University of Guelph

Integrated Plan, Multi Year Plan (MYP2) and Preliminary 2014/2015 MTCU Operating Fund Budget

[April 10, 2014]

Board of Governors

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1 Background for the 2014/2015 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 (IP1 - 2006-12). Integrated Planning emphasizes the constant interaction of three core activities: Planning, Resource Allocation, and Assessment. In IP, the budget becomes a core resource allocation outcome of the planning goals and strategies.

IP1 established a planning framework for all University units to develop unit plans with common areas of strategic focus. IP1 also began ongoing assessments of outcomes against goals. In addition, for the first time, major differentiated unit budget targets were set using a mix of financial and non-financial unit metrics—a major advance from historical practices dominated by the expediency of "across-the-board" cuts.

The second Integrated Plan (IP2) with its timeframe of 2012/2013 to 2016/2017 consolidated the successes and lessons of IP1. IP2 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 structure 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 a culture of assessment, along with supporting resources and mechanisms, is ongoing. In fall 2012, the University initiated the Program Prioritization Process (PPP). 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 more effectively allocated. The PPP Task Force Report, released in October 2013, ranked 492 programs across the whole institution, and made almost 50 recommendations for process improvements and revenue potential in academic and support services. While the rankings did not themselves dictate the fate of any program, they did form part of a larger budget allocation process that set college/division fiscal targets. Establishing those targets is an integral part of a multi-year financial planning process, now embedded in Integrated Planning.

1.2 Multi-Year Financial Planning

In 2008/2009, the University developed a multi-year financial plan (referred to as MYP1) with the express purpose of bringing into balance its annual MTCU[2] Operating Fund **base budget[3]** over a four-

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

[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).*

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 to cover compensation cost increases. Using the first Integrated Plan to guide both the allocation of differentiated unit targets and investments in 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, as part of IP2 it was decided to formally incorporate multi-year financial planning into the integrated planning cycle making a “MYP” an integral component of each Integrated Plan. The two major objectives of the MYP process are:

1. To determine university-level annual budget targets necessary to keep the base (structural) operating budget balanced.
2. To provide budget flexibility in the form of both contingency funding to help mitigate major uncertainties or variances to assumptions and reinvestment funding for initiatives that could help achieve the goals of the IP.

With these objectives in mind, a multi-year financial plan was prepared for the five-year period fiscal 2012/2013-2016/2017. This plan, referred to as MYP2, was presented as part of IP2.

The following presentation will first review the overall financial structure of the University, placing the MTCU Operating Fund budget in context of both those funds and an assessment of the major financial risks. Next the major assumptions for the MYP2 and this year’s annual budget will be presented. The accompanying tables and appendices will show the impact of these assumptions and the resulting 2014/2015 MTCU Operating Fund budget.

1.3 SMA (Strategic Mandate Agreement)

In 2012/2013, Ontario universities were required to prepare a Strategic Mandate Agreement (SMA). This document was a high-level summary of each Ontario University’s mission, vision and goals. The University of Guelph derived its SMA submission from IP2, adopting its goals and metrics as the substance of the document. In November 2013, MTCU issued the *Ontario Differentiation Policy Framework and Strategic Mandate Agreement Process*, a memorandum which directed universities to adjust their 2013 SMAs to incorporate six components of the Differentiation Framework: Jobs, Innovation, and Economic Development; Teaching and Learning; Student Population; Research and Graduate Education; Program Offerings; and Institutional Collaboration and Student Mobility. Under the new framework and SMA process, a wide range of metrics, some set by the Ministry as well as institutional specific measures are to be used to track an institutions’ progress towards meeting their SMA goals. Most of the Ministry prescribed metrics are already reported to government as part of the annual MYAA process. The first draft of our SMA was submitted to MTCU on December 20, 2013. Subsequent negotiations have been held with the Ministry on suggested revisions and the new SMA has been submitted. The final SMA will now include the allocation of institutional targets for graduate growth as well as articulating each university’s own metrics and goals under each of the six components of the SMA. For Guelph, the SMA is derived from our integrated plan (IP2) and in large part is a mapping of that plan into the SMA. Final approvals and sign-offs by both government and the university will be completed by the end of March, 2014.

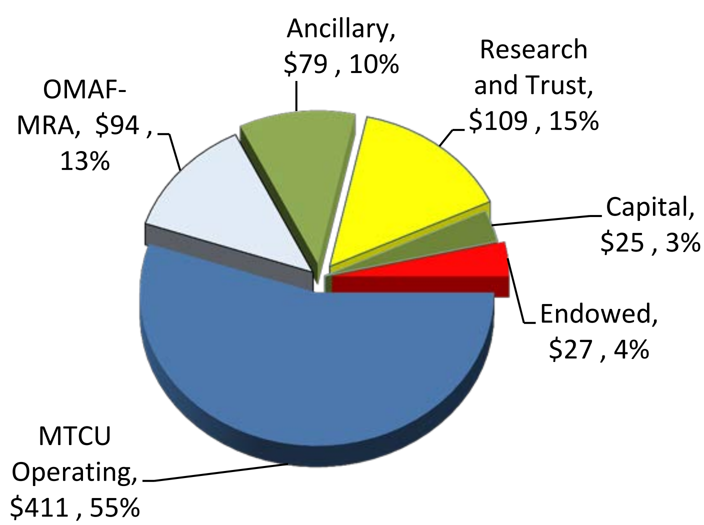
It is clear that this new process will significantly change the level of provincial engagement in setting each university’s strategic directions, not only by entrenching institutional areas of strength (differentiation) but also by linking prescribed and institution-specific metrics to future funding levels. While not yet fully operational, the SMAs are expected to quickly become a major factor affecting our planning priorities, especially the need to focus resources on our areas of strength as defined and measured in the on-going SMA and differentiation process.

2 Planning Context - University Financial Structure and Risk Assessment

2.1 All University Funds

The University of Guelph is an enterprise of $745 million annual revenues, encompassing a diverse range of activities and 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 which include:

CHART A



Total University Funds ~ $745M (2012/2013)

- "MTCU": the University's largest fund, named after the **Ministry of Training Colleges and Universities** which controls the major portion of the revenues supporting this fund. The primary responsibility for funding most academic, student support and main campus infrastructure (physical plant, library, technology and other support services) costs is part of this fund making it the main focus the IP and this budget presentation.
- "OMAF-MRA" (**Ontario Ministry of Agriculture and Food and Ministry of Rural Affairs**): this long-standing contract contains funding restricted for research programs, support services and facilities dedicated to the agri-food sector in Ontario. Funding does not increase each year for general incremental costs and yet this funding supports hundreds of university faculty and staff, meaning adjustments must constantly be made to manage costs within essentially a fixed funding envelope (refer to section 2.2.1).
- "Ancillary": a collection of five separate units that cannot be supported by MTCU funds yet provide important services, mainly to students. They include student housing, food and parking services and are fully cost-recoverable on a fee for service basis. Separate budgets are prepared and presented to the Board for each of these units.
- "Research and Trust": a collection of almost 3,500 separate accounts containing research grants, contracts and special funds. Most of these funds have restrictions as to purpose and spending and require separate annual reporting and audits as part of sponsor defined restrictions.

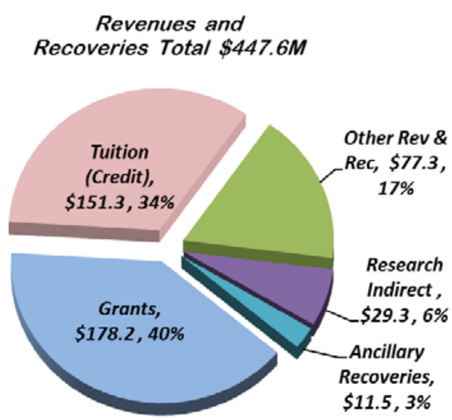
- "Capital": revenues and expenditures restricted for major capital purposes. These expenditures are supported through mainly debt, transfers from operating funds (such as "MTCU") or government grants designated for capital purposes.
- "Endowed": revenues from endowment investment returns, a portion of which is designated for spending under University Board-approved policy. About 85% of endowment spending is for student aid from about 1,000 separate donor-restricted accounts within this fund.

2.2 The MTCU Operating Fund

Comprising 55% of total University funding, the MTCU Operating Fund budget supports 90% of all faculty and 80% of regular full time staff positions and is largely responsible for supporting the University's core teaching and research services. It is therefore necessarily the main focus of University planning efforts.

The MTCU Operating fund depends on a variety of revenues (earned from external sources) and cost recoveries (transfers from other University funds), used to support expenses mainly in the form of salaries and benefits (see Charts B and C). 74% of the MTCU Operating revenues are derived from a combination of grants (40%) and tuition (34%). As both of these revenue sources are effectively controlled by provincial policies, current political uncertainty makes long-term predictions about these funds very difficult.

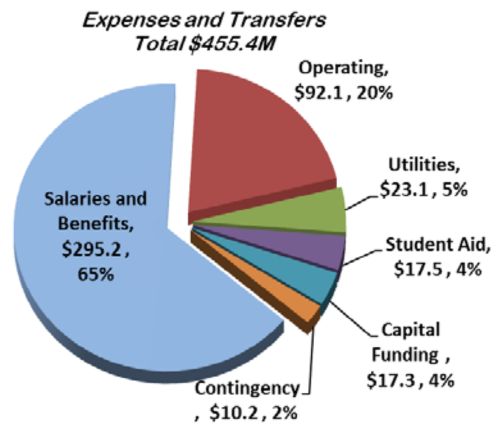
CHART B



2.2.1 The MTCU Operating Fund and OMAF-MRA

For the most part the University's major Funds have their own sources of revenue and objects of expense and do not directly impact the MTCU Operating budget. However, since the inception of the University, our unique relationship with OMAF-MRA has supported major structural components especially in our research enterprise. While contractual restrictions indicate that the OMAF-MRA 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 OMAF-MRA relationship is both complex and critical to our multi-year planning. With most of OMAF-MRA funding allocated to colleges for research activities, changes in OMAF-MRA funding levels can have a major impact on University operations.

CHART C



For example, OMAF-MRA supports:

- 35% ($57 million annually) of the University's total research
- 91 faculty positions (10% of the University's faculty total)
- 397 staff positions (12% of the University's staff total)

In addition, $23.9 million is transferred each year into the MTCU Operating Fund budget in the form of:

- $10.8 million for 67 faculty positions
- $10.5 million for indirect support costs (physical plant, library and administration)
- $2.6 million for 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 OMAF-MRA has designated major envelopes for identified purposes, each with specific outcomes and most with fixed annual allocations. This means that 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 OMAF-MRA components of the Operating Fund including restrictions and further partitioning of funding sources. It highlights the diversity and complexity of funding that supports University faculty and staff positions.

2013/2014 Operating Funding Sources

Grant Name	Rev. $M	Purpose/Restriction	Positions				Risks/Limitations
			Fac.	Staff	Temp	Total FTE's	
OMAF-MRA – Core (Fund 110)	$ 86.5	Mainly for research and related infrastructure at stations and for regional campuses. Of the $86.5M, $71.3M is an annual direct transfer from the province. Funding of 55 Faculty is based on a fixed dollar "pool".	79	368	185	633	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. Agreement funding renewed for 2013 - 2018.
VCEP (Part of Fund 110)	$ 6.2	Source is the OMAF-MRA 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 OMAF-MRA	$ 92.7		91	397	191	680	
OVC- Special Grant (Fund 102)	$ 6.5	Source is a MTCU grant. Restricted for OVC in support of teaching and related infrastructure	19		2	21	Fixed grant funding. Incremental costs fall to the MTCU- Core (100% annual provincial funding)
MTCU- Ag Diploma (Fund 104)	$ 16.9	Result of transfer in 2008/2009 of all education from OMAF-MRA diploma (credit) and non-credit programs at regional campuses to MTCU. Most revenue is enrolment based and all is allocated to the OAC.	8	80	55	144	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)	$ 366.9	Revenues and recoveries fund main campus University teaching programs and research infrastructure. Is the main source of unrestricted University funding.	724	1469	718	2911	Fund of final resort if funding issues arise in other funds.
TOTAL MTCU	$ 390.3		751	1550	776	3077	
TOTAL OPERATING	$ 483.0		842	1947	967	3757	

Note: The Faculty numbers above include 34 Librarians and 20 Veterinarians.

2.3 Key Financial Risks

Over the course of MYP2, the University will face a number of financial risks derived from a number of external and internal sources. 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 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 the most feasible and effective.

