University of Guelph

Integrated Plan, Multi Year Plan (MYP2) and Preliminary 2013/2014 MTCU Operating Fund Budget

[April 9, 2013]

Board of Governors

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1 Background for the 2013/2014 Budget

1.1 Integrated Planning 2013 – 2017

In 2012/2013 the University started its second Integrated Planning (IP) cycle with a five-year plan building on the foundational principles and practices established in the University's inaugural plan (2006-12).

Integrated Planning emphasizes the constant interaction of three core activities: Planning, Resource Allocation, and Assessment. In particular, the budget becomes a clear resource allocation outcome of the planning goals and strategies, and can be assessed as an operational methodology, instead of serving as the plan itself, as it had been in the past. Because it represented a new process and approach, the first Integrated Plan (IP1) was in reality a series of annual Plan iterations: each building upon the experiences of the previous versions.

When completed in 2012, IP1 had established a planning framework within which all University units developed unit plans with common areas of strategic focus and the annual budget became an outcome of a multi-year planning process. IP1 also began ongoing assessments of outcomes against goals. For the first time major differentiated resource allocations were made based on non-financial unit metrics- a major departure from historical practices dominated by the expediency of using "across-the-board" cuts.

The second Integrated Plan (IP2) consolidated the successes and lessons of IP1, and was intended to be a plan that would guide the institution for all five years of the cycle without significant annual rewrites and extensions. This enhanced stability for pursuing multi-year goals and focused time and resources on enhancing the assessment process. The major addition to IP2 is the identification of five major goals[1] each with measurable strategies and initiatives and well-defined assessment metrics.

The process of building an assessment culture with the supporting resources and mechanisms is ongoing. In fall 2012, the University initiated the Program Prioritization Process (PPP). This comprehensive process has the goal of ranking all of our major activities (defined as "programs") into five "quintiles" using the same 10 criteria for all programs. The PPP is the next critical step in building evidence-based assessment mechanisms that, in the context of Integrated Planning, can help determine where limited resources should be allocated most effectively.

The outcome of PPP (a report to be completed in the fall of 2013) will be used as a key part of the difficult but necessary process of allocating the budget reduction targets we need to achieve the goals of IP2 and remain fiscally stable. Establishing those targets is the outcome of multi-year financial planning, part of the resource allocation process in Integrated Planning.

1.2 Multi-Year Financial Planning

An integral component in each of the University's Integrated Plans are multi-year financial plans which are used to determine university-level annual budget targets necessary to keep the structural operating budget balanced. In 2008/2009, the University developed a multi-year financial plan (MYP1) with the

[1] IP2 is available on–line at IP2 2013-2017 Document

express purpose of bringing into balance its annual MTCU[2] Operating Fund **base budget[3]** over a four-year period (2008/2009 to 2011/2012). In this plan $46 million (about 15% of the total operating budget at the time) was re-allocated. Using the first Integrated Plan to guide both the allocation of differentiated unit targets and continuing program priorities, by the end of fiscal 2011/2012, the University not only successfully balanced its MTCU Operating Fund budget but created significant budget flexibility in the form of base and one-time contingency funds.

In 2013, the University initiated its second five year Integrated Plan (referred to as IP2) with a timeframe of 2012/2013 to 2016/2017. Incorporated into IP2 is a second multi-year financial plan (MYP2). The key objective of MYP2 is to provide an overall sustainable financial framework to support the directions and priorities of the Integrated Plan. With most major University commitments being "backstopped" by the MTCU Operating Fund, MYP2 assumptions include revenue and expense assumption for major components of the MTCU Operating Fund including the potential impact from other Funds. The immediate outcome was multi-year targets that totalled $32.4 million (about 8% of the total operating budget). This was the total estimated savings/revenues needed to cover expected base cost commitments and provide for investment in the major goals of IP2.

Although the current Integrated Plan is not revised each year, the assumptions of MYP2, which are part of that plan, must be revisited annually. Updating financial assumptions involves first adjusting for the actual results of the previous year and then determining the financial impact of new information, going forward, on both the next annual budget (in this case 2013/2014) and the remaining years of the plan.

The assumptions and resource allocation decisions inherent in any multi-year planning process, are better informed within a framework of major objectives. For the purposes of MYP2 and the 2013/2014 MTCU Operating Fund budget the following five key decisions/objectives were used ;

1. Focus on maintaining a balanced structural or base budget by ensuring on-going structural cost increases e.g. compensation are provided for. Manage one-time or non-recurring events within each fiscal year.
2. Invest in core infrastructure that is critical to the successful delivery of quality education and research programs
3. Develop and maintain sufficient budget flexibility (contingency funds) to both:
    a. Control financial risk (uncertainty) and achieve overall targets
    b. Provide funding to both take advantage of opportunities as they arise and to invest in the goals articulated in IP2
4. Reassess and adjust the MYP2 assumptions each year. (While assumption "gains" and "losses" have been factored into the MYP2,for 2013/2014, the decision has been made to hold the $32.4 million target initially established last year).
5. Recognize the importance and impact of the information that will result from PPP. In order to do this, we need to defer the allocation of unit MYP2 targets until the PPP outcomes can

[2] Ministry of Training Colleges and Universities. Refer to section 2.2 of this document for a fuller description of this budget.

[3] ***The Base Budget -** The underlying metrics or units of measure of the University's multi-year financial plan are "base" financial assumptions for the MTCU Operating Fund Budget. "Base" in our budgeting context refers to the long-term or structural assumptions on components of budgeted revenues and expense that unless adjusted are assumed to recur each year. Keeping these components balanced is a major budgetary objective and challenge given the volatility of revenues and the inflexible nature of most expenses. The impact of actual results compared to budget in any fiscal year i.e., variances to the budget are not considered base or structural for multi-year planning purposes (they are referred to as "one-time" in nature).*

be fully incorporated into that critical resource allocation decision. This cannot occur in 2013/2014. One-time contingency funds will be used to cover any funding gaps in 2013/2014 so overall the University's budget will be balanced. This does not mean the cancellation of any portion of the MYP2 overall base target, currently $32.4 million; but that 2013/2014 will be used to assign units targets to meet this target for implementation beginning in 2014/2015.

The purpose of this document is to present both an updated MYP2 and the 2013/2014 annual MTCU Operating Budget in the context of this framework.

2 Financial Planning Context

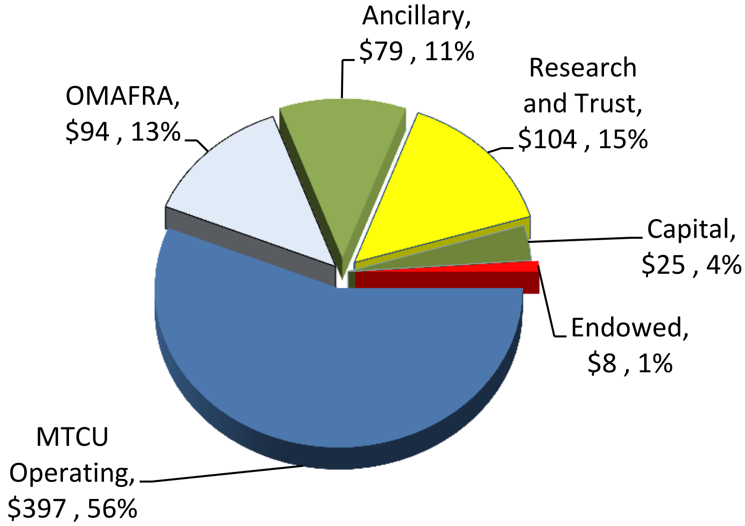
2.1 University Funds

The University of Guelph is a $700 million annual enterprise encompassing a diverse range of activities with a wide range of funding sources. Many of the funds are from a variety of external sponsors and are designated by them for specific purposes that typically do not provide funding for infrastructure operating costs or cost increases. In fact limitations or restrictions on certain funds can be very specific and form part of legal or contractual spending and reporting requirements. To ensure these restrictions are met the University follows the well-established practice used by most non-profit organizations of "fund accounting".

Chart A identifies the University's major Funds. Funds with the most external restrictions include OMAFRA (Ontario Ministry of Agriculture and Rural Affairs), Research and Trust, Capital, and Endowed.

These funds contain limitations on support for indirect support services (e.g., physical and administrative infrastructure) and also typically they prohibit support for general incremental costs such as for price increases or capacity/capital maintenance.

CHART A



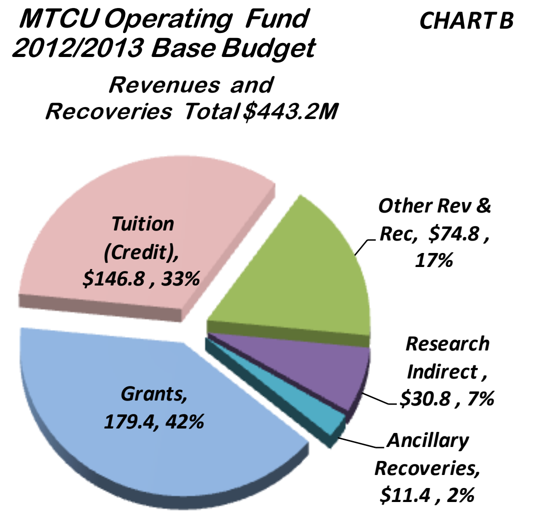
Total University Funds ~ $700M (2011/2012)

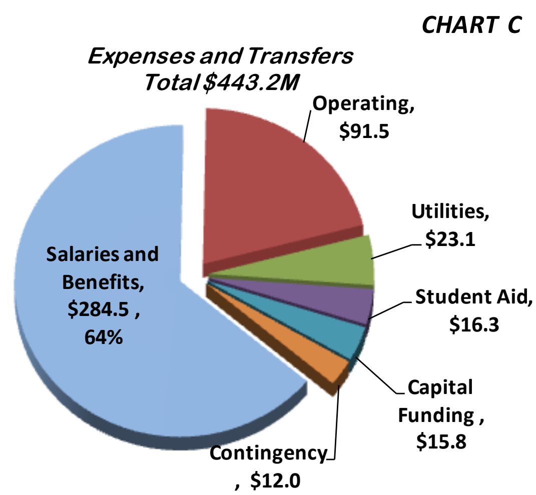
This leaves the primary responsibility for funding most incremental costs and main campus infrastructure (physical plant, library, technology and other support services) costs to the **MTCU (Ministry of Training Colleges and Universities) Operating Fund** budget.

Comprising 56% of total University funding, the MTCU Operating Fund budget supports 90% of all faculty and 80% of regular full time staff appointments and has the responsibly to provide the University's core teaching and research services. It is therefore out of necessity, the main focus of University planning efforts.

2.2 The MTCU Operating Fund

The MTCU Operating Fund, which includes the University's core teaching and research support activities, depends on a variety of revenues (earned from external sources) and cost recoveries, (transfers from other University funds), in order to support expenses mainly in the form of salaries and benefits. (Refer to Charts B and C). 75% of the MTCU Operating revenues are derived from combination of grants (42%) and tuition (33%). As both of these revenue sources are controlled significantly by provincial policies, with the current levels of political uncertainty, it is difficult to make long-term predictions about these funds. Regardless of this uncertainty, no planning is a greater risk. This alone will mean the continued need for flexibility in our budget planning. The following section presents the current general assumptions that have been made to create the first iteration of MYP2. They reflect consideration of the financial risks balanced with the opportunities and initiatives presented in IP2.





2.3 The MTCU Operating Fund and OMAFRA

For the most part the University's major Funds have their own sources of revenues and objects of expense and do not directly impact the MTCU Operating budget. However, since the inception of the University, our unique relationship with OMAFRA has supported major structural components especially in our research enterprise. 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 types of expenses it supports mean the OMAFRA relationship is both complex and critical in our multi-year planning.

With most of OMAFRA funding allocated to colleges for research activities, changes in OMAFRA funding levels can have a major impact on University operations.

For example OMAFRA supports:

- 35% ($57 million annually) of the University's total research
- 90 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). Maintaining a balanced 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.

- $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 and growing financial complexity is the province’s practice of targeting grants for specific purposes/programs. The result is more partitions and restrictions within the Operating Fund budget, with special reporting requirements for each “envelope” of funding. This is becoming more prevalent within a number of Funds. For example OMAFRA has designated major envelopes for specific purposes each with specific outcomes and most with fixed annual allocations, meaning either real spending is reduced or incremental cost increases, especially for salaries, must be borne elsewhere. As might be expected with over 70% of most Funds allocated to compensation, incremental costs (mainly compensation related) contribute the bulk of University cost pressures.

The following Table summarizes some of the major features of the MTCU and OMAFRA components of the Operating Fund including restrictions and further partitioning of funding sources. It highlights the diversity/complexity of funding that supports University faculty and staff positions. As we move into the MYP2 assumptions, funding restrictions coupled with increasing costs create the major challenge to maintaining a balanced fiscal position year over year.

