ACADEMIC COUNCIL REPORT

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

TO: **Academic Council**

DATE: **March 26, 2024**

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

SUBJECT: **DRAFT Multi Year Budget 2024-27 Approval**

BACKGROUND/CONTEXT & RATIONALE:

As highlighted in the Fiscal Blueprint presented Fall 2024, this current financial context requires ongoing discipline to address budget pressures while targeting resources to invest in our 2023–2028 Integrated Academic Research Plan (IARP). The current budget planning environment remains difficult to balance given the government policies related to tuition and grant that has only been made more difficult due to the recently released cap on international study permits. At the start of February, when the budget was set, the university had no formal guidelines on any of these items.

This DRAFT document provides an overview of the university's 2024-2025 rolling **$244M consolidated budget** and outlines the fiscal tensions we face resulting from multiple competing demands. From a revenue perspective, the **increase over the prior year budget is $19M** ($12M over the 2023-2024 year-end forecast). The largest contributors to this increase are:

- $10.1M enrolment (about $8.1M domestic and co-op tuition, $2M international tuition).
- $2M grants (assumed increase from Blue-Ribbon Panel advocacy).
- $2.3M ancillary ($1.3M support services, $1M deferred IT revenues for project).
- $4M other ($1M Brilliant Catalyst contracts, $1M in interest income, $1M commercial).

From an expense perspective, almost 45% of the new revenues are committed to restricted/targeted allocations (e.g. government mandated financial aid, cost of goods sold to correspond with increased commercial revenues, industry contracts). The major investments include:

- $10.5M investment in people ($6.5M for current employee contracts, $1.5M for new faculty and staff and $2.5M for sessional instructors and teaching assistants).
- $2.0M for student experience and financial aid.
- $1.5M for research.
- $1.1M for Capital infrastructure (note this is $8.4M with base).

While 2024-2025 presents a balanced budget, it has been accomplished by using a portion of the reserves and does not set aside the reserves required for future years. The assumed salary increased based on current ratios and estimated contracts leads to a deficit budget in future years. Leadership will continue to explore ways to bring this into a surplus position in order to invest in our priorities and future viability.

SUPPORTING REFERENCE MATERIALS:

DRAFT Multi-year budget presentation

ONTARIO TECH UNIVERSITY'S 2024-2027 DRAFT Multi-Year Rolling Budget

Budget Working Group, March 2024

Introduction

Funding of institutions of higher education in Ontario has long relied on direct government funding (i.e., institutional grants) for instruction, investments, and research combined with contributions from students in the form of tuition and ancillary fees. These sources of funding have long been regulated by provincial government policies yet, in the **past**, the grant was routinely linked to total student numbers and would as a result grow as student numbers increased. Similarly, with multi-year tuition frameworks which outlined annual allowable tuition increases over three-to-four-year periods, universities were able to predict their tuition revenues and therefore prepare annual budget forecasts with some certainty and confidence.

This is no longer the case. At **present**, Ontario universities continue to be negatively impacted by the provincial government's imposition of a 10% domestic tuition cut in 2019, followed since then by a year-over-year domestic tuition freeze. This, in combination with the more than 30% decline in provincial grants for Ontario post-secondary schools since 2006-2007, leaves us struggling to adequately fund all priorities in year and unable to accurately predict our future revenues. This situation is made more complex by high inflation rates, the introduction of performance-based funding conditions which may negatively impact the grant portion of our revenues, and the recent announcement by the federal government of a cap on international undergraduate study permits. In contrast, what we can predict is that our expenses are outpacing our static revenue sources. As highlighted in the Fiscal Blueprint presented in Fall 2023, this current financial context requires us to address existing budgetary pressures. This includes diverting funds which should be set aside for known future costs including deferred maintenance and IT system upgrades to support the creation of annual balanced budgets.

Many of our peer universities provincially and nationally are similarly working to address the same issues. However, our unique composition (i.e., small size, existing cost structures, lack of adequate reserves, and absence of significant endowment funds) puts us at a higher level of financial risk. At this time, we are more vulnerable than other universities to policy changes because our current budget margin is razor thin and our ability to absorb shifts in our main revenue sources with our existing fixed costs is limited.

Looking to the **future** and the longer term, at the time of writing this paper, the provincial government has given us no firm indication of their response to the Blue Ribbon Panel's recommendations. As you will see illustrated in this paper, without additional revenues from grant and tuition sources, our fiscal situation in future years becomes increasingly more precarious. In addition, as our costs grow, and traditional revenue sources remain fixed, our spending power will continue to decline. As of today, while we are proposing a balanced budget for 2024-2025, looking forward there are no guarantees that we will be able to do the same in the out years, let alone keep the university in a fiscally sustainable position, unless we take action now.

The 2023–2028 Integrated Academic Research Plan (IARP) marked a continued commitment to our four strategic priority areas (i.e., Learning Re-imagined, Creating a Sticky Campus, Tech with a Conscience and Partnerships) in combination with a clear pledge to pursue enrolment growth to increase our revenues. Staying fixed on these priorities has ensured that our investments are strategic in nature and continuing to contribute to Ontario Tech differentiating itself from our competitors as a great place to learn, work, and play. This has led to our growing brand recognition and reputation which in turn is yielding high application numbers from both domestic and international sources. This is important as we have long known that a focus on enrolment growth will help to insulate us to some degree from immediate fiscal challenges.

In addition to growing revenues through enrolment growth, and finding new revenue sources to fund priority areas, we are also taking proactive steps right now to control our expenses through finding efficiencies and controlling our spending. For example, upgrading our IT systems and software platforms will support improvements in administrative processes, allowing our staff to focus on the key aspects of their jobs rather than trivial and often burdensome manual administrative tasks. We have also asked financial managers to prioritize investments in student, academic and research supports while carefully considering and managing impacts on their teams' workloads. This includes being constantly mindful of expenses and identifying opportunities for cross-department efficiencies (e.g., bulk purchasing practices). These proactive measures align with our ongoing prudent and fiscally responsible approach to finance, and our continued focus on operational excellence. By doing this, our goal is to reduce the need for reactive cuts in the future.

To accomplish this, key revenue and expense assumptions have been developed. The revenue assumptions are supported by multi-year enrolment growth projections. On the flip side, expense assumptions take into account increases in overall labour costs, as well as the need for further investments in student support and financial aid, and our IT and capital infrastructure.

Revenue Assumptions

Ontario Tech's estimated operating revenues for 2024-2025 total $244.2M, the sources of which are depicted in **Figure 1**. These are estimated based on the following assumptions.

Enrolment Growth: For the third consecutive year, Ontario Tech has seen remarkable increases in new student applications. These increases far exceed the system average for both domestic and international student demand. Ontario Tech created a plan in 2019 to increase the proportion of overall enrolment numbers represented by international students from about 7% to be closer in line with the Ontario system average of 18%. After investing in international recruitment and the corresponding and necessary student supports, we anticipate that international student enrolments will be about 10% of the total student body in the next fiscal year (**Figure 2**). Overall, it is estimated that $10.1M in additional enrolment revenues (i.e., $8.1M domestic and co-op tuition, $2M international tuition) will be realized.

However, on the heels of the strong application performance in late January, the federal government announced a plan to cap international student study permits. This will have a direct negative impact and we expect a reduction in new international undergraduate student enrolment by at least 25% from last year. To put this into budget context, our new assumption is about 100 fewer international undergraduate students that could translate to a decrease of more than $3.5M in net tuition revenue. While there is an opportunity to offset this by focusing on increasing international student enrolment in course-based master's programs, an unintended consequence of widespread media coverage of the federal government's cap on international study permits is the perception that 'Canada is closed' to new international students. Between this perception, which will lead to fewer international student applications, and processing delays associated with new attestation and other bureaucratic processes, there is a chance the negative effect could be even larger than anticipated.

Grants: Although we have not yet received confirmation of additional funding flowing in response to the Blue Ribbon Panel's recommendations, the assumption is being made that a modest amount of one time funding of approximately $2M (which represents about a 3% increase to our operating grant) will be realized.

Ancillary Fees: About $1.3M of additional ancillary fee revenues, associated with enrolment growth, and $1M of prior years' deferred revenue from Technology Enhanced Learning fees will contribute a total of $2.3M in revenues to the 2024-2025 operating budget.

Other: Approximately $4M in additional revenues will be realized from other sources (e.g., Brilliant Catalyst contracts, interest income, commercial services).

Figure 1. Estimated 2024-2025 Operating Revenue ($244.2M)

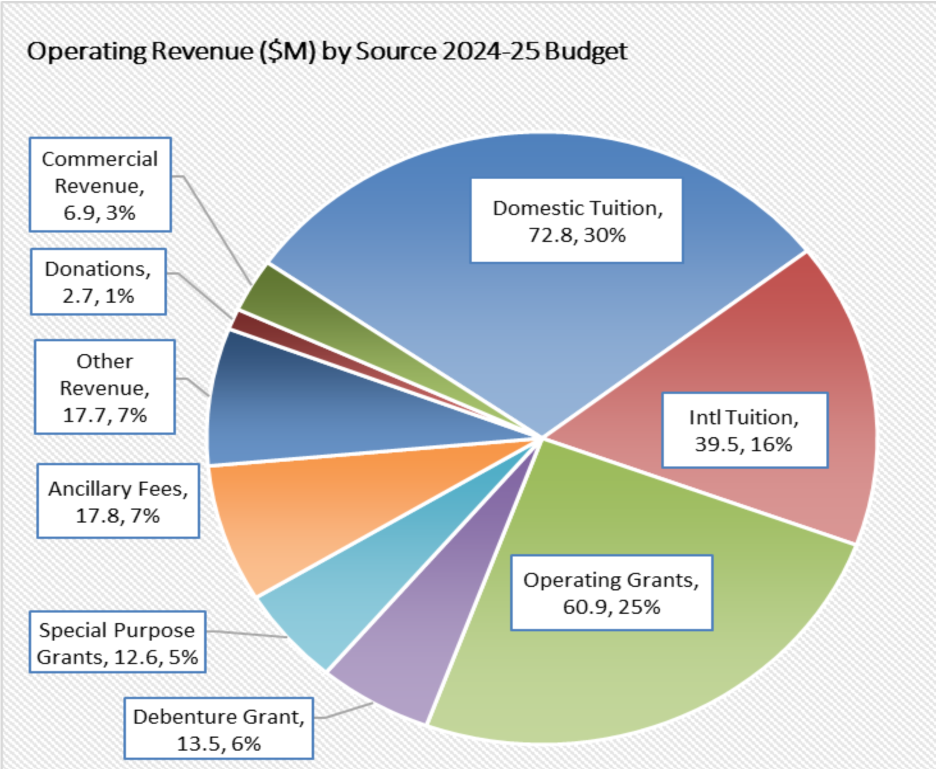
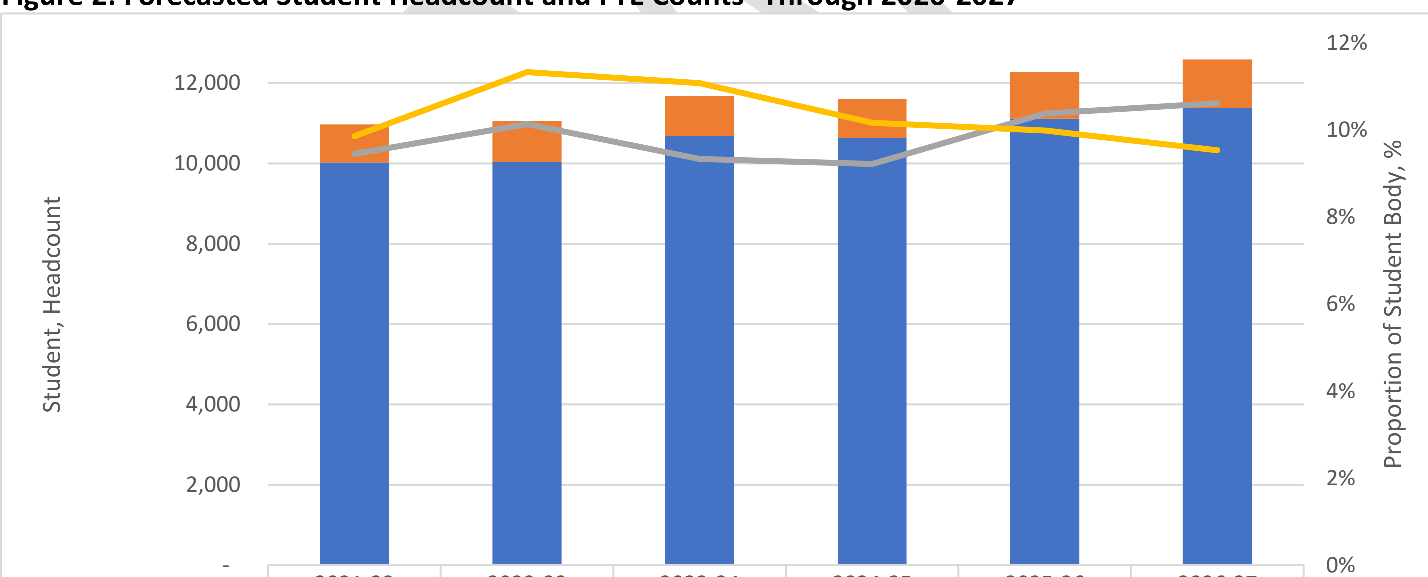


