



University of Guelph

OMAFRA Agreement - 2013/2014 Preliminary Budget

June 6, 2013

For the Board of Governors

University of Guelph
OMAFRA Agreement – 2013/2014 Preliminary Budget

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A: The OMAFRA Agreement - Background for 2013/2014 Financial Planning

Since its formation in 1964, the University of Guelph has had a unique relationship in the province with OMAFRA (Ontario Ministry of Agriculture Food and Rural Affairs) in which research and other services are provided to the agri-food sector in the province of Ontario. This relationship which supports major structural components of the University's research enterprise is reflected in a contract (the Agreement) between the University and OMAFRA which commits OMAFRA funding levels and details the University's responsibilities. On April 1, 2008 the Agreement was renewed for a 10 year period with a formal review to occur after the first five years ended on March 30, 2013.

While contractual restrictions indicate that the OMAFRA Fund is self-sufficient with its own discrete budget (for separate approval by the Board of Governors), the level of funding and the nature of expenses supported mean the OMAFRA relationship is both complex and critical in the University's multi-year planning. Two colleges in particular (OAC and OVC) and several support units have significant funding dependencies on annual OMAFRA support. In addition, OMAFRA provides operating support for:

- 13% or \$90 million of total annual University revenues
- 35% (\$57 million annually) of the University's total research
- 87 faculty positions (12% of the University's faculty total). 77 of these are on mainly fixed funding meaning incremental annual cost increases fall to the MTCU Operating Fund to cover.
- 400 staff positions (13% of the total University regular appointments). Covering annual cost increases within fixed funding from OMAFRA budget involves a number of actions that may include the elimination of positions from the contract base. Restructuring costs such as work reassignments or buyouts can be costs to the MTCU Operating Fund Budget.
- 14 research stations and 3 regional campuses encompassing 6,600 acres of land across the province (the University is responsible for the operation of these facilities)
- \$25.4 million annually in fixed transfers into the MTCU Operating Fund budget:
 - \$11.8 million for 77 faculty positions
 - \$11.0 million for indirect support costs (physical plant, library and administration)
 - \$ 2.6 million in support of the OVC-HSC (Ontario Veterinary College –Health Science Centre)

A further financial complexity is the province's growing practice of targeting grants for specific purposes/programs. The result is more segregations and restrictions within funding transfers, with special reporting requirements for each "envelope" of funding. This provincial direction is reflected in the OMAFRA Agreement which contains several designated envelopes for specific purposes, each with specific outcomes.

One significant example of this type of funding was implemented in 2008 when OMAFRA transferred a \$56 million "tranche" to the University under a "New Initiatives" envelope. Spread over five years at \$11.2 million annually, these funds were targeted for specific programs ranging from the support of graduate students through enhanced learning opportunities, extensive knowledge transfer projects ranging from the development of web-based infrastructures for knowledge transfer to organizing information exchanges among producers and researchers. Targeted to end at the end of fiscal 2012/2013, replacing or adjusting to the loss of this funding was a major University objective as part of the five year review.

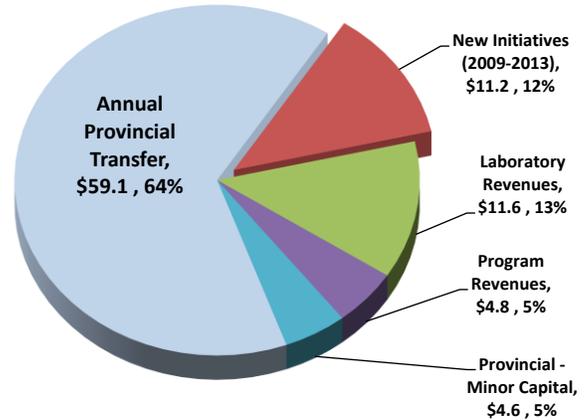
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The following two charts indicate the major funding sources and functional allocations for the fiscal year just ended, 2012/2013.

Agreement Revenue:

- “New Initiatives Funding” is derived from a provincial transfer of \$56M made in 2008 and disbursed over five years (\$11.2M per year). It ended March 31, 2013.
- “Laboratory” and “Program Revenues” are earned from services provided under the Agreement to external clients e.g., lab testing and the sale of commodities from farm operations.
- The “Provincial Transfer” of \$59.1M provides the structural core funding for most programs.

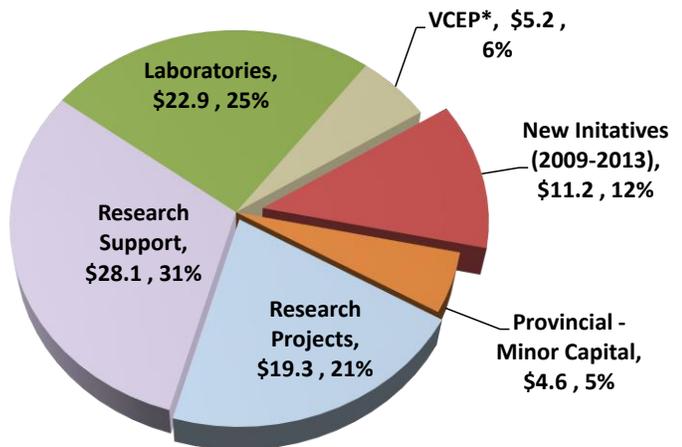
OMAFRA Agreement Revenue Sources (2012/2013 Total of \$91.3M)



Agreement Program Allocations:

- “New Initiatives Funding” is targeted across a number of the on-going programs to provide both increased capacity of existing programs and to start new projects. In the absence of new funding these activities are scheduled to end at March 31, 2013.
- “VCEP” is designated for funding for the operation of the Veterinary Teaching Hospital, advanced clinical training and an externship for DVM students through the Ontario Veterinary College (OVC).
- “Laboratory” Programs include two major units; Food and Animal Health, which generate about 50% of their total funding through sales of testing services.
- “Research Support” includes the costs of operating major research facilities across Ontario and \$10M in indirect support costs for the Guelph main campus.
- “Research Projects” include the direct costs of research programs including \$9.9 million to support 65 faculty FTE’s (full-time equivalents) at the University.