2012/2013 Operating Funding Sources

Fund Name	Rev. $M	Purpose/Restriction	Positions				Risks/Limitations
			Fac	Staff	Tem.	Total	
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.			109	109	One-time funding due to be completed by end of 2013/2014. Major source of funding support for graduate education.
OMAFRA – Core (Fund 110)	$ 75.6	Mainly for research and related infrastructure at stations and for regional campuses. Of the $76.1M, $59M is an annual direct transfer from the province. Funding of 65 faculty is based on a fixed dollar "pool"	75	388	108	571	A major source of funding for core University faculty and staff and support costs. Revenue is 80% provincial funding fixed over the contract period. Incremental costs reduce real spending power.
VCEP **(Part of Fund 110)**	$ 6.2	Source is the OMAFRA Agreement. Restricted to OVC for veterinary clinical education. Funding for all positions is based on fixed dollar "pools".	12	29	6	47	Fixed grant funding. Incremental costs fall to the MTCU- Core (100% annual provincial funding). Fund is totally allocated to the OVC.
TOTAL OMAFRA	$ 93.0		87	417	223	727	
OVC- Special Grant (Fund 102)	$ 6.5	Source is MTCU grant. Restricted for OVC in support of teaching and related infrastructure	19	-	3	22	Fixed grant funding. Incremental costs fall to the MTCU- Core (100% annual provincial funding)
MTCU- Ag Diploma **(Fund 104)**	$ 16.8	Result of transfer in 2008/2009 of all education from OMAFRA diploma (credit) and non-credit programs at regional campuses to MTCU. Most revenue is enrolment based and all is allocated to the OAC.	6	80	74	160	Fixed grant funding. Only sources for incremental cost are growth and tuition increases. (30% annual provincial funding and over 50% of revenue non-credit activity. This fund is totally allocated to the OAC.
MTCU- Core (Fund 100)	$362.9	Revenues and recoveries fund main campus University teaching programs and research infrastructure Is the main source of unrestricted University funding.	725	1,539	681	2,945	Fund of final resort if funding issues arise in other funds.
TOTAL MTCU	$ 386.2		750	1,619	758	3,127	
TOTAL OPERATING	$ 479.2		837	2,036	981	3,854	

2.4 Key Financial Risks

In the context of many external forces and internal factors, the University will face a number of financial risks over the course of MYP2. Each risk carries a different level of impact and probability of occurrence. While identification of the impact of a possible negative event can be estimated with some certainty, determining its probability is more difficult and actions which can fully mitigate those events are limited due to operational, governance and fiscal capacities.

The following table identifies the current major financial risks to the University over the course of MYP2 as they are viewed at this time. The legend shows the ranking convention used in this presentation. With uncertainty throughout not just the sector but the whole global economy, fully mitigating all of the University's identified risk is not possible; however, efforts are made to first identify the most immediate and potentially material threats and then implement mitigating initiatives that are most feasible and effective.

Risk Level Identification Legend	
Level 1	No immediate threat of material adverse change. University mitigating controls in place for the period.
Level 2	Probable increased threat of material adverse change. Some controls in place, however, uncertainties exist despite mitigation efforts.
Level 3	Definite increase of material adverse change, only a portion of which we can immediately control. Mitigation requires significant effort contingent on third parties or events (i.e., Government, employee groups or global markets)

While the risks for 2013/2014 have to a large extent been mitigated, longer term it is clear the top three risk areas are related to compensation and post-employment costs. This has as much to do with the size of the potential liabilities as well as the challenges of volatile global markets and changing plan designs through negotiated settlements in a time of major salary constraint. The other major Level 3 risk is that of provincial government funding policy. With the political uncertainty and fiscal situation of the province, estimating the direction of funding policy is a constant activity.
There are two principal mitigation strategies:

- **short-term -** maintaining financial flexibility in the form of contingency funds (target 3% operating)
- **long-term -** changing the underlying cost structures that create the risk.

As new information becomes available and mitigating actions are completed this table and risks will be revised and factored into Integrated Planning and its associated financial plan (MYP2).

2.4.1 Risk Table: 2013/2014 and Beyond

<table>
<tr><th rowspan="2">Risk Component</th><th rowspan="2">Inherent Risk</th><th rowspan="2">Mitigation</th><th colspan="2">Risk Planning</th></tr>
<tr><th>2013/2014</th><th>And Beyond</th></tr>
<tr><td>MTCU Provincial Funding</td><td>• Size; 40% of total budget
• Lack of control
• Competing priorities
• Provincial fiscal condition</td><td>• Promotion of value of universities/university degree
• Promotion of University of Guelph
• Identify targeted funding
• Reduce base dependency</td><td>Level 2
• Planned for reduction
• Maintain contingency funding</td><td>Level 3
• Plan for current reductions
• Only targeted increases e.g., enrolment
• Maintain contingency funding
• No increases expected</td></tr>
<tr><td>OMAFRA Provincial Funding</td><td>• $93M in total of which $25M supports costs in MTCU budget
• In MTCU budget used for structural costs (e.g., faculty and space)
• Ministry priorities changing-pressure to increase flexibility
• Provincial fiscal condition</td><td>• Multi-year commitments
• Promotion of relationship
• Meeting contract goals
• Reduce dependency on structural costs
• Increase flexibility – more project-based funding</td><td>Level 1
• Funding agreement to 2018
• Start reducing expected OMAFRA support in the MTCU budget</td><td>Level 2
• Determine specifics of OMAFRA direction e.g., timing
• Elimination of current structural deficit in OMAFRA Budget
• Begin plan for OMAFRA restructuring</td></tr>
<tr><td>Enrolment Revenues</td><td>• 33% of total budget
• Competition increasing for traditional recruitment (high school) Limited room to expand enrolment</td><td>• Short-term; Plan to hold enrolment overall
• Productivity improvements
• Recruitment initiatives
• Target non-traditional recruitment areas
• Develop pathways</td><td>Level 1
• Applications for 2013 are increasing
• No increased enrolment planned</td><td>Level 2
• Maintain recruitment initiatives
• Increase transfer students
• Target enrolment growth e.g., engineering
• Teaching productivity changes (e.g. classrooms, curriculum, delivery modes)</td></tr>
<tr><td>Tuition Fees</td><td>• 90% of fees provincially controlled
• Limited room to raise fees
• Completive in certain categories</td><td>• Plan for limited increases in fees or follow available framework)
• Increase support for students in need
• Increase communication on full-costs of university education</td><td>Level 1
• Framework for provincially- controlled fees for 4 years announced</td><td>Level 1
• 4- year framework for most fees announced
• Monitor competitive position in other categories</td></tr>
<tr><td>Capital Demand and Debt Capacity</td><td>• No structural provincial funding for capital (maintenance or growth)
• Capital dependency growing on new infrastructures e.g., technology (IT, scientific)
• Limited debt capacity</td><td>• Multi-year planning with priorities/rationing
• Capital risk management (e.g., audits/surveillance)
• Debt risk management (e.g., policy, metrics)
• Matching debt with source of funding</td><td>Level 1
• Borrowing limits set (with capacity)
• Debt servicing built into all budget processes
• Continued low borrowing cost environment</td><td>Level 2
• Review debt policy and metrics
• Explore alternative financing options
• Minimize projects that do not have identified revenue streams</td></tr>
</table>

<table>
<tr><th rowspan="2">Risk Component</th><th rowspan="2">Inherent Risk</th><th rowspan="2">Mitigation</th><th colspan="2">Risk Planning</th></tr>
<tr><th>2013/2014</th><th>And Beyond</th></tr>
<tr><td>Compensation</td><td>• 70% of Operating budget expense- no funding support for increases
• Complexity; 15 employee groups and bargaining units
• Structural in nature; limited options for reducing within any single year
• Sector expectations</td><td>• Provincial “directives” to contain increases in sector
• Negotiated increases consistent with budget plan
• Continuous communications with group/units</td><td>Level 2
• Most groups/units have contracts in place
• Costs built into budget plans</td><td>Level 3
• New set of negotiations for 2014+ for most groups
• Provincial directives of 0/0
• Sector momentum toward Provincial directives</td></tr>
<tr><td>Pension Plans (Solvency Deficits)</td><td>• DB plan: University (sponsor) funds all deficits
• Exposure to market conditions e.g., discount rates
• Plan design: high cost benefits
• 5 year repayments period
• Deficit $591.0M (estimated)</td><td>• Provincial temporary relief legislation until 2014 (negotiated toward Stage 2)
• Identified funding until 2015
• Identify exigency options
• Sector efforts for more solvency relief</td><td>Level 2
• Contribution requirements built into one-time budget (contingency planning)
• Negotiations for Stage 2 solvency relief continue</td><td>Level 3
• Joint effort by sector for extended solvency relief (e.g., presentations of options)
• Continued planning for Stage 2 contributions 2015+</td></tr>
<tr><td>Pension Plans (Going Concern condition)</td><td>• DB plan: University (sponsor) funds all deficits
• Cost sharing (contributions) must be negotiated
• Exposure to economic and demographic factors continue to add costs
• Deficit $165.6M (estimated)</td><td>• Negotiate changes to contain/share costs (started last negotiation “cycle”)
• Provincial direction to increase contributions
• Implement risk management strategies e.g., asset liability matching</td><td>Level 2
• Contribution requirements built into base budget</td><td>Level 2
• Communications with all employee groups
• Continued priority for negotiations</td></tr>
<tr><td>Post-employment (non-pension)</td><td>• $326M accrued benefit
• Limited cost-control incentives (no shared risk)
• Cash requirements increasing 10%+ per year
• Built into bargained benefits of employee groups
• Aging workforce</td><td>• Negotiate changes to contain costs (e.g. 10 year eligibility now required)
• Communications with employee groups on cost-containment options.
• Cash funding (Currently no need to fund accrued benefit)</td><td>Level 1
• Built in cash requirements into budget
• Undertake “valuation” to determine gains(losses) and benefit obligation</td><td>Level 3
• Continue with monitoring costs and cost sharing
• Renew communications with all employee groups</td></tr>
</table>

3 The MYP2 Review and Update

3.1 MYP2 Year 1

Year 1 of MYP2 (fiscal 2012/2013) started not only with a structurally balanced budget but also with $23.0 million in general base contingency funds. These funds had been built up over the previous three years by holding units to the deficit reduction targets of MYP1 and "banking" the productivity gains earned by increasing enrolments (revenues from grants and fees) with no incremental net costs.

MYP2 initial assumptions over the five year period of the Plan showed that $43.6 million in total structural net costs needed to be covered if we were to keep our base budget balanced over that five-year period.

For the first year of the Plan (2012/2013) it was decided to use about half or $11.2 million of the base contingency funds to cover the net incremental base costs of the 2012/2013 fiscal year. Incremental costs consisted mainly of compensation increases almost all of which were negotiated salary increases and provisions for the costs of employer benefits. No departmental new budget reduction targets were assigned. The major budgetary objective was to provide at least a year to begin planning for the challenge of finding the remaining $32.4 million ($43.6 million less the $11.2 million) over the remaining four years of the Plan. It was within this context that the 2012/2013 budget was prepared and approved.

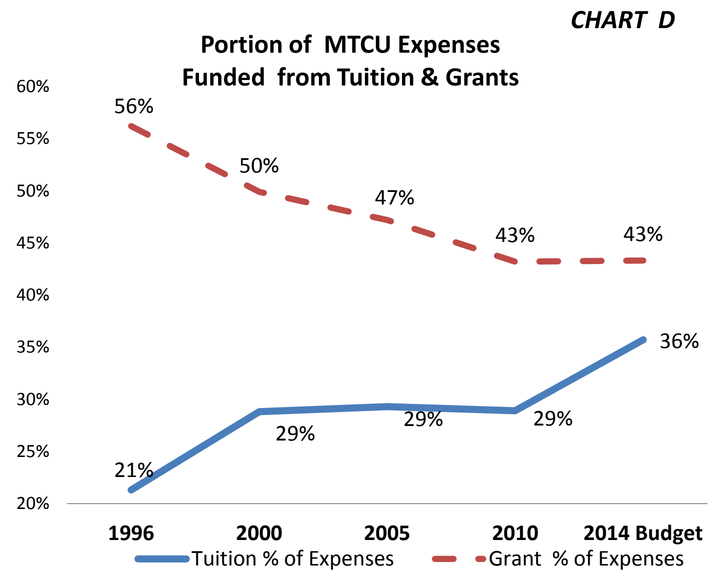
3.2 MYP2 Year 2

The challenge of making any long-term plans is that estimates invariably do not match actual results. There is a greater risk, however, in not preparing for probable budget adjustments in a planned and strategic manner. The initial results of MYP2 were prepared in 2012 with a certain set of assumptions made at a time where there was no multi-year tuition framework and there were concerns about enrolment demand.

Over the course of 2012/2013 we have not only additional information on funding and expenses, but the actual experiences of another fiscal year all of which can influence results in subsequent years. In addition the four-year tuition framework just announced by the province and with the fact that we appear to have a consistently high response rate from applicants for offers of entry, there is now some hope for managing tuition/enrolment revenues, at least for the next four years.

The following is a presentation of the revised MYP2 major assumptions. While not significantly different in direction or outcome when compared to the initial MYP2 of last year, certain revenue and expense assumptions have been updated.

