996 however, the province removed all provincial support for international student enrolments and allowed each university to set these fees (effectively deregulating these fees). In 1998, further partial deregulation (whereby universities could choose to either raise certain fees and lose grant income or remain inside the provincial tuition framework) 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 under MTCU rules that allow a maximum average increase in any year (without penalty of loss of grants). MTCU also mandated that up to 30% of these fee increases be set

aside for needs-based student financial assistance. 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 fiscal 2006/2007 the freeze was lifted and a new framework was introduced. (refer to section D.1.2 on tuition fees assumptions for 2006/2007.)

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 students 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 OMAFRA

Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA): unique in the Ontario university system is a contract for ongoing research, services and education between OMAFRA and the University of Guelph. In fiscal 2004/2005, total revenues within the contract were \$74.4 million consisting of \$49.5 million in OMAFRA contract payments and \$24.9 million in diploma fees and revenues from the sale of goods and services. On April 1, 1997 the University and OMAFRA 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 of Guelph. 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 OMAFRA contract is restricted (accounted for separately) and must have a balanced budget, it is considered part of the University’s total Operating Budget as it funds a total of 90 University faculty positions; 450 full-time University staff and operating and infrastructure costs. A detailed presentation on the entire OMAFRA budget is presented separately to the Board.

A.1.3 Operating Budget:

The University's total Operating Budget of \$331.4 million in 2004/2005 revenues (67% of total University 2004/2005 revenues) is composed of two major sub-funds described above: the MTCU Operating Budget with \$ 257.0 million in revenues and the OMAFRA Contract with \$74.4 million in revenues. OMAFRA has very specific reporting requirements, defined as part of the contract with the Ontario Ministry of Agriculture, Food and Rural Affairs.

A.1.4 Ancillary:

Ancillary operations are self-funded service operations managed by the University. Total 2004/2005 revenues of \$61.4 million or 12% of total University revenues, for the five 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 addition, these units may (subject to availability) assist the MTCU Operating budget in meeting its overall budget target. (Parking Services contributes \$0.400 million annually for this purpose.)

Section B: Institutional Expenditure Commitments

Section B quantifies the major components of the University's institutional expenditure commitments for fiscal 2006/2007. ("institutional" costs refer to inflationary and non-discretionary costs such as salaries, benefits, insurance and utilities.) It should be noted that these commitments exclude incremental adjustments to department allocations as well as budgetary expenditure adjustments necessary to meet overall University budget targets. Sections C and D of this document detail those changes as well as estimates of revenues including the financial impact of the province's funding announcements.

B. 1: Provision for Salaries and Benefits

A provision of \$10.450 million has been made to cover 2006/2007 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 have agreements covering fiscal 2006/2007), 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 to unit budgets upon the implementation of salary increases over the course of the fiscal year.

B.2: Estimated Utilities and Other Institutional Operating Costs

This category includes provisions for increases in major University operating accounts such as utilities, insurance and legal expenses. The University's 2005/2006 central utility base budget is \$19.4 million. A total increase of 10% (\$2.000 million) has been provided in the budget for 2006/2007 due to a combination of rate changes on heating (natural gas), hydro, water usage and waste disposal, plus increases in general consumption of all utilities due to new space including the new science complex and new research funded (CFI) locations 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 locking in prices for future supply and participating with other universities in bulk buying where possible. In addition, significant investments are being made in central plant infrastructure to improve the efficiency of utility supply and consumption including new steam lines, energy distribution controls and in certain cases retrofitting of building components.

In addition to central utilities, \$0.150 million has been provided for the increased costs of a number of central expense items primarily insurance and legal expenses.

Section C. Incremental Investment Proposals and the Deficit Repayment

Section C. contains the estimated incremental budgetary impact of new investment proposals and deficit obligations. A total of \$5.200 million in new funding has been targeted for new expenses including funds for academic planning (in addition to new funds, re-allocations were made from existing University funds to address some of the priorities identified in the Integrated Plan), the operating costs of new construction and high priority support services.

C.1: Priorities Investment Fund

The 2006/2007 Preliminary Budget reflects, for the first time, the operational outcomes of the introduction of the University's Integrated Planning process. The most immediate impact has been the introduction of a Priorities Investment Fund (PIF) from which allocations have been made based on priorities set in the Integrated Plan. Three areas of potential funding were identified: graduate enrolment expansion; improvement in the quality of teaching and the student experience; and positioning for an increasingly competitive environment.

In establishing the PIF for 2006/2007 two major sources of funds were used: first, \$1.560 million from the consolidation of several existing sources of University base funding (such as academic reserve funds, unallocated central bridging and resignation savings on faculty positions and remaining base funds from last year's investment fund). Allocation of the \$1.560 million in PIF funding is as shown below.

• Funding (Base) for the new College of Management and Economics including new staff and faculty positions	\$0.526M
• Funding (Base) for the Faculty of Environmental Science (repositioning the department in the Ontario Agricultural College)	\$0.160M
• Funding (one-time) for computing equipment replacement mainly in the College of Physical and Engineering Science for computing and engineering programs	\$0.514M
• Funding (Base) for the creation of a Learning Enhancement Fund for one-time annual awards to improvement the undergraduate learning experience	\$0.150M
• Funding (Base) in the School of Engineering which includes funds for the recruitment of a new Director.	\$0.210M
• TOTAL	<hr style="width: 100%; border: 1px solid black;"/> \$1.560M

The second component the P.I.F. is an allocation of \$2.400 million. This is the current estimate of new MTCU grant income available to fund graduate student growth. The \$2.400 million is dependent on the University meeting targets for the growth of graduate student enrolment and our assumptions on MTCU's allocation of funds which assume full-cost funding value of those enrolments². The actual allocation of these funds will not be made until after enrolment targets are confirmed. Assuming the University realizes these funds, they will be allocated as follows:

• Base funding for "growth" in the number of graduate students. Funds will be allocated to colleges based on a fixed formula of \$7,500 per eligible masters student growth and \$12,500 per eligible doctoral student growth.	\$1.200M
• Base funding for additional support services in the office of Graduate Program Services.	\$0.200M
• Allocations for "top-up" awards of \$5,000 each, for new students who are recipients of federal granting council awards.	\$0.500M
• Base allocated on the basis of eligible growth in the numbers of graduate students from 2003 to 2005. Funds to be used to sustain this growth.	\$0.500M
• TOTAL	<hr style="width: 100%; border: 1px solid black;"/> \$2.400

² "Full cost" funding refers to the commitment by the Province to fund new student enrolments at a level reflecting the total provincial grant income per student in accordance with the established funding formula. A full-cost grant level for graduate students ranges between \$12,000 and \$27,000 annually per student in the Ontario university system

C.2: Institutional Support Costs:

An increase of \$0.800 million has been allocated for a number of critical central support areas including:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Funding (Base and one-time) for Physical Resources to accommodate new space mainly associated with the next phase of the science complex and new research (CFI funded) locations. Costs include additional maintenance and housekeeping staff, operating supplies and equipment. (This allocation increase is net of recoveries from capital projects currently being funded out of the operating budget.) | \$0.295M |
| <ul style="list-style-type: none"> • Funding (Base) for Environmental Health and Safety to purchase essential equipment and supplies and to provide training to meet a number of safety requirements such as training for safety committees, radiation monitoring, asbestos management program support, safety equipment testing and replacement to ensure regulatory compliance. | \$0.070M |
| <ul style="list-style-type: none"> • Funding (Base) for Financial Services for the addition of a treasury analyst position to assist in debt and cash flow structuring and monitoring related to the University's operating portfolio. | \$0.090M |
| <ul style="list-style-type: none"> • Funding (Base) in Human Resources for the addition of two positions: a benefits specialist position to provide strategic analytical, benefit plan design and communications support and a rehabilitation specialist position to support the assessment and accommodation of disabled employees, mitigating lost time due to illness/injury. | \$0.140M |
| <ul style="list-style-type: none"> • Funding (Base) for estimated costs of compliance with new Freedom of Information and Privacy Act (FIPPA) . | \$0.140M |
| <ul style="list-style-type: none"> • Funding (Base) for Campus Community Police and Fire Prevention Services to assist in the planning and acquisition of new technology for improved security measures including the upgrade of current monitoring systems and to provide security support for the additional space coming on line in 2006. | \$0.065M |
| <ul style="list-style-type: none"> • TOTAL | <hr style="width: 100%;"/> \$0.800M |

