Academic Council REPORT

SESSION:		**ACTION REQUESTED:**	
Public	☒	**Decision**	☐
Non-Public	☐	**Discussion/Direction**	☐
		Information	☒

TO: Academic Council

DATE: June 28, 2022

PRESENTED BY: Brad MacIsaac, Vice President Administration
Lori Livingston, Provost & Vice President Academic

SUBJECT: Budget 2022-23

COMMITTEE MANDATE:

The Board is responsible for governing and managing the affairs of the university, which includes the responsibility of approving the annual budget of the university and to monitor its implementation.

BACKGROUND/CONTEXT & RATIONALE:

At the November Academic Council meeting we reviewed the Fiscal Blue Print Paper, which included the budget forecast, current assumptions, competing demands and proposed strategic directions. Based on this conversation, and subsequent internal planning meetings and community town halls, the university has prioritized activities to fund for 2022-2023 with an eye on the longer term. These budget priorities are guided by the 2021-2023 Integrated Academic Research Plan.

At the April 28, 2002 meeting of the Board of Governors the university received approval for the 2022-2023 budget, which is forecasted at revenues totaling $214.6M.

The current budget planning environment remains difficult to predict given the ever-changing pandemic situation and the government policies related to tuition and grant. The attached Budget Paper goes into further details on these assumptions. However, as we begin to move out of the pandemic we are more confident with our scenario planning. With in-year enrolment gains and a positive view of the future we are estimating revenues to increase $22.7M over last year (mainly growth in international and commercial services coming back). Expenses are a mixture of mandated increases (i.e., salaries), internal reallocations and new strategic investments. To move forward on capital investments, the Budget Working Group is recommending a spend of $4.8M from prior year reserves.

In addition to the 2022-2023 budget, the university received approval for the notional 2023-2024 budget, which is forecasted at revenues totaling $222.0M but expenses not to exceed $204.6M until further approval is received. Management has normally shown the impact of a given budget on future years; however, this is the first time it requested approval on an out year. The Ministry of Colleges and University (MCU) Audit in 2021 recommended this as a “control improvement” as our budgets are not approved until later in April even though we start incurring expenses effective April 1.

Discussion with Audit & Finance:

While this budget continues to move us forward on our mission and priorities there are number of areas that were not funded to the levels we would like. The budget presentation outlines the risks and risk mitigation strategies. Two key areas area:

Enrolment - The preparation of the operating budget involves the use of projections and estimates that increase the level of overall risk of not achieving the desired results. For example, a 1% deviation in enrolment will lead to an approximate $1M variance (positive or negative) from tuition fee revenues. In non-COVID times, we have a goal of being within 3% of targets. To mitigate this, we are planning to reserve at least $2M from fiscal year 2022.

Reserves – It is important to save for a rainy day, and we are definitely facing one right now. As outlined in the November presentation to the Board Audit & Finance Committee on reserves, the university would like to see planned savings of at least $4M to address future deferred maintenance and capital plans. In 2022-2023 we have budgeted a reserve of $1M. Normally, the university sees in-year savings of over $2M which we expect to put towards further reserves if it materializes.

ALIGNMENT WITH MISSION, VISION, VALUES:

The suggested directions are made with an eye on the mission of the university and an investment in the priorities laid out in the Integrated Academic Research Plan. They will allow Ontario Tech to continue to provide high-quality undergraduate and graduate services and experiences to its students.

The first draw on the budget is an investment of $9.7M more in personnel compared to 2021-2022. The discretionary spending is prioritized on Learning Re-imagined, Recruitment and Student Success.

COMPLIANCE WITH POLICY/LEGISLATION:

The assumptions are to be compliant with provincial tuition fee policy and Ontario Tech’s ancillary fee protocol.

SUPPORTING REFERENCE MATERIALS:

2022-23 Budget Paper
2022-23 Draft Operating Budget PowerPoint presentation

ONTARIO TECH'S 2022-2023 Budget

Budget Working Group, April 2022

Contents

Executive Summary

This paper outlines the decisions made to present a balanced budget to the University's Board of Governors and our broader community. This budget is based on the funding parameters, programs and operational framework at the time of preparation. In many regards, developing the 2022-2023 Budget has been a challenge. The ongoing fiscal constraints as a result of the Ontario Government's grant funding model as well as multi-year tuition freezes (i.e. 10% tuition reduction in 2019-2020, followed by two years of tuition freezes). The government announced in March extending the tuition freeze for 2022-23 for eligible in-province students. The on-going tuition freeze compounds the constraint on revenues for this planning period as the operating grant remains at the 2016-2017 corridor funding level. In addition, an unanticipated outcome of the pandemic is the return of inflation at levels not seen in nearly thirty years. It is not yet clear if this inflation is going to be transitory or more long-term in nature. However, with key services costs increasing at rates above 5%, our expenses are far outpacing our revenues. This current financial context requires ongoing discipline to address budget pressures while targeting resources to invest in our plans. We remain committed to finding efficiencies and identifying net new resources available to fund priority areas.

The spring release of the 2021-2023 Integrated Academic Research Plan marked a continued commitment to our four strategic priority areas: Learning Re-imagined, Creating a Sticky Campus, Tech with a Conscience, and Partnerships. When acted upon, these priorities will move us towards realizing our university's vision. The University has taken up the challenge of balancing fiscal restraints, pandemic-related uncertainties, and investing in the IARP priorities. To accomplish this, budget assumptions were developed that integrate multi-year enrolment projections with financial risks. Budget assumption details are outlined in the Fiscal Blue Print Paper that was presented to the Board and broader community for discussion in Fall 2021.

The 2022-2023 Budget is aligned with our strategic priorities. Our first and largest investment is in our people as this helps drive forward our plan. In addition to hiring more people, we are also offering increased supports, including enhanced mental health, anti-racism, and Indigenous programming to support wellness and inclusion as foundational principles that underpin our values. Furthermore, significant investment has been made in our Strategic Enrolment Management efforts to revitalize academic programs, to attract the next generation of students, and to ensure our competitiveness in an increasingly globalized higher education sector. Finally, investments will be made in student success through technological enhancements and the Facilities Renewal Improvement Program. By using special purpose grants and prior year reserves, we will continue to build a sticky campus where community members want to "stick" around.

This document provides an overview of the university's $214.6M consolidated budget and outlines the fiscal tensions we face resulting from multiple competing demands.

From a revenue perspective, the increase over the prior year is $22.7M. This includes $9.7M of restricted revenues ($5.8M of commercial and ancillary revenues that have offsetting expenses and $3.9M of prior year reserves earmarked for specific projects), leaving approximately $13M of discretionary revenues to allocate to strategic and operational priorities.

From an expense perspective, we have a mixture of mandated disbursements, strategic allocations, and tactical reallocations. The paper distills and highlights the investments in major expense categories. These include the following increases: **$9.7M investment in people**, **$6.8M in operating expenses** (*mainly $1.5M Scholarships, $1.4M Recruitment, $1M Research support focusing on matching funds, Brilliant Energy and ACE, and $1.1M in Food Services costs offset by commercial revenues*) and **$5.1M in capital** (*$3M 61 Charles renovations funded from prior year reserves and $1.2M Nursing Simulation Lab*); leaving **$1M for strategic surplus**. The remainder of this paper highlights how budget allocations align with the Integrated Academic-Research Plan (IARP).

2022-2023 Draft Operating Statement

The 2022-2023 Draft Operating Statement is presented below (**Figure 1**). Ontario Tech uses the fund accounting method for its budgetary operations. Each fund, which has an allotted budget, has a primary function that allows for the earmarking of revenues and expenditures for specific purposes that meet the funds' conditions. Different budget requirements apply depending on the type of fund. For example, operating funds must be kept separate from restricted research funds. Each fund holds the net resources available to meet its current and future obligations. Even though all these funds are separate, transfers between them can be made during the year, depending on funding agreements.

Figure 1. 2022-2023 Draft Operating Statement

2022/23 Draft Operating Budget
($ Thousands)

	Operating Budget	Purchased Services Budget	Ancillary Budget	Infrastructure Budget	Commercial Budget	2022/23 Consolidated Budget	2021/22 Approved Budget
Revenues							
Operating Grant	61,017			13,500		**74,517**	74,272
Other Grants	5,443		221	1,999	48	**7,710**	6,700
Student Tuition Fees	93,176					**93,176**	81,529
Other Tuition	1,228		315			**1,543**	1,422
Student Ancillary Fees	1,542	1,357	9,347	1,834		**14,081**	12,305
Donations	1,774		10			**1,784**	960
Other Revenues	4,625	142	173		12,095	**17,035**	13,815
Prior Year Reserves	-	-	374	4,408		**4,782**	900
Total Operating Revenues	**$ 168,805**	**$ 1,499**	**$ 10,441**	**$ 21,741**	**$ 12,143**	**$ 214,629**	$ 191,903
Expenditures							
FT Labour	(95,963)	(6,256)	(5,179)		(3,056)	**(110,454)**	(107,573)
PT Labour	(13,687)	(167)	(1,171)		(525)	**(15,550)**	(14,648)
OPEX	(32,176)	(7,379)	(2,113)	(16,501)	(6,746)	**(64,915)**	(62,739)
Capital	(121)	-	(145)	(713)	-	**(979)**	-
Total Base Expenses	**$ (141,946)**	**$ (13,802)**	**$ (8,608)**	**$ (17,214)**	**$ (10,327)**	**$ (191,897)**	$ (184,960)
Base Ask (IY Approvals)	(6,675)			(1,999)		**(8,674)**	
OTO Ask (IY Approvals)	279					**279**	(1,542)
Base Asks	(3,032)	(435)	(1,130)		(728)	**(5,325)**	
OTO Asks	(1,594)		(295)	(208)		**(2,097)**	(1,895)
Capital OTO Asks	(456)		(719)	(5,323)	(285)	**(6,784)**	(4,609)
OTO Salary Savings	898		24			**922**	1,103
Total pre-Approved and New Asks	**$ (10,581)**	**$ (435)**	**$ (2,120)**	**$ (7,530)**	**$ (1,013)**	**$ (21,679)**	$ (6,943)
	-	-	-	-	-	-	-
Total Expenditures	**$ (152,527)**	**$ (14,237)**	**$ (10,728)**	**$ (24,743)**	**$ (11,340)**	**$ (213,576)**	**$ (191,903)**
	-	-	-	-	-	-	-
Total CY Budget Surplus/(Deficit)	**$ 16,278**	**$ (12,738)**	**$ (287)**	**$ (3,003)**	**$ 803**	**$ 1,053**	$ -

The 2022-2023 Draft Operating Statement reflects the following funds and their associated budgets as follows:

Operating Budget (including Purchased Services): This $170.3M total consists of financial resources that can be used for the most part without external restrictions to achieve the University's objectives, whether related to teaching, research or community services. This includes services purchased from Durham College which are separated out above for greater transparency.

Ancillary Budget: This $10.4M includes non-tuition related fees that are collected from students to cover the costs of enhancing their cultural, social, recreational experiences, and to provide other enhancements to support services. In accordance with Ministry of Colleges and Universities guidelines, and jointly agreed to OTSU-University protocols, these funds can only be used for their stated purpose.

Infrastructure Budget: This $21.7M takes into account financial resources used for capital expenditures such as land and building acquisitions, facility construction, and major renovations. It is financed through grants, donations, loans, and transfers from other funds. The goal is to always have this balanced but, as you will see in the expense section, we still require $3M from operating to cover the debenture.

Commercial Budget: This $12.1M consists of financial resources intended for activities that complement the University's main research and teaching activities. It includes self-funded services such as food outlets, the Shop Ontario Tech Bookstore, Campus Ice Centre, and parking. The goal for this area is to create a slender profit in order to create a reserve for future capital repairs and/or investments.

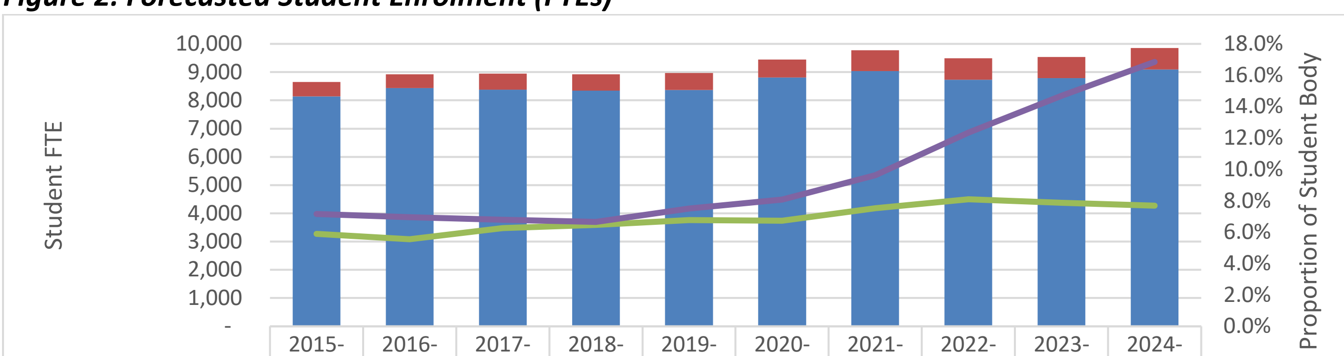
The operating statement relies on the university being able to generate adequate revenues to support our expenses. In a province where tuition fees are frozen and costs are on the rise, we must ensure that we generate the revenues needed while also constraining expenses to ensure ongoing financial sustainability.

