ACADEMIC COUNCIL REPORT

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

TO: **Academic Council**

DATE: **November 28, 2023**

PRESENTED BY: **Brad MacIsaac, Vice-President, Administration**
Lori Livingston, Provost and Vice-President, Academic
Sarah Thrush, AVP, Planning & Strategic Analysis

SUBJECT: **2024-2027 Fiscal Blueprint**

BACKGROUND/CONTEXT & RATIONALE:

As we start to plan for the next three years, noting a focus on 2024-2025, we have updated our assumptions based on this year's results to date. The intent of The Fiscal Blueprint is to outline the provincial landscape, highlight the main assumptions management is reviewing and link funding priorities with the Integrated Academic Research Plan. The university has created many scenarios and have outlined four in the paper. Looking at the conservative scenario the main facts to be considered are:

a) Enrolment Revenue; The preparation of the operating budget involves the use of projections and estimates. This major revenue driver includes enrolment going up about 600 Full-time Equivalents (include a year-over-year undergraduate domestic student enrolment increase of about 100 and international enrolment increase of about 45).

b) Tuition Revenue: The assumptions include the government continued freeze on domestic rates as we have not heard anything to the contrary. Each 1 per cent increase in the domestic tuition rate is estimated to result in a $470,000 increase in our revenues.

c) Expenses: We must first deal with mandated salary increases and prioritized hiring plans which will be explained further in the final budget proposal. The first draw on the ~$237M budget is a reallocation to invest $12M more in personnel costs compared to 2023-2024.

This essentially consumes the entire revenue increase. Other investments will be covered by reallocations.

As we get closer to setting the budget in March, we will have more clarity on student application numbers and expect a response from the government on a proposed tuition policy. Like previous years we will work to set a balanced budget along with a list of unfunded priorities that we can act upon should we see more positive numbers. In every year there is a level of overall risk of not achieving the desired enrolment results (e,g, a 1% deviation in enrolment will lead to ~$1M variance, positive or negative, from tuition fee revenues). Note that the university is normally within $\pm$2% when predicting enrolment totals.

The bigger risk may be what is not included in the budget framework. We recognize that inflation and supply issues continue to wreak havoc on some operating expenses. Currently, we have not placed an inflationary increase into the budget. Instead, we are asking for units to put in an ask for us to prioritize or reallocate from within their existing budgets.

ALIGNMENT WITH MISSION, VISION, VALUES:
The recommendations are made with an eye on the mission of the university and an investment in the priorities laid out in the IARP. They will allow Ontario Tech to continue to provide high quality undergraduate and graduate services and experiences to its students.

COMPLIANCE WITH POLICY/LEGISLATION:
The assumptions are to be compliant with provincial tuition fee policy and Ontario Tech's ancillary fee protocol.

NEXT STEPS:
The paper will be released to all employees with a separate hyflex community consultation on November 28th.

Budget holders are to complete and submit their budget by December 16th. The leadership team will review the formal winter count data and finalize the budget submission. This will be presented to Academic Council in March 2024 and the Audit & Finance Committee in April 2024.

SUPPORTING REFERENCE MATERIALS:

Fiscal Blueprint 2024-2027, November 2023

ONTARIO TECH'S FISCAL BLUEPRINT 2024-2027

Budget Working Group, November 2023

For an alternative format of this information, visit ontariotechu.ca/fiscalblueprint.

Executive Summary

Ontario Tech's Fiscal Blueprint provides the campus community with an overview of the university's upcoming 2024-2027 budget cycle. It outlines the key assumptions and factors that underpin the multi-year budget plan. In alignment with our commitment to the Integrated Academic-Research Plan (IARP) 2023-2028, we continue to pursue ambitious goals, while ensuring ongoing excellence and maintaining fiscal sustainability. The IARP encourages us to concentrate on our priorities and to invest effort into actions within our control to position ourselves for success, while avoiding distractions from external factors beyond our control.

Ontario Tech has accomplished many notable achievements in its first 20 years. Our growth, from an inaugural student class of 947, to now more than 11,000 students, underscores our exceptional efforts in recruitment, retention, and the provision of quality educational experiences. Notably, our student applications have outperformed the Ontario university system, with an impressive rise of almost 50 per cent in the past two consecutive years. We're also gaining global recognition as we continue to receive strong reputational and research rankings from national and international organizations. Our successes are the result of deliberate and strategic actions that we've taken while operating in an increasingly complex local and global higher education sector.

We continue to strongly advocate to the provincial government for improved grant funding and flexible tuition frameworks, yet we remain bound by government policies that limit our grant, tuition and ancillary fee revenues. These revenues currently represent about 80 per cent of our total funding. In a landscape where costs are rising with inflation, our financial sustainability and our ability to plan for the future and invest in our priorities are called into question. To address these challenges, we recognize the necessity of integrated planning, as well as the need to pursue new partnerships and alternative revenue sources to build, support and invest in our core activities. The need for this approach has never been greater.

In this paper, we begin with a brief overview of the current provincial landscape and the public policy context within which post-secondary institutions are currently constrained. This is followed by an overview of the university's assumptions as they relate to revenue streams and expenses for the 2024-2027 budget cycle. These serve as the foundation for discussing different budget scenarios, as well as the opportunities and challenges related to our revenue sources and expenses, potential investments, and budgetary reallocations as we deliver on our IARP goals.

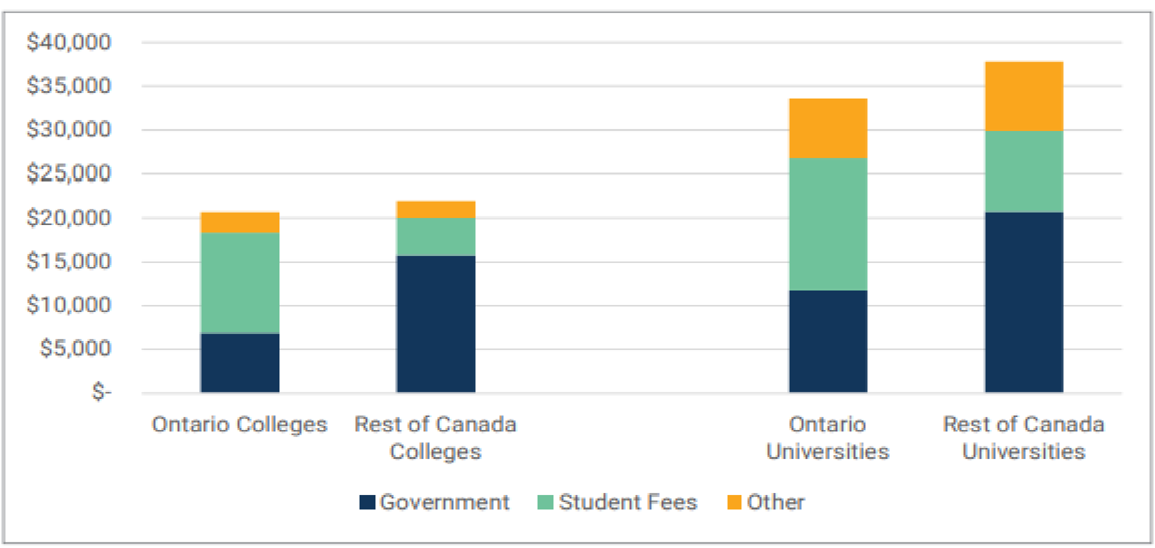
The Higher Education Policy Context in Ontario

As highlighted in [The State of Postsecondary Education in Canada 2023](https://higheredstrategy.com/spec-2023/)[1], despite having one of the world's highest-quality post-secondary systems, the Canadian sector and particularly that in Ontario, finds itself at a critical juncture. Even with near-record revenues, many institutions find their finances more precarious than ever, raising the pressing question of how long this situation can be endured.

Examining the past 70 years, we observe lasting long-term trends. Between 1955 and 1970, post-secondary institutions quintupled in size as a percentage of the entire economy, from about 0.5 per cent of gross domestic product to 2.5 per cent. That is often referred to as the 'golden period' of Canadian higher education, marked by a substantial allocation of provincial resources. Since then, the history of post-secondary education funding can be divided into two phases. From about 1970 until the late 1990s, public funding and total funding decreased in tandem. Then, as the 1990s went on, institutions began exploring private sources of funding, not only to offset declining funding but to increase funding overall. In the long run, this narrative reveals a story of public neglect but also underscores institutional resilience and entrepreneurial endeavours.

Ontario currently ranks last amongst Canada's provinces in public per-student funding. Over the past five years, since this government assumed provincial office, Ontario universities have experienced a reduction of more than 30 per cent in 'government-controlled' income, which includes provincial grants and domestic fees. The decline in fee income, exacerbated by high inflation, has had a significant effect. The government continues to freeze institutional grants in nominal terms, allowing inflation to erode the proportionate value of the contribution due to additional student enrolment. Additionally, in 2019, the government introduced a 10 per cent across-the-board reduction in domestic tuition for institutions and has maintained frozen fees at that reduced level. On a per-student basis, Ontario's funding for universities stands at 57 per cent of the average in the other nine provinces (Figure 1). The sustained compounding effect of public-funding policies has pushed many Ontario universities into financial peril.