3.3 Revenue Assumptions



Major institutional revenue (e.g. grants and tuition) provide much of in the funding for general cost increases (e.g. compensation and infrastructure). Chart D indicates both the concentration of funding in grants and tuition but also the shifting portion of funding to tuition revenues from grants. Even with this shift in distribution the overall portion of expenses funded from these two sources remains about the same at about 78% making estimating these two components a major part of any planning process.

For financial planning purposes, MYP revenue assumptions consider only major institutional-level revenues. Within college/division allocations are an estimated $70 million in revenues credited directly to individual unit budgets. These revenues are earned from a wide variety of sources including many that are restricted for a specific purpose (e.g., specific MTCU grants restricted to support diploma education or students with disabilities), student fees assigned for specific support services (e.g., student health services fees) or specialized service fees (e.g., the OVC Veterinary teaching hospital client fees). Any changes to these departmental revenues are the responsibility of the local unit. It is important to note that in many cases earning revenues constitutes an important component of a unit's ability to both deliver key services and to meet their overall budget targets.

3.3.1 MTCU Operating Grants

While there has been a decrease in the portion of expenses funded by the MTCU operating grant, it remains the single largest revenue component of the operating budget. For many years MTCU has provided no general cost-of- living increases in grants. Typically now any grant increases will be based on performance metrics, the primary ones being increased enrolments and quality enhancements.

In the 2012 provincial budget, the province announced that grants to post-secondary education would be reduced; ours will be reduced by $4 million (about 2%) over the next two fiscal years. This could signal further reductions as the province deals with their deficit, however the MYP2 does not assume any further general grant reductions going forward. In addition, in 2012/2013 there were some additional grants for small increases in enrolment (relative to budget) adding about $1 million in new funding. In subsequent years it is assumed there will be no decreases and any grant increases will be targeted to incremental deliverables (and cost increases) and therefore will not contribute to covering inflation based costs in this Plan. Overall, relative to the initial MYP2, these changes resulted in a reduction in grants of $2.9 million

3.3.2 Tuition Fees- Credit

The University's tuition revenue of $146 million is earned from a variety of different programs. 90% of these revenues are generated from University-degree credit programs. Most of the tuition rates in this category are set by the province normally under multi-year "frameworks" that often include a requirement that a certain portion be set aside for needs-based student assistance. Determining total tuition incomes requires that both enrolment numbers and tuition rates be considered.

Previous Framework: For fiscal 2012/2013 the university system was permitted to extend the previous five-year tuition framework (maximum overall increase of 5%). That fee framework was complex. Rates were different for entering students as opposed to continuing and different for professional and other programs. The result was a fee schedule that varied for each semester level year, across programs and full-time part-time. In addition for unregulated programs such as international student, a “cohort” fee was implemented in 2005 essentially guaranteeing a fixed fee for the duration of a student’s program. The result of these two actions was a complex and wide spectrum of fees that differed across all cohorts and degree programs. With enrolment forecasting systems and processes that were based on a single tuition rate structure, estimating changes in fees to typical degrees of accuracy, became steadily more challenging.

For 2012/2013, the budget was set using a conservative estimate of the weighted average for each major degree program across cohort all years. When compared to actual results in 2012/2013, it was low for most categories. The financial result was revenue, across all programs, that was about 2.5% ($4 million) higher than budgeted. The new framework will eliminate most “cohort” fees and over time the fee structure will be simplified and with it, more accurate estimates.

New Tuition Framework for 2013/2014 to 2016/2017: On March 28, 2013 a new framework was announced by the province for provincial-controlled programs over the next four years. While precise details are still to be confirmed, there is a 3% limit or “cap” on the total average annual tuition fee increase for all students at an institution. The 3% increase is consistent with the initial MYP2 assumption for 2013/2014 and 2014/2015 however the last two years of the plan had increases of 2%. Consistent with the new framework, the working assumption for the remaining two years of the MYP2 will changed to 3% adding $3.5 million to total revenues relative to initial assumptions.

Below is a table of the framework for provincially-controlled programs and proposed changes for those programs that are not. At this time the University, having just received the announcement, has not finalized the individual program fees for provincially-regulated programs. Clearly increases cannot be at the maximum presented in the table as it would exceed the 3% “cap” and final rates will be in compliance with all provincial rules once decided.

At this time we are planning a freeze in basic tuition fees for all international students and programs not provincially regulated. However, the University will collect the $825 (per academic year) fee from incoming international students in undergraduate and magisteriate programs. This is to recover the government implemented “tax” on these students announced in the 2012 provincial budget.

3.3.2.1 Table of Degree Credit Tuition Changes;

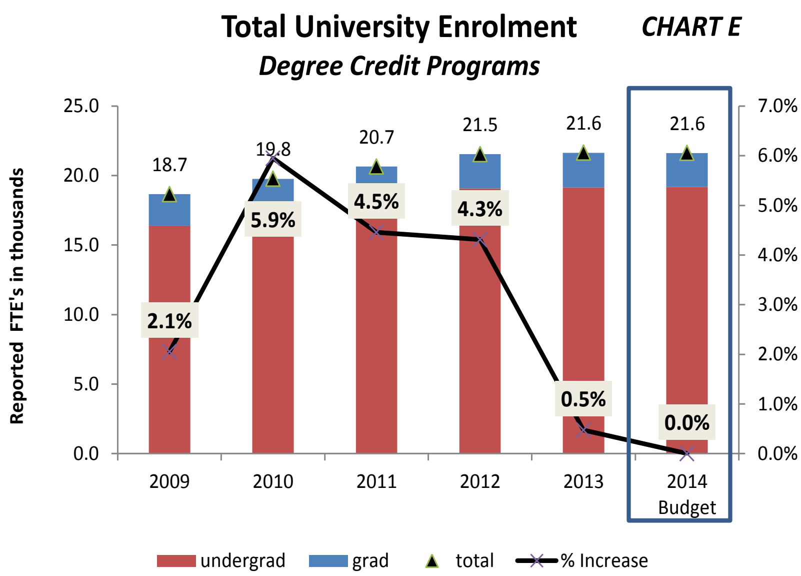
A: MTCU Provincially Regulated Programs: 4 year framework				
Subject to an overall 3% "cap" of the total institutional average increase. The actual fee increases by program at the University will be determined in accordance with this framework.				
Category:		**Entering**	**Continuing**	**Notes**
Undergraduate (maximum)				
• Regular Programs	Note 1	2.92%	2.92%	Full-time and Part-time studies
• Professional Programs		5%	4%	Full-time and Part-time studies
• Diploma Programs		2.92%	2.92%	Full-time and Part-time studies
All Graduate Programs	Note 2	2%	2%	Full-time and Part-time studies

B: Programs not Provincially Regulated: (Rates for 2013/2014)				
Category:		**Entering**	**Continuing**	**Notes**
International Undergraduate				
• Regular Programs	Note 3	0% + $825	0%	Full-time and Part-time studies
• Professional Programs		0% + $825	0%	Full-time and Part-time studies
• Diploma Programs		0% + $825	0%	Full-time and Part-time studies
International Graduate				
• Masters Programs	Note 3	0% + $825	0%	Full-time and Part-time studies
• PhD Programs		0%	0%	Full-time and Part-time studies
Full Cost Recovery Programs (Graduate)				
Canadian & Permanent Status Students		0%	0%	MBA, MA and GDIP
Visa (International) Students	Note 3	0% + $825	0%	MBA, MA and GDIP

Note 1	*To ensure the overall University 3% cap for provincially regulated programs is maintained, regular undergrad programs will be increased by 2.92% for entering and continuing students.*
Note 2	*Approved framework allows increases for graduate students at the same levels as undergraduate professional programs i.e., 5% and 4% for entering and continuing student respectively. The University of Guelph is proposing 2% increases.*
Note 3	*University of Guelph is proposing a zero % tuition rate increase for international students. However, effective 2013/14 all entering International Undergraduate and Master's students will incur an additional $825 fee per academic year. This is to recover a provincially mandated "International Student Recovery Fee" ($750 per student) and changes in the University's municipal tax ($75 per student) grant. Both of these charges were included in the 2012 provincial budget and impact all 2013/2014 new and subsequent years for international students in the province.*

Enrolments:

Over the four years ending in 2012, the University experienced enrolment growth of almost 18% (Refer to Chart E). This enrolment growth not only received full eligible grant funding from the province but also has now been established as the University's total enrolment target. For future years it is assumed enrolment levels will be relatively flat with the option to maintain any minor increases within the annual budget process. In addition the University experienced a small increase (0.5% for about 100 FTE's) in enrolments especially in international undergraduate enrolments. The result was an additional $1 million relative to initial assumptions. It is planned to at least retain this revenue enrolment level in the base budget for the remaining years of MYP2.



3.3.3 Other Revenue Components

Grant and Tuition comprise most institution-based revenues but smaller institutional revenues and cost recoveries can contribute to funding incremental cost increases. The initial MYP2 assumption was that, with the exception of recoveries from ancillary units which have been increased by 2% annually, changes to all other recovery and revenue categories will be managed within existing allocations. This assumption has not changed.

The University of Guelph-Humber: In 1999 the University of Guelph entered into a joint venture (JV) with the Humber College Institute of Technology and Advanced Learning with the objective of delivering joint programs (and degrees) in focused undergraduate programs. With MTCU approval, the funding for these enrolments is based on university funding and tuition rates/regulations. The programs are delivered jointly at the Humber College campus at a dedicated facility funded by MTCU for this purpose. Students graduate with both college and university degrees. The first cohort graduated in 2006. Guelph-Humber enrolments are currently approaching capacity at 4,000 with revenues reaching steady state at about $47 million annually.

Guelph-Humber's financial impact on the University of Guelph is measured in two ways: funding received by colleges/divisions for services provided to the JV such as course delivery ($9.0 million per year) and the University's share (50%) of the JV's overall net income/expense. For the purpose of MYP2 it is assumed that the services recovery will continue to flow to colleges/divisions to offset costs. The University's 50% share of JV's net income is set at a long-term steady state target of $4.5 million. In recent years Guelph-Humber annually has exceed this target, however there is no evidence that this is sustainable over the longer-term as growth (and with it grant increases) are expected to level off. Any net JV income over the $4.5 million is currently being allocated toward funding the University's solvency deficit (refer to the following section on Pension Plans) at each fiscal year-end.

3.3.4 Compensation Expenses

Total compensation (salaries and benefits) comprises over 70% of total MTCU Operating Fund costs and therefore is the most important cost factor in our multi-year financial planning. Post-employment benefits --commitments to University retirees for both pension and non-pension (health and dental) benefits--are a major and growing component of this cost.

Salaries:

As a result of the last completed round of negotiations, most major groups will have agreements in place until fiscal 2014/2015. The estimated cost of these settlements has been built into MYP2. For years beyond the terms of the current agreements, general assumptions on salaries have been made reflecting estimates of CPI. Initial MYP2 estimates for 2012/2013 and 2013/2014 provided more funding that proved to be required for actual increases. This was due to a combination of greater position vacancies (few overall faculty and staff) and lower incremental costs than initially estimated. This unused allocation, estimated at a total of $2.9 million (or 1% of the total annual compensation budget) over the two years will be used toward covering increased “going concern” pension costs (refer to the following section on Pension Plans).

Non-Pension Post employment costs:

At the end of fiscal 2012/2013 the University was carrying a $326 million accrued liability for its non-pension post-employment benefits. While we are not required to fund this liability immediately, with projected increases of 10% per year in cash requirements, it is estimated that paying for these benefits will overtake current service costs of the pension plan over the next decade. Beginning to control these costs through negotiations, education and the constant review of spending is a growing priority.

Pension Plans:

The University of Guelph is the legal sponsor for three pension plans (one of which is closed). As such, the University is required to fund any shortfalls in funding requirements as prescribed under provincial pension legislation. Under those provincial legal requirements, pension plan sponsors are required to measure the funded position of their plans regularly using two valuation methods each with different assumptions. (Valuations measure both the assets and liabilities of a pension plan to determine if sponsors need to add any more money into the plans to keep them fully funded.). These valuations, performed by the plan’s actuaries result in two different measures of the funded positions for each plan which determine the cash (funding) requirements of the sponsor; “solvency” and “going concern”.

Solvency Deficits:

The solvency valuation is based on the assumption that the pension plans are to be closed (“wind up”) and all past and future obligations settled using financial market conditions at the time of the measurement. Key financial drivers used in this wind-up or “solvency”[4] calculation include long-term interest rates and pension plan asset values on the date the plans are valued (the plans “valuation” date).

[4] “Solvency” assumes that in effect, the University is closing and funds need to be found to meet all future accumulated pension obligations at the date of the valuation. Under solvency rules it is required that the plan sponsor fund any deficit calculated as the difference between plan assets and “wind-up “pension liabilities. The solvency test is much more volatile as it is based upon a number of external financial factors, measured at the date of the valuation which can change daily with market conditions.