Figure 2: Forecasted Student Headcount and FTE Counts[1] Through 2026-2027



	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Graduate	947	1,017	997	980	1,152	1,207
Undergraduate	10,022	10,037	10,681	10,629	11,112	11,374
% Graduate	9%	10%	9%	9%	10%	11%
% International	10%	11%	11%	10%	10%	10%

Student FTE Projections	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Undergraduate	8,812	8,778	8,711	9,398	9,559	9,966	10,163
Graduate	674	760	795	790	828	998	1,024
% Graduate	8%	9%	9%	8%	9%	10%	10%
% International	8%	10%	11%	11%	11%	11%	11%

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

Expense Assumptions

Ontario Tech's estimated expenses for 2024-2025 total $241.7M. These are illustrated in **Figure 3**. These are estimated based on the following assumptions.

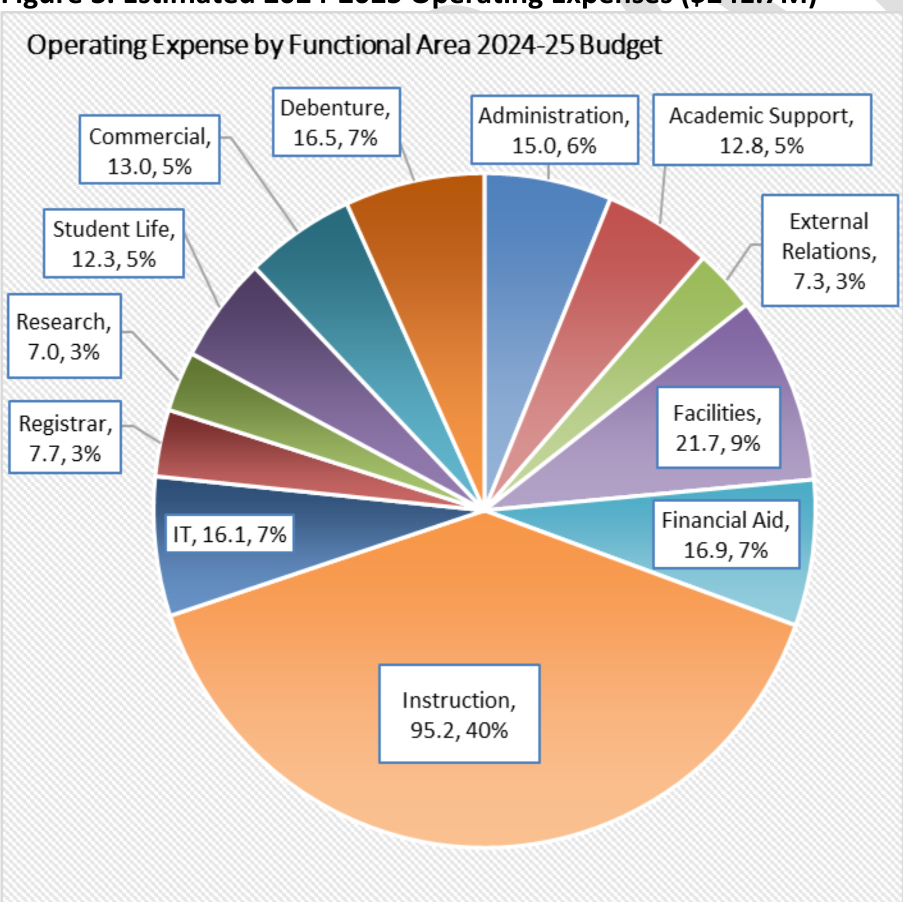
Labour: Labour costs represent the overwhelming majority of our annual expense budget, and the largest increase in our total expenses in comparison to last year. This total increase of about $10.5M includes $6.5M to cover existing contractual commitments to salary and benefit increases, $1.5M for new faculty and staff, and $2.5M for additional sessional instructors and teaching assistant support.

Student Experience and Student Financial Aid: An additional $2.0M will be invested to support our students (i.e., $1.5M, mainly funded by ancillary fees, to support the student experience and $0.5M in financial aid).

Research: While most of the direct research funding (e.g., from the Tri-Agencies and other funding sources) goes into restricted faculty accounts, the operating budget increase includes an additional $1.5M of which two-thirds is covered by direct revenue (i.e., $500K for start-up funds, $500K for equipment related to advancing the energy research agenda, and $500K to fulfil Brilliant Catalyst contracts).

Capital Infrastructure: An additional $1.1M will be invested in new assets and repairs to our IT and facilities infrastructure. Combined with the current base (which is mainly offset by grants), this brings the total capital investments to about $8.4M).

Figure 3. Estimated 2024-2025 Operating Expenses ($241.7M)



Pulling All of These Assumptions Together

The aforementioned assumptions collectively support the realization of a balanced budget for 2024-2025 using a conservative budgeting approach with an estimated $19.0M in additional revenues offsetting an estimated $14M in net new expenses in 2024-2025. Total new investments are $23M when including the impact of repurposing prior year one-time only project funds. The assumptions are conservative in nature, leading us to suggest that there is low to moderate risk associated with the 2024-2025 budget projection.

While there is higher degree of risk associated with some of the revenue assumptions (i.e., enrolment, anticipated increase to the operating grant as a result of the Blue Ribbon panel recommendations, inflation), these are counterbalanced by the setting aside of a $2.4M contingency funds to protect against some of the unknowns at this point in time.

2024-2025 Estimated Consolidated Operating Budget

Considering the aforementioned assumptions, the 2024-2025 Estimated Consolidated Operating Budget totals **$244.2M.** This is 92% of the university total budget which also includes restricted funds ($15.4M or 6% for research and $4.2M or 2% for donations).

An Operating Budget is a complex entity. Therefore it is, in turn, further broken down into a series of funds which are each aligned with a primary function (**Figure 4**).

Figure 4. The 2024-2025 Estimated Consolidated Operating Statement

	Operating Budget	Purchased Services	Operating-REV	Ancillary Fee Budget	Infrastructure Capital	Commercial Services	2024-25 Proposed Budget
Revenues							
Operating Grants	60,907	-	-	-	13,500	-	74,407
Other Grants	7,384	-	2,472	221	2,490	-	12,567
Tuition	100,650	-	11,584	-	-	-	112,234
Student Ancillary Fees	1,619	1,481	137	12,375	2,154	496	18,261
Donations	538	-	2,034	122	-	8	2,702
Other Revenue	5,834	220	11,106	574	-	6,349	24,084
Total Operating Revenues	176,933	1,701	27,332	13,292	18,144	6,853	244,255
Base Expenditures							
FT Labour	(103,719)	(7,645)	(6,156)	(6,212)	-	(1,438)	(130,170)
PT Labour	(11,795)	(197)	(4,512)	(1,488)	-	(412)	(18,403)
OPEX	(28,960)	(7,541)	(15,164)	(2,732)	(16,501)	(4,331)	(75,229)
CAPITAL	(106)	-	(9)	-	(4,644)	-	(4,759)
Approved Base Expenditures	(144,581)	(15,383)	(25,840)	(10,431)	(21,145)	(6,181)	(228,561)
Budget Surplus/(Deficit) before Asks	32,353	(13,682)	1,492	2,861	(3,001)	671	15,694
Recommendations	-	-	-	-	-	-	-
Base Recommendations	(7,951)	(416)	(1,402)	(64)	-	(335)	(5,168)
OTO Recommendations	(3,697)	-	32	(543)	-	(50)	(4,258)
Capital Recommendations	(1,085)	-	(181)	(2,390)	-	(10)	(3,666)
Total Net New Recommendations	(12,733)	(416)	(1,552)	(2,996)	-	(395)	(13,092)
Total Expenditures	(157,314)	(15,798)	(27,392)	(13,427)	(21,145)	(6,577)	(241,653)
Total CY Budget Surplus/(Deficit)	19,620	(14,098)	(60)	(135)	(3,001)	276	2,602
Funded through PY restricted reserves	-	-	-	373	-	-	373
Risk Contingency Fund	2,443	-	-	-	-	-	2,443
Total Budget Surplus/(Deficit)	22,062	(14,098)	(60)	238	(3,001)	276	5,418

2024-2027 Estimated Multi-Year Consolidated Operating Budget

As mentioned in the introduction to this paper, our fiscal situation in future years becomes increasingly more precarious (**Figure 5**). In addition, as our costs grow, and traditional revenue sources remain fixed, our spending power will continue to decline. It is important to reiterate while we are proposing a close to balanced budget for 2024-2025, there are no guarantees that we will be able to do the same going forward, let alone keep the university in a fiscally sustainable position, unless we act now. As can be gleaned from the data presented herein, if we do not continue to grow or realize additional funding from government, and we cannot contain our costs, these projected budget deficits will become our reality. Our estimated budgets moreover, will be characterized by increased risk, moving from our currently low to moderate risk budget position into high risk territory.

Multi-year budgeting requires universities to take a longer-term perspective when making decisions to undertake new initiatives, and to fund existing programs and services over several years. Positive aspects of multi-year planning include improved long-term planning by providing assurances to units about service delivery, and greater emphasis on program evaluation and monitoring by giving time to implement and review. University budgets are best set after the winter term begins because there is a better indication of the current student enrolment patterns, the new student application data and, normally, the government's direction on tuition. Further, it includes the ability to provide some stability in planning, greater transparency on revenue and expense strategies, and a longer time horizon for identifying and managing risks. As our largest expense is our investment in employees, the multi-year budgeting process provides more time for the hiring process.