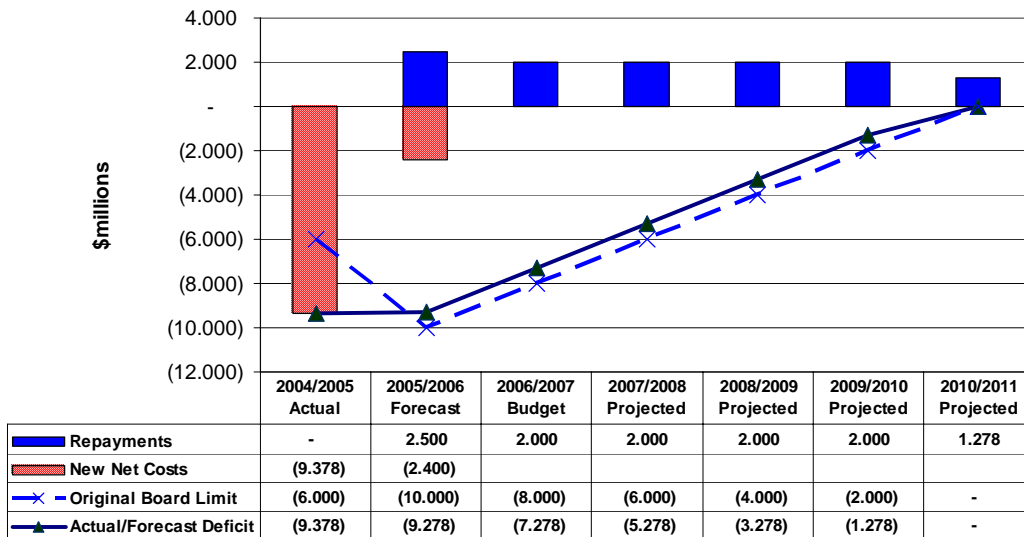
C.3: Deficit Repayment: Prior Years' Buyout Programs and the Accumulated Deficit:

At the end of fiscal 2005/2006 the University is projecting that it will have an accumulated \$9.278 million deficit as a result of two enhanced buyout programs implemented in 2004/2005 and 2005/2006. The first program, in fiscal 2004/2005, was necessary to assist in meeting a 3.5% (\$6.1 million) target base reduction and consisted of a special buyout package available to employees whose positions could be eliminated from the base budget. The key component of that program was the approval by the Board of Governors to incur a one-time deficit of up to \$6.0 million. The program, referred to as the Voluntary Early Retirement/Resignation or VERR program, was successful and achieved the objective of allowing unit managers to restructure their

operations/programs without resorting to involuntary layoffs³. The Board approved a plan that required \$2.0 million per year to repay this deficit. The first payment was to be in fiscal 2005/2006 thereby reducing the program deficit to \$4.000 million.

In fiscal 2005/2006, the University received approval to offer a second program similar to VERR. An additional \$6.500 million was approved by the Board, as the maximum additional deficit that could be incurred under this program. When combined with the VERR program deficit, the University's combined deficit was not to exceed \$10.000 million (\$6.000 million plus \$6.500 million in costs from the programs less a \$2.500 million repayment) at the end of fiscal 2005/2006. In order to repay the accumulated deficit, in 2005/2006 the University received Board approval to extend the repayment period to 2010/2011. The University is required to identify the repayment funds, each year as part of its annual budgeting process and report the progress on the deficit repayment regularly to the Board of Governors. (At this time, the actual deficit is not expected to exceed \$9.278 million.)

The following chart presents the estimated cash flow of the costs of these enhanced buyout programs and the current approved repayment plan. At the end of fiscal 2006/2007 the accumulated deficit from these two programs is expected to be \$7.278 million.



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.

D: PROPOSALS TO MEET THE BUDGET TARGET:

D.1 Revenue/Recovery Assumptions:

D.1.1: Provincial Operating Grants;

Provincial grants form approximately 50% of the University's operating fund revenue base. As many are "targeted", there are several 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 2006/2007 budget. The University constantly monitors these grants (implemented through MTCU) and significant updates are factored into the budget as they become known.

For the 2006/2007 preliminary budget, it is estimated that grants will increase by \$8.500 million over the existing base. These estimates are based on the following assumptions:

- Basic Grant: The Basic Grant which represents most provincial funding, is not expected to increase other than through the reclassification of existing targeted grants. (Normally as targeted programs are completed, the related grant is reclassified as part of the Basic Grant. This is referred to being "rolled into the base"). While the Basic Grant will increase as existing funding is rolled into the Basic Grant, there is no new funding expected (or announced) in 2006/2007 for annual inflationary cost increases. In the university sector, these types of cost increases range from 4-5%.
- Accessibility Fund: This envelope funds increased enrolment in any one year, either undergraduate or graduate, depending on current provincial government policy. Prior to 2005/2006 funding under this envelope was targeted at undergraduate growth primarily as a result of the impact of the double cohort. In its 2005 budget the province announced multi-year funding for graduate growth (it is not certain at this time whether undergraduate growth will be funded or not). For the Preliminary MTCU 2006/2007 budget an estimated increase of \$2.400 million in accessibility grant funding has been made based on graduate growth and the assumption that the University of Guelph will take its share (5%) of the total university system funding available⁴. (Note: as accessibility grants are confirmed in any one year, it has been the province's practice to roll these grants into the Basic Grant.)
- Quality Improvement Fund: In its 2005 provincial budget, the province announced that a new fund was to be created with the objective of improving the quality of post secondary education in the province. Allocation of this grant to individual institutions is based upon each institution's relative share of total system (measured using weighted enrolments) and the total funding available. Universities are required to account for these funds each year in a separate report to MTCU. It is estimated that the University of Guelph will receive \$6.1 million in 2006/2007 (we received \$5.0 million in 2005/2006). (Note: as this grant is confirmed in any one year, it has been the province's practice to roll it into the Basic Grant.)

There are several other targeted grant envelopes received by the University including ATOP (Access to Opportunities Program): targeted toward increased computing and computing

⁴ It is not yet confirmed what the total amount of funding available will be. In addition, final allocations are dependent on a number of factors including total system growth, the mechanism by which funds will be allocated to each institution and the total pool of funds available for graduate growth.

engineering enrolments, Tuition Compensation Grant: compensation for the loss in net revenues for the University as a result of a tuition freeze on provincially funded programs in 2004/2005 and 2005/2006. Quality Assurance Fund: On July 25, 2003, the province announced a new 3 year grant program for actual post-secondary enrolment growth in “excess” of forecasted Ontario university system enrolment upon which earlier Accessibility Grant envelopes were based. In fiscal 2003/2004 the University received \$4.100 million under this program. The final two years of this program were cancelled. As all of these programs are now “matured” they were rolled into the Basic grant for 2006/2007.

The University also receives two other smaller grants: Performance grants (funding based on overall graduation rates and the employment rates of our graduates) and the Research Infrastructure grant (based on our share of federal granting council awards) as well as several restricted funds e.g., “Tax” grant (flowed to the City of Guelph in lieu of property taxes). Overall, it is expected that these grants will remain frozen at 2005/2006 levels.

The following table summarizes the estimate of provincial operating grants for 2006/2007 compared to the 2005/2006 base.