OMAFRA Program Allocation (2012/2013 Total of \$91.3M)



* VCEP - Veterinary Clinical Education Program

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B: Five-year Review of the Agreement (April 1, 2013 – March 31, 2018)

As indicated, a key objective of the five- year review was to address the loss of \$11.2 million annually under the “New Initiatives” envelope which ended on March 30, 2013.

In January 2013, the University and OMAFRA concluded the first five-year Agreement review with OMAFRA committing to annual funding transfers of \$70.8 million for the next five years. (Embedded in this transfer are \$3 million in “Growing Forward” funding as part of a federal government program targeted for specific programs within the overall Agreement.)

The provincial funding of \$70.8 million, when combined will expected Laboratory and Program Revenues of \$20.2 million total combine funding is expected to be \$91.0 million annually; effectively the same levels as for the previous five years.

Maintaining the overall level of funding, in effect replacing most of the “New Initiatives Funding” was of major importance for the University, reflecting OMAFRA’s confirmation of our continued ability to meet overall programs objectives set by OMAFRA in the first five years of the renewed Agreement. While the January confirmation of total funding was welcome news, there were no confirmed allocations with respect to either the renewal of New Initiatives funding or current major programs. The January confirmation from OMAFRA clearly documented a requirement to “.....reallocate resources where necessary.....so they continue to be aligned with OMAFRA priorities.” Discussions between University management and OMAFRA officials following the announcement of the \$70.8 million have begun the process of realignment.

C: Context for the 2013/2014 OMAFRA Agreement Budget:

In planning for the 2013/2014 OMAFRA budget there are several key characteristics and requirements in the Agreement that must be considered.

C.1 Financial Accountability Framework:

Under the terms of the OMAFRA Agreement all resources, including any income earned from the use of the facilities (refer to section C.3) are managed as a segregated, self-supporting fund within the University’s consolidated operating fund. All program revenues received are restricted for the purposes of the under the terms of the Agreement and are reported separately within the University’s OMAFRA Agreement Operating Budget. Any unspent funds or deficits in a fiscal year are restricted within the Agreement and are carried forward in total to the next fiscal year. (The Agreement is credited/charged with annual investment income/costs on accumulated net cash flows.) Each year, the OMAFRA Agreement budget is presented to the University’s Board of Governors.

C.2 Major Risks and Challenges

While a key success of the review outcome maintained overall funding levels, two major challenges remain to be addressed before finalizing detailed program allocations;

1. **Program Reallocations – 2013/2014 and Beyond:** In the recent review and confirmation of funding, Agreement funded faculty FTE’s and certain laboratory and veterinary clinical training programs were particularly highlighted as areas for further “reallocation”. At this time, the details of those reallocations are under negotiation between University and OMAFRA management.

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Some 2013/2014 program re-allocations have been confirmed however there are a number of key decisions that remain to be made. As well as containing potential re-allocations within OMAFRA-fund programs, it is expected that the level of transfers made to the MTCU Operating Fund budget of the University (currently at \$25.4 million), will be adjusted as well. As a consequence while overall the Agreement funding envelope has been confirmed, all individual program allocations have not. It is expected that this process of finalizing programs-level funding will not be complete until September. (Refer to D.1)

2. **Covering Cost Increases:** With Agreement funding levels effectively fixed, general cost increases continue to reduce the real levels of spending across programs meaning constant reallocations are required to maintain an overall structurally balanced budget. As a self-supporting budget, programs and units receiving OMAFRA-based funding are required to cover all incremental cost¹ changes within total Agreement funding sources. The result is a constant annual budget challenge for units/programs to reallocate resources within their budgets (which are essentially fixed) to cover their costs increases. Options exist to some extent to create new revenue to cover these expense increases however for the most part; on-going, structural cost reallocations/reductions are required. Units have been assigned multi-year targets which are estimates of what is required to maintain a structural balanced budget with assumptions on cost increases and any program re-allocations that have occurred based on joint OMAFRA-University management decisions. (Refer to D.2)

C.3 Agreement Facilities Operations

The OMAFRA Agreement supports the operations of a number of real properties across the province. Under the Agreement the University is responsible for the day to day operation of these facilities located across the Province (the University does not own the properties.). These include a wide variety of buildings used as residences, research labs, barns and administrative offices located on 6,600 acres of land. More specifically these facilities consist of:

1. Those owned by the Agricultural Research Institute of Ontario² across Ontario including:
 - 3 regional campuses of the OAC (Ontario Agricultural College) at Alfred and Kemptville, both located near Ottawa, and Ridgeway in south-western Ontario,
 - 14 agricultural research stations located across Ontario including two large research stations located near Guelph at Arkell and Elora.
2. A Laboratory Services building in Guelph owned by the Province; the responsibility for operations and maintenance of the Laboratory Service building remains with the province, through Infrastructure Ontario.

¹ Incremental costs are annual cost increases primarily related to basic increases in faculty and staff compensation increases however Agreement funding must also provide for cost increases in a wide variety of commodities (farm and laboratory supplies) as well as the costs of running large and diverse facilities in locations across Ontario. As with other components of the University budget, many of these cost increases are base or structural. To cover these requires equivalent adjustments i.e., structural, to avoid the creation of structural deficits.

² ARIO is a services agency reporting to the Minister of OMAFRA. It is provincially incorporated under the ARIO Act (1962). In 2007/2008, the province transferred ownership of most of the facilities (excluding the Laboratory Services building in Guelph) to ARIO. At the same time, OMAFRA amended the Agreement transferring the responsibility for buildings operations and maintenance to the University. Responsibility for the Laboratory Services building in Guelph remains with the province, through Infrastructure Ontario.

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For ARIO owned properties, the costs of minor capital projects for facilities are funded through separate funds (approximately \$4.5 million annually) held by ARIO. Priorities for capital projects spending are set as part of a joint (OMAFRA, ARIO and University) planning process where priorities are health and safety, animal care, energy efficiencies and program effectiveness.

In 2012/2013, \$23 million or 25% of total Agreement funding was allocated for the day-today operations of these facilities. This funding consisted of revenues of \$4.3 million derived mainly from farm operations with the balance (\$18.7 million) from provincial transfers. Costs range from basic utilities to farming operations costs such as staff and supplies and minor capital renovations.

