



**2017-18 Budget Presentation
Board of Governors
May 3, 2017**

Agenda

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- ▶ Process
- ▶ Accounting Policies and Principles
- ▶ Major Issues
- ▶ Challenges
- ▶ Opportunities

2 Strategic Planning & Budgeting

- ▶ UOIT Planning Process
- ▶ Strategic Plan 2017-2022
- ▶ 2017-18 Initiatives
- ▶ Making Hard Choices
- ▶ Strategic Planning & UOIT Budget Cycle

Agenda

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- ▶ UOIT Operational Metrics
- ▶ Risks
- ▶ Opportunities
- ▶ Budget Summary
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- ▶ Operating Expenses
- ▶ Restricted Funds

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- ▶ Next Steps
- ▶ Questions and Discussion

Budget Framework

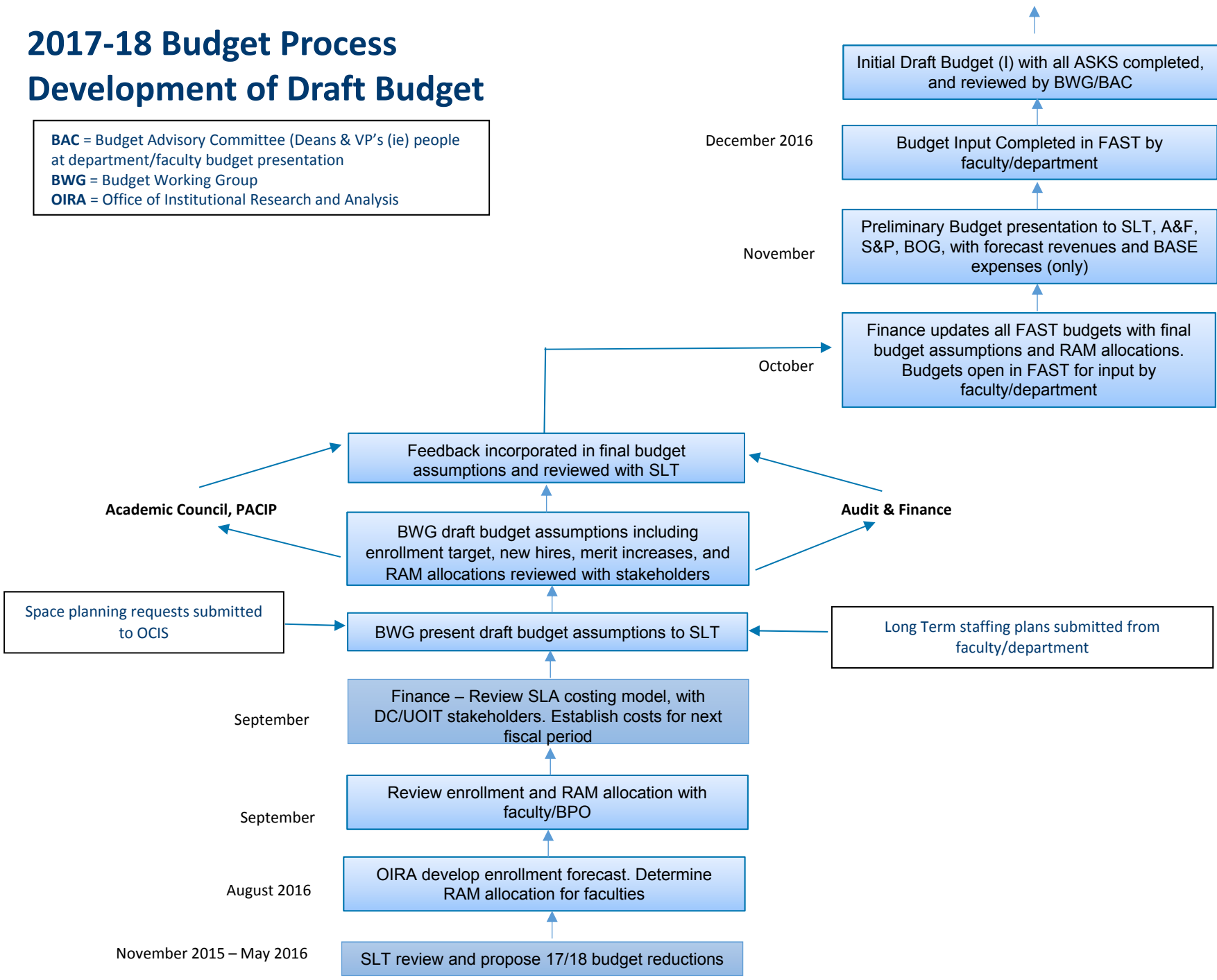


- ▶ 2017-2018 Budget Process
- ▶ Accounting Policies and Principles
- ▶ Major Issues
- ▶ Challenges
- ▶ Opportunities