<i>Name</i>	<i>Start Year</i>	<i>Current Base \$</i>	<i>Rolled Into Base \$</i>	<i>2006/2007 Assumptions</i>	<i>2006/2007 Base \$</i>
Quality Assurance Fund	2004	4.10	(4.10)		-
Accessibility- Undergraduate	2001	0.25	(0.25)		-
Accessibility- Graduate	2001	-	-	2.40	2.40
Quality Improvement Fund	2006	5.00	(5.00)	6.10	6.10
Performance grants	2001	1.60	-		1.60
ATOP Grant	2000	2.90	(2.90)		-
Tuition Compensation	2005	3.00	(3.00)		-
Miscellaneous Restricted	Base	1.70			1.70
Research Infra Grant	Base	1.10	-		1.10
Basic Grant	Base	114.00	15.25		129.25
TOTAL		133.65	-	8.50	142.15

D.1.2: Tuition and Enrolment Revenues:

Tuition Fees:

Background: In March 2000 the province announced regulations that “capped” tuition fee increases, for provincially funded programs (essentially all programs that received MTCU grant formula-based funding), at 2% for the five-year period 2000/2001 to 2004/2005. In the fall of 2003 the province announced that all provincially funded program fees would be “frozen” at 2003 rates for two years. (The freeze did not apply to international fees or “full cost recovery” programs such as executive-type MBA/MA programs⁵. These programs do not receive any form of provincial funding support). Fiscal 2005/2006 was the last year of the tuition freeze.

⁵ At the University of Guelph, there are currently two cost recovery programs; the MBA and the MA in Leadership. Fees for these programs range from \$25,000 to \$42,550. Fees are set by the College of Management and Economics which receives credit for all revenues and is responsible for all costs. These fees are approved as part of this budget.

Provincially Funded Fees

On March 8, 2006 the province announced a tuition framework for provincially funded programs that would be effective for May 2006. Key features of this program included a four-year effective time frame (to 2009/2010), higher rate increases for all entering (first year) students, a 4% annual rate increase for continuing (non-first year students) students and a 5% cap on the increase in total institutional revenue from tuition increases from all provincially funded programs. The following summarizes both the provincial framework of allowable increases and the four-year framework proposed by the University. In the case of graduate students a 4.5% increase on entering students is proposed in order to maintain a competitive ranking of University's fee relative to the rest the Ontario system. It is estimated that the proposed fees will result in revenue equal about 4.2% of our tuition revenue base (the maximum allowable under the provincial framework is 5%).

Provincially Funded Program Increases <i>full-time per semester fees</i>	University Proposed		Provincial Maximum	
	Entering	Continuing	Entering	Continuing
Undergraduate – regular	4.5% (\$94)	4.0% (\$84)	4.5%	4.0%
Undergraduate - professional ⁶	8.0% (\$167 to \$182)	4.0% (~ \$84 to \$91)	8.0%	4.0%
Graduate – all programs	4.5% (\$77)	4.0% (\$69)	8.0%	4.0%

International Fees

For fiscal 2006/2007 the University is proposing a freeze on international student fees in both graduate and undergraduate programs for all continuing students (students already enrolled at the University) for the normal duration of their programs. For entering international students increases of between \$1,333 and \$2,500 per semester (refer to table below) are proposed. It is also proposed that fees for entering students would be frozen for the normal duration of their program while at the University. In proposing the increase to entering students, consideration was given to Guelph's ranking with respect to international fees (estimated to be the second lowest in the province for most graduate fees and the lowest in the province for most undergraduate fees.) After this increase it is estimated that the University's ranking will not change for continuing students (the lowest in most programs) and will increase to be among the average of the Ontario system for entering students⁷. Overall it is estimated that the proposed fees for international entering students will result in \$0.600 million in additional revenue in fiscal 2006/2007. As noted earlier, since 1996, the provincial government has provided no grants for international students.

⁶ Professional programs include: business, veterinary, computing, engineering and landscape architecture.

⁷ This ranking assumes other universities do not increase their fees above their current 2005/2006 levels. Indications are that most universities will increase international fees, lowering the University of Guelph ranking (tuition fees) more than estimated.

International Tuition Fee Increases	Entering (per semester)	Continuing
Undergraduate:		
Regular programs	\$2,000	\$ 0
Professional programs	\$2,500	\$ 0
Graduate - All programs	\$1,333	\$ 0

All proposed tuition increases are expected to generate \$3.700 million in additional revenues. Tuition fee details for 2006/2007 are provided on Schedule A.

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 2006 target for semester 1 (first year) undergraduates at 3,400 (same as for fall 2005). Current graduate enrolment levels assume the University will grow enough in order to maintain our share of overall system growth (currently estimated to be about 175 students). There is no major change expected in net revenues from changes in overall enrolment in the 2006/2007 base budget. (The flow-through impacts of enrolment shortfalls, relative to the base budget experienced in 2005/2006 are expected to be recovered from increased graduate enrolments.) 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.

D.1.3: Cost Recoveries from Ancillaries:

A 3.5% increase in the general cost recovery charges to Ancillaries will be made in 2006/2007 to help offset continuing increases in utilities charges. These increases were factored into the 2006/2007 budget of each ancillary unit. In addition, a special one-time charge of \$0.700 million will be made to the Parking Services budget to be provided from net parking revenues. The total combined increase in cost-recoveries from Ancillaries is \$1.000 million.

D.2 Expenditure Proposals:

D.2.1: General Unit Budget Adjustment for Inflation:

As part of the University's integrated planning process, it was determined that each year departments should contribute annually, toward funding institutional inflationary costs such as salaries and benefits⁸. For fiscal 2006/2007 this contribution was set at 2%. Departments may use a variety of options to identify these funds including the identification of new revenues and cost savings. The impact on occupied faculty and staff positions is expected to be minimized and to date no involuntary terminations/departures have been identified. At this time, units are preparing detailed plans on how to realize their budget targets, including detailed allocations required to meet the 2% contribution target. As these plans are completed, reviewed and approved they will be incorporated in detail into unit budgets. An update on its impact will be presented after plans are finalized and clarification on the grants and enrolments is received.

D.2.2: Unallocated Savings Target:

In order to achieve a balanced budget (including required deficit repayments), the University has to identify a further \$1.000 million in cost savings or increased revenues. It is proposed to use a number of potential sources of savings and revenues to achieve the \$1.000 million. For example, this target will be the first priority for any unallocated year-end funds available after review of 2005/2006 results, including confirmation of grants, utility expenses and any remaining contingency funds. In addition, over the course of the 2006/2007 fiscal year, the University will identify any additional revenues as both enrolments and grant levels are confirmed. Should these options be insufficient, further adjustments to unit budgets may be required over the course of the 2006/2007 fiscal year. The final specific allocation of this amount will be made and presented to the Board after fall enrolment and MTCU operating grants are confirmed.

All current 2006/2007 budget assumptions, allocated by major organizational unit and expenditure type, are presented with accompanying notes on **Table A**. The 2006/2007 Preliminary MTCU Operating Budget compared to 2004/2005 actual and 2005/2006 forecast results is presented in **Table B**.

⁸ Central funds have been identified to provide funds to units to cover the cost of most salary and benefit increases in 2006/2007. These costs are estimated to be about \$10.450 million (refer to section B.1) or 5.7% of the unit base budgets. As costs increase occur in units, funds will be transferred from central funds into unit budgets. Units are to contribute 2% of their base budgets, about 35% of the total salary and benefit cost increase.

E: 2005/2006 Forecast

Table C shows the current 2005/2006 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 departmental 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, professional development funds 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 2005/2006 indicates that total University departmental carry forwards will decline from approximately \$15.323 million in 2005/2006 to \$10.274 million in 2006/2007. (Actual carry-forwards will not be confirmed until after the University’s year end statements are completed and audited in July.)