Over the long-term it is clear that the top three risk areas are related to compensation and post-employment costs. Post-employment costs have the added risk of financial market volatility and the requirement that changes to plan designs must be part of negotiated settlements. 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 requires continuous and inherently uncertain activity.

In attempting to manage these risks, two principal mitigation strategies are used:

- **Short-term –** maintaining financial flexibility in the form of contingency funds (target 3% operating)
- **Long-term –** where possible, 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).

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).

2.3.1 Risk Table: 2014/2015 and Beyond

Risk Component	Inherent Risk	Mitigation	Risk Planning 2014/2015	Risk Planning And Beyond
MTCU Provincial Funding	• Size: 40% of total budget • Competing priorities • Provincial fiscal condition and election • Uncertain funding for growth (program/enrolment caps) • New "differentiation" directives; performance-based funding	• Promote value of universities (COU etc.) • Promote the University of Guelph • Target available funding only • Focus on areas of strength	**Level 2** • Maintain contingency funding • No planned growth • Develop effective Strategic Mandate Agreement (SMA) • Prioritize programs	**Level 3** • Target enrolment in areas of strength with confirmed funding • Maintain contingency funding • Expect no general increases
OMAF-MRA Provincial Funding	• 15% of revenues $93M in total • $24M for MTCU budget structural costs • Ministry priorities changing-pressure to increase flexibility • Provincial fiscal condition	• Multi-year commitments • Promotion of relationship • Meeting contract goals • Reduce dependency on structural costs • Increase flexibility – more project-based funding	**Level 1** • Funding agreement to 2018 • Consolidation of programs – improve efficiencies and focus resources.	**Level 2** • Determine specifics of OMAF-MRA direction • Elimination of current structural deficit in OMAF-MRA Budget • Ongoing planning to meet OMAF-MRA priorities
Enrolment Revenues	• 35% of total budget • Limited opportunities: demographics, competition and provincial caps on funding • Limited physical capacity under current delivery model • Provincial directives for institutional differentiation.	• Do not plan on enrolment growth overall; need to maintain total enrolment • Manage program balance to achieve optimal revenue base • Productivity improvements • Recruitment initiatives • Diversify recruitment pools • Utilize pathways that have been developed for transfer students • Stay competitive on program quality/fees/costs	**Level 1** • No increased enrolment planned • Pursue strategic growth opportunities as available, e.g. Guelph-Humber (GH), international students	**Level 2** • Maintain recruitment initiatives • Plan for no growth • Teaching productivity changes (e.g. classrooms, curriculum, delivery modes) • Continue to explore options: GH, international
Tuition Fees	• 90% of fees provincially controlled • Limited room to raise fees • Competitive in certain categories	• Plan for limited increases in fees or follow available framework • Increase support for students in need	**Level 1** • Framework for provincially-controlled fees for 4 years (year 2 of 4)	**Level 1** • 4- year framework for most fees to 2017 • Monitor competitive position in other categories
Capital Demand and Debt Capacity	• No structural provincial funding for capital (maintenance or growth) • Capital dependency growing on new infrastructure, e.g. technology (IT, scientific) • Limited debt capacity with major demands	• 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	**Level 1** • Borrowing limits set (with capacity) • Debt servicing built into all budget processes • Continued low borrowing cost	**Level 2** • New debt policy and metrics • Minimize projects that do not have identified net revenue streams

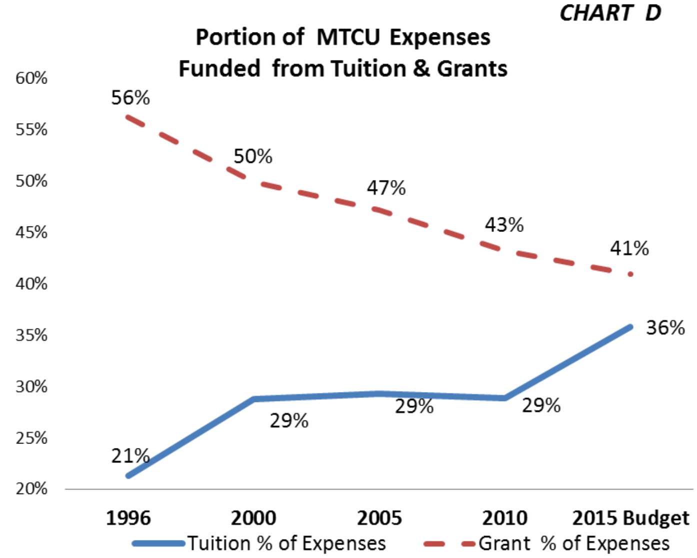
Risk Component	Inherent Risk	Mitigation	Risk Planning	
			2014/2015	And Beyond
Compensation (Negotiations)	• 70% of Operating budget expense- no funding support for increases • Complexity: 15 employee groups and bargaining units • Structural in nature: contractually limited options • Labour disruption	• Provincial pressures: "directives" to contain increases in sector • Contain negotiated increases • Continuous communications with group/units	**Level 3** • New set of negotiations for 6 of 15 bargaining units (84% of total compensation) • Sector momentum toward lower increases	**Level 2** • Negotiations for other 9 of 15 bargaining units • Provincial directives of 0/0 • Sector momentum toward Provincial directives
MYP2 Budget Reduction Implementation	• Major structural savings/ revenues required • Academic restructuring 70% of total target – most difficult to implement change • Contractual limitations (faculty)	• One-time contingency funds to cover timing costs • U-PIF for investment in transformational change • Negotiation to enable change	**Level 1** • $7.6M in budget reduction target to be implemented • Unit plans to achieve budget targets due March 21, 2014 • $2.6M in one-time contingency funds to maintain overall balanced budget	**Level 3** • Budget reduction targets in outer years • One-time contingency funds to cover timing costs • Outcome of negotiations • U-PIF investments to aid units in meeting goals of IP2
Pension Plans (Solvency Deficits)	• 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)	• Provincial temporary relief legislation until 2017 • Build one-time contingency fund • Identify exigency options • Sector efforts for more solvency relief	**Level 2** • Continue to build one-time funds (contingency planning) • Discussions with province continue for sector-wide solvency relief	**Level 2** • Joint effort by sector for extended solvency relief (e.g. presentations of options) • Continued planning for Stage 2 contributions 2017+
Pension Plans (Going Concern condition)	• DB plan: University (sponsor) funds all deficits • Cost sharing (contributions) must be negotiated • Exposure to economic and demographic factors continue to add costs • No provincial relief	• Negotiate changes to contain/share costs • Implement risk management strategies, e.g. asset liability matching • Explore JSPP options	**Level 2** • Communications with all employee groups • Priority within bargaining negotiations • Building contribution requirements into base budget	**Level 3** • Communications with all employee groups • Continued priority for negotiations • Building contribution requirements into base budget
Post-employment (non-pension)	• $377M accrued benefit • Limited cost-control incentives (no shared risk) • Cash requirements increasing 10%+ per year • Built into bargained benefits of employee groups	• Negotiate changes to contain costs (e.g. 10 year eligibility required) • Communications with employee groups on cost-containment options. • Cash funding (Currently no need to fund accrued benefit)	**Level 1** • Built in cash requirements into budget • Complete "valuation" to determine gains (losses) and benefit obligation	**Level 2** • Continue with monitoring costs and cost sharing -,make adjustments were possible • Communications with all employee groups

3 Revenue Budget Assumptions

For the MYP2 and annual budget revenue assumptions, only major institutional-level revenues are considered. These consist of MTCU Grant and Tuition-Credit revenue. In addition, within college/division allocations are an estimated $74 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.

Major institutional revenue (e.g. grants and tuition) provide much of 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 75% making estimating these two components a major part of any planning process.

CHART D



3.1 Provincial Funding – MTCU Operating Grants

Provincial grants contribute approximately 40% of MTCU Operating Fund Budget revenue. Grant funding comes in the form of 15 to 20 specific funding envelopes, each of which have various allocation mechanisms. 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 and now many grant increases are based on performance metrics, the primary ones being increased enrolments and quality enhancements. The following is a breakdown of the major grant components and the assumptions used in this budget.

- **"Basic"**: this grant envelope is by far the largest with about 88% ($145 million) of total grant funding. Previously this grant was adjusted to reflect longer term provincial funding commitments usually in the form of special program increases, for the entire university system to address issues of "quality" or a baseline enrolment level. Where grant reductions occur they normally are applied against this grant. In the 2013 provincial budget, the province announced that grants to post-secondary education would be reduced as a provincial "efficiency target" of $40 million (2014/2015 is the second of two years) allocated to Colleges and Universities. The University of Guelph share for 2013/2014 was a reduction of $1.5 million and the share for 2014/2015 is estimated at $1.200 million. This could signal further reductions as the province deals with its deficit. However, the MYP2 does not assume any further general grant reductions going forward. The University continues to assume there will be no general increase to funding for inflation on existing costs.

- **Enrolment Based Grants:** often referred to as Accessibility grants, these are targeted to specific Ministry enrolment management goals (e.g. undergraduate and graduate enrolment growth). A key component of planning for the entire university sector is if there are MTCU funds available for enrolment growth as Accessibility grants and if so, are the funding levels at the full-cost grant funding per student.[4] Recent provincial practice has been to fully fund eligible[5] enrolments.

  Further complicating financial planning is the requirement that Accessibility funding be 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. As enrolments are not confirmed until November (for fall) and February (for winter), when student counts are verified and reported to the Ministry, 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). "Accessibility" envelopes are determined under two subsets—one for undergraduate and one for graduate enrolments:

  - **Undergraduate:** For the 2014/2015 MTCU Operating Fund budget purposes, the assumption is for overall undergraduate enrolments to remain at current (2013/2014) levels. Actual experience has seen a small increase in total enrolment and shift in program "mix" with declining BA program enrolments and growth in programs with greater (BIU) funding value e.g., commerce and engineering. Together these effects have resulted in additional accessibility grant funding (relative to budget) projected to be $2.700 million. The plan is to at least hold these numbers and program mix (and funding) in the future fiscal years.
  - **Graduate:** Since 2005, the province has made graduate student enrolment growth a major priority. Institution-specific targets are allocated from a notional overall system target and assigned as growth of domestic (non-international) masters and doctoral students set relative to 2004 levels. Actual growth, measured against the 2004 baseline, receives full funding making this program attractive as a reliable source of new funding, however, growth had to be achieved and many institutions did not make their target. The University of Guelph's total eligible graduate enrolment target is currently 1,891 FTEs (full-time equivalents); as of September 2013, we had achieved a total level of 1,768 FTEs leaving 123 FTEs available for funding. In the 2013/2014 budget we had assumed continuing growth relative to 2012 levels when we 1,842 eligible graduate students enrolled. The decline in graduate numbers relative to 2012 has resulted in an estimated reduction in the graduate accessible grant of $0.700 million.

    Under the new SMA, the MTCU allocated an additional 4,350 graduate FTEs across the system (there are about 40,000 eligible FTEs system wide). Guelph was allocated 87 FTEs out of this pool, based on our past performance and assessed potential for continued growth. Under the current directions from MTCU, we have until 2016/2017 to achieve these targets that include any new graduate programs that may be created on the main campus and/or at Guelph-Humber.The table below shows both actual levels of MTCU eligible FTEs achieved as of fall 2013 compared to the

[4] "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. The Ministry has currently put a moratorium on the creation of new program approvals until the SMA process is completed. Any new enrolment growth must be aligned with areas of program strength as indicated in the SMA.

