University of Guelph

2008/2009 Preliminary MTCU
(Ministry of Training, Colleges and Universities) Operating Budget

For the fiscal year May 1, 2008 to April 30, 2009

For presentation to the Board of Governors

June 5, 2008

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A. Budget Context:

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. Cost increases (excluding capital and deferred maintenance costs) for the university sector in Ontario are on average about 4-6% per year reflecting the specialized and competitive nature of many expenses in delivering graduate and undergraduate programs and research. Coupled with these cost increases is the level of provincial funding which for many years has failed to recognize necessary general cost increases in the transfers made to universities. This has created increasing pressures on existing budgets to maintain the quality of programs and still meet balanced budget objectives.

For the 2008/2009 budget process, the University was presented with several events and conditions reflecting an environment of a continuing decline in real funding and increasing costs in key operating and capital infrastructure components of our budget. Some of these are:

1. The continued erosion of base provincial support as a result of the lack of any provision for general cost increases and as important, the destabilization of provincial grants through the conversion of base funding to more targeted annual funding. Further, complicating financial planning, are provincial government funding announcements which occur over the course of a fiscal year reflecting major changes from past provincial practices both in terms of the size and the type (base versus one-time) of grant funding levels (refer to section A.3 on provincial grants).

2. The need to remain competitive in our compensation of our faculty and staff in an environment where demand for post-secondary education in many jurisdictions has made recruitment and retention a major challenge.

3. The cost increases of the University’s share of employee and retiree benefits, especially extended health and dental programs where cost increases, especially for drugs, continue to far exceed normal inflation.

4. The legislation governing the funding of the University’s defined benefits pension plans has forced contributions to the plans of $87 million over the last two fiscal years (over 2.5 times our normal costs). This has created a major cash-flow deficit of $45 million in the MTCU Operating Budget which will require the University to finance (borrow) and ultimately repay this deficit over future years. A future financial exposure exists in 2010 when the University will be required, under existing pension legislation, to recalculate our funding position with a potential for further significant contributions.

5. The annual costs of replacement of critical physical plant infrastructure is now estimated at $15-$20M million per year for which the predictable provincial funding has for many years been $1.6 million forcing the University to borrow and incur debt servicing costs from the Operating Budget. While the province in 2008 contributed $20 million for these types of expenses allowing us to suspend borrowing for 2008/2009 projects, this funding, at this point, is one-time only and we may be required to resume borrowing in 2009/2010.

With the levels of current provincial funding and the size of the initial budget challenge, the University will not be able to eliminate the structural deficit[1] in the 2008/2009 fiscal year. The University realizes it is imperative that we address the structural deficit in order to be able to sustain our long-term financial stability. It was hoped that some form of relief of past shortfalls in real provincial funding would be at least partially addressed in the 2008/2009 provincial budget. This was not the case. At this time we are projecting that our structural deficit will continue to grow. Accordingly we have established a four-year fiscal plan to address the structural budget problem in the context of some general revenue and expense assumptions. Targets for reducing budget allocations have been assigned to colleges/divisions. Options to meet these targets will involve a combination of cost reductions and net revenue increases including a reduction in faculty and staff complement. The general outline and fiscal targets of this plan are presented in the section "Addressing the Structural Deficit and Multi-Year Planning Targets" in section E. The detailed implementation of this plan will be developed in conjunction with the Integrated Planning process. While structural solutions are developed, a combination of one-time funds and deficit financing are proposed to ensure we maintain and deliver quality education and research programs.

When measured against its past budget objectives, the University has realized several key successes over the past years including the elimination of previous structural deficits and the repayment of one-time deficits due to restructuring costs, in accordance with Board approved plans[2]. 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 funded.

It is within this very difficult context that the 2008/2009 Preliminary MTCU Operating Budget has been prepared. It is presented as a balance between the two competing forces of fiscal balance and the need to continue to invest in our programs to maintain a high quality and competitively positioned experience for our students and to be able to advance strategic research activities in our areas of strengths.

Normally the University prepares the Preliminary MTCU Operating Budget prior to the beginning of the fiscal year (May 1). However, in 2007/2008 due to the lack of information from the province on grant funding levels, the budget was not presented for approval until June 2007. The pattern has been repeated this year. Despite this delay, there are still a number of critical assumptions made in the Preliminary MTCU Operating Budget that will not be confirmed until later in the fiscal year. These assumptions include enrolment and provincial funding (e.g., provincial funding dependent on fall enrolments is not confirmed by the province until after November). As the University receives confirmation of the financial impact of these events, they will be factored into the budget. The following sections of this presentation contain the detailed assumptions used for the 2008/2009 Preliminary MTCU Operating Budget and the key elements of our Multi-Year Plan (and targets) to eliminate our structural deficit.

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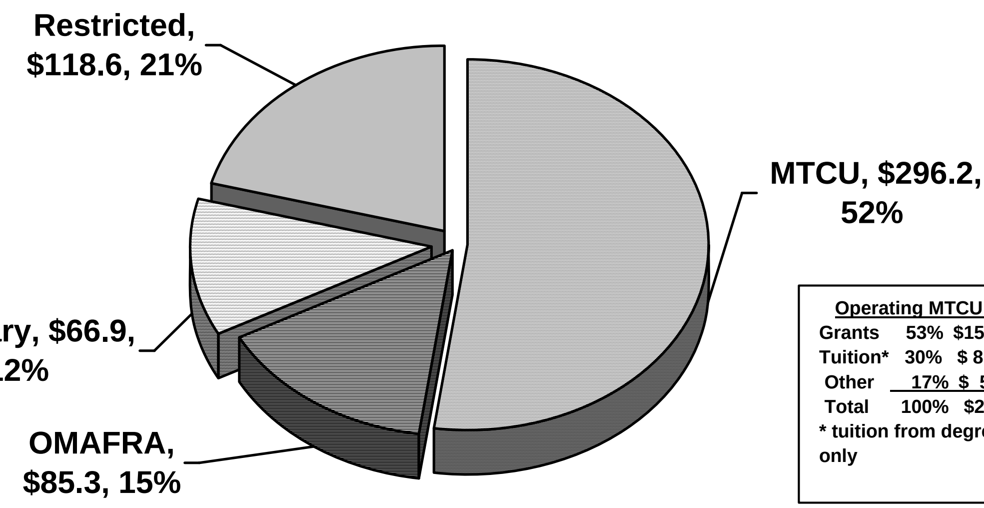
[1] Structural deficit refers to the shortfall between long-term revenue and expense budget assumptions comprising the Operating budget. Structural deficits typically arise when major components of revenue (provincial grants and tuition) are insufficient to cover major on-going expense increases such as compensation, utilities and debt servicing. In the past, this shortfall has been temporarily covered in a fiscal year with cyclical savings/revenues such as one-time grants and unspent contingency funds as well as weather-related utility savings. Structural deficits can only be eliminated through active policy/program change either by the province (e.g., grants, tuition regulation) or by the University, through program cost reductions/ net revenue increases.

[2] In recent years these have included SERP (a Special Early Retirement Program) initiated in 1996 at a one-time cost of $26 million and two restructuring programs in 2004/2005 and 2005/2006 at a combined cost of $11.8 million. Any approved deficits associated with these plans were repaid by the end of 2006/2007.

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 2006/2007, revenues from all sources totaled $567.0 million ($510.8 million 2005/2006). 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 2006/2007 University revenues by major fund:

University of Guelph
2006/2007 Total Revenues from All Major Funds: $567.0 Million
(source 2006/2007 audited financial statements)



Operating MTCU		$M
Grants	53%	$157.8
Tuition*	30%	$ 87.2
Other	17%	$ 51.2
Total	100%	$296.0

* tuition from degree credit only

* 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 a fee increase exceed the maximum allowed. In the late nineties the province moved to a framework where all tuition fees were regulated to a complex arrangement of deregulated, partially deregulated and fully regulated fees. Currently, there is no provincial support for international student enrolments allowing each university to set these fees independently (completely deregulating these fees); some programs are partially deregulated (whereby universities can choose to either raise certain fees and lose grant income or remain inside the provincial tuition framework). These programs include all graduate and specified professional undergraduate programs such as Medicine, Law, Dentistry, Veterinary Medicine, 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. In fiscal 2006/2007 the freeze was lifted and a new framework was introduced limiting increases to between 4% and 8% with an overall increase in revenue from tuition increases on provincially regulated programs, not to exceed 5% at the institutional level. (refer to table below)

Provincially Funded Program Increases	Provincial Maximum	
Full-time per semester fees	Entering	Continuing
Undergraduate – regular	4.5%	4.0%
Undergraduate - professional[3]	8.0%	4.0%
Graduate – all programs	8.0%	4.0%

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 fees may be increased annually within certain limits (e.g., CPI based). Fee changes outside of these limits may only be implemented through a student referendum. All tuition fees and compulsory non-tuition student fees are presented to the Board for approval.

NOTE: At its April 16, 2008 meeting, the University's Board of Governors approved new 2008/2009 tuition fee schedules for both regulated and deregulated programs as well as compulsory non-tuition student fees consistent with provincial rules. Fees were taken for approval in April to permit discussions with students (prior to leaving at the end of the semester). The budgetary impact of the changes in fees is recorded in section D.2 of this budget.

A.1.2 OMAFRA Agreement (Ontario Ministry of Agriculture, Food and Rural Affairs):
The University of Guelph has, since its inception, held an agreement for the delivery of specific research, services and education with OMAFRA. This contract, which is unique in the Ontario university system, in fiscal 2006/2007 earned total revenues of $85.3 million consisting of $54.9 million in OMAFRA contract payments and $30.4 million in diploma fees and revenues from the sale of goods and services. Funding received under the OMAFRA contract is restricted for OMAFRA designated activities and programs. However, it is considered part of the University's total Operating Budget as it historically has funded about 90 University faculty positions, 470 full-time University staff and operating and infrastructure costs.

[3] Professional programs include: business, veterinary medicine, computing science, engineering and landscape architecture.

On April 1, 1997 the University and OMAFRA expanded the 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) and subsequently extended for one year to allow time for a comprehensive long-term re-negotiation of the agreement. On April 1, 2008 a new ten year agreement (with funding set for the first five years) was signed between OMAFRA and the University which included a significant increase in funding and the transfer of the diploma education portfolio of the contract to MTCU.

The level of provincial funding for the first five years of the contract increased significantly to $76.1 million ($4.5 million of which will be transferred to MTCU for diploma education program support[4]). This new funding is allocated to both maintain the structural capacity of existing facilities and to fund new initiatives in innovative research and education in agri-food, environmental sustainability, and animal and human health.

Included in the total contract are funds allocated for the 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. The details these allocation as they impact the MTCU Operating Budget are presented in section D.6.

A detailed presentation on the entire OMAFRA budget is presented separately to the Board each year. (In 2008/2009 this will be at the June 5th meeting of the Board of Governors)

A.1.3 Ancillary Operations:

Ancillary operations are self-funded service operations managed by the University. Total 2006/2007 revenues of $66.5 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 Ancillary 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 2006/2007 the ancillary units were charged approximately $8.0 million for such services. Two Ancillary Services, Hospitality Services and Parking Services, also contribute 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).

2008/2009 Budgets for Ancillary Units were approved by the Board of Governors at its April 16, 2008 meeting.

A.1.4 The University of Guelph-Humber (Guelph-Humber):

In 1999 the University of Guelph entered into a joint venture with the Humber College Institute of Technology and Advanced Learning with the objective of delivering joint programs (and degrees) in certain undergraduate programs. With MTCU approval, the funding for these enrolments is based on university funding and tuition rates/regulations. The programs were to be delivered jointly at the Humber College campus at a dedicated facility funded by MTCU for this purpose. Students would graduate with both college and university degrees. The first cohort

[4] At this time discussions are continuing with MTCU on the precise nature of the transfer agreement including reporting and enrolment reporting for diploma students. It is expected that an agreement will be finalized shortly after which, the budgetary impact will be reported to the Board.

graduated in 2006. Revenues and related expenses for Guelph-Humber are accounted for and audited separately. The annual net income/expense is divided equally between the University and Humber College. By 2006/2007, Guelph-Humber had recovered all of its initial start-up costs and began returning net income to the "partners". In 2008/2009 the University's estimated share (from the previous year's audited result of Guelph-Humber) will be recognized in its annual MTCU Operating Budget.