2017-18 Budget Process

Development of Draft Budget

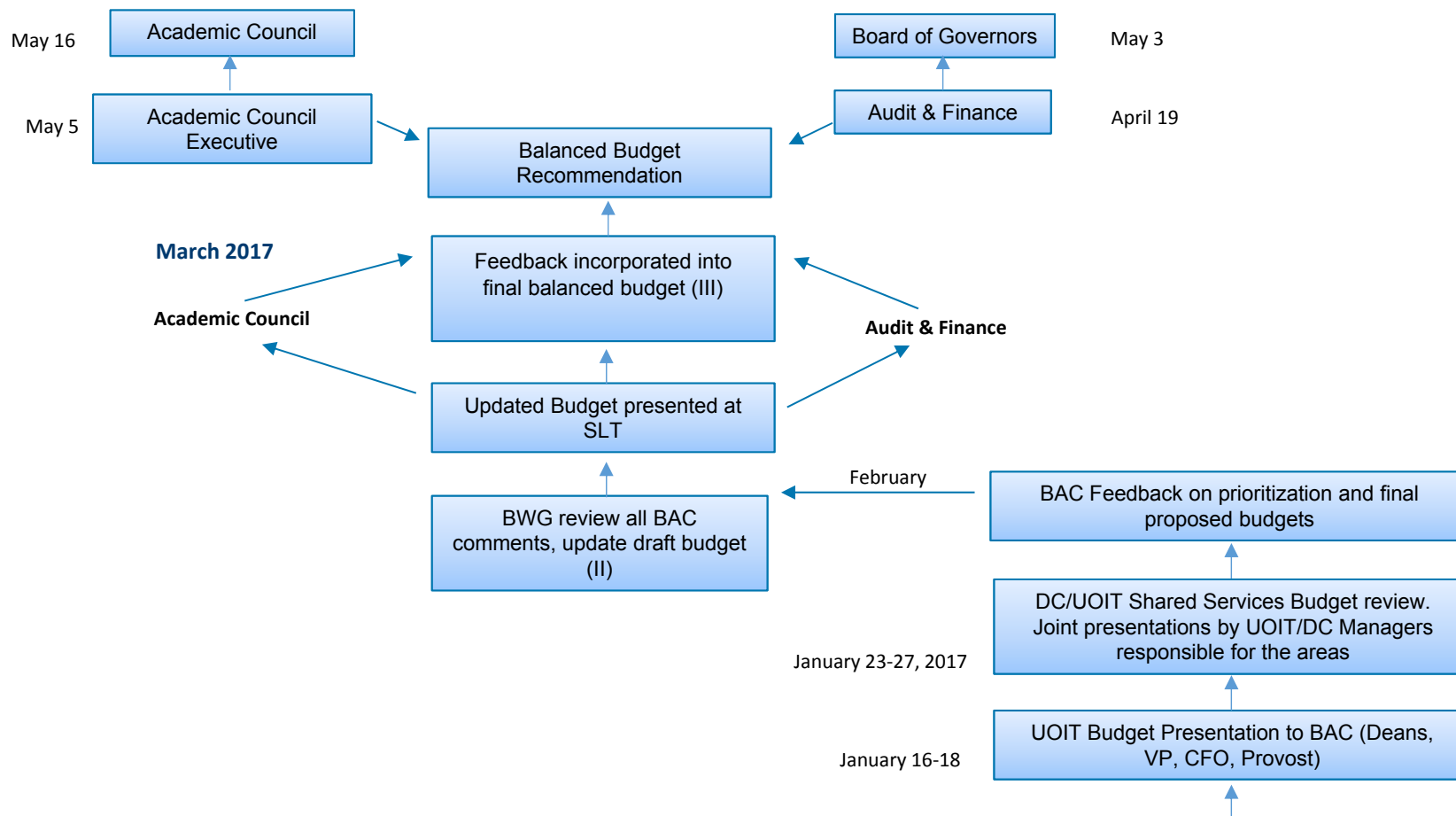
BAC = Budget Advisory Committee (Deans & VP's (ie) people at department/faculty budget presentation)
BWG = Budget Working Group
OIRA = Office of Institutional Research and Analysis



2017-18 Budget Process

Review and Final Budget Presentation

BAC = Budget Advisory Committee (Deans & VP's (ie) people at department/faculty budget presentation)
 BWG = Budget Working Group
 OIRA = Office of Institutional Research and Analysis



Accounting Policies and Principles

Methodology

- UOIT operating budgets are prepared on a “modified-cash” basis. All budgets are in the total UOIT operating statements, including TELE, ACE, Regent Theatre, Childcare, and Campus Ice/Campus Fieldhouse Centre.
- The audited Statement of Operations prepared by KPMG is a consolidated financial summary developed on an accrual basis.
- The difference between cash vs. accrual methodology can create a significant variance between management reporting and financial reporting. Non-cash transactions such as depreciation, or accrued research revenues and expenses impact financial reporting, but are excluded from management reports.
- Finance have created quarterly financial statements, prepared on an accrual basis, to reconcile these two methods. A UOIT balance sheet, income statement, and change in financial position are presented each quarter, along with a reconciliation to the management operating statements.

Major Issues

- 1. Demographic and impact of increased competition on enrolment.**
- 2. Space challenges – classrooms, and labs.**
- 3. Funding Formula and Net Tuition implications.**
- 4. Balancing resource constraints in the key areas of academic quality, student experience, and service excellence.**
- 5. Recruitment, development, and retention of UOIT faculty and staff.**
- 6. Fiscal position – debt to revenue.**

Challenges

- 1. Near term academic and financial sustainability plans that support re-envisioning of programs within established enrolment corridors, and enhance the student experience.**
- 2. Heightened levels of competition between universities for a smaller pool of incoming students. Expand International student recruitment, and increased local efforts.**
- 3. Manage the completion of SIRC, and the associated backfill moves required over the next two years.**
- 4. Define, develop, and present the Business Case for a fundraising campaign that supports our strategic plans.**
- 5. Continue discussions with all levels of government regarding funding for the Moving Ground Plane, and CARIE building.**
- 6. Complete TELE transformation with implementations in Faculty of Science, Faculty of Health Science, and Faculty of Business and IT.**
- 7. Manage increasing levels of oversight, and compliance.**

Opportunities

- 1. Introduce new programs in Bachelor of Technology, and BA Liberal Studies**
- 2. Operationalize our strategic plan by focusing on tactical objectives for 2017-18 which include focus on International student recruitment, and student success program**
- 3. Enhance partnerships with the community and other PSE institutions at the regional, national, and international level. Examples include Social Science and Humanities work with the City of Oshawa on a teaching city/living lab initiative, and Faculty of Business and IT work on an online embedded bridge with two new partners**
- 4. Collaborations with Durham College in both academic and support services areas.**

Strategic Planning & Budgeting



- ▶ UOIT Planning Process
- ▶ Strategic Plan 2017-2022
- ▶ 2017-18 Initiatives
- ▶ Making Hard Choices
- ▶ Strategic Planning & UOIT Financial Cycle

Strategic Planning & Budgeting: UOIT Planning Process



Strategic Planning & Budgeting: Strategic Plan 2017-2022

CHALLENGE: We will produce and inspire future leaders who have real-world skillsets

- Offer a greater variety of **lifelong learning** through career-focused professional development options
- Amplify **research reputation** through entrepreneurial scholarship
- Provide developmental opportunities that help every individual stand out

INNOVATE: We will create new approaches, partnerships, and solutions to improve society