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

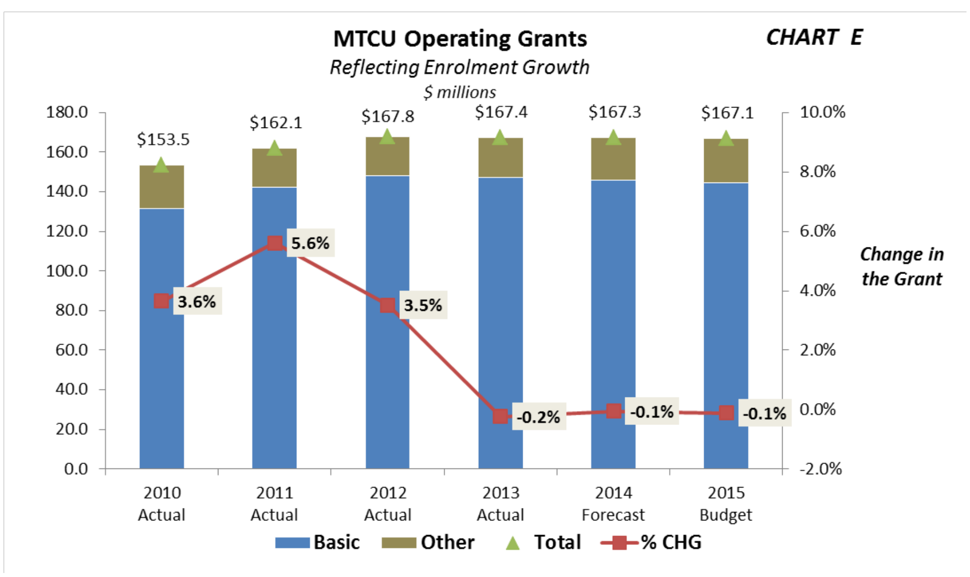
University's current provincially-assigned "target" and the proposed new SMA target. It indicates that there are 210 growth FTEs available for provincial funding

University of Guelph- Graduate Growth Targets and Progress (At Fall 2013) Includes Growth in either the main campus or Guelph-Humber programs							
UofG	**2004/2005 Baseline**	**Current 2013 Growth Target**	**Actual Growth Fall 2013**	**Actual Growth to Baseline**	**Variance to Current Target**	**New SMA 2016/2017 Target**	**Variance to Current SMA Target**
Masters	927	1,344	1,235	308	-109	1,400	-165
Doctoral	385	547	533	148	-14	578	-45
Total	**1,312**	**1,891**	**1,768**	**456**	**-123**	**1,978**	**-210**

Graduate Growth 2014/2015 Budget Assumption: While we still intend to achieve graduate growth towards meeting our target, planning for graduate enrolment is complex, decentralized and not easily controlled. Recruiting graduate students is very competitive and a significant amount of support must be provided to attract students to any institution. Under the University's current resource allocation guidelines a significant portion of funding from graduate growth is directed to colleges for increased support of graduate students, but challenges remain. 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.

- **Other Provincial Grants:** The University also receives several other smaller grants such as a "Quality" grant (enrolment based), 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 small targeted grants. Overall, it is expected that these grants will increase by $0.200 million (relative to budget) reflecting small adjustments in available provincial funding.

Provincial Grants Summary: Chart E (on the following page) shows the changes in total MTCU grant funding with estimates for the preliminary 2014/2015 MTCU Operating fund budget.



3.2 Tuition Revenues-Credit

The University's tuition revenue of $151 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 income requires that two major components of that revenue be estimated: tuition rates and student enrolment numbers.

3.2.1 Tuition Rates

On March 28, 2013 a new framework was announced by the province for provincial-controlled programs over the next four years. Under this framework limits[6] to tuition rate changes for provincially regulated programs must not exceed an average total 3% across all programs with a maximum increase of 5% for student entering into a graduate or professional program (with a 4% maximum increase for continuing students in those programs).

For the deregulated programs, which receive no grant funding, the University is proposing that international student rates for incoming students be increased by 1% and there be no increase for continuing students. For Full Cost Recovery Programs, there will be a 3% increase applied to 2015/2016[7] entering students.

Impact of New Rates in 2014/2015: Overall, tuition revenues are expected to generate <u>$4.400 million</u> due to the new rates.

Impact of Experience versus Assumptions - Enrolments and Rates from Prior Years: Setting the total tuition revenue target each year involves estimating financial impact of enrolment and tuition fees. In recent years this task has been increasingly complicated due to multiple fees structures including layers of cohort fees under MTCU tuition frameworks, compounded over the duration of a student's years in a program. In addition, under the frameworks, there is an increasing differentiation of fees among programs e.g., professional versus non-professional, international versus domestic. With these complexities, estimating overall tuition revenues, using models that were based on a more uniform tuition framework is an increasing challenge. In addition under Integrated Planning, the University intended to increase enrolments in international undergraduate and other specific programs that attracted greater grant funding levels (e.g., professional programs such as commerce/science and engineering.). In mitigating the risk of errors in estimating, the practice has been to take a conservative approach and adjust budgets as actual results occurred and with any gains recognized only when they could be reasonably confirmed as structural.

In 2013/2014, there were <u>$5.600 million</u> in increased tuition revenues due to many of these factors (relative to assumptions). For budgeting purposes it is assumed that this revenue increase is sustainable and will continue. This assumption and revenue increase, is very sensitive to tuition regulations and the distribution of enrolments across programs and therefore carries a significant level of inherent risk. However, the decision to recognize it in the budget is based on both the continued experience (a similar

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

[7] These programs are advertised one full year in advance requiring rates for that intake be set one year in advance. Fees are fixed for the duration of the normal program.

effect was recorded in 2012) and the University's continuation of its enrolment plan that includes targeting enrolment increases in those programs that can yield greater net income.

3.2.1.1 Table of Degree Credit Tuition Changes;

Below is a table of the framework for provincially-controlled programs and proposed changes for those programs that are not covered by the framework. The rates are in compliance with all provincial rules.

A: MTCU Provincially Regulated Tuition Fees: *2014/15 Fee Increase*				
Subject to an overall 3% "cap" of the total institutional average increase. The actual fee increase by program at the University will be determined in accordance with this framework.				
Category:		**Entering**	**Continuing**	**Notes**
Undergraduate				
• Regular Programs	Note 1	2.81%	2.81%	Full-time and Part-time studies
• Professional Programs	Note 2	5%	5%/4%	Full-time studies
• Diploma Programs		2.81%	2.81%	Full-time and Part-time studies
All Graduate Programs	Note 3	2%	2%	Full-time and Part-time studies

B: Full Cost Recovery Programs (Graduate) *2015/2016 Fee Increase*				
Category:		**Entering**	**Continuing**	**Notes**
	Note 4			
Canadian & Permanent Status Students		3%	0%	MBA and MA
Visa (International) Students		3%	0%	MBA and MA

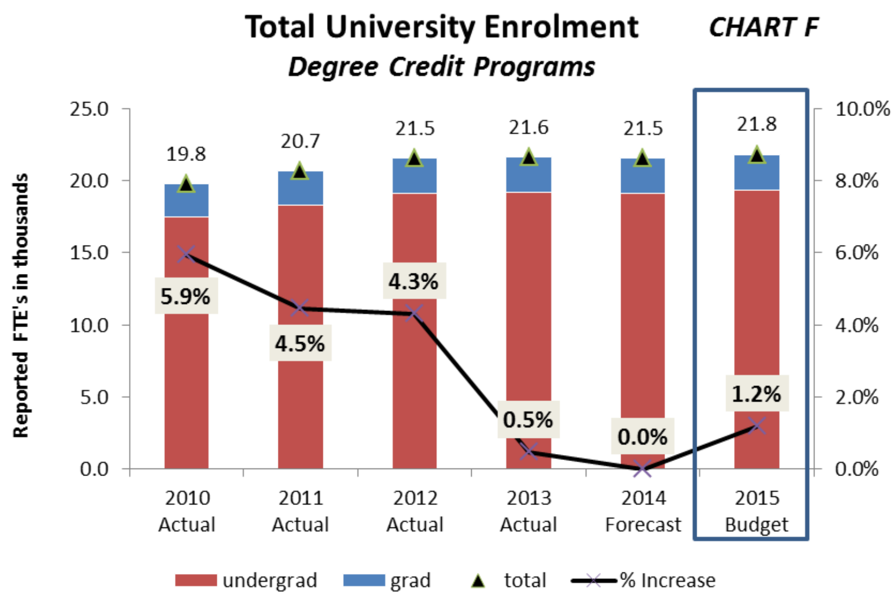
C: Tuition Fees not Provincially Regulated: *2014/15 Fee Increase*				
Category:		**Entering**	**Continuing**	**Notes**
International Undergraduate				
• Regular Programs		1%	0%	Full-time and Part-time studies
• Professional Programs		1%	0%	Full-time and Part-time studies
• Diploma Programs		1%	0%	Full-time and Part-time studies
International Graduate				
• Masters Programs		1%	0%	Full-time and Part-time studies
• PhD Programs		1%	0%	Full-time and Part-time studies

Note 1	*To ensure the overall University 3% cap for provincially regulated programs is maintained, regular undergrad programs will be increased by 2.81% for entering and continuing students.*
Note 2	*Approved framework allows increases for professional undergraduate programs students at 5% for students who entered in or after 2012-13 and 4% for students prior to 2012-13.*
Note 3	*Approved framework allows increases for graduate students at the same levels as undergraduate professional programs. The University of Guelph is proposing a 2% increases.*
Note 4	*Recruitment for these programs begin one year prior to the actual intake, fees must be approved one year in advance.*

3.2.2 Enrolment

Over the four years ending in 2012, the University experienced enrolment growth of almost 18% (Refer to Chart F). 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 planning purposes intake targets are set at levels estimated to hold overall enrolments constant. Given the complexities of managing overall enrolment, minor variances to plan are expected. In 2013/2014 while the University overall experienced a small enrolment decline, there were increases in certain programs, especially international undergraduate and science-based (e.g., engineering) enrolments, which were slightly more than offset by declines in the B.A. program especially in the humanities disciplines.



For 2014/2015, while intakes in most programs will not change, it is expected that small targeted growth will occur across a number of programs including graduate, international and engineering; all with the objective of holding on to the increase in tuition income recognized in our base budget assumptions.

Fall 2014 Budget Review: Enrolments cannot be confirmed for funding (under provincial reporting guidelines) until November for fall enrolments and February for winter enrolments. Further uncertainty currently exists as it is unclear what impact any new provincial budget will have on post-secondary funding. As a consequence it is University practice to update the budget as it receives confirmation of both actual enrolments and provincial funding during the course of a fiscal year.

3.3 Other Revenue Components

Provincial grants and tuition together comprise 75% of MTCU Operating Fund revenues but smaller institutional revenues and cost recoveries can contribute to funding incremental cost increases. 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:

- **Other Institutional Revenues:** These are revenues (currently $3.15 million annually) recorded at the institutional level. They consist of investment income (earned from operating fund cash flows) general external cost recoveries. For this budget and MYP2 purposed no changes in the base targets for these sources.
- **Departmental Credited Revenues:** These are external 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-Year budget targets. Major examples of these revenues include veterinary hospital revenues and student service and athletic fees. The working budget assumption is that any changes to these revenues, currently budgeted at $44.9 million annually will be managed within the overall net budget of the units accountable.

- **Research Recoveries:** The costs of research include funding in support of about 70 faculty positions plus support costs for services and facilities ranging from utilities to library resources provided for research. The amounts of these “indirect costs” are difficult to predict precisely, but are estimated at 40% of typical direct research dollars spent. The University uses best efforts to have this funding incorporated into its research proposal; however, not all sponsors will provide funding for these costs. On average our recovery is about 15% of total direct costs. The majority of this is provided by OMAF (at $10.5 million), the federal government (at $6 million) and industry and other government sponsors (at $4 million) annually. As most of these services for research are provided from the MTCU Operating fund, most of this cost recovery from research is credited to this budget. For 2014/2015 budgeting assumptions, it is assumed that this budget will remain fixed. Efforts continue to improve recovery rates and should they be realized, at sustainable and material levels, they will be factored into the budget.

- **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 credentials) 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 a college diploma and a university degree. The first cohort graduated in 2006. Guelph-Humber enrolments are currently at its planned capacity of 4,000 students each year with total revenues reaching steady state at about $52 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 was 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 annual 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. For 2014/2015, the JV has estimated net income that will realize the University an additional $4.000 million, in effect recognizing our total share of 2014/2015 JV’s net income at $8.5 million.