Figure 1: Total Income per Full-Time Equivalent Student (FTE), Canada vs. Ontario, 2021-2022



Source: The State of Postsecondary Education in Canada 2023

[1] Usher, A. (2023, September 6). The state of postsecondary education in Canada 2023. Accessed online at https://higheredstrategy.com/spec-2023/#:~:text=No%20province%20has%20underfunded%20postsecondary,it%20is%20a%20mere%2044%25.

In November 2022, the Ministry of Colleges and Universities (MCU) announced that they had begun developing financial indicators to provide transparent data and insight into the financial health of the province's universities. In a recently released draft report, eight measures have been defined to illustrate an institution's liquidity, sustainability and performance. Universities will submit their first analysis to the province in the spring based on their most recent fiscal year end. If an institution is in the medium-risk category, it will have to develop an internal recovery plan with its Board that would address financial risks. If they are in the high-risk category the institution will retain a third-party or expert external advisor to review the institution's finances, recovery plan and overall management strategies. A financially prudent approach to budgeting will potentially protect our fiscal autonomy (i.e., keep us off the government's radar), but at the same time it undermines a fiscally sustainable future as well as our commitments to excellence and innovation in all that we do.

In March 2023, MCU launched a Blue-Ribbon Panel to make recommendations on how to best support the quality, accessibility and sustainability of the post-secondary sector. The panel was tasked to conduct research and to engage in consultations with key participants in the education system to identify actions that can improve the financial sustainability of the post-secondary sector, support the development of a skilled workforce, and promote economic growth and innovation. The panel's work is guided by the following five principles:

1. Enhancing student experience and access.
2. Improving labour market alignment.
3. Keeping education affordable for lower- and middle-income families.
4. Promoting economic growth and prosperity.
5. Rewarding excellence and financial sustainability.

We have been informed that the panel has completed its report and submitted it to the MCU for review. Its release is imminent.

What does this mean for Ontario Tech?

The university recognizes the impending financial challenges that all post-secondary institutions across Ontario face, yet our unique position (i.e., small size, cost structures, the absence of substantial endowment fund) makes us particularly vulnerable. The impact of the province's tuition cut in 2019, followed by a three-year freeze, has resulted in an inflation-adjusted decrease of 25 per cent in provincial funding over the past four years. This, combined with recurring and compounding year-over-year contractual increases in existing labour costs alone, creates an enormous budgeting challenge.

Our university community must stay focused on our own priorities as there is a prevailing belief that the Blue-Ribbon Panel report may not provide any groundbreaking solutions for the university sector. For example, a 3 per cent tuition increase aimed at returning to previous policy levels would cover less than half of today's inflationary expense increases. To avoid severe consequences a reversal of 45 years of government disinvestment is necessary, yet this is not an easy endeavour. The pattern of gradual disinvestment is not specific to a particular government or ideological trend; in fact, it reflects a persistently short-sighted, profound and troubling consensus among Canadian governments. Demonstrating relevance over the past four decades has not swayed our government funders from their commitment to disinvest in universities. As a result, we must explore radically new strategies.

Ontario Tech's Interdependent Planning and Budgetary Contexts

This Fiscal Blueprint provides an overview of anticipated revenue streams and expenses for the 2024-2027 budget cycle. These projections serve as the foundation for discussing three different budget scenarios, each of which explores the opportunities and challenges created by variations in revenue and budget assumptions, and potential investments and budgetary reallocations as needed to realize our vision and mission, while also focusing on the realization of our strategic priorities as outlined in the IARP and the Strategic Research Plan.

In a landscape filled with competing demands and a challenging fiscal context, this paper focuses on short-term priorities that will stimulate differentiated growth within the university and identifies the longer-term resources required for lasting success and sustainability. This approach helps us to identify areas for future investments while achieving tangible progress during the upcoming budget year. Our strategy will firmly establish our university as a remarkable and highly regarded institution for both work and study. In doing so, we have kept in mind the following excerpt from the Looking Forward' section of the 2023-2028 IARP:

> *"This goal is very ambitious given some of the long-standing and newly emerging fiscal challenges we are currently experiencing. The ongoing financial pressures, created by the imposed 2019 cut to tuition, followed by the ongoing freeze in domestic tuition rates and static grant funding, are growing in magnitude. The grant funding model is scheduled to shift to a new, previously untested performance-based funding model with potentially less predictable outcomes. Moreover, skyrocketing inflation and rising interest rates are reducing our spending power and are having a negative impact on our students' cost of living expenses. Rising rental accommodation rates due to low rental unit availability in Oshawa, as well as bottlenecks in the processing of international student-study permits and visas are a few examples of the real and unanticipated barriers for students wishing to pursue their studies at Ontario Tech. These challenges will require all of us—every member of the Ontario Tech community—to accept a role in supporting our students and the sustainable future of our institution. We must pursue a bold transformation agenda that builds on our unique program offerings and the current momentum of our student demand. This transformation would see us growing to 18,000 students by 2030 to meet the needs of the increasing Greater Toronto Area university-aged population and international demand for science, technology, engineering, math and professional programs. This growth will provide revenues needed to cover the costs of expansion (including enhanced academic and non-academic student, staff, and faculty support services) as well as invest in our priorities and differentiation.*
>
> *Moving forward, staying focused on a combined growth-differentiation agenda aligned with our core strategic priorities (Tech with a conscience, Learning re-imagined, Sticky campus and Partnerships) while adapting to a new post-pandemic reality is crucial. In doing so, we will be data-driven, constantly evaluating the value of our efforts and holding ourselves capable in a constrained fiscal environment. We will grow our revenues, be efficient in our costs and purposefully invest in our priorities. At the same time, we will continue to be accountable for ensuring that our graduates are employable and that the generation, analysis, retention, and meaningful translation of our research efforts support the greater good of society. Importantly, as we move into our next decade of existence, we will continue to envision ourselves as a growing community hub, a place where people will come together to meet and engage in social and cultural activities that reflect community needs.*
>
> *This plan has an important role in keeping us collectively focused to realize a sustainable future for Ontario Tech. It also aligns our activities with our vision, mission, values, strategic priorities and resources. This is exceptionally important during periods of prolonged fiscal restraint such as the one we have now experienced for some time. Our fiscal uncertainty is further complicated by the broader degree-granting privileges now found within the province's colleges as well as a growing number of industry-based education and training programs. We are being pressed to do more with less while also being held to greater levels of accountability by government and society*

in general."

Building Ontario Tech's Budgetary Assumptions

In addition to emphasizing the need for differentiated growth within our institution, the 2023-2028 IARP reaffirms our commitment to our four strategic priority areas: Tech with a conscience, Learning re-imagined, Creating a sticky campus and Partnerships, and challenges us to lead as a forward-thinking university. To achieve this, we must identify opportunities within a fiscal context fraught with real constraints and pressures, one that will necessitate ongoing fiscal discipline to address budgetary challenges and allocate resources for our initiatives. We remain committed to growing our enrolment numbers while also finding efficiencies and new ways of doing things.

As we look to the next three years, our assumptions are grouped into two main categories: revenues and expenses. These assumptions are framed and expanded upon based upon currently available information. As new information becomes available throughout the budget cycle, revisions will be made. This is important as any shift in the assumptions, positive or negative, will impact the budget.

Revenues

Our revenue is predominantly tied to student registration numbers, including associated funds such as grants, tuition and ancillary fees, all of which are controlled by the provincial government—with the exception of international student tuition. **The result is that without further enrolment growth, total revenue is projected to increase by a mere 1 per cent on an annual basis due to international tuition increases**.

Given the current freezes on our grant and domestic tuition levels, we must continue to increase, broaden and stabilize our revenue base to accommodate escalating expenses. This involves realizing additional revenues from growth in student enrolment in existing and new programs of study, meeting our Strategic Mandate Agreement (SMA3) performance targets with the provincial government, and raising funds from alternative sources (e.g., philanthropy).

Domestic Enrolment

The IARP explicitly articulates that Ontario Tech's overall student enrolment will grow to 18,000 students by 2030, including near-term enrolment commitments, as set out in our current SMA3. Our strategic enrolment management (SEM) tactics, supported by an increasingly popular new brand, have resulted in record applications in 2021 and 2022. However, the road ahead will require an integrated SEM plan, one that equally encompasses increased student recruitment and retention to realize our differentiated growth goals.

Ontario Tech must specifically focus on capturing a larger share of the traditional direct from high school domestic undergraduate market, particularly the Greater Toronto Area (GTA), as it is unlikely that overall university participation by this cohort in the province will see significant growth in the coming years. Traditional student recruitment will hinge on the development and launch of sound new program offerings and existing program repackaging efforts to attract students from new markets and to enhance our competitiveness in the post-secondary landscape. Making co-operative education, experiential, and work-integrated learning opportunities available for all students is necessary, as is an investment in data-driven tools (e.g., early alert systems) designed to support the success and retention of our students.