A.2: Integrated Planning and the Budget Process:
The University starts its annual budget preparation process with a review of multi-year budget objectives. These include:

1) To continue the development of resource allocations in the context of Integrated Planning objectives and priorities including:
   - Meeting University enrolment objectives and graduate enrolment growth targets as submitted to MTCU
   - 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

To address both the challenge to respond to the need for the effective allocation of resources and the continued uncertain provincial funding environment, in 2005/2006, the University initiated a formal integrated planning process. The initial 2006/2007 Integrated Plan (available on the University's Website; www.uoguelph.ca) included the major academic units. In 2007/2008 the Plan was expanded to include the Finance and Administration division. Full implementation which will include comprehensive resource allocation planning (including physical space) will take several years. (The next steps include the development of measurements by which programs and decisions may be assessed and new resources e.g., dollars, space and people, can be allocated.)

In 2007/2008, units began setting multi-year goals to enable Deans and Directors to consider longer term implications of decisions for meeting their budget targets. 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, key priorities identified in the Integrated Plan have formed a critical component in making budget resource allocation decisions. These include the creation and allocation of the Priorities Investment Fund (PIF), establishing graduate enrolment targets and related funding support and the establishment of multi-year targets for colleges and divisions.

The 2008/2009 Integrated Plan is presented as a separate document and will be made available in conjunction with this budget.

A.3 Provincial Grants:

Provincial grants (about 50% of our MTCU Operating Budget revenue) are based on provincial funding announcements that contained general commitments both to provide "full-cost" grant funding per student[5] enrolment growth (referred to as "Accessibility" funding) and under the "Reaching Higher"[6] program of 2005, to respond to the need to improve the "quality" (as determined by the province) of existing programs. In terms of "envelopes" there are many (approximately 15-20) specific grants that constitute provincial operating grants in the University's budget. Many of these grants are targeted and many not be used for general operating purposes. Others are less restricted however are awarded based on incremental enrolment growth. Still others are allocated only for demonstrated incremental expenses (for "quality" improvements). No grant increases have been made in recent years for general cost increases. Currently, new provincial funding has flowed under two major envelopes; accessibility and quality improvements.

Enrolment Based Grants (Accessibility): 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, for either graduate or undergraduate enrolments is transferred to universities as "Accessibility" grants). 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[7] incremental growth. 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. 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 April 30th).

Total actual demand for undergraduate programs for the university system have usually exceeded Ministry estimates (and therefore funding provided in that year) 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 uncertainty in our planning as it is not known when the province will meet the full-cost grant funding promised. To date the MTCU has attempted to fund fully past enrolment growth although it may be several years before this is actually realized in the University's transfer payments.

[5] "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.

[6] In this program the province announced the commitment of $6.2 billion over six years in new investments in post-secondary education (colleges and universities and student assistance) in Ontario. 2008/2009 is the fourth year of this program in which most of the funds were targeted for incremental activities (e.g., growth in graduate students) and efforts continue with MTCU to determine institutional allocations.

[7] Enrolment in unregulated categories (e.g., international students), is not eligible for any provincial grant support.

Historically, all accessibility funding has been "base" or permanent to each institution that earned it. During 2007/2008 the province announced the undergraduate component of accessibility funding would become "one-time only" meaning that funding in any one year could be lost the next depending upon total enrolments. This creates a potential "mismatch" between revenues (one-time) and the costs incurred to teach those enrolments (historically a significant portion of which were tenure-track faculty), potentially adding to our structural deficit challenges.

In its 2005 "Reaching Higher" budget, the province announced that the "accessibility" grant funding priority would shift from undergraduate to graduate student growth. Funding was committed to universities that can achieve certain negotiated and approved growth targets for graduate enrolments. In 2005, the University of Guelph established targets for an increase of 330 FTES[8] (202 masters and 128 doctoral) graduate enrolments relative to 2004 levels. By 2007/2008 the University had exceeded it masters targets by 45 FTES (this over-target growth is currently not funded) and met all but 49 doctoral FTE's. This resulted in approximately $5 million in new funding, a large portion of which has been designated for new allocations for both department teaching expenses and student support.

On March 14, 2008 a revised graduate growth program was announced by the province under which universities will "bid" on any unused growth capacity as determined by the province (goal is to achieve a province-wide growth of 40% in graduates enrolments relative to 2003 levels). The University has submitted a proposal for an increase of 285 masters (including the unfunded growth from 2007/2008) and 66 doctoral students (including the 49 of our previous target), to be achieved by 2009/2010. As this is currently a proposal to MTCU, at this time no funding (grants or tuition) or expenses have been factored into the Preliminary MTCU Operating Budget to reflect any achievement toward these new requested targets.

"Quality Improvement " Grants: In the 2004 "Reaching Higher" budget, the province announced that a new fund (QIF - Quality Improvement 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 enrolments measured using a complex formula of program-weighted enrolments and the total funding available. Universities are required to account for these funds each year in a separate report (Multi-Year Agreement) to MTCU demonstrating spending on improvements using the provincial funds. In the 2006/2007 Preliminary Budget (May 2006) it was estimated that the University of Guelph would have received $6.1 million in 2006/2007 and that funds we received in 2005/2006 under this envelope of $4.7 million would have been rolled into our basic grant, in effect providing $11.1 million over the two years. This had been provincial practice in the past with a number of programs and seemed a reasonable assumption that related expenditures were mainly ongoing structural commitments. In late August of 2006, however, it was announced that the QIF grant of 2005/2006 was one-time. This effectively removed $4.7 million in base or structural funding from the Operating budget, significantly contributing to the growth of our structural deficit.

Furthermore, in March 2007 the province announced a major one-time allocation to all universities under "2006/2007 year end" transfers. The University's share for its on-campus programs was $12.7M. While these funds assisted in meeting an overall balanced budget in

[8] FTE or Full-Time Equivalent in the context of enrolment refers to the conversion of actual head counts (part-time, graduate and undergraduate in each semester) into common equivalents. For example a full-time undergraduate student registered for 2 semesters in a year is considered 1 FTE and a full-time graduate student registered for 1 semester is considered 1 FTE. MTCU uses FTE's as its measure of enrolment across institutions.

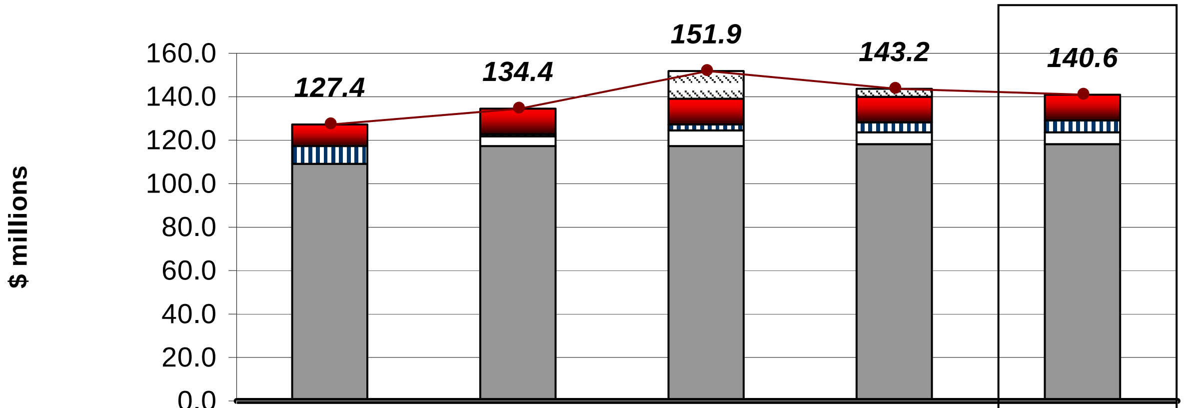
2007/2008 the underlying structural shortfall of $14.3 million remained, becoming the starting point for 2008/2009 budget planning position.

It is clear that the provincial funding environment has changed as reflected in the use of more targeted and one-time grants and the continuing absence of funding for basic cost increases. 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.

The following chart plots the progression of the changes in MTCU funding over the course of four fiscal years as well as budget assumptions for 2008/2009. The increased use of one-time allocations is clearly demonstrated in recent years.

For 2008/2009, ***at this time***, it is expected that the University will receive $140.6M in institutional operating grants (Down from $151.9M in 2006/2007 and $2.6 million from the $143.2 million in 2007/2008). As noted above, assumptions do not include any additional funding for graduate growth at this time.

MTCU Operating Grants- History and 2008/2009 Budget



	04/05 Actual	05/06 Actual	06/07 Actual	07/08 Forecast	08/09 Prelim.
One-Time	0.0	0.0	12.7	2.9	0.0
Other	9.7	12.0	11.9	12.0	11.8
Accessiblity	8.3	0.6	2.8 #	5.1 #	5.2
"Quality"	0.0	4.7	7.5	5.0	5.4
Basic	109.4	117.1	117.0	118.2	118.2
Total	127.4	134.4	151.9	143.2	140.6

 # growth in graduate enrolments

Uncertainty regarding provincial funding remains a significant challenge for the University both in terms of the predictability and nature (base or one-time, targeted or not). We continue to face delays in announcements and the recent shift in methodologies of allocation has significantly destabilized our planning processes not only for multi-year planning purposes over several years but even within any given year. As information is confirmed it will be factored into the MTCU Operating Budget during the course of the fiscal year.

A.4: Enrolment Planning:

Enrolment planning plays an important part in meeting the University's overall strategic objectives. The University has established a strategic enrolment target of 18,000 students for the main campus. This was determined to be the number of students that could be accommodated by the main campus physical infrastructure under current program delivery assumptions and residence accommodation.

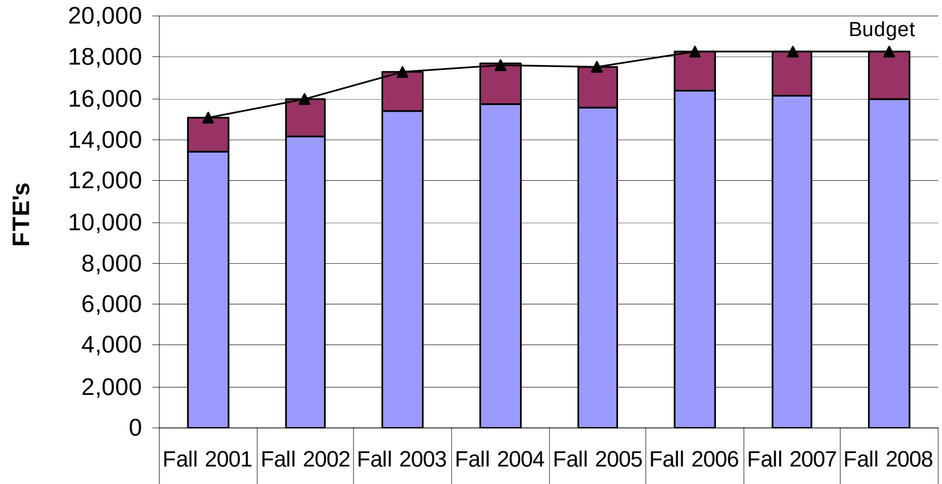
The complexity of the enrolment planning is compounded by several issues: (1) the impact of flow-through enrolment on planning which means that decisions on the current and preceding years must be integrated into longer-term plans; (2) the extended time line for faculty recruitment (on average it takes at least 8-10 months to recruit faculty); (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. Competition has increased with the recent entry of other universities offering programs very similar to our most popular majors. and (4) Shifting provincial priorities which redirects funding towards varying levels and types of education program e.g., elimination of grade 13 (the double cohort) in 2005/2006 which supported undergraduate growth and in 2006/2007 the shift to graduate enrolment growth. For 2008/2009, the University of Guelph has set intake targets[9] estimated to hold undergraduate enrolment at about 16,000 FTE's. Funding for undergraduate growth is unconfirmed at this time accordingly our objective will be to maintain current levels. Should provincial funding commitments become clearer, we will examine opportunities for undergraduate growth in areas of strategic strength and where net revenues are feasible.

For graduate enrolment, current targets have been set at levels equal to those proposed to and approved by MTCU for both masters and doctoral levels. The growth target is approximately 330 new eligible graduate FTES or 20% of our 2004 levels. In 2007/2008 the University allocated new funding specifically in support of graduate enrolments for both departmental support and for graduate student awards with the objective of encouraging the attraction of high quality students to our programs. This was necessary given the increased competition created in Ontario as a result of the provincial funding for graduate growth. The result of this funding and the attractiveness of University programs was that in fiscal 2007/2008 we had exceeded our master levels targets and met all but 49 of our doctoral target. We were one of a few universities in Ontario to realize this level of success relative to our targets.

The following chart shows total (domestic and international, eligible and ineligible) FTE student enrolments at the University. The significant increases in fall 2002 and fall 2003 are the impact of the double cohort (elimination of grade 13 in Ontario). It indicates, at this time, a relatively "steady state" in overall enrolments with a small shift to graduate growth.

[9] While the University may set undergraduate intake (semester 1) targets, actual intake may significantly vary from this target. Offers are made to students in a very competitive environment and "yield" rates (percentage of offers who actually enrol) may vary significantly from year to year. For example in 2006/2007, the University set its undergraduate intake target at 3,400 students and just over 4,200 actually enrolled. Refer to Graph A.