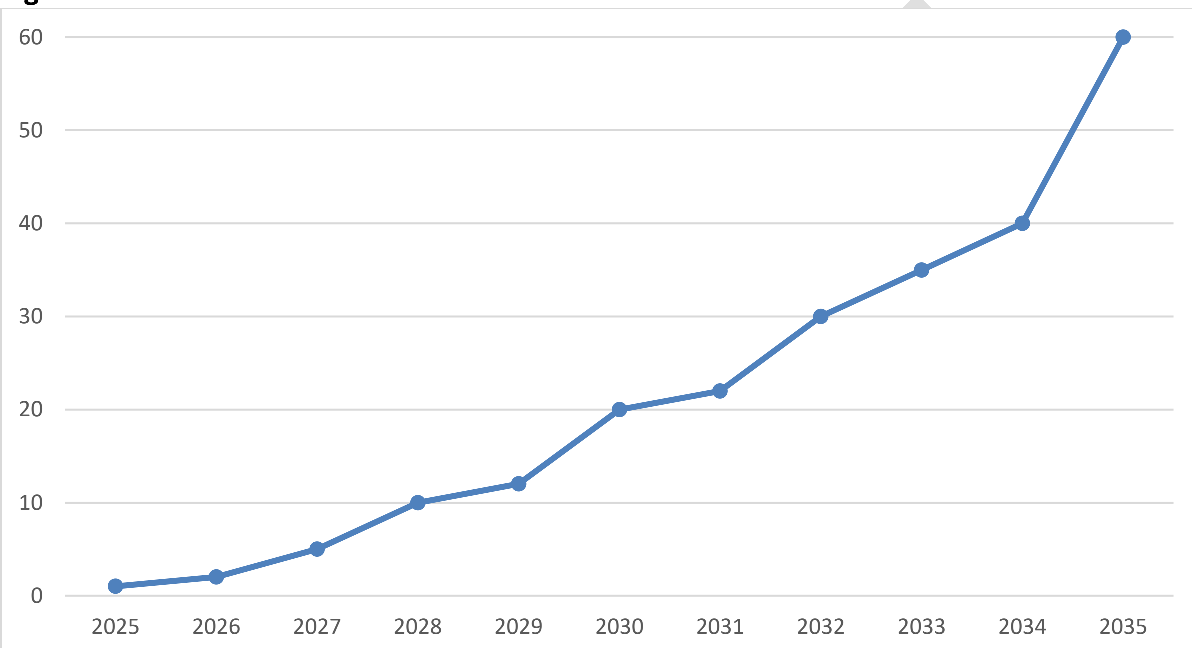
As we plan for the 2024-2025 budget year, and the subsequent two years, the budget assumptions focus on growth in student numbers and hence greater enrolment revenues plus other incremental revenues, offset by costs associated with supporting growth in student numbers. The future years demonstrate the impact of the current year's decisions on future year budgets. They also include some nominal assumptions for labour and operating contractual increases. With inadequate revenue increases anticipated from government until a formal announcement, most of the out-year expenses focus on supporting growth through faculty and staff hires, increased utility costs, and capital repairs.

Figure 5. 2023-2026 Estimated Operating Budgets

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	*9,389*	*9,491*	*10,387*	*10,964*	*11,187*
Domestic Tuition	60,875	64,670	72,774	79,562	83,782
Intl Tuition	33,844	37,539	39,460	43,310	43,063
Grants	82,227	84,876	86,974	87,730	88,252
Ancillary Fees	14,081	15,424	17,765	16,891	17,932
Other Revenue	4,940	14,539	17,735	17,522	18,348
Donations	1,784	2,336	2,694	2,115	2,136
Commercial Revenue	12,095	5,932	6,853	7,214	7,578
Total Revenue	**$ 209,847**	**$ 225,315**	**$ 244,255**	**$ 254,344**	**$ 261,091**
FT Labour	(113,301)	(122,938)	(130,944)	(144,098)	(154,801)
PT Labour	(18,766)	(21,995)	(24,359)	(22,377)	(23,190)
OPEX	(71,749)	(74,902)	(77,926)	(79,157)	(80,127)
CAPITAL	(9,761)	(7,512)	(8,425)	(7,973)	(7,289)
Total Expenses	**$ (213,576)**	**$ (227,346)**	**$ (241,653)**	**$ (253,605)**	**$ (265,407)**
PY Reserve Utilization	4,782	2,031	*373*	-	-
Risk Contingency Fund			2,443	2,543	2,611
Net Surplus/(Deficit)	**$ 1,053**	**$ 0**	**$ 5,418**	**$ 3,282**	**$ (1,706)**
Reserve Target (3% of total Tuition/Grant)			*(5,976)*	*(6,000)*	*(6,000)*
Net Surplus/(Deficit) with Reserve	**$ 1,053**	**$ 0**	**$ (559)**	**$ (2,718)**	**$ (7,706)**

We have achieved an estimated balanced budget for 2024-2025 which includes setting aside over $5M per year for future deferred maintenance costs and/or new capital investments. To elaborate on this, the facilities portfolio alone at Ontario Tech includes 23 buildings encompassing more than 1.2M gross square feet of building space, with an estimated Current Replacement Value of $347M. Based on the paper entitled *In Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*, the annual capital renewal should be 0.5-1.5% maintenance (i.e., $1.7–$5.2M) and 1.5-2.5% savings (i.e., $5.2–$8.7M) of the current replacement value. If we continue to invest a meager $1.8M per year on projects to repair and/or replace infrastructure, by 2030, the accumulated deferred maintenance costs alone will exceed $20M. These costs, moreover, will continue to grow at a more rapid pace thereafter (**Figure 6**).

Figure 6. Cumulative Deferred Maintenance



In addition to deferred maintenance, we must also save for other items such as enrolment fluctuations, unplanned external challenges (e.g., continued freezes on tuition and grants), and large-scale strategic priorities. As we look to the outyears, it is important to note that salaries alone will continue to outpace revenues unless there are changes in government policies combined with continued enrolment growth above what is in our current scenario. Over the past five years the university has made cuts and reallocations to focus on its priorities, leaving little room for future strategic investments if no new net funding is realized. This forecast is presented as one possible scenario but also to message that we cannot continue to "cut" our way out of our current fiscal situation.

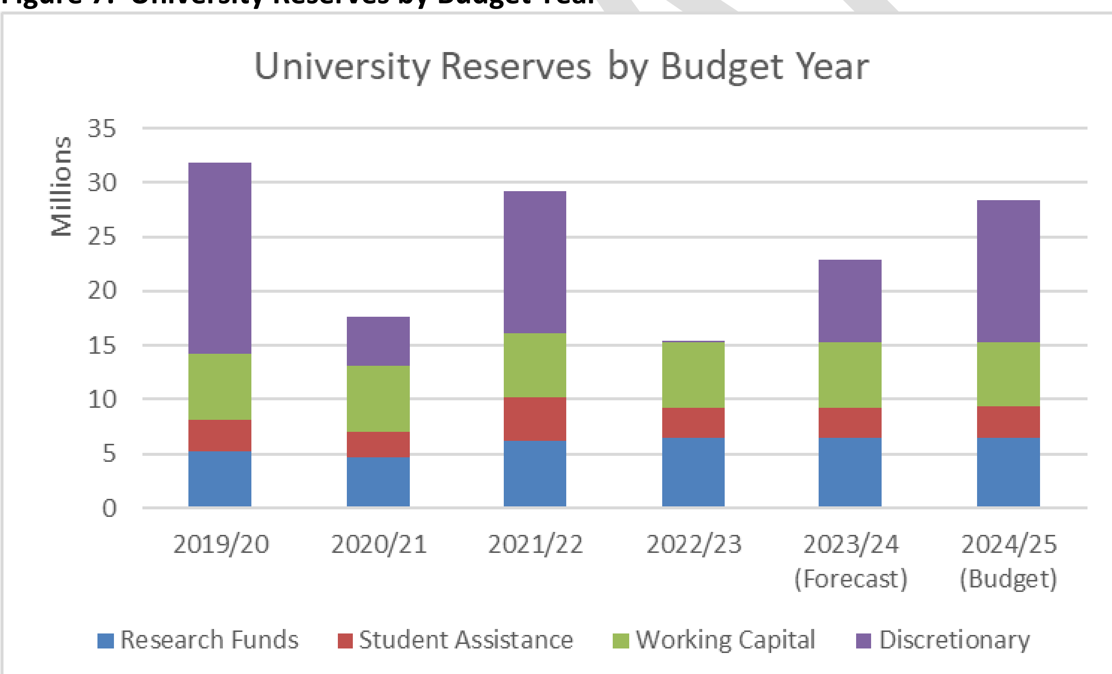
Simply put, the university must focus on further student growth to fund key strategic differentiators and cover general costs. We will maximize the amount we can increase fees while also continuing to strongly advocate for improved government grants. However, while this budget table reflects revenue from growth, it does not do the same for the funds required to create more space to support this growth. The assumption is that this will come from government investment, philanthropic donors, and other development opportunities. As discussed at the May 2022 Board of Governors Strategy and Planning Committee meeting, we will continue to engage in conversations with interested development partners to explore opportunities for mutually beneficial capital projects on our lands. To fund future projects, and to protect our financial future, we must begin to establish reserves.

Reserves

Although there are many competing short-term demands in budget planning, the community must understand the university's need to build reserves for unplanned and planned future needs and have general guidelines on how much to manage future expenditures. We need to move away from budget overruns and formalize contingency management. When and if the opportunity presents itself, we also need to be setting aside one-time-only revenues to stabilize our budget over the multi-year period. At the Board's Audit and Finance Committee meeting in November 2021, the Financial Sustainability and Reserves were discussed and outlined that these monies will be used for planned future investments in large-scale repairs/replacements, the creation of a strategic pot for new priorities/equipment/infrastructure, and operating contingencies to offset unplanned negative external budget impacts.

The university's current reserves position (**Figure 7**) (as of March 31, 2023) are outlined in Note 21 of the 2023 Annual Financial Statements. This represents operating funds set aside for specific purposes such as capital projects, research funds, academic priorities, digital infrastructure, and future student initiatives and excludes sponsored research and directed donations, which are treated as deferred contributions. Approximately 50% ($13.2M) of the 2023-2024 forecasted reserves are linked to contractual obligations (e.g. faculty start-up funds). In addition, a working capital reserve of $6.0M (22.2% of total reserves) has been set aside as a Ministry of Colleges and Universities requirement to stabilize the university's financial position, leaving approximately $7.7M (28% of total reserves) for discretionary projects.

Figure 7. University Reserves by Budget Year



Managing Key Budget Risks

The university continues to take a proactive approach to risk mitigation and maintains a focus on long-term strategic planning and decision making to sustain financial responsibility. Looking holistically at all potential positive and negative impacts to the budget, we reiterate that this as a low to moderate risk budget based on the likelihood and consequences of the major items. Our key budget risks and mitigation strategies, where applicable, include the following.

- **Achieving enrolment targets**: This is a continued risk, but the university has normally realized enrolments within ±2% of its annual estimates. Recently emerging government policies on international student enrolment caps present a significant challenge for us this year and particularly so as we have yet to be notified of our international student allocation number. In response, we have reduced the amount of expected revenues associated with international student growth based on best assumptions and planned for a $3M contingency fund.

- **Maintaining academic quality and student success:** Our investments in student well-being and academic success supports continue to grow, but the diversity of our students and their expanding needs outpace the investment. By taking a values-based approach, we are attempting to invest in high impact initiatives while also trying to respect the individuality of each of our community members. This is why we have chosen to invest more dollars to support additional faculty, staff, and student teaching assistant supports and resources. At this time, we assume a need to grow over 600 students a year just to cover annual salary increases for current employees.

- **Financial indicators**: At this time the university is rated lower by credit agencies than our sister institutions based on: (i) Liquidity (ii) Sustainability (iii) Performance which impacts borrowing rates and review by other external parties. Based on industry standards, Ontario Tech's credit rating ismedium risk. However, adjusting the sustainability ratios to account for debenture funding from the province, the university is within our target ratios. With a balanced budget and with funds set aside for reserves in 2024/2025, we anticipate the University's ratios to remain stable.

- **Aging equipment:** 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. While we had planned last year to increase in-year spending for capital renewal and return to increasing our planned reserves for future needs, we have chosen to continue to invest in our people and delay these investments. With that said, there are three larger pieces of equipment that are past end of life, which we are monitoring closely and spending funds on regular maintenance to maintain. We have a general contingency in place to mitigate emergency repairs. This equates to about $1.5M risk; however, the larger concern is the impact on business continuity if any of these pieces of equipment fail

Summary

When the Fiscal Blueprint paper was penned in Fall 2023, there was cautious optimism that the provincial government would respond to the Blue Ribbon Panel's recommendations to support the future of the higher education sector in Ontario. At best we could have hoped that they would accept all of the Panel's recommendations. At worst, in contrast, was a concern that they would not respond at all. As of the date of setting this budget, we do not have any further indications from the provincial government on either their immediate or future intentions. However, a continued tuition freeze seems inevitable. This has constrained our ability to plan and set a budget. Our current efforts, moreover, have been further complicated by the federal government's recent imposition of an unexpected cap on international student study permits.