D: Preliminary 2013/2014 Budget Assumptions

In the normal annual budgeting process at the University, initially “Preliminary Budgets” are prepared at the beginning of each year with a number of key assumptions that may be adjusted during the year. Any adjustments to assumptions typically consider new in-year information on changes to major provincial funding levels and/or program policy re-allocations.

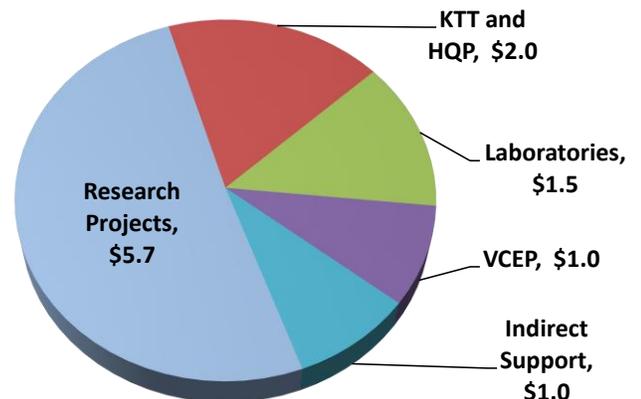
The OMAFRA 2013/2014 Agreement budget contains a greater than normal number of outstanding decisions that need to be made on specific major program allocations. This situation is due to both the new source of provincial funding and the direction from OMAFRA to review and reallocate portions of existing major program funding to better reflect the program priorities of that ministry. In this regard, discussion between University and OMAFRA management are underway and until they are concluded, preparing a final detailed budget would not be effective or well informed. Consequently in the short term, this budget is more “preliminary” than normal. It is expected that by September they will be concluded to the extent of finalizing specific 2013/2014 program funding allocations.

D.1 Program Re-allocations - 2013/2014 and Beyond

At this time, some preliminary allocations in certain programs have been made but however from the University’s fiscal perspective, there are two major program-based decisions that need to be made and documented;

- 1. Replacement of any part of the New Initiatives Funding:** This five-year program targeted funds both across a number specific new activities such as KTT (Knowledge Translation and Transfer), HQP (High Quality Personnel) and to enhance existing programs such as VCEP education and Laboratories testing capacities. With annual funding of \$11.2 million ended on March 30, 2013, decisions need to be made concluded on whether to curtail future activities in these programs or to fully or partially replace funding within the new \$70.8 million envelope. The 2012/2013

New Initiatives Annual Funding Distribution
Total of \$11.2M Ended March 31, 2013



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distribution of this funding across programs is shown in the adjacent chart. It is important to note that while a significant loss in terms of programmatic outcomes, no structural commitments have been made on these funds and if necessary adjustments can be made without significant financial cost. In addition, while not confirmed at this time, it is anticipated some portion of these activities will continue within the new 2013/2014 funding envelope. Further “cushioning” the loss of a 2013/2014 allocation under this program are significant “carry-forward”³ funds (\$9.9 million) that will be spent in 2013/2014 for continuing/completing New Initiatives objectives.

2. **Re-allocating to address OMAFRA priorities:** In the commitment from OMAFRA to annual funding of \$70.8 million, there is a requirement to re-allocate current programs to better align with OMAFRA priorities over the next five years. The outcome of discussions toward this end will be decisions on changes to current program allocations over the next five years. Some changes will impact fiscal 2013/2014; other decisions will impact operations in the longer-term. For example, within “Research Projects” is a \$9.9 million transfer to the University to support 65 research faculty positions; this component remains under discussion at this time. Finalizing longer-term support for the VCEP program and certain station operations also need to be considered. The following table is a summary of expected major program changes - identified to date. (Note; the \$91.3 million in the 2012/2013 column includes the final year of the New Initiatives annual support of \$11.2 million.)

Major Program Group Allocations (\$ millions)	2012/2013 Budget	2013/2014 To Date	Changes To Date
Research Projects¹	25.0	26.3	1.3
Research Support- facilities	18.1	19.4	1.3
Research Support- indirect²	11.0	10.5	(0.5)
KTT/HQP	2.0	1.2	(0.8)
VCEP³	6.2	5.6	(0.6)
Laboratories	24.4	24.0	(0.4)
Minor Capital⁴	4.6	4.0	(0.6)
Total Funding	91.3	91.0	(0.3)
<p>1. Includes \$9.9 million in a fixed annual transfer into the MTCU Operating budget for 65 faculty FTE's currently under review.</p> <p>2. This is a fixed annual transfer into the MTCU Operating budget toward funding the indirect costs of OMAFRA research.</p> <p>3. VCEP includes \$1.9 million in a fixed annual transfer into the MTCU Operating budget for 16 faculty/veterinary FTE's.</p> <p>4. Minor Capital funding is adjusted each year based on facility repair needs and program priorities determined by ARIO in consultation with University management.</p>			

While recognizing that the fiscal year has already begun, in the short-term, continuing day-to day operations will not create significant or unmanageable financial risk within OMAFRA funded operations. Most units have core allotments sufficient to continue to deliver their assigned programs and they have been instructed to limit any major commitments. In addition adjustments are not expected to immediately eliminate or significantly change overall major existing program envelopes. As decisions are finalized and documented, they will be factored into this budget.

³ Carry forwards are funds allocated but unspent from prior years that under both University policy and OMAFRA Agreement requirements are available in future years until spent.

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D.2 Covering Cost Increases

While for financial control and reporting, the OMAFRA Agreement is managed as a separate budget, its impact on total University operations is a major consideration in the context of both its direct impact on University faculty and staff and the support of University indirect costs and research capacities. Since 2008, while overall provincial funding under the OMAFRA Agreement effectively has remained constant, real spending has been reduced each year due to incremental costs especially those required for negotiated salary and benefits cost increases. Each year units with OMAFRA-funded activities must cover annual incremental costs, which by their nature were structural.

In 2012/2013 a multi-year plan for the OMAFRA Agreement was created with the specific objective of maintaining a balanced structural budget over the next five years. The timing of this OMAFRA-specific plan will coincide with the University overall Integrated Plan⁴ (2012/2013 to 2016/2017.) Results of the multi-year plan were annual base budget reduction targets assigned to all major units (with OMAFRA funding) that they had to achieve over the course of the five years. “Solutions” to achieving these targets could include cost savings or revenues increase.