Full-Time Equivalent (FTE) Enrolment



	Fall 2001	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 2008
Graduate	1,668	1,783	1,890	1,958	1,949	1,946	2,201	2,348
Undergraduate	13,388	14,153	15,357	15,730	15,589	16,340	16,097	15,953
Total	15,056	15,936	17,247	17,653	17,538	18,286	18,298	18,301

Section B: Institutional Expenditure Commitments

Section B quantifies the major components of the University's institutional expenditure commitments for fiscal 2008/2009. (These commitments consist of 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 in the context of revenue estimates including the financial impact of the province's funding announcements.

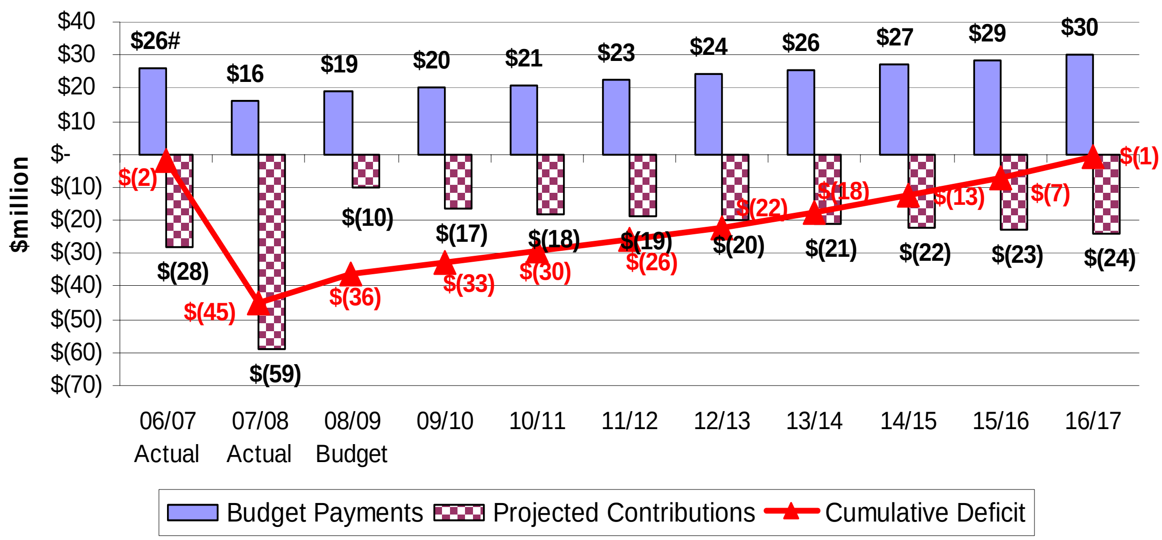
B. 1: Provision for Salaries and Benefits

A provision of $12.380 million has been made to cover 2008/2009 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. For 2008/2009, agreements have been confirmed with groups comprising 80% of the costs of all employee groups. This category of expense also includes estimates for temporary and contracted labour and all associated employer benefit costs. Estimates include a provision for the increased salary costs of all negotiated agreements 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 (refer to following note on pension contributions), 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.

Pension Contributions: Due to provincially-legislated funding requirements for all defined benefit plans in Ontario, the University of Guelph is required to make cash contributions to its pension plans (as the plan "sponsor") based on assumptions that the University might cease operations and must have funds available to meet all accumulated pension obligations at specified valuation “filing” dates (a minimum of every three years). Because these assumptions are based upon financial market conditions at the time of the valuation, results are very volatile exposing the University to major changes in cash requirements. On September 30, 2006 the University was required file a valuation using the prescribed formula and rules. The result was the requirement to contribute cash at the rate of $47 million annually to its pension plans (for at least three years to 2009). In the base budget was an annual contribution provision of $16 million. In November 2007, a further contribution of $28 million was made as part of a formal “filing” to provincial authorities based on an August 1, 2007 valuation date. The result of this tactical decision was to stabilize University contributions until August 2010 (the date of our next required measurement and filing)

Rather than fund the increase in contributions (above the base budget provision) immediately from the 2007/2008 MTCU Operating Budget, the University is planning to borrow (repayment from the Operating Budget will be required in the future) the difference. The 2008/2009 impact at this time is limited to a reduction in investment income of $0.700 million as normal operating cash-flows from all non-endowment funds are used to finance this requirement. The following chart presents the current financial position of pension contributions and the projection of repayment of the current deficit of $45 million from future Operating budget allocations. It is important to note that the current valuation and contribution level applies until August 1, 2010 when new measurements will be made in large part based upon the financial conditions of markets at that time. Therefore there is a continued risk of increasing contributions beyond those projected in this chart. Reporting of this deficit and repayment will be presented to the Board of Governors as part of the MTCU Operating budget at least annually.

Pension Contibutions and Deficits - Actual and Projected



 # Note: 06/07 "Budget Payments" includes carry forward funds accumulated from 05/06 of $11M when the University withheld 05/06 budgeted contributions to conserve cash.

B.2: Estimated Utilities and Other Institutional Operating Costs

This category includes provisions for major central University operating accounts such as utilities, insurance, legal expenses and funding for new space. All categories of institutional expenses, other than those noted below, are expected to be within existing base allocations.

• Funding (Base) for the increased costs of central computing and communications infrastructure. These costs consist of mainly "price" increases on external contracted services in support of central support hardware and software (e.g., the networking services, campus services including network security, university-wide licenses for administrative and academic support systems.)	$0.300M
• Central Utilities (Base): 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, participating with other universities in bulk buying where possible and on-going conservation programs. In 2008/2009 it is expected that a small increase of $0.150 million (0.75%) relative to the base budget will be required. 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. (It should be noted that utility costs are also part subject to climate/temperature variations. The budget assumes "normal" range over the course of the fiscal year.)	$0.150M
• TOTAL	$0.450M

C Incremental Investment Proposals

Section C. contains the estimated incremental budgetary impact of new investment proposals and including capital debt obligations. A total of $5.570 million in new funding has been targeted for new expenses including funds for academic planning to address some of the priorities identified in the Integrated Plan. Other provisions have been made for the operating costs of new enrolments and high priority institutional support services.

C.1 Academic and Academic Support Priorities

The 2008/2009 Budget contains a number of investments targeted for academic programs including the continuation of the Integrated Planning process. These investments are new funds[10] allocated for both the Integrated Planning initiatives and continuing academic commitments from earlier enrolment-related allocations. The following is a summary of these new funds proposed for the 2008/2009 budget.

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[10] In 2007/2008 a key operational outcome of the Integrated Planning process was the introduction of a Priorities Investment Fund (PIF) of $2.900M. The PIF was created from funds reallocated from colleges and certain academic support units (Student Services, Library, Computing and Communication Services and units reporting to the Associate Vice-President Academic.) In 2007/2008, all but $0.700 million of the $2.900M in base funding was allocated. In 2008/2009 this along with $0.250 million in one-time funds, were allocated from the P.I.F. While the P.I.F. is budget neutral as there is no net allocation from institutional funds, allocations have been made based on priorities established in the Integrated Plan. Details of the allocation of these funds are contained in the latest version of the Integrated Plan.

• In 2006 the University experienced a significant increase in undergraduate growth. Over the course of the next two fiscal years commitments were made to strengthen those colleges/programs where the major growth occurred. Most of these funds were allocated for new faculty positions. 2008/2009 allocation of $1.000 million is the last year of that program.	$1.000M
• College of Management and Economics: As part of a multi-year commitment for start-up funding for the College (which was formed in 2006), in 2008/2009 funding will be allocated to provide for faculty and teaching support salaries and expenses. These funds will assist in providing for the core resources required to deliver the growing undergraduate and graduate teaching responsibilities of the new college.	$0.300M
• Library "acquisitions": The definition of library acquisitions has evolved over recent years to shift from the acquisition of paper-based collections and periodicals to on-line based information and "e-learning" delivery of critical research and teaching information. Inflation and the demands for more accessible information have eroded the base in library information capacities. It is proposed to partially address this with the addition of $0.250 million in base funding and $0.500 million in one-time funding for a total of $0.750 million in 2008/2009.	$0.750M
Integrated Planning:	
• **Graduate Support Funds (base):** A key priority in the University's multi-year planning has been to respond to the need for additional graduate enrolments. Making this growth feasible, especially in the context of increased competition for graduate students, requires the investment in new funds to be directed to graduate students (aid or employment based income). Allocations to units are made annually based on actual confirmed eligible enrolments in accordance with a specific resource allocation guideline.	$1.400M
• **Graduate Growth Funds (base)**: In addition to graduate support (funds for students), base funds have been allocated to colleges which meet certain targets for graduate growth. Distribution of these funds by college will not be made until confirmation of enrolment is made in the fall of 2008. These funds are based on current enrolment targets and not an additional funded growth that may occur as a result of targets re-negotiated with MTCU. Allocations units are made based on actual confirmed eligible enrolments.	$0.400M
• **Undergraduate Enrolment funds (One-time):** A longer term objective of the Integrated Planning process is to continue to develop resource allocation guidelines for major revenue/resource activities. One of those activities is the delivery of undergraduate education. In the absence of a provincial commitment on base funding for undergraduate growth, at this time, only one-time funds can be allocated for this purpose.	$1.220M
• **Research Growth Funds (Base):** An additional objective of the University's Integrated Plan is the development of a resource allocations guideline that will allocate funds in support of real research growth especially in areas of strategic strength.	$0.500M
• **Sub-Total Integrated Planning:**	$3.520M
• **TOTAL**	$5.570M

C.2 Undergraduate Student Assistance:

The 2008/2009 budget contains $0.300M for increased funding of undergraduate student awards. These are mainly for entrance awards and are considered necessary based on the increased competition for quality undergraduate students.

C.3: Capital Infrastructure Debt Servicing

In May 2006, a plan[11] was presented to the Board of Governors in which the University sought approval to borrow external funds over a five-year period (2006 to 2010) for the purpose of financing specific capital maintenance expenditures. These expenditures are required to address the repair/replacement of critical capital infrastructure that can no longer be deferred. It is estimated that the University's total deferred maintenance (excluding residences) on the Guelph campus is $300M and we should be spending $15M-$20M per year to maintain our ability to operate building and utility delivery systems safely and effectively. Against this need, the province for many years, has provided only $1.6M in annually. As part of the five-year plan, the University made provision on each annual budget for debt servicing necessary in any new debt incurred that year. For example in the 2007/2008 Budget, $1.0 million in base funding was provided for debt servicing related to the unfunded costs of 2007/2008 projects approved under the plan. .In February and April 2008, the province allocated a total of $20 million in one-time funding restricted for "campus renewal". The arrival of these funds will negate the need to provide for additional debt servicing for 2008/2009 project costs. However should provincial funding at these levels not be maintained, the University may be required to borrow and provide for related debt serving costs in future budgets.

C.4 Institutional Support Costs

In 2008/2009, central support services established specific priorities in support of both the University's strategic and academic priorities. These priorities were considered critical in "enabling" the overall objectives recognized in the Integrated Plan in support of growth in both undergraduate and graduate enrolments and the ability to raise additional funding opportunities. An increase of $1.030 million has been allocated for a number of activities/initiatives.

- Funding for several technology related maintenance/enhancement activities in CCS/Campus Police related to campus safety, including upgrades to the network infrastructure that supports our campus video cameras in parking lots and buildings and the implementation of the first year of a five-year plan to provide a multi-layered emergency notification system. Year 1 will involve enhancement of our existing VOIP system to add a message notification capacity that will provide both text and voice messages on our existing handsets.Total allocation for these projects in 2008/2009 is $0.050 million in base funding and $0.245 million in one-time funding. $0.295M
- Funding in Financial Services for a budget analyst position dedicated to the implementation and operation of budgeting for research projects. Currently research projects (over 4,000 separate accounts) do not have on-line accessible budgets. It is planned to initiate this requirement over the course of the next two $0.105M

[11] The request was summarized in a document entitled "The Capital Renewal Financing – Five year plan 2006/2007 to 2010/2011" (the Plan). Under the terms of the approval for spending, the University may borrow to finance the costs of the Plan with the provision that debt servicing is to be allocated from the MTCU Operating Budget annually. The most current approved update of this Plan was presented and approved by the Board of Governors at its meeting on April 16, 2008 This Operating Budget proposal is consistent with that approved Plan.

years. Total allocation for this project is $0.070 million in base and $0.035 million n one-time funding.

