

**Wednesday, November 16, 2016**

**1:45 p.m. to 3:30 p.m.**

**North Campus, ERC 3023**

**Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#**

**Members:** Miles Goacher (Chair), Nigel Allen, Doug Allingham, Jeremy Bradbury, Adele Imrie, Tim McTiernan, Mary Simpson

**Staff:** Cally Ashby, Becky Dinwoodie, Craig Elliott, Cheryl Foy, Susan McGovern, Pamela Onsiong, Michael Owen, Deborah Saucier

**AGENDA**

No.	Topic	Lead	Allocated Time	Suggested End Time
1	Call to Order	Chair	1	
2	Agenda (M)	Chair	1	
3	Conflict of Interest Declaration	Chair	1	
4	Approval of Minutes of Meeting of October 5, 2016* (M)	Chair	2	
5	Chair's Remarks	Chair	5	1:55 p.m.
6	SIRC Building Construction Project (U)(P)	C. Elliott/ C. Ashby	15	2:10 p.m.
7	Finance		30	
7.1	Second Quarter Financial Reports* (U)	P. Onsiong		
7.2	Budget Assumptions, Targets & Outcomes* (U)(P)	C. Elliott/ D. Saucier		2:40 p.m.
8	Investment Committee Oversight			
8.1	Investment Committee Quarterly Report (U)	N. Allen	10	2:50 p.m.
9	Compliance & Policy			
9.1	Violence Related Policies and Procedures (U)	C. Foy	10	3:00 p.m.
10	Other Business	Chair	3	
11	Termination (M)	Chair	2	3:05 p.m.
	M – Motion			
	P – Presentation			
	U – Update			
	* Documents attached			



**BOARD OF GOVERNORS  
AUDIT & FINANCE COMMITTEE**

**MINUTES OF THE MEETING OF OCTOBER 5, 2016  
4:20 p.m. to 6:00 p.m., ERC 3023  
PUBLIC SESSION**

**Attendees:** Miles Goacher (Chair), Nigel Allen, Jeremy Bradbury, Adele Imrie, Tim McTiernan

**Staff:** Kay Ali, Becky Dinwoodie, Craig Elliott, Cheryl Foy, Brad MacIsaac, Susan McGovern, Pamela Onsiong, Michael Owen, Deborah Saucier, Christine White-Yeung

**Regrets:** Doug Allingham, Mary Simpson, Laurie Swami

**Guests:** Mikael Eklund

**1. Call to Order**

The Chair called the meeting to order at 4:20 p.m.

**2. Agenda**

The Agenda was approved as presented.

**3. Conflict of Interest Declaration**

There were none.

**4. Approval of Minutes of Meeting of June 20, 2016**

*Upon a motion duly made by T. McTiernan and seconded by J. Bradbury, the Minutes were approved as presented.*

**5. Chair's Remarks**

The Chair welcomed the Committee to the start of another new Board year. He expressed his appreciation for everyone's time commitment to the Committee. He noted that the SIRC building construction is a critical project that will be reviewed quarterly. He encouraged the members to

engage in discussion and acknowledged the expertise around the table. He also welcomed suggestions for the Committee reports.

The Chair advised that the initial SIRC building project presentation focuses on processes and he would be seeking the Committee's input on what information would be helpful going forward. He also noted that the financial reports have a new format – they have been simplified and are more intuitive and strategic. They also contain some MTCU reporting requirements.

## **6. Finance**

### **6.1 First Quarter Financial Reports**

C. Elliott discussed the redesigned financial reports package. He reiterated that the goal was for the reports to be more intuitive with a strategic focus. The reports focus on forward-looking data, with an emphasis on key financial drivers. They also contain a comparison of UOIT's financial health to that of other institutions.

(M. Eklund joined the meeting at 4:25 p.m.)

C. Elliott introduced P. Onsiong to discuss the financials. P. Onsiong walked the Committee through the changes to the format of the statements. She advised that the University's cash and short-term investments continue to improve, as well as the University's debt position. The Committee members commented that the notes included in the financials are really helpful.

P. Onsiong reviewed the financials with the Committee. She noted the 6% increase in revenue over last year, as well as an increase in unrealized gains on investments. She explained that universities are required to report on their financial health for the first time this year and she provided an overview of the results. She confirmed that the metrics are calculated on a GAAP basis and are taken from the GAAP financials. With respect to the income to loss ratios, UOIT continues to show positive performance ratios over the years and is doing much better than other universities of the same size in Ontario. There was a discussion regarding the comparator group. It was suggested that seeing the range in addition to the average would be helpful.