August 1, 2010 Valuation; The most recent valuation date for the University of Guelph pension plans was August 1, 2010 (*the next required valuation date is August 1, 2013*). Based on the results of that valuation two of the three plans, the Professional plan and the Retirement plan had solvency deficits of $241 million and $103 million respectively – for a combined deficit of $344 million. Under standard provincial funding requirements we would have five years to pay this deficit – meaning there would have been an estimated $97 million total (of which $71 million was for the solvency deficit alone), annual cash contributions

Temporary Solvency Relief: With many universities and other institutions in the province facing similar conditions and a potential for system-wide devastation of post-secondary educational capacity (that would result under the current funding rules), the province, in August 2010 announced temporary solvency relief legislation. Under the legislation, subject to specific conditions, university plan sponsors would be permitted to spread the solvency payments over a ten year period (as opposed to the current legislative requirements of five years). While not relieving universities of the requirement to fund "wind-up" based solvency deficits, the ability to spread the payments over a longer period clearly is a more attractive option.

The temporary solvency relief came in two "Stages". Under "Stage 1", the University was required to file a "Plan" with the province indicating both a "Savings Target" (defined in the legislation in a complex set of prescribed calculations) and a more general set of proposed options (changes to future plan benefits, contributions rates and governance structures) that could improve the long-term sustainability of the our plans. Our Stage 1 Plan was approved in May 2011, reducing the University's total funding requirements to $36 million per year for four years (from August 1, 2010 to August 1, 2014).

Under "Stage 2" the University could have approval to amortize or spread any solvency deficits over a ten year period (beginning August 1, 2014) as opposed to the normal five. Approval is conditional upon the University having achieved the Savings Target for each of our plans. Over the course of the most recent round of negotiations, most employee unions and associations have agreed to structural changes including employee contribution increases. With these changes, the current assumption is that the University will achieve Stage 2 relief.

Updated Estimates for Solvency: It is clear, a major financial risk remains at the end of Stage 1. Even with a ten year amortization of a deficit under the August 1, 2010 results additional cash contributions of almost $40 million extra per year (13% of our operating budget) would need to be found from the operating budget. Because of this risk and the fact that market conditions continued to deteriorate after 2010, a revised estimate of the solvency deficit was made as at August 1, 2012. The result was a combined solvency deficit of $590 million (a 70% or $245 million increase from 2010). With that, the estimated annual solvency contributions increased from $40 million to $69 million. While this was only an estimate and the actual solvency position will not be confirmed until the August 1 2013 valuation is completed, clearly solvency even with Stage 2 relief would put the University's overall financial sustainability in jeopardy.

Going Concern Deficit:

The other key valuation (going concern) is based on a longer term view of the plans i.e., they will continue to operate into the foreseeable future. Any deficits in this case must be paid for over 15 years. Normally going concern funded positions (surpluses or deficits) are much smaller and less volatile than those resulting from solvency calculations. At the last valuation date (August 1, 2010) the University's plans had a combined going concern deficit of $50 million that required annual payments of $5 million a year.

Updated Estimates for Going Concern: The August 1, 2012 updated estimates for going concern show a $166 million deficit (a 300% increase from 2010). Much of this was the result of lower expected long-term investment returns due to continuing volatile and difficult investment conditions. Further costs have been added due to lower mortality rates and other demographic factors. Funding a deficit of this size will required an estimated $17 million annually for 15 years.

Funding Pension Plan Contributions

The table below presents the financial plan for the five year period of MYP2. At this time the going concern requirements will be built into our base budget. The current assumption is that for all contribution requirements (going concern and solvency) up to and ending fiscal 2014/2015 will be met. (Confirmation of this and the determination of actual contributions cannot be made until after the August 1, 2013 valuation is completed.)

University of Guelph Pension Contribution Forecast
Professional and Retirement Plans
($ Millions)

	Notes	12/13	13/14	14/15	15/16	16/17
Pension Contributions						
Normal Cost (Employer Contributions)		21.9	19.5	20.3	20.3	20.3
Going Concern Special Payments	*1*	5.3	14.1	17.1	17.1	17.1
Total Going Concern Contributions		27.2	33.6	37.4	37.4	37.4
Solvency Payments (Stage 2)	*2*	9.7	9.7	39.9	50.0	50.0
Total University Contributions		36.9	43.3	77.3	87.4	87.4
Funds Available						
Pension Base Budget		28.2	31.2	33.2	35.2	37.4
Pension Funding Gap		(8.7)	(12.1)	(44.1)	(52.2)	(50.0)
Pension Contingency	*3*					
Opening Reserve Balance		45.0	64.7	52.6	8.5	(43.7)
Transfers in from Operating		28.4	0.0	0.0	0.0	0.0
Pension Funding Gap		(8.7)	(12.1)	(44.1)	(52.2)	(50.0)
Closing Reserve Balance (Shortfall)		64.7	52.6	8.5	(43.7)	(93.7)

Notes
1. August 1, 2012 estimated deficit of $166 M and a 15 year repayment period. Actual results will not be determined until the August 1, 2013 valuation is completed.
2. August 1, 2012 estimated deficit of $590 M and a 10 year repayment period.
3. "Pension Contingency" was established by using institution year end savings to build up reserves to make pension solvency payments. As these opportunities arise this fund will be augmented until the solvency deficit is addressed.

It is recognized that the practice of employing one-time year end funds for solvency funding has limits even though the University has successfully employed this process to fund the costs of Stage 1 relief. , Past 2015, currently solvency deficit payments are projected to be of such size (even with Stage 2 relief) that fully funding the currently estimated level of contribution, would require extreme actions such as the disposition of assets (lands and endowments) and the elimination of major programs that would fundamentally impair the University's long-term ability to continue to operate. As the issue of solvency payments is systemic in the province, discussions with provincial regulators continue as the impact of solvency payments on the university sector in Ontario is potentially devastating.

As well as identifying one-time funds, the University, with the Council of Ontario Universities, actively continues to present the case for more effective (and/or extended) solvency relief for all universities in the province. Interim contingency (exigency) planning is underway to identify further funding should there be no relief and the solvency funding requirements become immediate.

3.3.5 Other Expenses

Infrastructure Costs- this category consists of centrally-funded main campus costs of: utilities (hydro, heating, water etc.), information services (library acquisitions and information services), and technology (e.g. core university communications and business support systems). These services are considered critical to University operations and therefore included in the overall MYP2. General assumptions provide for annual allocations ranging from 3% to 5%. In fiscal 2013/2014 increases in all categories total just 0.8% or $0.3 million. Of note are utility costs which have been consistently reflecting positive impact of both energy savings investments over the past several years and lower rate increases on major utilities relative to assumptions. In addition efforts were made to limit increases to maintain most of the real purchasing power of other services in this category.

Capital Financing – with a five-year capital plan in place including debt requirements, a $1.5 million per year increase has been included to cover both principal and interest costs on any new debt (this excludes any new buildings).

Student Aid and Awards – annual provisions have been added to recognize the tuition add-back requirement from increased tuition rates over the course of MYP2. In addition in 2013/2014 an additional $0.200 million has been added for international support. In total $1.1 million in student assistance has been added to MYP2 assumptions.

In terms of expenses there are no other major assumptions, over the course of the five years has been. Any other major allocation or reallocations within this budget are assumed to be internal or funded from incremental revenues not assumed in this scenario.

3.3.6 Contingencies

An important objective in the University's multi-year fiscal planning is to create budget flexibility in the form of "contingency" or reserve funds for the purpose of both managing growing financial uncertainties and providing for critical reinvestments to meet the goals of Integrated Plan.

The University maintains three major contingency funds:

1. General Contingency: Funds to mitigate the risks associated with the in-year uncertainties of provincial funding policies with the overall objective of ensuring the University meets its annual budget targets and to provide investments for opportunities over the course of any fiscal year. The multi-year objective of the University is to grow and hold this fund at about $15 million (between 3%-4%) of the total budget.

2. Multi-Year Plan Contingency: Funds to enable the implementation of multi-year plan budget reduction targets including funding restructuring costs and bridging certain units until they have met their base targets. This fund includes both base and one-time funding and will be

critical in being able to implement more structural changes without increasing the University's overall deficit.

In fiscal 2013/2014 it is proposed that $8 million of this fund be allocated (one-time) to balance the overall University budget and defer unit budget reductions until 2014/2015.

3. Pension Contributions: Funds targeted to help pension fund solvency contribution requirements. This fund is replenished from any one-time year-end institutional carry-forwards (unallocated funding or revenues in over budget assumption) each year. This fund is fully committed to meeting projected pension plan solvency contributions.

These contingency funds have "base" (funds allocated each year from the annual budget) and/or "one-time" (accumulated funds realized from one-time surpluses in any year). The following tables show the estimated status of each of these contingency accounts for the beginning of the 2013/2014 year. Actual fund balances will not be determined until after the close of fiscal 2012/2013 when year-end results are finalized.

University Contingency ($ millions)	2012/2013 Remaining Budget	Additions (Uses)	Notes	2013/2014 Allocation
General				
Base Funds Available	$11.9	$3.1	1.	$15.0
One-Time Funds Available	—	—		—
Total General Contingency	**$11.9**	**$3.1**		**$15.0**
Multi Year Plan				
Base Funds Available	$4.5	—		$4.5
One-Time Funds Available	$40.6	(8.0)	2.	$32.6
Total Multi Year Plan Contingency	**$45.1**	**(8.0)**		**$37.1**
Pension				
Base Funds Available	—	—		—
One-Time Funds Available	$36.3	$28.4	3.	$64.7
Total Pension Contingency	**$36.3**	**$28.4**		**$64.7**

Notes

1 *In fiscal 2013/2014 this fund will be increased by $3.1 million as a result of revised assumptions under MYP2 (refer to the following section on Summary of Net Changes to the MYP2). The new base balance is now $15 million.*

2 *An estimated $8.0 million in one-time funding will be used to help balance the overall 2013/2104 budget.*

3 *This fund will receive an estimated increase of $28.4 million from accumulated institutional net results at the end of fiscal 2012/2013. All of these funds are designated for pension solvency payments (refer to section 3.3.5 on Compensation assumptions under MYP2)*

3.3.7 Summary of Net Changes to the MYP2

Under each of the preceding sections on major revenue and expense assumptions, certain changes were noted. Below is a table that summarizes total changes over the course of **the five years of the MYP2**. It is important to note that each year assumptions will change.

In allocating these assumption changes the decision was made to continue with the overall strategies of ensuring sufficient budgetary flexibility to help manage financial risk and ensure there are funds available for re-investment in meeting IP2 goals. The overall MYP2 target of $32.4 million has not been adjusted. The experience gains realized from tuition and enrolments have been used to increase student aid, cover compensation costs (pension) and to increase the general contingency fund.

Structural Changes to Initial MYP 2 ($ millions) **Over Five Years 2012/2013 to 2016/2017**		**Amount**
Revenues and Recoveries		
MTCU Operating Grants	MTCU grant net reductions	(2.9)
Tuition and Enrolments	Actual fee and enrolment experience relative to initial assumptions ($5.0M) plus new tuition framework ($3.8M).	8.8
Total: Revenues and Recoveries		**5.9**
Expenses and Contingency Funds		
Compensation Assumptions	Pension contribution expected increases for going concern ($5.0M) increases less salary assumption gains ($3.3M).	(1.7)
Central Infrastructure	2013/2014 utility “savings” relative to assumptions.	0.9
Student Aid Increase	Additional funds for mainly needs based support for both domestic and international students.	(1.1)
Integrated Planning Allocation	Allocation to support targeted enrolment growth achieved.	(0.9)
Transfer to Contingency Funds	Allocation to increase contingency funds to $15M.	(3.1)
Total: Expenses and Commitments		**(5.9)**
Total Changes to Net Expenses (Base Budget)		**0**

3.3.8 MYP2 Updated Results:

MYP 2 - MTCU OPERATING FUND BASE BUDGET

Summary of Funds 100, 102 & 104

	Notes	12/13	13/14	% Chg	14/15	% Chg	15/16	% Chg	16/17	% Chg
Revenues and Recoveries:										
MTCU Operating Grants		179.4	178.2	-0.6%	176.5	-0.9%	176.5		176.5	
Tuition Fees - Credit		146.8	151.0	2.9%	155.5	2.9%	160.1	3.0%	164.9	3.0%
Tuition Fees - Non-Credit		12.9	12.9		12.9		12.9		12.9	
Other Revenues	*1*	46.4	46.4		46.4		46.4		46.4	
Recoveries - Research	*2*	30.8	30.8		30.8		30.8		30.8	
Recoveries - Other	*3*	26.9	27.1	0.6%	27.3	0.6%	27.4	0.6%	27.6	0.6%
Total Revenues and Recoveries		**443.2**	**446.4**	0.7%	**449.4**	0.6%	**454.1**	1.1%	**459.1**	1.1%
Salaries and Benefits	*4*	284.5	294.8	3.6%	303.4	2.9%	312.2	2.9%	321.7	3.0%
Operating Costs		75.7	75.5		74.4		73.9		73.4	
Internal Recoveries		(20.0)	(20.0)		(20.0)		(20.0)		(20.0)	
Infrastructure Costs	*5*	35.4	35.7	0.8%	36.9	3.3%	38.1	3.3%	39.3	3.3%
Capital Financing Costs	*6*	15.8	17.3	9.5%	18.8	8.7%	20.3	8.0%	21.8	7.4%
Student Aid and Awards	*7*	16.3	16.9	3.7%	17.3	2.4%	17.8	2.9%	18.3	2.8%
Integrated Planning		16.0	16.0		16.0		16.0		16.0	
University Contingency	*8*	17.0	15.0		15.0		15.0		15.0	
Restructuring Deficit Repayment	*9*	6.0	6.0		6.0		6.0		6.0	
Unallocated MYP1 Targets	*10*	(3.5)	(2.8)		(1.1)		(0.4)			
Total Expenses		**443.2**	**454.4**	2.5%	**466.7**	2.7%	**478.9**	2.6%	**491.5**	2.6%
CUMULATIVE ANNUAL SHORTFALL			(8.0)		(17.3)		(24.8)		(32.4)	
ANNUAL INCREMENTAL SHORTFALL			**(8.0)**		**(9.3)**		**(7.5)**		**(7.6)**	
Annual Adjustment Required to Balance *		**-**	**2.9%**		**3.4%**		**2.7%**		**2.6%**	