• Funding (base) to implement the final phase of staffing needed to provide appropriate levels of preventive maintenance for the state-of-the-art Science Complex which is now fully operational and to cover housekeeping costs for the Large Animal Isolation Unit scheduled to open in fall 2008. Costs include staff and operating expenses (excluding utilities).	\$0.105M
• Increase (base) in funding for Alumni Affairs and Development for the personnel and operating costs related to both the implementation of a major campaign and the enhancement of annual giving.	\$0.330M
• Funding (base) for enhancement to public relations including an increase for advertising expenses. This expense is related to the continued efforts to increase the profile of the University in an increasingly competitive environment. Focus will be on promoting the unique qualities of the University of Guelph in support of our efforts in student recruitment and fund raising.	\$0.195M
• **TOTAL**	\$1.030M

D: REMAINING ASSUMPTIONS TO MEET THE BUDGET TARGET:

D.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 2008/2009 budget. The University constantly monitors these grants (implemented through MTCU) and significant updates are factored into the budget as they become known. Typically, provincial grants are base or structural as the province has normally "rolled" targeted program funding into our basic grant. As indicated in section A.3 provincial grants, in addition to not providing for general cost increases, are becoming more targeted and less stable (more one-time funding).

For the 2008/2009 Preliminary MTCU budget, it is estimated that grants will increase by <u>$1.400 million</u> over the existing base. These estimates are based on the following assumptions:

- <u>Basic Grant</u>: The Basic Grant, which represents most provincial funding, is not expected to increase other than through the reclassification of previously 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 2008/2009 for general cost increases. In the university sector, these types of cost increases range from 4-6%.

- <u>Accessibility Fund</u>: This envelope funds increased year-over-year enrolment, 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 2008/2009 budget an increase of <u>$2.300 million</u> in graduate accessibility grant funding has been estimated. This is based on the University's current graduate growth targets (refer to section A.3) for new eligible graduate students[12].

  For **undergraduate growth,** it is planned to hold overall undergraduate enrolments constant. However in 2007/2008, the University experienced a small reduction in undergraduate numbers in part due to the graduation of the double cohort "bulge". In addition in 2008, the province announced that accessibility funding for undergraduate growth (with the exception of enrolments at Guelph-Humber) will become one-time only funding. In combination with our enrolment numbers we will be removing <u>$1.5 million</u> from our base revenue assumptions. Should enrolment growth occur during the course of the year it will be built into the budget when confirmed.

- <u>Quality Improvement Fund</u>: In its 2004 provincial budget, the province announced that a new fund was to be created with the objective of improving the quality of post secondary

[12] It is not yet confirmed what the total amount of new 2008/2009 funding available will be. System-wide re-negotiations are underway with the province for new institution specific targets for 2008/2009 and 2009/2010. The outcome of these discussions (setting new targets) will be factored into the MTCU Budget only when they have been confirmed.

education in the province. Allocation of this grant to individual institutions is based upon each institution's relative share of total system enrolment (measured using program-weighted enrolments) and the total funding available. Universities are required to account for these funds each year in a separate report to MTCU demonstrating quality improvements in a number of categories related to the student learning environment. The province has indicated that $1.2 million of this funding would be rolled into our basic grant. At this time the University is estimating a small increase of $0.400 million relative to our funding in 2007/2008.

The University also receives several other smaller grants such as 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 relatively unchanged at 2007/2008 levels. The University will continue to monitor provincial funding announcements through the course of the fiscal year and adjust the budget estimates as confirmations are received. The following table summarizes the estimate of provincial operating grants for 2008/2009 compared to the 2007/2008 base.

MTCU OPERATING GRANTS (2008/2009 Preliminary Budget)

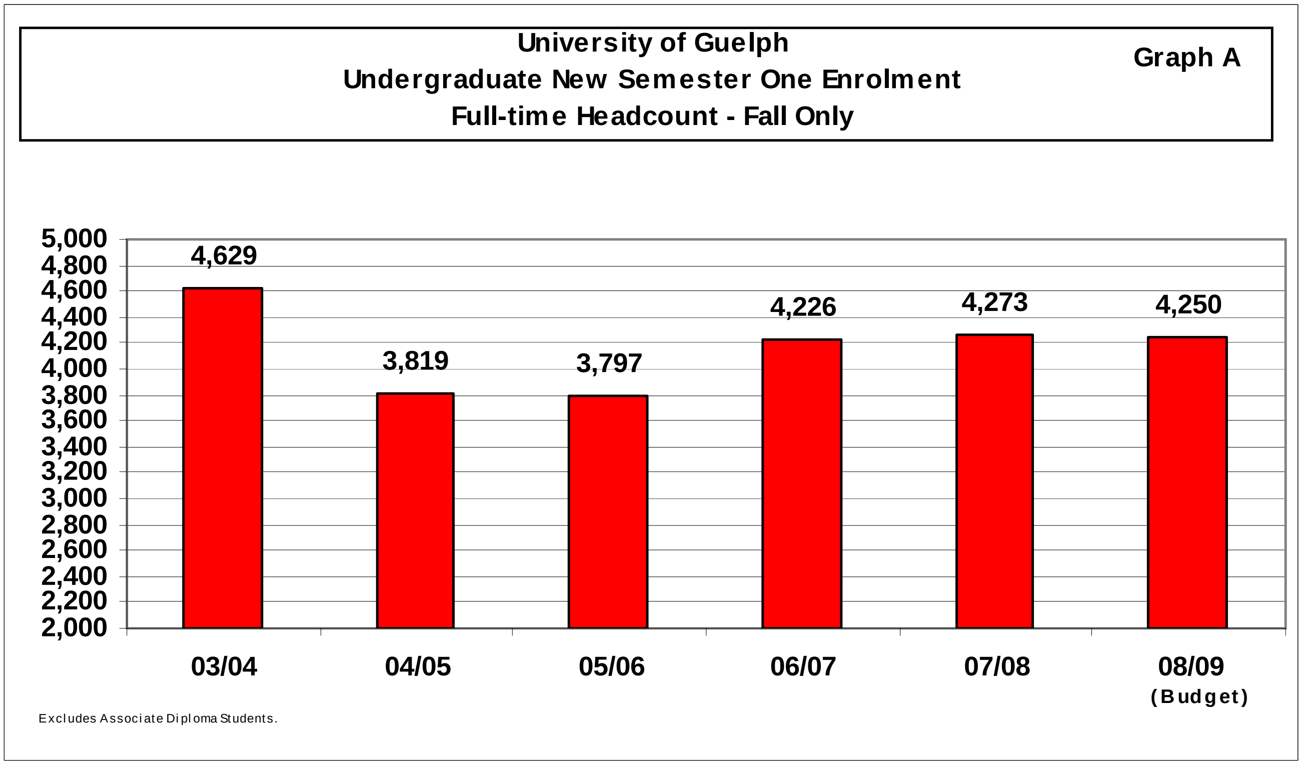
($ millions)

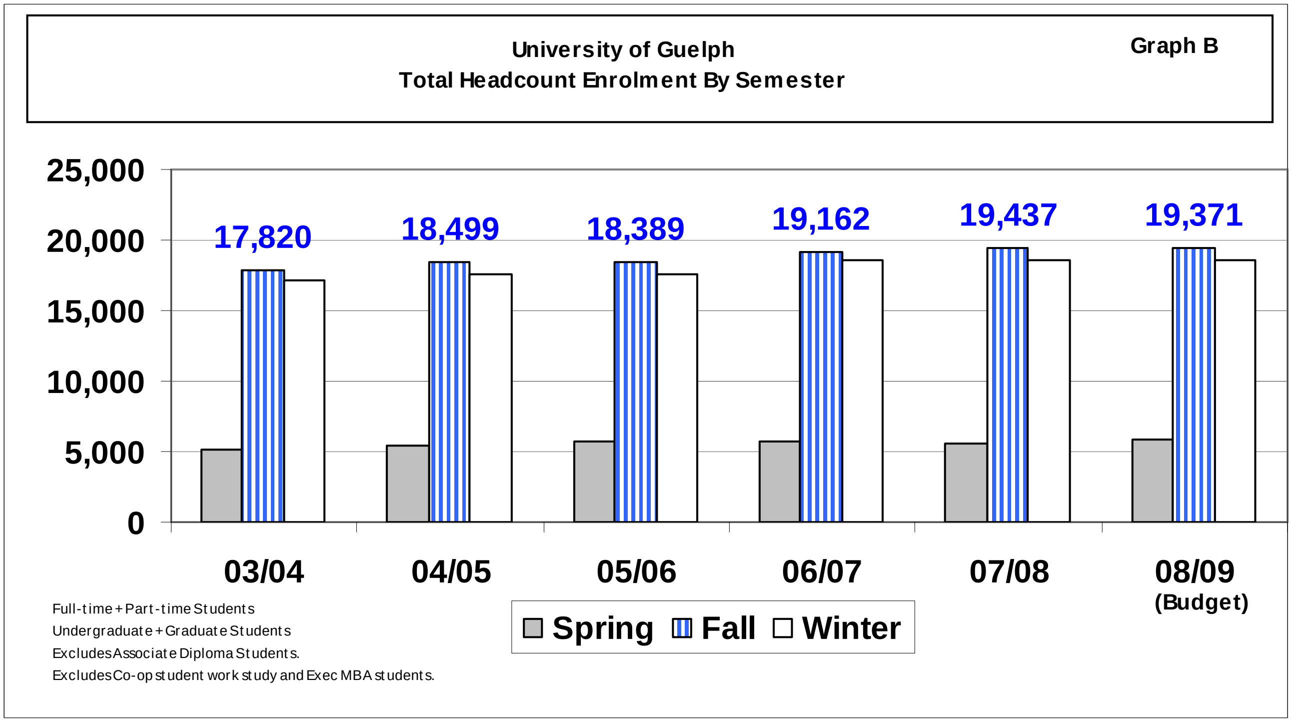
Name	***Start Year***	**Current *Base $***	***Rolled Into Base $***	**2008/2009 *Assumptions***	**2008/2009 *Base $***
Quality Assurance Fund	2004	3.9		0.1	4.0
Accessibilty- Undergraduate	2001	1.5		(1.5)	-
Accessibilty- Graduate	2001	2.9		2.3	5.2
Quality Improvement Fund	2006	6.2	(1.2)	0.4	5.4
Performance grants	2001	1.3			1.3
Tuition Compensation	2005	4.0			4.0
Restricted Operating Grants		2.4		0.1	2.5
Basic Grant	Base	117.0	1.2		118.2
TOTAL		**139.2**	**-**	**1.4**	**140.6**

D.2: Tuition and Enrolment Revenues:

Tuition Fees: At its April 16, 2008 meeting, the University's Board of Governors approved new 2008/2009 fee schedules for both regulated and deregulated programs as well as compulsory non-tuition student fees consistent with provincial rules. Tuition fee details for 2008/2009 were provided in the materials presented at that meeting.

Enrolment: Consistent with the University's longer term strategic plan the University has set its fall 2008 target for semester 1 (first year) undergraduates at 4,250. Current graduate enrolment levels assume the University will continue to grow consistent with its current MTCU agreement targets. Enrolment estimates (head counts) are presented in Graphs A and B (below). The graphs also show the historical head counts and the impact of the changes due to earlier enrolment plans. All proposed tuition increases and the net impact of enrolment (graduate and undergraduate) combined are expected to generate $3.615 million in additional revenues.


University of Guelph
Undergraduate New Semester One Enrolment
Full-time Headcount - Fall Only
Graph A
5,000
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
4,629
3,819
3,797
4,226
4,273
4,250
03/04
04/05
05/06
06/07
07/08
08/09
(Budget)
Excludes Associate Diploma Students.


University of Guelph
Total Headcount Enrolment By Semester
Graph B
25,000
20,000
15,000
10,000
5,000
0
17,820
18,499
18,389
19,162
19,437
19,371
03/04
04/05
05/06
06/07
07/08
08/09
(Budget)
Full-time + Part-time Students
Undergraduate + Graduate Students
Excludes Associate Diploma Students.
Excludes Co-op student work study and Exec MBA students.
Spring
Fall
Winter

D.3: Cost Recoveries from Ancillaries:

A 4.0% increase in the general cost recovery charges to Ancillaries will be made in 2008/2009 to help offset increases in centrally provided services. These increases were factored into approved 2008/2009 budgets of each ancillary unit. The combined increase in cost-recoveries from Ancillaries is $0.265 million.

D.4: Guelph-Humber - Revenue Sharing:

In 2007/2008 it is expected that the University of Guelph-Humber will begin to generate funds with sufficient stability to recognize the University's share (50% of Guelph-Humber's annual net income) in the MTCU Budget. In the 2008/2009 budget two elements of this share will be recognized. First a one-time allocation of $2.000 million based on Guelph-Humber's 2007/2008 results and a second base allocation of $1.000 million in recognition of 2008/2009 and future results.