While we have presented a balanced budget for 2024-2025, without any degree of certainty on the aforementioned matters our ability to do so in the immediate future remains uncertain. Government funding would help to alleviate the situation, but there are no guarantees on how much or when such funding will be realized. Continuing to be focused on finding efficiencies is also important, yet as time goes by, the opportunities to find such efficiencies will become increasingly difficult and potentially problematic if they begin to compromise the academic enterprise. In the interim, we must stay wholly focused on our differentiated growth agenda as outlined in the 2023-2028 IARP to not only continue to grow our student numbers, but also to provide us with the funds necessary to support said growth as well our aspirations to continue to excel and differentiate Ontario Tech in terms of our research and our commitment to our local partners and community stakeholders.

What is clear at this point in time is that our budgetary challenges will continue for some time to come and the rainy day that we have been trying to avoid is just around the corner. To suggest or pretend otherwise would be irresponsible. To this end, if additional currently unaccounted for revenues are realized from government or other sources, what is apparent is that we must commit to placing such funds into reserves to cushion the uncertainty of our fiscal future.

To date, we have made good decisions, and it is these decisions that are affording us the opportunity to present a balanced budget going into 2024-2025. Going forward, we will continue to make the decisions – no matter how difficult - that need to be made in order to protect Ontario Tech's future.

Appendix A – Fiscal Blueprint Consultation Sessions Q&A

International students have grown, from about 7% of the total student population in 2017 to about 11% of the same in 2022. This represents a 4% increase over this multiyear period, yet we expect to achieve 18% in the short term. How do we expect to realize above trend growth rates in international recruitment? Does the demand exist? How does the recent Federal announcement impact this plan?

We started our internationalization plan in 2019 by connecting with external agents. After Year 1 we almost doubled our intake with over 200 new students. The growth plan assumes approximately 350 new undergraduate international students a year followed by the flow-through as they progress in subsequent years. These small numbers are not an unrealistic growth trend. It is important to note that this growth plan only brings us to the Ontario university average percentage, so we are not disproportionately large.

The risk of growing international enrolment may be the largest uncertainty in the budget assumptions. The recent federal announcement on capped offers will impact us but we do not know to what extent yet. It is important to note that the long-term vision has not altered. The current policy refers to a two year pause and we will be ready to attract more when/ if we can in the future.

We mitigate these risks in a few ways. For example: when recruiting, we have a very diverse mix of incoming students, for in-year planning we are conservative with the number of international students planned to attend (assumed 25% less), and we have shifted our focus to course based masters to offsets the undergraduate losses.

Budget decisions always look different depending on perspective, but I thought I'd flag you to a general perspective that some areas that are direct support to student and teaching needs look like they are being `squeezed' while other areas appear not to be. Can you elaborate on how we are improving the teaching focus if: conditions in classrooms have declined, student advisory services seem to be reduced, TA allocation have been reduced and space for student interface have been converted to other functions.

While we have invested $14M more into priority areas this question outlines how hard it is to keep up the quality of service and how each person perceives it.

- We are investing over $8M in capital upgrades but much of the is behind the scenes such as the $1.5M required to replace a boiler. We have about $250K that is going into furniture replacement. We will do a full review this summer of each classroom and prioritize health and safety concerns.

- Student advisory and TA allocations have increased each of the past three years. However, as noted in the paper much of this increase is covering mandatory wage increases. We have converted $2.5M PT funds to base so faculties can better plan for sessional and TAships in the future.

There appears to be more investment in the areas outside of the core teaching and research areas. Is this true?

The budget working group closely monitors this. The percentage of funds being directed to "instruction" as defined by the Council of Ontario Universities has been consistent over the past 5 years at about 60%. This is increasing difficult to do as the increased revenue is coming tied to specific requirements such as ancillary fees going to health services, contracts going to Brilliant Catalyst, and donor awards going to financial aid.

Investment re: Sticky Campus. The Ontario Tech Student Union has heard complaints from students about this, such as the hours of the cafeteria. Some classes go until 9 p.m. but the cafeteria closes at 4 p.m. Will this change?

Our goal for ancillary services is to make a little profit so we can save for future repairs/investments. Moving into next year we are going to reallocate $500K from other commercial services to extend the hours, add two new locations and renovate in hopes this will bring the unit back to break-even while providing the service required.

I have been experiencing technical difficulties in the classrooms due to system disruption cables being disconnected or damaged equipment. While the AV team provides support quickly throughout the year, troubleshooting and waiting for replacement parts takes away from lecture time. Can the university monitor how these rooms are used as well as ways to prevent the system from being disrupted so that lecture time is not affected?

We are entering year 2 of a 3-year plan to replacement most podiums to make them more accessible and hope to solve some of the wiring concerns. This includes over $300K investment from the capital base. We will try to educate more on connecting various technologies to the podium and proper space. We are also starting a multi-year.

When looking at the investment the university should explore hiring an indigenous elder and review the amount this role is paid.

The university has started to explore this option. For 2024 the consultations with the Indigenous Advisory Committee has lead to a reallocation of funds in order to hire a dedicated Director position.

Please provide us with the University's plan to fund graduate students in research programs (including tuition decrease for international students and any scholarships offered by the university).

In addition to freezing tuition, the university is in year three of rolling out the Graduate International Support Fund which in stead state will provide over $1.5M to offset international student tuition.

How do we think about physical space capacity, and capacity by department? This question is in context of current growth projections, and the aspiration to be a 20,000-student university. Do we have the infrastructure to support 20,000 students and is this aspiration built into the infrastructure plans?

Yes, this aspiration drives the infrastructure plans. The university has created its space principles based on the Council of Ontario Universities'(COU) standards that may be seen as a target to be achieved, a minimum to be met, a maximum not to be exceeded, an optimum to strive for, or a guideline to be used as a benchmark.

We do not currently have the infrastructure to support this growth. When we talk about saving more than $5M for deferred maintenance and future capital plans, this covers about a third of our medium-term needs. As noted in the space townhall at minimum we are estimating the need for 300,000 gross square feet of core academic space to accommodate 15,000 students if we do not change our current offerings. In 2022 dollars that is about $210M.

In our previous meetings it was stated that differentiated revenue is critical for the university's bottom line moving forward. When we develop innovative new programming, expecting resources to follow our

revenue generation, how much revenue needs to go towards the university bottom line before it can flow back to resources? Is there a level of program profitability we should aim for to ensure sustainability?

The expectation is that units should be making a 30% return on investment noting that most of that is re-invested back into new initiatives. For commercial services and revenue generating units there is a 5% overhead plus space charge. The university invests start up funds into new projects through recruitment, advertising and provost strategic priority funds which equates to over $1M a year.

2023-26 Draft Operating Budget:

Academic Council and Audit & Finance Committee
April 2024

Lori Livingston, Provost and Vice-President, Academic
Sarah Cantrell, AVP Planning and Strategic Analysis
Brad MacIsaac, Vice-President Administration

Ontario Universities Funding Landscape

Past (PREDICTABLE, STABLE)

- Multi-year Tuition Frameworks
- Institutional grant linked to student numbers

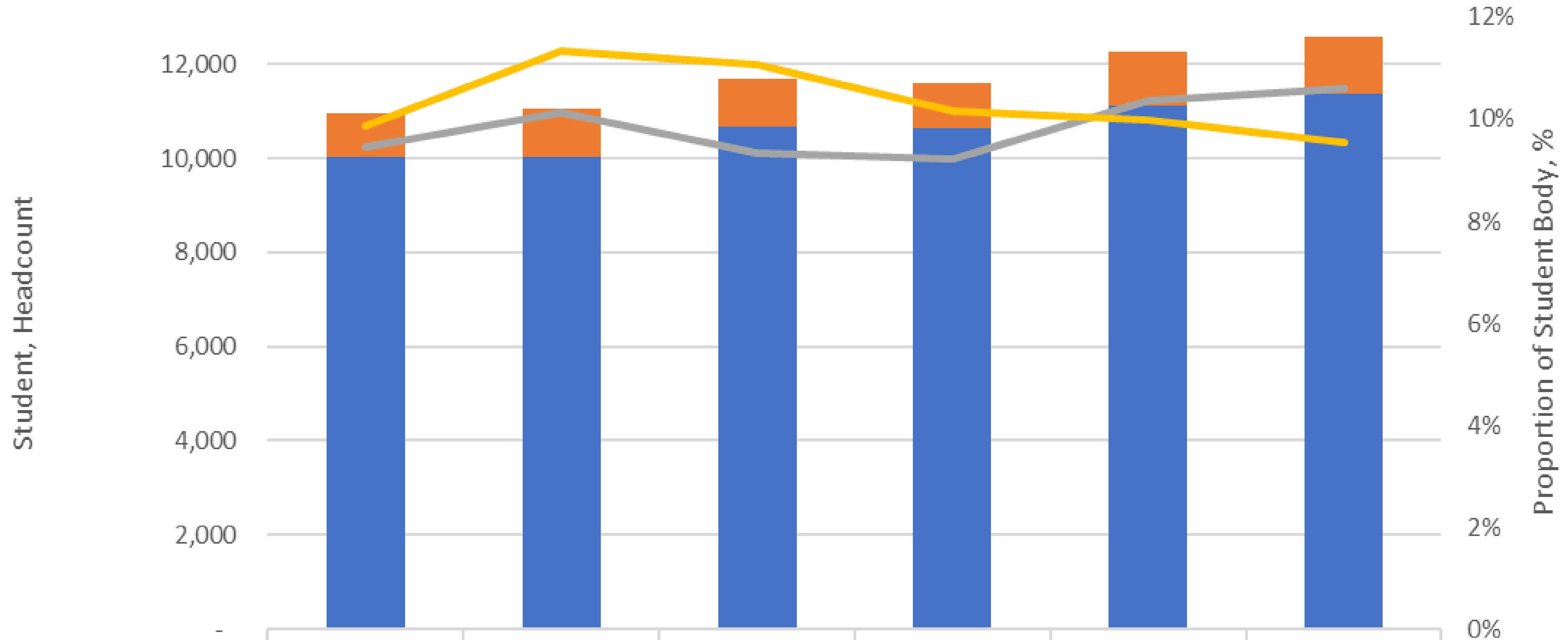
Present

- Tuition frozen at 2018 levels
- 30% decline in institutional grants since 2006-2007
- High inflation rates
- Performance-based funding linked to SMA agreements
- International student study permit caps

Future (UNPREDICTABLE, PRECARIOUS)

- Static tuition fees
- Static institutional grants

Forecasted Student Enrolment



	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Graduate	947	1,017	997	980	1,152	1,207
Undergraduate	10,022	10,037	10,681	10,629	11,112	11,374
% Graduate	9%	10%	9%	9%	10%	11%
% International	10%	11%	11%	10%	10%	10%