**** Expressed as a % of Compensation***

Notes

1 ***Other Revenues*** *are mainly departmental or restricted funds directly supporting the units providing the services such as non-credit program and student fees or are restricted for a special purpose. Any adjustments are absorbed by the department responsible.*

2 ***Recoveries - Research*** *support indirect research costs in the MTCU operating budget from varied sponsors including the OMAFRA agreement and federal Tri Council research programs.*

3 ***Recoveries - Other*** *are received from Ancillary operations, Guelph Humber and other program sources in support of services (utilities, space, administrative) provided from the MTCU operating budget.*

4 ***Salaries and Benefits*** *include the budgeted costs of employee salaries for regular full time (approx. 2,339 FTE's) and temporary appointments for staff and students plus their current costs of benefits and pension going concern contributions.*

5 ***Infrastructure Costs*** *are a grouping of institutional support costs including utilities, information technology services (networking, servers and core systems applications) and library information resources.*

6 ***Capital Financing Costs*** *support the borrowing costs associated with financing the University's investment in capital maintenance and expansion guided by the board approved 5 Year Capital Financing plan.*

7 ***Student Aid and Awards*** *are the operating funds awarded to students as scholarships and bursaries including funds set aside from tuition increases. Excludes student assistance funding from endowments and annual donations estimated at $12 million annually.*

8 ***University Contingency*** *funds are set aside in view of multiple uncertainties in the current environment (provincial budget, pension).*

9 ***Restructuring Deficit Repayment*** *are funds to repay the one-time deficit (currently $41M) incurred from the original MYP1. This deficit will be retired over the next 7 years.*

10 ***Unallocated MYP1 Targets*** *are savings targets that two colleges need to complete as part of their commitments under MYP1. Identified saving plans are in place and these targets will be met over the next 3 years.*

4 2013/2014 Preliminary MTCU Operating Fund Budget

4.1 Budget Assumptions

The 2013/2014 budget is the second year the University's new Integrated Plan and is, in effect, the first-year resource allocation component of that plan.

The annual budget's first objective is to ensure there is a financial plan to meet the University's overall budget targets including those for core cost commitments. These include costs for salaries, benefits, utilities, and other services; long-term debt requirements (e.g., deferred maintenance, renovation, and capital replacement); and post-employment benefit costs.

The budget presented in this document has the key annual objective of balancing the overall budget without the necessity of assigning unit budget reduction targets in 2013/2014.

The following sections of this presentation contain the major assumptions used for the 2013/2014 Preliminary MTCU Operating Fund Budget. The financial impact of these assumptions is presented in terms of *incremental changes* to the current budget.

In addition key revenue assumptions include those for annual provincial funding and overall University enrolment. Enrolments, which not only yield tuition revenues but also drive a significant portion of University provincial funding, not confirmed (under provincial reporting guidelines) until November for fall enrolments and February for winter enrolments. Further uncertainty currently exists as it is unclear what the impact of the any new provincial budget will have on post-secondary funding. As a consequence it is the University practice to update the budget as it receives confirmation of both actual enrolments and provincial funding during the course of a fiscal year.

4.2 Major 2013/2014 Budget Revenue Assumptions

4.2.1 Provincial Grants

Provincial grants contribute approximately 40% of MTCU Operating Fund Budget revenue. This funding comes from 15 to 20 specific grants (also known as funding envelopes) which have various allocation mechanisms. Many of these funding envelopes are targeted to specific Ministry goals (e.g., undergraduate and graduate enrolment growth, quality improvement) and some are specifically precluded from being used to cover general University operating costs. No grant increases have been provided in recent years for general cost increases. Most incremental provincial operating funding is now earned under the two enrolment-based "Accessibility" envelopes (one for undergraduate and one for graduate enrolments). A key component of planning for the entire university sector is whether/when the MTCU funds enrolment, under the Accessibility envelopes, and are the funding levels at the full-cost grant funding per student[5]. Recent provincial practice has been to fund fully eligible[6] enrolments.

[5] "Full- cost grant" funding refers to the commitment by the Province to fund new student enrolments at a level reflecting the provincial grant income per student in accordance with the established funding formula. 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] Enrolment in unregulated categories (e.g., international students), is not eligible for any provincial grant support.

Enrolment Based Grants (Accessibility): Accessibility funding is distributed among universities in Ontario based upon actual in-year increases in enrolment (in undergraduate and graduate programs) over provincially-specified base levels at each university. Enrolments are not confirmed until November (for fall) and February (for winter), when student counts are verified and reported to the Ministry. While the Province flows the estimated amount for accessibility grants on a monthly basis through the year, the University does not know the final distribution of this provincial grant until well into the fiscal year (MTCU confirmations can be as late as March).

4.2.1.1 Undergraduate Accessibility:

For the 2013/2014 MTCU Operating Fund budget purposes, the assumption is to maintain overall enrolments at current (2012/2013) levels. Within total enrolments, there is some growth in Science and Engineering (BSc) expected which will generate a share of additional accessibility funding that the Province has available. The increase in Undergraduate Accessibility is estimated at $0.500 million.

4.2.1.2 Graduate Accessibility:

In its 2005 "Reaching Higher" budget, the province made graduate student growth a priority. The Ministry and the University negotiated targets for growth of masters and doctoral students relative to 2004 levels. Our revised 2013/2014 target is a total enrolment of 1,870 which the province has agreed to fully fund. The table below shows both actual levels of MTCU eligible FTE's achieved as of Fall 2012 compared to the University's provincially-assigned "target".

Enrolment management at the graduate level can be very challenging given both the level of competition and effort required to support increased graduate student numbers. Under the University's current resource allocation guidelines a significant portion of funding from graduate growth is flowed to colleges for increased support for graduate students. While the operational objective is to continue to grow graduate enrolment to at least meet the provincial target, at this time the budget reflects no change in current graduate enrolments (and therefore no change to Graduate Accessibility funding). Actual results, relative to this assumption are not expected to be significantly different in terms of funding and will be reflected in the budget when confirmed in November.

	Base 2004/2005	Total Enrolment Target[1]	Fall 2012 Eligible FTE's	Variance to Target	Growth since 2004/2005
Masters	927	1,328	1,286	-42	359
Doctoral	385	542	556	14	171
Total U of G	**1,312**	**1,870**	**1,842**	**-28**	**530**

1) Targets updated 2012/2013

4.2.1.3 Provincial Basic Grant:

The University is assuming there will be no general increase to funding for inflation on existing costs. For 2013/2014, the Province announced two initiatives that impact the Basic Grant.

A. A provincial efficiency target of $40 million (2013/2014 is the first of two years) allocated to Colleges and Universities. The estimated University of Guelph share for 2013/2014 is a reduction of ($1.500 million).

B. The International Student Recovery reduces grant support by $750 each for all non-PhD, first year international students. The 2013/2014 reduction is estimated at ($0.160 million) which is planned to be offset by adjusting tuition rates for non-PhD international students.

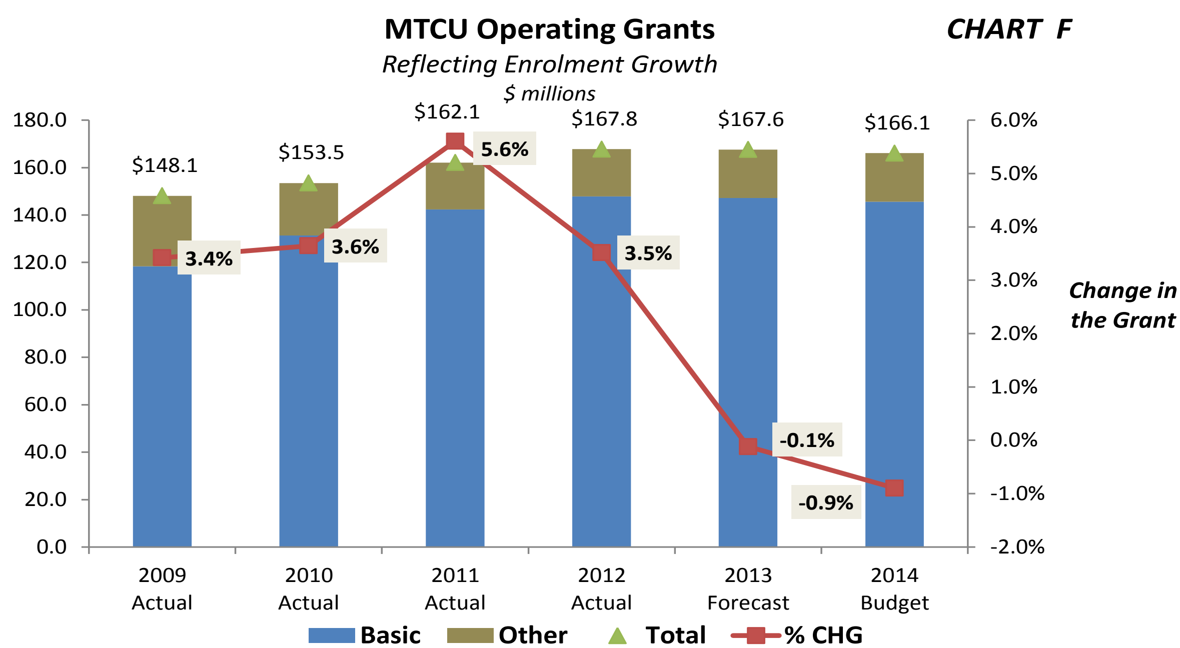
4.2.1.4 Grant in Lieu of Municipal Taxation:

There is a change to the "Tax grant". The Municipal Act requires that post-secondary institutions pay $75 per full-time student to the Municipalities in lieu of property taxes where they operate student campuses. Beginning in 2013/2014, the province will discontinue funding for approximately 528 international students (excluding PhD students) for an estimated ($0.040 million). The University is adjusting tuition rates to the non-PhD international students to fund the full amount payable to the Municipalities (see section 4.2.2 on Tuition Fees).

4.2.1.5 Other Provincial Operating Grants:

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. Overall, it is expected that these grants will remain relatively unchanged from 2012/2013 levels.

Chart F shows the progression of the changes in total MTCU grant funding over the course of six fiscal years, including estimates for the preliminary 2013/2014 MTCU Operating fund budget.



4.2.2 Tuition Revenues (Enrolment and Fees):

Overall, tuition revenues are expected to generate $4.300 million in new funding relative to 2012/2013 revised budget base. Setting the total tuition revenue target involves estimating financial impact of enrolment and tuition fees. In recent years this task has been complicated due to multiple fees structures (e.g., multiple years of year-specific program and cohort fees) as well as the volatility of demand. The following presents the major assumptions used in arriving at the 2013/2014 budget assumptions.

4.2.2.1 Enrolment:

For 2013/2014, the University has set budget undergraduate intake levels [7] and overall graduate enrolment with the objective of holding overall degree program enrolment at approximately last year's levels.

4.2.2.2 Tuition Fees (New Framework 2013/2014 to 2017/2018):

The provincially-approved tuition framework announced on March 28, 2013 has governed limits[8] to tuition rate changes for provincially regulated programs. The permitted increase under that framework is an average total of 3%. The University is proposing fee increases within that framework for regulated programs. For the deregulated programs, the University is proposing that international student rates for incoming and continuing students remain frozen at 2012/2013 levels. However entering international students, except PhD's will be paying an "International Student Recovery Fee" of $825 per year to offset loss of grants under the Provincial initiative (see Provincial Grants; page 24). For Full Cost Recovery Programs, there is no increase to current rates other than the recovery fee for International students.