Financial Overview – Revenue

The key driver for the operating budget is enrolment performance. As enrolment increases so does the amount of revenue gathered from tuition, grant (i.e., enrolment funding which remains constant during the SMA3 period, with some limited growth in targeted areas), ancillary fees, and other fees. Considered separately, domestic tuition and grant account for about $123M in revenue, or, about 72% of our total operating budget. When we add these domestic tuition and grant revenues with international tuition ($33M) revenues, this surpasses 92% of our total operating budget. Therefore, enrolment is the key revenue driver in the university budget.

For the coming year, Ontario Tech has experienced an overall increase in new student applications. This increase far exceeds the system average for both domestic and international student applicants. However, our total forecasted student enrolment is anticipated to be down in 2022-2023 (**Figure 2**). Even with increased applications and hence new student registrations, and increasing student retention rates anticipated for the coming year, we estimate the overall enrolments will decrease next year as a result of missed domestic student intake targets in 2020 and 2021, and a lower than expected flow-through of students over the next four to five years. Importantly, although the overall enrolment projections show a decline in 2022, the proportion of international students enrolled at Ontario Tech continues to grow and positively impacts our total revenues.

Figure 2: Forecasted Student Enrolment (FTEs)[1]



	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
New UG intake	2,612	2,443	2,658	2,629	2,496	2,710	2,684	2,735	2,858	2,909
GR FTEs	510	496	560	578	607	636	735	769	752	759
UG FTEs	8,139	8,434	8,383	8,347	8,362	8,813	9,039	8,727	8,785	9,096
% Graduate	5.9%	5.6%	6.3%	6.5%	6.8%	6.7%	7.5%	8.1%	7.9%	7.7%
% International	7.2%	7.0%	6.8%	6.7%	7.5%	8.1%	9.6%	12.3%	14.7%	16.8%

1 Student enrolment is reported as full-time equivalents (FTEs).

University revenues are derived from tuition, grant, ancillary and other fees. The University's 2022-2023 consolidated budget is **$214.6M**[2] (**Figure 3**), which is $22.7M above last year. Over half of this growth ($11.8M) is coming from increased tuition revenues resulting largely from increases in international student enrolment. The remainder, another $8M increase in revenues, has specific expenses tied to it for ancillary operations, commercial services, or the release of prior year reserves. Our operating revenues from tuition and ancillary fees are forecasted to represent 52% of our total revenues. This is up from about 43% just two years ago, yet it aligns with the 2020 provincial system average of 55% (i.e., system range of 40-70% based on COFO data).

Figure 3: Total Consolidated Budget – Revenues by Source

Revenue Summary	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Forecast	2022-23 Budget	Variance 2022-23 Budget v 2021-22 Budget	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	%
Tuition	78,590	81,773	82,951	88,644	94,719	11,769	14%
Grant	81,065	84,871	80,972	89,825	82,227	1,255	2%
Ancillary	14,453	11,380	12,305	12,319	14,081	1,776	14%
Other Revenue	6,347	4,062	4,945	4,122	4,940	(5)	0%
Donations	2,030	1,122	960	1,453	1,784	825	86%
Commercial	10,083	4,574	8,870	7,760	12,095	3,225	36%
Prior Year Reserves			900	840	4,782	3,882	431%
Total Revenue	**$192,568**	**$187,783**	**$191,903**	**$204,964**	**$214,629**	**$22,726**	**11.8%**

Tuition Fees: domestic and international tuition is the main revenue growth with over 62% of the total "new revenue" (i.e., variance excluding prior year reserves). Currently, tuition fee levels for our undergraduate domestic students near the median for Ontario universities. In February 2019, the government announced a 10% cut to domestic fees and a subsequent tuition freeze. For 2022-23, our international undergraduate tuition fees increased by 10%-15% and 5%, respectively, for new and continuing students. With these increases, the majority of our international tuition fees remain below the system median.

Ancillary Fees: Ancillary fees are restricted for the activities for which they were approved (e.g., recreation services, health services, and a variety of other student-centred services). These represent about 6.7% of the total new revenue. Over the past seven years we have focused on keeping these fees relatively flat with the last two years increasing at or below inflation.

Government Grants: In 2016, the provincial government announced an enrolment-based funding formula where institutions receive a fixed operating grant as long as their five-year moving enrolment average stays within 3% of an established target (or corridor mid-point). In 2019, as part of Strategic Mandate Agreements, the funding allocation moved to being heavily tied to performance measures. Due to the pandemic, the government has paused linking our funding to these new measures until at least 2023.

Commercial: A commercial operation is a unit within the university that is expected to be financially self-sufficient. That is, each operation should generate sufficient revenue to not only cover its annual operating costs, including utilities and maintenance, but also provide for the renovation and replacement of its physical assets, including any required debt servicing costs. This is expected to account for 5.8% of our new revenues.

[2] This does not include restricted funds such as an estimated 2022-2023 budget total of $15.4M of acquired research funds and $2.7M in donations.

Financial Overview - Expenses

After two years of strategic budget cuts as a result of reduced government support, escalating costs, and pandemic impacts, our current revenue assumptions forecast a significant increase in revenues in comparison to the 2021-2022 budget year. At the same time, our expenses have increased as a result of a number of factors, including inflation and services that are mandated for increases. For example, annual salary increases of $126M which are $4M higher than last year, are reflected in the Full Time and Part Time Labour lines. In summary, looking at the total forecasted revenues ($214.6M) less base expenditures ($191.9M), there is about **$22.7M available for allocation**.

The draft operating statement (**Figure 1**) highlights specific revenues that are dedicated to certain funds/ budgets and their corresponding expenses. Working from left to right under "Total Pre-Approved and New Asks", you will see the allocation of additional funds for 2022-2023 as follows:

Ancillary Budget: An approval of an additional **$2.1M** in expenses which are all offset by specific fees collected from students (e.g., health services ancillary fee) or provincial grants (e.g., Mental Health) that apply directly against the operational expenses of these services. These revenues cannot be used for any other purpose.

Infrastructure Budget: An approval of an additional **$7.5M** in expenses which are all covered by revenue obtained through specific grants (e.g., Training Equipment and Renewal Fund (TEF)), Ontario Tech's debenture grant, and ancillary fees for capital upgrades. The deficit of $3.0M in the Infrastructure Budget represents the portion of our debenture debt that is funded by Operations.

Commercial Budget: An approval of an additional **$1M** in expenses which are required to bring about $2M more in revenues. The surpluses generated will go toward future reserves as we need to plan for replacing food service equipment or paving parking lots.

A balance of **$11M** was available to allocate for **Operating Budget** expenses. From this amount, almost 60% of this (**$6.4M**) was already determined. This comes from a mandated roll over $4M ($1.5M scholarships, $1.5M loan interest, $1M salary adjustments) and a further $2.2M in-year strategic investment ($1.7M into Enrolment Management strategies to deliver on the proposed student growth noted in the assumptions, $500K to support research). The balance of **$4.6 M** was available to the Budget Working Group for strategic allocation, which is explained as follows:

- **$3.5M Additions to Base Expenditures**
  - $2.8M for new FT positions
  - $0.7M for new PT positions (i.e., primarily allocated to sessional hiring and TA support)

- **$1.1M One-Time Only (OTO) Expenditures**
  - $0.9M FT (Savings from delayed hires/vacant positions)
  - $0.8M PT (primarily Sessional Instructors/TAs)
  - $0.8 M OPEX (e.g., Research matching $0.35M, Events $0.3M, Microcredentials $0.25M)
  - $0.45M capital investment in Information Technology (IT)

Alternate Financial Overview – Expenses by Strategic Priority

Of all the different ways to look at a budget, a key view relates to delivering on strategy priorities. This may be accomplished through the allocation of new revenues or reallocation of existing resources. This section identifies how some of the investments align with the Integrated Academic-Research Plan (IARP) priorities.

Sticky Campus: Commitment to mental health and equity, inclusion and diversity:

- Provide supplemental supports by increased resources for faculty, staff, and students.
- Strong acknowledgement of stressors experienced by global pandemic.
- Concentration on the potential changes to work settings with greater focus on employee choice, conditions to ensure positive engagement and an environment that promotes inclusion, collaboration and equity in learning, teaching, and research.

$9.7M investment in our highly qualified personnel. While we estimate fewer students in 2022 our commitment to mental health lead to an examination of employee capacity. This includes 58[3] more FT employees than 2021.

$1M investment specifically in EDI through five (5) specific faculty/staff hires (i.e., Human Rights Coordinator, Employee Wellness Manager, EDI Coordinator, Recruitment Outreach Coordinator, Indigenous Outreach Coordinator, Indigenous Tenure-Track Faculty Member).

Further investment in Black Athletes' Award fund and seed funding for the creation of a "Self Care" course in the Faculty of Health Sciences.

Sticky Campus/Learning Re-imagined: Student-centric university:

- Strategic Enrolment Management Framework—Long-term enrolment plan aligned with institutional vision and priorities, and retention programming.
- Concentration on student success with greater focus on digital recruiting and analytics to help student success and enhanced connections with alumni for lifelong learning.
- Increased research opportunities for undergraduate and graduate students.

$3M investment in Faculty ($2M) and Sessional/TA ($1M) to support new enrolment growth. This includes recognizing programs that have already seen increases (i.e., 3 new Computer Science faculty) and new program start ups (i.e., Masters Business Analytics & AI).

$1.8M investment in recruiting initiatives to boost our efforts as we work to increase domestic market share and push for a surge in international to at least the system average.

$1.6M in financial aid with a focus on leveraging funds for more work/research study positions.

Learning Re-imagined/Tech with a Conscience: Innovative programming:

- Re-invent learning by defining and constructing high-quality pedagogical practices specifically designed for use with technological solutions and experiential components.
- Differentiated technology and physical space: Invest in, and utilize, an expanded array of technological platforms and assets while simultaneously exploring and identifying new opportunities in relation to the technology pedagogy interface.
- Repurpose and re-imagine space to support learning, research and community engagement.

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[3] The 58 include 12 budget neutral (unfrozen or move from PT to FT), 30 admin (11 are funded), 16 faculty

$2.1M for the development of a new Health Simulation Lab. This is a partnership with Durham College Collaborative Nursing ($700K) and the Ministry of Colleges and Universities ($700K).

$3M revitalization of 61 Charles St to reconfigure classrooms and offices of the future. By bringing Social Sciences and Education together we are creating a new "hub" downtown.

$1M investment in IT projects including upgrades to expand self-service, researching Artificial Intelligence ethically to automate responses, and improving cyber security with multi-factor authentication and upgrade equipment.

Learning Re-imagined/Partnerships: Incentivize scholarship of teaching and enhancing teaching practices:

- Focus on leading in pedagogy and technology scholarship and research that is learner focused.

$1M in numerous projects to explore how to differentiate and support pedagogy of the future including the re-investment in Scholars in Residence and Internal Research Chairs; and $150k investment in Learning Innovation for an OER Lab Coordinator and Faculty Developer.

$1M of seed funding for Brilliant Energy (250K), Brilliant Catalyst ($150K), Microcredentials ($350K).

Linking this year's annual allocation of surplus funds to our strategic priorities is a new approach. In prior years, we have instead relied on summaries focused on expenses by category or division. For the sake of consistency in reporting, these alternate expense summaries are presented in **Appendices A and B**, respectively.

Reserves

At the November 24, 2021 meeting of the Board Audit & Finance Committee, we engaged in discussion on a paper entitled Financial Sustainability and Reserves. The purpose of the paper was to outline the need for in-year surpluses to build reserves for long-term planning specifically related to new buildings and deferred maintenance. Whilst there are many competing demands in short-term planning, the community must understand the University's future needs and have general guidelines on how much to save for future expenditures. For example, as we look out to 2040, the accumulated deferred maintenance costs alone will exceed $14M and be growing at a more rapid pace after that time (**Figure 4**).

The reserves position of the University is noted in **Figure 5,** which shows the historic (2018-2019 to 2020-2021) and preliminary forecasted (2021-2022) and budgeted (2022-2023) operating reserves. The estimated planned surplus in 2021-2022 will be invested in capital projects such as the renovations to 61 Charles and we are planning to reserve at least $3.5M in 2022-2023 based on in-year savings. The reserve funds set aside for capital projects, internally restricted research funds, and funds reserved for specific purposes (e.g., academic priorities, digital and physical infrastructure re-imagined). Approximately 60% (or $12.5M) of the 2020-2021 reserves are related to existing contractual obligations of the University (e.g., faculty start-up and professional development funds) and a $6M working capital reserve that has been set aside, upon the recommendation of the Ministry, to stabilize the financial position of the University.