Fiscal 2005/2006 presented two major challenges for the University institutional accounts: shortfalls in enrolment related revenues and the unexpected price increase in energy costs particularly natural gas (campus heating). Enrolments in most categories (undergraduate/graduate and domestic/international) were slightly (approximately 150 to 200 students per semester) less than budgeted. In addition to less tuition revenue than expected, accessibility (enrolment sensitive) grants are expected to be less than budgeted. (The total combined negative variance from both grants and tuition revenue is estimated at \$1.5 million or 0.7% of total budget.) In addition, University central utilities are expected to be \$1.5M or 8% over budget. These variances are expected to be covered using funds available in institutional accounts such as the University contingency account (\$1.9 million remaining) as well as a number of other accounts, including general expenses and institutional services.

Overall, it is expected that the University will meet its overall budget target for 2005/2006⁹. By the end of fiscal 2005/2006 the accumulated restructuring deficit is expected to be \$9.278 million, within the maximum permitted by the Board of Governors.

Actual year-end results will not be confirmed until the audit is complete in July, 2006.

⁹ The University’s 2005/2006 budget target consists of generating \$2.5 million to fund in-year restructuring costs and to repay prior years’ restructuring costs, reducing the deficit to \$9.278 million. The overall accumulated restructuring deficit was not to exceed \$10.0 million.

F: Summary of 2006/2007 MTCU Preliminary Budget Assumptions and Objectives:

The following table summarizes the results of assumptions and incremental changes included in the University's 2006/2007 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 2006/2007 Budget Assumptions and Objectives:

B	Institutional Expenditure Commitments	\$ Million
B.1	Provision for Salaries and Benefits	(10.450)
B.2	Estimated Utilities and central account increase (e.g. insurance and legal)	(2.150)
	Summary: Institutional Expenditure Commitments	(12.600)
C	Incremental Investment Proposals and Deficit Repayment :	
C.1	Academic Priorities Investment Fund (net)	(2.400)
C.2	Institutional Support Costs	(0.800)
C.3	Deficit Repayment	(2.000)
	Sub-total Total Investments	(5.200)
	Total: Cost Increases and Deficit Repayments:	(17.800)

D.	Proposals to Meet the Budget Target	
D.1	Revenue/Recovery Assumptions:	
D.1.1	Provincial Operating Grants	8.500
D.1.2	Enrolment/Tuition	3.700
D.1.3	Cost Recoveries from Ancillaries	1.000
	Total Revenues/Recoveries	13.200
D.2	Expenditure Proposals	
D.2.1	General Unit Budget Adjustment for inflation	3.600
D.2.2	Unallocated Savings Target	1.000
	Total Expenditure Proposals	4.600
	Total: Proposals to Meet the Budget Target	17.800

G: Tables, Graphs and Schedules:

The following Tables present the 2006/2007 Preliminary MTCU Operating Budget in the context of actual 2004/2005 results and 2005/2006 forecast results:

- Table A *2006/2007 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 2004/2005 results, 2005/2006 forecast results and the 2006/2007 Preliminary Budget by major organizational group, net of departmental revenues.
- Table C *2005/2006 Forecast :MTCU Operating Budget Net Expenses by Unit:*
Table showing 2005/2006 forecast results compared to 2005/2006 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 2001/2001 to 2006/2007 (budget).
- Graph B *Total Headcount Enrolment by Semester:*
Summary of full-time, part-time undergraduate and graduate student headcounts by semester for the years 2001/2001 to 2006/2007 (budget).
- Schedule A *Schedule of Proposed Tuition Fees*
- Schedule B *Schedule of Proposed Non-Tuition Related Compulsory Fees*

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in thousands of dollars)

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) Budget Contributions to Inflation (Note #4)	(E) = (A)+(B)+(C)+(D) Total Expenses	(F) External Recoveries	(G) Revenues	(H) = (F)+(G) Total Recoveries & Revenues (Note #5)	(I) = (E)+(H) Net Budget (Note #6)	Notes
<u>Institutional Revenues and Recoveries</u>										
Provincial Grants							142,155	142,155	142,155	
Tuition							84,300	84,300	84,300	
Other							6,036	6,036	6,036	
Total Revenues							232,491	232,491	232,491	
<u>Cost Recoveries</u>										
OMAFRA						6,410		6,410	6,410	#7
Research						9,000		9,000	9,000	
Fund Raising						1,000		1,000	1,000	
Ancillaries						9,864		9,864	9,864	
Total Cost Recoveries						26,274		26,274	26,274	
Total Institutional Revenues and Recoveries						26,274	232,491	258,765	258,765	#8
<u>Institutional Expenses</u>										
<u>Teaching Units</u>										
College of Arts	17,071	1,147		(342)	17,876		(6)	(6)	17,870	
College of Biological Science	16,731	1,548	(281)	(331)	17,667	(130)	(99)	(229)	17,438	
College of Social and Applied Human Science	18,346	1,489		(362)	19,473	(72)	(109)	(181)	19,292	
College of Management and Economics	9,606	2,178	(40)	(182)	11,562		(1,884)	(1,884)	9,678	
Ontario Agricultural College	24,908	837	(397)	(360)	24,988	(4,782)	(948)	(5,730)	19,258	
Ontario Veterinary College	28,418	7,613	(1,596)	(337)	34,098	(2,833)	(14,462)	(17,295)	16,803	
College of Physical and Engineering Science	19,757	2,659	(116)	(397)	21,903	(98)	(282)	(380)	21,523	
Office of Open Learning	2,559	3,581	(630)	(25)	5,485		(4,153)	(4,153)	1,332	
Other Teaching Units	422	3,569			3,991				3,991	#9
Priorities Investment Fund		2,400			2,400				2,400	
Student Assistance	601	9,195			9,796				9,796	
Total Teaching Units	138,419	36,216	(3,060)	(2,336)	169,239	(7,915)	(21,943)	(29,858)	139,381	
<u>Library Operations and Information Resources</u>										
Library Operations	7,555	2,131	(208)	(176)	9,302		(394)	(394)	8,908	
Library Information Resources		5,500			5,500				5,500	
Total Library Operations and Info. Resources	7,555	7,631	(208)	(176)	14,802		(394)	(394)	14,408	
<u>Academic Services</u>										
Office of Research	4,824	1,195	(542)	(106)	5,371				5,371	
Teaching Support Services	1,366	334	(89)	(31)	1,580		(20)	(20)	1,560	
Registrar	4,622	932	(26)	(100)	5,428		(355)	(355)	5,073	
Other Academic Services	700	337	(15)		1,022		(32)	(32)	990	#10
Total Academic Services	11,512	2,798	(672)	(237)	13,401		(407)	(407)	12,994	

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
By Unit and Major Expense Category

Table A
(in thousands of dollars)

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) Budget Contributions to Inflation (Note #4)	(E) = (A)+(B)+(C)+(D) Total Expenses	(F) External Recoveries	(G) Revenues	(H) = (F)+(G) Total Recoveries & Revenues (Note #5)	(I) = (E)+(H) Net Budget (Note #6)	Notes
<u>Student Services</u>										
Student Services	7,184	3,154	(118)	(86)	10,134		(5,576)	(5,576)	4,558	#11
Athletics	3,319	3,258	(34)	(19)	6,524		(5,516)	(5,516)	1,008	#12
Total Student Services	10,503	6,412	(152)	(105)	16,658		(11,092)	(11,092)	5,566	
Total Teaching and Academic Services	167,989	53,057	(4,092)	(2,854)	214,100	(7,915)	(33,836)	(41,751)	172,349	
<u>Physical Resources</u>										
Physical Resources Operations	19,976	5,228	(2,217)	(340)	22,647		(127)	(127)	22,520	
Utilities		21,807	(394)		21,413				21,413	
Total Physical Resources	19,976	27,035	(2,611)	(340)	44,060		(127)	(127)	43,933	
<u>Capital Infrastructure Planning</u>										
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	
<u>Institutional Services and General Expenses</u>										
Alumni Affairs & Development	3,090	515	(630)	(55)	2,920		(96)	(96)	2,824	
Computing & Communication Services	7,082	3,670	(4,224)	(79)	6,449		(108)	(108)	6,341	
Central Administration Offices	13,340	2,430	(158)	(272)	15,340		(562)	(562)	14,778	#13
University General Expenses and Contingency	568	8,794	(1,296)		8,066		(326)	(326)	7,740	#14
Total Institutional Services and General Exp.	24,080	15,409	(6,308)	(406)	32,775		(1,092)	(1,092)	31,683	
Total Institutional Expenses	212,045	105,301	(13,011)	(3,600)	300,735	(7,915)	(35,055)	(42,970)	257,765	
One-time Savings		(1,000)			(1,000)				(1,000)	
Net Budget	212,045	104,301	(13,011)	(3,600)	299,735	(34,189)	(267,546)	(301,735)	2,000	#15