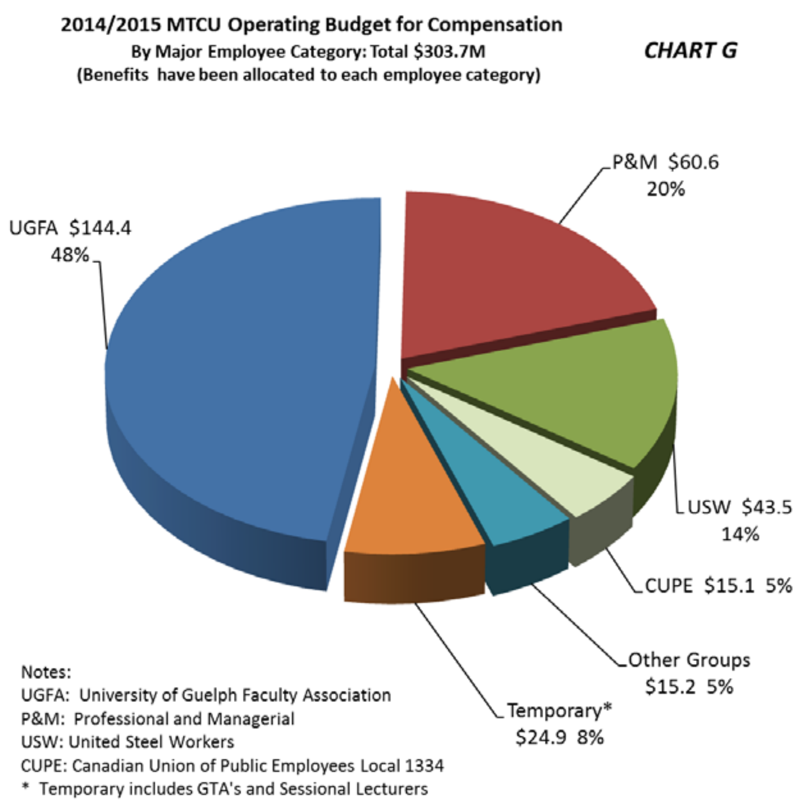
- **Ancillary cost recoveries:** Services such as physical plant and administrative support services provided from the MTCU Operating Fund budget for ancillary units, cannot be subsidize under MTCU funding rules. About $11 million is charged annually to those units (mainly student housing and food operations). Each year it is adjusted; for 2014/2015 it will be increased by 2% or $0.150 million. In addition it is planned to close the Macdonald Hall residence and transfer its use for academic purposes. A reduction in the charge to student housing of $0.250 million has been factored into this budget to reflect that transfer.

4 Expenditure Budget Assumptions

The following sections contain the major expenditure assumptions used for the 2014/2015 Preliminary MTCU Operating Fund Budget. The financial impact of these assumptions is presented in terms of *incremental changes* to the current base budget estimates. In terms of expenses there are no other major assumptions and it is assumed any expense increases not shown here will be minimal and funded within existing allocations or funded from incremental revenues and as yet not reflected in this budget.

4.1 Provision for Compensation (Salaries and Benefits) Increases

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. The total compensation budget is approximately $303.7 million (refer to Chart G) of which 22% is allocated for employer benefit costs.[8] In 2014/2015 collective agreements expire for 6 of 15 bargaining units including major employee groups representing UGFA, P&M and USW (Administrative & Technical support staff). **These groups combined comprise 84% of the total compensation within the MTCU Operating budget.**



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. University pension plan costs continue to grow given changes to long-term core assumptions such as declining expected asset returns and rising life expectancies.

In the 2014/2015 budget a provision of $9.000 million has been made to cover the estimated costs of salary and benefit increases. 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. A further $4.000 million (directed from our share GH net income) has been allocated for one-time pension special payments. The following is a summary of the underlying assumptions for salaries, pensions and benefits.

[8] This excludes special payments for pension solvency funding requirements. These are managed from one-time contingencies funds. Refer to the section on "Pension Plans".

Salaries Assumptions: With a new round of negotiations set to begin in 2014/2015 for most major groups, a provision for changes in costs (relative to current agreements) of these settlements has been built into the 2014/2015 annual budget and for the remaining years of the MYP2.

With such a major portion of the compensation budget under negotiation in 2014/2015, it is expected that there will be variances to these provisions, once actual settlements and including changes to compensation structures have been implemented. Any such variances are expected to be manageable within both the current level of flexibility built into the annual budget and MYP2 assumptions.

Employee Benefit Assumptions: Employer benefit costs have two major cost components:

- Statutory and negotiated benefits for current employees consisting of statutory items such as CPP (Canada Pension Plan) and EI (Employment Insurance) and negotiated benefits including support for extended health and dental coverage.
- Post-employment benefits for retirees which are composed of pension plan and non-pension post-employment benefit costs (dental and major medical coverage).

While benefits for current employees are expected to increase with CPI, post-employment costs continue to experience significant increases.

Non-Pension post-employment: At the end of fiscal 2012/2013 the University was carrying $370 million in accrued accounting liability for its non-pension post-employment benefits. While the University is not required to immediately fund this liability, with projected increases of 10% per year in cash requirements it is estimated that paying for these benefits will approach the current service costs of the pension plans over the next decade. Beginning to control these costs through negotiations, education and the constant review of spending is a growing priority. For budgeting purposes the annual cash costs of these plans are built into the budget assumption.

Pension Plans: Under Ontario law registered pension plans are required to fund their liabilities on actuarial estimates as opposed to a “pay-as-you-go”, cash-only basis, as is allowed for non-pension post-employment benefits. The University of Guelph is the legal sponsor of three pension plans meaning any funding shortfall prescribed under provincial pension legislation falls to the MTCU Operating budget. While there are $1 billion in assets set aside for pension liabilities, those liabilities are increasing at a faster rate than investment returns and under the provincial measurement requirements, there are major deficits that need to be funded. They are calculated under two methods:

1. **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” calculation include long-term interest rates and pension plan asset values on the date the plans are valued (the plans “valuation” date). 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. Normally solvency deficits must be eliminated over 5 years.
2. **Going Concern Deficits:** The other key valuation (going concern) is based on a longer term view of the plans, i.e. that 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

August 1, 2013 Valuation: Deficits are calculated periodically at valuation dates determined by provincial legislation. The most recent valuation date for the University of Guelph pension plans was August 1, 2013. Based on the results of that valuation, deficits under each of the measurements were:

- $370 million solvency deficits (in two of the three plans). Under standard provincial funding requirements we would have 5 years to pay this deficit – meaning there would have been an estimated $80 million annual contribution requirement.
- $205 million going concern deficit (in two of the three plans). Under standard provincial funding requirements we would have 15 years to pay this deficit – meaning there is $22 million annual special contribution required.

Temporary Solvency Relief: With many universities and other institutions in the province facing similar conditions, and because strict application of the normal funding rules would potentially devastate post-secondary educational capacity system-wide, the province announced in August 2010 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:

- In 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 solvency- related special payments to about $10 million annually – a major “savings” relative to normal requirements. Stage 1 ends on August 1, 2014.
- In Stage 2, beginning August 1, 2014, it is expected that University will be approved (by the provincial regulators) to amortize or spread any solvency deficits over a ten year period. This expectation of approval is based on the University having achieved the Savings Target for both of our plans in deficit. This was accomplished through negotiations as most employee unions and associations agreed to structural changes including employee contribution increases. In November 2013, the province announced amending legislation that in effect extends Stage 1 payment levels for the first 3 years of Stage 2 (until August 1, 2017), after which any remaining solvency deficits would be required to be funded over the remaining 7 years of the Stage 2 period.

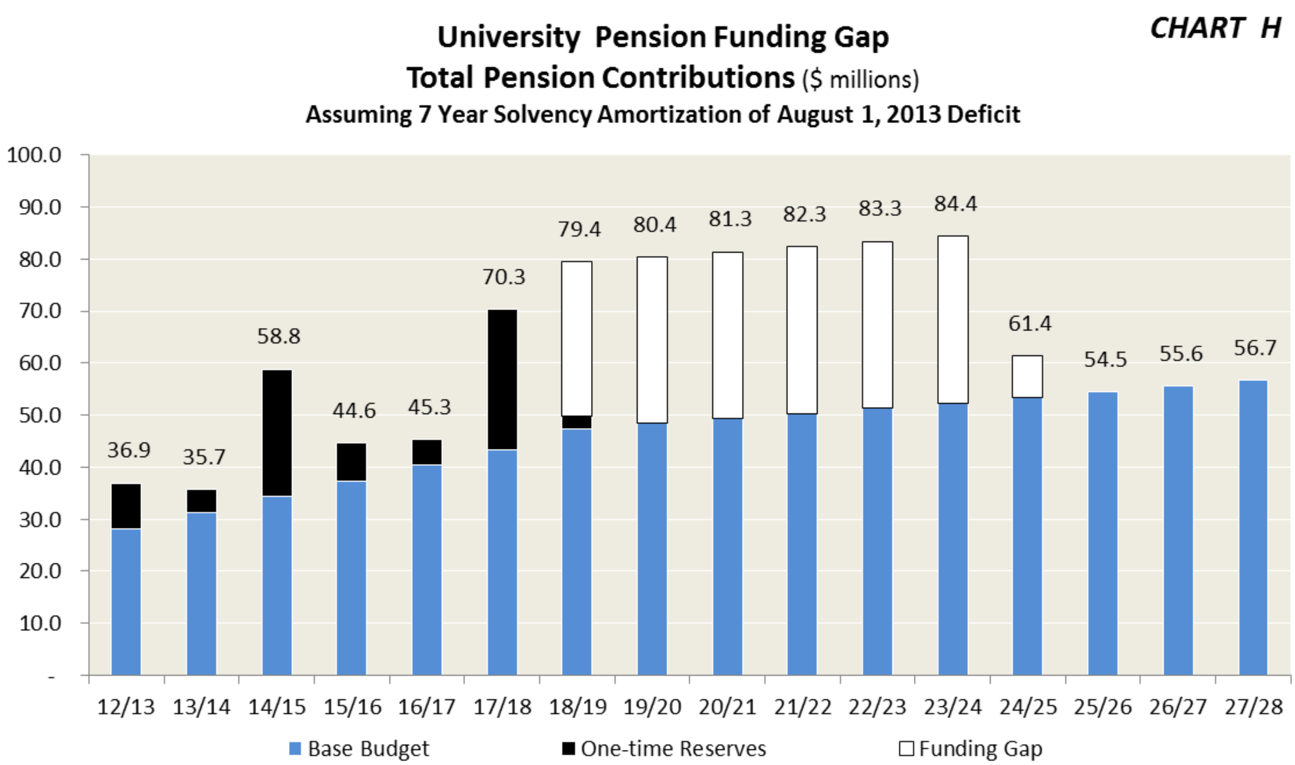
University Pension Plan Contributions: The world of registered pension plans is very complex and increasingly expensive for plan sponsors. Recent experience of solvency relief is recognition by the province, universities and employee groups that changes can and need to be made in both the legislative and funding frameworks for university pension plans. However the most recent actuarial estimates show continuing funding challenges as investment and interest rates “normalize” on lower returns and the mortality rates point to longer pension payment periods for more retirees.

Projected solvency funding contributions are too large to be found within annual University operating budgets for any sustained period of time. Short-term solutions include accumulating one-time year end surpluses (that would normally have been used for investments such as new classrooms or restructuring programs) and designating these funds for solvency special payments. While manageable in the short term there will be major challenges in the future if we are expected to meet the current projected levels of solvency payments.

In combination with the going concern deficit now at $205 million, the share of operating funds allocated for pension funding obligations is at historical highs. With these trends and projected payments over the next ten years, pension plans continue to be one of our highest financial risks. The following chart presents this risk in graph form. While one-time funding sufficient to cover contribution requirements are in place until fiscal 2018 major “gaps” are projected in the years beyond that date.

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 2018, 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.



“Base Budget” assumption attempts to effectively match pension normal (annual) costs.
"One-time Reserves" projects the usage of existing pension reserves identified within the Operating Budget.
“Funding Gap” indicates the current projected funding required beyond what is identified in the Operating Budget.
“Total Pension Contributions” indicates the current estimate for total cash contribution requirements (normal and solvency).

4.2 Infrastructure Costs

This category consists of centrally-funded main campus costs of critical core services: utilities (hydro, heating, water etc.), information services (library acquisitions and information services), and technology (e.g. core university communications and business support systems). General planning assumptions provide for annual allocations ranging from 3% to 5%. For fiscal 2013/2014 increases in all categories totaled just 0.8% or $0.5 million. Of note are reduced utility increases that have been consistently reflecting the 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.

4.2.1 Information Technology Fund

This centrally supported account (total base funding of $5.298 million) will receive an increased allocation of $0.350 million 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).

4.2.2 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 2012/2013 and 2013/2014 was that the current budget is sufficient in light of reduced energy use and stable utility rates. With expectation for both further energy conservation savings and stable utility rates, no adjustment to the Utilities budget is being made for 2014/2015.

4.2.3 Library "Acquisitions"

In order for the Library to help maintain the purchasing power of its $7.3 million Information Resources budget an inflationary allocation of $0.150 million will be allocated in 2014/2015.