P. Onsiong continued to review the financial metrics with the Committee. She clarified that the University does have the opportunity to comment on the metrics when submitted to the Ministry.

The sample 2016-2017 operating forecast was also reviewed. It is more narrative in nature, the line by line explanations have been removed, and it incorporates input from all divisions.

P. Onsiong clarified that as we receive donations as part of the campaign, they will be reflected in the financials.

There was a discussion regarding the acquisition of the moving ground plane. The project team is currently working on the funding requirements to install the moving ground plane (MGP). M.

Owen confirmed that our industry partners are cooperating with the plans for installation and that the MGP be stored at a Multimatic facility.

P. Onsiang reviewed UOIT's cash position. The Committee inquired about the funds available through the lines of credit. P. Onsiang reviewed the main assumptions in the forecast. C. Elliott explained the forecasted enrolment numbers taking into account the opening of the new building. He also made some clarifications regarding the planned contingencies.

## **6.2 Enrolment**

B. Maclsaac presented the Day 8 enrolment numbers. He advised that we have more students coming in with an average greater than 85%. Accordingly, additional funds will be required for scholarships due to the higher entrance averages. He remarked that they were hoping to have 40 domestic PhD students and there are only 18. He explained the reasons behind the differential. He informed the Committee that the new Dean of Graduate Studies introduced a new scholarship package and changed the criteria for awarding scholarships. He noted that the numbers being presented are headcounts.

B. Maclsaac discussed the success of the mechatronics program intake. He advised that they monitor programs with low enrolment. He responded to a question regarding whether the slight decreases in mechanical and electrical engineering are due to the introduction of the mechatronics program. He explained that these were actually planned reductions. It was suggested that it would be helpful to see 2 year rolling numbers for Masters enrolment and 4 year rolling numbers for PhD enrolment to see the trends.

## **6.3 Banner Payroll Project**

C. White-Yeung delivered a presentation entitled "Banner Payroll Update". She advised the Committee that they are hoping to consolidate the group benefits and pension with the SunLife system. She confirmed that the use of time sheets has been completely eliminated. She reviewed the progress made in the project so far, as well as the outcomes achieved. Pay statements are now available online through the UOIT My Campus website. She presented the next steps in the project. She was pleased to report that everyone is now being paid out of Banner. A. Imrie commended the Finance Team for the implementation of the automated payroll system. C. Elliott explained the process, including the resources available for the project. He advised that temporary resources might be required to assist with the reconciliation. It has been a seamless transition to date.

## **6.4 Travel & Expense Management Project**

K. Ali provided an update on the implementation of the Concur travel and expense management system. She confirmed that one of the main reasons for the automation of the process was to address end-user frustrations. She provided examples of the benefits of implementation of the system, including reducing the reimbursement cycle, mobile accessibility, and reduction of

duplication. She advised that, so far, the feedback on the implementation of the process has been mixed.

She provided the Committee with a status update on the project update. A website has been developed for travel and expense. She highlighted the reporting capability of the system. C. Elliott walked through the phased approach to the rollout. K. Ali provided an overview of the next steps in the project. The Chair commended the work done on the project.

## **7. Investment Committee Oversight**

### **7.1 Investment Committee Quarterly Report**

N. Allen delivered the Investment Committee's quarterly report. He advised that the returns were about 2.6% ahead of benchmark. The Canadian equity component of the portfolio performed well and the asset mix is consistent with benchmark. He reported that the Investment Committee had a presentation from PH&N at the last meeting discussing the impact of Brexit. Essentially, PH&N confirmed that the Canada did not feel much of the impact Brexit and it was felt primarily in the UK and EU.

## **8. Compliance & Policy**

### **8.1 Risk Management**

C. Foy provided a brief status update on the Risk Management project. She advised that there will be a presentation of the proposed metrics at a future meeting.

### **8.2 Compliance**

C. Foy delivered a presentation providing the Committee with a compliance update. She advised that one of the items the Board asked her to address when joining was to develop a compliance plan. She confirmed that they are in the early stages of the compliance planning process. She explained that compliance data was gathered during the risk register development last year. Approximately 15% of risks on the register relate to compliance. The implementation of a compliance plan is constrained due to the availability of resources. She also provided a summary of ongoing compliance initiatives, highlighting the development of a new "Office of the University Secretary and General Counsel" website to provide online resources to assist the UOIT community and improve efficiency.

C. Foy noted an increasing in FIPPA requests year over year – there has been almost a tripling of time spent on access requests. Records management is a compliance initiative because it is required under FIPPA. The current focus of the records management project is on training users on how to use the policy instruments. She also provided an update on the number of contracts that have been entered into the database, as well as the types of contracts being entered. The use of the database will be expanding to other institutional areas.