International Enrolment

We will continue to make significant investments in recruitment and inter-institutional partnerships to ensure the continuation of international student inflows. This is necessary as post-pandemic participation by international students in the province’s post-secondary sector has yet to fully recover to pre-pandemic levels. Furthermore, the current global political climate may have negative, long-term implications for Canada’s appeal as a study destination.

The university intends to grow international enrolment closer to the provincial system average of 20 per cent. This includes increased growth in undergraduate and graduate student admissions in the coming years. To achieve this, it will be imperative that we communicate our value proposition as a highly ranked access university to the international community. In the long term, we will reinforce this proposition with increased budgetary commitments to fund international scholarships, advocacy for and identification of affordable housing options, and the creation of concurrent work opportunities.

We have opportunities to expand course-based master’s programs, positioning us to attract new cohorts by responding to local and global labour market demands. These programs hold strong appeal for students, particularly international students, as they offer pathways to both post-graduate work opportunities and expedited routes to permanent residency. These enrolments will allow us to work within our existing domestic graduate student allocation while allowing for strategic growth.

Part of this differentiated growth in international students will result from effective recruitment strategies. However, these strategies must be closely aligned with our mandate and reflect a firm commitment to student success and retention. With the development of a new university retention plan underway, Ontario Tech can work towards achieving increased student persistence of our new and current students, positioning our university for robust enrolment performance in the future.

Grants

Government-funded enrolment-related grants are expected to remain stagnant as the provincial funding levels have remained frozen since 2012. This represents a 32 per cent decrease when adjusted for inflation. Furthermore, we continue to be limited to receiving our 2016 enrolment corridor funding, even though our number of domestic students has increased over those targets. Our strategic decision to grow domestic enrolment is motivated by the tuition revenue and the expectation that the government will eventually resume grant funding for all students.

Government funding is increasingly becoming more focused, with additional dollars being issued as targeted grants allocated to specific activities rather than for the purposes of broad institutional support. For example, in 2023, the university received an extra $800,000 specifically for facilities renewal. These funds were designated for covering capital costs related to existing buildings. In essence Ontario Tech, like all other universities, has no flexibility in reallocating these funds to areas of greater need. This funding is also subject to strict accountability and reporting measures.

In 2016, the provincial government introduced an enrolment-based funding formula where institutions receive a fixed operating grant if their five-year moving enrolment average remains within 3 per cent of an established target (or corridor mid-point). The new funding model aimed to provide equitable, predictable and stable funding for all institutions, enhancing planning certainty.

In 2019, as part of the SMA3, this fixed operating grant became heavily tied to provincially defined performance measures. Due to the pandemic, the government suspended this plan during the 2022-2023 fiscal year. However, this performance funding approach was activated in 2023-2024 (i.e., Year 4 of SMA3) at 10 per cent. More recently, the government has further deferred its implementation for 2024-2025 pending the outcomes of the Blue-Ribbon Panel review.

Tuition

Tuition fee levels for our undergraduate domestic students are currently approaching, yet are still below, the median for Ontario universities. In February 2019, the government announced a 10 per cent cut to domestic student tuition fees for the 2019-2020 academic year and a subsequent tuition freeze for domestic students. When accounting for inflation, this represents a 25 per cent decrease in tuition revenues over the past four years. For Ontario Tech, this resulted in a cumulative annual revenue reduction of $62 million for the same time period, relative to what we might have otherwise expected. In 2023-2024, the MCU approved our application for tuition anomaly adjustments for three of our degree programs for incoming students, resulting in an annual increase of about $640,000 in domestic tuition fee income. However, the broader tuition freeze remains in effect, and at present, we do not have any information on the domestic tuition framework for future years. Universities are currently urging the government to discontinue its tuition freeze policy; however, we assume the domestic tuition freeze will continue for the 2024-2025 budget year.

For 2024-2025, we have assumed a 5 per cent increase in international undergraduate tuition fees. Our international tuition fees remain below the Ontario system median. However, due to competition for international students, we are closely assessing the potential impact of this assumption. We must balance increases and investments in student support, as noted below.

Ancillary Fees

The remaining revenues received via student fees fall under the category of ancillary fees. Ancillary fees are designated for pre-specified approved activities (e.g., recreation services, health services, student learning). These student-centred supports represent about 12 per cent of total student fees. These fees are subject to a provincial fee protocol that allows for an annual inflationary increase based on the Bank of Canada Consumer Price Index (CPI) (September over September). The current CPI is 4 per cent. However, with student affordability in mind, the 2024-2025 budget considers a more conservative 3 per cent increase in total ancillary fees for the coming year.

Commercial Revenues

Our objective in this area (e.g., parking, food sales, and facility rentals) is to maintain an overall financial balance. The university will allocate any surplus realized from these commercial revenues to capital reserves for future investments, with the prior year's reserve covering any anticipated deficit. This approach ensures the core operating budget is not impacted by supplementary services.

We have received feedback from campus community members who want enhanced services such as extended food service hours and more parking spaces. These pose challenges as we would require further investments from our operating to address these asks. The extended food hours in the past did not achieve enough sales to offset the additional expenses. It could require an additional investment of more than $500,000. For parking, the lots are frequently not at full capacity during the week, even though they can reach capacity at other times. Our 2015 Campus Master Plan promoted sustainability through initiatives such as encouraging more bus and ride-share programs, but we are contemplating options to address the current demand. One option may be an additional investment of $750,000 to build 200 spots, with a break-even point expected after five years; however, this requires upfront funds.

Research and Innovation

Research and innovation funding at Ontario Tech continues to increase, more than doubling in four years to surpass $26 million in 2022-2023. This upward trajectory is expected to continue, a noteworthy achievement given the limited federal funding for research and graduate students that is causing a great deal of budgetary pressure.

While research granting councils face annual budget reductions, our university secures funding from diverse sources, including an increasing percentage from industry and innovation funding, primarily linked to entrepreneurship and commercialization. The rise in research funding reflects the university's commitment to research intensification, contributing to its enhanced reputation.

It's important to note that research and innovation funding primarily flows into restricted accounts, supporting new and unique learning opportunities for undergraduate and graduate students. The funds do not constitute operating funds; however, they are a key measure of success for the IARP.

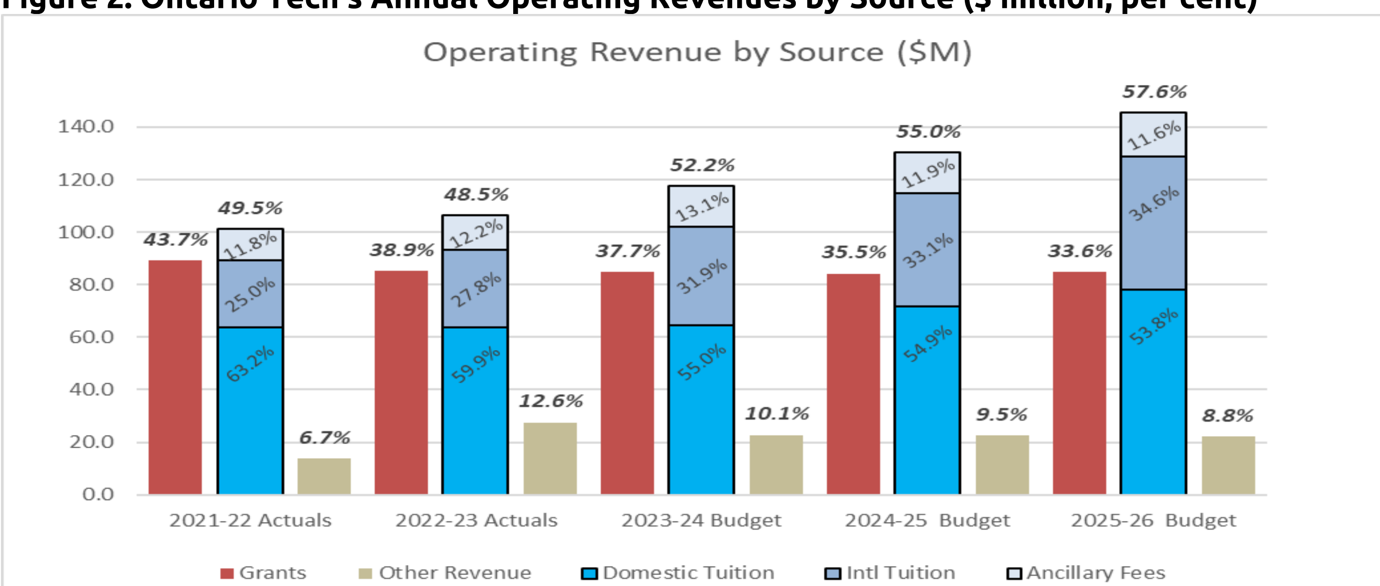
Advancement

In support of the university's strategic priorities and the IARP, the Advancement department is leading the university's comprehensive 'Tech with a Conscience' campaign', anticipated to debut in Spring 2024. In 2022-2023, $4.5 million was raised and this has more recently grown to $9.5 million in new gifts and pledges. This upcoming campaign stands as our most ambitious to date and as the largest in Durham Region's history. The university will see significant growth in fundraising revenue over the next several years, which will continue to be progressive. We will generate campaign revenue through a combination of one-time gifts and multi-year pledges, with a commitment to maintain and nurture relationships beyond the campaign's conclusion.