Details on the fund balances as at March 31, 2021 can be found in Note 17 of the 2021 Annual Financial Statements. Excluded from reserves, as they are externally restricted, are sponsored research funds, endowment funds, and directed donations which are included as deferred contributions.

Figure 4 – Cumulative Deferred Maintenance

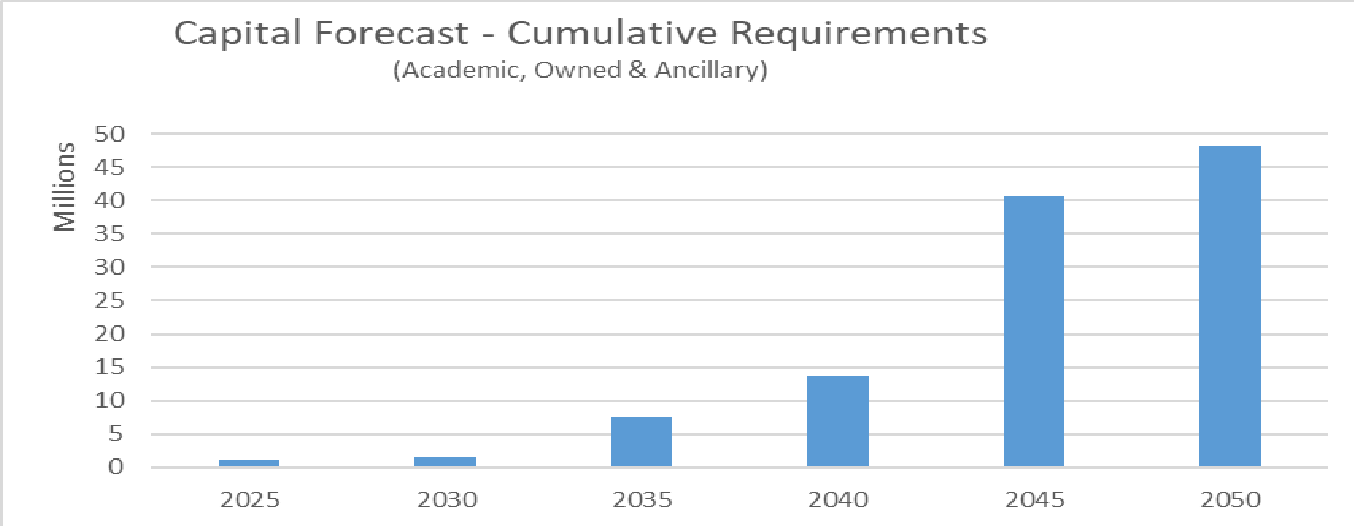
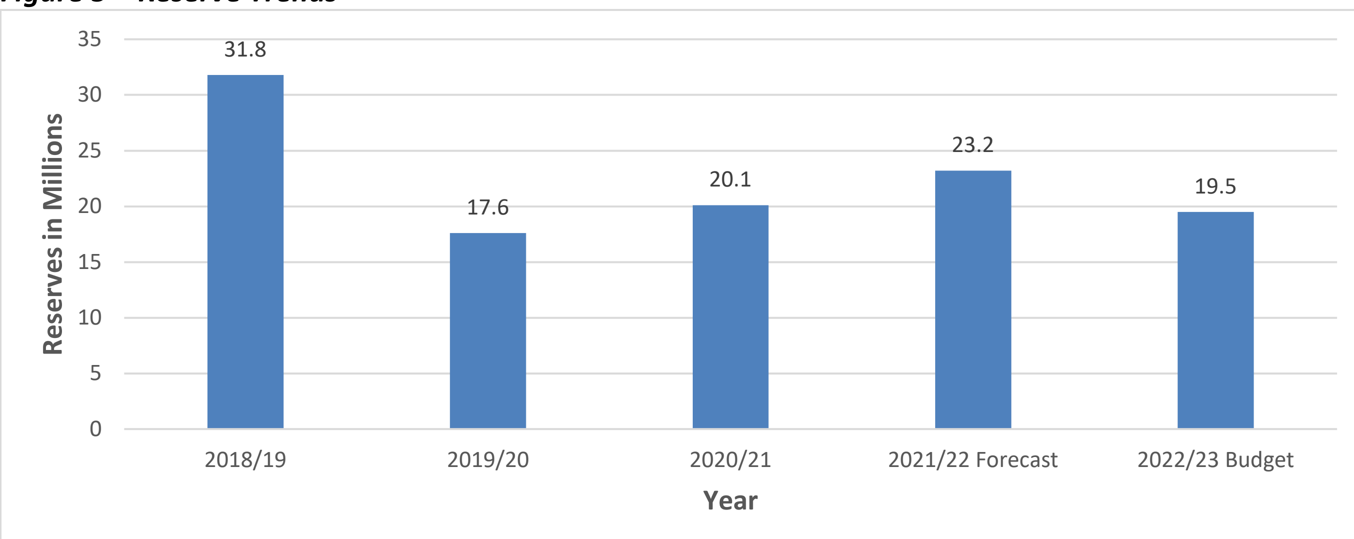


Figure 5 – Reserve Trends



Financial Health Indicators

To help in assessing the financial health of the university sector, the Council of Universities (COU) has created a subset of five financial health indicators, with minimum thresholds for each, to serve as a mechanism to identify financial sustainability concerns. **Appendix C** contains a summary of these indicators, including a definition for each. The financial indicators provide insight into the operational health of the University and its capacity to meet its financial obligations (**Figure 6**). As of March 31, 2021, the institution had healthy performance ratios (i.e., 3-year average primary reserve, net income/loss and net operating revenue ratios) which were above the COU minimum recommended thresholds. Due to its high debt level, which is primarily the result of a $220M debenture debt entered into to support the original construction of the University in 2003, our debt ratios (i.e., interest burden and viability ratios) continue to be above the minimum threshold. However, these have consistently improved over the years as the University continues to pay back its debt obligations.

Projected ratios for the current year 2021-2022 budget year are based on the Q3 forecasted surplus of $3.5M and an additional $25.0M of external loan drawn for the construction of the new Shawenjigewining Hall. Projected ratios for 2022-2023 include a projected surplus of $1.1M, which has been earmarked for capital reserves. The forecast and planned surplus in 2021-2022 and 2022-2023 have resulted in projected stable performance ratios and improved debt ratios for both fiscal years. The University needs to continue with prudent financial planning and as reserves (i.e., $4.8M) have been utilized in the current year to balance the budget, these reserves need to be replenished to offset unforeseen budget situations and to provide funds to meet future strategic initiatives, whilst at the same time helping to maintain the financial sustainability of the University.

It should be noted that financial health metrics should not be reviewed in isolation, but rather together with institutional metrics, annual credit ratings, and enrolment trends which collectively provide a holistic picture of current and future financial health of the University.

Figure 6: Financial Health Indicators

Financial Metrics	Is the University within minimum recommended threshold	2022/23 Budget	2021/22 Forecast	3-year average to 2020/21	Minimum threshold recommended
(1) Net Income/Loss Ratio	Yes	2.8%	1.5%	3.1%	1.5%
(2) Net Operating Revenues Ratio	Yes	11.2%	10.8%	11.1%	2.0%
(3) Primary Reserve Ratio (days)	Yes	32	40	47	30
(4) Interest Burden Ratio	No *	6.1%	6.5%	7.3%	5.0%
(5) Viability Ratio	No*	11.1%	12.5%	14.2%	30.0%

* Note: Ratios are favourable if they are at or **above** minimum threshold, except for the **interest burden ratio** where we would want to be at or **below** the recommended minimum threshold.

Whilst the debt metrics (interest burden and viability ratios) are not within the recommended threshold, these have consistently improved over the last years as the University continues to pay back its debt obligations. Debt affordability is supported by the annual grant of $13.5M from the Province. This covers 80% of the University's annual debenture repayment.

Key Budget Risks

The following outlines key operational and strategic risks as it relates to our budget-setting process.

- **Uncertainty in achieving enrolment targets**, as we look at steady new domestic and growing new international student enrolment numbers. In a normal year, a 3% variance for total full-time equivalents (FTEs) is reasonable. With increasing competition for students and the lingering effects of the pandemic, we must stay focused on this area.

- The province's **shift to a performance-based funding model** with SMA3 has a growing percentage of funding tied to achieving key performance indicator (KPI) targets. Due to the global pandemic, funding has been decoupled from performance until 2023-2024, year four of the SMA3 period. As we look to the third year of the agreement, we anticipate that a number of our performance/outcome indicators may be negatively impacted.

- **Stakeholder relations/campus experience/culture:** For all of our stakeholders (i.e., students, staff, faculty, alumni and the community-at-large), these areas may all be impacted based on the "learn/work from anywhere" atmosphere that has emerged as a result of the pandemic. Finding the balance between working virtually and being on campus requires our full attention.

- **Campus well-being:** Our staff and faculty share one thing in common: a dedication to student success. Our student and administrative services are backed by an impressive array of knowledgeable and caring professionals. By increasing virtual supports for all members and enhancing the step-care model for student mental health, we are working to continue to deliver, and improve these vital online services.

- **Physical/virtual infrastructure:** One of the first budget areas to be reduced over the last few years was the repair and replacement of equipment. The chances of equipment failure only increase as the equipment ages. We will increase in year spending to look after capital renewal and return to increasing our planned reserves for future needs.

Summary

Ontario Tech strives to advance its strategic priorities while ensuring that we engage in financially responsible budgeting practices. This paper aims to provide a better understanding of our main revenue streams and expenses as we focus on the upcoming 2022-2023 budget and provide the basis for discussion on investing in institutional priorities. It is important to note that our two main revenue streams (i.e., domestic tuition and provincial government grants) are currently frozen, while expenses continue to rise due to yearly salary increases and the costs of inflation. We have no choice but to focus on enrolment growth, and especially international enrolment growth, and generating alternative revenue streams, as well as finding cost efficiencies, during this time of financial constraint.

Appendix A - Alternate Financial Overview – Expenses by Category

This second view of expense allocations is presented by category of expense.

- Labour expenses increase of $9.7M total which includes in-year mandated salary increases over $3M. The 58 more employees over last budget include 12 budget neutral (unfrozen or move from PT to FT), 30 admin (11 are funded), 16 faculty
- Labour is about 63% of our total budget. However, if we eliminate debenture ($16.5M) and reserve-funded expenses ($4.8M) from total expenses then Labour accounts for about 70% which is aligned with previous years.
- OPEX has increased $6.8M over prior year. The main drivers of this growth include over $2.2M in student financial support, $1.1M in commercial expenses (offset by new revenue) and $1.6M to boost International recruitment
- Capital has increased $5.1M with a focus on renovations to 61 Charles ($3M) and an investment in a Nursing Simulation lab ($1.2M) both funded by prior year reserves.

Expense Summary	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Forecast	2022-23 Budget	Variance 2022-23 Budget v 2021-22 Budget	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	%
FT Labour	95,468	97,450	105,747	98,164	113,301	7,553	7%
PT Labour	21,153	16,833	16,603	22,393	18,766	2,163	13%
OPEX	67,513	58,511	64,943	71,827	71,749	6,805	10%
Capital	4,223	6,571	4,609	8,603	9,761	5,152	112%
Total Expenses	**$188,357**	**$179,365**	**$191,903**	**$200,987**	**$213,576**	**$21,674**	**11.3%**

Staff Complements (FTEs)

FTE's	2019-20 Actual	2020-21 Budget	2020-21 Actual	2021-22 Budget	2021-22 Actual	2022-23 Budget
Total	1-Oct		1-Oct		1-Oct	
Tenure/Tenure Track	226	230	231	224	225	232
Teaching Faculty	83	87	85	83	87	90
Support Staff - Durham College	67	64	64	60	63	60
Support Staff - OPSEU	279	284	287	292	298	309
Non-Union - Admin/Support	171	157	158	158	167	182
Total FTE	826	822	825	816	841	874

Appendix B - Alternate Financial Overview – Expenses by Division

Another way to present the expense allocation is by division. Academic is comprised of the Faculties, while Academic Support refers to the direct costs of supporting students and instructors.

- Academic was approximately 30% of the total budget a decade ago and has now grown to over 40%. It has remained consistent the last few years.
- The percentage going to Academic is difficult to maintain as tuition/grant is flat while revenues to non-core activities like commercial or ancillary are growing.
- Of the $11.0M in available Operating discretionary funds about 58% ($6.4M) went to faculties.