4.3 Capital Infrastructure Debt Servicing

In January 2014, an update of the 5 year Capital Financing plan[9] was presented to the Board of Governors. 2014/2015 which is year 4 of that plan, contained total approved spending of $150 million and borrowing of $64.0 million. Projects under this plan include deferred maintenance and new facilities. Of the $64.0 million in financing, $22.4 million is for a major energy retrofit project on the main campus and $33.3 million is for the construction of new fitness centre in Athletics. The energy retrofit project will help control utility cost increases and the new fitness centre is fully financed from special student-approved compulsory fees. $2.000 million has been added to the existing $17.3 million base allocation for capital funding and debt servicing of projects that do not have dedicated funding sources.

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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.

4.4 Student Aid and Awards

Student assistance (scholarships, bursaries) at the University of Guelph (approximately $31 million in total) is funded from several different sources. In 2013, 60% was funded from the MTCU Operating Fund budget with the balance coming from a variety of annual restricted contributions and donation and endowment funds. A component of student needs-based funding is to meet a MTCU requirement to allocate 10% of the increase in revenue derived from regulated fee increases for student assistance. In 2014/2015 a $0.400 million increase in funding has been provided for this obligation.

In addition, in order to encourage an increase in both numbers and the quality of domestic graduate students recruited to the University, $0.500 million in base funding has been allocated for graduate student assistance. This funding will be allocated as merit-based awards and administered by the office of Graduate Services. Its major focus will be for the recruitment domestic students to assist in meeting our graduate enrolment targets.

To further support the recruitment of international undergraduate students, an additional $0.100 million has been added to the $0.200 million budget addition of last year to support recent growth in this area.

4.5 Integrated Planning

A major objective of Integrated Planning has been to provide funding for programs and services that contribute to meeting the objective of each plan. Starting in 2008, the University began a “resource allocation guideline” process that created funds for specific IP objectives. This included programs/objectives such as supporting both graduate and undergraduate growth in targeted areas, supporting research and other academic-focussed initiatives.

Today some $8.5 million has been accumulated for these purposes in the University’s base budget. Most of these funds are allocated during the year based on “IP performance metrics” such as proven enrolment growth using a revenue-sharing formula. These funds are increased as goals are achieved and transfers are made. In fiscal 2014/2015 it is estimated that $0.800 million will be required for undergraduate growth planned in the School of Engineering.

4.6 University Priorities Investment Fund (U-PIF)

2014/2015 marks the first year of the implementation of MYP2 budget reduction targets. Given the significance of this challenge, limited funding ($6.5 million) has been made available for projects/initiatives that contribute to achieving a proportionate level of savings/net revenues that are then applied to meeting MYP2 targets.

These funds are provided specifically for enabling proposals/strategies that can assist units in meeting their budget reduction targets in a manner consistent with the goals of the Integrated Plan. A “U-PIF Proposal Form” will need to be completed in order for proposal sponsors to access these funds. Final decisions on the use of these funds will be made by the President and Vice-Presidents with advice and recommendation by an advisory committee established for that purpose.

4.7 Contingency Funds

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 the Integrated Plan.

There are currently three major University-level[10] 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 between 2% and 3% of the total budget.
2. Multi-Year Plan Contingency: These are funds to enable the implementation of multi-year plan budget reduction targets including funding restructuring costs and bridging units until they have met their base targets. As an example fiscal 2013/2014 $7.8 million of this fund was allocated (one-time) to balance the overall University budget and $2.4 million was used to bridge the College of Arts as they achieve their MYP1 targets. In fiscal 2014/2015 it is proposed that $2.6 million of this fund be allocated (one-time) to balance the University budget and cover timing costs from the implementation of MYP2 unit budget reductions.
3. Pension Contributions: Funds targeted to fund special solvency contribution requirements for University-sponsored pension plans. This fund is replenished from one-time year-end institutional carry-forwards (unallocated funding or revenues in over budget assumptions) each year.

The following table shows the estimated status of each of these contingency accounts for the beginning of 2014/2015. Actual fund balances cannot be determined until the close of fiscal 2013/2014 when year-end results are finalized.

University Contingency ($ millions)	2013/2014 Remaining Budget	Additions (Uses)	Notes	2014/2015 Allocation
General				
Base Funds Available	$10.2	$0.0	1.	$10.2
Multi Year Plan				
MYP2 One-Time Funds	$28.0	$29.4	2.	$57.4
Pension				
One-Time Funds Available	$60.6	$5.2	3.	$65.8

Notes

1 *For fiscal 2014/2015 there are no planned additions to or uses of the General Contingency fund at this time.*

2 *Additions include $32.0 million appropriated from institutional net result at the end of fiscal 2013/2014 (see Table B: MTCU Forecast Results for 2013/2014) less an estimated $2.6 million in one-time funding to be used to balance the overall 2014/2015 budget.*

3 *This fund will receive an estimated increase of $1.2 million from accumulated institutional net results at the end of fiscal 2013/2014 (see Table B: MTCU Forecast Results for 2013/2014) and $4.0 million from the 2014/2015 Budget provision. All of these funds are designated for pension solvency payments (refer to section 4.1 on Compensation assumptions).*

[10] In addition departments hold limited funds in the form of carry-forward that assist in providing local flexibility in budget planning.

5 MYP 2 Planning- Update and Targets

5.1 The Initial University-level Plan

A highlight of 2014/2015, the third year of the University's current Integrated Plan, is the beginning of the implementation of unit-based budget targets that initially had to find $32.4 million in savings or net revenues over the next three years - 2014/2015 to 2016/2017. In the first two years of MYP2, central reserves were used to cover the annual spending increases that could not be funded from net revenue growth. More specifically in fiscal 2012/2013, $11.3 million in base reserves were used to maintain an overall University balanced structural budget. In the following year, 2013/2014, while $7.8 million in one-time reserves were used to maintain an overall balanced budget, a structural $7.8 million deficit remained to be addressed in future years. (The decision to use only one-time funds was to help preserve a prudent base level of general University contingency funding.)

The MYP2 is updated annually to reflect both financial assumptions for future years and adjusting for the actual experience of the previous year.

5.1.1 Changes to the Overall Target

Over the past year, the MYP2 University level target was set at $32.4 million. During the course of fiscal 2013/2014 several key gains, relative to budget assumptions, were made in both enrolment and grant incomes. More specifically, the undergraduate accessibility grant increased by $2.700 million and tuition experiences resulted in $5.600 million more in income, again, relative to budget.(Refer to section 3.2) It has been decided to increase our base revenue targets by these amounts and use $7.0 million of these gains to reduce total unit-specific targets from $32.4 million to $25.4 million. As this can be attributed to productivity improvements and targeted enrolment growth increases mainly in the colleges it has been decided to apply the $7.000 million to reducing college targets using similar weightings/metrics as were used to set the initial targets. (Refer to section 5.2 for unit target details.)

While an important gain of 22% towards meeting the initial target, $25.4 million remains a significant challenge. With 68% of that remaining with the seven colleges (down from 75%), the overall need for the restructuring of programs needs to continue.

Each year the plan will be updated to reflect the impact of actual changes, relative to plan including major assumptions around compensation, pensions and grants. The adjacent table presents the current assumptions/estimates for setting the University-level MYP2 targets. The "1% CHG" column shows the impact a 1% change in this assumption would have on the MYP2 target- all other things being held constant.

On the next page are MYP2 targets updated with the results of actual experience to the end of fiscal 2013/2014, and the 2014/2015 Budget and estimates using the above assumptions for the remaining two years of MYP2.

Component	Major Assumptions	1% CHG
Grants	No further reductions	$1.6M
Tuition (fees)	3% annual less 10%	$1.4M
Enrolment (ftes)	Hold levels and mix-	$1.3M /100 FTE (dom. undergrad.)
Other Revenues	All +/- to departments	$0.500M
OMAF-MRA	$25M fixed annually	$0.250M
Faculty/Staff	2%-3% p.a.(all forms of compensation)	$2.4M for all groups
PENSION	Target going concern costs in the base.	1% interest rates = $150M liability
Infra - Capital	$1.5M-$2.0M p.a.	$100K / $1.0M in debt
Infra- Operating	3%-5% annually	~ $400K

MYP 2 - MTCU OPERATING FUND BASE BUDGET

Summary of Funds 100, 102, 104 & 105

	Notes	12/13	13/14	Budget 14/15	% Chg	Estimate 15/16	% Chg	Estimate 16/17	% Chg
Revenues and Recoveries:									
MTCU Operating Grants		179.4	178.2	179.2	0.6%	179.2		179.2	
Tuition Fees - Credit		146.8	151.3	161.4	6.7%	166.2	3.0%	171.1	3.0%
Tuition Fees - Non-Credit		12.9	12.8	12.8		12.8		12.8	
Other Revenues	*1*	46.4	47.9	47.9		47.9		47.9	
Recoveries - Research	*2*	30.8	29.3	29.3		29.3		29.3	
Recoveries - Other	*3*	26.9	28.1	28.0	-0.4%	28.2	0.5%	28.3	0.6%
Total Revenues and Recoveries		**443.2**	**447.6**	**458.6**	2.4%	**463.6**	1.1%	**468.6**	1.1%
Salaries and Benefits	*4*	284.5	295.2	303.7	3.0%	312.3	2.9%	320.7	2.7%
Operating Costs		75.7	81.8	81.6		81.4		81.2	
Internal Recoveries		(20.0)	(20.7)	(20.7)		(20.7)		(20.7)	
Infrastructure Costs	*5*	35.4	35.7	36.2	1.4%	37.4	3.3%	38.6	3.3%
Capital Financing Costs	*6*	15.8	17.3	19.3	11.6%	20.8	7.8%	22.3	7.2%
Student Aid and Awards	*7*	16.3	17.5	18.5	5.7%	19.0	2.7%	19.5	2.6%
Integrated Planning	*8*	11.5	8.5	9.3	9.4%	9.3		9.3	
University Priority Investment Fund (U-PIF)	*9*	4.5	6.5	6.5		6.5		6.5	
University Contingency	*10*	17.0	10.2	10.2		10.3		10.6	
Restructuring Deficit Repayment	*11*	6.0	6.0	6.0		6.0		6.0	
MYP1 Targets (remaining)	*12*	(3.5)	(2.6)	(1.8)		(1.1)			
MYP2 Targets	*13*			(7.6)		(17.6)		(25.4)	
Total Expenses		**443.2**	**455.4**	**461.2**	1.3%	**463.6**	0.5%	**468.6**	1.1%
ANNUAL BUDGET (DEFICIT) (base)		**0.0**	**(7.8)**	**(2.6)**		**0.0**		**0.0**	
Contingency Funds (one-time)		0.0	7.8	2.6		0.0		0.0	
NET BUDGET (DEFICIT)		**0.0**	**0.0**	**0.0**		**0.0**		**0.0**	

Notes

1. **Other Revenues** directly support the units providing the services such as non-credit program and student fees or are restricted for a special purpose. Any adjustments to these revenues are absorbed by the department responsible.
2. **Recoveries - Research** support indirect research costs in the MTCU operating budget from varied sponsors including the OMAF-MRA 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 costs of employee salaries for regular full time (approx. 2,410 FTEs) and temporary appointments for staff and students plus the 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 applications) and library information resources.
6. **Capital Financing Costs** support the debt servicing costs of the University's investment in capital maintenance and expansion in 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 ($9.3M) and entrance awards ($4.4M).
8. **Integrated Planning:** Funds to support Research, Graduate and Undergraduate growth.
9. **University Priority Investment Fund (U-PIF)** are funds available to units for new or restructured programs or services that contribute to achieving the goals outlined in IP2 and the realization of MYP2 targets.
10. **University Contingency:** Unallocated funds set aside for uncertainties in the current operating environment.
11. **Restructuring Deficit Repayment** are funds to repay the one-time MYP1 deficit.
12. **MYP1 Targets:** These are savings targets from MYP1 still remaining. In 2014/2015 $1.8 million remains in the College of Arts. The college remains responsible for achieving this target.
13. **MYP2 Targets:** As actual savings plan for MYP2 are implemented this line item will be eliminated and effectively distributed to other budget lines items.

5.2 Multi Year Plan 2 Unit Targets by Year

Using initial MYP2 assumptions, in order to achieve a balanced structural budget the University had to achieve a target of $32.4 million in costs saving or net revenues over a three year period. This was the accumulated structural gap between projected increases in institutional-level revenues (provincial grants and tuition revenues) necessary to fund cost increases (compensation, pension and infrastructure). In order to achieve this significant goal, all major operating units in the MTCU Operating Fund were allocated a reduction target based on three major factors as measured at the college/division level.