4.2.3 Other Institutional Revenues and Recoveries:

Provincial grants and tuition together comprise 75% of MTCU Operating Fund revenues. The remaining 25% is composed of a number of different sources of revenue including student service fees, non-credit course fees and cost recoveries from research and ancillary services. For budget assumption purposes, these revenues/recoveries are divided between:

- **Institutional:** These are revenues and recoveries available to fund University-wide expenses e.g., investment income (earned from operating fund cash flows) research indirect cost recoveries and ancillary cost recoveries in support of institutional and physical plant support services provided from the MTCU Operating Fund budget.
- **Departmental:** Revenues earned from the delivery of specific unit goods/services or designated for specific purposes (and in some cases contractually restricted). These do not directly constitute an immediate source of funding for institutional planning purposes and operationally are credited to the unit providing the goods or services. The specific units are accountable for achieving any revenue targets and for controlling all costs for delivering the services. In practice these revenues form an integral part of unit budgets including sources of funds to meet Multi-

[7] While the University may set undergraduate intake (semester 1) targets, actual intake will vary from this target. Offers are made to students in a very competitive environment and "yield" rates (percentage of offers who actually enroll) vary significantly from year to year.

[8] If an institution exceeds these limits, the province will reduce that institution's operating grant by an amount equivalent to the excess tuition revenue.

Year budget targets. Major examples of these revenues include veterinary hospital revenues and student service and athletic fees.

For 2013/2014 the following summarizes the major incremental changes to institutional revenues and recoveries:

4.2.3.1 Cost Recoveries from Ancillaries

A 2.0% increase in the general cost recovery charges to the Ancillary operations will be made in 2013/2014 to help offset increases in centrally provided services. These increases were factored into approved 2013/2014 budgets of each ancillary unit. The combined increase in cost-recoveries from Ancillaries is $0.150 million (base).

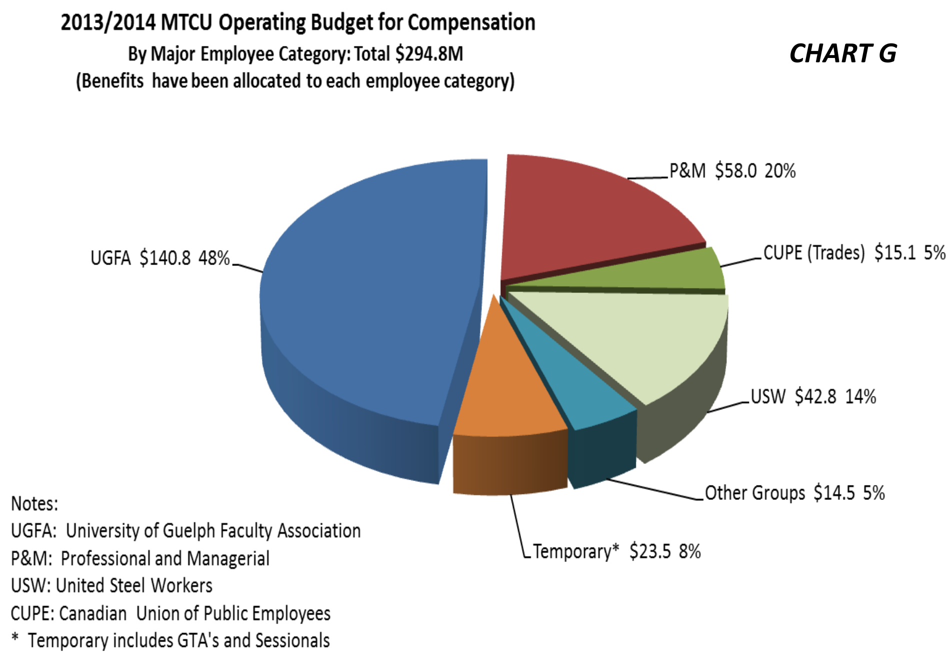
4.3 Expenditure Assumptions

4.3.1 Provision for Compensation (Salaries and Benefits) Increases

In comparison to MTCU Operating Fund revenues, 75% of which are earned from provincial grants and tuition, compensation costs comprise 65% of total MTCU Operating Fund budget expenses. Of the total budgeted compensation budget of approximately $294.8 million (refer to Chart G), 20% is allocated for employer benefit costs.

In the 2013/2014 budget a provision of $10.650 million has been made to cover the estimated costs of salary and benefit increases. Currently all but three of the thirteen employee groups in the MTCU Operating Fund Budget, covering 92% of full-time positions, have agreements in place for 2013/2014. Estimates include a provision for the increased salary costs of all groups and categories as well as adjustments to cover projected changes to current employer benefits costs.

CHART G



Employer benefit costs include statutory benefits such as CPP (Canada Pension Plan) and EI (Employment Insurance), and other benefits such as post-employment (including normal costs and going concern pension payments), extended health and dental coverage for current and retired employees. Detailed allocations in the budget to cover 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.

4.3.2 Other Institutional Expenses:

Estimated Utilities and Other Institutional Operating Costs This category includes adjustments 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.

4.3.2.1 Information Technology Fund

This centrally supported account (total base funding of $5.150 million) will receive an increased allocation of <u>$0.150 million (base)</u> reflecting inflationary costs of centrally provided computing and communications infrastructure (e.g., the networking services, campus services including network security, university-wide licenses for administrative and academic support systems).

4.3.2.2 Central Utilities

Central Utilities (budget of $22.8 million) is comprised of costs to support all centrally provided main campus energy (electricity), heating, cooling, sewage, water, other utilities and central hazardous waste management services. Actual utility costs are sensitive to climate/temperature variations (the budget assumes "normal" range over the course of the fiscal year) and the rates charged by utility providers for the energy/commodities used. The actual experience in the 2012/2013 fiscal year just ending is a slightly warmer than a long-term average heating season as reflected in the Forecast (Table B, page 36). With expectation for both further energy conservation savings and stable utility rates, no adjustment to the Utilities budget is being made for 2013/2014.

4.3.3 Capital Infrastructure Debt Servicing

In January 2013, an update of the 5 year Capital Financing plan[9] was presented to the Board of Governors. 2013/2014 which is year 3 of that plan, contained total approved borrowing of $19.7 million of which $11.8 million was for the purpose of financing deferred maintenance expenditures on the main campus. Financing this debt is part of the MTCU Operating Budget (the balance of the borrowing is associated with Student Housing and is serviced as part of that Ancillary unit's budget.) .

<u>$1.500 million (base)</u> has been added to the existing $15.8 million base allocation for capital funding and debt servicing.

4.3.4 Academic Investments

4.3.4.1 Student assistance

Student assistance (scholarships, bursaries) at the University of Guelph (approximately $31 million in total) is funded from several different sources. In 2012, 60% was funded from the MTCU Operating Fund budget with the balance coming from a variety of annual restricted contributions and donation and

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[9] The plan was summarized in a document entitled "The Capital Renewal Financing Five year plan - 2011/2012 to 2015/2016" (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.

endowment funds. The 2012/2013 budget contains a $0.600 million (base) increase for student awards in total. This comprises an increase in the University requirements for tuition set aside[10] of $0.400 million and a further $0.200 million to support recent growth in international students.

4.3.4.2 Library "Acquisitions"

In order for the Library to maintain the purchasing power of its $7.2 million Information Resources budget and to continue to address critical collection management and space issues, an inflationary allocation of $0.135 million (base) will be allocated in 2013/2014.

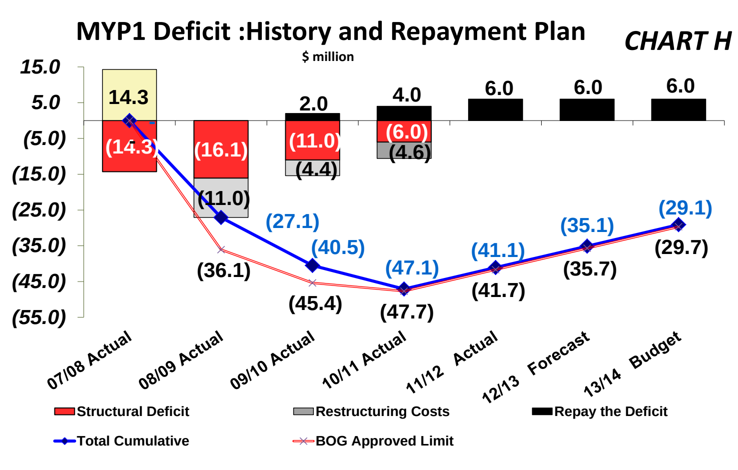
4.3.4.3 Balancing the 2013/2014 Budget

Setting college/division budget reduction targets under the MYP2, i.e. allocating the $32.4 million, will not be completed for the 2013/2014 fiscal year. Targets will be assigned during the coming year and take effect beginning in fiscal 2014/2015. The estimated $7.785 million funding gap in 2013/2014 will be covered using one-time funds from the MYP Contingency Fund. This will permit time to use the outcomes of PPP to inform the allocation of unit targets.

4.4 Multi-Year Plan (MYP1) Deficit

The objective of MYP1 was to eliminate the structural deficit by eliminating $46.2 million in base or structural costs of the MTCU Operating Fund budget. With the size and nature of this target the University incurred a planned one-time deficit. This deficit is the result of two factors: timing-eliminating the structural deficit took several years to achieve and costs associated with restructuring such as buyout costs for employees. A budget provision of $6.0 million was established to repay these costs over a Board-approved timeframe.

In 2008, the Board of Governors approved the 2008/2009 MTCU Budget and Multi-Year Plan (June 2008) with a plan containing a permissible maximum deficit of $47.7 million. The total deficit included a $20 million allowance for restructuring costs plus $27.7 million incurred by budget deficits until the budget was balanced in 2011/2012. Restructuring costs of $11.0 million were incurred in 2008/2009, $4.4 million in 2009/2010 and the remaining $4.6 million up to the $20.0 million allowable maximum was incurred in 2011/2012.



In the 2013/2014 MTCU Operating Fund Budget the $6.0 million in base funding will be applied to the current $35.1 million deficit over the next six years.

[10] Under provincial rules for the current MTCU tuition framework, universities are required to contribute 10% of additional revenue from tuition fee increases to bursaries and other student financial assistance programs that provide financial aid to student most in need. This requirement is cumulative and now equals about $8.3 million of the total allocation for student assistance in the MTCU operating budget. The University is required to report on these funds annually to MTCU and is subject to audit.

(Refer to Chart H)

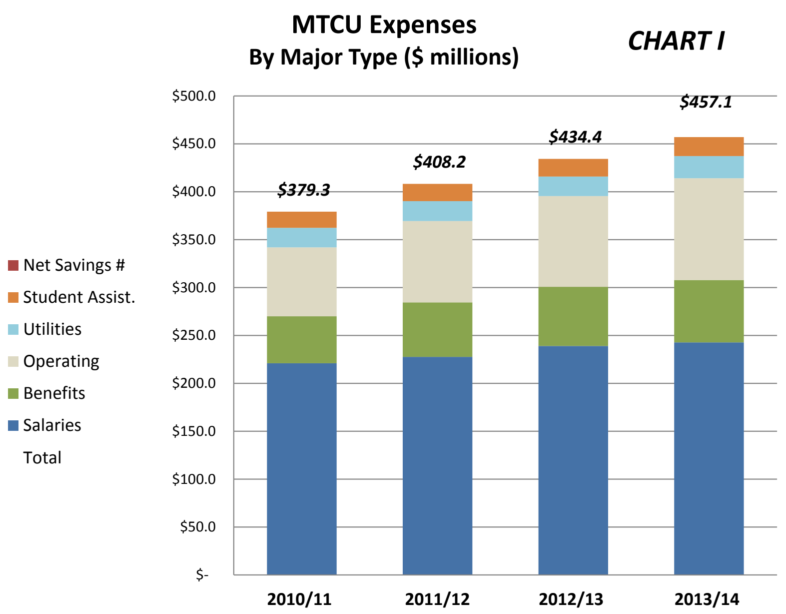
4.5 Summary of Incremental Budget Assumptions

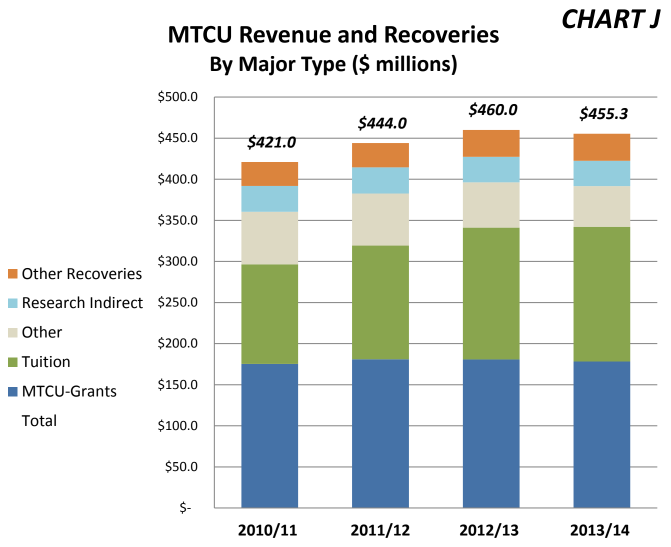
This table summarizes all of the major incremental assumptions included in the 2013/2014 MTCU Preliminary Operating Budget *(Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings.)*

Institutional Budget Surplus/Deficit	**Net Budget**
Opening Base Position	**0.000**
Revenues and Recoveries	
Provincial Grants	(1.200)
Tuition Revenues (3% fee increase cap and international student adjustment)	4.300
Cost Recoveries from Ancillaries	0.150
Transfer from Contingency Funds (Base Budget)	2.000
Sub-total: Revenues and Recoveries	**5.250**
Expenses and Commitments	
Institutional Commitments:	
Provision for Compensation (salaries and benefits)	(10.650)
IT Infrastructure (increases for inflation)	(0.150)
Capital Debt Servicing	(1.500)
Academic Investments:	
Student Assistance (Tuition Set Aside and Entrance Awards)	(0.600)
Library Operations & Acquisitions Support (increases for inflation)	(0.135)
Sub-total: Expenses and Commitments	**(13.035)**
Total Changes to Net Expenses (Base Budget)	**(7.785)**
Transfer from Contingency Funds (One-Time Budget Only)	7.785
Net Budget (Deficit)	**0.000**

4.6 Summary of Preliminary 2013/2014 MTCU Operating Fund Budget

The following charts present the total revenues/recoveries and expense by major category for the 2013/2014 MTCU Preliminary Operating Fund Budget in comparison to the prior three years of actual/forecast results. [Note: on the "Expenses" chart, the 2013/2014 Budget column excludes carry forward funds.]