Expense Summary	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Forecast	2022-23 Budget	Variance 2022-23 Budget v 2021-22 Budget	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	%
Academic	74,723	76,081	80,750	84,187	87,142	6,391	8%
Academic Support	37,932	33,594	38,808	41,230	45,608	6,801	20%
Administration	50,526	46,150	46,152	49,848	52,423	6,271	14%
Ancillary/Commercial	8,675	7,039	9,692	9,221	11,902	2,210	31%
Debenture	16,501	16,501	16,501	16,501	16,501	0	0%
Total Expenses	**$188,357**	**$179,365**	**$191,903**	**$200,987**	**$213,576**	**$21,674**	**11.3%**

Appendix C – Financial Health Indicators – Definitions

(1) Net Income/Loss Ratio

$$\frac{\text{Total Revenues less Total Expenses}}{\text{Total Revenues}}$$

Measures the percentage of revenues that contribute to net assets. The objective is to track trends in net earnings

(2) Net Operating Revenues Ratio

$$\frac{\text{Cash flow from Operating Activities}}{\text{Total Revenues}}$$

Indicates the extent to which the University is generating positive cash flow in the long-run to be financially sustainable.

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(3) Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}} \text{ x 365 days}$$

Indicates the University's financial strength and flexibility by determining the number of days it can function using only its resources that can be expended without restrictions. Expendable net assets include: Unrestricted surplus (deficit), internally restricted net assets and endowments.

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(4) Interest Burden Ratio

$$\frac{\text{Interest Expense}}{\text{Total Expenses - Depreciation}}$$

Indicates debt affordability as it examines the percentage of total expenses used to cover the University's cost of servicing debt

(5) Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

Determines financial health as it indicates the funds on hand to settle its long-term obligations. Long-. Term Debt is total external long-term debt, excluding the current portion of debt.

2022-23 Draft Operating Budget & 2023-24 Notional Operating Budget

Academic Council – June 28, 2022

(same as BoG: April 28, 2022)

Lori Livingston, Provost and Vice-President, Academic
Brad MacIsaac, Vice-President Administration

Budget Accounting Summary

- Budget is prepared on a "modified-cash" basis verses annual financial statements that are prepared on a GAAP
  - Consolidated operating excludes items such as amortization on capital assets and grants
- Fund accounting is used to allocate budgets based on primary function
  - Consolidated operating excludes externally restricted funds (i.e. $15.4M of acquired research funds and $2.7M in donations).

- Motion 1: to approve a 2022-2023 budget of $214.6M
- Motion 2: to approve a 2023-2024 *notional* budget of $222.0 million in revenues and expenses not to exceed $204.6M

2022 – 2023 Budget Summary

2022/23 Draft Operating Budget
($ Thousands)

	Operating Budget	Purchased Services Budget	Ancillary Budget	Infrastructure Budget	Commercial Budget	2022/23 Consolidated Budget	2021/22 Approved Budget
Revenues							
Operating Grant	61,017			13,500		**74,517**	74,272
Other Grants	5,443		221	1,999	48	**7,710**	6,700
Student Tuition Fees	93,176					**93,176**	81,529
Other Tuition	1,228		315			**1,543**	1,422
Student Ancillary Fees	1,542	1,357	9,347	1,834		**14,081**	12,305
Donations	1,774		10			**1,784**	960
Other Revenues	4,625	142	173		12,095	**17,035**	13,815
Prior Year Reserves	-	-	374	4,408		**4,782**	900
Total Operating Revenues	**$ 168,805**	**$ 1,499**	**$ 10,441**	**$ 21,741**	**$ 12,143**	**$ 214,629**	$ 191,903
Expenditures							
FT Labour	(95,963)	(6,256)	(5,179)		(3,056)	**(110,454)**	(107,573)
PT Labour	(13,687)	(167)	(1,171)		(525)	**(15,550)**	(14,648)
OPEX	(32,176)	(7,379)	(2,113)	(16,501)	(6,746)	**(64,915)**	(62,739)
Capital	(121)	-	(145)	(713)	-	**(979)**	-
Total Base Expenses	**$ (141,946)**	**$ (13,802)**	**$ (8,608)**	**$ (17,214)**	**$ (10,327)**	**$ (191,897)**	$ (184,960)
Base Ask (IY Approvals)	(6,675)			(1,999)		**(8,674)**	
OTO Ask (IY Approvals)	279					**279**	(1,542)
Base Asks	(3,032)	(435)	(1,130)		(728)	**(5,325)**	
OTO Asks	(1,594)		(295)	(208)		**(2,097)**	(1,895)
Capital OTO Asks	(456)		(719)	(5,323)	(285)	**(6,784)**	(4,609)
OTO Salary Savings	898		24			**922**	1,103
Total pre-Approved and New Asks	**$ (10,581)**	**$ (435)**	**$ (2,120)**	**$ (7,530)**	**$ (1,013)**	**$ (21,679)**	$ (6,943)
	-	-	-	-	-	**-**	-
Total Expenditures	**$ (152,527)**	**$ (14,237)**	**$ (10,728)**	**$ (24,743)**	**$ (11,340)**	**$ (213,576)**	**$ (191,903)**
	-	-	-	-	-	**-**	-
Total CY Budget Surplus/(Deficit)	**$ 16,278**	**$ (12,738)**	**$ (287)**	**$ (3,003)**	**$ 803**	**$ 1,053**	$ -

2022 – 2023 Budget Summary

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Examples of Investments by Strategic Priority

STICKY CAMPUS:
Commitment to Mental Health and Equity, Diversity, and Inclusion

- **$9.7M** Highly qualified personnel (i.e., 58 FT employees)
  - **16 Faculty**
  - **30 Administrative Staff (11 funded from other revenues)**
  - **12 budget neutral (contractual to continuing positions)**
- **$1.0M** EDI through five (5) specific faculty/staff hires
  - **Human Rights Coordinator**
  - **EDI Coordinator**
  - **Recruitment Outreach Coordinator**
  - **Indigenous Outreach Coordinator**
  - **Tenure-Track Indigenous Faculty Member**

Examples of Investments by Strategic Priority

STICKY CAMPUS/LEARNING REIMAGINED:
Student-Centric University

- **$3.0M** FT/PT Faculty to support enrolment growth
- **$1.8M** Recruitment initiatives
- **$1.6M** Financial aid

Examples of Investments by Strategic Priority

LEARNING REIMAGINED/TECH WITH A CONSCIENCE:
Innovative Programming

- **$2.1M** Health Simulation Lab (Shawenjigewining Hall)
- **$3.0M** 61 Charles revitalization
- **$1.0M** IT projects

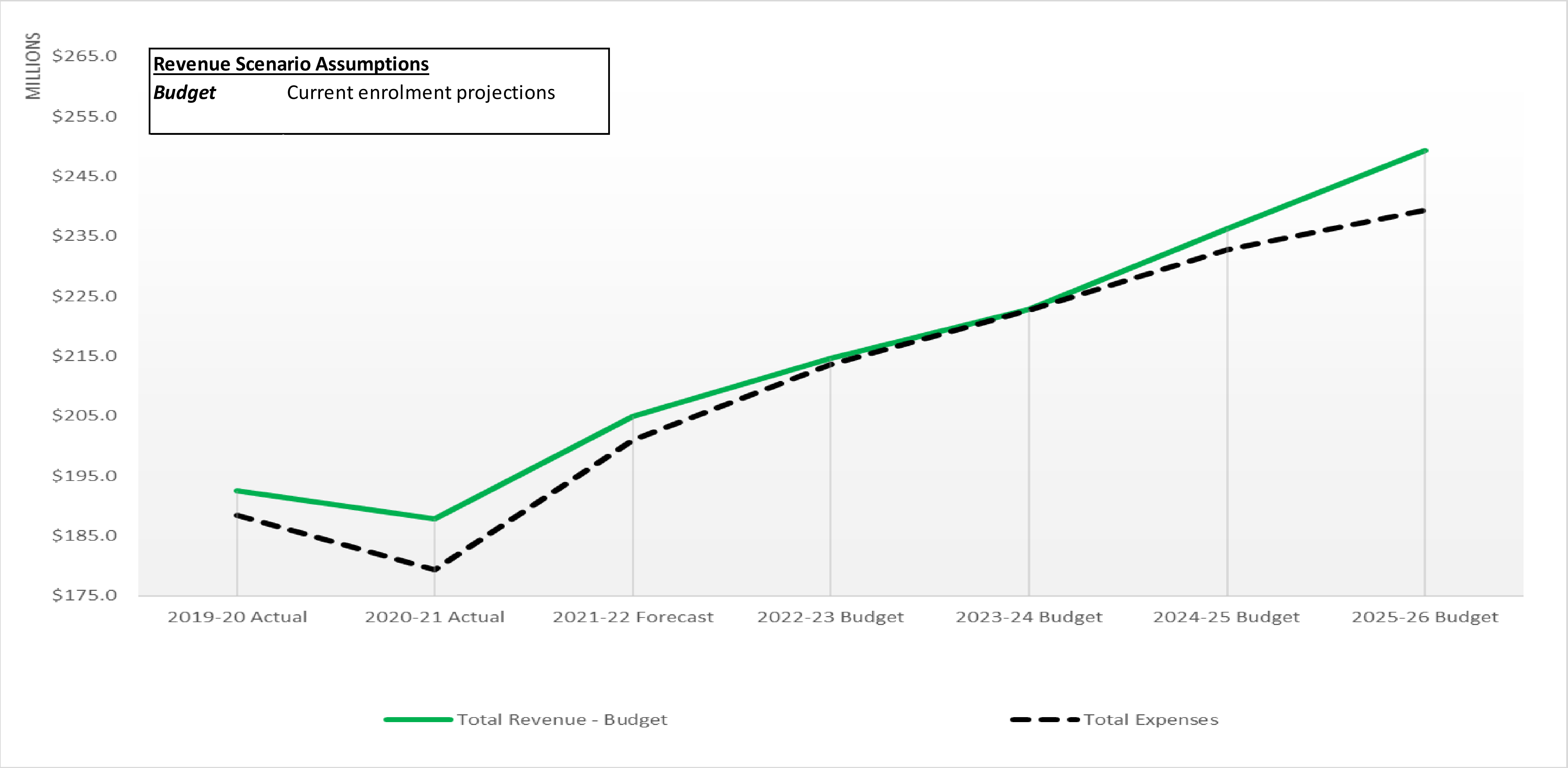
Examples of Investments by Strategic Priority

LEARNING REIMAGINED/PARTNERSHIPS:
Scholarship of Teaching and Teaching Practice

- **$1.0M** Pedagogical initiatives
  Scholars in Residence program
  OER Lab Coordinator

- **$1.0M** Seed funding
  Brilliant Energy Institute
  Brilliant Catalyst

Budget Risks/ Risk Mitigation: Financial Sustainability



Questions??

Appendix

2022-23 Draft Operating Budget:

Audit & Finance Committee
April 13, 2022 (revised)

Lori Livingston, Provost and Vice-President, Academic
Brad MacIsaac, Vice-President Administration