- For colleges:
  - 50% was based on college compensation base budgets
  - 32% was based on IP metrics (e.g. teaching productivity, research levels)
  - 18% was based on PPP (Program Prioritization Process) rankings in the college
- For Non-colleges:
  - 90% was based on division compensation base budgets
  - 10% was based on PPP ranking for programs in the division

In addition, an allocation of $0.750 million was assigned to ancillary units to help assist in meeting the overall University target.

It was understood that savings could be realized at several levels; from institutional-based actions and those actions that could be implemented at the program/unit level. As noted under section 5.1.1 “Changes in the Overall Target”, $7.000 million in university-level net revenues will be passed on to the colleges in the form of reductions to their targets in the third year of the plan. The revised unit allocations are presented in the table on the following page. There are no changes to non-college division targets at this time.

Unit level plans to achieve the targets are prepared on an annual basis. First year plans have been submitted by most units and the process is underway to implement the necessary budget transactions. It is expected that the greatest challenges in achieving the targets will be in those colleges where budget flexibility is limited and where program restructuring is required. This can take several years to be fully implemented given contractual commitments to both students and personnel.

Major unit-level strategies, especially in the colleges, include program restructuring to enhance teaching productivity through program redesign, changes in curriculum delivery, elimination of small low priority services or programs, targeted revenue/enrolment growth and administrative efficiencies. At the institutional level, negotiations provide an opportunity to both contain costs and provide for better alignment of resources to enable cost effectiveness.

Tracking progress: With the allocation of reduction targets to units, now begins the difficult task of implementation. As under the MYP1 plan, tracking and reporting processes have been developed to provide regular updates on the progress of each college/division towards meeting their targets. The first report will be provided to the Board of Governors in the fall of 2014.

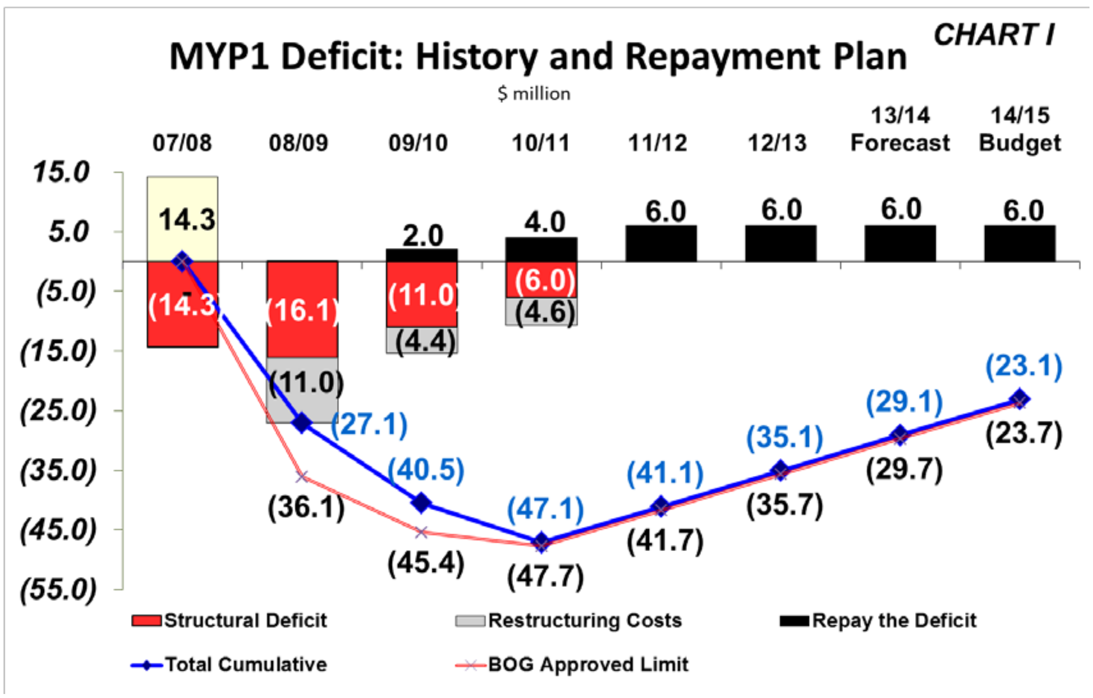
5.2.1 Table of MYP2 Budget Targets by College/Division

Units	MYP2					
	Year 1 2014/2015	Year 2 2015/2016	Year 3 2016/2017	Total	% of Target	% of Personnel
College of Arts	1,122	1,683	1,105	3,910	15.4%	18.0%
College of Biological Science	160	240	320	720	2.8%	3.3%
College of Social and Applied Human Sciences	754	1,131	795	2,680	10.6%	10.7%
College of Business and Economics	600	900	630	2,130	8.4%	12.6%
Ontario Agricultural College	540	810	570	1,920	7.6%	8.0%
Ontario Veterinary College	984	1,476	1,030	3,490	13.7%	9.5%
College of Physical and Engineering Science	670	1,005	625	2,300	9.1%	9.0%
TEACHING UNITS	**4,830**	**7,245**	**5,075**	**17,150**	**67.5%**	**10.0%**
Library	270	270	270	810	3.2%	7.4%
CCS (including Infrastructure)	236	237	237	710	2.8%	8.4%
CIO	**506**	**507**	**507**	**1,520**	**6.0%**	**7.9%**
Office of Research	220	220	220	660	2.6%	10.0%
Associate VP Academic	180	180	180	540	2.1%	6.7%
Registrar	140	140	140	420	1.7%	7.2%
Graduate Studies	77	76	77	230	0.9%	22.0%
TOTAL ACADEMIC SERVICES	**617**	**616**	**617**	**1,850**	**7.3%**	**8.6%**
STUDENT SERVICES	**317**	**317**	**316**	**950**	**3.7%**	**6.7%**
PHYSICAL RESOURCES OPERATIONS	**580**	**580**	**580**	**1,740**	**6.9%**	**8.0%**
AA&D	**100**	**100**	**100**	**300**	**1.2%**	**5.7%**
Human Resources	76	77	77	230	0.9%	5.3%
Executive Offices	153	153	154	460	1.8%	8.7%
Financial Services	104	103	103	310	1.2%	6.6%
Campus Comm. Police/Fire Prevention	47	47	46	140	0.6%	6.6%
ADMINISTRATION	**380**	**380**	**380**	**1,140**	**4.5%**	**6.9%**
NON TEACHING UNITS	**2,500**	**2,500**	**2,500**	**7,500**	**29.5%**	**7.6%**
TOTAL MTCU OPERATING	**7,330**	**9,745**	**7,575**	**24,650**	**97.0%**	**9.1%**
Hospitality Services	134	133	133	400	1.6%	
Parking Services	18	19	18	55	0.2%	
Student Housing Services	60	60	60	180	0.7%	
Real Estate Division	38	38	39	115	0.5%	
ANCILLARIES	**250**	**250**	**250**	**750**	**3.0%**	
TOTAL MYP2 TARGETS	**7,580**	**9,995**	**7,825**	**25,400**	**100%**	

6 Multi-Year Plan (MYP1) Deficit

In June 2008, the Board of Governors approved the 2008/2009 MTCU Budget and Multi-Year Plan (MYP1). The objective of MYP1 was to eliminate a $14 million structural deficit that had been built up by 2008 and provide for significant compensation related costs increases over a period of flat or limited revenue growth expectations. Projections indicated that $46.2 million in structural cost savings or new net revenues would be required over a four year period (2008-2009-2011/2012. This was referred to as the MYP1 target.

Given the size of target and limited flexibility in overall University expenditures, it was planned to achieve this target over 4 years. It was estimated that the cost of achieving the MYP1 target would result in a one-time deficit of $47.7 million. This deficit is the result of two factors: timing—eliminating the structural deficit took several years to achieve—and the costs associated with restructuring such as buyout costs for employees. The Board of Governors approved a plan for budget provision of $6.0 million to repay these costs timeframe not to exceed 8 years starting in 2011/2012. Consistent with this plan in 2014/2015 $6.0 million will be applied to the current remaining MYP1 deficit balance of $29.1 million (refer to Chart I).



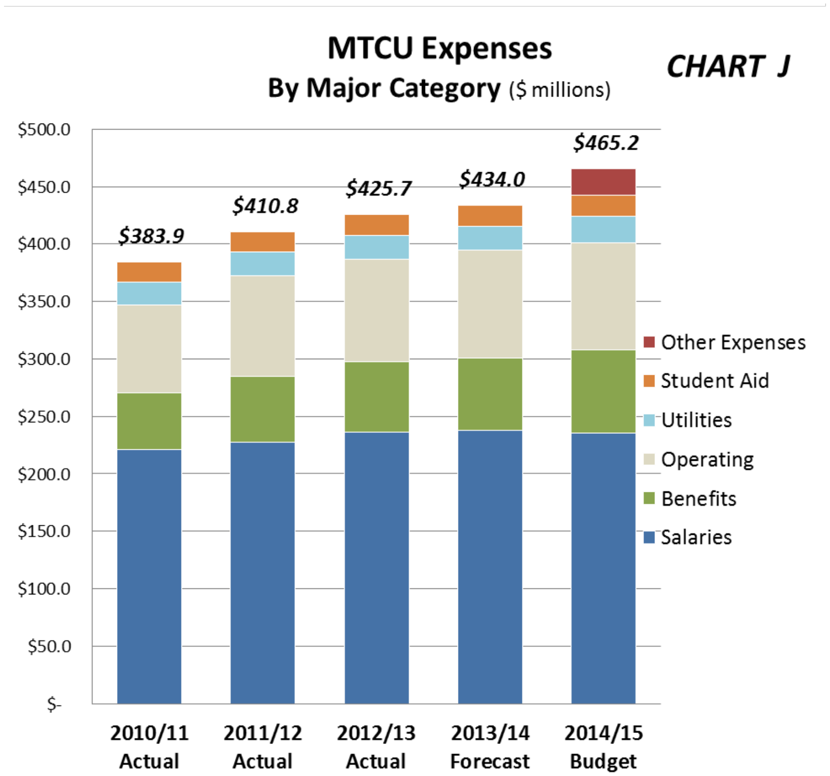
7 Summary of Incremental Budget Assumptions

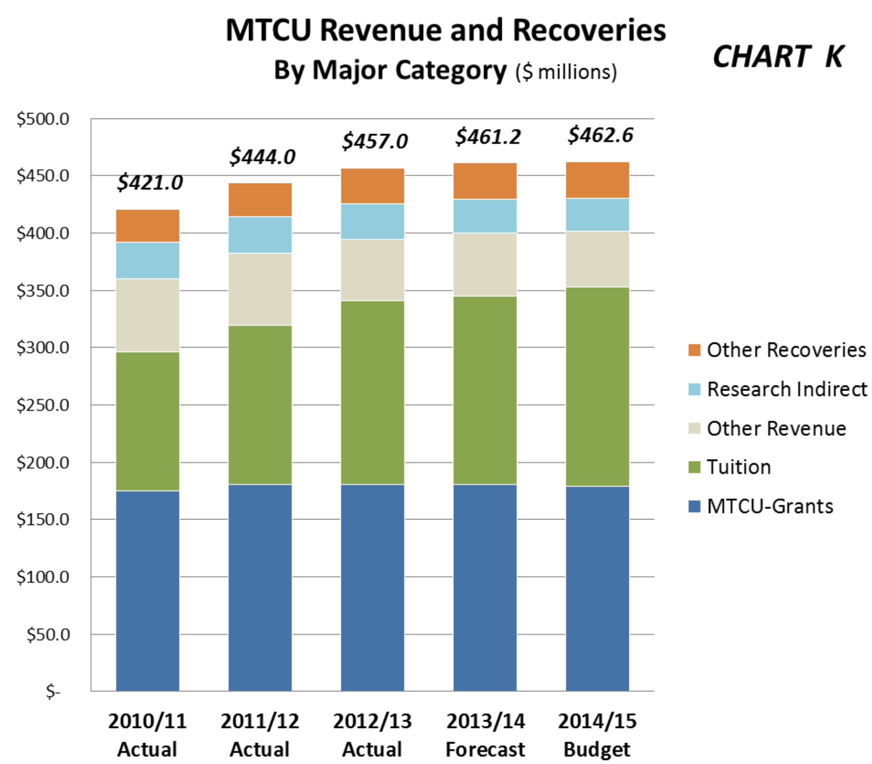
This table summarizes all of the major incremental assumptions included in the 2014/2015 MTCU Preliminary Operating Budget *(Numbers in brackets indicate an increase in costs or deficit; no brackets indicate an increase in revenues or cost savings*).