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 Contributions to Inflation" are allocated to all units equivalent to 2% of net base budget. (see Item D.2.1).
5. Column H "Total Recoveries and Revenues" of \$301.7M includes Provincial Grants of \$142.2M, Tuition of \$84.3M, Other revenue of \$6.0M, Cost Recoveries of \$26.2M and Departmental Revenues of \$43.0M.
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. OMAFRA Cost Recoveries of \$6.41M are for services provided by the MTCU budget (e.g., utilities and space costs). In addition, OMAFRA will transfer \$7.915M (as a fixed dollar transfer) for 83 faculty full time equivalents (FTE's). This is up from \$6.325M in 2004/05 due to the conversion of funding for 12 faculty FTE's from the Veterinary Clinical Education Program (part of the OMAFRA Agreement) to the fixed dollar transfer pool. Recoveries for the non-VCEP faculty, 71 FTE's, are allocated to the colleges according to faculty time awarded to OMAFRA research projects.
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, London Semester, and Academic Support funds which includes Research Support, Academic Contingency, Additional Enrolment Support and Special Projects.
10. Other Academic Services includes: MacKinnon Building Mgmt, Associate VP Academic, Dean of Grad Studies, War Memorial/Rozanski Hall Operations, Study/Semesters Abroad 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.
12. Athletics revenues include: Student Athletic Fee, Student Athletic Building Fee and user fees from athletic services and facility rentals.
13. Central Administration Offices includes: Human Resources, Executive Offices, Financial Services, Campus Community Police and Fire Prevention Services, Communications and Public Affairs, Human Rights and Equity Office, Office of Investment Management, and Environmental Health and Safety.
14. General Expenses include costs incurred for property taxes, memberships, legal, auditing and external services, insurance, convocation and banking charges.
15. A deficit repayment of \$2.0M is required according to the deficit plan approved in the 2005/2006 budget.

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Net Expenses by Unit

Table B
(in thousands of dollars)

	04/05		05/06		06/07
	Actual	Notes	Forecast	Notes	Preliminary Budget
		% of Total		% of Total	
<u>Institutional Revenues and Recoveries</u>					
Provincial Grants	127,432		132,892		142,155
Tuition	80,138		79,851		84,300
Other	6,260		6,985 #1		6,036
Total Revenues	213,830		219,728		232,491
<u>Cost Recoveries</u>					
OMAFRA	6,410		6,410		6,410
Research	8,875		9,200		9,000 #2
Fund Raising			332 #3		1,000
Ancillaries	8,620		9,064		9,864 #4
Total Cost Recoveries	23,905		25,006		26,274
Total Institutional Revenues and Recoveries	237,735		244,734		258,765
<u>Institutional Expenses</u> (Net of Departmental Recoveries & Revenues)					
<u>Teaching Units</u>					
College of Arts	17,806		17,290		17,870
College of Biological Science	16,533		16,580		17,438
College of Social and Applied Human Science	25,262		26,385		19,292
College of Management and Economics	0		62		9,678
Ontario Agricultural College	19,155		19,179		19,258
Ontario Veterinary College	14,040		17,068		16,803
College of Physical and Engineering Science	20,691		19,515		21,523
Office of Open Learning	396		2,418		1,332
Other Teaching Units	4,130		2,850 #5		3,991 #6
Priorities Investment Fund					2,400 #7
Student Assistance	9,308		9,338		9,796
Total Teaching Units	127,321		130,685		139,381
<u>Library Operations and Information Resources</u>					
Library Operations	9,136		8,832		8,908
Library Information Resources	5,522		5,558		5,500
Total Library Operations and Information Resources	14,658		14,390		14,408
<u>Academic Services</u>					
Office of Research	4,817		4,822		5,371 #8
Teaching Support Services	1,569		1,533		1,560
Registrar	4,996		5,470		5,073
Other Academic Services	1,278		1,296		990 #9
Total Academic Services	12,660		13,121		12,994
<u>Student Services</u>					
Student Services	4,124		4,614		4,558
Athletics	789		969		1,008
Total Student Services	4,913		5,583		5,566
Total Teaching and Academic Services	159,552	67.5%	163,779	66.2%	172,349
					66.9%

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Net Expenses by Unit

Table B
(in thousands of dollars)

	04/05		% of	05/06		% of	06/07		% of
	Actual	Notes	Total	Forecast	Notes	Total	Preliminary	Notes	Total
							Budget		
Physical Resources									
Physical Resources Operations	21,305			21,480			22,520		
Utilities	18,959			21,013			21,413		
Total Physical Resources	40,264		17.0%	42,493		17.2%	43,933		17.0%
Capital Infrastructure Planning									
Deferred Maintenance	4,132	#10		2,000			2,000		
Capital Investment Support & Servicing	2,600			7,800			7,800	#11	
Total Capital Infrastructure Planning	6,732		2.8%	9,800		4.0%	9,800		3.8%
Institutional Services and General Expenses									
Alumni Affairs & Development	2,695			2,855			2,824		
Computing & Communication Services	6,278			6,573			6,341		
Central Administrative Offices	13,858			14,349			14,778		
University General Expenses and Contingency	7,230			7,434			7,740	#12	
Total Institutional Services and General Exp.	30,061		12.7%	31,211		12.6%	31,683		12.3%
University Contingency				0			0		
Total Institutional Expenses	236,609		100.0%	247,283		100.0%	257,765		100.0%
Restructuring Costs	9,378	#13		2,400			0		
Net Institutional Expenses	245,987			249,683			257,765		
Unallocated Savings/Revenues							(1,000)	#14	
Annual Operating Income (Expense)	(8,252)			(4,949)			2,000		
Transfer (To) From Appropriations	(1,126)			5,049	#15				
Net Increase (Decrease) in Fund Balance	(9,378)			100			2,000		
Opening Deficit	0			(9,378)			(9,278)		
Closing Deficit	(9,378)			(9,278)			(7,278)	#16	

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

* 2006/2007 University Revenues and Recoveries total \$301.7 million (see Table A). This includes institutional revenues and external recoveries of \$258.7 million plus departmental revenues and recoveries of \$43.0 million. Departmental revenues are restricted funds or the result of initiatives designed to help cover related program costs. The Table B presentation shows the budget targets net of these recoveries and revenues. Major examples of departmental revenues are fees earned by the Vet Teaching Hospital (\$9.4M), Office of Open Learning (\$4.2M), Executive Programs (\$1.4M), compulsory student fees (\$5.1M) and health fees (\$2.5M).

1. Other Institutional Revenues and Recoveries in fiscal 2005/2006 include higher than budgeted one-time revenues in Research Contract Service Fees and Sundry Revenues of approximately \$0.750 M.
2. Research Recoveries is funding from two major 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 2004/05	Forecast 2005/06	Budget 2006/07
FICP	5.12	5.07	4.50
RPF	4.14	4.12	4.50
Total Funding	9.26	9.19	9.00
Campus Operating Infrastructure	4.50	4.90	4.80
Research Support Services	2.54	2.89	2.80
Campus Capital Infrastructure	2.22	1.40	1.40
Total Allocation	9.26	9.19	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. The \$1.0 M Fund Raising Cost Recovery added in the 2005/2006 budget in support of the Operating fund has a projected shortfall of \$0.668 M.
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. For 2006/2007, the

Ancillaries cost recovery budget reflects a 3.5% increase for utilities and space charges plus \$0.7 M from Parking Services.