Budget Accounting Summary

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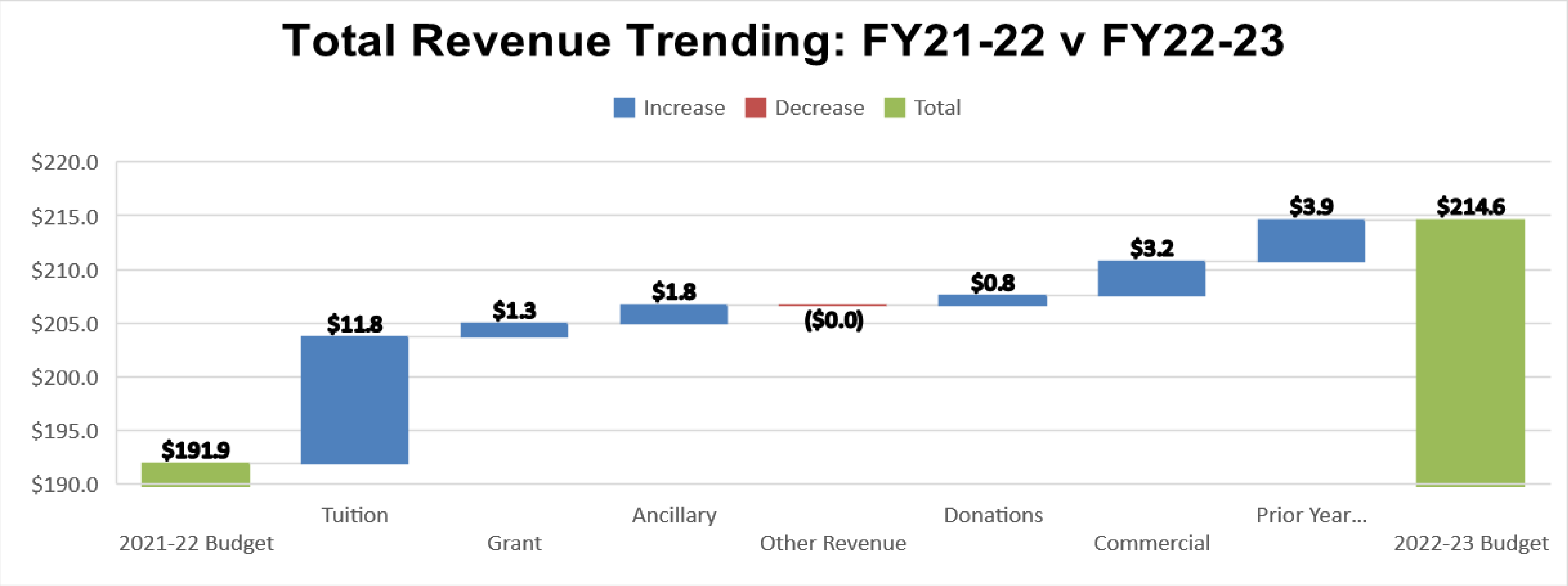
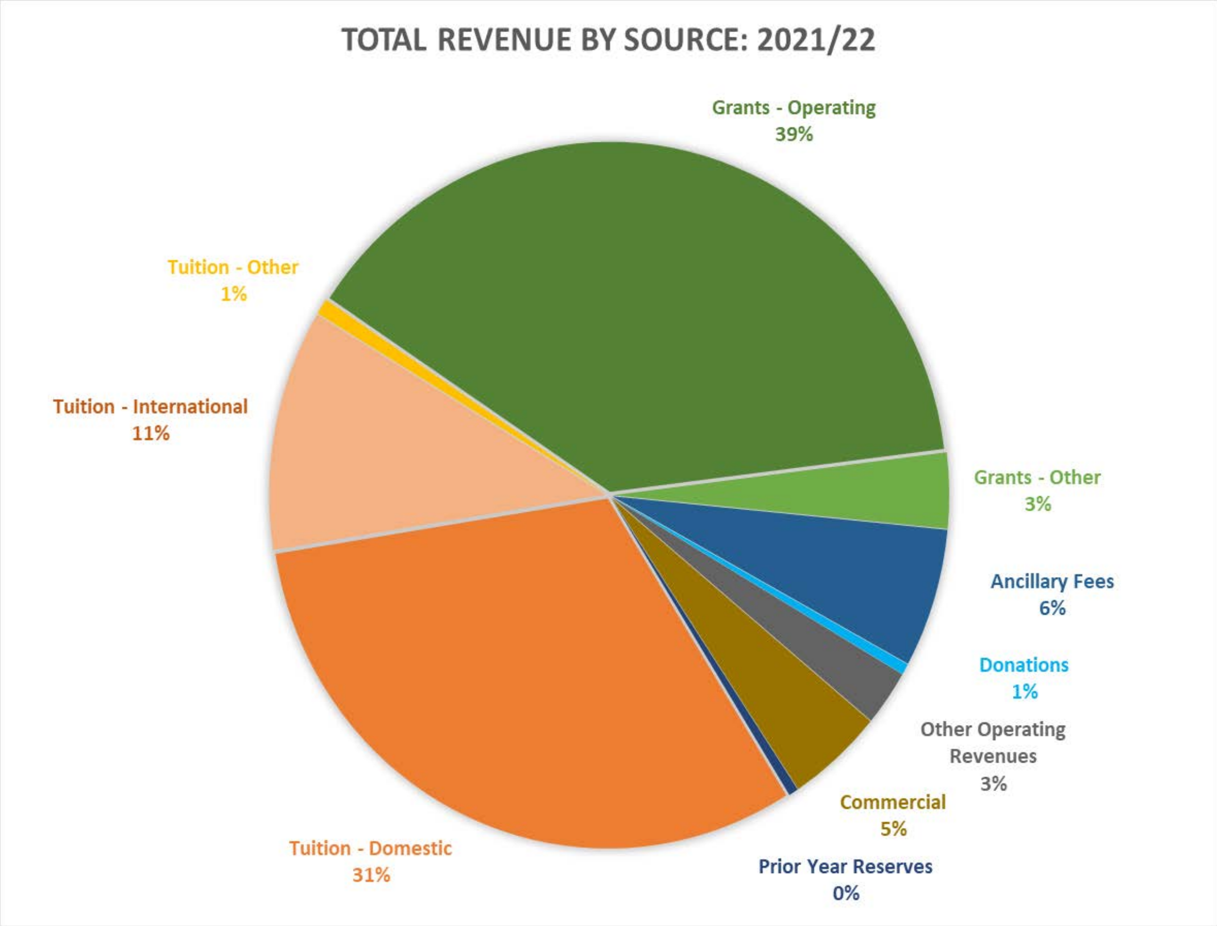
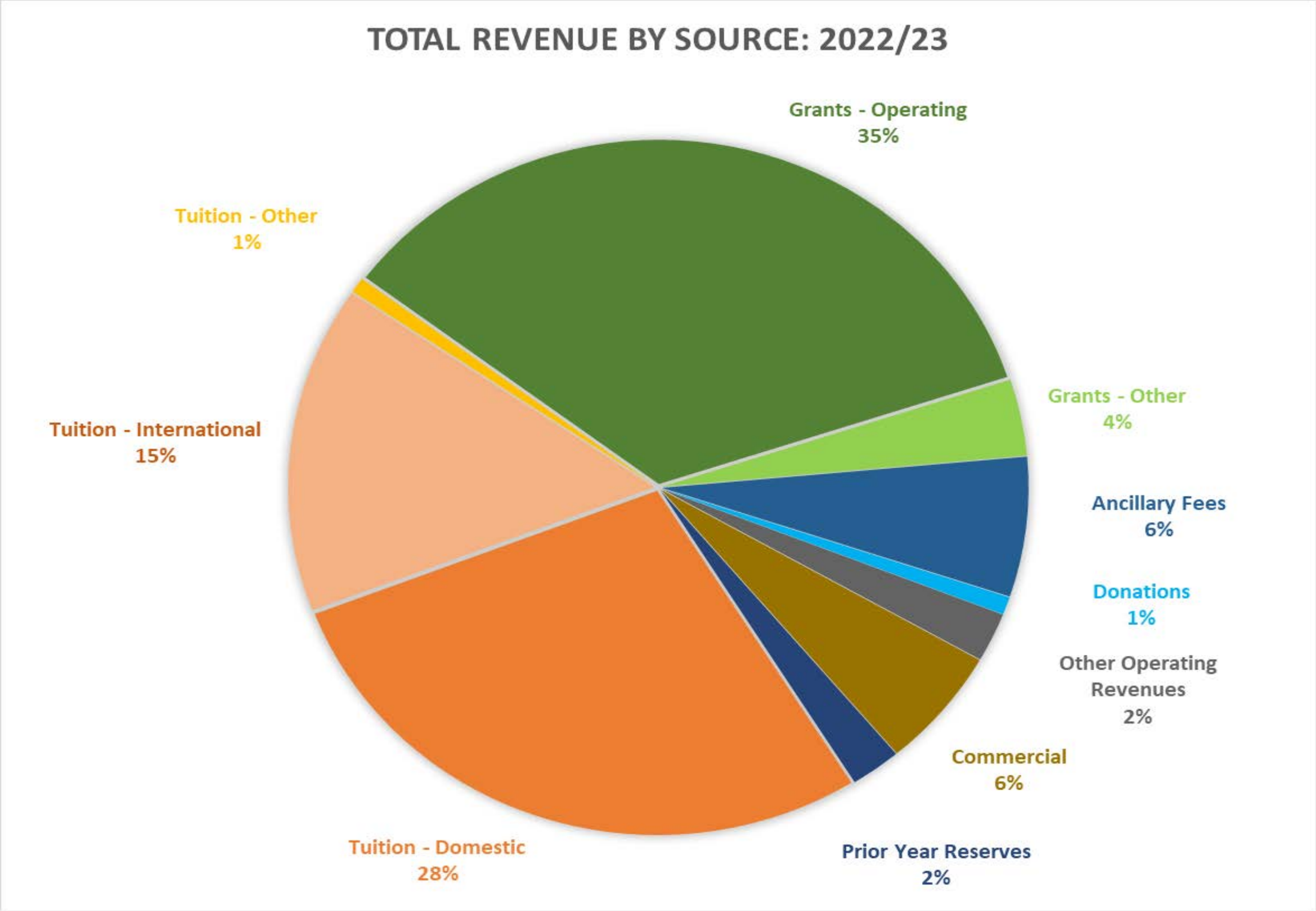
2022 – 2023 Budget Summary - Revenue