- Double the number of courses that mix technology and face-to-face education to make **learner-centered environments**
- Challenge the status quo through our novel disciplinary and interdisciplinary approaches to knowledge creation and increase our **research activity and impact**
- Simplify and refine our **university processes**

CONNECT: We will build lasting relationships to make UOIT a remarkable place for work and study

- Offer practical **hands-on learning** experiences, like co-ops, internships, research practicums, international exchanges, and entrepreneurial opportunities to *every student*.
- Build **research partnerships** that fortify our university's key strengths
- Unite our community by increasing opportunities to meet, make friends, and form **better relationships**

Strategic Planning & Budgeting: 2017-2018 Initiatives 1/2

Base Expenses **\$3.4M**

- **New faculty hires** (maintain Student:Faculty) \$1.2M
- **Sessionals and TAs** (reduce class size) \$0.4M
- **Student support** (e.g. scholarships, advising) \$1.0M
- **Test Centre** (help students succeed) \$0.2M
- **English Language Centre** (internationalization) \$0.4M
- **IT Network Administrator & PCI compliance** \$0.2M

Strategic Planning & Budgeting: 2017-2018 Initiatives 2/2

One Time Only Expenses

\$8.4M

- **Infrastructure upgrades** (e.g. IT, classrooms) \$3.4M
- **Building reserve** (preparing for next project) \$2.5M
- **Advancement campaign** (completing preparation) \$0.6M
- **Student success initiatives** (e.g. Math help) \$0.5M
- **Research** (e.g. Marceau Chair) \$0.9M
- **Pathways/Partnerships Fund** (with Durham) \$0.5M

Strategic Planning & Budgeting: Making Hard Choices 1/3

June 2015: Budget Presentation

- Noted a longer term structural deficit as illustrated by the 10 year forecast requiring working capital reserves in early years to offset deficits in out years
- Based on this forecast the president initiated an organizational review of Administrative Structure/Activities by Ken Snowden

February/April 2016

- SLT Retreat and two subsequent meetings to discuss financial constraints, strategic priorities, and the underlying principles around budget reduction.
 - *President framed as follows: "I would like each of my reports to think about what they would reduce, delay, stop doing or do differently if they were asked to take a 10% cut each of the next two years."*
- BoG Retreat - focused session on fiscal challenges
- SLT discussed potential reductions & budget registry (weight of dollar value vs impact)

May/June 2016

- Memo from President to SLT outlining budget reduction discussions to date and framing the upcoming May 30th / June 6th meetings regarding resource allocation
- In depth discussions on proposed resource allocations, priorities, and risk mitigation strategies
- Individual meetings with President and direct report regarding proposed budget allocations, risks, and mitigation strategies

September 2016

- UOIT Budget Working Group meets with President to finalize recommendations and communicates mandated budget reductions to each unit lead

Strategic Planning & Budgeting: Making Hard Choices 2/3

Student Experience -\$2.6M

\$300K support of Entrepreneurship, Futures Forum

\$100K Teaching & Learning Centre

\$2.2M capital projects delayed

***Mitigation** – Research/Innovation operational review, entrepreneurship minor available to all, revised TLC strategy (increased online/hybrid support, Teaching & Learning Advisory Committee), 10 year deferred maintenance plan*

Academic Quality/Faculty and Staff -\$1.64M

\$400K reduction in non-essential PD/travel

\$325K reduction in C&M/RO recruitment

\$115K reduction to Library staff

\$800K reduction to Provost's strategic funds

***Mitigation** – increased internal PD offerings, precision recruitment, revised Library strategy*

Strategic Planning & Budgeting: Making Hard Choices 3/3

Crisis Response/Business Continuity -\$500K

\$500K IT security & 2nd location for back-up data

***Mitigation** – revised IT strategy (net new IT network administrator and attention to and communication on security measures), internal phishing, explore cyber risk insurance, joint planning with Durham College*