D.5: Investment Income:

As part of normal day-to-day operations, the University invests any temporary positive cash flow (from all non-endowment funds including grant, tuition, research and ancillaries) in high quality short term investments. Income from these investments has formed part of the institutional revenue base in the MTCU Operating Budget for many years (it has been about $2.3M per year). A number of factors will reduce the expected return on these funds in 2008/2009. First short-term investment returns have dropped significantly due to general market conditions including the economic slow down and credit quality issues. Secondly, overall positive cash flows will be reduced in order to finance both mandatory pension contributions and projected operating deficits as part of the multi-year plan to address the structural deficit (refer to section E). Investment income is expected to decline by $0.700 million in fiscal 2008/2009. As these deficits are repaid, this income will return to more historical levels.

D.6: OMAFRA Contract – Cost Recoveries:

Historically, within the OMAFRA contract, funding has been provided in support of the costs incurred in the MTCU Operating Budget for contract-related infrastructure (e.g., physical space, library and administrative support) and certain research and VCEP (Veterinary Clinical Education Program) faculty positions. For many years these contributions have been fixed (at about $14.4 million per year). As part of the re-negotiated contract, a significant increase of $8.000 million to these components was made by OMAFRA. Included in the new allocations is $3.700 million in infrastructure support replacing funds previously provided by Ministry of Research and Innovation (MRI) (refer to section C.7). In total the University will receive $22.4 million, $11.2 million of which will be for infrastructure costs most of which is for research program indirect costs, with the balance in support of current contract-related faculty activity). While these funds provide budget relief they are accountable to the OMAFRA.

D.7 Research Indirect Cost Recoveries:

Where possible the University has attempted to recover the indirect costs (e.g., physical space, library and administrative support) of research projects from the sponsoring companies, agencies, governments. The general consensus is that the indirect costs of research are 40% of direct costs. Under the OMAFRA contract these are recognized, and significant contributions are made by OMAFRA to support these costs. More recently the federal government has provided funds for tri-council related research under its Federal Indirect Cost Program (FICP). Currently the FICP covers approximately 25% of the costs of related research and has flowed in a predicable and consistent manner since it formal creation in 2002. In 2000/2001 the province of Ontario also began to recognize these costs in the context of their research activities initially under the Research Performance Fund (RPF). RPF support has been less stable and has shifted between ministries over several years. For example, the University was informed that in 2008/2009 $3.700 million in RPF funding (based on OMAFRA research) would end. Fortunately, OMAFRA allocated replacement funding (refer to C.7).

Combined, these two funds have provided $9.0 million in base support of infrastructure costs (in addition to OMAFRA support) related to research at the University of Guelph. Funds are allocated based on the level of direct research dollars awarded and the funds are restricted for use in support of eligible infrastructure costs. In 2008/2009 it is expected that the University, while losing the RPF funding related to the OMAFRA contract (effectively replaced by OMAFRA), will continue to receive additional funding related to research growth in both federal and provincial programs. The net impact in this category is an estimated reduction of $3.100 million ($0.600 million in new funds netted against a $3.700 million loss in RPF funds).

(Note: Forecasting research indirect costs is difficult given the variable nature of research and related cash flows. As these recoveries are realized and new information is available budgets will be adjusted.)

D.8: Unit Contributions to Cost Increases:

As part of the University's multi-year planning process, for the past two years colleges/division managers have been required to contribute base funds annually toward funding the institutional cost increases of salaries and benefits[13]. This contribution was referred to as the CPCI (Contribution to Personnel Cost Increases). In the initial planning for 2008/2009 this contribution was set at 2% (the same as 2006/2007). However in light of the provincial budget (March 24, 2008) in which no significant funding was identified for either past or future operating cost increases in the university sector, the University has initiated a multi-year plan (refer to section E.) to eliminate the current structural deficit and to provide funds for repayment of one-time deficits created while reaching that objective. In 2008/2009 the target contribution is set at 2.5% of units' personnel cost bases.

Departments may use a variety of options to identify these funds including the identification of new revenues and cost savings. At this time, units are preparing detailed plans on how to realize their budget targets, including detailed allocations required to meet the 2.5% contribution target. As these plans are completed, reviewed and approved they will be incorporated in detail into unit budgets. Overall $5.450 million in base savings will be realized from these actions.

[13] Central funds have been identified to provide funds to units to cover the cost of most salary and benefit increases in 2008/2009. These costs are estimated to be about $12.380 million (refer to section B.1). As cost increases occur in units, funds will be transferred from central funds into unit budgets. Units will contribute 2.5% of their personnel base budgets, about one third of the total salary and benefit cost increase.

E. Addressing the Structural Deficit and the Multi-Year Planning Targets

E.1 Introduction:

The University is acutely aware that we need to eliminate our structural deficit. In doing so it is important to realize that any plans (and targets) need to be placed in context of several key considerations:

1. Feasibility: The size of the 2008/2009 structural deficit, now budgeted at $16.1 million equates to about 8% of our current personnel cost base. This is after having removed $5.45 million from the base in 2008/2009. To eliminate the $16.1 million in one year would not be feasible given the major components of our costs and the need to continue to deliver high quality programs at our current levels.
2. The nature and structure of our expenses: Over 70% of our Operating budget expenses is salary and benefits. Any major budget reductions will require a reduction in our faculty and staff complement. While necessary, it will be a very difficult process. We will, as has been our past practice, create programs to encourage the voluntary resignation or retirement of as many individuals as possible to minimize the need for involuntary terminations or lay offs.
3. The unpredictable nature of our principal funding at this time make multi-year planning, at best, a speculative task with many risks. Therefore we need to be as strategic and flexible as possible in determining the budget adjustments necessary to achieve financial goals.
4. In 2006 we initiated an Integrated Planning process that identified key strategic priorities that the University set for itself. Resource allocation methodologies are being developed that will transform the traditional long-term planning and budgeting processes and practices that have been used at the University for many years. While not fully implemented we need to remain committed to Integrated Planning principles and the long term goals we have set for the University.

E.2 Integrated Planning and the Structural Deficit:

Integrated Planning (IP) will be the decision-making framework within which we make the choices about how to eliminate the structural deficit. IP gives us priorities, a rationale for the allocation of resources, and a means of assessing performance. The structural deficit needs to be eliminated, but we need to address it strategically, in a way that balances the fiscal goal with our ability to fulfill the mission we and the province have set for ourselves. Integrated planning gives us a way to ensure that the choices we make remain focused on our thematic priorities: food, health, the environment, and communities. Ultimately there are three ways to bring costs and revenues into line: cost reductions through contraction of effort, revenue enhancement through growth targeted to avoid additional costs, and productivity improvements and reallocation of resources to “do more with less.” While tempting, it is unrealistic to believe that we can grow our way out of difficulty without having to make cost reductions. Growth should be a part of our strategy, but it will only be one component.

Contraction is simply an acknowledgement that we are trying to do too much, or paying the cost of too much flexibility. Undersubscribed courses and programs, duplicate offerings and services, and over-complex curriculum options all undermine economies of scale, and may need to be eliminated. Continuing to support graduate students beyond their eligibility[14] period for provincial grants, ties up resources that could be used more efficiently elsewhere.

Meanwhile, carefully targeted growth in areas where institutional strengths align with unused capacity or increasing demand can yield net revenue increases. The government's funding envelope will govern where and to what extent domestic growth can be revenue-positive, we will need clear commitments to support such growth if we are to avoid significant risks. But in areas like engineering, computing, and veterinary medicine, international demand is outpacing supply, and focused international recruitment efforts would allow us to serve some of that demand without dependence on the tentativeness of Queen's Park. Targeting growth more efficiently in terms of both space and departmental capacity across the campus is also a possibility. Increasing the time during which our base resources are used to generate net revenues helps pay for fixed costs. For example short-term, intensive courses held in the summer could make use of facilities otherwise idle.

It is through enhancing productivity that we hope to make the most gains. We need to increase our energy efficiency, to serve growing needs more effectively and to reduce our overall footprint. We need to make more effective use of our physical space—a critical limiting factor for potential growth. Administrative streamlining and reduction of duplicated services will be examined carefully and carried out where it results in net savings.

Another form of restructuring that can help address the deficit is the creation of new research institutes in areas of special expertise and strength, such as the environment, food, biodiversity, bio-economy, and sustainability. The objective of these institutes is to become self-supporting through grants and external funding, and faculty seconded to them would no longer draw from the MTCU budget while assigned to an institute. This would essentially allow us to support the same faculty complement with less direct expenditure. A similar notion of teaching institutes could also be set up, perhaps at Guelph-Humber, to attract and focus the efforts of scholars with special interest in pedagogy.

The fact is that the University’s spending is dominated by personnel costs, and within the teaching function, the major component of that cost structure is controlled by the hours of faculty effort versus overall student learning. If we do not change that ratio, we will be continually challenged by escalating costs. Ultimately, this means changing the way we teach: reducing the number of contact hours associated with each course, and emphasizing alternative modes of instruction. Instead of ‘delivering’ material to students, instructors should be exposing them to the topic, and enabling and enhancing their learner-centred, self-motivated, active explorations. We need to rebalance resources between core courses and the proliferation of electives and additional offerings that in some cases dilute our efforts and focus.

These kinds of changes will not be easy, but they represent necessary adaptation to changes and pressures that have been building for some time. Compare the situation in the research realm, where a number of important shifts, especially advances in information technology, have greatly enhanced the productivity of individual researchers over the last several decades. We need to apply the same logic to teaching, so that we can not only protect the quality of a Guelph education from fiscal erosion, but also continue to enhance and extend our leadership in the learning environment.

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[14] Provincial funding is not provided for domestic (non-international) graduate students past certain time periods of enrolment. On average these are 6 semesters for masters students and 9 semesters for doctoral students. International graduate students receive no provincial grant support.

E.3 Financial Projections

In setting multi-year targets to eliminate the structural deficit it is necessary first to prepare multi-year financial assumptions that project the overall position the University is most likely to be facing. The sole purpose of these projections is to establish a baseline against which we set the targets necessary to eliminate the structural deficit. Assumptions for this purpose need not be complex. Given the relatively few major components of our budget (grants and tuition and salaries and benefits) the task is focussed on estimating and bringing into balance those components over a set time period. The University has prepared a projection for the next four years (2008/2009 to 2011/2012) using both information we know and assumptions we have made regarding broad revenue and expense components of our budget. The result is a four-year plan of structural costs and revenues including the elimination of our structural deficit.

On the cost side, we have negotiated agreements with employee groups covering a large portion of our personnel costs. We also have a multi-year deferred maintenance plan and reasonably predictable pension contributions until 2010. Clearly the greatest challenge in these projections is to select revenue assumptions for both provincial funding and tuition. It is assumed that the province will need to respond to at least a portion of Ontario universities operating expense increases. We therefore have built in an assumption that grant increases (unrestricted) will increase at the rate of 3.5% to 4.0% starting in 2009/2010. In addition we have assumed a basic combined increase in enrolment and tuition revenues of 4% over the period.

Another important assumption made is that because we cannot address the structural deficit in one year and we need to incur one-time restructuring costs (buy-out programs), we will incur a series of one-time deficits over the course of the plan. In order to repay that deficit, any targets must include a provision for the repayment for the one-time deficit.

The result of this projection, at this time, indicates that we will need to remove $36.2 million from our personnel cost base and/or find equivalent net revenues (in addition to what we have assumed in the projection). Distribution of these targets over the four years is presented in the table below.

Fiscal Year	***% of 2008/2009 Personnel Cost Base***	***Target Net Savings/Net Revenues***
2008/2009	2.50%	$ 5.5M
2009/2010	5.00%	11.2M
2010/2011	5.00%	$11.2M
2011/2012	4.00%	$ 8.3M
TOTAL	**16.50%**	**$36.2M**

A summary of the results of the projection is shown below. It indicates that we will have accumulated a one-time deficit of up to $41.7 million at the end of the four year period for which we will have $6 million allocated each year for the repayment of that deficit[15] over a 7 year period.