Budget Accounting Summary

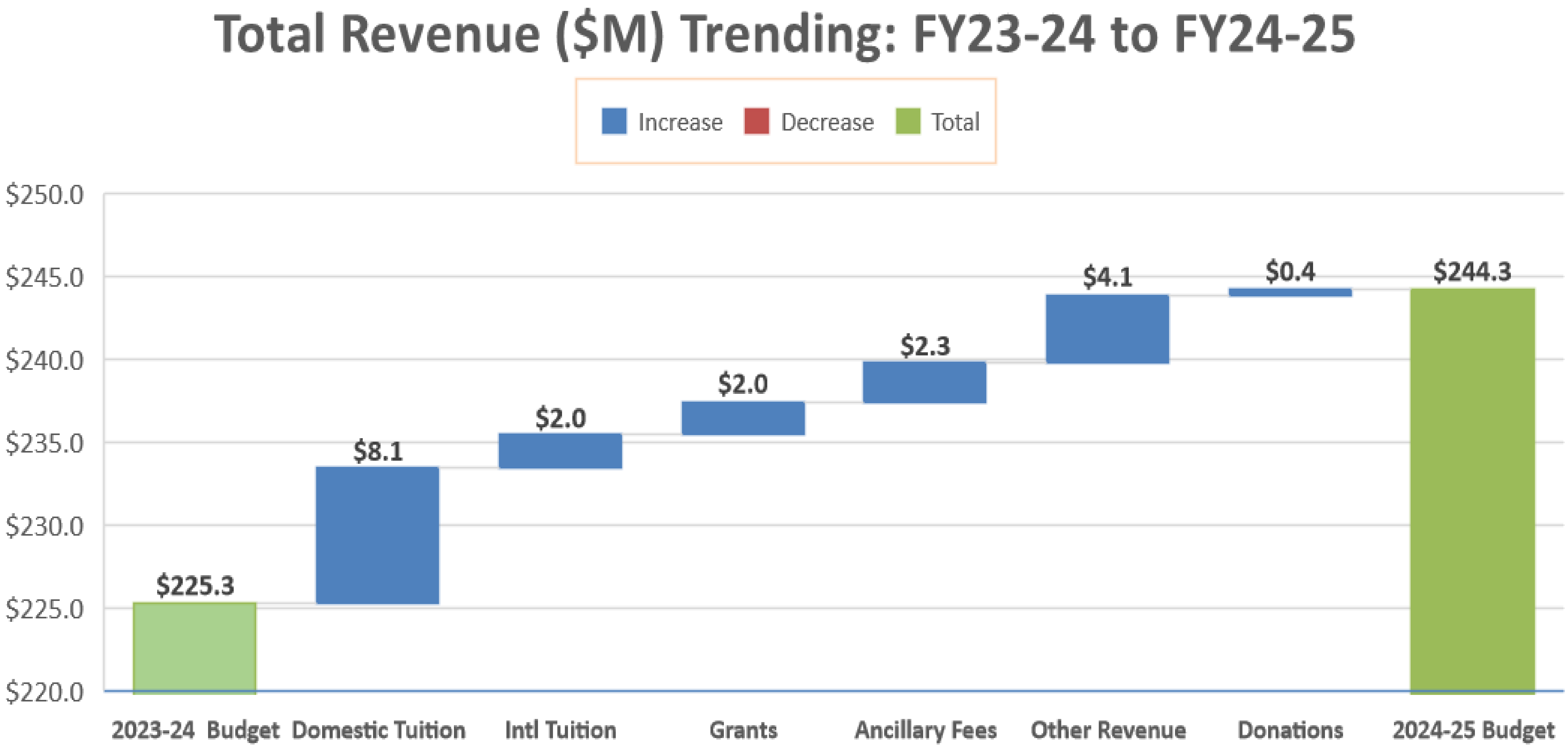
- Consolidated operating budget is prepared on a "<u>modified-cash" basis</u>, v/s the year-end published financial statements that are prepared on Generally Accepted Accounting Principles

- Presentation does not include items such as:
  - amortization on capital assets and grants
  - Investment income
  - restricted funds ($15.4M or research and $4.2M or 2% for donations).

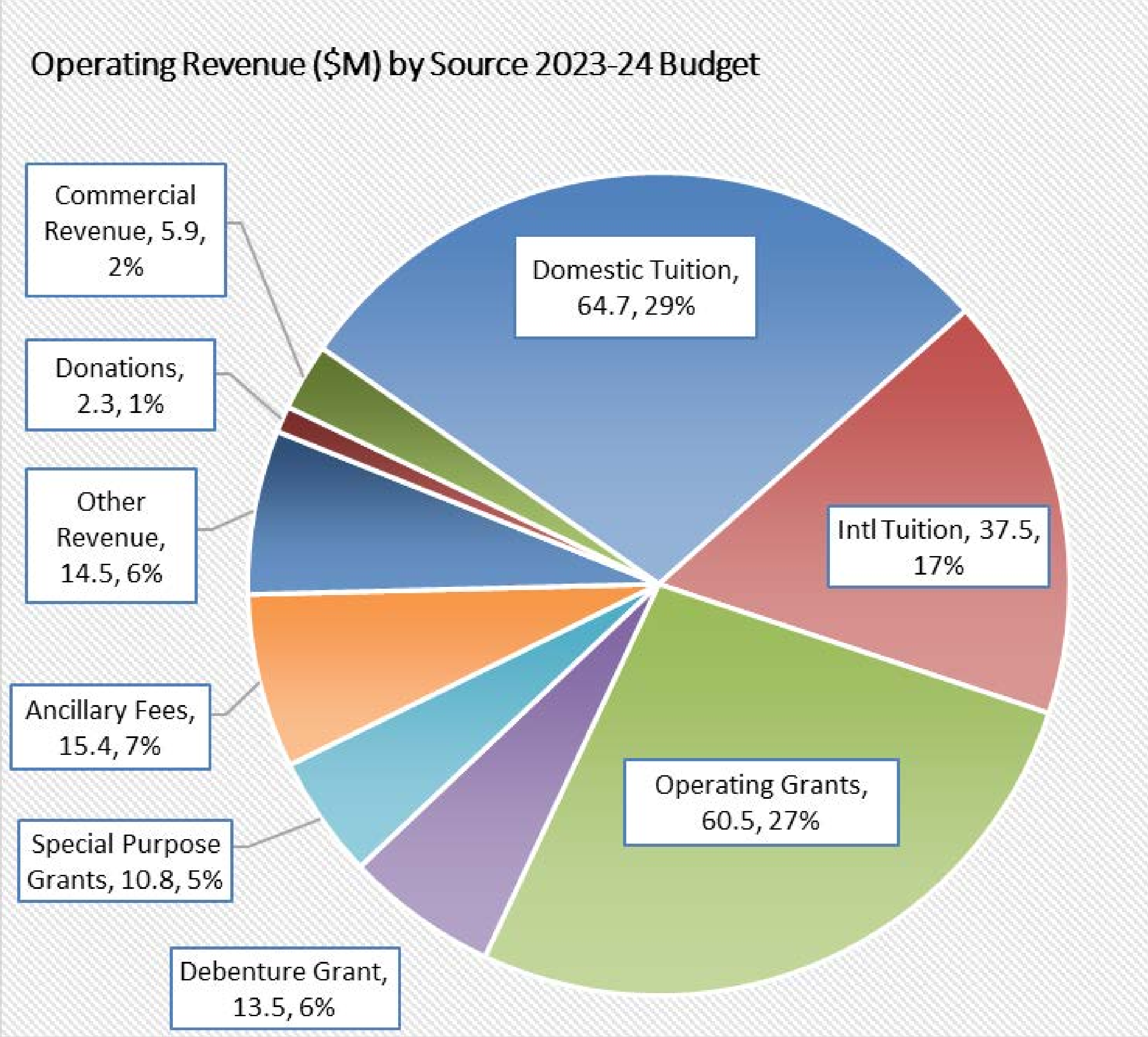
2024 – 2025 Budget Summary

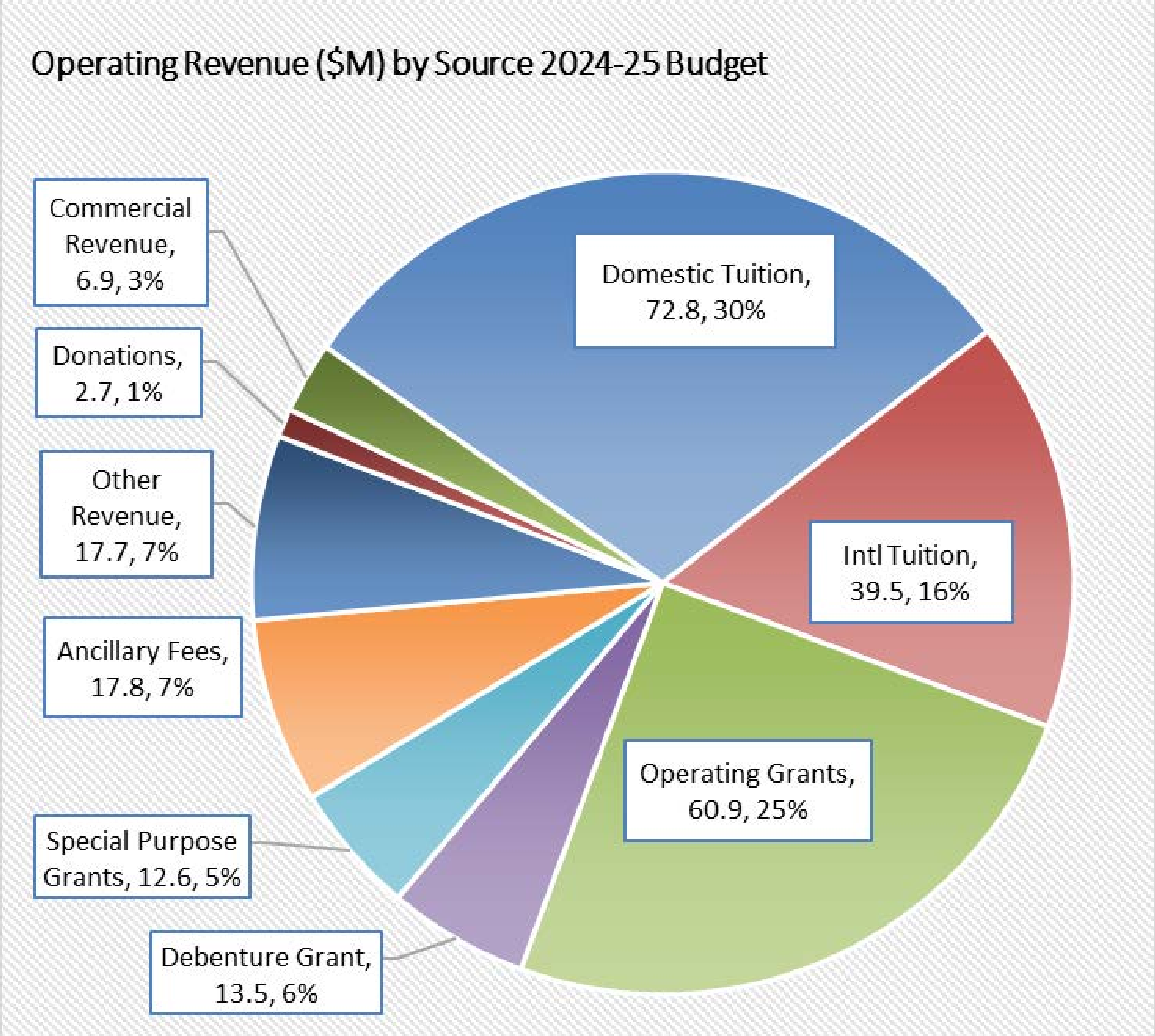
	Operating Budget	Purchased Services	Operating-REV	Ancillary Fee Budget	Infrastructure Capital	Commercial Services	2024-25 Proposed Budget
Revenues							
Operating Grants	60,907	-	-	-	13,500	-	**74,407**
Other Grants	7,384	-	2,472	221	2,490	-	**12,567**
Tuition	100,650	-	11,584	-	-	-	**112,234**
Student Ancillary Fees	1,619	1,481	137	12,375	2,154	496	**18,261**
Donations	538	-	2,034	122	-	8	**2,702**
Other Revenue	5,834	220	11,106	574	-	6,349	**24,084**
Total Operating Revenues	**176,933**	**1,701**	**27,332**	**13,292**	**18,144**	**6,853**	**244,255**
Base Expenditures							
FT Labour	(103,719)	(7,645)	(6,156)	(6,212)	-	(1,438)	**(130,170)**
PT Labour	(11,795)	(197)	(4,512)	(1,488)	-	(412)	**(18,403)**
OPEX	(28,960)	(7,541)	(15,164)	(2,732)	(16,501)	(4,331)	**(75,229)**
CAPITAL	(106)	-	(9)	-	(4,644)	-	**(4,759)**
Approved Base Expenditures	**(144,581)**	**(15,383)**	**(25,840)**	**(10,431)**	**(21,145)**	**(6,181)**	**(228,561)**
Budget Surplus/(Deficit) before Asks	**32,353**	**(13,682)**	**1,492**	**2,861**	**(3,001)**	**671**	**15,694**
Recommendations	-	-	-	-	-	-	**-**
Base Recommendations	(7,951)	(416)	(1,402)	(64)	-	(335)	**(5,168)**
OTO Recommendations	(3,697)	-	32	(543)	-	(50)	**(4,258)**
Capital Recommendations	(1,085)	-	(181)	(2,390)	-	(10)	**(3,666)**
Total Net New Recommendations	**(12,733)**	**(416)**	**(1,552)**	**(2,996)**	**-**	**(395)**	**(13,092)**
Total Expenditures	**(157,314)**	**(15,798)**	**(27,392)**	**(13,427)**	**(21,145)**	**(6,577)**	**(241,653)**
Total CY Budget Surplus/(Deficit)	**19,620**	**(14,098)**	**(60)**	**(135)**	**(3,001)**	**276**	**2,602**
Funded through PY restricted reserves	-	-	-	373	-	-	**373**
Risk Contingency Fund	2,443	-	-	-	-	-	**2,443**
Total Budget Surplus/(Deficit)	**22,062**	**(14,098)**	**(60)**	**238**	**(3,001)**	**276**	**5,418**