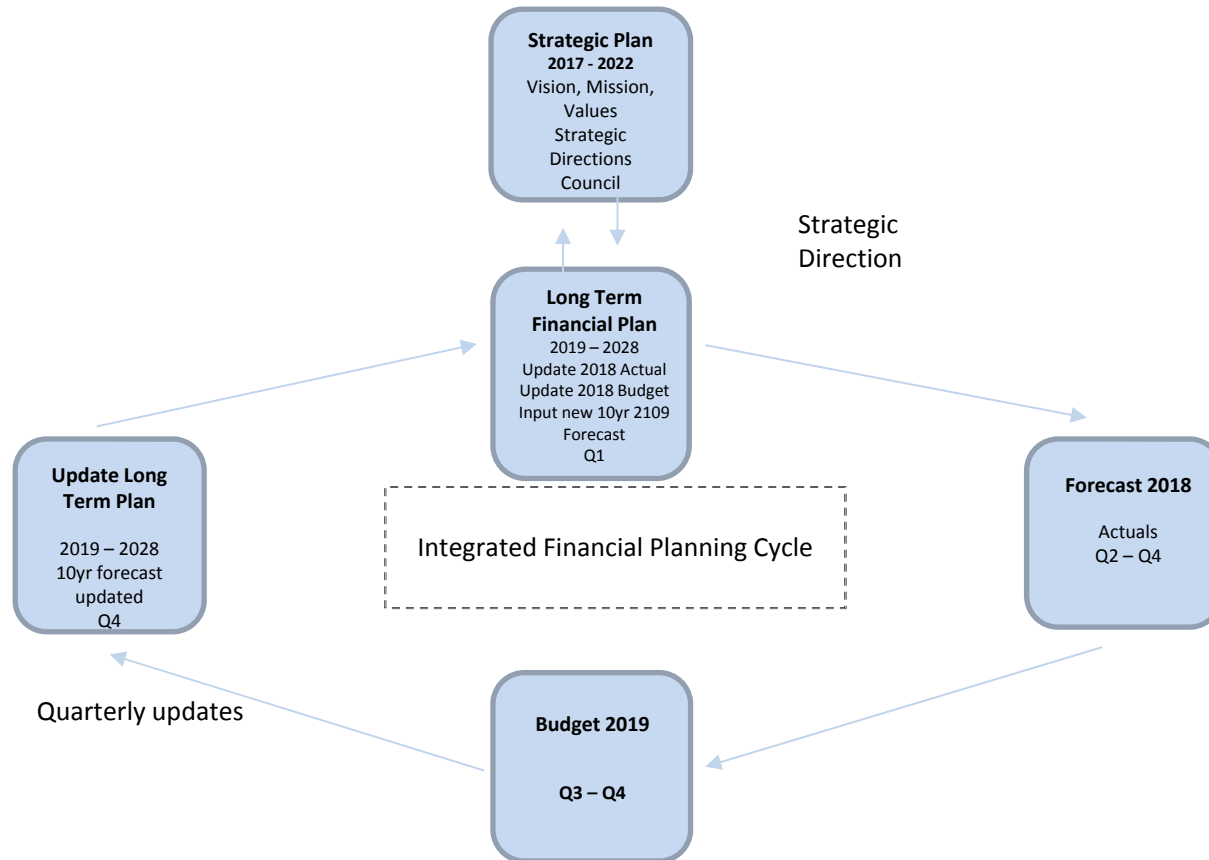
Legal / Compliance Liability -\$300K

\$300K reduction in Finance and University Secretariat offices.

***Mitigation** – Contingency for strategic use of external legal support; work with FSSH to develop a program for peer support of students in university appeal and dispute processes; continued focus on perceived high risk areas and new compliance requirements. Continued automation and process review in Finance to meet new compliance requirements, and achieve efficiencies – examples include Banner Payroll, Concur, and Banner Research module*

The BWG also works closely with areas like Office of Campus Infrastructure & Sustainability, and DC/UOIT Information Services to manage their “asks” over a longer term horizon. We have a rolling ten year facilities maintenance plan, and a five year plan to revitalize and upgrade Banner. In these instances, the full ask is not made in any given year. The costs are managed over a longer planning horizon given our available resources.

Strategic Planning & UOIT Financial Cycle



Financial Overview



- ▶ Key Budget Assumptions
- ▶ Budget & Financial Metrics
- ▶ Budget Risks & Opportunities
- ▶ Budget Allocations
- ▶ Budget Summary
- ▶ Revenues & Expenses
- ▶ Restricted Funds

Key Budget Assumptions

1. Enrolment

- ▶ Domestic UG intake decrease of (3.0%) or (76) FTE, mainly due to decrease in FBIT Bachelor of Commerce with new agreement with DC to direct applicants to Durham College. Flow thru down (45) FTE. Overall down (121) FTE at 7,755.
- ▶ International UG intake increase of 86% or 80 FTE, mainly due to increase in Engineering. Flow thru down (11) FTE. Overall up 69 FTE at 500.
- ▶ Grad Domestic FTE down 15% or (59) FTE totaling 329.
- ▶ Grad International flat totaling 137 FTE.
- ▶ Total FTE down (1.3%) or (111) FTE to 8,721.
- ▶ Retention levels flat at 80.3%.

2. Government Grants

- ▶ MAESD is in the final stages of altering to a new funding model for universities. One of the major components is the establishment of a corridor system which will include a funding level equivalent to the 2016/17 weighted enrolments. For the duration of SMA 2, this grant is guaranteed, providing institutions are within 3% of this new weighted number. Current signals from the Ministry indicate that institutions will be able to negotiate growth funding during the SMA discussions; however, they are also indicating no new money in the system. In 17/18 budget grant is set at 2016/17 actual of \$54.7M.

3. Tuition set at new 2017/18 rates

- ▶ Domestic average tuition increase 3% or \$2.1M.
- ▶ International average tuition increase 4.1% or \$0.6M

4. Salary/wage estimates are based on current and planned contracts, as well as the non-union compensation plan.

- ▶ Fringe benefit rates for full time employees is unchanged at 18.5%.
- ▶ Benefit rates for part time employees is unchanged at 9.0%.

5. Standard COU space measurement averages 7.5 NASM/FTE for Ontario universities.

- ▶ 2016-17 average for UOIT was 4.1 NASM/FTE.
- ▶ 2017-18 average will increase to 4.7 NASM/FTE

6. Student/Faculty ratio overall will improve to 30:1 if all positions are filled. 2016/17 ratio was 31:1 The tenure and tenure track ratio also improves to 40:1.

7. Operating budget includes a contingency of \$4.6M. Building reserve of \$2M, deferred maintenance of \$0.5M, 1.0M of general contingency reserves, and \$1.1M reserve to balance year one of the ten year forecast

Budget Metrics

Budget 17/18 Metrics

Indicator	Metric	17/18 Budget/Target	16/17 Fcst	15/16 Actual	Comment - 2017/18 Target vs 2016/17 Fcst
↓	Enrolment	8,721	8,832	8,649	
↓	UG Domestic	7,755	7,876	7,674	Domestic UG inflow was down (76) FTE, flow thru also down (45) FTE
↑	UG International	500	431	465	International UG inflow was up 80 FTE, flow thru was down (11) FTE
↓	Grad Domestic	329	388	355	Grad domestic FTE is down (59) FTE
↑	Grad International	137	137	154	Grad international enrolment is flat
↑	Basic Operating Grant	\$54,728,994	\$54,523,187	\$53,360,000	Operating Grant based on 16/17 actual enrolment.
↑	Student/Faculty Ratio	30:1	31:1	33:1	Improvement as positions are filled
↑	Tuition Rate Increase	3.4%	3.0%	2.9%	Domestic 3.0% increase, International 4.1% increase
↑	NASM/FTE	4.7	4.1	4.2	Increase with SIRC building
↑	Retention Rate	80.3%	79.9%	80.3%	Returning Students from 15/16
↑	Positions Filled	100.0%	71.1%	69.0%	Goal is to fill all open positions
↑	Advancement Fundraising	\$ 2,867,428	\$ 2,273,572	\$ 1,224,874	

Financial Metrics

Financial Metrics					
Indicator	Metric	17/18 Budget/Target	16/17 Fcst	15/16 Actual	Comment - 2017/18 Target vs 2016/17 Fcst
↑	Net Income/Loss Ratio	1.7%	1.6%	1.7%	Tracks the trend in UOIT net earnings
↓	Net Operating Revenues Ratio	10.5%	10.8%	10.9%	indicates the extent to which UOIT is generating positive cash flows in the long-run to be financially sustainable.
↓	Primary Reserve Ratio (days)	2	24	27	Decrease from consumption of internally restricted reserves for SIRC construction.
↓	Interest Burden Ratio	8.5%	9.0%	9.4%	UOIT debt affordability and the cost of servicing debt
↓	IBR w MTCU Funding	2.0%	2.1%	2.2%	"IBR" re-stated to reflect an annual "institution-specific" grant of \$13.5m from the Ministry to fund the University's debenture debt.
↓	Viability Ratio	3.0%	5.2%	6.4%	Determines UOIT's financial health, as it indicates the funds on hand to settle its long term obligations.