### **8.3 Policy Against Violence, Sexual Violence, Harassment and Discrimination**

C. Foy provided the Committee with an update on the development of the Policy Against Violence, Sexual Violence, Harassment and Discrimination. The policy team has been discussing the policy for over a year. It began as a suite of policies and the approach changed in the Spring. The new approach was brought to the Committee for feedback. The policy has been quite extensively consulted on and not all comments have been implemented as some of them were conflicting. C. Foy responded to questions from the Committee.

#### **9. SIRC Building Construction Project**

C. Ashby delivered the SIRC building construction project update. It was suggested that the update be discussed earlier at the next meeting. She advised that the parking lot project is complete, was on budget and is now in use. She presented photos of what has been completed so far.

C. Ashby provided an overview of site safety. She advised that there have been no safety incidents on site to date. C. Elliott showed the Committee the live feed to the construction project.

No unknown utilities or contaminated soils were found during the investigation of the site. C. Ashby went through the methods of progress monitoring and tracking, including the master project schedule and weekly schedule tracker. She confirmed that an independent third party (owner's advisor) has been hired to conduct site review. She explained the "change order" process, as well as reviewing the project key risks and the mitigations in place.

The Chair thanked the management team for all of their work.

#### **10. Other Business**

There was none.

#### **11. Termination**

*There being no other business, upon a motion duly made by T. McTiernan and seconded by N. Allen, the public session of the meeting terminated at 6:07 p.m.*



**Financial Update  
Report to the Audit and Finance Committee  
For 6 months ending September 30, 2016**

**November 16, 2016**

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*Consolidated Financial Statements of*

**UNIVERSITY OF ONTARIO  
INSTITUTE OF TECHNOLOGY**

*For 6 months ending September 30, 2016*

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Financial Position**  
**As at September 30, 2016**

	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>	<u>YOY Variance</u>	<u>Mar 31, 2016</u> <b>NI.</b>
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash and cash equivalents	\$ 49,695,640	\$ 31,091,606	\$ 18,604,034	\$ 32,308,994
Short-Term Investments	1,148,400	10,000,000	(8,851,600)	10,170,000
Grant receivable	8,643,123	7,595,227	1,047,896	5,312,979
Other accounts receivable	42,183,190	39,396,987	2,786,203	7,327,038
Bookstore Inventories	827,007	1,035,314	(208,308)	154,262
Prepaid expenses and deposits	1,835,412	1,754,920	80,492	1,701,678
	<b>104,332,772</b>	<b>90,874,054</b>	<b>13,458,718</b>	<b>56,974,951</b>
INVESTMENTS	30,345,495	33,322,253	(2,976,758)	30,967,585
CAPITAL ASSETS	394,876,324	407,468,873	(12,592,549)	397,511,225
<b>TOTAL ASSETS</b>	<b>\$ 529,554,592</b>	<b>\$ 531,665,180</b>	<b>\$ (2,110,589)</b>	<b>\$ 485,453,761</b>
<b>LIABILITIES</b>				
<b>CURRENT AND LONG-TERM LIABILITIES</b>				
Accounts payable and accrued liabilities	25,685,148	23,390,783	2,294,364	23,940,540
Deferred revenue	71,052,687	68,682,574	2,370,113	20,358,279
	<b>96,737,835</b>	<b>92,073,357</b>	<b>4,664,478</b>	<b>44,298,818</b>
LONG TERM DEBT	9,233,533	14,545,436	(5,311,903)	11,867,701
OBLIGATIONS UNDER CAPITAL LEASE	38,900,333	39,136,246	(235,913)	39,090,326
DEBENTURE DEBT	178,096,238	183,049,200	(4,952,962)	180,611,425
DEFERRED CAPITAL CONTRIBUTIONS	160,924,316	166,175,966	(5,251,651)	162,285,684
	<b>483,892,255</b>	<b>494,980,208</b>	<b>(11,087,953)</b>	<b>438,153,954</b>
<b>Net Assets</b>				
NET ASSETS, excluding current year surplus / (deficit)	29,128,143	25,820,610	3,307,534	25,820,613
ENDOWMENTS	18,736,532	17,178,133	1,558,400	18,171,660
CURRENT YEAR SURPLUS / (DEFICIT)	(2,202,340)	(6,313,770)	4,111,430	3,307,534
	<b>45,662,336</b>	<b>36,684,973</b>	<b>8,977,363</b>	<b>47,299,807</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 529,554,592</b>	<b>\$ 531,665,180</b>	<b>\$ (2,110,589)</b>	<b>\$ 485,453,761</b>

**NI.** Balances as at year-end March 31, 2016 disclosed to explain the changes in the Consolidated Cash Flow Statement as at September 30, 2016.