5. The change in the forecast for Other Teaching Units in 2005/2006 is due to the re-organization of the Faculty of Environmental Science which now reports under the Ontario Agricultural College.
6. The 2006/2007 budget for Other Teaching units is currently about \$1.1 M higher than the 2005/2006 forecast as some Academic Support funds such as Academic Research support and Special Projects have yet to be approved and allocated.
7. The Priorities Investment Fund of \$2.4 M is to be allocated for Graduate student growth, support and quality improvements. Allocation of these funds will be made when enrolments and Accessibility grants are confirmed.
8. The Office of Research forecast for 2005/2006 has a prior year carry forward deficit (\$0.4 M) that is being addressed. The 2006/2007 budget reflects the base budget available within the Office of Research.
9. The decrease in the 2006/2007 budget for Other Academic Services is due to departmental re-organizations where Co-op Education Services and the Centre for International Programs are now reporting under Student Services and the Office of Research respectively.
10. 2004/2005 Deferred Maintenance included additional support from FICP and RPF capital projects.
11. Capital Investment Support and Servicing includes debt servicing.
12. The 2006/2007 University General Expenses and Contingency budget includes \$1.0 M for University contingencies.
13. The Restructuring Costs of \$9.378 M includes 2004/2005 Voluntary Early Retirement/Resignation program (\$5.974 M) and 2005/2006 restructuring costs (\$3.404 M). For 2005/2006, it is forecast that \$2.4 million will be spent of the balance of the

2005/2006 restructuring activities.

14. Unallocated Savings/Revenues will be realized over the course of the fiscal year when enrolment, grants and year-end results can be confirmed. Refer to section D.2.2.
15. 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 2005/2006 results refer to Table C.) The actual amount will be calculated when the 2005/2006 results are confirmed as part of the year-end audit to be completed in July 2006.
16. The closing balance for the restructuring costs will be repaid at the rate of \$2.00 million per year in accordance with the Board approved plan.

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

Table C

	05/06 Budget	05/06 Forecast	Variance + (-)	Notes
<u>Institutional Revenues and Recoveries</u>				
Provincial Grants	133,655	132,892	(763)	#1
Tuition	80,600	79,851	(749)	#2
Other Revenues	6,346	6,985	639	#3
Total Institutional Revenues	220,601	219,728	(873)	
<u>Cost Recoveries</u>				
OMAF	6,410	6,410	0	
Research and Other	9,000	9,200	200	
Fund Raising	1,000	332	(668)	#4
Ancillaries	9,064	9,064	0	
Total Cost Recoveries	25,474	25,006	(468)	
Total Institutional Revenues and Recoveries	246,075	244,734	(1,341)	
<u>Teaching Units</u>				
College of Arts (COA)	17,246	17,290	(44)	
College of Biological Science (CBS)	18,795	16,580	2,215	
College of Social and Applied Human Science (CSAHS)	27,931	26,385	1,546	
College of Management and Economics (CME)	62	62		
Ontario Argicultural College (OAC)	18,895	19,179	(284)	
Ontario Veterinary College (OVC)	18,524	17,068	1,456	
College of Physical and Engineering Science (CPES)	20,024	19,515	509	
Office of Open Learning	3,405	2,418	987	
Other Teaching Units	3,447	2,850	597	
Student Assistance	10,480	9,338	1,142	
Total Teaching Units	138,809	130,685	8,124	#5
<u>Library Operations and Information Resources</u>				
Academic Services	14,635	14,390	245	
Student Services	14,319	13,121	1,198	
	6,506	5,583	923	
Total Teaching and Academic Services	174,269	163,779	10,490	
Total Physical Resources	40,958	42,493	(1,535)	#6
Capital Infrastructure Planning	9,800	9,800		
Institutional Services and General Expenses	30,872	30,138	734	
University Contingency	2,999	1,073	1,926	#7
Total Institutional Net Costs	258,898	247,283	11,615	
Annual Operating Income (Expense)	(12,823)	(2,549)	10,274	#8
Transfer (To) From Appropriations	15,323	5,049	10,274	#8
Net Funds Available before Restructuring Costs	2,500	2,500		
Restructuring Costs	(3,096)	(2,400)	696	#9
Net Increase(Decrease) in Fund Balance	(596)	100	696	#9
Opening Deficit for Prior Year's Restructuring	(9,378)	(9,378)		#9
Total University Deficit	(9,974)	(9,278)	696	#9

Notes:

#1. Provincial grants are forecast to be below budget due to lower than budgeted enrolment reducing Accessibility (enrolment based) grants. (refer to #2)

#2. Tuition is forecast to be \$0.749 million less than budget due to fewer enrolment revenues across most categories (undergraduate/graduate), compared to budgeted targets.

#3. Other Institutional Revenues will exceed targets as a result of increased institutional cost recoveries from a variety of sources including interest and research overhead recoveries.

#4. Fund Raising contributions to operating (initiated in 2005/2006) are expected to be below budget. While overall levels of donations were as expected, difficulties were experienced in receiving unrestricted funds that could be applied to meet this target.

#5. Included in the total net carry forwards in Teaching units are funds designated for a number of major renovation projects. Most of the Student Assistance funds will be allocated for disbursement in the summer.

#6. Physical Resources is forecasting a deficit due to the unexpected increase in natural gas prices during the fiscal year.