Overall Revenue Assumption Outlook

In Ontario, the proportion of total revenue from government grant funding has decreased while income from tuition fees, especially international tuition, has grown. In 2020-2021, our tuition and student fees represented 50 per cent of our total revenues. With grants remaining frozen, the percentage of revenue from student fees is estimated to grow to 58 per cent by 2025-2026 (Figure 2). Further, we see international tuition growing from 25 per cent to almost 35 per cent in the same period. This highlights not only our budget's increasing reliance on student fees, but also the potential risk associated with this approach when enrolment targets are not realized. This trend is not unique to Ontario Tech, as other universities share a similar pattern. The provincial system average for the proportion of operating revenue from fees ranges from 40 to 70 per cent, and Ontario Tech is within that range estimating a 55 per cent proportion for 2024-2025.

Figure 2: Ontario Tech's Annual Operating Revenues by Source ($ million, per cent)



Expenses

Ontario Tech has historically implemented a hybrid or two-step approach to budget modelling. In the first step, an incremental budgeting approach is used to address mandated year-over-year increases in known expenses (e.g., contractual salary increases, licensing agreements). Simply put, these increases are automatically factored into the preceding year's base budget on an annual basis and updated. In the second step, a strategic incentive allocation mechanism is used to distribute discretionary resources (when available) to support new initiatives that align with the priorities of our IARP.

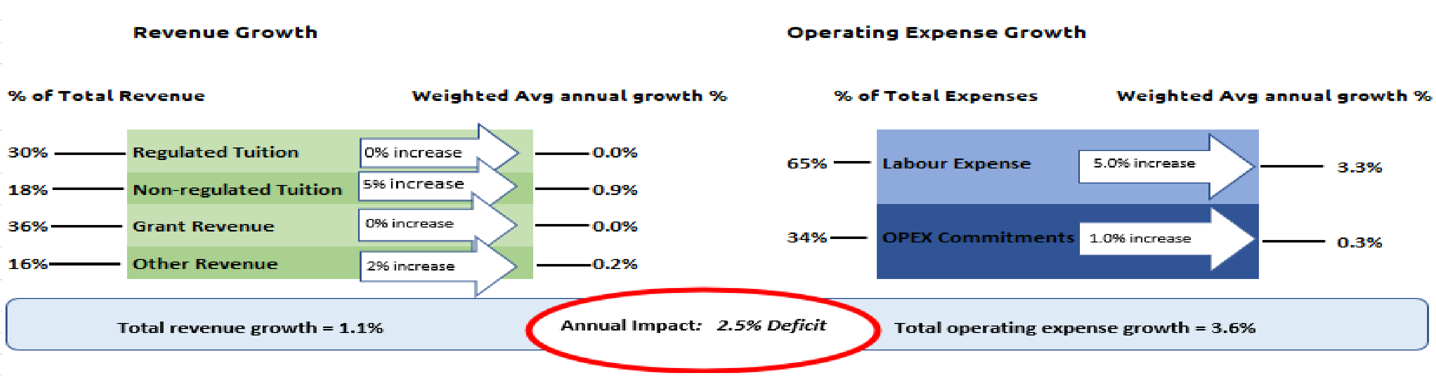
Over the past decade, Ontario Tech has used an activity-based budgeting (ABB) model in the background to simply inform strategic budget allocations. This is a method of budgeting where revenues and expenses are attributed to the areas that generate them. When fully implemented to inform budget allocations, this approach deliberately sets aside funds through revenue-based levies, thus creating a dedicated resource pool to fund strategic priorities and to construct clear incentives for faculties and departments to generate revenue and manage their expenses more consciously.

To create greater transparency, budget understanding and incentives to support differentiated growth during the 2023-2024 fiscal year, the Budget Working Group in collaboration with senior leadership and the deans began to move intentionally toward implementing an ABB model. This model will be shared in the forthcoming budget-setting paper.

The implementation of an ABB model has been necessitated by the fiscal challenges created by the current provincial government's policies (e.g., frozen domestic tuition fees, no additional funding for domestic growth). Simply put, this means that 68 per cent of our total revenues (i.e., 29 per cent regulated tuition and 39 per cent grant revenue) are frozen and subject to no annual increases.

As stated earlier, without further enrolment growth, our revenues are growing at the rate of about 1 per cent on an annual basis. In contrast, using very conservative expense assumptions, our expenses are growing at an average annual rate of 3.6 per cent. This includes a 5 per cent increase attributable to annual mandated salary increases, which encompass across-the-board adjustments and annual progression factors (e.g., promotion increments). To limit the growth in expenses, academic and administrative units are being asked to cover inflationary and contract increases through the reallocation of existing budget dollars. Stated another way, the university is faced with a budget that is contingent upon continuous enrolment growth to fund base operating expenses (Figure 3). To provide some context, salary increases are expected to grow above $6.5 million in each of the next few years. Given that grant and tuition revenues remain stagnant for the foreseeable future, we must enrol about 500 additional students annually to merely cover the mandated salary costs.

Figure 3: An Illustration of the Structural Deficit



Operating expenses are influenced by several factors including, but not limited to, inflation, the rising costs of key goods and services (e.g., software licenses, library subscriptions), and the cost of maintaining and servicing aging facilities. Prior to the pandemic, the Ontario university system typically saw an annual increase in expenses of about 4 per cent. However, between 2021 and 2023, many of these essential expenditures skyrocketed, reaching double-digit percentages. Utility costs and software licensing fees, moreover, continue to increase at these rates. Given that these and other expenses continue to rise, restraining operational expense growth will be required and units may need to reallocate funds from their existing budgets to cover these costs. This will require each and every unit on campus, in alignment with the IARP, to determine if there are activities that must be continued versus others that must be discontinued.

In 2023-2024, our expenses were higher than our revenues as a result of spending commitments and project expenses from prior years. This required reserves to be used to cover the difference. Understanding this context is important as we look forward to the 2024-2025 budget where, compared to the previous year, there is a projected $8.9 million increase in overall expenses (i.e., $236 million compared to $227 million).

Personnel Costs

Additional resources must be allocated to expand our faculty and staff capacity to support new and existing programs, to enhance our ability to move toward the highest quality of hybrid learning capabilities, enhance co-operative education opportunities, and to strengthen supports for teaching and learning, technology and our student recruitment efforts.

Just under 70 per cent of our annual budget supports personnel costs, including salaries and benefits. This is higher than the median for the Ontario university system, which is at 62 per cent. The 2024-2025 base budget already includes almost $10.3 million more in expenses to cover employee labour costs compared to last year's budget. It is important to note that this year's cost is considerably higher in comparison to past years due to the One-Time Retirement Incentive Program for Tenured, Tenure-Track and Teaching Faculty Members as outlined in the recent UOITFA Collective Agreement.

In 2011, our Senior Academic Team set a goal to improve the student-to-faculty ratio from 36:1 to 31:1, aiming to enhance the educational experience of our students and move closer to the provincial average. Our current faculty complement would keep us in this range (Figure 4).

Figure 4: Faculty and Staff Complements (FTEs) and Ratios

FTE COUNT - TOTAL		2022-23 Actual	2023-24 Budget	2024-25 Budget	2025-26 Forecast	2026-27 Forecast
	FFTE's	*9,485*	*9,491*	*10,466*	*11,071*	*11,379*
		1-Oct				
Faculty		339.0	336.3	338.9	357.1	367.1
Staff		554.5	584.2	588.2	603.2	616.2
Total FTE		893.5	920.5	927.1	960.4	983.3
Student:Faculty		*28.0*	*28.2*	*30.9*	*31.0*	*31.0*
Student:Staff		*17.1*	*16.2*	*17.8*	*18.4*	*18.5*

Financial Aid Costs

Five per cent of our annual budget expense is allocated for scholarships, bursaries and fellowships to help students attend our university and to support our institutional access agenda. In line with our international student growth targets, we have introduced programs to allocate funds to assist our international students. In 2023-2024 alone, with increasing investments in entrance scholarships, graduate student assistance, and a new international support program, we will distribute more than $11 million to our students.

Facilities Costs

Ten per cent of our budgetary expenses include the costs associated with the annual physical infrastructure maintenance. This includes more than $5 million annually in building leases and $3 million for the unfunded portion of the debenture.