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Operations**  
**For 6 months ending September 30, 2016**

	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>	<u>YOY Variance</u>
<b>REVENUE</b>			
Grants - operating & research	\$ 33,753,371	\$ 33,689,311	\$ 64,060
Grant - debenture	6,750,000	6,750,000	-
Donations - operating & research	396,897	529,634	(132,737)
Student tuition fees	24,519,248	22,396,052	2,123,196
Student ancillary fees	9,803,039	9,849,494	(46,454)
Revenue from purchased services	2,294,965	2,031,712	263,254
Other income	4,400,464	3,958,086	442,378
Amortization of deferred capital contributions	4,311,368	4,403,612	(92,244)
Interest revenue	215,507	55,821	159,686
Unrealized gain/(loss) on investments	1,422,043	(862,513)	2,284,556
	<b>87,866,902</b>	<b>82,801,207</b>	<b>5,065,695</b>
<b>EXPENSES</b>			
Salaries and benefits	47,264,856	45,910,049	1,354,806
Supplies and expenses	15,548,922	15,354,520	194,402
Purchased Services	6,795,079	6,296,713	498,366
Professional fees	305,998	563,284	(257,286)
Interest expense	7,484,486	7,714,010	(229,524)
Amortization of capital assets	12,344,743	13,071,864	(727,121)
Loss on disposal of assets	325,158	204,537	120,621
	<b>90,069,242</b>	<b>89,114,977</b>	<b>954,265</b>
<b>Excess of expenses over revenues</b>	<b>\$ (2,202,340)</b>	<b>\$ (6,313,770)</b>	<b>\$ 4,111,430</b>

**UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY**  
**Consolidated Statement of Cash Flows**  
**As at September 30, 2016**

	<u>Sep 30, 2016</u>	<u>Sep 30, 2015</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of expenses over revenues	(2,202,340)	(6,313,770)
Items not affecting cash:		
Amortization of capital assets	12,344,743	13,071,864
Amortization of deferred capital contributions	(4,311,368)	(4,403,612)
Gain on disposal of assets	325,158	204,537
Unrealized gain on investments	1,422,043	862,513
	<u>7,578,236</u>	<u>3,421,533</u>
Working Capital		
Grant and other accounts receivable	(38,186,296)	(33,220,649)
Prepaid expenses and deposits	(133,734)	(164,557)
Inventories	(672,745)	(744,830)
Accounts payable and accrued liabilities	1,744,608	(1,872,335)
Deferred revenue	50,694,409	47,905,155
	<u>21,024,477</u>	<u>15,324,317</u>
<b>INVESTING</b>		
Purchase of capital assets	(10,035,002)	(5,958,787)
Investments	8,221,646	2,249,920
Endowment contributions	564,873	126,794
	<u>(1,248,483)</u>	<u>(3,582,073)</u>
<b>FINANCING</b>		
Repayment of long term debt	(5,149,354)	(4,838,988)
Repayment of obligations under capital leases	(189,993)	18,175
Deferred capital contributions	2,950,000	486,734
	<u>(2,389,348)</u>	<u>(4,334,080)</u>
<b>NET CASH INFLOW</b>	<b>17,386,646</b>	<b>7,408,164</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<b>32,308,994</b>	<b>23,683,442</b>
<b>CASH BALANCE, END OF PERIOD</b>	<b>\$ 49,695,640</b>	<b>\$ 31,091,606</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

Cash and short-term investments increased \$9.7m over last year and is primarily due to under-spending in the last budget year 2015 – 16.

Grant receivable balance of \$8.6m includes \$4.8m DC / UOIT Collaborative Nursing (CN) grant funded by the Ministry on a slip-year basis (PY bal. \$2.7m will be received in CY, and CY bal. \$2.1m received in next FY), \$2.9m of new “SIF” grant receivable for the construction of the SIRC building, and \$0.9m of external research grants, all of which are current.

Grant receivable YOY increase of \$1.0m includes \$2.9m of new “SIF” grant, offset by decrease \$1.2m of the Georgian / UOIT CN grant which is now funded and received in-year (v/s slip-year funding in the PY), and \$0.7m decrease in research grants

Other accounts receivable includes student and trade receivables. The YOY increase of \$2.8m includes \$2.4m increase in student A/R due to a YOY increase of 229 FTE, and other variances none exceeding \$0.5m. Balance of \$42.2m includes \$39.7m of student A/R (of which \$1.2m relates to spring 2016 and prior, \$7.4m relates to o/s receivables from fall 2016 and \$31.1m relates to the future winter 2017 semester, for which final payment is due Jan 20, 2017).