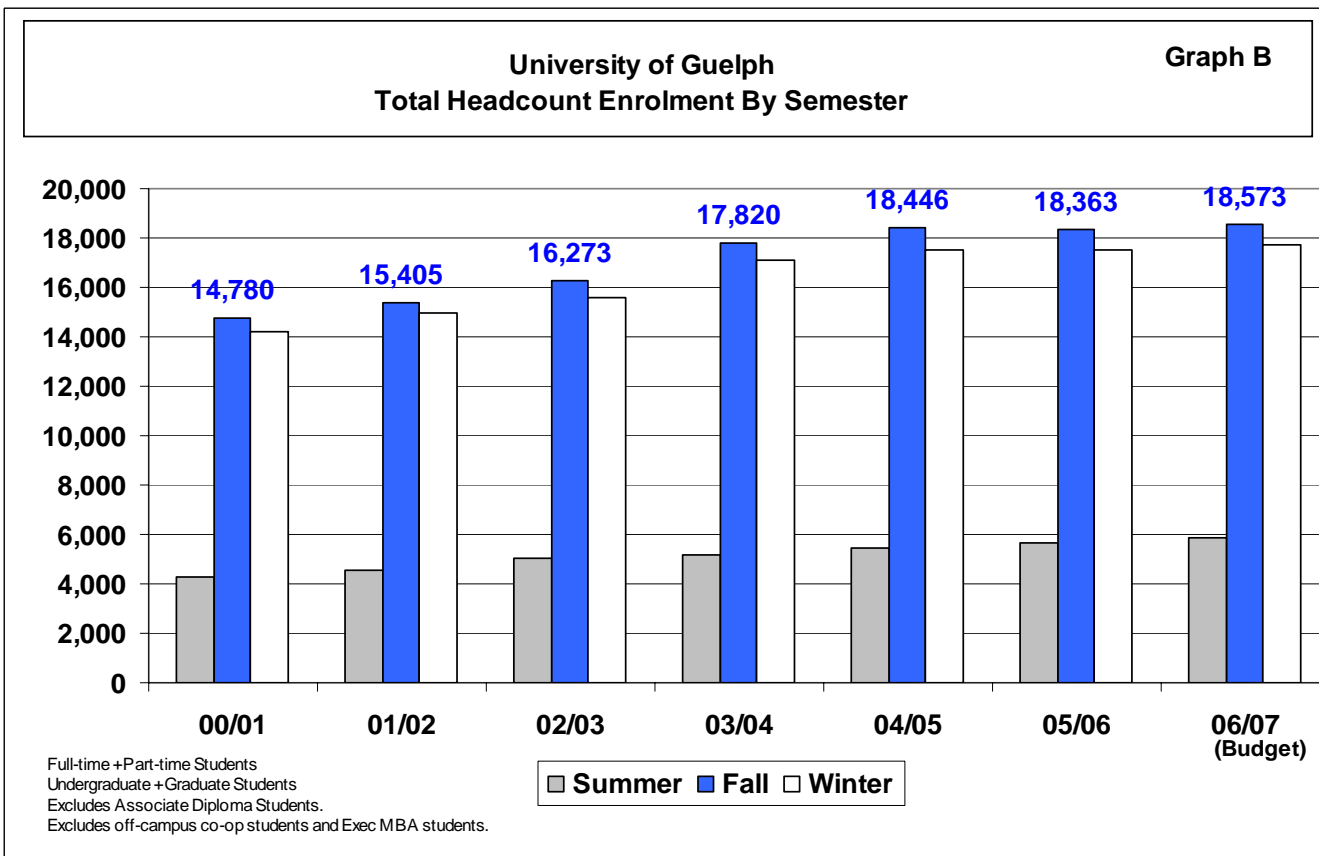
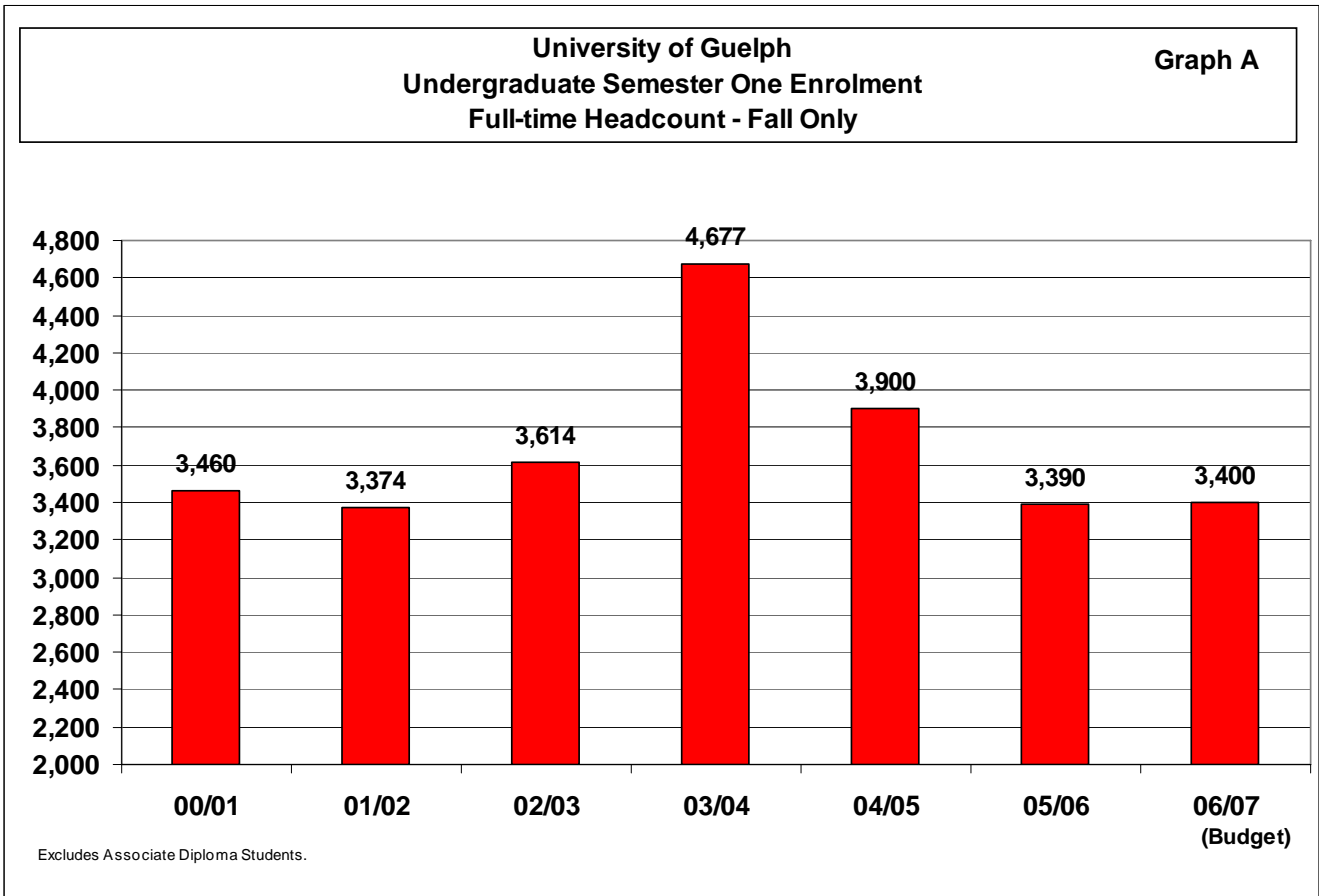
#. Institutional Services includes central administrative offices and support services (e.g. finance, human resources, computing and communication services, fund raising, public affairs and executive offices). All units are reporting small carry-forwards balances for next year targeted mainly to help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

#7. University Contingency account will be used to help offset any shortfalls in institutional accounts (grants, fees).

#8. It is forecast that \$10.274 million will be carried forward into 2006/2007 for department purposes. The compares to \$15.323 million which was carried forward from 2004/2005 into 2005/2006

#9. The accumulated restructuring costs of \$9.278 million include net expenses of both the 04/05 VERR program plus 05/06 enhanced buy out program. The 05/06 budget includes a planned contribution toward these costs of \$2.5 million. The total accumulated deficit is not to exceed \$10.000 in expenses related to these programs.

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Enrolment Graphs



University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Schedule of Proposed Tuition Fees

Schedule A-1

PROVINCIALY FUNDED PROGRAMS			2006/07 Entering Students		2006/07 Continuing Students	
	2005/06 Approved Fee	2005/06 Approved Fee	Recommended Fee	Change 2005/06 to 2006/07	Recommended Fee	Change 2005/06 to 2006/07
A. Undergraduate Tuition Fees	Fee Basis	Fee	Fee	to 2006/07	Fee	to 2006/07
Full-Time - Regular Programs						
Bachelor of Applied Science	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Arts (excl. Computing Major)	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Arts & Science	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Bio-Resource Management	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Science (excl. Computing Major)	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Science in Agriculture	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Science in Environmental Services	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Bachelor of Science in Technology	Per Semester	\$2,092.00	\$2,186.00	\$94.00	\$2,176.00	\$84.00
Full-Time - Professional Programs						
Bachelor of Arts - Computing Major	Per Semester	\$2,092.00	\$2,259.00	\$167.00	\$2,176.00	\$84.00
Bachelor of Commerce	Per Semester	\$2,092.00	\$2,259.00	\$167.00	\$2,176.00	\$84.00
Bachelor of Computing	Per Semester	\$2,092.00	\$2,259.00	\$167.00	\$2,176.00	\$84.00
Bachelor of Landscape Architecture	Per Semester	\$2,272.00	\$2,454.00	\$182.00	\$2,363.00	\$91.00
Bachelor of Science - Computing Major	Per Semester	\$2,092.00	\$2,259.00	\$167.00	\$2,176.00	\$84.00
Bachelor of Science in Engineering	Per Semester	\$2,272.00	\$2,454.00	\$182.00	\$2,363.00	\$91.00
Doctor of Veterinary Medicine	Per Semester	\$2,272.00	\$2,454.00	\$182.00	\$2,363.00	\$91.00
Part-Time	Per 0.5 Credit	\$418.00	\$437.00	\$19.00	\$435.00	\$17.00
Auditing of Courses	Per 0.5 Credit	\$260.00	\$270.00	\$10.00	\$270.00	\$10.00
B. Graduate Tuition Fees						
Full-Time	Per Semester	\$1,720.00	\$1,797.00	\$77.00	\$1,789.00	\$69.00
Part-Time	Per Semester	\$1,152.00	\$1,198.00	\$46.00	\$1,193.00	\$41.00
Special Non-Degree	Per Course	\$861.00	\$899.00	\$38.00	\$895.00	\$34.00