Setting the Structural Savings Targets:

As with any plan, a series of major assumptions are made. With approximately 60% of the Agreement funding allocated for personnel costs, the major component of cost increases are those related to salaries and benefits. Other components included non-compensation based costs including transfers from support and services provided from the University’s MTCU Operating Fund budget. The following are the major assumptions used in setting current multi-year targets for Agreement-funded units;

- Salary and benefit costs assumptions reflect those used within the University’s overall Integrated Plan (and associated Multi-Year Plan or MYP2) and contain provisions for increases for University employee groups charged to the Agreement.
- For direct non-salary expenses, such as direct infrastructure costs (e.g., variable operating expenses on the research stations), any increases will be covered through either reduction in services or increases in revenues/cost recoveries for those facilities.
- For fixed transfers to the MTCU Operating Fund, the impact of any changes will be recorded in that budget;
 - The fixed annual transfer of \$9.9 million for 65 FTE’s of faculty research is currently under discussion. No changes in assumptions have been made at this time.
 - VCEP (Veterinary Clinical Education Program) contains \$1.9 million in a fixed transfer for 16 faculty and veterinarian FTE’s and a \$2.6 million transfer in support of the OVC-HSC (OVC Health Science Centre) teaching hospital. No changes in assumptions have been made at this time.
 - The fixed annual transfer for the indirect costs of research and services is set at \$10.5 million reflecting a reduction of \$0.5 million. This cost will be absorbed within the MTCU Operating Funds as a reduction in Contingency Funds in that budget.

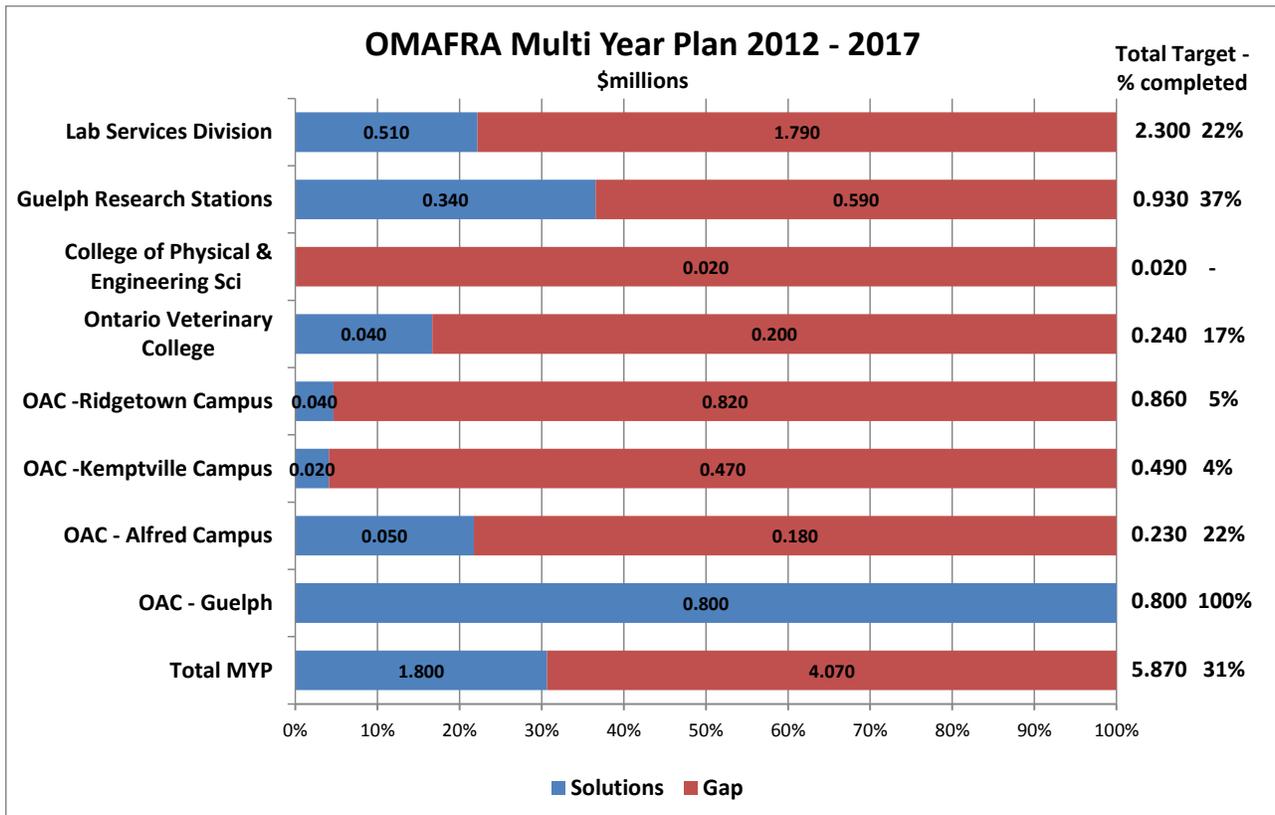
As with any set of assumptions, they are subject to change. The multi-year OMAFRA-based targets will be adjusted with any new confirmed information including the outcome of current University/OMAFRA resource allocation discussions.

⁴ Located at: <https://www.uoguelph.ca/finance/sites/uoguelph.ca.finance/files/report/Integrated%20Plan%20-%20Prelim%20MTCU%20Operating%20Budget%202012%202013.pdf>

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Multi-Year Targets; Results and Updates

Overall the five-year multi-year assumptions resulted in \$5.9 million (7% of overall expenses) in structural costs savings and/or incremental revenues required by the end of fiscal 2016/2017. Begun in fiscal 2012/2013 units have already begun to make savings specific to these targets. The chart below indicates the status of progress toward achieving the overall targets presented by major operating unit.



As the chart shows progress is variable. In the case of OAC-Guelph (main campus research activities), 100% of the target has been achieved mainly through the reduction of 11 support positions through voluntary resignations and early retirements. Other units such as the Lab Services division have/will cover much of their costs increases through revenue growth such as with new laboratory testing contracts. The continuing challenge will be to ensure that program deliverables are adjusted to reflect the resources available. This will be achieved through the annual program/project review and allocation process managed through the University's Office of Research in coordination with OMAFRA as all unit work toward meeting their assigned targets.