The following three main items require further consideration when setting our 2024-2027 budget cycle:

- Nondiscretionary costs, such as utilities, are experiencing annual increases of more than 10 per cent, translating to an additional $250,000 cost for the 2024-2025 budget year.

- Our commitment to achieve net zero by 2050 entails some major projects in the coming years.

- We require surpluses to fund future capital requirements. In November 2021, the Audit and Finance Committee was presented a Strategic Reserves Discussion Paper, which aimed to assess and prepare for future capital maintenance and replacement needs. While more than 60 per cent of our buildings are in excellent condition, funds need to be set aside for future renovations. There is a need for above $4 million annually for the next decade to deliver on planned activities such as routine repairs (e.g., roof replacements) and future buildings.

Information Technology (IT) Costs: Major Enterprise Initiatives

To ensure the continued effectiveness of our IT enterprise system, we have planned major initiatives over the next four years:

- Currently, Ontario Tech and Durham College share the same enterprise (i.e., Banner) system. Each institution's data are maintained separately using Shared Technology Platforms (STPs). The STPs have proven effective in facilitating synchronized progress of enterprise systems while preserving a measure of operational autonomy. Although STPs are effectively used by some universities in the United States, we have found that our university's distinct computing needs are testing its limits. As a result, Ontario Tech and Durham College must consider moving to separate enterprise systems. This is a significant endeavor as it would involve more than just separating into two systems such as:
    - Purchasing and implementing other peripheral systems that are currently shared.
    - Re-architecting how we deal with people on the same campus using many shared IT services, but in separate Banner systems.
    - The redesign of how jointly offered academic programs are captured in Banner.

- Currently, Banner operates on-premises, but we are exploring the benefits and implications of moving to the cloud. Several cloud models are being considered, including Platform as a Service (PaaS) and Software as a Service (SaaS). Both PaaS and SaaS offer their own advantages, disadvantages and costs. A move to the cloud could provide more agility in the enterprise space for Ontario Tech, but it is nonetheless important to select the right model and timing for the transition. SaaS, for example, is an effective cloud model, but not all of our required enterprise system functionalities are available at this time. A move to the cloud involves not only the system's migration but also potential changes in the interaction with peripheral systems, data migration, security adjustments, and user and technical staff retraining, etc.

The initiatives highlighted above are significant undertakings in our IT enterprise environment. If Ontario Tech and Durham College move ahead with these initiatives, we estimate the total additional cost for the university to be $10 million over four years.

Opportunities

As explained earlier in this paper, there are several factors that can exert positive and/or negative influences on our annual budget. These factors—some (but not all) of which we can control—are the driving force behind our unwavering commitment to tying fiscal planning to our strategic priorities. This Fiscal Blueprint acknowledges the dynamic nature of revenue shifts and the ever-present pressures of rising expenses. To manage these sensitivities, we have included four possible scenarios in this Fiscal Blueprint in an effort to offer a clear path to navigate a range of potential financial landscapes.

The scenarios presented (Appendix A) reflect a rigorous analysis of potential shifts in enrolment, government support and various other external factors. They represent the range of impacts we may encounter during this budget-planning cycle, combining anticipated events with the university's expected response. These events may represent complex combinations of external factors, such as fluctuations in enrolment, alterations in government student funding, or global economic shifts.

Our analysis focuses on determining the optimal blend of newly introduced versus continuing programs and program delivery modes, for degree and non-degree students as well as traditional and non-traditional learners. This approach needs to fulfill our mission as well as maximize our revenue opportunities. We will concentrate our efforts on factors that support student success and offer programs that ensure we are competitive in an ever-changing environment.

We will primarily focus on what is in our control (e.g., generating revenue through increased student enrolment, expanding our offerings, philanthropy, cost efficiencies) to truly alter our future path. We know that continuing to do business as we have done in the past is not an option. We also know, despite the extensive lobbying efforts of the Council of Ontario Universities, that the provincial government is not likely to introduce measures to sustain or secure our financial future.

We will need to couple aggressive growth, primarily in the area of professional graduate programs, with domestic tuition and grant increases to stabilize our budget and invest in our future.

Summary

Ontario Tech is committed to advancing its strategic priorities in combination with financially responsible budgeting practices. In these challenging financial times, our focus is clear: we must prioritize enrolment growth, explore alternative revenue streams and find cost efficiencies. However, reliance on enrolment growth alone adds a layer of volatility to the planning process as even a minor 3 per cent deviation below the enrolment target could result in more than $1 million in lost revenues. As such, we must be resolute in our efforts to grow our enrolments.

Over the next several months we will know more about the Blue-Ribbon Panel recommendations and MCU's response, as well as have a better understanding of the impact of ongoing international policy decisions on the higher education sector and our university. However, we cannot wait for decisions (or indecision) on behalf of the government to dictate our future. We are not going to sit back and wait for the unknown to happen.

We will continue to provide information so that our campus community has a deeper understanding of the issues and factors that inform our necessary, but difficult decisions within our current fiscally constrained environment. We welcome your feedback through participation in the budget information session or by emailing the Budget Working Group at budget@ontariotechu.ca.

Appendix A: 2023-2027 Budget Cycle Scenarios

As we enter the budget-setting cycle, we have many unknowns that we expect more clarity on by the time we propose the final budget in April 2024. As noted in this paper, enrolments are the largest driver of our revenue, while government policies constrain the same. To begin our discussions, we present four budget scenarios which focus on manipulating these variables (see Figures 8 and 9).

Scenario A: Conservative Enrolment Growth Approach

In this scenario (Figure 5), the assumptions for intake (Figure 6) and total enrolment (Figure 7) estimate revenues exceeding $237 million for 2024-2025, representing an $11.8 million increase from the previous budget year. At the same time, overall, full- and part-time salaries and benefits are expected to increase by almost $10.3 million compared to last year. The result is that our entire estimated revenue increase is entirely consumed, or offset, by estimated expense increases. This forecast would yield a balanced budget for 2024-2025, thanks to minimal to moderate enrolment growth and delayed expenses, counterbalanced by already approved investments in support of the IARP's differentiated growth agenda.

Figure 5: Ontario Tech's Forecasted Operating Budget (2024-2027)

	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	*9,491*	*10,466*	*11,071*	*11,379*
Domestic Tuition	64,669,634	71,679,352	78,265,788	82,604,172
Intl Tuition	37,538,894	43,193,256	50,446,458	55,471,864
Grants	84,875,745	84,210,471	84,848,033	85,246,711
Ancillary Fees	15,424,288	15,574,543	16,878,046	17,757,173
Other Revenue	14,539,477	14,430,352	13,967,566	14,526,269
Donations	2,335,624	2,093,643	2,114,579	2,135,725
Commercial Revenue	5,931,784	5,931,784	6,168,995	6,415,695
Total Revenue	$ 225,315,446	$ 237,113,401	$ 252,689,466	$ 264,157,608
FT Labour	122,937,975	134,865,613	146,754,178	159,462,350
PT Labour	21,994,821	20,393,662	20,555,028	21,483,150
OPEX	74,901,655	75,190,463	76,701,451	77,835,759
CAPITAL	7,512,020	5,747,701	8,447,830	7,470,069
Total Expenses	$ 227,346,471	$ 236,197,439	$ 252,458,488	$ 266,251,328
PY Reserve Utilization	*2,031,025*	*0*	-	-
Net Surplus/(Deficit)	$ -	$ 915,962	$ 230,978	$ (2,093,719)

Historically, using this same conservative approach, Ontario Tech has been able to accurately realize (i.e., within ±2 percent) its enrolment projections year over year. This approach relies on minimal to moderate, yet highly predictable, enrolment growth. For the coming year, it would yield a razor thin $916,000 surplus (i.e., less than 0.4 percent of the total revenues) for allocation. However, this surplus would not include discretionary allocation. This amount would instead be designated as restricted revenues for use in areas such as facility renewal.

In the out years, this model creates even more budgetary uncertainty. For 2024-2025, this model includes a set aside for a modest $1.0 million academic priority fund and a $1.0 million capital fund to promote academic innovation and to address aging equipment needs, respectively. However, this budget does not show an annual surplus exceeding $3.0 million, which is necessary to build reserves for anticipated future deferred maintenance expenses. Consequently, in the out years, there would be no discretionary funds available for new expenditures followed by deficits.