[15] This is in addition to the pension financing plan we have developed refer to section B.1

FIVE YEAR MTCU BUDGET SUMMARY
Elimination of the Structural Deficit

(million's)

	07/08	08/09	09/10	10/11	11/12
BASE ASSUMPTIONS:					
Revenues & Recoveries	313.3	322.4	331.3	341.2	352.6
Expenses	327.6	344.0	351.8	354.7	354.9
Less: BASE Targets ($36.2M)		**(5.5)**	**(11.2)**	**(11.2)**	**(8.3)**
Add: Repayment			2.0	4.0	6.0
Total Net Expenses	327.6	338.5	342.6	347.5	352.6
Structural Deficit	**(14.3)**	**(16.1)**	**(11.3)**	**(6.3)**	**-**
ACCUMULATED DEFICIT (One-Time)					
Unfunded Base Budget Deficit		(16.1)	(11.3)	(6.3)	-
One-time (Costs) Savings/Revenues	14.3	(20.0)	-	-	-
Less: Repayment	-	-	2.0	4.0	6.0
Annual Surplus / (Deficit)	-	(36.1)	(9.3)	(2.3)	6.0
Opening Deficit	-	-	(36.1)	(45.4)	(47.7)
Total Accumulated One-Time Deficit	**-**	**(36.1)**	**(45.4)**	**(47.7)**	**(41.7)**

In the plan, there is a provision for net one-time restructuring costs of $20 million in 2008/2009. These costs are allocated mainly for buy-out costs to assist units in meeting their targets. (Actual expenses may exceed $20 million however, if necessary, we will apply one-time savings e.g., year-end or other one time adjustments to limit the impact on the deficit to this amount.)

It is important to note that the above projection is, at this time, the maximum deficit that we are requesting authorization to incur. Should opportunities arise over the course of the plan to reduce this deficit we will do so. These may occur from one-time savings (e.g., uncommitted year end funds) or revenues (e.g., provincial grants).

E.4 Setting Unit Targets:

Having established broad institution targets, the next step in the multi-year planning process was to assign targets to units. A key consideration in setting these targets was the reality that the bulk of resources, including the more recent addition of new resources, exist within the seven major colleges. Accordingly a greater proportion of the necessary target reductions have been assigned to those colleges. The result was a clear differentiation (not “across the board”) to operational units of the institutional target.

Key elements of IP have been used as guide posts in setting multi-year financial unit targets. These include basic undergraduate and graduate (eligible) teaching performance measures and resource allocation processes that have been developed for IP purposes. While these measures have not been applied with mathematical precision, they were a critical component in the assignment of unit targets. The most important measures were MTCU-funded teaching “productivity measures” such as undergraduate course enrolment levels, resource levels and eligible graduate student numbers.

The table (page 27) is the current distribution of the targeted reductions. Units have the ability to develop plans that include three key options:

1. Productivity: (make do with less) ………with *net savings*
2. Contraction: cut (get smaller) …………..with *net savings*
3. Growth: expand (get bigger)…………….with *net revenue*

In the table, the final two years of the plan (2010/2011 and 2011/2012) are highlighted indicating that, while at this point overall unit targets are firm, time will be needed to develop detailed implementation plans especially for those later years. As these unit plans are developed, they will be reviewed as part of annual budget process, in the context of both new information and overall University fiscal requirements. Most units have already identified and initiated specific actions to meet targets for the first two years of the plan.

Under “Campus Utilities”, the University has set a target of reducing the utilities budget by approximately 5% over the four years through energy usage/price savings. This will be achieved through a combination of conservation and rates by exploring bulk purchase or other joint programs with energy providers or large users.

TABLE OF MULTI-YEAR TARGETS: BY UNIT

IN $ THOUSANDS

College/Division	Total Personnel MTCU Base	Total Allocated Target	% OF Personnel	08/09	09/10	10/11	11/12
		<====Over 4 years====>					
COLLEGE OF ARTS	19,778	(3,500)	-17.7%	(515)	(1,108)	(1,088)	(789)
COLLEGE OF BIOLOGICAL SCIENCE	18,040	(3,500)	-19.4%	(481)	(1,121)	(1,100)	(798)
COLL.OF SOC.& APP. HUMAN SCIENCE	20,546	(1,750)	-8.5%	(473)	(474)	(465)	(338)
COLLEGE OF MANAGEMENT & ECONOMICS	12,129	(750)	-6.2%	(245)	(188)	(184)	(134)
ONTARIO AGRICULTURAL COLLEGE	23,397	(9,500)	-40.6%	(830)	(3,218)	(3,159)	(2,292)
ONTARIO VETERINARY COLLEGE	29,067	(2,500)	-8.6%	(627)	(695)	(683)	(495)
COLL OF PHYSICAL & ENGINEERING	21,759	(4,600)	-21.1%	(590)	(1,488)	(1,461)	(1,060)
TEACHING UNITS	144,716	(26,100)	-18.0%	(3,761)	(8,292)	(8,140)	(5,907)
CIO - LIB/CCS	16,095	(1,600)	-9.9%	(338)	(468)	(460)	(334)
ASSOCIATE V/P ACADEMIC	4,828	(750)	-15.5%	(113)	(237)	(232)	(168)
REGISTRAR	5,432	(550)	-10.1%	(129)	(156)	(153)	(111)
STUDENT SERVICES	10,676	(1,500)	-14.1%	(225)	(473)	(465)	(337)
OFFICE OF RESEARCH	5,489	(600)	-10.9%	(113)	(181)	(178)	(129)
PHYSICAL RESOURCES OPS	20,526	(2,250)	-11.0%	(427)	(677)	(664)	(482)
CENTRAL ADMIN OFFICES	14,345	(1,600)	-11.2%	(345)	(466)	(457)	(332)
TOTAL UNITS	222,106	(34,950)	-15.7%	(5,450)	(10,950)	(10,750)	(7,800)
CAMPUS UTILITIES	0	(1,200)					
TOTAL UNITS PLUS UTILITIES	222,106	(36,150)					

F: Summary of 2008/2009 MTCU Preliminary Budget Assumptions and Objectives:

The following table summarizes the results of assumptions and **incremental** changes included in the University's 2008/2009 MTCU Operating budget. *(Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings.)*

	Institutional Budget Surplus/Deficit	**One Time**	**Base**	**Total**
	Opening Position (Base Deficit)		**(14.300)**	**(14.300)**
	Expenses and Commitments			
B.1	Provision for Salaries and Benefits		(12.380)	(12.380)
B.2	Utilities and IT Infrastructure		(0.450)	(0.450)
C.1.	Academic and Academic Support Priorities	(1.720)	(3.850)	
C.2	Undergraduate Student Aid		(0.300)	(0.300)
C.4	Institutional Support Costs	(0.280)	(0.750)	(1.030)
D.8	Unit Budget Contribution (to personnel costs)		5.450	5.450
	Sub-total: Expenses and Commitments	**(2.000)**	**(12.280)**	**(14.280)**

	Revenues and /Recoveries	**One Time**	**Base**	**Total**
D.1	Provincial Grants		1.400	1.400
D.2	Enrolment/Tuition		3.615	3.615
D.3	Recoveries from Ancillaries		0.265	0.265
D.4	Recoveries from Guelph Humber	2.000	1.000	3.000
D.5	Interest Revenue (Reduction)		(0.700)	(0.700)
D.6	OMAFRA Contract – Cost Recoveries		8.000	8.000
D.7	Recoveries from FICP/RPF (Reduction)		(3.100)	(3.100)
	Sub-total: Total Revenues and Recoveries	**2.000**	**10.480**	**12.480**
	Total Changes to Net Expenses	**0.000**	**(16.100)**	**(16.100)**
	One time Costs and Savings	**One Time**	**Base**	**Total**
E.	Institutional Restructuring Costs (NET)	(20.000)		(20.000)
	Sub-total: One time Costs and Savings	**(20.000)**		**(20.000)**
F	**Net Budget (Deficit)**	**(20.000)**	**(16.100)**	**(36.100)**

G: 2007/2008 Forecast (Budget versus Pre-audit Actual Results)

Table C (page 38) shows the pre-audit 2007/2008 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, general expense and contingency funds.

G.1 Departmental Carry-forward Funds:

These 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 pre-audit results for 2007/2008 indicates that total University net departmental carry forwards will be $19.150 million. This compares to $20.941 million in 2006/2007.

G.2 Institutional Carry-forwards Funds:

At this time it is expected that the University (exclusive of funds allocated to departments as net carry forwards) will have approximately $5.0 million in one-time funds available. These have been mainly generated as a result of one-time provincial grants - refer to Table C. These funds have not been allocated at this time. Given the many uncertainties in the Preliminary Budget including requirements for restructuring costs and implementing Multi-year targets, these funds will be held in reserve. The first priority on their allocation will be to meet the University's overall target and to reduce the one-time deficit.

It should be noted that Table C is a pre-audit forecast only. Actual results including carry-forwards will not be confirmed until after the University's year end statements are completed and audited in July.

H: Tables:

All current 2008/2009 budget assumptions, allocated by major organizational unit and expenditure type, are presented with accompanying notes on **Table A**. The 2008/2009 Preliminary MTCU Operating Budget compared to 2006/2007 actual and 2007/2008 pre-audit results is presented in **Table B**.

Table A	2008/2009 *Preliminary MTCU Operating Budget by Unit and Major Revenue and Expense Category:* Contains the 2008/2009 Preliminary MTCU Operating Budget incorporating all preliminary budget assumptions, by major category of revenue, expense and organizational group.
Table B	2008/2009 *Preliminary MTCU Operating Budget Revenue and Expenses by Major Category:* A time series showing the 2005/2006 and 2006/2007 actual results, 2007/2008 forecast results and the 2008/2009 Preliminary Budget by major categories of revenues, recoveries and expenses.
Table C	2007/2008 Forecast Results: *MTCU Operating Budget Net Expenses by Unit:* Table showing 2007/2008 Forecast results compared to 2007/2008 Revised Budget by major organizational group, net of departmental revenues.
Table D	*Full-time Equivalents (FTE's) for MTCU funded Budgeted Positions by Unit and Major Category* Full-time Equivalents (FTE's) for MTCU funded Budgeted Positions by Unit and Major Category for the years 2003/2004 to 2008/2009 (preliminary).

University of Guelph
2008/2009 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 Reductions** (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							140,554	140,554	140,554	
Tuition							94,715	94,715	94,715	
Other							1,404	1,404	1,404	
Total Revenues							**236,673**	**236,673**	**236,673**	
<u>Cost Recoveries</u>										
OMAFRA Service Costs - Research						10,512		10,512	10,512	#7
Research Indirect Programs - FICP/RPF						6,770		6,770	6,770	
Research Indirect Programs - Other						2,960		2,960	2,960	#8
Total Research Indirect Revenues and Recoveries						**20,242**		**20,242**	**20,242**	
OMAFRA Service Costs - Other						573		573	573	#7
Guelph Humber share (base & one-time)						3,000		3,000	3,000	#9
Executive Programs						120		120	120	
Ancillary Service Recoveries						7,304		7,304	7,304	#10
Other Cost Recoveries						**10,997**		**10,997**	**10,997**	
Total Institutional Revenues and Recoveries						**31,239**	**236,673**	**267,912**	**267,912**	#11
<u>Institutional Expenses</u>										
<u>Teaching Units</u>										
College of Arts	20,850	1,597		(515)	21,932	(707)	(32)	(739)	21,193	
College of Biological Science	18,990	1,468	(283)	(481)	19,694	(781)	(50)	(831)	18,863	
College of Social and Applied Human Science	21,654	2,943		(473)	24,124	(1,580)	(25)	(1,605)	22,519	
College of Management and Economics	12,975	3,065	(40)	(245)	15,755	(1,319)	(2,229)	(3,548)	12,207	
Ontario Agricultural College	24,707	3,598	(452)	(830)	27,023	(7,295)	(1,759)	(9,054)	17,969	
Ontario Veterinary College	30,572	8,269	(1,940)	(627)	36,274	(3,085)	(14,735)	(17,820)	18,454	
College of Physical and Engineering Science	22,995	1,536	(189)	(590)	23,752	(491)	(55)	(546)	23,206	
Office of Open Learning	2,781	3,816	(720)	(59)	5,818	(309)	(4,223)	(4,532)	1,286	
Other Teaching Units	1,217	7,032	(448)		7,801		(96)	(96)	7,705	#12
Integrated Planning		5,618			5,618				5,618	#13
Student Assistance	700	9,835			10,535				10,535	#14
Total Teaching Units	**157,441**	**48,777**	**(4,072)**	**(3,820)**	**198,326**	**(15,567)**	**(23,204)**	**(38,771)**	**159,555**	
<u>Library Operations and Information Resources</u>										
Library Operations	8,949	2,026	(281)	(186)	10,508	(191)	(666)	(857)	9,651	
Library Information Resources		6,468			6,468				6,468	
Total Library Operations and Info. Resources	**8,949**	**8,494**	**(281)**	**(186)**	**16,976**	**(191)**	**(666)**	**(857)**	**16,119**	