Revenue Summary

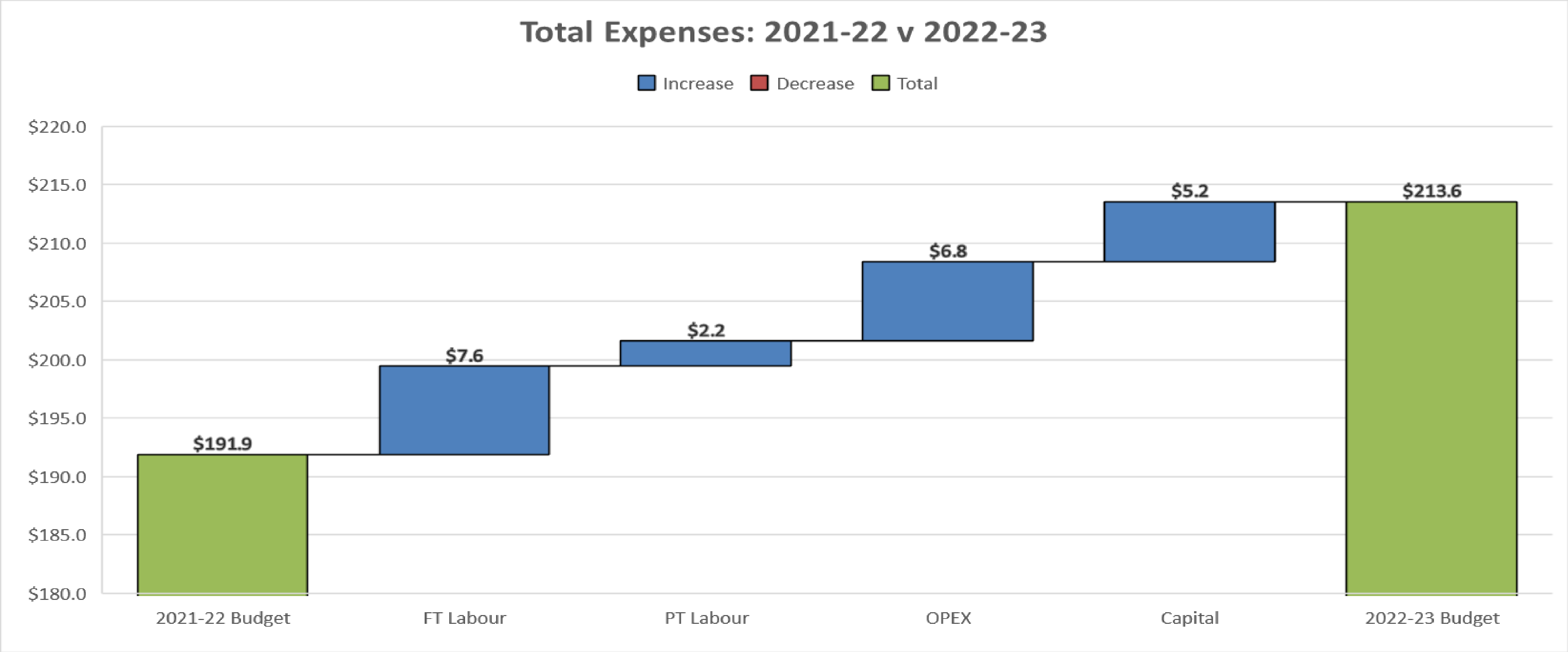




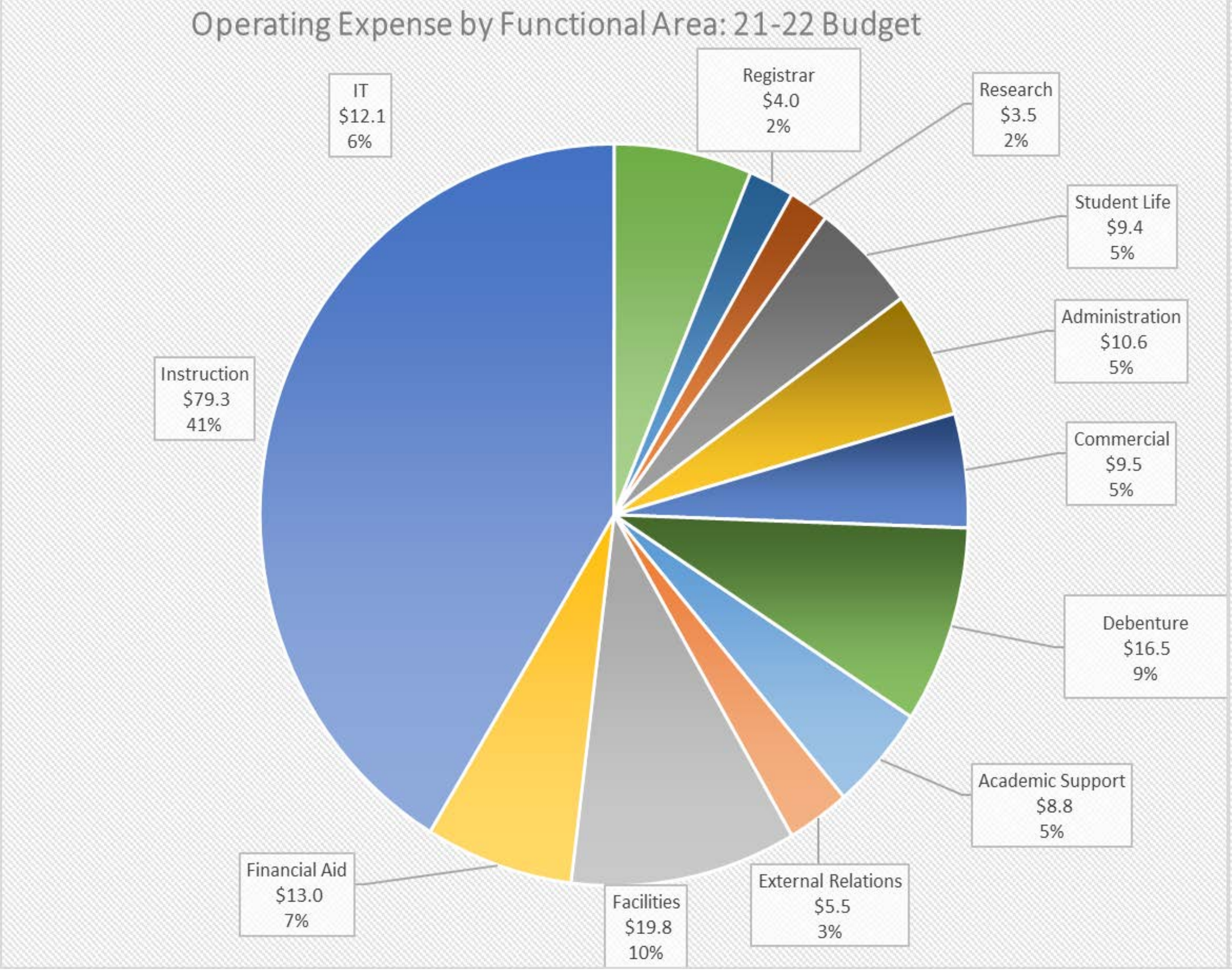
Total 21/22 Revenue: $191.9M

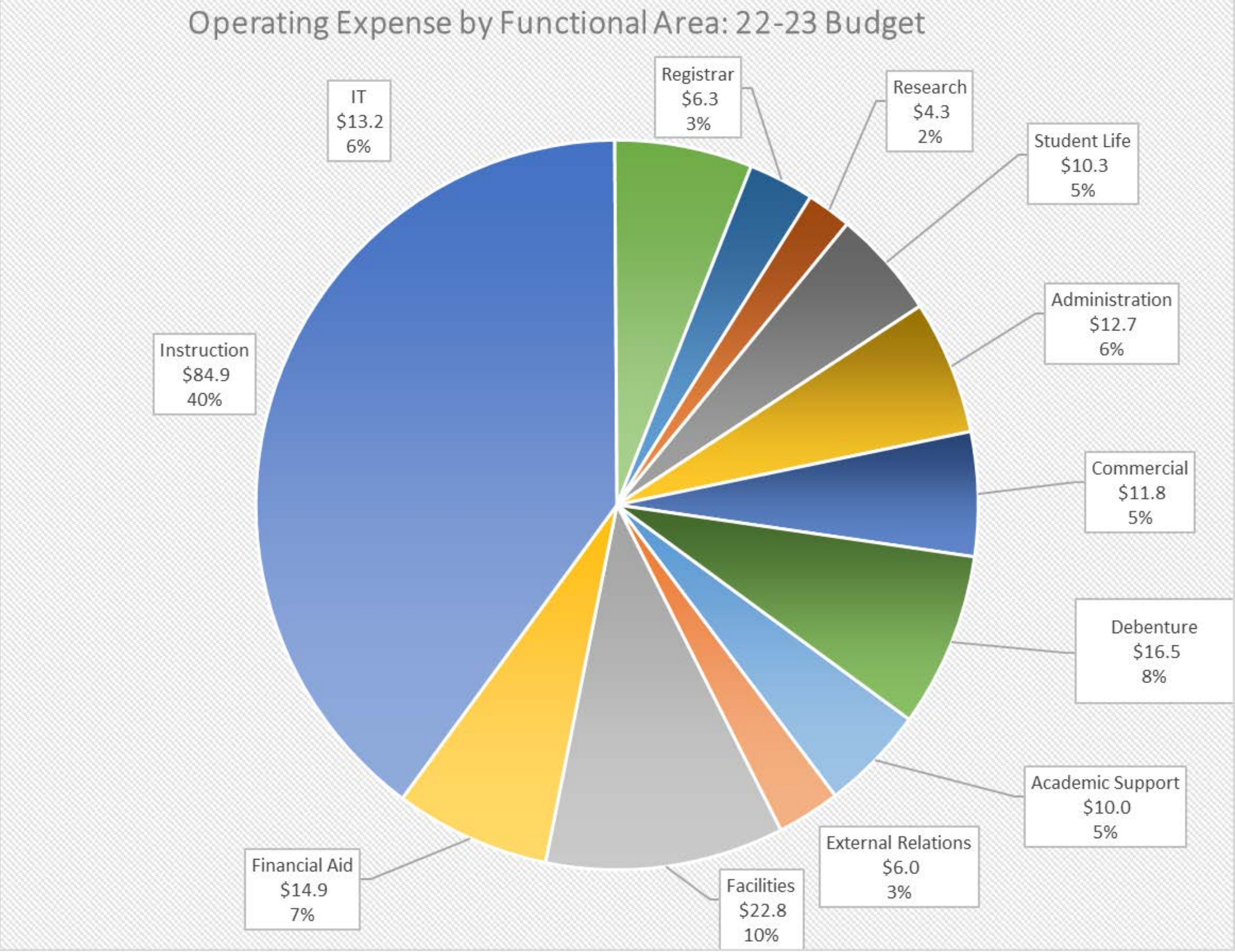
Total 22/23 Revenue: $214.6M

2022 – 2023 Budget Summary - Expense



Total Operating Expenses by Functional Area

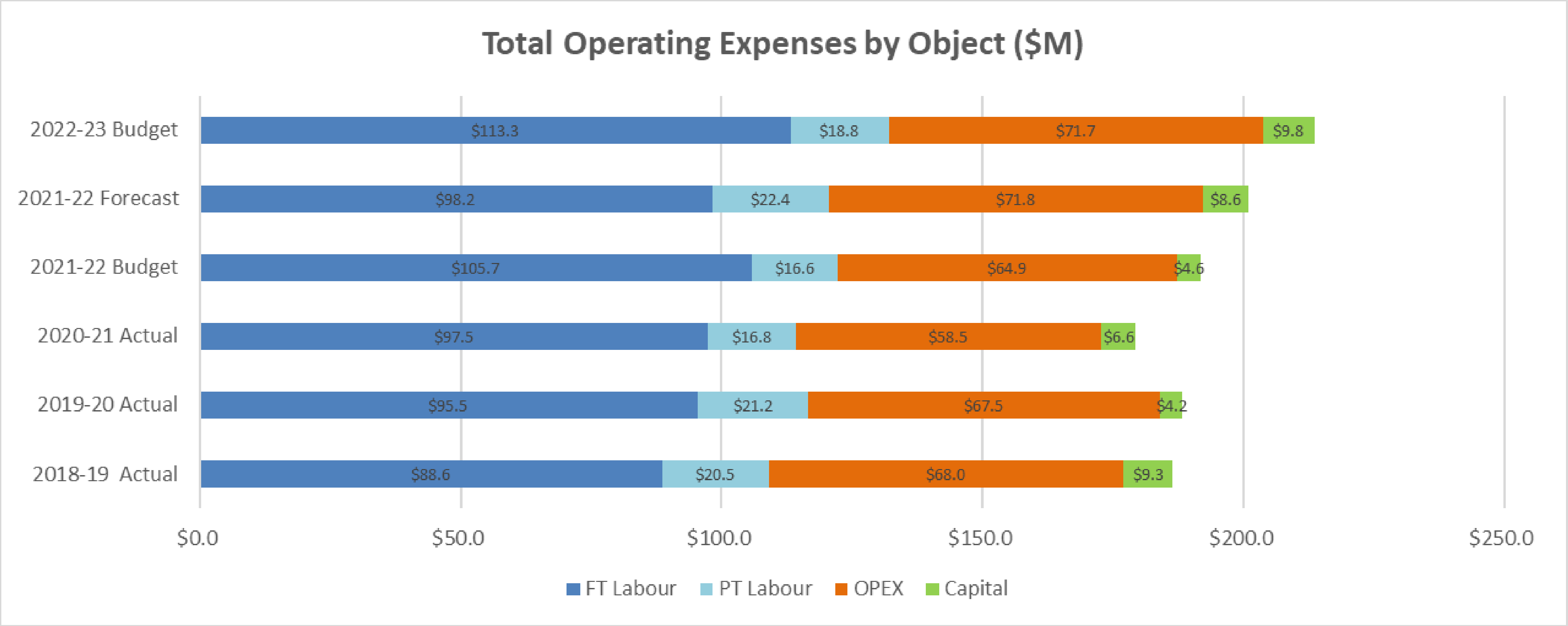




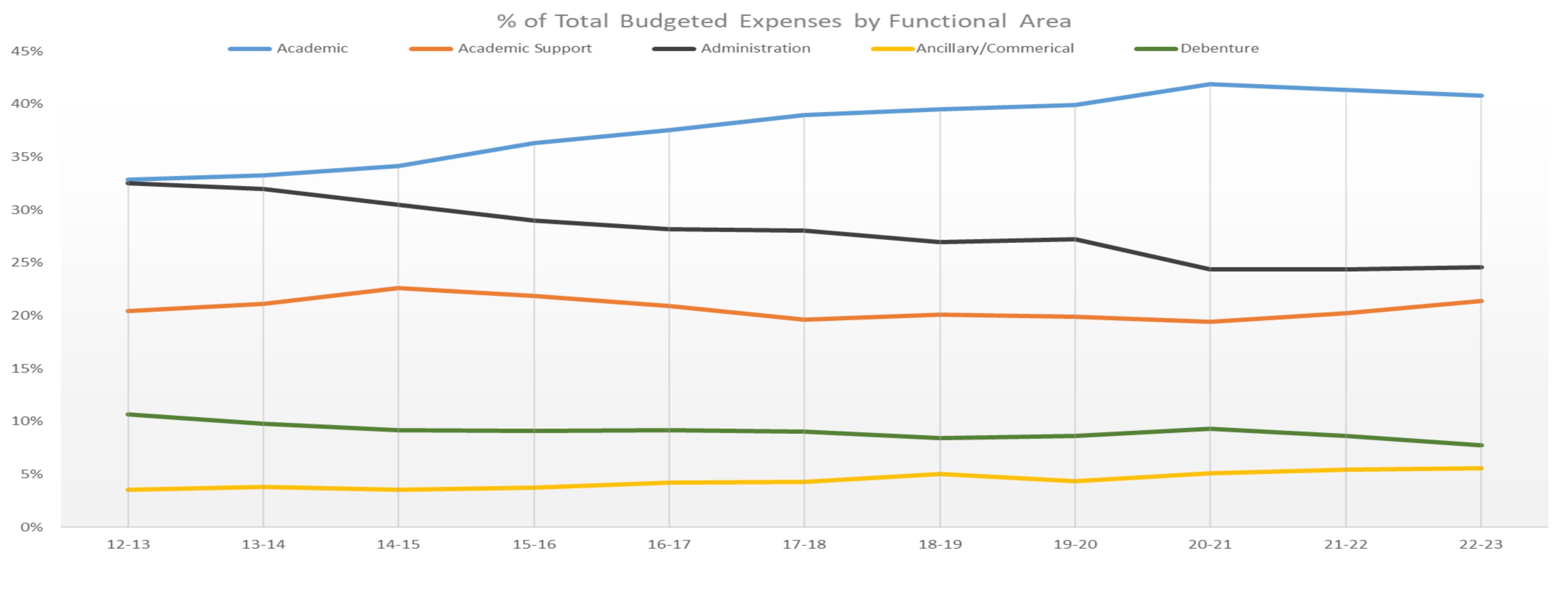
Total 21/22 Expenses: $191.9M

Total 22/23 Expenses: $213.6M

Total Operating Expense Trending - Object



% of Total Budgeted Expenses by Division



Incl Debenture, Incl Commercial (= 100%)

Examples of Investments by Strategic Priority

STICKY CAMPUS:
Commitment to Mental Health and Equity, Diversity, and Inclusion

- **$9.7M** Highly qualified personnel (i.e., 58 FT employees)
  16 faculty, 30 admin (11 funded), 12 budget neutral

- **$1.0M** EDI through five (5) specific faculty/staff hires
  Human Rights Coordinator
  EDI Coordinator
  Recruitment Outreach Coordinator
  Indigenous Outreach Coordinator
  Tenure-Track Indigenous Faculty Member