Figure 6: Forecasted Undergraduate Intake by Headcount and Fiscal Year

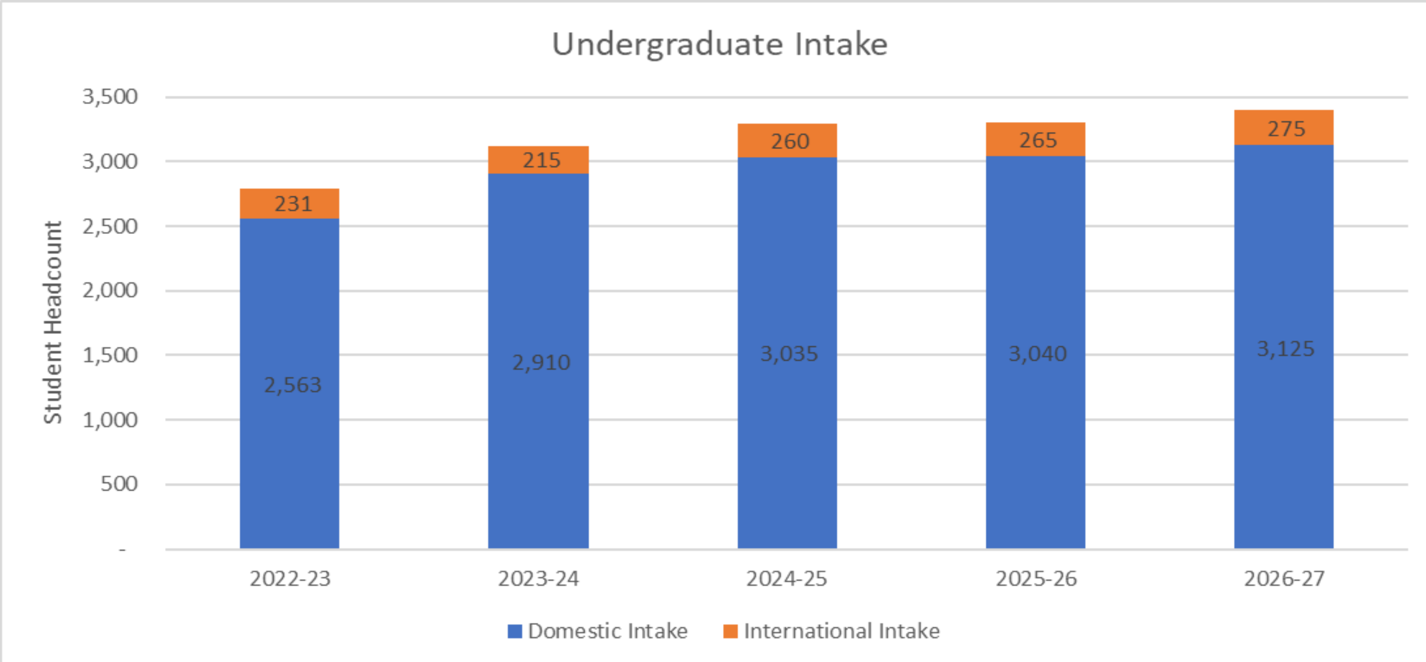
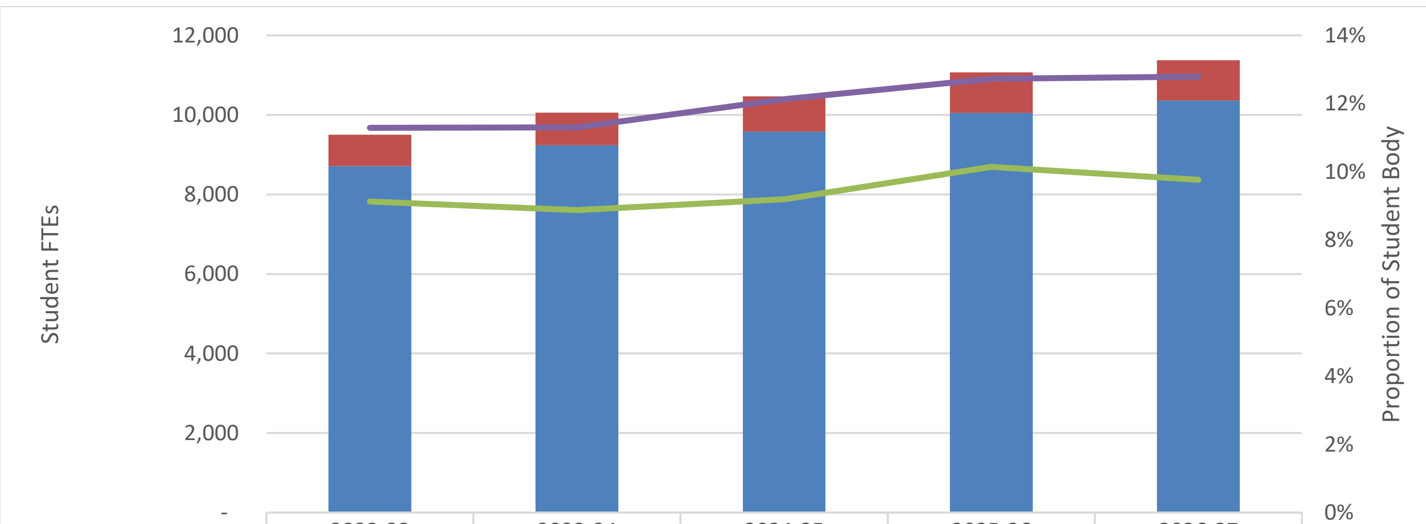


Figure 7: Forecasted Student Enrolment (FTEs) by Fiscal Year



	2022-23	2023-24	2024-25	2025-26	2026-27
Graduate	795	820	881	1,020	1,012
Undergraduate	8,711	9,240	9,585	10,052	10,367
% Graduate	9%	9%	9%	10%	10%
% International	11%	11%	12%	13%	13%

Scenario B: Increasing Domestic Tuition

In this scenario we assume the same enrolment data as seen in Scenario A plus a 2 per cent domestic tuition increase for the out years. While this tuition increase would not keep up with current inflation and is below the previous ministry policy allowance of a 3 per cent increase per annum, it is a number we are hearing as a potential increase. Each 1 per cent increase in the domestic tuition rate is estimated to result in a modest $470,000 increase in total revenues.

Scenario C: Moderate Growth Approach with Tuition Increases

In the short term, we can mitigate the impact of the revenue restrictions by emphasizing growth. We have prepared an aggressive growth plan aligned with our IARP goals. In 2020, we increased our international enrolment targets, aiming to reach levels comparable to the Ontario university system average. This, coupled with reallocations (where possible) and delayed infrastructure investments, would provide at least a temporary solution to our budget challenges.

If we increase international undergraduate intake by 10 per cent in 2025 versus 5 per cent, coupled with the expansion of professional master's programs, while at the same time experiencing a slight increase in undergraduate persistence, it would result in 115 more FTE enrolments in 2025-2026 (Figure 8), and our forecasted surplus for allocation would be $5.6 million more (Figure 9).

It is anticipated that this approach would also require enhanced support to those areas demonstrating growth while some areas not experiencing the same would need to find more efficient ways to operate. Failing to draw this distinction could potentially impact the quality of support and education we provide to our students. More importantly, however, beyond providing a slightly more prolonged period of financial sustainability, this scenario only delays the inevitable structural impact on the budget.

Scenario D: Moderate Growth with Tuition and Grant Increases

In this scenario, we assume the same enrolment in Scenario C with the addition that all domestic students, not just those in our corridor, would receive full grant funding at today's levels. It should be noted that the Blue-Ribbon Panel may make recommendations to the MCU regarding grant funding for universities, but the details of these recommendations and the MCU's response remain unknown at this time.

Figure 8: Budgeted Enrolment vs. Growth Enrolment (FTEs)

