

2020-21 Draft Operating Budget:

Board of Governors Update

June 25, 2020

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Budget Approach

- We are approaching all of our recommendations in a principled manner, consistent with the following values:
 - **Students:** We are committed to providing an excellent learning environment and student experience
 - **Faculty and staff:** We are committed to minimizing the impact on people by finding efficiencies
 - **Access:** We are committed to maintaining and enhancing a diverse and inclusive campus community
 - **Communication:** We are committed to communicating regularly with our campus community about the budget process as it progresses
- Through our strategic priorities we have started on a path that will help solidify our university as a remarkable and recognized place of scholarly endeavor, phenomenal student experiences and tight-knit community

Budget Summary

- In April 2020, we reviewed a 2020-21 budget based on a **total revenue projection of \$185.6M** and a then **deficit of \$3.1M**
- Since then, and in light of the global pandemic,
 - our enrolment projection under scenario (A) indicates a **\$6.9M shortfall in tuition fees** (see Enrolment Scenario Planning on next page)
 - In light of the physical closure of the campus, an **additional shortfall in commercial and ancillary fees of \$3.9M**
 - Increased **student support** and **online learning transition costs of \$1.0M**, for
 - A total **net deficit of \$14.9M**, representing **~10% of the University's variable costs**
- Budget holders committed to **strategically reduce unit** operating budget by 10%
- This 10% target was achieved – out of the \$14.9M budget submitted for reduction, **\$12.6M were approved**
- In addition, the University is **utilizing \$1.3M of prior year reserves** to invest in **on-line learning transition costs** and to **support faculties' start-up and professional development costs**
- The budget **deficit is currently at \$2.1M** and we continue to work to bridge this gap.