CO-OPERATIVE EDUCATION			2006/07 Entering Students		2006/07 Continuing Students	
	2005/06 Approved Fee	2005/06 Approved Fee	Recommended Fee	Change 2005/06 to 2006/07	Recommended Fee	Change 2005/06 to 2006/07
Academic or Work Term	Fee Basis	Fee	Fee	to 2006/07	Fee	to 2006/07
Academic or Work Term	Per Semester	\$200.00	\$200.00	\$0.00	\$200.00	\$0.00

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Schedule of Proposed Tuition Fees

Schedule A-2

VISA (INTERNATIONAL) STUDENTS			2006/07 Entering Students		2006/07 Continuing Students	
	Fee Basis	2005/06 Approved Fee	Recommended Fee	Change 2005/06 to 2006/07	Recommended Fee	Change 2005/06 to 2006/07
A. Undergraduate Tuition Fees (Note 1)						
Full-Time - Regular Programs	Per Semester	\$4,865.00	\$6,865.00	\$2,000.00	\$4,865.00	\$0.00
Full-Time - Professional Programs						
Bachelor of Arts - Computing Major	Per Semester	\$4,865.00	\$7,365.00	\$2,500.00	\$4,865.00	\$0.00
Bachelor of Commerce	Per Semester	\$4,865.00	\$7,365.00	\$2,500.00	\$4,865.00	\$0.00
Bachelor of Computing	Per Semester	\$4,865.00	\$7,365.00	\$2,500.00	\$4,865.00	\$0.00
Bachelor of Landscape Architecture	Per Semester	\$6,994.00	\$9,494.00	\$2,500.00	\$6,994.00	\$0.00
Bachelor of Science - Computing Major	Per Semester	\$4,865.00	\$7,365.00	\$2,500.00	\$4,865.00	\$0.00
Bachelor of Science (Engineering)	Per Semester	\$6,994.00	\$9,494.00	\$2,500.00	\$6,994.00	\$0.00
Doctor of Veterinary Medicine	(Note 2) Per Semester	\$22,551.50	\$23,702.00	\$1,150.50	See note 2	
Part-Time - Regular Programs	Per Course	\$974.50	\$1,373.00	\$398.50	\$974.50	\$0.00
Part-Time - Professional Programs						
Bachelor of Arts - Computing Major	Per Course	\$974.50	\$1,473.00	\$498.50	\$974.50	\$0.00
Bachelor of Commerce	Per Course	\$974.50	\$1,473.00	\$498.50	\$974.50	\$0.00
Bachelor of Computing	Per Course	\$974.50	\$1,473.00	\$498.50	\$974.50	\$0.00
Bachelor of Landscape Architecture	Per Course	\$1,399.00	\$1,899.00	\$500.00	\$1,399.00	\$0.00
Bachelor of Science - Computing Major	Per Course	\$974.50	\$1,473.00	\$498.50	\$974.50	\$0.00
Bachelor of Science (Engineering)	Per Course	\$1,399.00	\$1,899.00	\$500.00	\$1,399.00	\$0.00
Doctor of Veterinary Medicine	(Note 2) Per Course	\$4,510.30	\$4,740.00	\$229.70	See note 2	
B. Graduate Tuition Fees (Note 3)						
Full-Time	Per Semester	\$2,825.00	\$4,158.00	\$1,333.00	\$2,825.00	\$0.00
Part-Time	Per Semester	\$1,883.00	\$2,772.00	\$889.00	\$1,883.00	\$0.00
Special Non-Degree	Per Course	\$1,412.00	\$2,079.00	\$667.00	\$1,412.00	\$0.00

Note 1: Fee guaranteed for 'length of program' as defined for Undergraduate students: Regular - 9 semesters.

Note 2: DVM Fees are fixed at entrance for entire program.

Note 3: Fee guaranteed for 'length of program' as defined for Graduate students: Magisteriate - 7 semesters; Doctoral - 10 semesters.

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Schedule of Proposed Tuition Fees

Schedule A-3

FULL COST RECOVERY PROGRAMS			2007/08 <small>(Note 4)</small>	
			Entering Students	
<u>Fee Basis</u>	2006/07 Approved Fee		Recommended Fee	Change 2006/07 to 2007/08
A. <u>CANADIAN AND PERMANENT RESIDENT STATUS STUDENTS</u>				
MBA - Residential	Per Program	\$25,000.00	\$25,000.00	\$0.00
- Distance	Per Program	\$38,500.00	\$38,500.00	\$0.00
MA - Leadership	Per Program	\$26,300.00	\$26,300.00	\$0.00
B. <u>VISA (INTERNATIONAL) STUDENTS</u>				
MBA - Residential	Per Program	\$28,000.00	\$28,000.00	\$0.00
- Distance	Per Program	\$42,550.00	\$42,550.00	\$0.00
MA - Leadership	Per Program	\$28,930.00	\$28,930.00	\$0.00

Note 4: Executive program fees for 2007/2008 will remain the same as those charged in 2006/2007. Because recruitment for the programs start one year prior to the actual intake, fees must be approved one year in advance. This schedule proposes fees for the 2007/2008 entering students. The fee is for the entire program and is fixed at the year of entrance.

University of Guelph
2006/2007 Preliminary MTCU Operating Budget
Schedule of Proposed Non-tuition Compulsory Student Fees

Schedule B

In accordance with MTCU regulations, non-tuition related compulsory student fees can only be introduced/changed under a protocol established and agreed to with student representatives. The University and student representatives have signed such an agreement which covers the fees shown below. The published cost of living for Ontario on a month-to-month average for 2005 is 2.2%.

	Year of Last Increase	2005/06 Approved Fees	2006/07 Recommended Fees	% Increase
<u>Athletic Fee</u>				
Full-Time (Undergrad & Graduate)	2005	77.33	79.03	2.2%
Part-Time (Undergraduate only)	2005	35.49	36.27	2.2%
<u>Capital Account: Athletic Building Fee (Note 1)</u>				
Full-Time (Undergrad & Graduate)	2005	32.00	33.00	3.1%
Part-Time (Undergraduate only)	2005	16.00	16.50	3.1%
<u>Student Health Services Fee</u>				
Full-Time (Undergrad & Graduate)	2005	22.08	22.57	2.2%
Part-Time (Undergraduate only)	2005	9.68	9.89	2.2%
<u>Student Support Services Fee</u>				
Undergraduates:				
Full-Time (per semester)	2005	42.76	43.70	2.2%
Part-Time (per 0.5 credit)	2005	8.55	8.74	2.2%
Graduates:				
Full-Time (per semester)	2005	42.76	43.70	2.2%
Part-Time (per 0.5 credit)	2005	12.83	13.11	2.2%
<u>University Centre Fee (Undergraduate and Graduate)</u>				
Per Semester (to a maximum of twice a year)	2005	11.75	12.01	2.2%
Part-Time - per 0.5 credit	2005	2.34	2.39	2.1%
<u>Graduation Fee (Convocation)</u>				
	1991	30.00	30.00	0.0%

Note 1: Increased in accordance with previously approved referendum question of \$1.00 and \$0.50 increase per year for full-time and part-time students respectively until 2010.