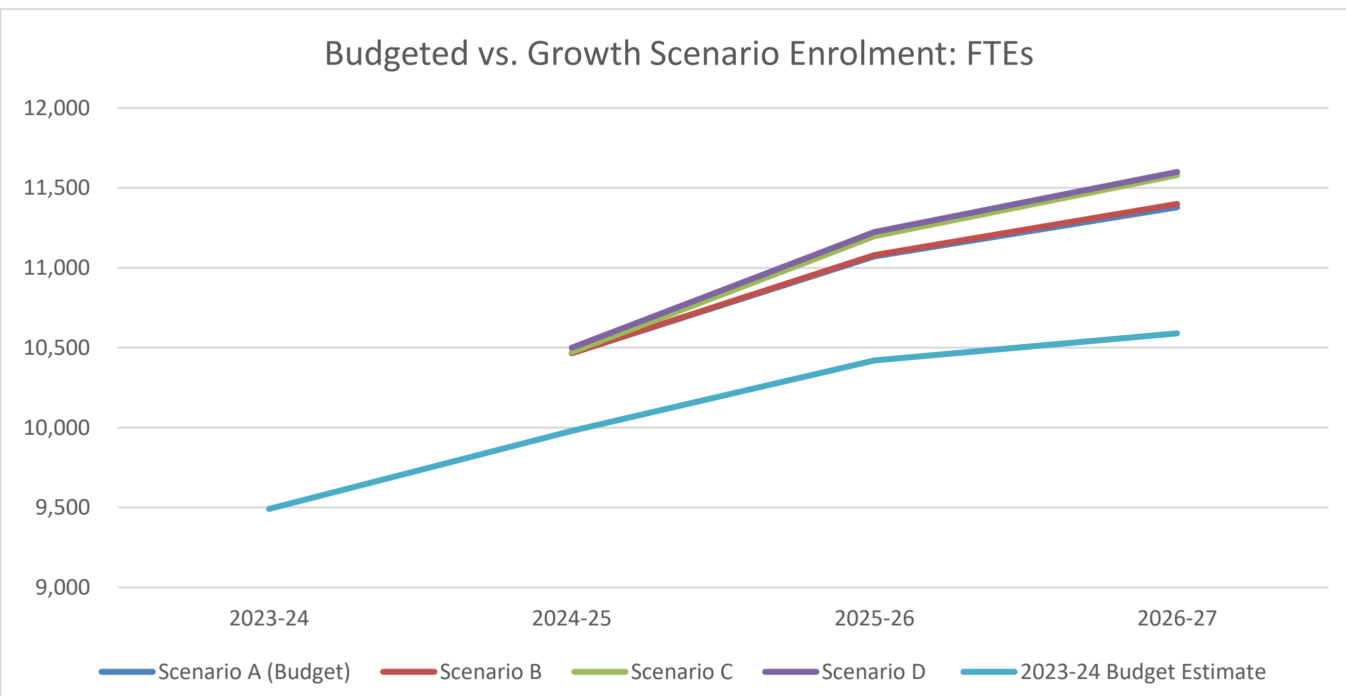
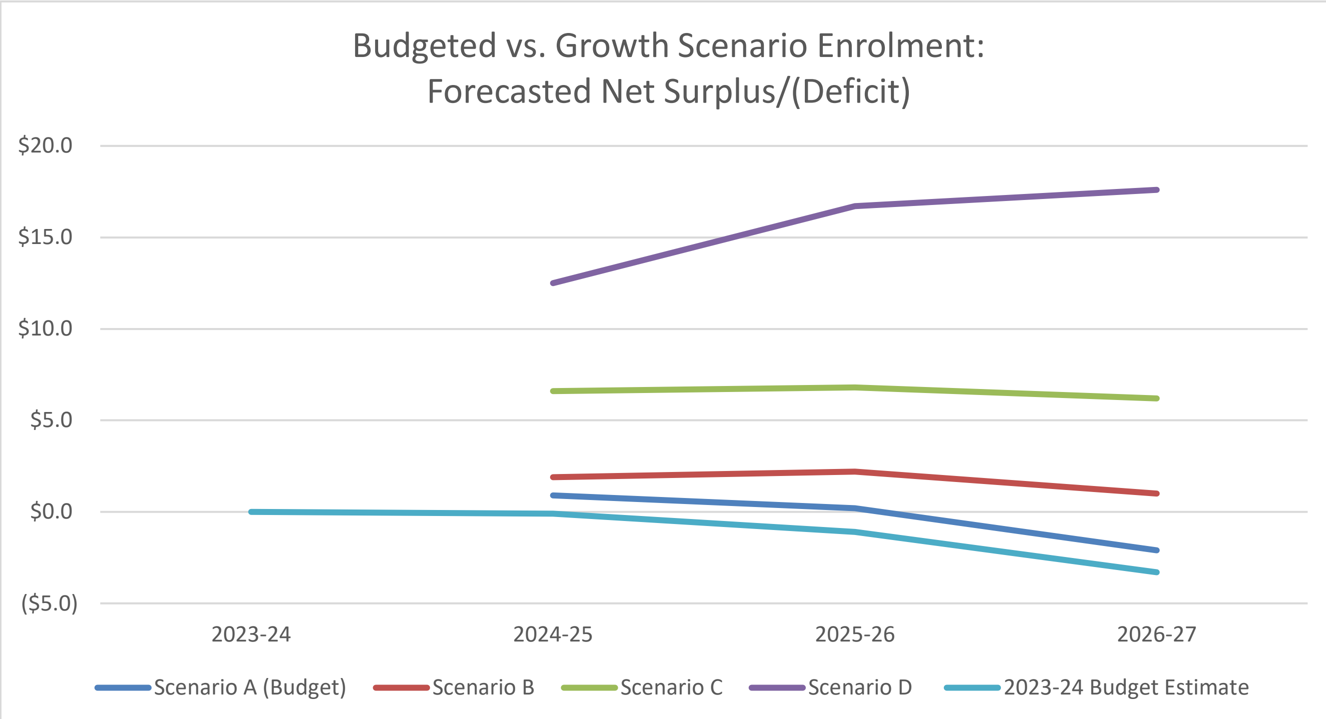


Figure 9: Corresponding Net Surplus (deficit) Based on Enrolment Change



Fiscal Blueprint 2024-2027

November 2023

Q3 Forecast

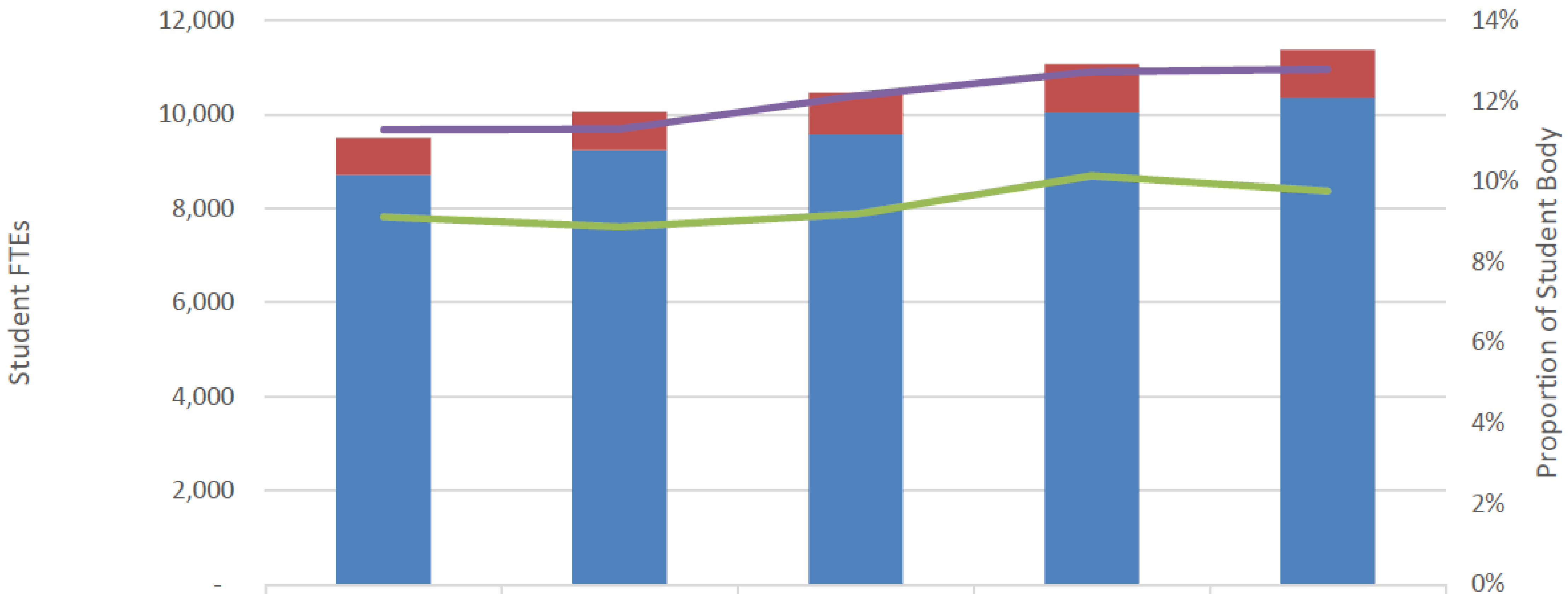
Q3 Forecast

Revenue Summary	2022-23 Actual	2023-24 Budget	2023-24 Forecast
FFTEs	*9,555*	*9,491*	*10,060*
	$'000's	$'000's	$'000's
Tuition	93,252	102,209	103,340
Grant	85,160	84,876	84,799
Ancillary	13,005	16,417	16,555
Other Revenue	13,678	14,539	16,892
Donations	3,430	2,336	3,440
Commercial	5,704	5,932	5,791
Total Revenue	**$214,229**	**$226,309**	**$230,817**

Expense Summary	2022-23 Actual	2023-24 Budget	2023-24 Forecast
	$'000's	$'000's	$'000's
FT Labour	106,257	122,938	119,160
PT Labour	23,232	21,995	24,963
OPEX	74,421	74,902	72,882
Capital	14,017	7,512	10,038
Total Expenses	**$217,927**	**$227,347**	**$227,043**
Funded by PY Reserves	$4,200	$1,038	
Net Surplus / (Deficit)	**$502**	**$0**	**$3,774**

2024 – 2027 Budget Assumptions - Revenues

Key Budget Driver - Enrolment



	2022-23	2023-24	2024-25	2025-26	2026-27
Graduate	795	820	881	1,020	1,012
Undergraduate	8,711	9,240	9,585	10,052	10,367
% Graduate	9%	9%	9%	10%	10%
% International	11%	11%	12%	13%	13%