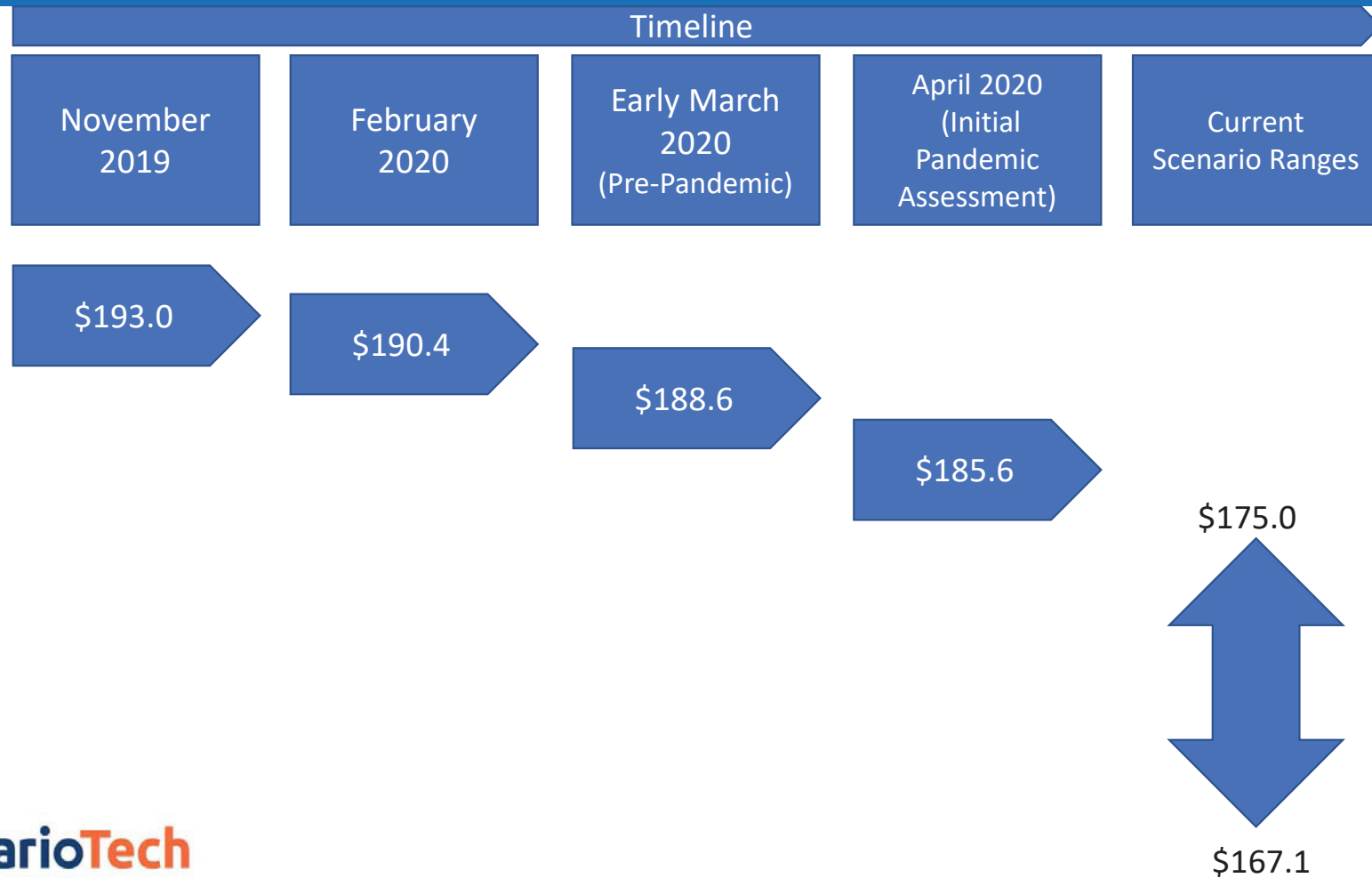
Enrolment Scenario Planning

The budget working group has been doing pandemic scenario planning centered around return to school start dates and the potential impact on tuition revenues under various assumptions. Using these assumptions and applying them to pre-pandemic planned enrolment figures, the impact on planned Tuition Revenue is shown in the table below.

Enrolment Headcount (HC)		Actual *	Actual *	Nov 2019 est. Budget	April 2020 Draft Budget	April Scenario Analysis		
		2018 -19	2019 - 20	2020 - 21	2020 - 21	A	B	C
Intake	Domestic - UG	2,462	2,447	2,706	2,506	-10%	-15%	-20%
	International - UG	152	135	240	148	-50%	-75%	-100%
Continuing	Domestic - UG & All GR	7,100	7,050	6,700	6,600	-5%	-10%	-15%
	International - UG & All GR	450	550	600	650	-15%	-25%	-35%
TOTAL HEADCOUNT		10,164	10,182	10,246	9,904			
TOTAL FTEs		8,905	8,975	9,071	8,797	8,162	7,709	7,261
ADDITIONAL TUITION IMPACT (in M's)					\$ (3.0)	\$ (6.9)	\$ (13.1)	\$ (19.3)
TOTAL TUITION IMPACT (in M's)						\$ (9.9)	\$ (16.1)	\$ (22.3)

* Headcount is based on winter estimates and FTE is actual for the budget year

Timeline Revenue Progression



Operational Response – Scenario A Planning

➤ Budget holders were engaged in budget reduction exercise

- **Budget reductions of \$6.9M** (Building Reserves \$2.5M, MGP \$2.1M, Labour, Capital and OPEX \$2.3M) were **presented to the Board in April 2020**. In addition, we are requesting:
 - A 10% reduction of total operating budget for all units, except
 - For units that are funded by student ancillary fees, a budget reduction equal to the decrease in student ancillary fees
 - For commercial units, a budget reduction equal to the anticipated loss in revenues for the first 5 months April – August 2020
- Budget reduction proposals **strategic** in nature with priorities given to key initiatives
- All **replacement positions** subject to senior leadership review and **new hiring requests** limited to strategic initiatives only
- Faculty and staff support functions are under review and programs to **reduce costs** continue to be assessed
- Throughout process, **active communication** from President, Provost, CFO and AVP, Human Resources

Change in Operating Budget Summary

	Original Draft Budget	Budget Reductions to- date	Revised Draft Budget
	\$000s	\$000s	\$000s
Total Revenues	\$ 185,488	\$ (10,880)	\$ 174,608
Expenditures			
FT Labour	(101,069)	3,260	(97,809)
PT Labour	(17,810)	2,482	(15,328)
OPEX	(66,092)	5,704	(60,388)
Capital	(3,712)	1,116	(2,596)
Sub-Total Expenditures	\$ (188,683)	\$ 12,562	\$ (176,121)
Additional COVID- related expenses			
Increased student support & online learning transition costs		(1,000)	(1,000)
Health and Safety costs		(500)	(500)
Decrease in ancillary revenues		(540)	(540)
Total Expenditures	\$ (188,683)	\$ 10,522	\$ (178,161)
Budget Deficit	\$ (3,195)	\$ (358)	\$ (3,553)
Expenses funded by PY restricted reserves	110		1,368
Net Budget Deficit	\$ (3,085)	\$ (358)	\$ (2,185)

Budget reductions to-date

➤ FULL-TIME LABOUR - \$3.2M reduction

2020-21 Headcount	OPSEU	Faculty	Non Union Mgmt Staff	Total
Filled Positions	282	299	146	727
Vacant positions - delayed hires	4	10	7	21
Vacant positions- not hired	5	13	3	21
Total headcount	291	322	156	769
Total impacted by temp layoffs and reduced workload	96	8	71	175