Budget Risks & Opportunities (in \$'000)

Key Risks

Est. Impact

Enrolment targets not achieved

\$ 600

Faculty Negotiations/Executive Compensation

\$ 400

Staffing objective shortfall

(\$ 500)

Student Association Re-organization

\$ 100

Total Risks

\$ 600

Budget Risks & Opportunities (in \$'000)

Significant Opportunities

Est. Impact

International growth above plan

\$ 500

Corridor funding for additional PhD's

\$ 400

Total Opportunities

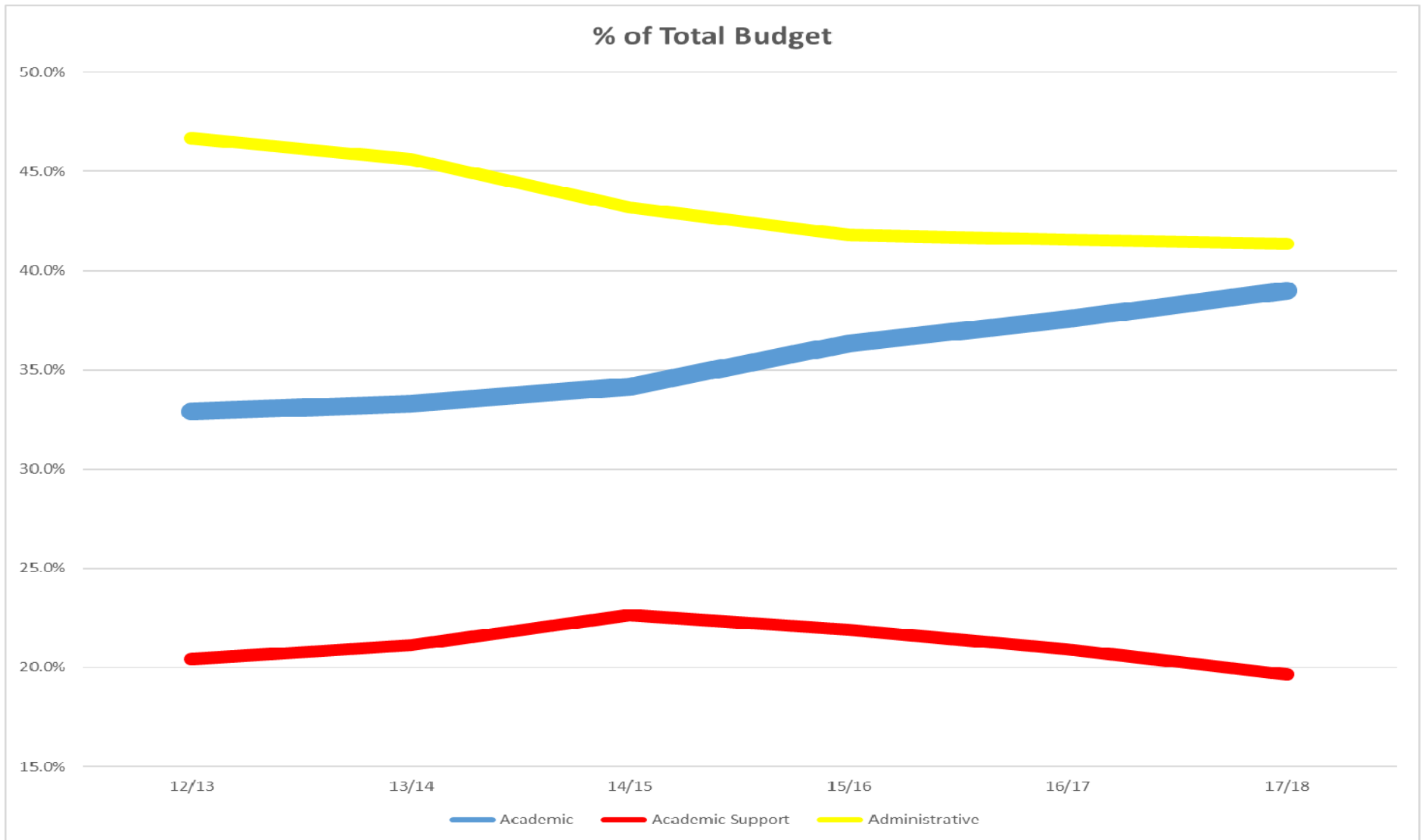
\$900

Budget Risks & Opportunities (in \$'000)

Budget Contingency

	2017-18	2016-17
General Contingency	\$1.0	\$1.4
Building Reserve	\$2.0	\$2.0
Deferred maintenance Reserve	\$0.5	\$0.5
10 Forecast Surplus to Balance	\$1.1	-
Total	<u>\$4.6</u>	<u>\$3.9</u>