Revenue YOY Changes



Revenue Summary





Total 23/24 Revenue: $225.3M

Total 24/25 Revenue: $244.3M

Expenses: Examples of Investments by Strategic Priority

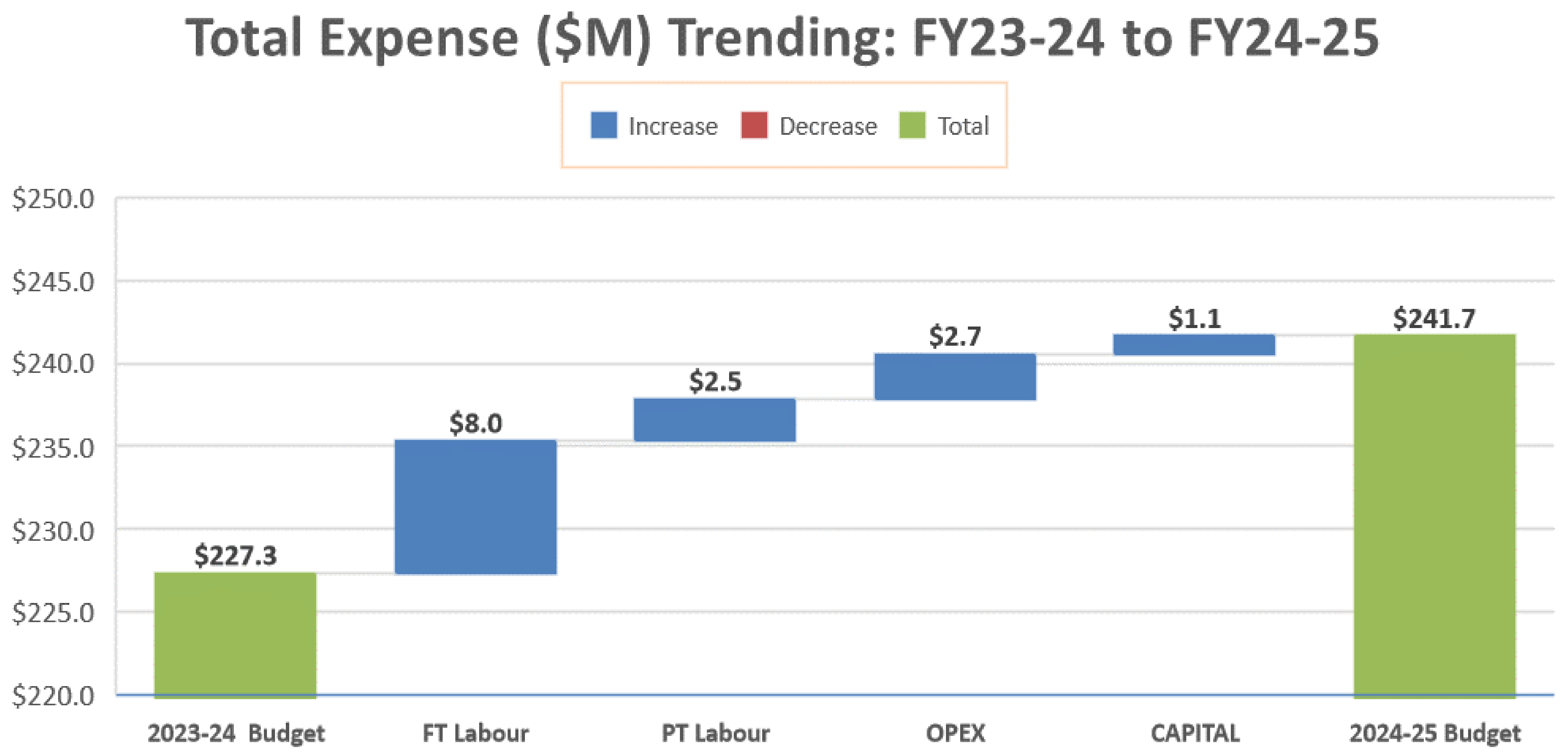
- **Labour** ~$10.5M ($6.5M existing contracts, $1.5M new 4 faculty, 4 staff and 8 revenue supported staff, $2.5M for additional sessional instructors and teaching assistant support).

- **Student Experience and Student Financial Aid:** $2.0M invested ($1.5M to support the student experience and $0.5M in financial aid).

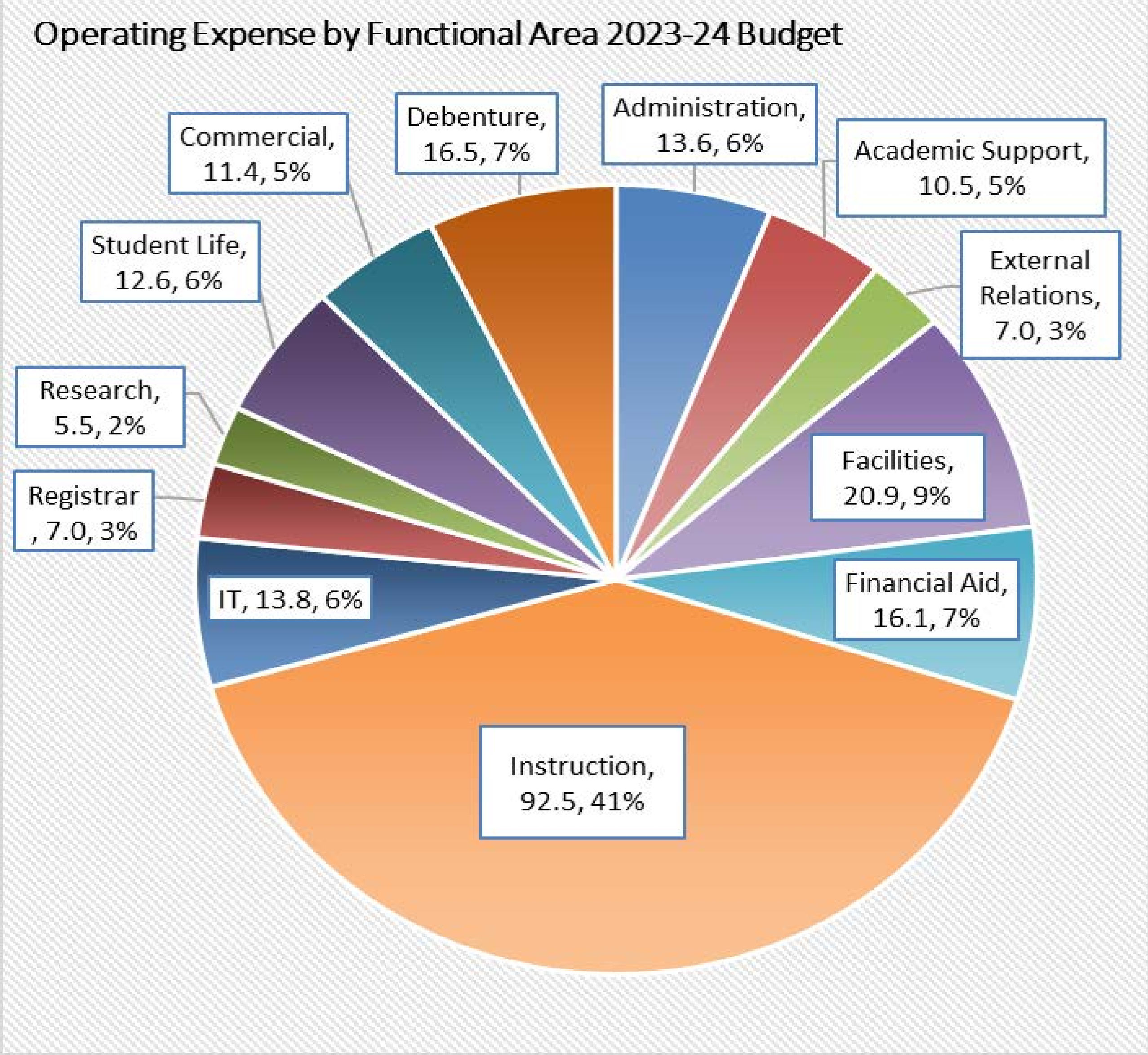
- **Research**: $1.5M ($500K for start-up funds, $500K for equipment related to advancing the energy research agenda and $500K to fulfil Brilliant Catalyst contracts).

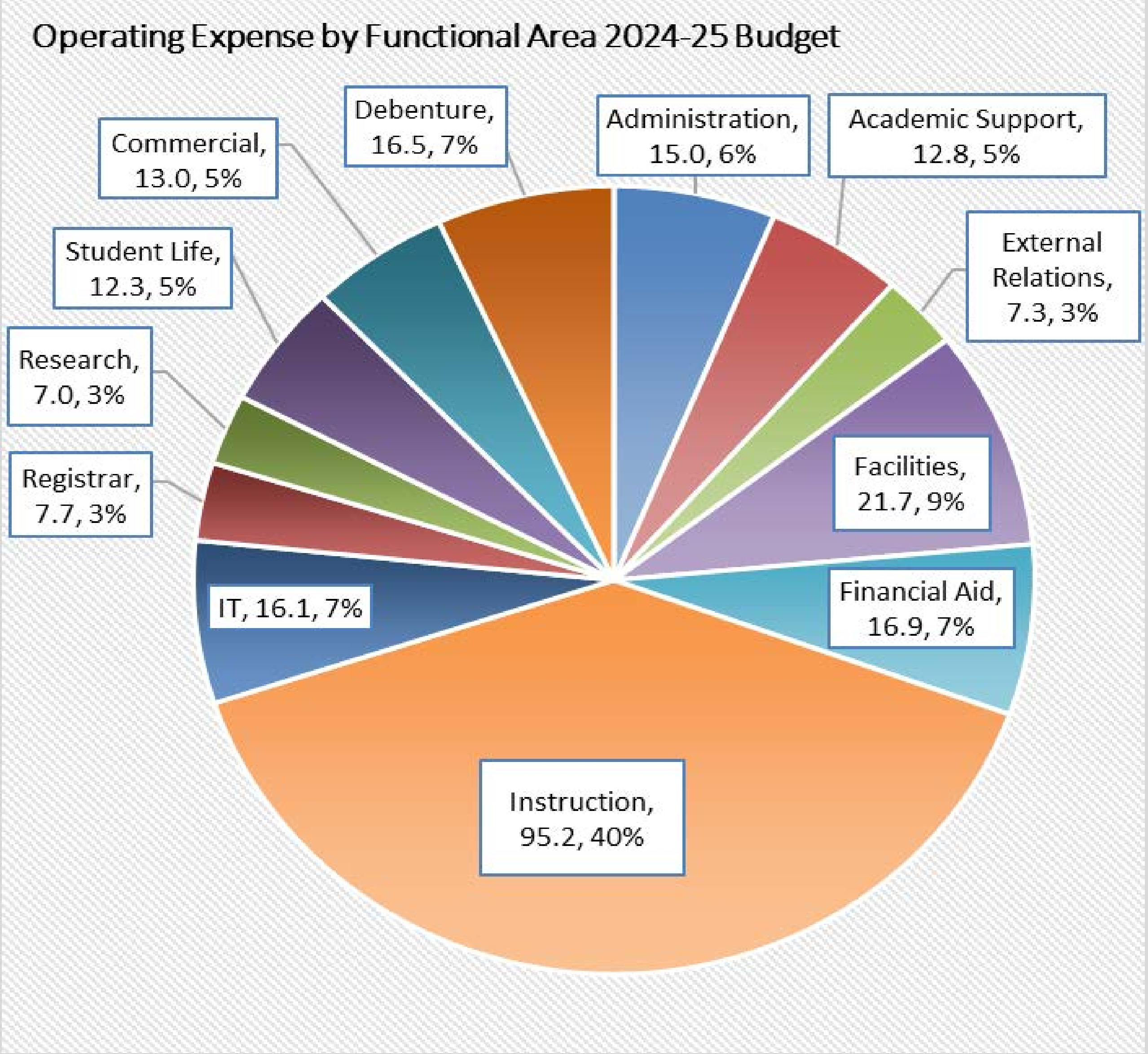
- **Capital Infrastructure:** $1.1M will be invested in new and repairs to our IT and facilities infrastructure which brings the total capital investments to about $8.4M).