2024 – 2027 Budget Assumptions - Expenses

DRAFT Forecast – Conservative Scenario

	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	*9,491*	*10,466*	*11,071*	*11,379*
Domestic Tuition	64,669,634	71,679,352	78,265,788	82,604,172
Intl Tuition	37,538,894	43,193,256	50,446,458	55,471,864
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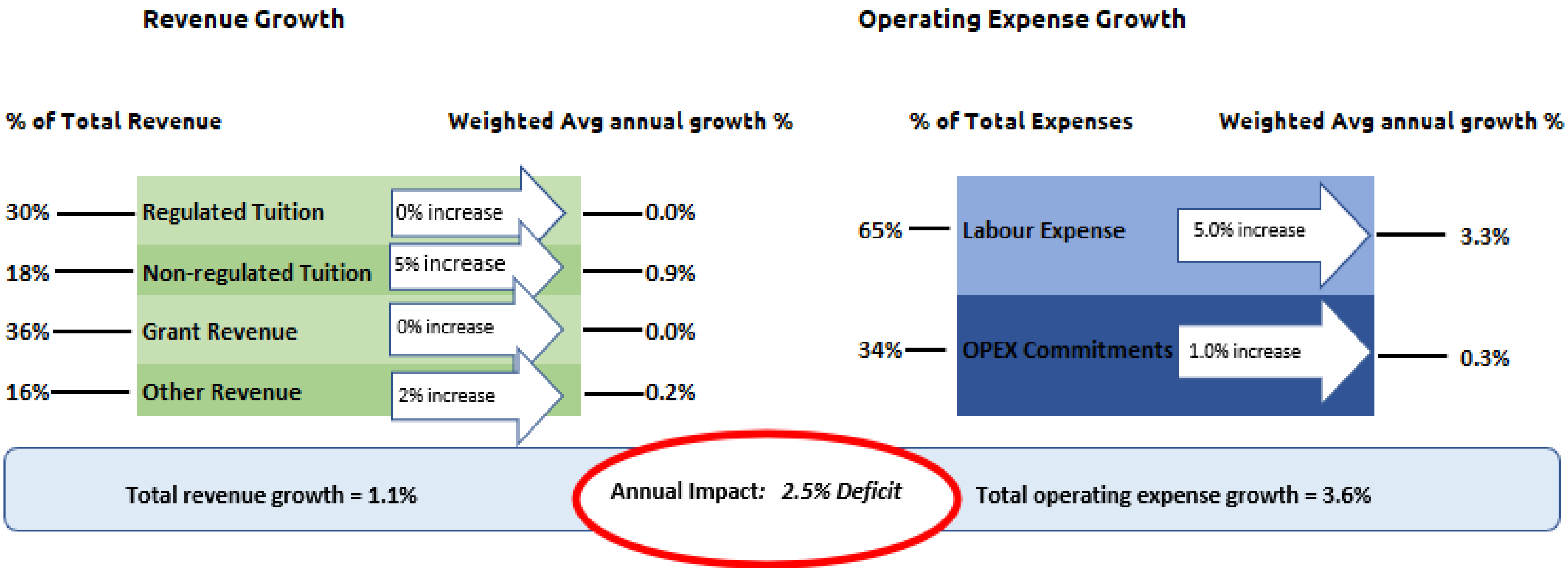
Total Expenses	**$ 227,346,471**	**$ 236,197,439**	**$ 252,458,488**	**$ 266,251,328**
PY Reserve Utilization	*2,031,025*	*0*	-	-
Net Surplus/(Deficit)	**$ -**	**$ 915,962**	**$ 230,978**	**$ (2,093,719)**

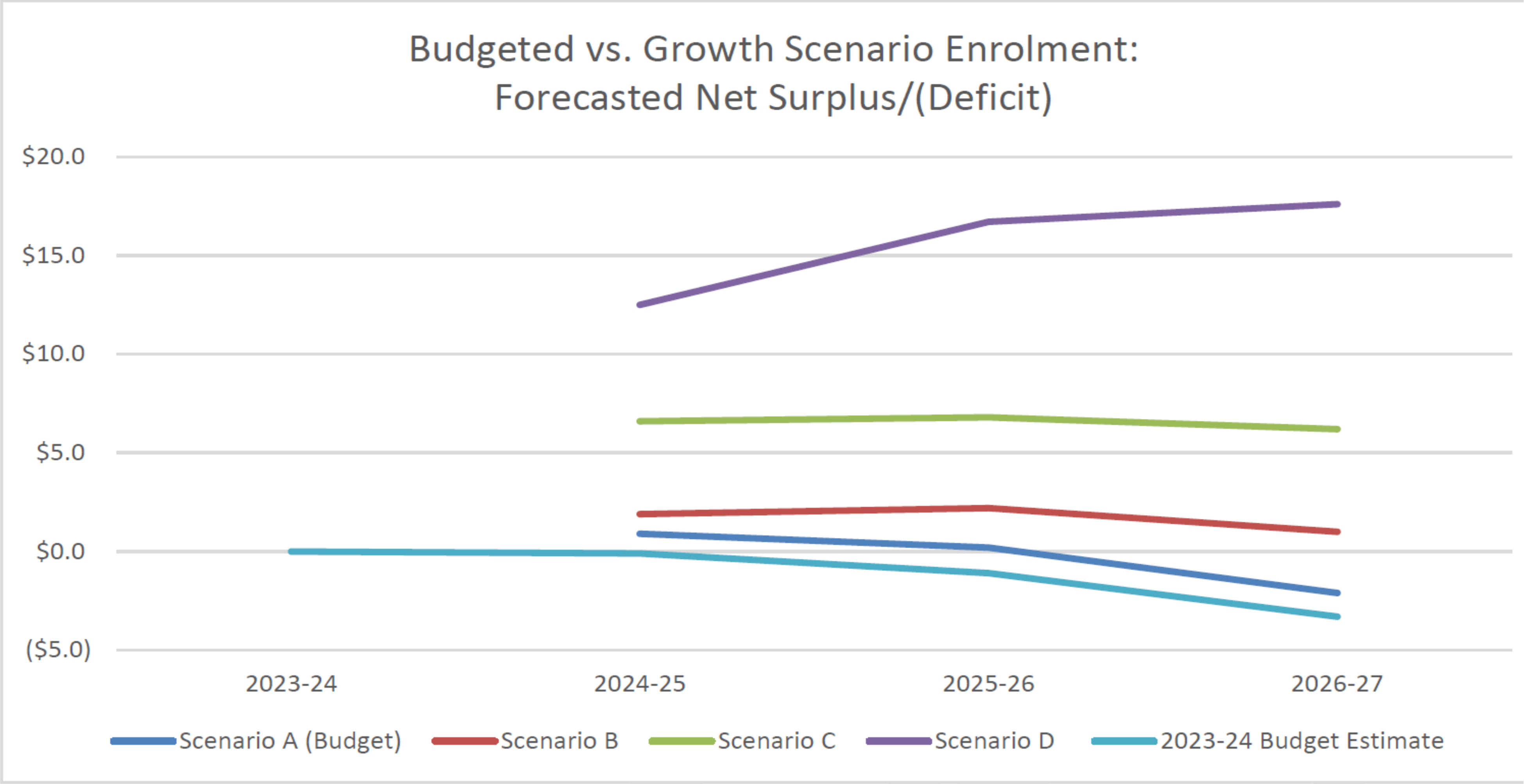
Expenses

- Revenue: If UG international went up 5% on average the weighted impact on budget is less than 1%.
- Expenses: Looking at current salaries alone when we include ATB and PTR they are going up 5% a year for a weighted average of 3.3%
- Starting base budget DOES NOT include inflationary increase for OPEX. Most units will need to reallocate from within



Scenarios

- Scenario B includes 2% domestic tuition increase, $2M more in 24-25
- Scenario C includes more aggressive enrolment, $6.5M more in 24-25
- Scenario D includes full grant funding above corridor, $ 12M more in 24-25



Strategic Allocation

Process & Timelines

Budget Process

21-Nov-23	FAST Budget module open to budget holders
23-Nov-23	Present Q3 Forecast & budget assumptions to A&F
28-Nov-23	High level presentation of budget assumptions to AC
28-Nov-23	High level presentation of budget assumptions to Community Consultation
21-Dec-23	2024/25 BUDGET & FWP SUBMISSION
12-Jan-24	Q4 FORECAST SUBMISSION
Jan 22 - 25	Unit Leaders BUDGET PRESENTATIONS to Budget Working Group
23-Mar-24	Budget Presentation to AC
11-Apr-24	PRESENTATION OF PROPOSED BUDGET TO A&F
27-Mar-23	Budget package sent to SLT for review
11-Apr-24	PRESENTATION OF PROPOSED BUDGET TO A&F