Institutional Budget Surplus (Deficit)	**Net Budget** ($ millions)
Opening Base Position	**(7.800)**
Revenues and Recoveries	
Provincial Grants – Basic (Policy Lever Savings)	(1.200)
Accessibility Grant - Undergraduate	2.700
Accessibility Grant - Graduate	(0.700)
Other Provincial Grants (Performance Funding)	0.200
Tuition Revenues (3% fee increase cap and international student adjustment)	4.400
Tuition Revenues (experience enrolment gains)	5.600
Guelph Humber Joint Venture Recovery (U of G share)	4.000
Cost Recoveries from Ancillaries (2% Inflation)	0.150
Cost Recoveries from Ancillaries – Housing Reduction (Macdonald Hall)	(0.250)
Sub-total: Revenues and Recoveries	**14.900**
Expenses and Commitments	
Compensation:	
Salary and Benefits	(9.000)
Pension – Special Payments	(4.000)
Institutional Investments:	
IT Infrastructure	(0.350)
Library Operations & Acquisitions Support	(0.150)
Capital Debt Servicing	(2.000)
Academic Investments:	
Student Aid and Awards	(1.000)
Integrated Planning	(0.800)
Sub-total: Expenses and Commitments	**(17.300)**
Total Changes to Revenues and Expenses	**(2.400)**
MYP2 Base Reduction Targets	7.600
Total Changes to Base Budget	**5.200**
Closing Base Position	**(2.600)**
Transfer from Contingency Funds (One-Time Budget Only)	2.600
Net Budget (Deficit)	**0.000**

7.1 Summary of Preliminary 2014/2015 MTCU Operating Fund Budget

The following charts present the total MTCU expenses and the total MTCU Revenue and Recoveries by major category for the 2014/2015 MTCU Preliminary Operating Fund Budget in comparison to the prior four years of actual and forecasted results.





Notes

1. *The **"2014/15 Budget"** above reflects the Preliminary Operating Fund budget presented in this document. It does not include prior year carry-forwards or one-time departmental revenues and expenses. The use of these one-time funds tends to increase actual results, particularly in salary and benefits and other revenue in comparison to the base budget.*
2. ***"Other Expenses"** includes the University Contingency, University Priority Investment Fund (U-PIF), and the MYP1 Restructuring Payment. These funds may not result in actual expenses in the year.*
3. ***"Other Revenue"** includes investment income and the majority of departmental revenue.*

7.2 Preliminary 2014/2015 MTCU Operating Fund Budget Tables

Table A — 2014/2015 *Preliminary MTCU Operating Fund Budget by Unit and Major Revenue and Expense Category:*

This table contains the 2014/2015 Preliminary MTCU Operating Fund Budget incorporating all preliminary budget assumptions, by major category of revenue, expense and organizational unit.

Table B — *2013/2014 Forecast Results: MTCU Operating Fund Budget Net Expenses by Unit:*

This table shows the 2013/2014 Forecast results compared to the 2013/2014 Budget by major organizational unit, net of departmental revenues.

Table C — *Full-time Equivalents (FTE's) for MTCU funded Budgeted Positions by Unit and Major Category*

This table shows the full-time equivalents (FTE's) for MTCU funded budgeted positions by unit and major category for the years 2010/2011 to 2014/2015 (preliminary).

7.2.1 Table A: 2014/2015 Preliminary Budget by Unit and Expense Category

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) MYP Targets (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)
Institutional Revenues and Recoveries									
Provincial Grants						-	167,115	167,115	167,115
Tuition (for credit programs only)						-	156,878	156,878	156,878
Other Institutional Revenues						-	3,049	3,049	3,049
Total Revenues						**-**	**327,042**	**327,042**	**327,042**
Cost Recoveries									
OMAF-MRA Service Costs - Research						9,830	-	9,830	9,830
Fed/Prov Research Indirect Cost Programs						6,094	-	6,094	6,094
Research Indirect on Grants and Contracts						4,472	-	4,472	4,472
Total Research Indirect Revenues and Recoveries						**20,396**	**-**	**20,396**	**20,396**
OMAF-MRA Service Costs - Other						670	-	670	670
Guelph Humber Services						8,500	-	8,500	8,500
Ancillary Service Recoveries						8,737	-	8,737	8,737
Other Cost Recoveries						**17,907**	**-**	**17,907**	**17,907**
Total Institutional Revenues and Recoveries						**38,303**	**327,042**	**365,345**	**365,345**
Unit Expenses and Revenues									
Teaching Units									
College of Arts	23,876	2,107	(2)	(2,749)	23,232	(1,408)	(503)	(1,911)	21,321
College of Biological Science	22,824	942	(294)	(160)	23,312	(1,528)	(235)	(1,763)	21,549
College of Social and Applied Human Science	25,626	4,017	(43)	(754)	28,846	(2,016)	(25)	(2,041)	26,805
College of Business and Economics	17,398	4,701	(415)	(600)	21,084	(1,860)	(3,199)	(5,059)	16,025
Ontario Agricultural College	35,707	7,609	(1,253)	(762)	41,301	(5,704)	(18,617)	(24,321)	16,980
Ontario Veterinary College	40,555	12,847	(5,245)	(984)	47,173	(6,015)	(21,103)	(27,118)	20,055
College of Physical and Engineering Science	26,837	4,391	(247)	(670)	30,311	(559)	(55)	(614)	29,697
Integrated Planning and Academic Support	283	13,217	-	-	13,500	-	-	-	13,500
Student Assistance	40	18,218	-	-	18,258	-	-	-	18,258
Total Teaching Units	**193,146**	**68,049**	**(7,499)**	**(6,679)**	**247,017**	**(19,090)**	**(43,737)**	**(62,827)**	**184,190**
Library Operations and Information Resources	**10,649**	**9,005**	**(371)**	**(270)**	**19,013**	**(302)**	**(660)**	**(962)**	**18,051**
Academic Services									
Office of Research	6,730	1,150	(711)	(220)	6,949	-	(22)	(22)	6,927
Open Learning and Educational Support	7,688	6,645	(963)	-	13,370	(309)	(9,838)	(10,147)	3,223
Graduate Studies	1,036	347	-	(77)	1,306	-	(324)	(324)	982
Registrar	5,945	1,338	(339)	(140)	6,804	-	(915)	(915)	5,889
Associate VP Academic	725	380	-	(180)	925	-	(32)	(32)	893
Other Academic Services	980	210	(524)	-	666	-	(108)	(108)	558
Total Academic Services	**23,104**	**10,070**	**(2,537)**	**(617)**	**30,020**	**(309)**	**(11,239)**	**(11,548)**	**18,472**

7.2.1 Table A: 2014/2015 Preliminary Budget by Unit and Expense Category, continued

	(A) Total Personnel (Note #1)	(B) Operating (Note #2)	(C) Internal Recoveries (Note #3)	(D) MYP Targets (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
Student Services										
Student Services	9,376	3,973	(107)	(317)	12,925	-	(9,062)	(9,062)	3,863	(Note #17)
Athletics	5,182	4,337	(487)	-	9,032	-	(7,964)	(7,964)	1,068	(Note #18)
Total Student Services	**14,558**	**8,310**	**(594)**	**(317)**	**21,957**	**-**	**(17,026)**	**(17,026)**	**4,931**	
Total Teaching and Academic Services	**241,457**	**95,434**	**(11,001)**	**(7,883)**	**318,007**	**(19,701)**	**(72,662)**	**(92,363)**	**225,644**	
Physical Resources										
Physical Resources Operations	22,303	4,999	(2,909)	(580)	23,813	(2,784)	-	(2,784)	21,029	(Note #11)
Utilities	-	23,097	(300)	-	22,797	-	-	-	22,797	
Total Physical Resources	**22,303**	**28,096**	**(3,209)**	**(580)**	**46,610**	**(2,784)**	**-**	**(2,784)**	**43,826**	
Capital Infrastructure Debt Servicing	**-**	**19,300**	**-**	**-**	**19,300**	**-**	**-**	**-**	**19,300**	
Institutional Services and General Expenses										
Alumni Affairs & Development	5,345	677	(1)	(100)	5,921	-	(875)	(875)	5,046	
Computing & Communication Services	9,113	6,400	(4,851)	(236)	10,426	(491)	(136)	(627)	9,799	
Central Administration Offices	16,970	2,044	(151)	(380)	18,483	-	(355)	(355)	18,128	(Note #19)
University General Expenses	1,315	12,973	(1,497)	(250)	12,541	(45)	(209)	(254)	12,287	(Note #20)
Pension Contribution - GC Supplementary Costs	11,200	-	-	-	11,200	-	-	-	11,200	(Note #21)
Total Institutional Services and General Exp.	**43,943**	**22,094**	**(6,500)**	**(966)**	**58,571**	**(536)**	**(1,575)**	**(2,111)**	**56,460**	
University Priority Investment Fund (U-PIF)	**-**	**6,500**	**-**	**-**	**6,500**	**-**	**-**	**-**	**6,500**	
University Contingency	**-**	**10,215**	**-**	**-**	**10,215**	**-**	**-**	**-**	**10,215**	
Total Unit Expenses and Revenues	**307,703**	**181,639**	**(20,710)**	**(9,429)**	**459,203**	**(23,021)**	**(74,237)**	**(97,258)**	**361,945**	
Repayment of Accumulated Restructuring Costs	-	6,000	-	-	6,000	-	-	-	6,000	(Note #22)
Net Budget	**307,703**	**187,639**	**(20,710)**	**(9,429)**	**465,203**	**(61,324)**	**(401,279)**	**(462,603)**	**(2,600)**	
								Transfer from Contingency Funds (One-Time)	**2,600**	(Note #23)
								Net Budget (after transfer from contingency)	**-**	

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 "MYP Targets" includes $1.8M in remaining MYP1 Targets and $7.6M in new MYP2 targets. The MYP1 target remains primarily in the College of Arts. The college remains responsible for achieving this target. The MYP2 Target of $0.250M allocated to Ancillaries has been reported under University General Expense until implemented but remains the responsibility of the Ancillaries units.

5. Column F "External Recoveries" reimburse the MTCU budget for services provided to other funds and activities. This category includes recoveries from Ancillary units, OMAF-MRA 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 $462.3M includes Institutional Operating Grants of $167.1M, Tuition (credit) of $156.9M, Other institutional Revenue of $3.0M, Cost Recoveries of $61.3M and Unit Revenues of $74.3M.

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. OMAF-MRA Cost Recoveries of $10.5M are for services provided by the MTCU budget (e.g., utilities and space costs). This recovery is for research related initiatives ($9.830M) and other non-research activities ($0.670M) In addition, OMAF-MRA will transfer $10.8M (as a fixed dollar transfer) for 67 faculty full time equivalents (FTE's); 55 FTE's allocated to the colleges according to faculty time on OMAF-MRA 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 2014/15 Guelph Humber Services of $8.5M consists of $2.0M for management fees and $6.5M for the University of Guelph's share of year-end net revenue (in addition, the colleges and other academic support units budget $6.9M for Guelph Humber course delivery, and program support services as External Recoveries).

11. Total Ancillary Service Recoveries for the Preliminary 2014/15 MTCU Operating budget includes institutional recoveries of $8.737M 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 4.5 of this document.

14. Student Assistance has increased by $1.0M base for 2014/15 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, and the 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. Pension Contribution – Going Concern Supplementary Costs includes $7.2 million, as part of the university's base budget for pension of $34.4M, and an additional $4.0 million in one-time contributions that will be made in 2014/15 from Guelph Humber net income (Note 10).