Excluded from these results are any one-time results such as carry-forwards. All units are meeting their annual budget targets and overall the Agreement is carrying forward \$22.9 million in funds (refer to section F: Pre-Audit Results) - all designated within units and programs for specific purposes of those programs.

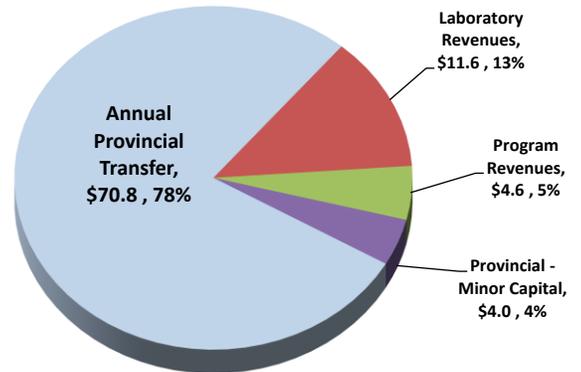
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E. Summary of Overall Agreement - 2013/2014

While a number of specific program decisions remain outstanding at this time, in terms of major components and overall revenue the budget for 2013/2014 Agreement revenue is budgeted at \$91.0 million.

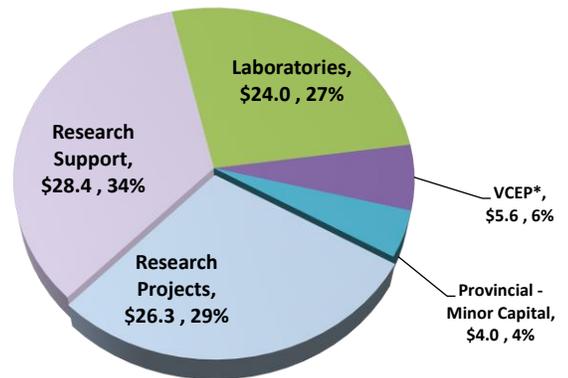
Revenue (adjacent chart); consists of \$70.8 million from the province, \$16.2 million from the sale of goods and services and \$4.0 million for minor renovations. While the provincial transfer is confirmed, adjustments made be made during the year in both Laboratory and Program Revenues estimates as a result of units addressing their multi-year targets. This is especially the case with the Lab Services Division which may have opportunities to grow revenues.

OMAFRA Agreement Revenue Sources (2013/2014 Total of \$91.0M)



Program Allocations (adjacent chart); shows the current distribution of funding by major program group for 2013/2014. It is not expected that there will be major changes to this distribution in this fiscal year. However adjustments within each group are pending and cannot yet be confirmed. They include the total transfer to MTCU for faculty FTE support and any decisions around total funding that will be available for new research projects. As these decisions are confirmed they will be factored into an OMAFRA budget update expected in the fall.

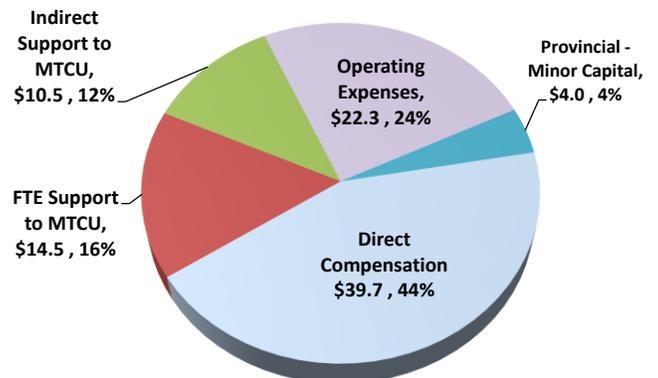
OMAFRA Program Allocation (2013/2014 Total of \$91.0M)



* VCEP - Veterinary Clinical Education Program

Expense Allocation (adjacent chart); is a different view of the nature of OMAFRA funded expenses. It demonstrates the level of support provided directly into the University's MTCU Operating budget for supporting OMAFRA-based program objectives. "FTE Support" is the fixed annual transfer for faculty (77) and veterinary (4) full-time equivalents as well as a \$2.7 million transfer for the OVC teaching hospital.

OMAFRA Expense Allocation (by Type) (2013/2014 Total of \$91.0M)



The follow sections F: and G: provide more detailed information on both pre-audit 2012 results (with projected carry-forward funds) and the current allocation of OMAFRA funding by college/division within the University.

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F: Pre-Audit Results for 2012/2013:

Consistent with University policy, University units with OMAFRA funding may carry-forward unspent allocations into the following fiscal year however they are also responsible for any OMAFRA-program deficits. In fiscal 2012/2013 it is projected that units will carry-forward a net total \$22.967 million. This is historically higher than normal reflecting the timing difference between increased funding received as part of the 2008 Agreement renewal (such as the one-time “New Initiatives” envelope) and the actual spending associated with this increase. Incremental funding received has been fully allocated and will be disbursed on designated research projects/activities over the next several years. It is important to note that as well as being restricted for specific program/project activities (and not for general cost increases) carry-forward funds are one-time only and do not support on-going structural costs.

G: Appendices

In this section are a series of detailed tables with explanatory notes providing additional information on the 2013/2014 OMAFRA Agreement budget.

Table D.1: OMAFRA Agreement Overview

Table D.1 shows a summary of the major grant allocations, other revenues earned from program activity (i.e., lab testing revenue, produce and milk sales), the purpose and any restrictions on the funds, FTE's associated with the program (Faculty, Staff and Temporary Appointments) and a discussion of risk factors and limitations related to the program.

Table D.2: OMAFRA Agreement Preliminary 2013/2014 Budget, By Unit and Major Expense Category

Table D.2 shows the 2013/2014 OMAFRA Opening Base Budget across major revenue and expense categories by organizational unit.

Table D.3: OMAFRA Agreement 2012/2013 Pre-Audit Results, Net Expenses by Unit

Table D.3 presents the 2012/2013 preliminary (pre-audit) actual results compared to budget by unit, with projected carry forwards for operations by organizational unit.