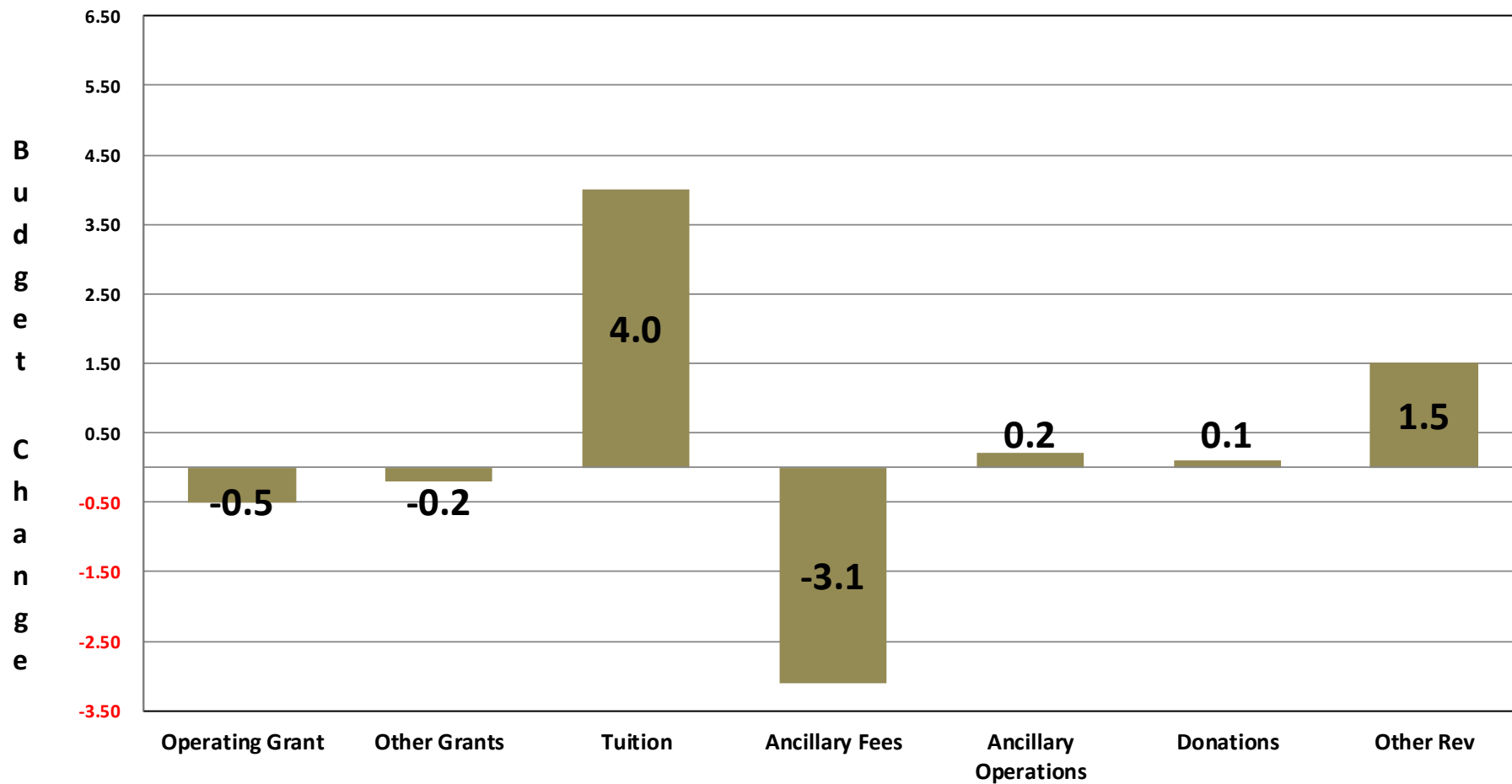
Budget Allocations



2017- 18 Proposed Draft Budget									
2017-18 Draft Operating Budget	Purchased Services	Debenture	TELE	ACE	Regent Theater	Campus ChildCare	Campus Fieldhouse & Ice Centre	Total 2017 - 18 Draft Budget	
REVENUES									
Operating Grants	\$ 54,728,994	\$ 13,500,000						\$ 68,228,994	
Other Grants	\$ 7,312,273					\$ 157,000		\$ 7,469,273	
Student Tuition Fees	\$ 78,317,804							\$ 78,317,804	
Student Ancillary Fees	\$ 4,990,711	\$ 2,206,721	\$ 3,752,982					\$ 10,950,414	
Revenues from Ancillary Operations	\$ 225,000	\$ 3,731,500						\$ 3,956,500	
Donations	\$ 680,000		\$ -					\$ 680,000	
Other Revenues	\$ 4,329,557	\$ -	\$ 77,396	\$ 4,732,591	\$ 450,763	\$ 750,149	\$ 1,545,409	\$ 11,885,865	
Total Operating Revenues	\$ 150,584,339	\$ 5,938,221	\$ 3,830,378	\$ 4,732,591	\$ 450,763	\$ 907,149	\$ 1,545,409	\$ 181,488,850	
EXPENDITURES									
FT Labour	\$ (75,914,092)	\$ (6,656,885)	\$ (1,208,296)	\$ (1,554,719)	\$ (92,903)	\$ (342,722)	\$ (632,636)	\$ (86,402,253)	
PT Labour	\$ (15,152,003)	\$ (255,253)	\$ (388,074)	\$ (148,029)	\$ (161,071)	\$ (305,653)		\$ (16,410,083)	
Operating Expenses	\$ (44,119,000)	\$ (8,232,360)	\$ (16,501,006)	\$ (1,558,644)	\$ (3,128,727)	\$ (180,891)	\$ (985,714)	\$ (74,949,820)	
Capital Expenses	\$ (3,411,196)	\$ (1,207,829)	\$ (1,806,268)	\$ -	\$ -	\$ -	\$ (92,700)	\$ (6,517,993)	
Carry Forwards*	\$ 1,265,392	\$ -		\$ -	\$ -	\$ -	\$ -	\$ 1,265,392	
Total Expenditures	\$ (137,330,899)	\$ (16,352,327)	\$ (16,501,006)	\$ (4,961,282)	\$ (4,831,475)	\$ (434,865)	\$ (1,711,050)	\$ (183,014,757)	
Budget Surplus/(Deficit)	\$ 13,253,440	\$ (10,414,106)	\$ (3,001,006)	\$ (1,130,904)	\$ (98,884)	\$ 15,898	\$ 15,296	\$ (1,525,904)	
Funded through PY reserves	(395,000)		(1,130,904)					(1,525,904)	
Total	\$ 13,648,440	\$ (10,414,106)	\$ (3,001,006)	\$ -	\$ (98,884)	\$ 15,898	\$ 15,296	\$ (165,641)	\$ 0