Investment balance of \$30.3m is comprised of \$22.3m endowed funds held at PH&N, \$8.0m from MoF held in trust at BNY. The YOY decrease of \$3.0m includes a decrease of \$6.0m investment at BNY (\$4.9m was used to repay the MoF loan in the last year, and \$1.1m transferred to RBC Wealth Management currently disclosed in short-term investments), offset by an increase of \$3.0m in endowed funds (\$0.8m reclassified from internally restricted to endowed net assets in Q3 2015 relating to 2006 and 2007 graduate student fellowships, \$0.5m new donations, \$1.1m capital gains & investment income, \$1.0m in unrealised gains due to improving conditions in the equities market, offset by \$0.4m bursary disbursements).

Capital assets decreased \$12.6m and include net new additions of \$7.1m offset by total accumulated depreciation of \$19.7m in the last 12 months. Capital additions comprise of: construction-in-progress (CIP) for new SIRC building \$2.3m, ACE rolling road \$2.6m, other CIP \$0.2m, laptops \$3.4m (offset by disposal \$6.0m), computer and other major equipment \$3.5m and building renovations \$1.1m.

### Liabilities

Accounts payable and accrued liabilities increased \$2.3m due to timing of payment for third party vendors, including a payable of \$850k at the end of the quarter to Ellis Don for the construction of SIRC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Contd.)

Deferred Revenue relate to revenues deferred to the following periods as these have not yet been earned at the end of the quarter, or will be recognised as revenue in the period in which related expenses are incurred.

Deferred revenue increase of \$2.4m over last year includes \$3.2m of deferred tuition due to YOY increase in enrolment of 229 FTE, offset by decrease of \$1.3m in deferred TELE revenues of which \$1.0m relates to the drawdown of deferred revenues at last year-end and \$0.3m relates to the CY net decrease in revenue attributable to the roll-out of the “BYOD” (Bring Your Own Device) program in the Faculty of Social Science and Humanities, and variances in other deferred revenues, none exceeding \$0.5m.

Long term debt balance of \$9.2m includes \$8.1m of MoF loan. The YOY decrease of \$5.3m includes \$4.9m relating to the MoF loan repayment which is fully repayable in Oct 2017.

Debenture debt decrease of \$5.0m relates to the principal repayment and resulting draw-down of the debt in the last year. This debt will be fully paid in October 2034.

Deferred capital contributions decrease of \$5.3m includes \$3.4m grants received / receivable for capital projects, of which \$2.9m relates to the new SIF grant, offset by total amortization expense in the last 12 months of \$8.7m.

## CONSOLIDATED STATEMENT OF OPERATIONS

### Revenue

Total Revenue increased \$5.1m (6.1%) over last year, and includes \$2.1m increase in student tuition fees attributable to the YOY increase of 229 FTE, coupled with an average 3% increase in tuition fees, and \$2.3m increase in unrealized gain on investment due to strong equity market conditions in the current year.

### Expenses

Total Expenses increased \$1.0m year-over-year and includes \$1.4m increase in salaries and benefits, of which \$1.2m relates to the annual salary increase (\$0.9m for academic positions and \$0.3m for administrative staff), and \$0.2m pertains to net new hires in the last 12 months.

## II. FINANCIAL METRICS

The Ministry has adopted 5 financial metrics to assist with assessing university financial health and sustainability. These metrics will be included in the 2015 – 16 SMA (Strategic Mandate Agreement) report-back cycle to the Ministry in November 2016, at which time universities will be provided with the opportunity to comment on their respective 5 financial metrics.

The table below shows the financial metrics for the University for the last 2 fiscal years 2015 and 2016 with a 2017 projection. Also included are the average comparator and average sector metrics for fiscal year 2015 (latest published data). The average comparator includes the data for what is classified as “small” universities based on student FTE (‘Full-time equivalents’). The small sector universities comprise of 7 universities: Algoma, Lakehead, Laurentian, Nipissing, OCADU, Trent and UOIT.