Total Operating Expenses YOY Changes



Total Operating Expenses by Functional Area





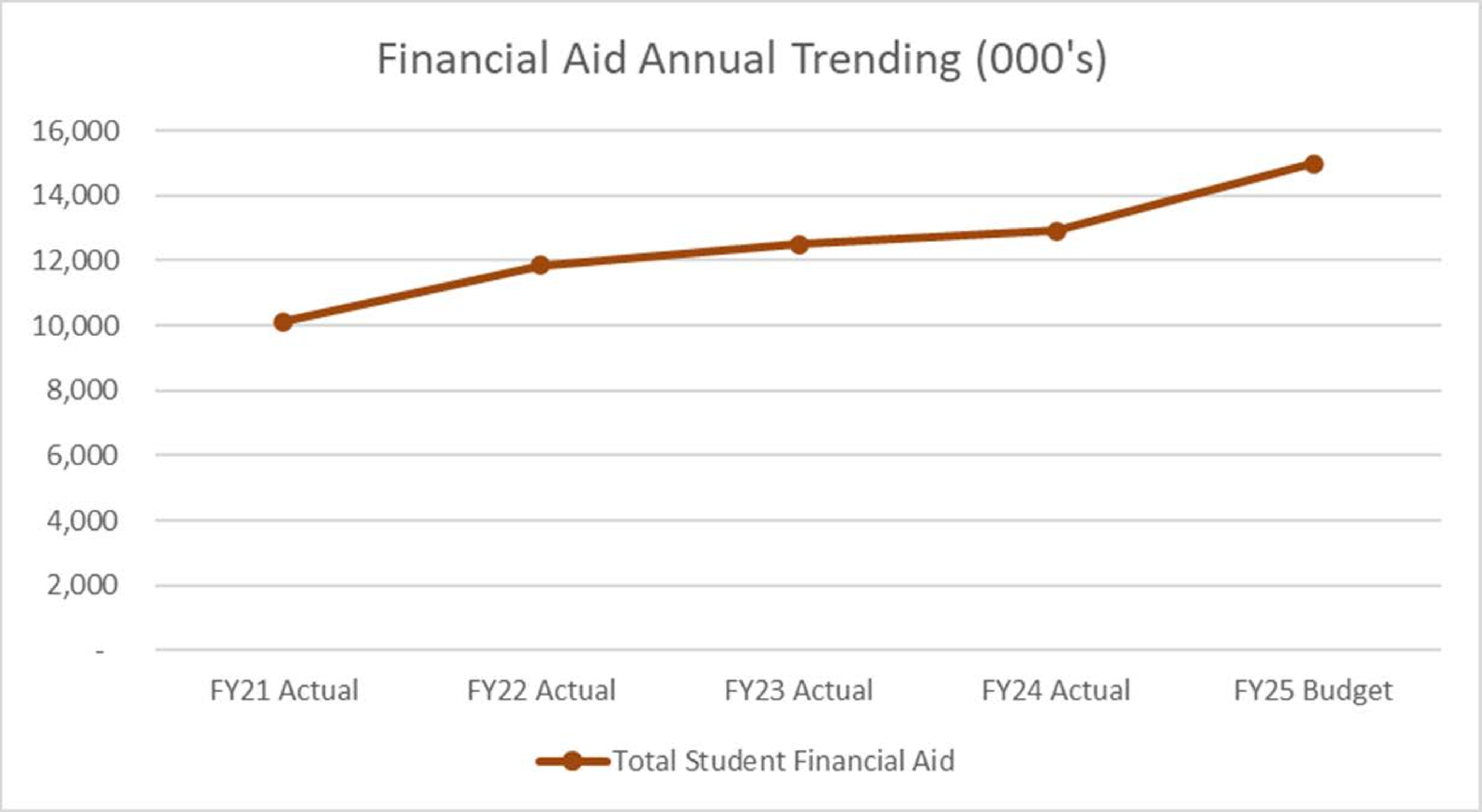
Total 23/24 Expenses: $227.3M

Total 24/25 Expenses: $241.7M

Total Operating Expenses by Category

Expense Summary	2021-22 Actual	2022-23 Actual	2023-24 Budget	2023-24 Forecast	2024-25 Budget	Variance 2024-25 Budget v 2023-24 Budget	
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	%
FT Labour	95,474	106,257	122,938	118,565	130,944	8,006	7%
PT Labour	26,209	23,232	21,995	25,091	24,359	2,364	11%
OPEX	70,999	74,421	74,902	72,894	77,926	3,024	4%
Capital	8,304	14,017	7,512	10,558	8,425	912	12%
Total Expenses	$200,986	$217,927	$227,346	$227,107	$241,653	$14,306	6.3%

Financial Aid Investment Trending



Capital Investments – Campus Improvements

2024-2025 Capital Project Budget Summary - Campus Improvements	
Description	**Project budget**
Accessibility - AODA Compliance	**$ 355,000**
Lab/Classroom Upgrades	$50,000
Lighting Upgrades	$120,000
Other Projects	$155,000
Deferred Maintenance	**$ 2,101,889**
UB Boiler Replacement	$1,200,000
UB Central Pumps	$380,000
Other Projects	$521,889
Equipment	**$ 71,000**
Psychology Lab Equipment Installation	$60,000
Other Projects	$11,000
Facilities Modernization	**$ 442,500**
Exterior Projects	$230,000
Interior Projects	$212,500
Major Projects	**$ 200,000**
Residence Consulting	$200,000
Renovation	**$ 183,000**
Computer Science Grad Student Space	$60,000
Logan Lab Refresh	$30,000
Other Projects	$93,000
TOTAL	**$3,353,389**

Capital Investments - IT

2024-2025 Capital Project Budget Summary - IT	
Description	**Project budget**
Software	**$89,750**
Cherwell Reporting & Version Upgrade	$89,750
Enterprise	**$1,215,088**
Banner Cloud Migration	$1,000,000
Ellucian Revitalization	$135,103
Other Projects	$79,985
Infrastructure	**$672,705**
Network Infrastructure	$254,205
Telephony Core Replacement (Phase 1)	$64,000
Cloud Server Migrations	$150,000
Other Projects	$204,500
Equipment	**$449,000**
Faculty/Staff Laptop Refresh & Server Upgrade	$245,000
Lab refresh	$160,000
Other Projects	$44,000
AODA Compliance	**$362,500**
Podium upgrade	$362,500
TOTAL	**$2,789,043**

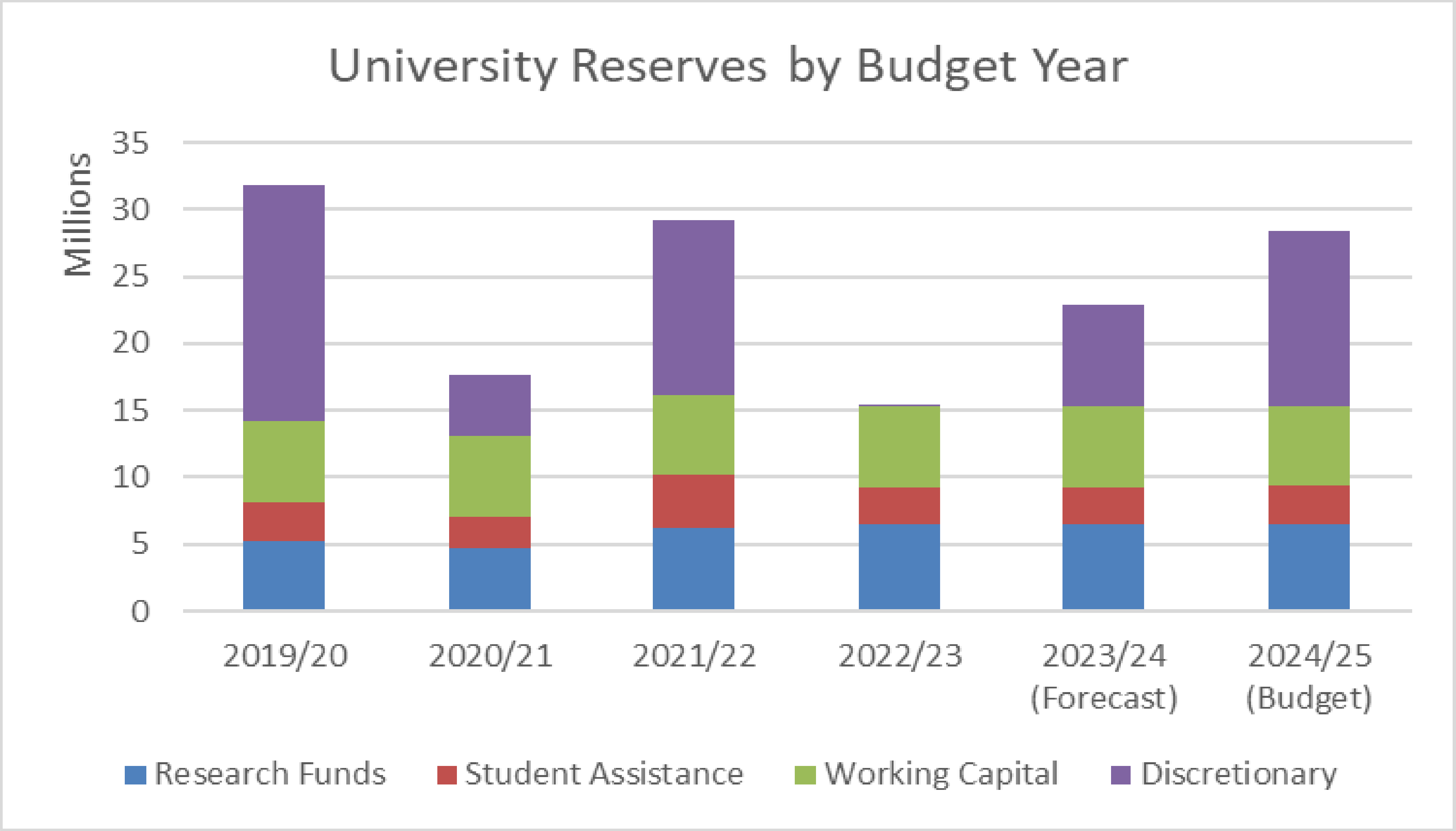
Capital Investments – Other Projects

2024-2025 Capital Project Budget Summary - Other Projects	
Description	**Project budget**
Academic Equipment	**$442,650**
Nursing Lab Equipment	$152,500
Health Sciences Lab Equipment	$110,000
Engineering Lab Equipment	$99,950
Science Lab Equipment	$71,500
Athletics	**$823,000**
FLEX Equipment Renewal	$425,000
FLEX Expansion	$250,000
Other Projects	$148,000
ACE Equipment	**$181,437**
Dyno Drives Installation	$100,000
EV Charger Project (Phase 2)	$81,437
Campus Wayfinding	**$325,000**
Building Interior Signage	$200,000
Conlin Entrance Sign	$65,000
Other Projects	$70,000
Food Services	**$10,000**
Hive Leasehold Improvements	$70,000
Research	**$500,000**
SION-Funded VPRI Capital Projects	$500,000
TOTAL	**$2,282,087**