Examples of Investments by Strategic Priority

STICKY CAMPUS/LEARNING REIMAGINED:
Student-Centric University

- **$3.0M** FT/PT Faculty to support enrolment growth
- **$1.8M** Recruitment initiatives
- **$1.6M** Financial aid

Examples of Investments by Strategic Priority

LEARNING REIMAGINED/TECH WITH A CONSCIENCE:
Innovative Programming

- **$2.1M** Health Simulation Lab (Shawenjigewining Hall)
- **$3.0M** 61 Charles revitalization
- **$1.0M** IT projects

Examples of Investments by Strategic Priority

LEARNING REIMAGINED/PARTNERSHIPS:
Scholarship of Teaching and Teaching Practice

- **$1.0M** Pedagogical initiatives
  - **Scholars in Residence program**
  - **OER Lab Coordinator**

- **$1.0M** Seed funding
  - **Brilliant Energy Institute**
  - **Brilliant Catalyst**

Budget Risk / Risk Mitigation

Stakeholder Relations/ Campus Experience/ Culture	Stronger participation of community in IT and space planning. Increased funds for PD focused on internal offerings. Internal programs/ matching funds to incentivize innovation in teaching and research. Supports for the creation and growth of Work Integrated Learning programs
Campus Wellbeing	Priority funding for EDI & Indigenous plan implementations. Step care approach for student mental health and enhanced Wellness program for employees. Focus funding for Flexible Workspace Pilot
Brand	Focus on earned “main stream” media strategies Registrar’s office and Communications working on enriched digital media strategy
Physical Infrastructure	Created a long term deferred maintenance and 2030 space management plan. Delay normal maintenance but contingency in place.
Virtual Infrastructure	Developed a multi-year “learning reimagined” plan Reallocation of “stop doing” and some actions delayed

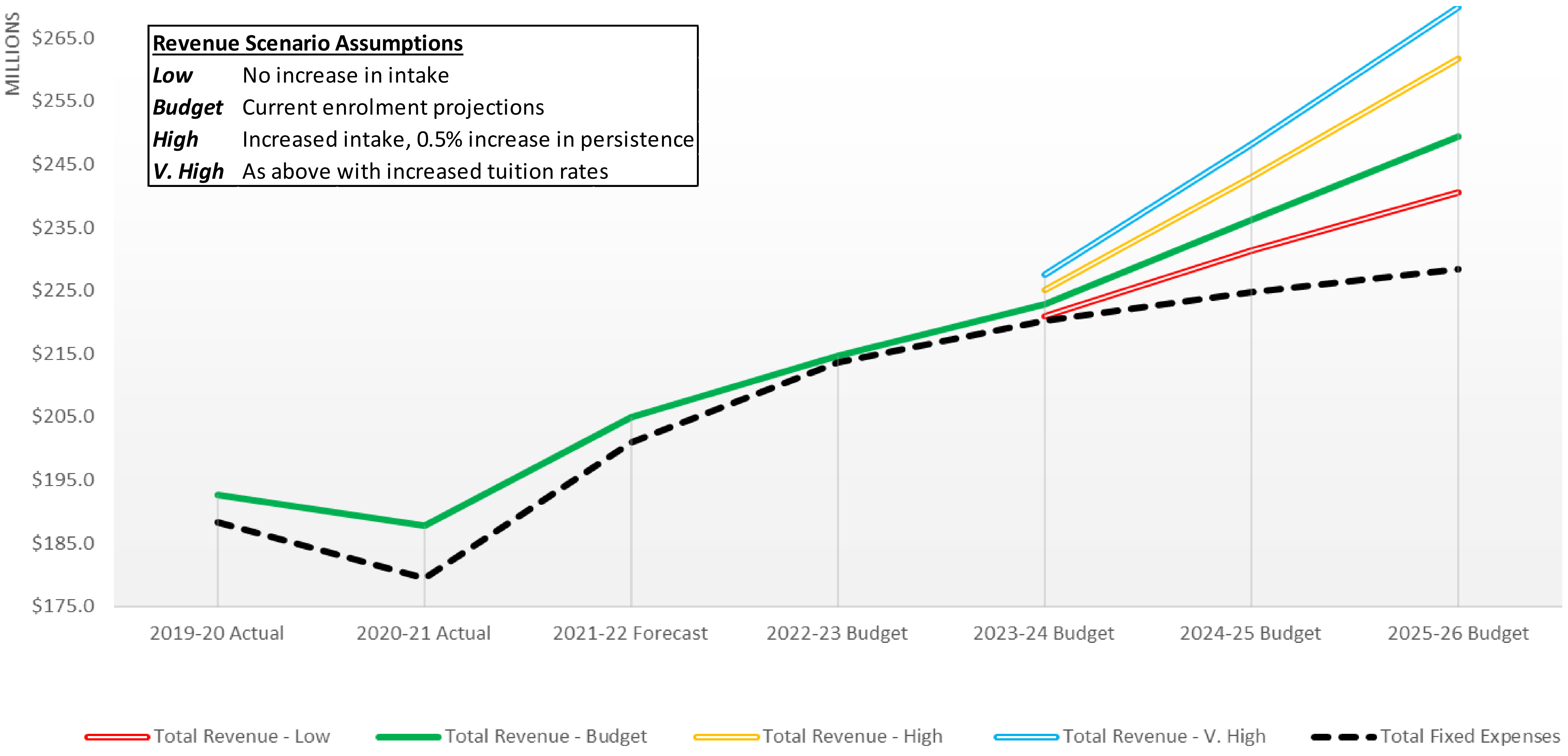
Risk Mitigation by Tracking – IT Projects

Project	Project Description	Budget	Current Project %	Project Status	Starting Quarter	Target Quarter
Banner Self-Service Rollout Configuration & Implementation Consulting	Enhance Banner functionality and implement self-service features for students, faculty, and staff	$111,616		In progress	Q1	Q3
Ellucian Intelligent Learning Platform	Automate bi-directional transactions to/from Banner to the LMS systems (Canvas and D2L)	$32,019			Q2	Q4
Ellucian Active Directory Account Provisioning (ADAP)	Provide accurate account provisioning between Banner and Active Directory (AD)	$30,933			Q1	Q4
Network Edge (Access Layer) switches life cycle refresh	Procure and install 50 Access Layer Switches, to replaced the old Avaya switches out of support	$180,000			Q1	Q4
Palo Alto Panorama server appliance	Procure and install a dedicated Panorama appliance (Model M600) capable of logging and storing security events for up to one year.	$45,000			Q1	Q4
Wi-Fi upgrade - Life cycle refresh	Upgrade Wi-Fi network by replacing older access point AP105 with the new generation AP 515	$50,000			Q1	Q4
Cloud migration	Consultancy fees required to continue the projects for cloud migration	$110,000			Q1	Q4
Data Centre - Servers life cycle refresh and upgrades	Procure and install servers to replace AD domain controllers and two new VM hosts to increase virtualization capacity.	$44,500			Q1	Q4
Data Centre - Backup storage and capacity increase	Replace the backup storage in Whitby and add additional capacity license to increase the backup capacity with 15TB	$72,500			Q1	Q4
ClearPass appliances life cycle refresh	Procure two new appliances for ClearPass to replace the end of life existent hardware	$33,000			Q1	Q4
Classroom of the Future	Design, test and implement a showplace instructional environment.	$100,000			Q1	Q4
Media upgrade	UP1501/1502 - upgrade of projectors and screens	$70,000			Q2	Q4

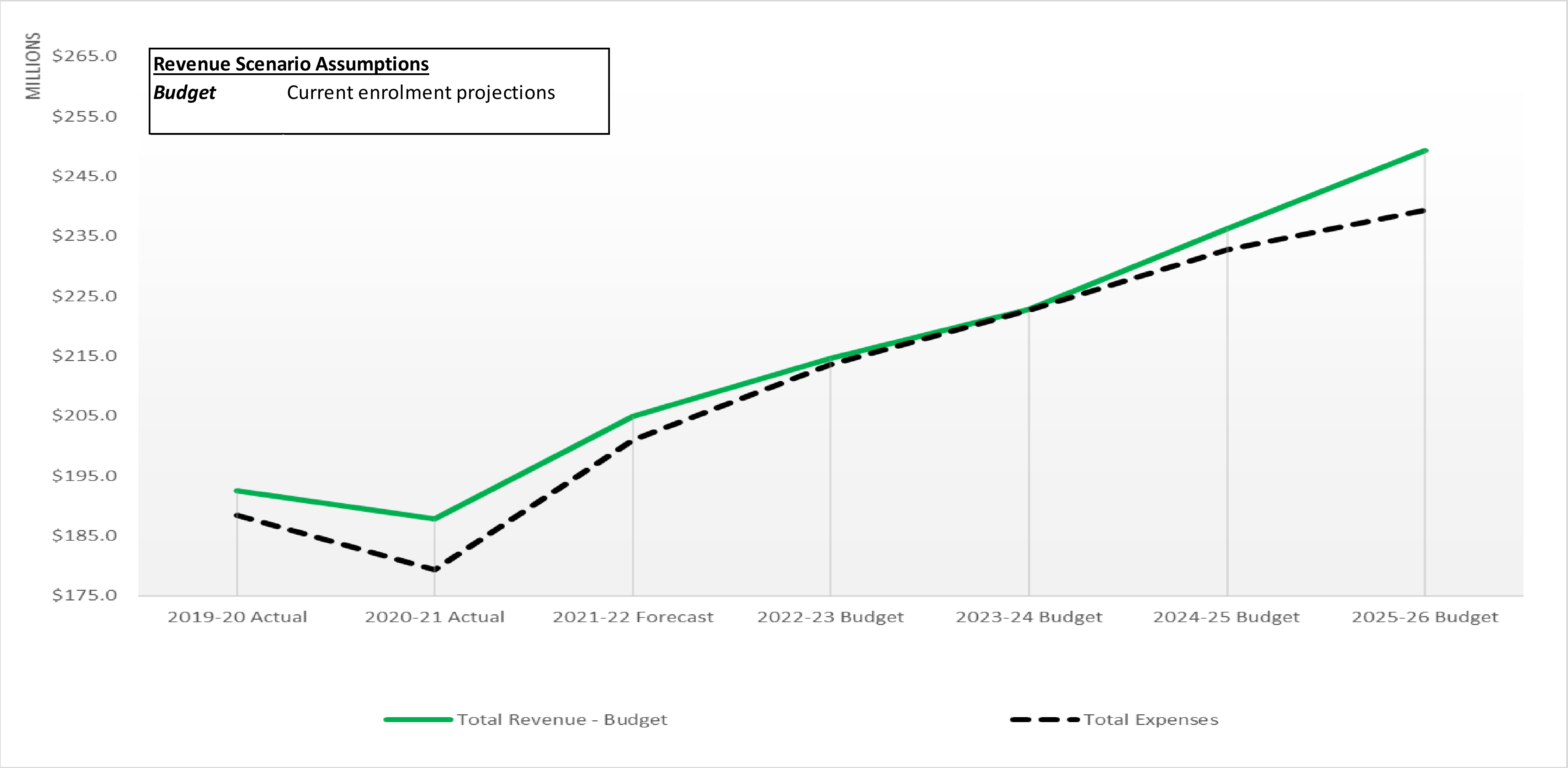
Risk Mitigation by Tracking – Facilities Projects

Project	Project Description	Budget	Current Project %	Project Status	Starting Quarter	Target Quarter
VASO - Structured shelter	Create a sheltered area near the soccer field for athletics events	$95,000		In Progress	Q1	Q3
Furniture Purchases - FEAS, Library	Replacement of aging furniture and expansion of Graduate student space	$117,477		In Progress	Q1	Q3
61 Charles - Renovation	61 Charles to become student hub downtown with altered class sizes and research lab additions	$3,000,000		In Progress	Q1	Q2
IRTF Lab Access Control	Replacement of multiple access control strategies with Prox Card - Life Safety	$25,000		In Progress	Q1	Q3
ERC Internal Wayfinding	Continuing rollout of campus wayfinding package to match SHA	$50,000		In Progress	Q1	Q2
Monument Signs	ERC and SHA Monument signs as first pieces of external wayfinding on campus - ENTRO design	$30,000		In Progress	Q1	Q2
FEAS Fumehood install	Addition of Fume Hood and rearrangement of research lab ACE4030b	$20,000			Q1	Q4
Facility Renewal Program (FRP) deferred maintenance projects	Additional items to be broken out when finalized list of projects is submitted to ministry	$553,000			Q1	Q4
FRP - FEAS Labs in ERC	Supporting energy storage research, converting ground floor class to research lab	$300,000			Q1	Q4
FRP - Central UPS units installed	Continuing project to centralize electrical protection of research labs UA, UB, ERC	$300,000			Q1	Q4
FRP - Solar PV install	Increasing generation on campus towards the 1mW allowance under current agreement	$275,000			Q1	Q4
FRP - Controls upgrades	Upgrade BAS controls to the newest DXR technology in UA, increasing efficiency	$570,000			Q1	Q4
Deferred Maintenance not covered under FRP	UB Exterior steps, 61 Charles smoke stack inspection	$40,000			Q1	Q3