<b>Financial Metrics</b>	<b>Actual 2015</b>	<b>Actual 2016</b>	<b>Forecast 2017</b>	<b>Average comparator 2015</b>	<b>Average sector 2015</b>
<b>Net Income/Loss Ratio (1)</b>	<b>4.5%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>-0.1%</b>	<b>6.2%</b>
<b>Net Operating Revenues Ratio (2)</b>	<b>11.1%</b>	<b>10.9%</b>	<b>10.8%</b>	<b>4.2%</b>	<b>9.7%</b>
<b>Primary Reserve Ratio (days) (3)</b>	<b>14</b>	<b>27</b>	<b>24</b>	<b>32</b>	<b>134</b>
<b>Interest Burden Ratio (4)</b>	<b>10.0%</b>	<b>9.4%</b>	<b>9.0%</b>	<b>3.9%</b>	<b>1.8%</b>
<b>(b) IBR w MTCU funding</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>n/a</b>	
<b>Viability Ratio (5)</b>	<b>3.1%</b>	<b>6.4%</b>	<b>5.2%</b>	<b>14.3%</b>	<b>121.8%</b>

### Financial Metrics Analysis

**1. Net Income / Loss ratio** - tracks the trend in UOIT’s net earnings.

UOIT continues to show a positive net earnings ratio and is favourable vis-à-vis the average comparator due to its surplus of revenues over expenses, mainly attributable to slight growth - stable enrolment coupled with savings as a result of open faculty positions and unused capital reserves that are subsequently internally-restricted at the end of the fiscal year.

## II. FINANCIAL METRICS (Contd.)

**2. Net Operating Revenues** ratio – indicates the extent to which UOIT is generating positive cash flows in the long-run to be financially sustainable.

UOIT continues to experience positive operating and working capital and this is reflected in a stable net operating revenues ratio. UOIT's operating and working capital in fiscal year 2015 is \$21.4m versus an average of \$2.7m for the comparator universities.

**3. Primary Reserve** ratio – indicates UOIT's financial strength and flexibility by determining the number of days UOIT could function using its resources that are can be expended without restrictions.

This ratio has improved over the last 2 fiscal years as Management continues to set aside and internally restrict operating surplus for future use (\$6.0m was internally restricted in FY 2015 and \$6.5m in FY 2016). The primary reserve ratio is forecast to decrease in 2016 – 17 as internally-restricted capital reserves are consumed to fund for the SIRC building.

**4. Interest Burden** ratio ("IBR") – indicates UOIT debt affordability and the cost of servicing debt

UOIT's interest burden is improving as it continues to pay back its long-term debt obligations without entering into any new debt. The cost of servicing UOIT's debt is above the comparator due to its much higher debt obligations (\$51.9m average versus \$231.0m UOIT).

**4b. Interest Burden with MTCU funding** ratio – the "IBR" has been re-stated to reflect an annual "institution-specific" grant of \$13.5m from the Ministry to fund the University's debenture debt. Therefore, interest expense on the debenture has been removed from the total interest expense, used in the calculation of "IBR".

**5. Viability** ratio - determines UOIT's financial health, as it indicates the funds on hand to settle its long-term obligations.

This ratio has improved as UOIT continues to show operating surplus coupled with reduced debt. UOIT is below the average comparator due to its much higher debt position (comparator average debt is \$51.9m versus \$231m for UOIT).



**II. FINANCIAL METRICS (Contd.)**

**(1) Net Income/Loss Ratio**

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

*Measures the percentage of UOIT's revenues that contribute to its net assets. The objective is to track trends in UOIT's net earnings*

**(4) Interest Burden Ratio**

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

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

**(2) Net Operating Revenues Ratio**

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

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

**(5) Viability Ratio**

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

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

**(3) Primary Reserve Ratio**

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

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

## UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

**III. 2016 - 17 Operating Forecast Summary (in '000 s)  
For the year ending March 31, 2017**

The table below shows the variance of the year-end forecast vs the total approved budget