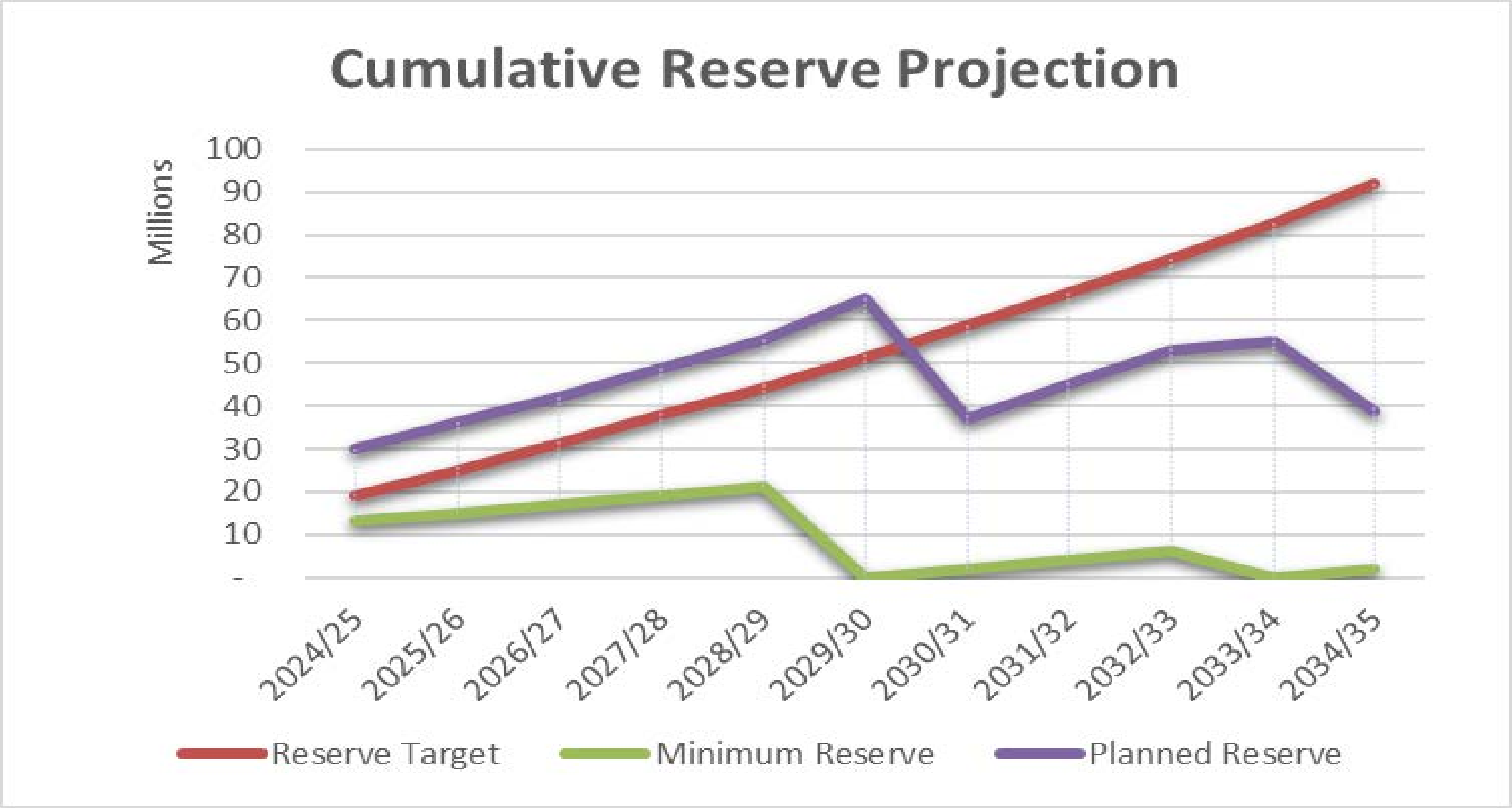
Multi-year Budget 2023 - 2026

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
FTEs	***9,389***	***9,491***	***10,387***	***10,964***	***11,187***
Domestic Tuition	60,875	64,670	72,774	79,562	83,782
Intl Tuition	33,844	37,539	39,460	43,310	43,063
Grants	82,227	84,876	86,974	87,730	88,252
Ancillary Fees	14,081	15,424	17,765	16,891	17,932
Other Revenue	4,940	14,539	17,735	17,522	18,348
Donations	1,784	2,336	2,694	2,115	2,136
Commercial Revenue	12,095	5,932	6,853	7,214	7,578
Total Revenue	**$ 209,847**	**$ 225,315**	**$ 244,255**	**$ 254,344**	**$ 261,091**
FT Labour	(113,301)	(122,938)	(130,944)	(144,098)	(154,801)
PT Labour	(18,766)	(21,995)	(24,359)	(22,377)	(23,190)
OPEX	(71,749)	(74,902)	(77,926)	(79,157)	(80,127)
CAPITAL	(9,761)	(7,512)	(8,425)	(7,973)	(7,289)
Total Expenses	**$ (213,576)**	**$ (227,346)**	**$ (241,653)**	**$ (253,605)**	**$ (265,407)**
PY Reserve Utilization	4,782	2,031	*373*	-	-
Risk Contingency Fund			2,443	2,543	2,611
Net Surplus/(Deficit)	**$ 1,053**	**$ 0**	**$ 5,418**	**$ 3,282**	**$ (1,706)**
Reserve Target (3% of total Tuition/Grant)			*(5,976)*	*(6,318)*	*(6,453)*
Net Surplus/(Deficit) with Reserve	**$ 1,053**	**$ 0**	**$ (559)**	**$ (3,036)**	**$ (8,158)**

Reserves – Current State



Reserves – Future Projections



Cash Flow

ONTARIO TECH UNIVERSITY - CASH FLOW FORECAST

QUARTERLY CASH FLOW (in thousands)		Apr - Jun 2024 (Q1)	Jul - Sep 2024 (Q2)	Oct - Dec 2024 (Q3)	Jan - Mar 2025 (Q4)	Total for the year
Operating Beginning Cash Balance	A	$ 44,143	$ 25,577	$ 52,199	$ 25,923	$ 44,143
Operating Inflows						
Tuition		15,038	59,732	6,314	47,878	128,962
Grants		17,015	17,933	19,222	20,095	74,265
Other Revenues		4,107	3,008	2,955	3,436	13,506
Debenture		6,750	-	6,750	0	13,500
Transfers from other accounts		3,453	3,525	4,487	4,293	15,758
Total Operating Inflows	B	**46,363**	**84,198**	**39,728**	**75,702**	**245,991**
Operating Outflows						
Payroll		(35,883)	(39,856)	(37,716)	(37,469)	(150,924)
Capital expenditures		(2,590)	(1,467)	(1,800)	(2,374)	(8,231)
Net payment to Durham College for purchased services		(4,800)	(3,300)	(3,300)	(3,300)	(14,700)
Operating expenses		(13,406)	(12,953)	(14,938)	(13,322)	(54,619)
Debenture		(8,250)	0	(8,250)	0	(16,500)
Total Operating Outflows	C	**(64,929)**	**(57,576)**	**(66,004)**	**(56,465)**	**(244,974)**
Net Monthly Operating Cash Flows	D = B - C	**(18,566)**	**26,622**	**(26,276)**	**19,237**	**1,017**
Total Operating Cash Available	E = A + D	**25,577**	**52,199**	**25,923**	**45,160**	**45,160**
Operating Short-Term Investments	F	**17,130**	**17,390**	**17,650**	**17,845**	**17,845**
Other Internally & Externally Cash Balances	G	**27,129**	**27,600**	**28,477**	**31,759**	**31,759**
Total Consolidated Cash Position	H = E + F + G	**$ 69,836**	**$ 97,189**	**$ 72,050**	**$ 94,764**	**$ 94,764**

Commercial Services Summary

($000s)	22/23 Actuals	23/24 Budget	23/24 Forecast	24/25 Budget	25/26 Budget	26/27 Budget	27/28 Budget
TOTAL							
Revenue	5,357	5,932	5,736	6,320	6,861	7,183	7,517
Labour Cost	(1,288)	(1,447)	(1,606)	(1,617)	(1,698)	(1,782)	(1,870)
Operating Cost	(4,075)	(3,878)	(3,895)	(4,306)	(4,334)	(4,401)	(4,905)
Net Surplus/(Deficit)	**$ (6)**	**$ 607**	**$ 235**	**$ 396**	**$ 828**	**$ 1,000**	**$ 742**
Bookstore							
Revenue	40	40	36	40	35	35	30
Labour Cost	0	0	0	0	0	0	0
Operating Cost	17	0	0	0	0	0	0
Net Surplus/(Deficit)	**$ 57**	**$ 40**	**$ 36**	**$ 40**	**$ 35**	**$ 35**	**$ 30**
Parking							
Revenue	1,324	1,364	1,367	1,364	1,416	1,416	1,469
Labour Cost	(43)	(44)	(42)	(34)	(35)	(36)	(37)
Operating Cost	(332)	(325)	(225)	(491)	(178)	(195)	(212)
Net Surplus/(Deficit)	**$ 948**	**$ 995**	**$ 1,099**	**$ 840**	**$ 1,202**	**$ 1,185**	**$ 1,220**
Food Services							
Revenue	1,513	2,381	1,823	2,119	2,225	2,336	2,453
Labour Cost	(286)	(274)	(283)	(291)	(306)	(321)	(337)
Operating Cost	(2,146)	(2,317)	(2,294)	(2,351)	(2,468)	(2,592)	(2,721)
Net Surplus/(Deficit)	**$ (919)**	**$ (210)**	**$ (754)**	**$ (523)**	**$ (549)**	**$ (577)**	**$ (605)**
Regent							
Revenue	718	551	861	839	881	925	971
Labour Cost	(484)	(413)	(539)	(543)	(570)	(598)	(628)
Operating Cost	(221)	(143)	(302)	(280)	(294)	(309)	(324)
Net Surplus/(Deficit)	**$ 12**	**$ (5)**	**$ 20**	**$ 16**	**$ 17**	**$ 18**	**$ 19**
Campus Fieldhouse & Ice Centre							
Revenue	1,763	1,596	1,649	1,958	2,304	2,471	2,595
Labour Cost	(475)	(716)	(742)	(750)	(787)	(827)	(868)
Operating Cost	(1,393)	(1,093)	(1,073)	(1,185)	(1,394)	(1,306)	(1,647)
Net Surplus/(Deficit)	**$ (104)**	**$ (214)**	**$ (166)**	**$ 23**	**$ 123**	**$ 338**	**$ 79**

Budget Risk/ Risk Mitigation

- **Achieving enrolment targets**: the university is normally realized enrolments within $\underline{+}2\%$ of its annual estimates. Recently emerging government policies on international student enrolment caps present a significant challenge for us this year and particularly

- **Maintaining academic quality and student success:** Our investments in student well-being and academic success supports continue to grow, but the diversity of our students and their expanding needs outpace the investment. By taking a values-based approach, we are attempting to invest in high impact initiatives while also trying to respect the individuality of each of our community members.

- **Financial indicators**: At this time the university is rated lower by credit agencies than our sister institutions based on: (i) Liquidity (ii) Sustainability (iii) Performance which impacts borrowing rates and review by other external parties.

- **Aging equipment:** 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.

Looking Forward .....

- **Continued focus on our "Differentiated growth" strategy, other forms of revenue generation (e.g., philanthropy)**

- **Create reserves to cushion the uncertainty of our fiscal future**

MOTION

Using the best available information the following motion is proposed:

Pursuant to the recommendation of management, that A&F recommends to the BoG approval of the 2024-2025 budget and approval in principle of the budgetary projections for 2025-2027.

Questions??