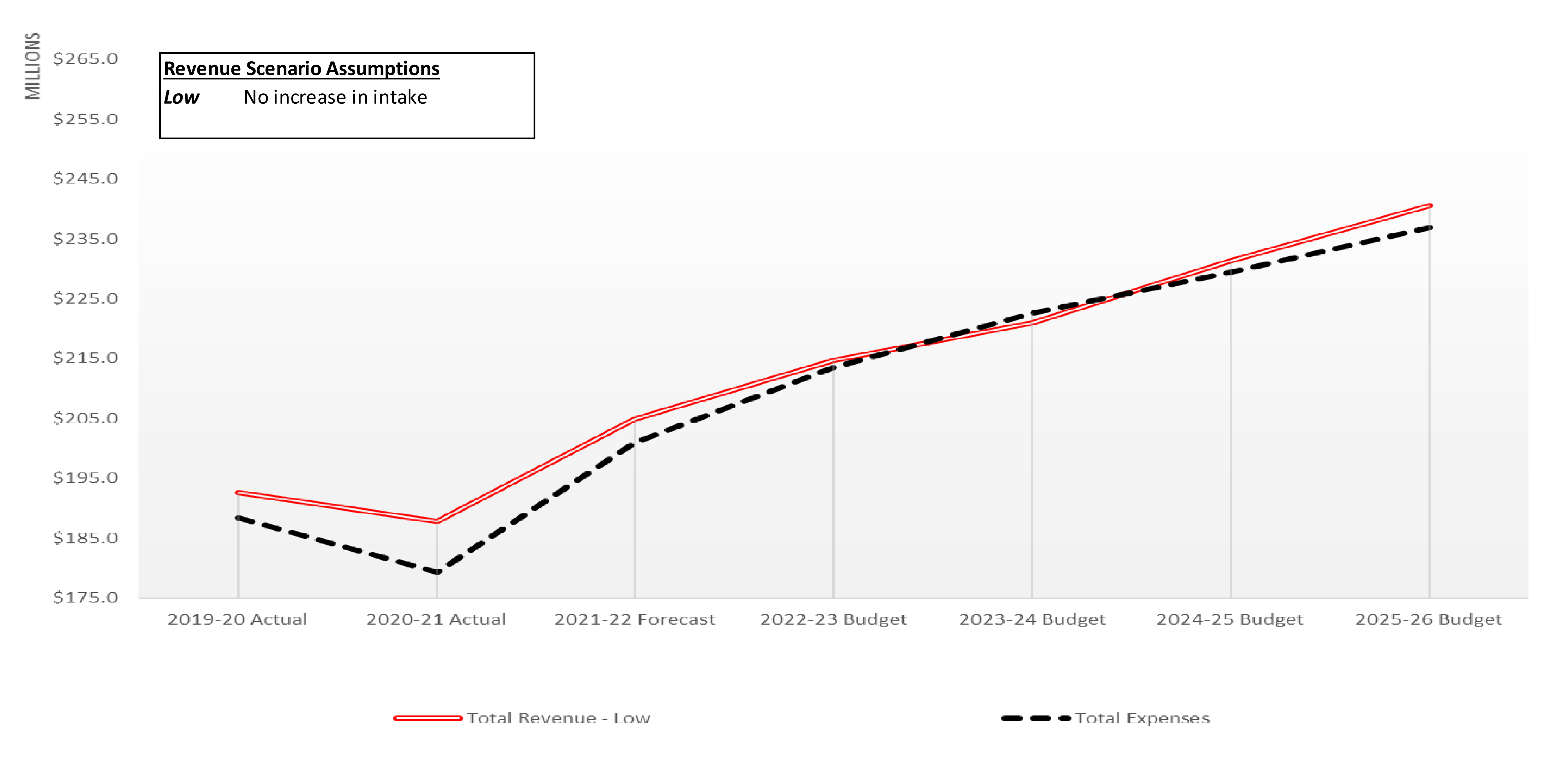
Budget Risks/ Risk Mitigation: Financial Sustainability



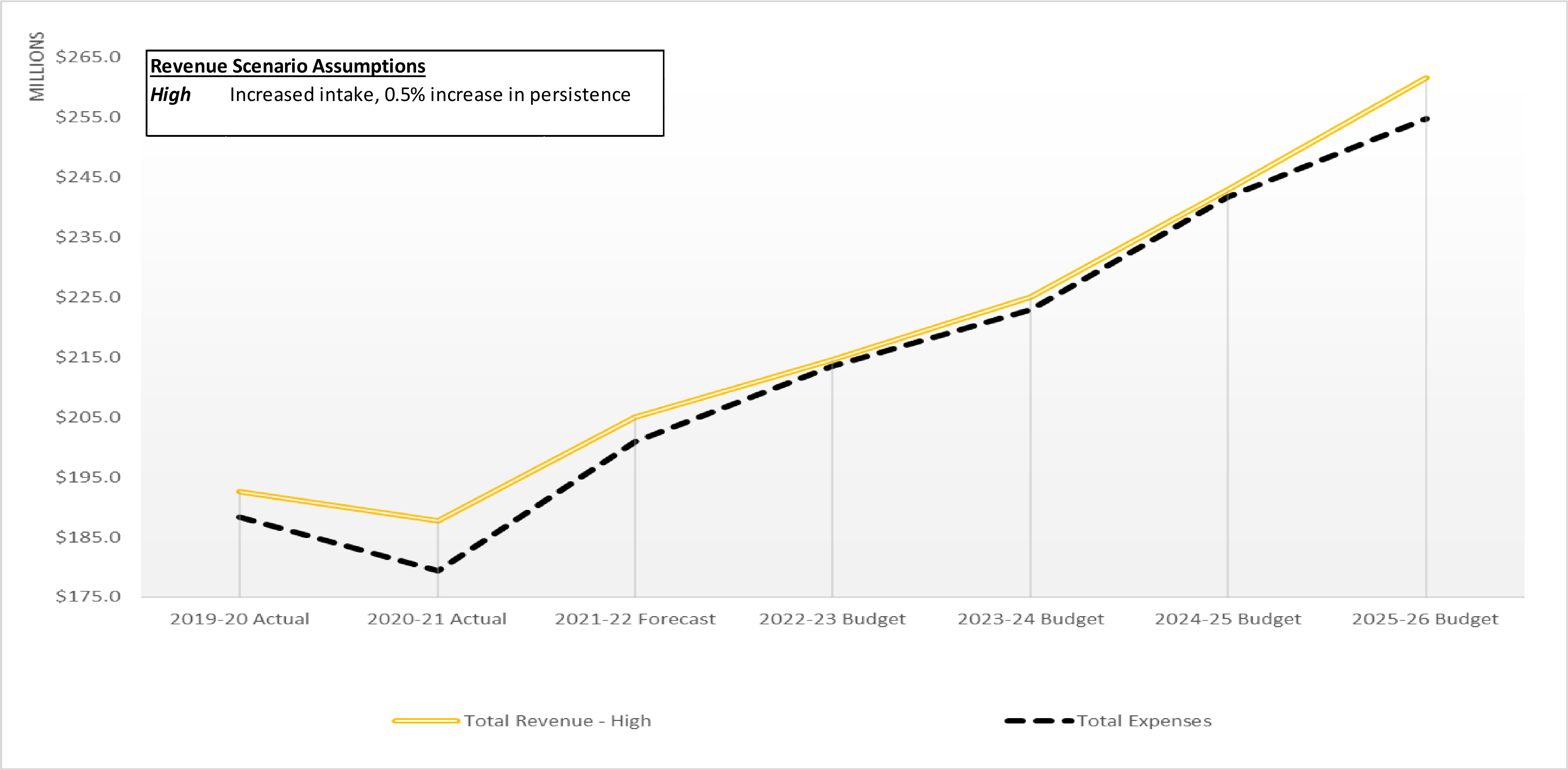
Budget Risks/ Risk Mitigation: Financial Sustainability



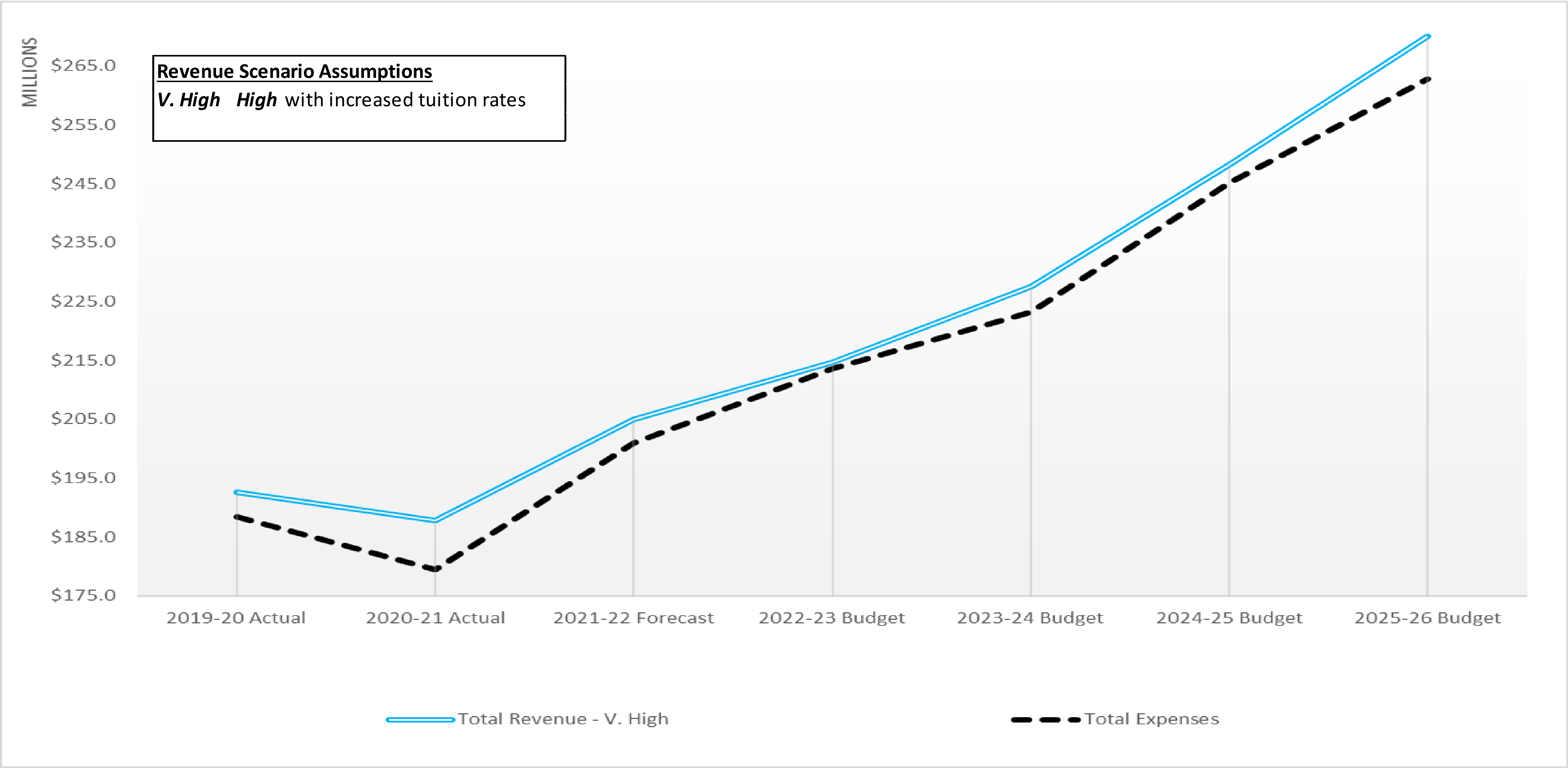
Budget Risks/ Risk Mitigation: Financial Sustainability



Budget Risks/ Risk Mitigation: Financial Sustainability



Budget Risks/ Risk Mitigation: Financial Sustainability



MOTION for CONSIDERATION

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

WHEREAS there is ongoing risk to the budget because of the economic uncertainty precipitated by the COVID-19 pandemic (i.e. international travel);

NOW THEREFORE, pursuant to the recommendation of management, the Audit and Finance Committee hereby recommends that the Board of Governors approves the 2022-2023 balanced budget of $214.6 million, as presented.

Ontario Tech University

MOTION for CONSIDERATION

WHEREAS the annual budget begins April 1 and the BoG does not approve the budget until after that time;

WHEREAS the university wants to enhance it financial reporting control measures by approving a notional budget in advance of any in year spending. The notional budget would be equal to the base approved in the prior year and allows for changes to be made at the annual budget setting meeting of the Board;

WHEREAS the university has prepared a 2023-2024 forecast using the best information available at this time focusing on enrolment rates, no change to tuition framework and a simple rollover of base expenses plus estimated salary increases;

NOW THEREFORE, pursuant to the recommendation of management, the Audit and Finance Committee hereby recommends that the Board of Governors approves a *notional* 2023-2024 budget of <u>$222.0 million in revenues and expenses not to exceed $204.6M</u>.

Questions??