4.7 Preliminary 2013/2014 MTCU Operating Fund Budget Tables

Table A — 2013/2014 *Preliminary MTCU Operating Fund Budget by Unit and Major Revenue and Expense Category:*

This table contains the 2013/2014 Preliminary MTCU Operating Fund Budget incorporating all preliminary budget assumptions, by major category of revenue, expense and organizational group.

Table B — 2012/2013 Forecast Results: *MTCU Operating Fund Budget Net Expenses by Unit:*

Table showing 2012/2013 Forecast results compared to 2012/2013 Budget by major organizational group, net of departmental revenues.

Table C — *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 2009/2010 to 2013/2014 (preliminary).

4.7.1 Table A: 2013/2014 Preliminary Budget by Unit and Expense Category

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) MYP1 Targets (Identified Solutions) (Note #4)	(E) = (A)+(B)+(C)+(D) Total Expenses	(F) External Recoveries (Note #5)	(G) Revenues	(H) = (F)+(G) Total Recoveries & Revenues (Note #6)	(I) = (E)+(H) Net Budget (Note #7)	Notes
Institutional Revenues and Recoveries										
Provincial Grants							166,151	166,151	166,151	
Tuition (for credit programs only)							146,878	146,878	146,878	
Other Institutional Revenues							2,966	2,966	2,966	
Total Revenues							**315,996**	**315,996**	**315,996**	
Cost Recoveries										
OMAFRA Service Costs - Research						10,330		10,330	10,330	(Note #8)
Fed/Prov Research Indirect Cost Programs						6,200		6,200	6,200	
Research Indirect on Grants and Contracts						4,366		4,366	4,366	(Note #9)
Total Research Indirect Revenues and Recoveries						**20,896**		**20,896**	**20,896**	
OMAFRA Service Costs - Other						670		670	670	(Note #8)
Guelph Humber Services						4,500		4,500	4,500	(Note #10)
Ancillary Service Recoveries						8,839		8,839	8,839	(Note #11)
Other Cost Recoveries						**14,009**		**14,009**	**14,009**	
Total Institutional Revenues and Recoveries						**34,904**	**315,996**	**350,900**	**350,900**	(Note #12)
Institutional Expenses										
Teaching Units										
College of Arts	23,696	1,938	(2)	(2,459)	23,174	(709)	(503)	(1,212)	21,962	
College of Biological Science	22,486	1,043	(860)		22,670	(1,597)	(163)	(1,760)	20,910	
College of Social and Applied Human Science	25,127	3,936	(43)		29,019	(2,034)	(25)	(2,059)	26,960	
College of Management and Economics	16,986	3,799	(92)		20,693	(1,602)	(2,834)	(4,436)	16,258	
Ontario Agricultural College	34,744	7,961	(1,284)	(344)	41,078	(6,354)	(18,455)	(24,809)	16,269	
Ontario Veterinary College	40,005	12,226	(4,902)		47,329	(6,199)	(20,902)	(27,101)	20,229	
College of Physical and Engineering Science	25,524	4,031	(278)		29,277	(622)	(55)	(677)	28,600	
Integrated Planning and Academic Support	241	16,580			16,821				16,821	(Note #13)
Student Assistance	865	15,417			16,282				16,282	(Note #14)
Total Teaching Units	**189,674**	**66,931**	**(7,460)**	**(2,803)**	**246,343**	**(19,117)**	**(42,936)**	**(62,053)**	**184,290**	
Library Operations and Information Resources										
Library Operations	10,241	1,533	(287)		11,487		(590)	(590)	10,898	
Library Information Resources		7,290			7,290	(302)		(302)	6,988	
Total Library Operations and Info. Resources	**10,241**	**8,823**	**(287)**		**18,778**	**(302)**	**(590)**	**(892)**	**17,886**	

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) MYP1 Targets (Identified Solutions) (Note #4)	(E) = (A)+(B)+(C)+(D) Total Expenses	(F) External Recoveries (Note #5)	(G) Revenues	(H) = (F)+(G) Total Recoveries & Revenues (Note #6)	(I) = (E)+(H) Net Budget (Note #7)	Notes
Academic Services										
Office of Research	6,585	1,110	(631)		7,063		(121)	(121)	6,943	
Open Learning and Educational Support	5,994	8,183	(949)		13,228	(309)	(9,838)	(10,147)	3,081	
Graduate Studies	1,000	365			1,365		(324)	(324)	1,041	
Registrar	5,772	1,210	(289)		6,694		(765)	(765)	5,928	
Associate VP Academic	657	380	(1)		1,036		(32)	(32)	1,004	(Note #15)
Other Academic Services	1,001	40	(430)		611		(65)	(65)	547	(Note #16)
Total Academic Services	**21,010**	**11,287**	**(2,300)**		**29,998**	**(309)**	**(11,145)**	**(11,454)**	**18,544**	
Student Services										
Student Services	8,638	4,043	(111)		12,571		(8,725)	(8,725)	3,846	(Note #17)
Athletics	4,821	4,196	(380)		8,636		(7,625)	(7,625)	1,011	(Note #18)
Total Student Services	**13,458**	**8,239**	**(491)**		**21,207**		**(16,350)**	**(16,350)**	**4,857**	
Total Teaching and Academic Services	**234,384**	**95,281**	**(10,537)**	**(2,803)**	**316,325**	**(19,728)**	**(71,020)**	**(90,748)**	**225,577**	
Physical Resources										
Physical Resources Operations	22,085	5,004	(2,888)		24,201	(2,784)		(2,784)	21,417	(Note #11)
Utilities		23,097	(300)		22,797				22,797	
Total Physical Resources	**22,085**	**28,101**	**(3,188)**		**46,998**	**(2,784)**		**(2,784)**	**44,214**	
Capital Infrastructure Debt Servicing		**17,300**			**17,300**				**17,300**	
Institutional Services and General Expenses										
Alumni Affairs & Development	5,309	694	(1)		6,003		(875)	(875)	5,128	
Computing & Communication Services	8,899	6,135	(4,851)		10,183	(491)	(136)	(627)	9,555	
Central Administration Offices	16,559	2,060	(151)		18,467		(355)	(355)	18,112	(Note #19)
University General Expenses and Contingency	2,523	26,782	(1,296)		28,009		(210)	(210)	27,799	(Note #20)
Pension Contribution - GC Supplementary Costs	5,000				5,000				5,000	(Note #21)
Total Institutional Services and General Exp.	**38,290**	**35,671**	**(6,299)**		**67,661**	**(491)**	**(1,576)**	**(2,067)**	**65,594**	
Total Institutional Expenses	**294,760**	**176,353**	**(20,025)**	**(2,803)**	**448,285**	**(23,003)**	**(72,596)**	**(95,599)**	**352,685**	
Repayment of Accumulated Restructuring Costs		6,000			6,000				6,000	(Note #22)
Net Budget	**294,760**	**182,353**	**(20,025)**	**(2,803)**	**454,285**	**(57,908)**	**(388,592)**	**(446,500)**	**(7,785)**	
								Transfer from Contingency Funds (One-Time)	**7,785**	(Note #23)
								Net Budget (after transfer from contingency)	**0**	

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" includes the budget allocations for a 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 "MYP1 Targets" are savings targets that two colleges need to complete as part of their commitments under MYP1. Identified savings plans target completion over the next 2 years.

5. Column F "External Recoveries" reimburse the MTCU budget for services provided to other funds and activities. This category includes recoveries from Ancillary units, OMAFRA Agreement, and course delivery costs from Guelph Humber. See Notes 8, 9, 10 and 11 for more details.

6. Column H "Total Recoveries and Revenues" of $446.5M includes Institutional Operating Grants of $166.1M, total tuition of $163.9M, Other institutional revenue of $3.0M, Cost Recoveries of $57.9M and Departmental Revenues of $55.6M.

7. Column I "Net Budget" is the total of departmental expenses less departmental cost recoveries and revenues for each major unit. Net budget is the total allocation that unit managers are accountable for. Any surplus or deficit at year-end is determined using this allocation and becomes part of the unit's budget as a carry-forward into the following year.

8. OMAFRA Cost Recoveries of $11.0M are for services provided by the MTCU budget (e.g., utilities and space costs). This recovery is for research related initiatives ($10.330M) and other non-research activities ($0.670M) In addition, OMAFRA will transfer $11.815M (as a fixed dollar transfer) for 77 faculty full time equivalents (FTE's); 65 FTE's allocated to the colleges according to faculty time on OMAFRA research projects; and 12 Faculty FTE's for the Veterinary Clinical Education Program (VCEP) and $2.5M for Health Science Centre teaching operations, both credited to OVC.

9. Research Indirect – Other, are the indirect cost recoveries from externally (including industry-funded) funded research activities.

10. The 2013/2014 Guelph Humber Services of $4.5M consists of $2.0M for management fees and $2.5M for the University of Guelph's share of year-end net revenue (in addition, the colleges and other academic support units budget $5.9M for Guelph Humber course delivery, and program support services as External Recoveries).

11. Total Ancillary Service Recoveries for the Preliminary 2013/2014 MTCU Operating budget includes institutional recoveries of $8.839M plus $2.784M related to custodial and other maintenance services performed by Physical Resources for Student Housing Services (recorded as External Recoveries in Physical Resources).

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

13. Integrated Planning are funds held to invest in the priorities identified as part of the Multi Year Plan (MYP2) presented in Section 3 on page #9 of this document.

14. Student Assistance has increased by $0.600M base for 2013/2014 for undergraduate and graduate scholarships and bursaries paid from Operating funds.

15. Associate VP Academic includes the budget for the Associate Vice-President Academic program funds and the Centre for International Programs.

16. Other Academic Services includes: the Advanced Analysis Centre and War Memorial/Rozanski Hall Operations.

17. 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.

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

19. 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.

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

21. The university base budget for pension of $31.2M includes $5.0M of supplemental pension contributions from the MTCU Operating budget.

22. For 2013/2014, a budget of $6.0M reflects the repayment of one-time restructuring costs for the MYP 1. This meets the Board of Governors approved repayment schedule.

23. Transfer from Contingency Funds (one-time) uses Multi Year Plan Contingency funds to balance the 2013/2014 budget. See assumption #5 on page #2.