22. For 2014/15, 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 2014/15 budget.

7.2.2 Table B: MTCU Forecast Results for 2013/2014

	13/14 Budget	13/14 Forecast	Surplus/ (Deficit)	Notes
Institutional Revenues and Recoveries				
Provincial Grants	166,115	167,250	1,135	#1
Tuition Revenue	146,878	152,139	5,261	#2
Other Revenues	3,049	2,898	(151)	
Total Institutional Revenues	316,042	322,287	6,245	
Total Research Indirect Revenues and Recoveries	20,396	20,652	256	
Other Cost Recoveries	15,166	21,013	5,847	#3
Total Institutional Revenues and Recoveries	351,604	363,952	12,348	
Teaching Units				
College of Arts (COA)	25,135	25,145	(10)	
College of Biological Science (CBS)	28,083	21,928	6,155	
College of Social and Applied Human Science (CSAHS)	32,374	27,258	5,116	
College of Business and Economics (CBE)	20,215	15,577	4,638	
Ontario Agricultural College (OAC)	19,937	21,431	(1,494)	
Ontario Veterinary College (OVC)	22,128	16,734	5,394	
Ontario Veterinary College (OVC) - Health Sciences Centre	2,322	1,972	350	
College of Physical and Engineering Science (CPES)	31,163	30,654	509	
Other Teaching Units	12,955	5,687	7,268	#4
Student Assistance	19,680	15,858	3,822	#5
Total Teaching Units	213,992	182,244	31,748	
Library Operations and Information Resources	19,499	17,874	1,625	
Office of Research	7,609	6,907	702	
Open Learning and Educational Support	10,108	4,363	5,745	
Registrar	8,273	5,980	2,293	
Assoc.VP Academic	958	757	201	
Graduate Studies	1,513	1,191	322	
Other Academic Services	1,889	1,088	801	
Academic Services	30,350	20,286	10,064	#6
Student Services	6,928	4,510	2,418	#7
Total Teaching and Academic Services	270,769	224,914	45,855	

Table B: MTCU Forecast Results for 2013/2014, continued

	13/14 Budget	13/14 Forecast	Surplus/ (Deficit)	Notes
Physical Resources Operations	26,242	20,734	5,508	#8
Utilities	22,797	21,157	1,640	#9
Capital Infrastructure Support	17,693	17,693	0	
Total Physical Plant	66,732	59,584	7,148	
Alumni Affairs & Development	5,359	5,224	135	
Computing & Comm Services	5,108	4,641	467	
CCS - IT Infrastructure	5,162	4,716	446	
Central Administrative Offices	6,944	6,510	434	
Human Resources	5,381	4,764	617	
Finance/Purchasing/OIM	5,093	4,485	608	
Campus Community Police & Fire Prevention	3,062	2,747	315	
General Expenses	19,482	17,952	1,530	
Institutional Services and General Expenses	55,591	51,039	4,552	#10
University Contingency - General	8,560	695	7,865	#11
University Contingency - U-PIF	6,500		6,500	#12
University Contingency - Multi Year Plan	28,534	500	28,034	#13
Total Institutional Costs	436,686	336,732	99,954	
Annual Operating Income (Expense)	(85,082)	27,220	112,302	
Transfer From Prior Year Appropriations For Departments and Contingency	91,082	91,082		
Total MTCU Operating Funds Available	6,000	118,302		
Appropriations for Departments		51,124		#14
Appropriations - MYP Contingency		59,978		#15
Appropriations - Pension Contingency		1,200		#16
Total Appropriations for MTCU Operating		112,302		
Net Surplus(Deficit)	6,000	6,000		
Opening Unappropriated Deficit:	(35,100)	(35,100)		
Ending Unappropriated Deficit:	(29,100)	(29,100)		#17

Notes for Table B:

1. MTCU Grants were on target for 2013/2014 except for Undergraduate Accessibility where enrolments higher BIU-valued programs contributed to an increase in funding of $1.7M and Performance funding $0.3M better than budget. These gains were offset by a $0.9M decrease in Graduate Accessibility funding due to not achieving enrolment targets.

2. Higher enrolments in International Undergraduate enrolment (than budgeted) combined with conservative estimates on overall tuition targets contributed to a $5.3M positive variance on institutional credit tuition revenue.

3. Other Cost Recoveries: The 2013/2014 base budget target for the U of G share of Guelph Humber net results is $2.5M while the current forecast is $8.3M.

4. Other Teaching Units: Includes academic support resources for Integrated Planning targeted to fund growth in Undergraduate and Graduate teaching linked to the Accessibility grants (Resource Allocation Guides). Accumulated one time funds of $4.2M will be contributed to the MYP contingency (see note #15). As well, accumulated funds from growth in Research Indirect charges totals $2.6M. These funds will be used in future years for investment in research infrastructure.

5. 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.

6. 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 $5.6M, 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.

7. Student Services: The Student Services net budget includes approximately $17M 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 $2.4M accumulated surplus represents about 10% of gross expenditures.

8. Physical Resources: The surplus in this area is driven largely from recoveries of project management costs, which are now included in all project renovation budgets and holding of vacant positions. These funds are expected to provide budget flexibility and to fulfill future obligations as a result of multi-year planning.

9. Utilities: In spite of a colder than average winter heating season, our average cost of natural gas has been dropping as older contracts expire. In addition, conservation investments have helped offset increasing hydro rates.

10. 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.

11. 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. Any carry-forward generated from the general contingency will be appropriated to the Multi-Year Plan contingency (see note #15).

12. University Contingency – U-PIF: There is $6.5M base budget set aside for enabling proposals/projects that can assist units in meeting their budget reduction targets in a manner consistent with the goals of the Integrated Plan. No funds were allocated in 2013/2014 and the one time savings will be added to the MYP Contingency (See note #15)

13. 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 $0.5M will be spent on the costs of ex-gratia payments incurred in 2013/2014 and $2.8M was allocated to 2 colleges to cover the timing costs incurred for MYP1 while solutions are realized. The estimated balance of $28.0M will be appropriated to carry-forwards for future MYP contingency purposes (see note #15).

14. Appropriations for Departments: The total unspent budget for departments is forecast at $51.1M ($51.0M in 2012/2013).

15. Appropriations – MYP Contingency: Net savings from institutional accounts (e.g., grants, tuition, and contingency accounts) of $60M will be added to the University's

multi-year plan 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.

16. Appropriations – Pension: An additional $1.2M in one-time salary and benefit estimates savings has been designated as Contingency for pension payments (see section 4.7 Contingency Funds).

17. Net Increase (Decrease) in Fund Balance: The $6M net surplus for 2013/2014 fiscal year represents the required deficit repayment for the year. The Opening Unappropriated Deficit is $35.1M 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 $29.1M. This is within the Board approved maximum of $29.7M (see section 6 MYP1 Deficit Chart I).

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

College/Division	Position Type	10/11	11/12	12/13	13/14	14/15	10/11 to 14/15	Notes
COLLEGE OF ARTS (COA)	Faculty	123.9	118.3	114.6	109.0	104.7	-15.5%	1
	Staff	40.8	39.0	39.0	39.0	38.0	-6.9%	
COLLEGE OF BIOLOGICAL SCIENCE (CBS)	Faculty	98.5	96.2	93.1	93.4	96.0	-2.5%	
	Staff	60.0	62.1	65.1	65.4	65.5	9.2%	
COLL.OF SOC.& APP. HUMAN SCIENCE (CSAHS)	Faculty	120.6	117.5	118.5	121.3	121.2	0.5%	
	Staff	43.2	44.1	43.7	44.7	45.0	4.2%	
COLLEGE OF BUSINESS & ECONOMICS (CBE)	Faculty	74.8	78.2	79.2	79.5	79.5	6.2%	
	Staff	26.5	27.5	30.3	30.2	30.2	14.0%	
ONTARIO AGRICULTURAL COLLEGE (OAC)	Faculty	138.8	127.8	126.6	124.8	122.9	-11.5%	2
	Staff	127.7	124.4	122.1	123.6	125.5	-1.7%	
ONTARIO VETERINARY COLLEGE (OVC)	Faculty/Vets	125.7	129.2	131.7	132.9	133.4	6.1%	3
	Staff	190.3	190.0	193.0	193.4	194.3	2.1%	
COLL OF PHYSICAL & ENGINEERING (CPES)	Faculty	115.3	108.0	108.8	114.4	123.5	7.1%	4
	Staff	63.0	64.5	68.0	70.5	72.5	15.1%	
TEACHING UNITS Total		**1,349.1**	**1,326.9**	**1,333.8**	**1,342.1**	**1,352.2**	**0.2%**	
Academic Support/Other Teaching	Faculty	5.4	7.4	6.8	6.8	6.8	26.7%	
	Staff	192.6	201.2	213.7	220.8	222.1	15.3%	
CIO - Library/CCS	Librarians	29.3	30.1	32.9	33.0	33.0	12.6%	
	Staff	143.1	146.0	150.5	153.3	153.7	7.4%	
Student Affairs	Staff	118.5	121.9	127.3	129.2	129.2	9.0%	
Alumni Affairs & Development	Staff	47.1	49.2	53.6	55.0	55.0	16.7%	
Physical Resources	Staff	289.0	288.0	288.0	288.0	288.0	-0.3%	
Administration + General Expenses	Faculty	4.0	3.0	3.0	3.0	3.0	-25.0%	
	Staff	161.7	163.4	163.9	165.8	166.3	2.9%	
OTHER UNITS Total		**990.7**	**1,010.2**	**1,039.7**	**1,054.9**	**1,057.1**	**6.7%**	
Total Faculty, Veterinarians, and Librarians		836.4	815.8	815.3	818.1	824.0	-1.5%	
Total Staff		1,503.4	1,521.4	1,558.2	1,578.9	1,585.3	5.4%	
Grand Total		**2,339.8**	**2,337.1**	**2,373.5**	**2,397.0**	**2,409.3**	**3.0%**	

Notes for Table C:

The 2014/2015 Full Time Equivalent (FTE's) position counts do not include any estimated impact from MYP2 plans. Impact on FTE's from 2014/2015 MYP2 targets on positions will be presented with plan results as part of a fall 2014 update.

1. A decrease of 5 Faculty FTEs in the College of Arts (COA) in 2014/15 is due to the Multi-Year Plan 1 identification of 5 Faculty FTEs reductions.
2. A decrease of 1 Faculty FTE in the Ontario Agriculture College (OAC) in 2014/15 is due to the Multi-year Plan 1 identification of 1 Faculty FTE for reduction.
3. The increase in the Ontario Veterinary College (OVC) staff FTE in 2010/11 resulted from the conversion of 28 OMAF-MRA 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 6 planned new faculty in 2014/15 in the School of Engineering as part of their undergraduate enrolment growth plan.

7.3 Proposed Non-Tuition Compulsory Student Fees

Guelph Campus	Fee Basis		Year of Last Increase	2013-2014 Approved Fees	2014-2015 Recommended Fees	% Increase
Athletic Fee						
FT Undergraduate and Graduate	Per semester	Note 1	2013	$102.00	$106.08	4.0%
PT Undergraduate Only	Per semester		2013	$46.80	$48.67	4.0%
Capital Account: Athletic Building Fee						
FT Undergraduate and Graduate	Per semester	Note 2	2013	$42.77	$44.05	3.0%
PT Undergraduate Only	Per semester		2013	$21.38	$22.02	3.0%
Student Health Services Fee						
FT Undergraduate and Graduate	Per semester	Note 3	2013	$25.72	$26.62	3.5%
PT Undergraduate Only	Per semester		2013	$11.27	$11.66	3.5%
Student Services Fee						
FT Undergraduate	Per semester		2013	$54.81	$55.36	1.0%
PT Undergraduate	Per 0.5 credit per semester		2013	$10.95	$11.06	1.0%
FT Graduate	Per semester		2013	$53.40	$53.93	1.0%
PT Graduate	30% of FT fee per semester		2013	$16.02	$16.18	1.0%
University Centre Fee						
FT Undergraduate and Graduate	Per semester		2013	$13.88	$14.02	1.0%
PT Undergraduate and Graduate	Per 0.5 credit per semester		2013	$2.77	$2.80	1.0%

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 2013 is 1.0%. 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 12, 2014 to increase by 4%. The increase will assist the cost of the increase to minimum wage.
Note 2: This is a 30 year fee initiated in Fall 2009 approved through a referendum process to increase annually by 3%.
Note 3: As per the Student Health Advisory Group approval on February 11, 2014 to increase by 3.5%. The additional funds will be used to support wellness programming.

Associate Diploma Programs		Year of Last Increase	2013/14 Approved Fees	2014/15 Proposed Fees	% Increase
Alfred, Kemptville and Ridgetown Campuses:					
Athletic Fee	Note 1				
Full Time - Alfred		2013	$75.82	$76.58	1.0%
Full Time - Kemptville		2013	$70.18	$70.88	1.0%
Full Time - Ridgetown		2013	$70.18	$70.88	1.0%
Student Communication Fee					
Full Time - Alfred		2013	$46.60	$47.07	1.0%
Full Time - Kemptville		2013	$46.60	$47.07	1.0%
Full Time - Ridgetown		2013	$46.60	$47.07	1.0%
Building Fee- Ridgetown		2013	$37.45	$37.82	1.0%
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 2013 is 1.0%.