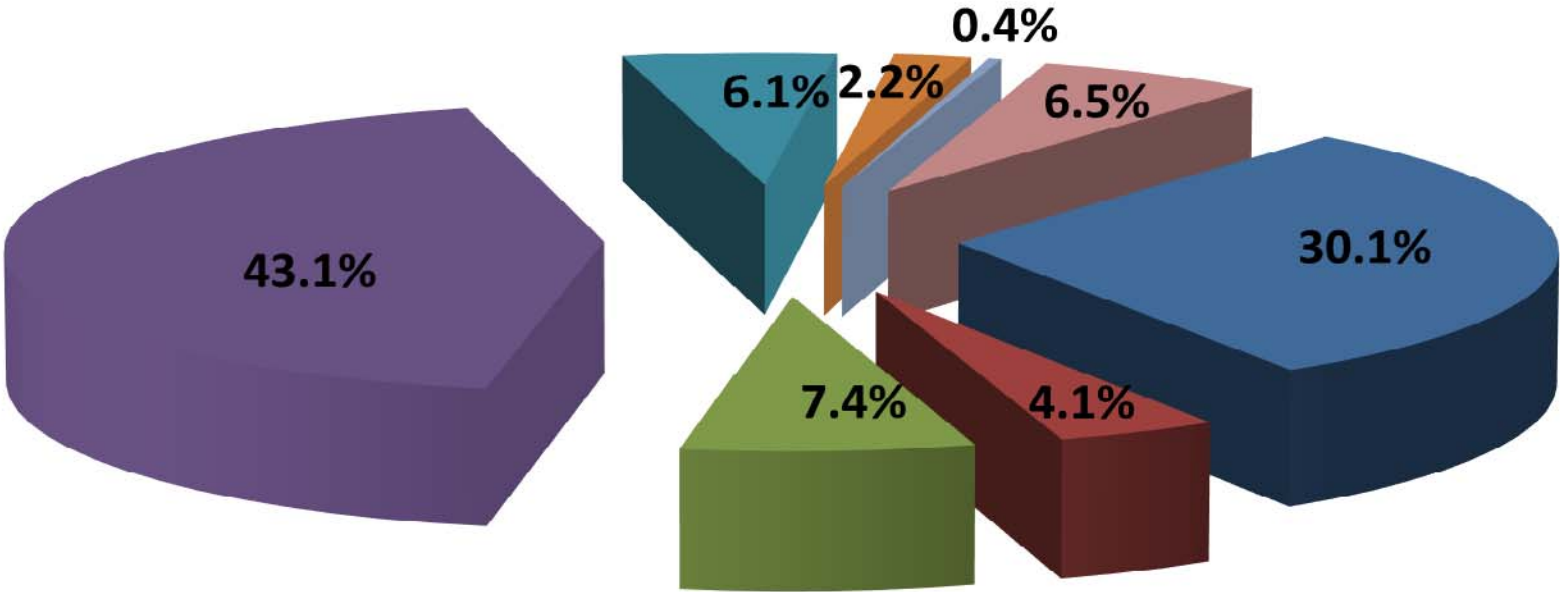
Budget Revenue Summary

The overall UOIT budget has increased \$2.0M or 1.1%



Revenue Components

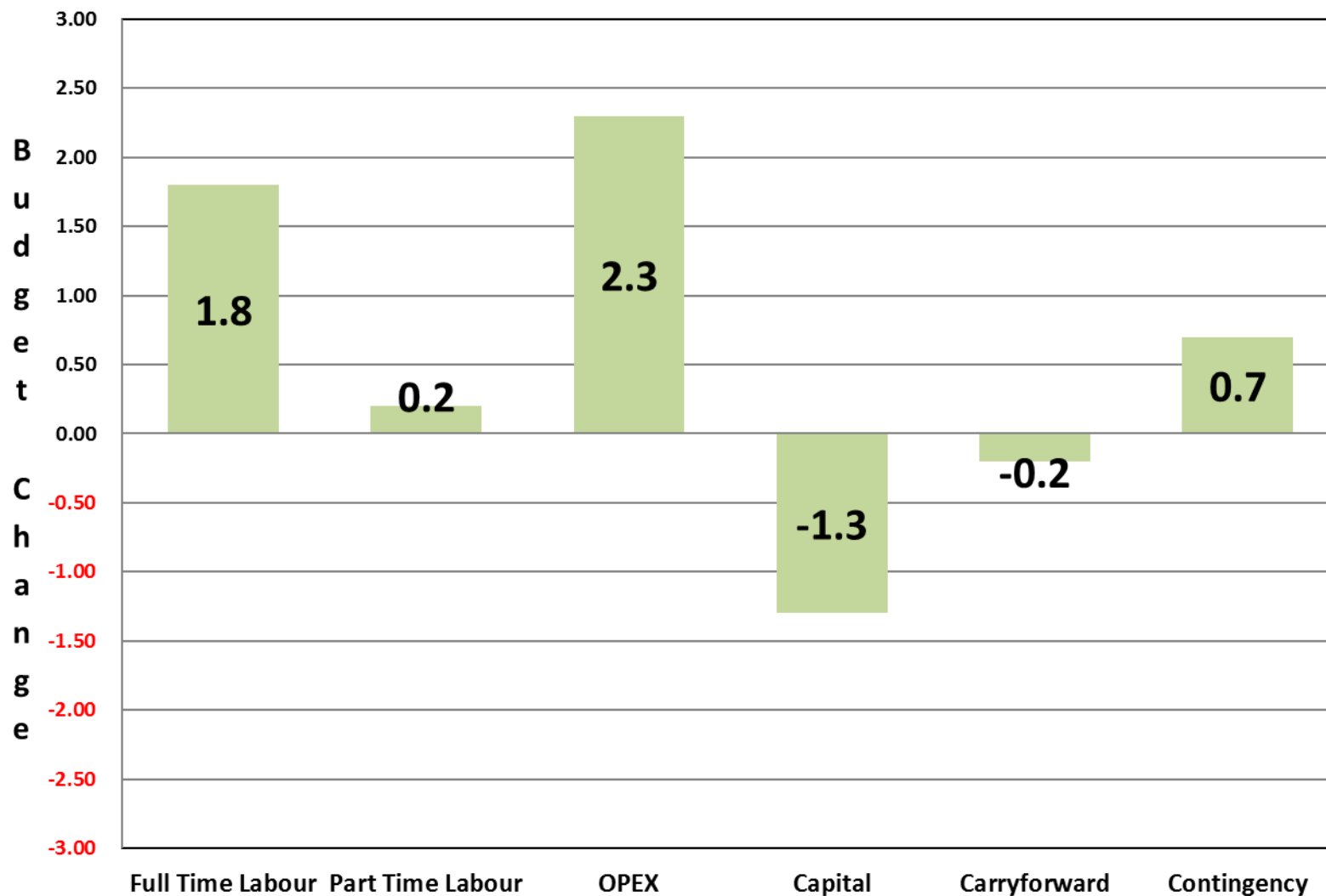
Revenue Components as a % of Total Revenue