Table D.4: OMAFRA Direct Funded Full Time Equivalents (FTE'S)

Table D.4 contains the FTE's counts by organizational unit detailing Faculty, CARG and Staff positions for the fiscal years 2009/2010 to 2013/2014 (Preliminary). FTE's are the budgeted positions for full time faculty and staff directly charged to the OMAFRA agreement. In addition the agreement supports Faculty positions in the MTCU budget by a fixed cost transfer (see note #2 on table D.4 for more information on the MTCU faculty transfer).

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 In Thousands of Dollars

Table D.1

Table D.1 OMAFRA Agreement Overview (2012/2013)

Grant Name	Grant	Oth. Rev.	Purpose/Restriction	Positions				Risks/Limitations
				Fac/ Vets	Staff	Temp.	Total FTE's	
OMAFRA – Core (Fund 110)			Core funding for Agreement programs					All program envelopes in the OMAFRA core agreement are fixed shares of the \$59.1 million
Research Programs	\$ 8.8	\$ 0.3	Research project operating awarded to Faculty with staff (technical and admin) support for programs at 4 campus locations	10	67	1	78	Incremental costs require internal reallocations or fall primarily to the MTCU core budget
Research Faculty Pool	\$ 9.9	-	Funding for 65 faculty at the Guelph campus based on a fixed dollar pool	65			65	Incremental costs fall to the MTCU core budget
Research Infrastructure	\$ 13.9	\$ 4.5	Facilities and operations for 14 Research stations and the 3 regional campuses including staff salaries, benefits, program operating and space (maintenance, utilities)		129	31	160	Incremental costs can be partially offset by sales of produce and user fees but significant liability to other funds to maintain capacity
Indirect Support	\$ 10.0	-	Funds provided to the MTCU budget for indirect costs of research (space, library etc) and central admin. support to all programs and locations					Amount is increased or decreased according to changes in OMAFRA core grant. Represents less than 20% of direct costs of research which is less than typical indirect support rates of up to 40%
Labs – AHL, AFL	\$ 11.3	\$ 11.6	Regulatory, diagnostic and analytical testing services provided by the Agri Food Lab (AFL) and Animal Health Lab (AHL)	16	178	52	246	Incremental costs are covered by increased testing revenue from non-OMAFRA clients.
VCEP	\$ 5.2	-	Restricted to OVC for veterinary clinical education. Funding for all positions is based on fixed dollar "pools".	16	24		40	Incremental costs fall to the MTCU- Core Fund is totally allocated to the OVC.
TOTAL Core Funding	\$ 59.1	\$ 16.4		107	398	84	589	
OMAFRA – New Initiatives (Fund 111)	\$ 11.2		Created from \$56 million in one-time funds in 2008/2009. Used for one-time support within the OMAFRA agreement for specific initiatives across the major programs.			107	107	One-time funding due to be completed by 2013/2014. Large portion of annual research awards are supported from this grant.
OMAFRA – Minor Capital Investment	\$ 4.6		For jointly approved facility repairs and upgrades Focussed on animal care standards and research health and safety.					Awarded annually. One-time funds received on a claim basis. Large inventory of facilities and land base to be maintained.
TOTAL OMAFRA Agreement	\$ 74.9	\$ 16.4		107	398	191	696	

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 In Thousands of Dollars

Table D.2

Table D.2 - Preliminary 2013/2014 Budget, By Unit and Major Expense Category

	Agreement Base Budget						2013/2014 One-Time Allocations			Total	Notes
	(A) Revenues	(B) Total Personnel	(C) Faculty Pool Costs	(D) Operating	(E) Dept Cost Recovery	(F) Total Base Budget	(G) 2013/2014 Net One Time Solutions	(H) 2013/2014 Minor Capital Projects	(I) Pre-Audit Carryforwards from Prior Year	(J) Total Preliminary Budget	
Agreement Revenues											
Provincial Funding	(70,800)									(70,800)	
New Initiatives											
Minor Capital Funding								(4,000)		(4,000)	
Investment Income											
Program Revenue	(16,194)									(16,194)	1
Total Agreement Revenues	(86,994)									(86,994)	
Teaching Units											
College Of Arts		1	9						2	12	
College Of Biological Science		62	667						358	1,086	
Coll.Of Soc.& App. Human Science		16	174						123	313	
College Of Management & Economics		27	290						245	562	
OAC Guelph		2,807	6,354	312	(244)	9,229	254		3,173	12,656	
Alfred Campus		1,187		973	(600)	1,560	(97)	250	126	1,839	
Kemptville Campus		3,361		2,746	(563)	5,544	(243)	750	686	6,737	
Ridgetown Campus		4,108		1,692	(1,008)	4,793	(526)	1,000	130	5,397	
Total: Ontario Agricultural College		11,463	6,354	5,723	(2,414)	21,126	(612)	2,000	4,115	26,629	2
Ontario Veterinary College - Research		589	1,799	0		2,388	(154)		257	2,491	
Ontario Veterinary College - VCEP		7	1,900	3,293		5,200			1,344	6,544	
Coll Of Physical & Engineering		133	622			756	(8)		1,235	1,983	
Total Teaching Units		12,298	11,815	9,016	(2,414)	30,714	(774)		7,679	39,619	
Other Programs And Services											
Guelph Research Station Operations		6,510		4,663	(186)	10,987	(165)	2,000	1,961	14,783	3
Program Support Account		631		954	(542)	1,043			1,299	2,342	4
Lab Services Division (AHL and AFL)		18,102		7,425	(2,136)	23,390	(502)		5,665	28,553	
Central Support Costs				10,500		10,500				10,500	5
Research Project Operating				8,000		8,000			5,167	13,167	6
Contingency, Special Projects & Unallocated				3,800		3,800			1,196	4,996	7
Total Other Programs and Services		25,242		35,342	(2,864)	57,720	(667)	4,000	15,288	74,341	
New Initiatives Projects (KTT , HQP)											
Total Agreement Expenses		37,540	11,815	44,358	(5,278)	88,435	(1,441)	4,000	22,967	113,961	
Carryforward from Prior Years									(22,967)	(22,967)	8
Net Agreement Budget	(86,994)	37,540	11,815	44,358	(5,278)	1,441	(1,441)	0	0	0	