April 1, 2016 - March 31, 2017					
Annual Budget, excluding Carryforward	Carryforward/Internal Restrictions	Total Annual Budget	Y/E Forecast	Fav. (Unfav.) Variance of Forecast to Budget \$ / %	
<b>Revenue</b>					
Grants		76,297	77,752	1,455	2%
Tuition		74,266	74,148	(118)	0%
Student Ancillary		13,630	13,489	(141)	-1%
Other		15,298	16,506	1,208	8%
<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ 179,491</b>	<b>\$ 181,895</b>	<b>\$ 2,404</b>	<b>1%</b>
<b>Expenditures</b>					
Academic/ACRU	1,065	67,099	65,767	1,332	2%
Academic Support	-	33,299	33,972	(674)	-2%
Administrative	-	31,703	27,152	4,551	14%
<b>Total UOIT Pure</b>	<b>\$ 1,065</b>	<b>\$ 132,100</b>	<b>\$ 126,891</b>	<b>\$ 5,210</b>	<b>4%</b>
<b>Purchased Services</b>	<b>-</b>	<b>14,032</b>	<b>14,044</b>	<b>(12)</b>	<b>0%</b>
<b>Total Ancillary/Commercial</b>	<b>-</b>	<b>9,632</b>	<b>9,554</b>	<b>78</b>	<b>1%</b>
<b>Debenture Interest Expense</b>	<b>-</b>	<b>11,391</b>	<b>11,242</b>	<b>149</b>	<b>1%</b>
<b>Total Operating Expenses</b>	<b>\$ 1,065</b>	<b>\$ 167,155</b>	<b>\$ 161,730</b>	<b>\$ 5,425</b>	<b>3%</b>
<b>Net Contribution from Operations</b>	<b>\$ (1,065)</b>	<b>\$ 12,335</b>	<b>\$ 20,164</b>	<b>\$ 7,829</b>	<b>63%</b>
<b>Capital Expenses funded from Operations</b>	<b>-</b>	<b>7,225</b>	<b>10,003</b>	<b>(2,778)</b>	<b>-38%</b>
<b>Principal Repayments - debenture/leases</b>	<b>-</b>	<b>5,110</b>	<b>5,070</b>	<b>40</b>	<b>1%</b>
<b>Net Cash Inflow from Operations</b>	<b>\$ (1,065)</b>	<b>\$ 0</b>	<b>\$ 5,091</b>	<b>\$ 5,091</b>	<b>0%</b>
<b>Other Disclosure: SIRC Building (not funded from Operating Budget)</b>					
Capital Grant	-	-	5,280	5,280	0%
Internally-Restricted Reserves	-	-	9,798	9,798	0%
Capital Expenses	-	-	15,078	(15,078)	0%

**Reconciliation to Y/E forecast GAAP FS:**

	\$
<b>Net forecast contribution from Operations</b>	<b>20,164</b>
<b>Items not budgeted:</b>	
Externally funded research donations and revenues	9,950
Externally funded research expenses	(9,450)
<b>Non-cash transactions:</b>	
Amortization of capital assets	(24,681)
Amortization of deferred capital contributions	8,591
Unrealized loss on investments	1,385
<b>Capital Grants accounted as Deferred Capital Contributions on the balance sheet</b>	<b>(3,148)</b>
<b>Excess revenues over expenses - as per Y/E forecast GAAP FS</b>	<b>\$ 2,811</b>

### III. 2016-17 Operating Forecast Analysis

The latest projection of the 2016-17 operating budget, after capital expenses, shows an operating surplus of \$5.1m by the end of the fiscal year (Note that the operating budget does not include the impact of the construction of the new SIRC Building. This is disclosed separately under “Other Disclosure”).

The variances of the year-end forecast relative to the approved budget are explained below.

#### Enrolment

FTE's	2016 -17 Approved Budget	2016-17 Projection	Variance to Approved Budget
<b>Undergraduate</b>			
Domestic	7,876	7,894	18
International	431	444	13
<b>Graduate</b>			
Domestic	388	376	-12
International	137	133	-4
<b>Total FTE's</b>	<b>8,832</b>	<b>8,847</b>	<b>15</b>

Our enrolment projection data indicates that we are net 15 FTE more than the approved budget of 8,832 FTE.

#### Revenues

Grants are favourable to budget \$1.5m and includes \$2.2m grant receivable in Nov 2016 from the Ministry of Economic Development and Growth (MEDG) for the purchase of the Moving Ground Plane (see “Capital” under “Expenditures” section below), offset by a decrease of \$0.7m relating to the teacher’s enrolment grant which was erroneously included twice in the budget.

Note: the total grant from MEDG is \$2.5m and includes a 10% holdback which will be released in March 2018 upon receipt of the required project reporting by the Province.

Other Revenue forecast, including purchased services, is favourable \$1.2m and includes \$0.5m of application and other student-related fees that were conservatively budgeted due to the shortfall of 245 FTE in the prior fiscal year 2015-16, \$0.3m unbudgeted revenues from the sale of laptops to students as a result of “BYOD” and the sale of fitness equipment, \$0.2m higher than expected revenues from summer camps, and other immaterial variances.

### III. 2016-17 Operating Forecast Analysis (Contd.)

#### Expenditures

The Academic/ACRU units are showing a positive variance of \$1.3m mostly relating to labour savings from open faculty positions. The most significant variance is a \$0.5m upside in the Faculty of Engineering and Applied Science. Other faculties are showing variances to budget, none of which exceeds \$0.5m.

The Academic Support units are unfavourable to budget of \$0.7m, and includes \$0.3m attributable to higher than expected disbursement of scholarships due to more first year and continuing students meeting the criteria for these scholarships, and other immaterial variances.