University of Guelph
2008/2009 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 Reductions** (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**
Academic Services										
Office of Research	5,720	1,037	(574)	(113)	6,070		(121)	(121)	5,949	
Teaching Support Services	1,591	181	(95)	(40)	1,637		(20)	(20)	1,617	
Registrar	5,643	1,069	(289)	(129)	6,294		(667)	(667)	5,627	#15
Associate VP Academic	621	367	(1)	(14)	973		(28)	(28)	945	#16
Other Academic Services	396	191	(15)		572		(26)	(26)	546	#17
Total Academic Services	**13,971**	**2,845**	**(974)**	**(296)**	**15,546**		**(862)**	**(862)**	**14,684**	
Student Services										
Student Services	7,370	3,289	(117)	(225)	10,317		(7,083)	(7,083)	3,234	#18
Athletics	3,657	3,957	(274)		7,340		(6,301)	(6,301)	1,039	#19
Total Student Services	**11,027**	**7,246**	**(391)**	**(225)**	**17,657**		**(13,384)**	**(13,384)**	**4,273**	
Total Teaching and Academic Services	**191,388**	**67,362**	**(5,718)**	**(4,527)**	**248,505**	**(15,758)**	**(38,116)**	**(53,874)**	**194,631**	
Physical Resources										
Physical Resources Operations	21,135	3,557	(3,201)	(427)	21,064		(125)	(125)	20,939	#10
Utilities		21,545	(490)		21,055				21,055	
Total Physical Resources	**21,135**	**25,102**	**(3,691)**	**(427)**	**42,119**		**(125)**	**(125)**	**41,994**	
Capital Infrastructure Planning										
Renovations/Deferred Maintenance		2,000			2,000				2,000	
Capital Investment Support & Servicing		8,800			8,800				8,800	
Total Capital Infrastructure Planning		**10,800**			**10,800**				**10,800**	
Institutional Services and General Expenses										
Alumni Affairs & Development	4,229	439	(755)		3,913		(551)	(551)	3,362	
Computing & Comm Services	7,714	1,362	(4,339)	(152)	4,585	(336)	(178)	(514)	4,071	
CCS - IT Infrastructure Expenses		2,848			2,848				2,848	
Computing & Communication Services	7,714	4,210	(4,339)	(152)	7,433	(336)	(178)	(514)	6,919	
Central Administration Offices	15,023	1,957	(179)	(344)	16,457		(535)	(535)	15,922	#20
University General Expenses and Contingency	259	11,631	(1,296)		10,594		(210)	(210)	10,384	#21
Total Institutional Services and General Exp.	**27,225**	**18,237**	**(6,569)**	**(496)**	**38,397**	**(336)**	**(1,474)**	**(1,810)**	**36,587**	
Total Institutional Expenses	**239,748**	**121,501**	**(15,978)**	**(5,450)**	**339,821**	**(16,094)**	**(39,715)**	**(55,809)**	**284,012**	
Restructuring Costs		20,000			20,000				20,000	#22
Net Budget	**239,748**	**141,501**	**(15,978)**	**(5,450)**	**359,821**	**(47,333)**	**(276,388)**	**(323,721)**	**(36,100)**	#23

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" are budget contributions from units equivalent to 2.5% of personnel base budget.

5. Column H "Total Recoveries and Revenues" of $323.7M includes Provincial Grants of $140.6M, Credit Tuition of $94.7M, Other revenue of $1.4M, Cost Recoveries of $31.2M and Departmental Revenues of $55.8M.

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 net funding 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 Carryforward into the following year's budget.

7. OMAFRA Cost Recoveries of $11.085M are for services provided by the MTCU budget (e.g., utilities and space costs). This recovery is for research related initiatives ($10.512M) and other non-research activities ($0.573M) In addition, OMAFRA will transfer $11.315M (as a fixed dollar transfer) for approximately 82 faculty full time equivalents (FTE's). Recoveries for the Research faculty, 70 FTE's, are allocated to the colleges according to faculty time awarded to OMAFRA research projects. The remaining 12 FTE's are allocated under the Veterinary Clinical Education Program in OVC.

8. Research Indirect - Other are the annual overhead charges for externally funded research activities related to space and maintenance costs incurred in supporting these research projects.

9. The University of Guelph's share of the University of Guelph Humber income includes $2.0M in one-time recoveries for past years and $1.0M in base recoveries for future years.

10. Ancillary Service Recoveries for the 2008/2009 Preliminary MTCU budget excludes the recovery related to custodial and other services performed by Physical Resources for Student Housing Services. These recoveries of $2.379M are reported as External Recoveries in Physical Resources.

11. Total Institutional Revenues and Recoveries include provincial operating grants, tuition, general revenues and external recoveries received for central funding purposes and exclude external revenues and recoveries received by departments.

12. Other Teaching includes: BA Counselling Office, London Semester, Advanced Analysis Centre and Academic Support funds which includes Research Support, Academic Contingency and Special Projects.

13. The Integrated Planning includes new investments in graduate teaching of $1.400M for Graduate Support added to the existing base of $1.148M and $0.400M for Graduate Growth. Also there is $1.220M for Undergraduate support, $0.500M for Research support and $0.950M for the Priorities Investment Fund.

14. Student Assistance has increased by $0.300M for 2008/2009 related to Undergraduate Entrance Scholarships.

15. Registrar includes the Resource, Planning and Analysis department in the 2008/2009 budget. In the past, this department was reported as part of the Central Administration Offices.

Notes for Table A

16. Associate VP Academic includes the Associate Vice-President's offices, Teaching Support Services and the Centre for International Programs.

17. Other Academic Services includes: MacKinnon Building Mgmt, Dean of Grad Studies, War Memorial/Rozanski Hall Operations, and miscellaneous academic support funds.

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

19. Athletics revenues include: Student Athletic Fees, Student Athletic Building Fees and user fees from athletic services and facility rentals.

20. 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.

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

22. For 2008/2009, a net budget of $20.0M has been established to fund the one-time costs of restructuring the department budgets.

23. The $36.1M in net budget expenses for 2008/2009 consists of $20.0M related to one-time restructuring costs and a structural deficit of $16.1M.

University of Guelph
2008/2009 Preliminary MTCU Operating Budget
Summary By Major Revenue and Expense Categories

Table B
(in thousands of dollars)

	2005/06 Actual	2006/07 Actual	2007/08 Forecast	2008/09 Budget	Notes
Revenue					
MTCU Grants - Institutional	134,471	151,875	143,165	140,554	#1
MTCU Grants - Departmental	5,773	5,909	5,897	5,620	#2
Tuition - Credit	80,059	87,181	91,501	94,715	
Tuition - Non-Credit	5,303	6,018	6,470	6,611	#3
Investment Income	2,038	2,063	1,168	513	#4
Other Revenue	30,378	33,098	33,650	28,375	
Total Revenue	258,022	286,144	281,851	276,388	
Indirect Cost Recoveries - Research					
OMAFRA Cost Transfer - Research	13,752	13,827	13,827	21,827	#5
Research Indirect Programs - FICP/RPF	8,878	9,237	10,125	6,770	#6
Research Indirect Programs - Other	2,336	2,634	2,936	2,960	
Total Reseach Indirect Revenue & Recoveries	24,966	25,698	26,888	31,557	
Other Recoveries					
OMAFRA Cost Transfer - Other	573	573	573	573	
Fundraising Recovery	370	-			
Executive Programs	120	120	120	120	
Guelph Humber Recoveries	4,907	4,380	5,126	7,779	#7
Ancillary Services Recoveries	9,067	9,864	7,039	7,304	#8
Other Institutional Recoveries	15,037	14,937	12,858	15,776	
Total Revenues and Recoveries	298,025	326,779	321,597	323,721	
Expenses					
Salaries	168,317	179,319	190,461	192,914	
Benefits	35,805	39,122	42,226	46,834	
Operating	49,150	53,893	50,785	52,065	
Utilities	21,209	19,959	20,554	21,055	
Scholarships and Bursaries	7,239	9,719	10,476	10,535	
Integrated Planning				5,618	#9
Other Institutional Transfers	8,688	9,798	10,798	10,800	#10
Budgeted Carryforwards from Prior Year				29,647	#11
Restructuring Costs	1,181			20,000	#12
Total Expenses	291,589	311,810	325,300	389,468	
Change in Fund Balance	6,436	14,969	(3,703)	(65,747)	
Add: Funds From Prior Year - Departmental	15,323	20,941	19,150	29,647	
Add: Funds From Prior Year - Institutional		6,000	14,200		#13
Less: Funds Transferred to Appropriations	(20,941)	(33,350)	(29,647)	-	
Net Increase (Decrease) in Fund Balance	818	8,560	-	(36,100)	
Unappropriated Fund Balance - Opening	(9,378)	(8,560)			
Unappropriated Fund Balance - Closing	(8,560)	-	-	(36,100)	

Notes for Table B

1. See section A.6 of this budget document for detailed discussions of the Institutional MTCU grants. In 2007/2006, MTCU provided one-time year end grants of $12.6 M. In 2007/2008 a $3.0 million one-time year-end grant was received.

2. The MTCU grants credited directly to department budgets are targeted for specific projects and include the $5.0 million Special Grant OVC receives for clinical education as well as support approx $0.6 M in support of special needs students.

3. Non-Credit Tuition includes fees for distance learning, continuing education and executive programs.

4. Interest Income credited to the 2007/08 and 2008/09 MTCU budgets from earnings on the operating portfolio have declined due to cash flow demands including increased pension contributions.

5. The new OMAFRA Agreement includes additional funds transferred to the MTCU budget for support services and faculty positions. The $8.0 million increase shown includes $3.6 million that replaces the funds previously received from the Provincial research overhead funding programs as a result of the OMAFRA agreement that is now included in the base Agreement. In addition, there was $3.4 million for accumulated faculty cost increases and a $1.0 million investment from the 'Q4' funds.

6. FICP/RPF Research support 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 2008/2009 it is expected that the University while losing the RPF funding related to the OMAFRA contract (effectively replaced by OMAFRA), will continue to receive additional funding related to research growth in both federal and provincial programs. The net impact in this category is an estimated reduction of $3.100M ($0.6M million in new funds netted against a $3.700M loss in RPF funds).

7. The Colleges and several academic support units receive recoveries from Guelph-Humber for services provided (course development and delivery, student support services). For 2008/2009, the university budget includes one-time recoveries of $2.0M for Guelph Humber past years' income plus an additional $1.0M of base recoveries for future years.

8. The MTCU operating budget recovers the costs of services (primarily utilities and space charges) provided to Ancillary operations as well as contributions to specific projects in the MTCU operating budget. For 2008/2009, there is a 4% increase included in costs. For 2007/2008, the portion of the recovery that supported environmental services provided by Physical Resources to Student Housing Services ($2.379 M) was segregated and is being managed directly between the units. In 2006/2007, $0.7 M from Parking Services was contributed to general MTCU budget relief.

9. The Integrated Planning includes new investments in graduate teaching of $1.400M for Graduate Support, $0.400M for Graduate Growth and $1.220M for Undergraduate Growth. As well as $0.500M for Research support, $0.950M for the Priorities Investment Fund and $1.148M of unallocated Graduate Support base funds from 2007/2008.

10. In 2008/2009, Other Institutional Recoveries is the support for the cost of capital infrastructure financing.

11. The one-time departmental carry forwards are unspent funds in the prior year that will be upon approval, be added to unit budgets (subject to confirmation of final year end results) in 2008/2009.

12. The 2008/2009 MTCU Preliminary Budget has $20.000M to fund the one-time costs (such as employee buyouts) of restructuring the department budgets. In 2004/2005 and 2005/2006, at total of $10.6 M in restructuring costs were

incurred in order to meet budget targets. The deficit incurred by these costs has been fully paid of at the end of the 2006/2007 fiscal year.

13. The MTCU operating budget Stabilization Fund accumulated $6.0 M from unallocated excess revenues in prior years which was contributed to fully pay off the accumulated net restructuring costs (see note #10 above) at the end of the 2006/2007 fiscal year. For 2007/2008, $14.2 M in unallocated funds was received, primarily from one-time year end MTCU grants received in March 2007. These funds were used to offset (for one year only) the budgetary structural deficit in 2007/2008. For 2008/2009, there are a currently estimated (subject to audit) $5.0 million in unallocated institutional funds. These year end savings resulted primarily from an additional one-time MTCU grant received (unexpectedly) at year end of $3.000 M and other smaller institutional revenue targets being greater than budget.