➤ PART-TIME LABOUR - \$2.4M reduction

- \$1.1M in part-time sessionals and teaching assistants – mostly for elective courses and therefore less choice for students
- \$1.0M in contract terminations – delay in projects

Budget Reductions to-date

➤ **OPEX – \$5.7M** reduction

- \$0.9M in delayed IT projects, including process workflows
- \$0.7M in promotional expenses, delaying branding initiatives
- \$0.5M base building cost savings as a result of closure of physical campus
- \$0.5M in educational supplies
- And other reductions ranging from \$0.1M to \$0.3M

➤ **CAPITAL - \$1.1M** reduction

- \$0.7M in campus renovations
- \$0.4M deferral of laptop and other capital equipment purchases

Risk and Risk Mitigation

Strategic Risk	Risk Mitigation
Stakeholder Relations - Students, Employees, External	Continuous communication and engagement via Task Force consultations, community Town Halls, and dedicated, frequently updated website.
Campus Wellbeing	Implementing a stepped-care approach to build students' sense of agency and offer an integrated support network; establishment of Telework Taskforce with Joint Health and Safety Committee cross membership
Brand	Investments made in digital marketing capabilities over the last 12-months will be further leveraged. Evaluating further optimization and integration of Communications and Marketing resources across campus
Campus Experience / Culture	Establishment of an Engagement and Wellbeing Taskforce focusing on how to "virtually" engage.
Innovation	Disruption in resuming on-campus research risks delays in deliverables and the opportunities for HQP. Maximizing what can be done at home.
Physical Infrastructure	Modifying the 10 year deferred maintenance plan to space out yet in the long term address the items not done this year.
Virtual Infrastructure	Focus on enhancing e-learning platforms (i.e., Canvas LMS, Kaltura) and delaying workflow process improvements
Information Governance	Hiring new Security Manager and implementing two factor authentication
Equipment Failure, Requiring Replacement / Repair	Delayed normal upkeep; contingency in place in case failure
Financial Sustainability	Diversifying revenues with a focus on innovation like Mitacs; brilliant solutions, ACE, OTT while continuing to focus on process efficiencies

Strategic Response: Surviving the Short-Term

- **Commence capital financing discussions for the new building \$25M**

- Advocate for access to CARIE funds (propose \$7.5M apply to A5)
- Advocate for debenture restructuring (\$3M per year)

- **Retain current students**

- Summer courses moved on line
- Send individualized program maps to students and advise on what can be done from afar
- Alter fee due date procedures to enable payment plans
- Ontario Tech Experience Guarantee
- New “Student Success” and “University Prep” programs to start Fall 2020

- **Attract new students**

- English for Academic Purposes (EAP) I and II online in fall
- Launch Ontario Tech Talent

Strategic Response: Positioning for the Future

- **Organization and process redesign for course delivery (Learning Re-imagined, Tech with a Conscience)**
 - Leverage our “tech” advantage and nimbleness
 - “Hybrid” format for all degree programs
 - Commit to growing our virtual assets in all that we do
- **Assess our existing “brick and mortar” capital assets (Sticky Campus)**
 - Reduce building lease commitments (e.g., 11 Simcoe, St. Gregory’s)
 - Assess our existing spaces, redefine how we use space
- **Post-pandemic strategy for new programs, research priorities (Partnerships)**
 - Leverage our expertise, public interest in new programs, research priorities
 - Continue to increase international student enrolments, partnerships
 - Move all levels of English for Academic Purposes (EAP) online
 - Expand Ontario Tech Talent

Strategic Response: Positioning for the Future

➤ Assessing the financial outlook

- Conduct a longer-term financial review with revised enrolment projections
- Review overall cost structure vs revenue structure
- Review opportunities for additional revenues: OTT, ACE and other commercial operations
- Renegotiate lease and debt structure

Motion to approve Budget

WHEREAS management presented a proposed unbalanced budget in February 2020 based on the forecast at that time;

WHEREAS the COVID-19 pandemic necessitated the effective closure of most of the university's physical operations, with the focus shifting to online program delivery and remote working for substantially all faculty and staff, as of March 13, 2020;

WHEREAS the budget has been prepared based on a forecast using the best information available at this time;

WHEREAS there is additional risk to the budget this year because of the economic uncertainty precipitated by the COVID-19 pandemic;

NOW THEREFORE, pursuant to the recommendation of the Audit and Finance Committee, the Board of Governors hereby:

- approves the 2020-2021 budget, as presented; and
- directs that management meet with the Chair of the Audit and Finance Committee in August and September 2020 to conduct further budget reviews.