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Notes for Table D.2

Notes:

1. See section E on page #11 for details on the Total Agreement Revenue for 2013/2014.
2. Ontario Agricultural College (OAC) includes the regional campus locations in Alfred, Kemptville and Ridgetown. In 2013/2014 pending other solutions, OAC will need to transfer a total of \$0.612 million from other funds on a one-time basis in support of the incremental costs in the OMAFRA Agreement including net revenues generated by other programs.
3. Guelph Research Station Operations are a number of animal and land based research facilities on campus and in the surrounding Guelph area.
4. The Program Support Accounts are centrally administered funds used for specific research infrastructure including discretionary accounts managed by the Research Program Directors and contingency funds for facilities and maintenance of provincially owned locations.
5. Central Support Costs are the indirect cost transfers to the MTCU budget in support of the OMAFRA agreement. For 2013/2014, \$10.5 million has been allocated for support of campus infrastructure.
6. The total pool of Research Project Operating funding includes an expected allocation of \$8million in the revised budget and estimated \$5.1 million in New Initiative funds being carried forward and are committed to research projects already awarded for 2013/2014.
7. Contingency, Special Projects and Unallocated contains funding received in the five year renewal awaiting final allocation decisions to be made. This includes funds for the Knowledge Translation and Transfer (KTT) and Highly Qualified Personnel (HQP) programs. See Section D on page #7 above for the current status of the decision process.
8. The total \$22.967 million in funds projected to be available at the end of 2012/2013 (\$22.634 million unspent at the end of 2011/2012) will be carried forward to 2013/2014 for operations.

Column Definitions:

Column A: Total Base or Core revenues of \$86.994 million include both agreement advances from OMAFRA and revenues within units. Program revenues are external cash charges for services provided by agreement locations primarily through the sale of goods and services.

Column B: Total Personnel includes the salary and benefit costs for all faculty and staff charged directly to OMAFRA projects including approximately 393 FTE's of regular full-time positions (see table D.4).

Column C: Faculty Pool Costs are fixed transfers to the MTCU budget in support of faculty effort on research projects (65 FTE's) and VCEP (12 FTE's).

Column D: Operating expenses include all non-personnel expenses including travel, utilities, supplies and facility maintenance.

Column E: Dept Cost Recovery are non-cash transfers based on inter-departmental services provided for laboratory and other services to other University departments.

Column F: Total Base Budget is the total revenues and total departmental expenses less cost recoveries for each major unit for the base portion of the Renewed Agreement. This amount is before the one-time adjustments and allocations and the carry-forward of unspent funds from the prior year (See Col G, H, I, J). Note that the total net budget of \$1.441 million (expenses greater than revenues) represents the structural deficit in the base agreement as of 2013/2014.

Column G: One Time Revenues and Recoveries are net unit contributions to the structural deficit in the 2013/2014 OMAFRA Agreement. These funds are primarily cost recoveries and transfers of uncommitted funds used to offset the cost increases in the agreement on a one time basis within the fiscal year. These solutions do not permanently reduce the structural deficit created by increased costs.

Column H: The proposed allocation for Minor Capital projects represents additional funds from OMAFRA in support of jointly approved renovations and repairs to facilities and equipment at provincially owned properties managed by the University under the Agreement.

Column I: The total \$22.967 million in funds (pre-audit) projected to be available at the end of 2012/2013 will be carried forward to 2013/2014 for operations (see Table D.3 on the next page for more information).

Column J: The Net 2013/2014 OMAFRA budget is the total allocation amount with which budget managers are controlled and measured at the end of each fiscal year.

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Table D.3

Table D.3 - 2012/2013 Pre-Audit Results, Net Expenses by Unit

	12/13 Budget	12/13 Actual	Surplus/ (Deficit)	
<u>Agreement Funding:</u>				
Provincial Funding - Renewed Agreement	59,100	59,100	0	#1
Provincial Funding - New Initiatives	11,200	11,200	0	#2
Investment Income	300	430	130	#3
Total Agreement Funding	70,600	70,730	130	
<u>Agreement Expenses:</u>				
<u>Teaching Units</u>				
College of Arts (COA)	11	9	2	
College of Biological Science	1,862	1,504	358	
College of Social & Applied Human Sciences	390	267	123	
College of Management & Economics	893	648	245	
OAC - Guelph	18,772	15,599	3,173	
Alfred Campus	1,528	1,402	126	
Kemptville Campus	4,844	4,158	686	
Ridgetown Campus	4,072	3,942	130	#4
Total Ontario Agricultural College	29,216	25,101	4,115	
Ontario Veterinary College - Research	2,792	2,535	257	
Ontario Veterinary College - VCEP	8,038	6,694	1,344	
Total Ontario Veterinary College (OVC)	10,830	9,229	1,601	
College of Physical & Eng Science	2,921	1,686	1,235	
Total Teaching Units	46,123	38,444	7,679	
Library Operations - KTT Fund 111	63	55	8	
<u>Academic Services</u>				
New Initiatives Programs	6,969	606	6,363	#5
Guelph Research Stations and Animal Facilities	9,547	7,586	1,961	
AVP Agrifood	1,363	202	1,161	
Laboratory Services Division	18,169	12,504	5,665	#6
OMAFRA Indirect Costs	11,000	11,000	0	
Net Agreement Expenses	93,234	70,397	22,837	
Annual Operating Surplus (Deficit)	(22,634)	333	22,967	
Add: Transfers from Appropriations - Operations	22,634	22,634		
Funds Available	0	22,967		#7
Less: Transfers to Appropriations - Operations		(22,967)		
Net Revenue(Expense)	0	0		

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Notes for Table D.3

Notes for Forecast:

1. The Agreement Base Revenue is \$59.1 million. An additional \$3.7 million (\$5.6 million in 2011/2012) in Minor Capital/Repair and other equipment funds were transferred for jointly approved projects. The Minor Capital revenues are recorded in the locations/units of the approved projects.
2. OMAFRA provided \$56 million in one-time funds as a strategic commitment to new initiatives in research, animal health and veterinary clinical education. This allocation will be \$11.2 million per year for five years. 2012/2013 was the final year.
3. The University credits the agreement with interest earned on the advances received from OMAFRA. The New Initiatives funding (see note #2 above) represents most of the interest-earning balance. The interest earned in 2012/2013 is \$0.430 million (\$0.503 million in 2011/2012).
4. The Renewed Agreement included revenues specifically targeted to new initiatives (see note #2 above). These new programs include 7 research themes, a Knowledge Translation and Transfer (KTT) program and an investment in researcher development (HQP). These new programs are continuing to expand their activities and any unspent funds will be carried forward for these specific purposes as part of the five year plan for the programs. The research themes have centrally-held balances forecast at \$5.167 million, the KTT program \$0.151 million and HQP \$1.045 million.
5. The Animal Health Lab (AHL) and the Agri-Food Lab (AFL) programs in the Laboratory Services division have a pre-audit overall surplus of \$5.665 million (\$5.367 in 2011/2012). The division has a significant investment in leading edge testing technology and demands for continual development of new testing protocols. Any net revenues are designated for re-investment in support of these needs.
6. The total \$22.967 million in funds projected to be available at the end of 2012/2013 (\$22.634 million unspent at the end of 2011/2012) will be carried forward to 2013/2014 for operations. Of this amount, a forecast \$9.920 million is in the New Initiatives programs (\$10.524 million unspent at the end of 2011/2012) and \$13.047 million within Renewed Agreement base budgets (\$12.110 million unspent at the end of 2011/2012).

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Table D.4

Table D.4 - OMAFRA Direct Funded Full Time Equivalents (FTE'S)

		09/10	10/11	11/12	12/13	13/14 Preliminary	Notes
Teaching Units							
OAC Guelph	Staff	45.8	45.0	42.8	41.7	33.3	
		45.8	45.0	42.8	41.7	33.3	
Alfred Campus	Faculty	1.9	1.9	1.9	1.8	1.9	
	CARG/Staff	10.7	10.7	11.1	10.9	10.8	
		12.6	12.6	13.0	12.8	12.7	
Kemptville Campus	Faculty	2.5	1.8	1.4	1.1	1.2	
	CARG/Staff	32.1	34.3	33.5	35.4	35.4	
		34.7	36.2	34.8	36.5	36.5	
Ridgetown Campus	Faculty	5.3	5.3	5.9	7.0	7.3	
	CARG/Staff	33.7	33.7	33.9	32.2	32.7	
		39.0	39.0	39.8	39.2	40.0	
Ontario Veterinary College - Research	Staff	10.5	9.5	9.5	8.5	7.8	
		10.5	9.5	9.5	8.5	7.8	
Ontario Veterinary College - VCEP	Faculty	4.0	-	-	-	-	#1
	Staff	23.6	-	-	-	-	#1
		27.6	-	-	-	-	
College of Physical & Eng. Services	Staff	1.3	1.3	1.3	1.3	1.3	
		1.3	1.3	1.3	1.3	1.3	
Teaching Units Total	Faculty	13.7	9.0	9.1	10.0	10.3	
	Staff	157.7	134.5	132.1	130.0	121.3	
	Total	171.4	143.5	141.2	140.0	131.6	
Other Programs And Services							
Guelph Research Station Operations	Staff	66.6	67.0	67.1	66.1	66.0	
		66.6	67.0	67.1	66.1	66.0	
Lab Services Division (AHL and AFL)	Faculty	16.0	16.0	16.0	15.6	14.2	
	Staff	165.9	164.4	168.5	177.8	180.7	
		181.9	180.4	184.5	193.4	194.9	
TOTAL	Faculty	29.7	25.0	25.1	25.6	24.5	
	CARG/Staff	390.1	366.0	367.8	373.9	368.0	
Grand Total		419.8	391.0	392.9	399.5	392.5	#2

Excludes Research and VCEP Faculty and Staff supported by cost transfer to the MTCU Budget – See Note #3

University of Guelph
OMAFRA Agreement – 2013/2014 Preliminary Budget

Notes for Table D.4

Definitions:

FTE: Full Time Equivalents measuring budgeted positions for full time faculty, CARG and staff charged directly to the OMAFRA Agreement.

CARG: Instructors and researchers at the regional campus locations of OAC who are members of the College and Academic Research Group. There are a total of 43.0 RFT FTE's in the CARG group (10.5 OMAFRA, 32.5 MTCU) at the three regional campus locations.

Notes:

1. As part a consolidation of the clinical services at OVC into the Health Sciences Centre, 28 veterinarian and staff positions previously charged directly to the VCEP budget are now supported by a fixed transfer on a fee for service basis to the OVC HSC MTCU operating budget. This was a direct transfer of the 28 positions (4 Vets, 2 P&M, 22 USW) with no change in overall FTE count in OVC across all funding sources as a result.

2. The total direct funded positions in the preliminary budget for the renewed OMAFRA agreement totals 392.5 budgeted full-time positions for 2013/2014. In addition there is support for positions by fixed transfer to the MTCU budget where the base costs for the positions are covered by the OMAFRA agreement but all salary and benefit inflation falls to the MTCU budget. This includes 24 Staff positions in the OVC Health Sciences Centre. There are also a total of 81 Faculty and Veterinarian positions (see note #3). With the indirect positions, the total effort for full time positions in the OMAFRA agreement totals 505 full time equivalents.

3. In total there is support of 107 FTE's of Faculty and Veterinarian full-time positions in the OMAFRA budget. (Refer to the table below).

Of these 107 FTE's, 16 are Veterinarian positions in the Lab Services and 10 Faculty at the three regional campuses of OAC whose actual salaries and benefits are charges directly to OMAFRA funds. In addition there are 4 veterinarian and 77 faculty (65 FTEs of which are allocated for research programs) supported by fixed transfer (pooled) to the MTCU Budget.

OMAFRA Funding for Faculty/Veterinarian FTE's	Lab Services	Regional Campuses	OAC Guelph	OVC Research	OVC VCEP	Other Colleges	Total
Veterinarian – Direct	16.0						16.0
Faculty- Direct		10.0					10.0
Veterinarian –“Pool”					4.0		4.0
Faculty – “Pool”			41.7	11.4	12.0	11.9	77.0
Total FTE's	16.0	10.0	41.7	11.4	16.0	11.9	107.0