- Operating Grant
- Other Grant
- Deventure
- Tuition
- Student Ancillary
- Ancillary Operations
- Donations
- Other Revenue

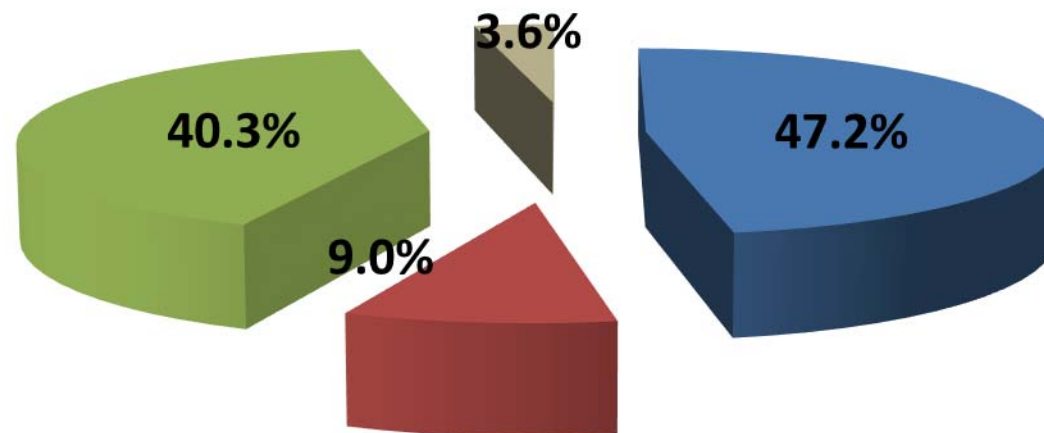
Budget Expense Summary

The overall UOIT budget has increased \$3.5M or 2.0%



Expense Components

Expense Components as a % of Total Expense



- Full Time Labour
- Part Time Labour
- Operating Expense & Carryforward
- Capital

UOIT Restricted Funds

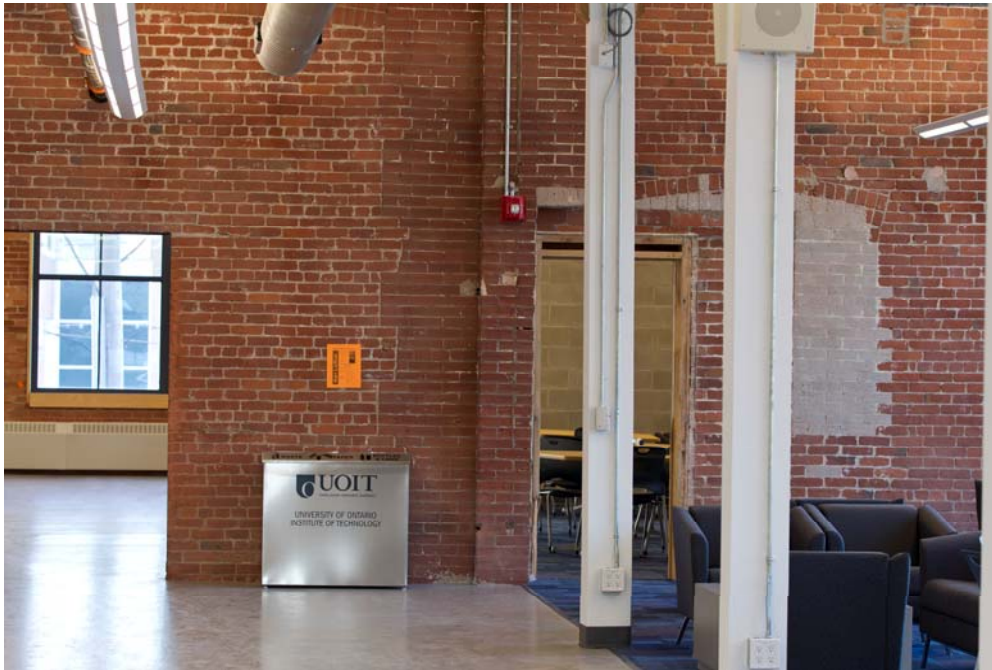
Why include restricted funds in budget planning?

1. **Provide stability from uncontrollable factors such as fluctuations in funding levels, or unforeseen economic factors**
2. **Provide financing for one-time requirements without impacting current year's operations**
3. **Allocate funds in support of RAM Allocations for “Carry Forward” amounts in Academic units**
4. **Ensure adequate cash flows, and provide flexibility to manage debt levels to protect UOIT's financial position**
5. **Provide for future liabilities**

2017-18 Estimated Internally Restricted Fund Schedule

Internally Restricted Assets (\$'000)	2017-18 Draft Budget End Balance (\$'000)	2016-17 Forecast (\$'000)	2016-17 Budget (\$'000)	2015-16 Actual End Balance (\$'000)
Research Related	\$4,500	\$4,800	\$4,500	\$4,790
Capital Related	\$6,200	\$15,600	\$22,600	\$21,546
Student Awards	\$500	\$500	\$200	\$625
Working Capital	\$6,000	\$6,000	\$6,000	\$6,000
Budget Carry Forward	\$700	\$1,960	\$710	\$1,723
Other	\$1,100	\$1,450	\$900	\$1,609
Total Restricted	\$19,000	\$30,310	\$34,910	\$36,293
Change in Restricted	(\$11,310)	(\$4,600)	(\$1,383)	

Conclusion



- ▶ Next Steps
- ▶ Questions and Discussion

Next Steps

- Budget recommendations to the Board of Governors May 3, 2017
- Budget presentation to Academic Council Executive May 5, 2017
- Budget presented to Academic Council May 16, 2017