4.7.2 Table B: MTCU Forecast Results 2012/2013

	12/13 Budget	12/13 Forecast	Surplus/ (Deficit)	Notes
Institutional Revenues and Recoveries				
Provincial Grants	167,316	167,638	322	
Tuition Revenue	137,600	143,990	6,390	
Other Revenues	2,966	2,962	(4)	
Total Institutional Revenues	307,882	314,590	6,708	
Total Research Indirect Revenues and Recoveries	20,896	21,232	336	
Other Cost Recoveries	15,015	20,565	5,550	#1
Total Institutional Revenues and Recoveries	343,793	356,387	12,594	
Teaching Units				
College of Arts (COA)	23,129	24,243	(1,114)	
College of Biological Science (CBS)	26,068	21,790	4,278	
College of Social and Applied Human Science (CSAHS)	30,741	26,048	4,693	
College of Management and Economics (CME)	19,276	15,386	3,890	
Ontario Agricultural College (OAC) - Guelph	16,141	19,694	(3,553)	
Ontario Agricultural College (OAC) - Regional Campuses	4,388	1,394	2,994	
Ontario Veterinary College (OVC) - Teaching	20,179	17,052	3,127	
Ontario Veterinary College (OVC) - Health Sciences Centre	3,634	3,611	23	
College of Physical and Engineering Science (CPES)	28,933	29,433	(500)	
Other Teaching Units	12,603	3,432	9,171	#2
Student Assistance	17,853	15,144	2,709	#3
Total Teaching Units	202,945	177,227	25,718	
Library Operations and Information Resources	18,412	16,796	1,616	
Office of Research	7,481	7,273	208	
Open Learning and Educational Support	8,859	3,737	5,122	
Registrar	7,689	6,093	1,596	
Assoc.VP Academic	927	877	50	
Graduate Studies	1,466	1,166	300	
Other Academic Services	1,487	453	1,034	
Academic Services	27,909	19,599	8,310	#4
Student Services	7,188	5,803	1,385	#5
Total Teaching and Academic Services	256,454	219,425	37,029	

Table B: MTCU Forecast Results 2012/2013, continued

	12/13 Budget	12/13 Forecast	Surplus/ (Deficit)	Notes
Physical Resources Operations	26,293	20,761	5,532	#6
Utilities	22,797	20,386	2,411	#7
Capital Infrastructure Support	21,205	21,205	0	
Total Physical Plant	70,295	62,352	7,943	
Alumni Affairs & Development	5,784	5,638	146	
Computing & Comm Services	4,716	4,108	608	
CCS - IT Infrastructure	5,340	5,268	72	
Central Administrative Offices	7,916	7,765	151	
Human Resources	3,811	3,600	211	
Finance/Purchasing/OIM	5,333	5,189	144	
Campus Community Police & Fire Prevention	2,995	2,469	526	
General Expenses	17,969	15,341	2,627	
Institutional Services and General Expenses	53,864	49,378	4,485	#8
University Contingency - General	10,578	228	10,350	#9
University Contingency - Multi Year Plan	41,955	2,370	39,585	#10
Total Institutional Costs	433,146	333,753	99,392	
Annual Operating Income (Expense)	(89,353)	22,634	111,987	
Transfer From Prior Year Appropriations For Departments and Contingency	95,353	95,353		
Total MTCU Operating Funds Available	6,000	117,987		
Appropriations for Departments		43,973		#11
Appropriations - MYP Contingency		39,585		#12
Less: Transfer to Appropriations - Pension		28,429		#13
Total Appropriations for MTCU Operating		111,987		
Net Increase(Decrease) in Fund Balance	6,000	6,000		#14
Opening Unappropriated Deficit:	(41,100)	(41,100)		
Ending Unappropriated Deficit:	(35,100)	(35,100)		

Notes for Table B:

1. Other Cost Recoveries: The 2012/2013 base budget target for the UofG share of Guelph Humber net results is $2.5M while the current forecast is $8.0M.

2. Other Teaching Units: Included with the central academic support resources of $5.0M are Integrated Planning accounts targeted to fund growth in Undergraduate and Graduate teaching linked to the Accessibility grants, the Priority Investment Funds of $1.5M as well as accumulated support for growth in Research activity of $2.4M. These funds will be used in future years for Integrated Planning and Multi Year Plan priorities.

3. Student Assistance: Due to the timing of certain payments such as those allocated for the summer-based work study programs, it is normal to have carry-forwards funds each year in this category. All funds carried forward in this category are held specifically for student assistance and are targeted to be expended in the following year.

4. Academic Services: Included in this group is Open Learning and Educational Support. The open learning activities within Open Ed are recording strong enrolments and have conserved revenues of $3.7M, accumulated over a number of years. Other academic support units include the Office of the Vice President Research, Graduate Studies, Registrarial Services. The Other Academic units category consists primarily of the Advanced Analysis Centre which is a group of capital intensive analytic research facilities where they recover service fees and are conserving revenues for capital repairs and major input costs.

5. Student Services: The Student Services net budget includes approximately $18M in revenues and fees in direct support of services provided. A number of areas in Student Services are conserving one-time savings in order to plan for future investment in equipment replacement (Athletics) and for service improvements. The $1.4M accumulated surplus represents about 6% of gross expenditures.

6. Physical Resources: In Physical Resource operations, a recent program to recover Project Management costs as part of renovations budgets and an effort to accumulate some one time savings for expected obligations to the Multi Year Plan.

7. Utilities: The Utilities budget has savings in the natural gas and electricity accounts primarily as a result of a below average heating season.

8. Institutional Services and General Expenses: This group of units includes a wide variety of the University's central administrative offices and support services (e.g. finance, human resources, computing and communication services, fund raising, communications and public affairs, and senior administrative offices). Most units are reporting modest carry-forward balances plus some institutional savings such as the accumulated reserve for self-funded insurance.

9. University Contingency - General: In recognition of the significant challenges in future Multi Year budget planning uncertainties, the University allocated significant funds to increase its contingency accounts from institutional carry-forwards and revised budget revenue targets. From general contingency purposes there remains $10.3M in one-time funds which will be transferred to the University Pension contingency (see note #13).

10. University Contingency - Multi Year Plan: In the 2012/2013 MTCU Budget, funds were set aside for the continued costs for meeting Multi Year Plan targets (Timing & Restructuring Costs). An estimated $2.370M was spent on the costs of ex-gratia payments incurred in 2012/2013 and $4.1M was allocated to 3 colleges to cover the timing costs incurred while solutions are realized. The estimated balance of $39.6M will be added to carry-forwards for future MYP contingency purposes (see note #12).

11. Appropriations for Departments: The total unspent budget for departments is forecast at $43.9M ($48.6M in 2011/2012).

12. Appropriations – MYP Contingency: Net savings from institutional accounts (e.g., grants, tuition, contingency accounts) of $39.6M (note #9) will be added to the University's contingency fund. This is consistent with the University's budget objective to maintain as much flexibility as possible for the completion of Multi Year Plan restructuring and to maintain the balanced budget achieved in 2012/2013.

13. Transfer to Appropriations – Pension: An additional $28.4M in one-time institutional and contingency savings has been designated as Contingency for Pension Solvency payments (see section 3.3.6 on page 17 above).

14. Net Increase (Decrease) in Fund Balance: The $6M net surplus for 2012/2013 fiscal year represents the required deficit repayment for the year. The Opening Unappropriated Deficit is $41.1M from the Multi Year Plan (MYP1). The Ending Unappropriated Deficit is the Opening Unappropriated Deficit less the $6.0M repayment for a remaining deficit of $35.1M. This is within the Board approved maximum of $35.7M (see Chart H on page #28).

4.7.3 Table C: Full-time Equivalents (FTE's) for MTCU Budgeted Position

College/Division	Position Type	09/10	10/11	11/12	12/13	13/14	09/10 to 13/14	Notes
COLLEGE OF ARTS (COA)	Faculty	127.3	123.9	118.3	114.6	105.1	-17.5%	1
	Staff	42.2	40.8	39.0	39.0	39.0	-7.5%	
COLLEGE OF BIOLOGICAL SCIENCE (CBS)	Faculty	99.4	98.5	96.2	93.1	93.3		
	Staff	61.6	60.0	62.1	65.1	65.1	5.6%	
COLL.OF SOC.& APP. HUMAN SCIENCE (CSAHS)	Faculty	120.5	120.6	117.5	118.5	118.9	-1.4%	
	Staff	43.4	43.2	44.1	43.7	43.7	0.8%	
COLLEGE OF MANAGEMENT & ECONOMICS (CME)	Faculty	73.6	74.8	78.2	79.2	79.5	8.1%	
	Staff	26.5	26.5	27.5	30.3	30.5	15.1%	
ONTARIO AGRICULTURAL COLLEGE (OAC)	Faculty	144.7	138.8	127.8	126.6	116.6	-19.4%	2
	Staff	129.8	127.7	124.4	122.1	122.4	-5.7%	
ONTARIO VETERINARY COLLEGE (OVC)	Faculty	121.9	125.7	129.2	131.7	132.0	8.3%	3
	Staff	162.0	190.3	190.0	193.0	193.6	19.5%	
COLL OF PHYSICAL & ENGINEERING (CPES)	Faculty	114.9	115.3	108.0	108.8	114.0	-0.8%	4
	Staff	62.7	63.0	64.5	68.0	69.5	10.8%	
TEACHING UNITS Total		**1,330.5**	**1,349.1**	**1,326.9**	**1,333.8**	**1,323.1**	**-0.6%**	
Academic Support/Other Teaching	Faculty	5.6	5.4	7.4	6.8	6.9	22.5%	
	Staff	197.4	192.6	201.2	213.7	220.0	11.5%	
CIO - Library/CCS	Librarians	28.0	29.3	30.1	32.9	33.0	17.9%	
	Staff	153.1	143.1	146.0	150.5	151.7	-1.0%	
Student Affairs	Staff	118.6	118.5	121.9	127.3	128.2	8.1%	
Alumni Affairs & Development	Staff	46.0	47.1	49.2	53.6	54.0	17.4%	
Physical Resources	Staff	310.2	289.0	288.0	288.0	288.0	-7.2%	
Administration + General Expenses	Faculty	4.8	4.0	3.0	3.0	3.0	-37.9%	
	Staff	161.7	161.7	163.4	163.9	165.3	2.2%	
OTHER UNITS Total		**1,025.4**	**990.7**	**1,010.2**	**1,039.7**	**1,050.0**	**2.4%**	
Total Faculty		840.7	836.4	815.8	815.3	802.2	-4.6%	
Total Staff		1,515.2	1,503.4	1,521.4	1,558.2	1,570.9	3.7%	
Grand Total		**2,356.0**	**2,339.8**	**2,337.1**	**2,373.5**	**2,373.1**	**0.7%**	

Notes for Table C:

1. The decrease of 9 Faculty FTEs in the College of Arts (COA) in 2013/14 is due to the Multi-Year Plan identification of 5 Faculty FTE reductions plus an additional 4 FTE reduction carried forward from 2012/2013 that were identified but not implemented.
2. The decrease of 8 Faculty FTEs in the Ontario Agricultural College (OAC) is due to the Multi-Year Plan identification of 8 Faculty FTE reductions.
3. The increase in the Ontario Veterinary College (OVC) staff FTE in 2010/2011 resulted from the conversion of 28 OMAFRA Veterinary Clinical Education Program (VCEP) funded staff salaries to MTCU Operating OVC Health Sciences Centre recovery based salaries.
4. The College of Physical and Engineering Science (CPES) FTE's includes 5 planned new faculty in 2013/2014 in the School of Engineering as part of their undergraduate enrolment growth plan.

4.8 Proposed Non-Tuition Compulsory Student Fees

Guelph Campus	Fee Basis		Year of Last Increase	2012-2013 Approved Fees	2013-2014 Recommended Fees	% Increase
Athletic Fee						
FT Undergraduate and Graduate	Per semester	Note 1	2012	$99.03	$102.00	3.0%
PT Undergraduate Only	Per semester		2012	$45.44	$46.80	3.0%
Capital Account: Athletic Building Fee						
FT Undergraduate and Graduate	Per semester	Note 2	2012	$41.52	$42.77	3.0%
PT Undergraduate Only	Per semester		2012	$20.76	$21.38	3.0%
Student Health Services Fee						
FT Undergraduate and Graduate	Per semester		2012	$25.36	$25.72	1.4%
PT Undergraduate Only	Per semester		2012	$11.11	$11.27	1.4%
Student Services Fee						
FT Undergraduate	Per semester		2012	$54.05	$54.81	1.4%
PT Undergraduate	Per 0.5 credit per semester		2012	$10.80	$10.95	1.4%
FT Graduate	Per semester		2012	$52.66	$53.40	1.4%
PT Graduate	30% of FT fee per semester		2012	$15.80	$16.02	1.4%
University Centre Fee						
FT Undergraduate and Graduate	Per semester		2012	$13.69	$13.88	1.4%
PT Undergraduate and Graduate	Per 0.5 credit per semester		2012	$2.73	$2.77	1.5%

In accordance with MTCU regulations, non-tuition related compulsory student fees can only be introduced/changed under a protocol established and agreed to with student representatives. The University and student representatives have signed such an agreement which covers the fees shown above. The published Statistics Canada Consumer Price Index (CPI) annual average for Ontario (all items) for 2012 is 1.4%. Please Note: Each Committee may approve fee increases up to 3% above the CPI for Ontario.

Note 1: As per Athletic Advisory Committee approval on March 1, 2013 to increase by 3%. Students will now receive free admission to all games.

Note 2: This is a 30 year fee initiated in Fall 2009 approved through a referendum process to increase annually by 3%.

Associate Diploma Programs		Year of Last Increase	2012/13 Approved Fees	2013/14 Proposed Fees	% Increase
Alfred, Kemptville and Ridgetown Campuses:					
Athletic Fee	Note 1				
Full Time - Alfred		2012	$74.77	$75.82	1.4%
Full Time - Kemptville		2012	$69.21	$70.18	1.4%
Full Time - Ridgetown		2012	$69.21	$70.18	1.4%
Student Communication Fee					
Full Time - Alfred		2012	$45.96	$46.60	1.4%
Full Time - Kemptville		2012	$45.96	$46.60	1.4%
Full Time - Ridgetown		2012	$45.96	$46.60	1.4%
Building Fee- Ridgetown		2012	$36.93	$37.45	1.4%
Academic Activity Fees					
Full Time - Alfred		2011	$324.06	$324.06	0.0%
Full Time - Kemptville		2011	$324.15 - $454.33	$324.15 - $454.33	0.0%
Full Time - Ridgetown		2012	$334.20 - $996.80	$334.20 - $996.80	0.0%

Note 1: The published Statistics Canada Consumer Price Index (CPI) annual average for Ontario (all items) for 2012 is 1.4%