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University of Guelph
2008/2009 Preliminary MTCU Operating Budget
MTCU Forecast Results for 2007/2008

Table C

	07/08 Budget	07/08 Forecast	Surplus/ (Deficit)	Notes
Institutional Revenues and Recoveries				
Provincial Grants	139,156	143,165	4,009	#1
Tuition Revenue	91,100	91,501	401	
Other Revenues	2,104	2,437	333	
Total Institutional Revenues	232,360	237,103	4,743	
Total Research Indirect Revenues and Recoveries	18,331	18,973	642	#2
Other Recoveries	8,852	8,852	0	
Total Institutional Revenues and Recoveries	259,543	264,928	5,385	
Teaching Units				
College of Arts (COA)	20,487	22,167	(1,680)	#3
College of Biological Science (CBS)	21,286	18,281	3,005	
College of Social & Applied Human Science (CSAHS)	23,083	22,347	736	
College of Management and Economics (CME)	11,479	11,503	(24)	
Ontario Agricultural College (OAC)	23,119	21,771	1,348	
Ontario Veterinary College (OVC)	21,782	19,957	1,825	
College of Physical and Engineering Science (CPES)	23,637	22,419	1,218	
Office of Open Learning	3,407	1,256	2,151	
Other Teaching Units	6,780	2,166	4,614	#4
Student Assistance	12,079	9,872	2,207	#5
Total Teaching Units	167,139	151,739	15,400	
Library Operations and Information Resources	15,413	14,714	699	
Academic Services	15,790	14,713	1,077	
Student Services	6,068	4,478	1,590	
Total Teaching and Academic Services	204,410	185,644	18,766	
Total Physical Resources	42,350	39,544	2,806	#6
Capital Infrastructure Planning	10,800	10,798	2	
Institutional Services and General Expenses	34,819	32,254	2,565	#7
University Contingency	514	391	123	
Total Institutional Costs	292,893	268,631	24,262	
Annual Operating Income (Expense)	(33,350)	(3,703)	29,647	
Transfer From Prior Year (Dept Carryforwards)	19,150	19,150		
Transfer From Prior Year (For Budget Relief)	14,200	14,200		
Prior Year Appropriations	33,350	33,350		
Total Funds Available	0	29,647		
Less: Transfer to 08/09 - Departmental		24,647		
Less: Transfer to 08/09 - Institutional Carryforward		5,000		
Total Carryforwards to 08/09		29,647		
Net Increase(Decrease) in Fund Balance	0	0		

Notes:

#1. Provincial grants exceeded budget primarily due to $3.1 million in unexpected year end one-time grant designated “Quality Supplement” received in May, 2008.

#2. Total Research Indirect Revenues and Recoveries include overhead received on provincial and federal research grants including the OMAFRA agreement. The overhead received on non government grants and contracts exceeded the budget by $0.4 million and Provincial programs by $0.2 million

#3.The College of Arts will carry forward a deficit as a result of increased teaching costs, particularly in the sessional teaching and graduate teaching assistant categories. The College will be required to recover this deficit from future savings. These savings will be realized through restructuring of teaching processes in the context of the multi-year plan.

#4. Other .Teaching Units includes funds held centrally for Integrated Planning support. Several faculty positions allocated in 2007/2008 are still in the process of being recruited and additional funds for the support of graduate growth will be carried forward to 2008/2009.

#5. Most of the Student Assistance funds remaining at fiscal year will be allocated for disbursement in the summer.

#6. The Utilities budget will end the year with better than budget results mainly due to savings in usage (relative to budget) particularly in the electricity account where conservation efforts have been focussed.

#7. Institutional Services includes central administrative offices and support services (e.g. finance, human resources, computing and communication services, fund raising, communications and public affairs and senior admin. offices). Most units are reporting small carry-forwards balances for next year targeted mainly to help deal with budget reductions. In addition, there is $1.6 million carried forward to cover the costs of the Professional and Managerial agreement where retroactive payments for the 2007/2008 fiscal year will be made in 2008/2009.

University of Guelph
2008/2009 Preliminary MTCU Operating Budget
Full-time Equivalents (FTE's) for MTCU funded Budgeted Positions by Unit and Major Category

Table D

College/Division	Position Type	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 Preliminary	Notes
TEACHING UNITS								
COLLEGE OF ARTS	Faculty	116.2	134.7	131.0	128.4	134.1	135.1	
	Staff	27.9	29.5	29.5	31.5	31.8	32.5	
		144.1	164.2	160.5	159.9	165.9	167.6	
COLLEGE OF BIOLOGICAL SCIENCE	Faculty	87.2	100.1	100.3	99.4	95.9	101.5	#1
	Staff	58.1	61.0	59.0	55.6	59.2	61.4	
		145.3	161.1	159.3	155.0	155.1	162.9	
COLL.OF SOC.& APP. HUMAN SCIENCE	Faculty	170.4	183.8	177.1	116.0	122.0	125.4	#2
	Staff	54.6	58.0	58.7	40.6	42.3	43.2	
		225.0	241.7	235.8	156.7	164.3	168.6	#3
COLLEGE OF MANAGEMENT & ECONOMICS	Faculty			0.3	62.5	67.9	70.0	#3
	Staff				24.5	26.1	28.5	
				0.3	87.0	94.0	98.5	
ONTARIO AGRICULTURAL COLLEGE	Faculty	170.8	170.7	166.9	151.2	152.4	150.1	
	Staff	71.5	59.4	57.9	63.6	61.9	60.5	#4
		242.3	230.1	224.9	214.8	214.3	210.6	
ONTARIO VETERINARY COLLEGE	Faculty	100.2	115.1	117.2	115.7	119.7	121.4	#5
	Staff	152.3	155.2	156.8	157.7	162.0	163.0	
		252.5	270.3	274.1	273.4	281.7	284.4	
COLL OF PHYSICAL & ENGINEERING	Faculty	123.5	124.3	119.8	115.8	120.2	123.6	
	Staff	61.1	61.9	58.7	58.3	63.3	64.1	#6
		184.6	186.2	178.5	174.0	183.5	187.7	
OFFICE OF OPEN LEARNING	Staff	26.5	30.4	31.5	34.0	34.5	34.5	
OTHER TEACHING UNITS	Faculty	1.0	1.0	1.0	1.0	1.0	1.0	
	Staff	8.7	8.9	8.7	12.0	12.0	12.0	
		9.7	9.9	9.7	13.0	13.0	13.0	
Total Faculty Teaching Units		769.4	829.6	813.7	790.1	813.2	828.1	
Total Staff Teaching Units		460.7	464.4	460.8	477.7	493.1	499.7	
Total Teaching Units		1230.0	1294.0	1274.6	1267.8	1306.3	1327.8	
LIBRARY								
LIBRARY OPERATING	Faculty	23.1	25.9	26.3	27.6	28.0	28.0	
	Staff	93.1	89.5	82.3	81.6	81.3	81.1	
		116.2	115.4	108.6	109.2	109.3	109.1	

University of Guelph
2008/2009 Preliminary MTCU Operating Budget
Full-time Equivalents (FTE's) for MTCU funded Budgeted Positions by Unit and Major Category

Table D

College/Division	Position Type	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009 Preliminary	Notes
ACADEMIC SERVICES								
OFFICE OF RESEARCH	Faculty	3.3	3.9	3.7	3.8	4.0	4.8	
	Staff	38.0	45.3	51.2	54.8	49.6	50.3	#7, #8, #13
		41.3	49.2	54.9	58.6	53.6	55.1	
TEACHING SUPPORT SERVICES	Staff	20.0	20.5	18.0	17.8	19.8	19.8	
ASSOCIATE V/P ACADEMIC	Staff	6.0	6.0	4.0	7.0	6.7	6.8	#9
REGISTRAR	Staff	69.4	70.2	67.4	66.9	76.0	76.2	#10
OTHER ACADEMIC SUPPORT	Faculty	1.3	1.3	1.4	1.1	1.3	1.4	
	Staff	3.0	3.0	3.0	3.0	2.1	2.1	
		4.3	4.3	4.4	4.1	3.4	3.5	
COMPUTING COMMUNICATION SERVICE	Staff	75.7	74.0	73.9	72.1	71.7	72.4	
STUDENT SERVICES								
STUDENT AFFAIRS	Staff	44.9	47.9	49.0	49.6	52.6	54.3	
STUDENT HEALTH SERVICES	Staff	17.2	17.1	17.1	17.1	18.2	18.2	
ATHLETICS	Staff	26.9	29.7	29.7	29.7	31.9	32.4	
CHILD CARE OPERATIONS	Staff	15.0	16.6	17.8	18.0	18.0	18.0	
		104.0	111.3	113.6	114.4	120.7	122.9	
ALUMNI AFFAIRS & DEVELOPMENT	Staff	32.7	37.4	38.4	41.7	46.0	46.0	#11
PHYSICAL RESOURCES OPERATIONS	Staff	339.0	341.0	328.4	316.0	313.1	317.0	#12
ADMINISTRATION								
HUMAN RESOURCES	Staff	36.0	35.0	33.3	35.0	34.0	34.0	
CENTRAL ADMINISTRATIVE OFFICES	Faculty	3.0	3.0	3.0	3.0	4.0	4.0	
	Staff	48.6	52.2	54.5	56.8	50.2	50.2	#10
		51.6	55.2	57.5	59.8	54.2	54.2	
FINANCE/PURCHASING/MAIL SERVICES	Staff	50.0	49.5	45.8	48.4	54.5	54.5	#13
CAMPUS COMMUNITY POLICE & FIRE PREVENTI	Staff	24.0	23.3	24.0	23.6	23.6	23.6	
UNIVERSITY GENERAL EXPENSE	Staff	2.7	3.6	4.9	3.9	3.8	4.4	
Total Faculty		799.9	863.8	848.1	825.6	850.5	866.3	
Total Staff		1402.8	1426.2	1403.5	1420.5	1446.2	1461.0	
Total Faculty and Staff		2202.8	2290.0	2251.6	2246.0	2296.7	2327.3	

Notes for Table D

Definitions:

- FTE's – Full time Equivalents are workforce measures of budgeted positions (normally for full time appointments).
- MTCU funded positions include OVC Special Grant and positions in Guelph units funded by Guelph Humber programs.
- Budgeted Positions: a Budgeted Position is a specific budget account that has been established to record the budget and expenses of individual employment appointments that are in two major categories; regular full time positions and longer term (over 1 year) contractually limited positions
- Faculty: the Faculty category includes all funded positions (filled or vacant) for tenure track faculty, secured appointment, contractually limited faculty, Veterinarians and Librarians.
- Staff: the Staff category includes all non-faculty positions budgeted (filled and vacant) for in the MTCU operating budget.

Notes:

1. The increase of 13 faculty Full Time Equivalent (FTE) in the College of Biological Science (CBS) in 2004/2005 was due to the transfer of 8 Biochemist positions from the College of Physical and Engineering Sciences (CPES) to CBS as well as 6 new growth positions.

2. The increase in the College of Social and Applied Human Science (CSAHS) for 2007/2008 included 11 faculty FTE for increased undergraduate enrolment

3. The College of Management and Economics was formed at the beginning of the 2006/2007 fiscal year. It amalgamated the existing business and economics capacity that already existed in the Colleges. This included the transfer of three departments from the College of Social and Applied Human Sciences (CSAHS) and the Professional Programs. The increase in the College of Management and Economics (CME) for 2007/2008 included 10 new faculty FTE (4 from 06/07 just filled, 6 in 07/08) and 2 staff positions for increased undergraduate enrolment.

4. The decrease of 12 staff FTE in the Ontario Agricultural College (OAC) for 2004/2005 reflects the closing of Independent Studies.

5. The net increase in the Ontario Veterinary College (OVC) for 2007/2008 included the conversion of 5 Veterinarian positions to faculty status.

6. The net decrease of 5 faculty FTE in CPES from 2003/2004 to 2005/2006 relates to the transfer of 8 Biochemists to CBS (see Note 1 above); 7 new positions added to CPES in 2004/2005 funded from various sources; the reduction of 3 faculty positions as part of the 2005/2006 4.5% Budget Contribution; and the deletion of 2 positions in 2005/2006 used for bridging new faculty in prior years.

7. The increase of 7 staff FTE in the Office of Research for 2004/2005 was funded through increased recoveries from federal and provincial programs in support of research capacity.

8. The increase in 6 staff FTE in the Office of Research for 2005/2006 relates to a re-organization of Animal Care Services.

9. The Associate Vice President Academic division represents the consolidation of several academic support units (eg; Centre for Int'l Pgms, Judicial Officer) and includes 3 positions that were located in Central Administrative Offices in 2006/2007.

10. The increase for the Registrar in 2007/2008 resulted from the transfer of 7 staff positions in the department of Resource, Planning and Analysis from the Central Administrative Offices.

11. The increase in staff FTE in Alumni Affairs and Development (AA&D) between 2003/2004 and 2006/2007 is mainly due to additional Development positions shared between AA&D and the colleges. On May 1, 2007 these positions were converted to 100% AA&D resulting in an increase of 4 staff FTE.

12. The decrease in staff FTE in Physical Resources for 2005/2006 (13 FTE) and 2006/2007 (12 FTE) resulted from on-going budget reorganization to meet contribution targets.

13. The increase in 6 staff FTE in Financial Services for 20007/2008 relates to the transfer of Research, Financial Services positions from the Office of Research.