The Administrative units are showing a favourable variance to budget of \$4.5m and includes \$3.9m release of operational contingency reserves which will be taken into income at year-end and internally restricted to invest in future projects to improve the University's facilities.

Capital Expenses funded from Operations are unfavourable \$2.8m to budget and includes \$2.6m disbursed in Sep 2016 to Old Dominion University for the purchase of the Moving Ground Plane (rolling road). The cost of the rolling road will be funded by a \$2.5m grant from MEDG (see "Grants" under "Revenues" section above).

#### Other Disclosure: SIRC Building

The construction of SIRC is not funded from the 2016 – 17 approved budget and hence disclosed separately. The total estimated cost of the project for the current year is \$15.1m, of which \$5.3m is funded through the "SIF" grant and \$9.8m through internally-restricted reserves.

#### Operating Forecast Surplus (or Deficit)

Current projections continue to show a surplus budget of \$5.1m after capital expenses. The most significant risk to this projection is the final impact of the actual enrolment as per the Feb 1 count to the Ministry, and the uncertainty around the Moving Ground Plane project.

There are a number of accounting adjustments that are not included in the Board approved operating budget (such as the externally-funded research grants and amortization of capital assets and capital grants received). These accounting transactions impact the operating surplus (or deficit) on a GAAP (generally accepted accounting principles) basis. Based on current projection and after adjusting for the items mentioned above, the projected surplus is \$2.8m on a GAAP basis.

#### **IV. CAPITAL**

This section provides an overview of Board approved capital projects over \$1.0m.

##### **A. Software and Informatics Research Centre (“SIRC”)**

In March 2016, UOIT’s Board of Governors approved the award of the design and build of a new building (“SIRC”) to EllisDon Corporation, and also approved the completion of the preliminary design phase.

On June 29, 2016, the Board approved the construction and fit-out of the new 4-floor “SIRC” building at a total cost not to exceed \$26.3m for the first phase (construction and fit-out of the first 2 floors), and not to exceed a further \$7.0m for the fit-out of the remaining 2 floors, the latter being subject to approval of UOIT’s application for “SIF” (Strategic Investment Fund) funding.

On September 14, 2016, UOIT signed an agreement with the Province which was made effective as of May 9, 2016. This Ontario Transfer Payment Agreement confirmed a “SIF” funding of \$13,001,890 (\$11,801,890 Federal Funds and \$1,200,000 Ontario Funds). The Ministry formally announced this infrastructure funding for UOIT on October 13, 2016.

The target date for completion of the 4 floors fully fitted-out is Nov 2017, with occupancy in Jan 2018.

**IV. CAPITAL (contd.)**

**SIRC Project Costs and Funding Requirements**

	Actual to Sep 2016	Actual Oct 2016	Forecast					Forecast			Total Project Forecast	Original Budget
			Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Total FY 2017	Total FY 2018	Total FY 2019		
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Project Cost</b>												
Design Build Preliminary Phase	\$ 310							\$ 310			\$ 310	\$ 310
Parking	383	476	33	111				\$ 1,003	17		\$ 1,020	1,034
Guaranteed Maximum Price (Note 1)	1,368	749	1,433	1,675	1,830	2,571	2,545	\$ 12,171	13,790	525	\$ 26,486	26,486
Owner's Cost (Note 2)	245	15	73	73	137	137	124	\$ 804	3,415		\$ 4,219	4,219
Contingency (Note 3)			211	211	211	104	53	\$ 790	475		\$ 1,265	1,251
<b>Total Project Cost</b>	<b>2,306</b>	<b>1,240</b>	<b>1,750</b>	<b>2,070</b>	<b>2,178</b>	<b>2,812</b>	<b>2,722</b>	<b>15,078</b>	<b>17,697</b>	<b>525</b>	<b>33,300</b>	<b>33,300</b>
<b>Funding</b>												
"SIF" Funding (Note 4)		1,475		1,475		2,330		5,280	6,245	1,477	\$ 13,002	13,002
Internally-restricted reserves	2,306	(235)	1,750	595	2,178	482	2,722	9,798	11,452	(952)	20,298	20,298
<b>Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Note 1:** Guaranteed Maximum Price (“GMP”) is the sum of the price of the services and the price of the work that are guaranteed by the Construction Manager (Ellis Don) not to be exceeded.

**Note 2:** Owner’s costs are not included in the GMP where the Owner has engaged a 3<sup>rd</sup> party, e.g. Project Manager, Payment Certifier, etc.

**Note 3:** Contingency are funds set aside to cover for unforeseen events during the construction phase.

**Note 4:** Total “SIF” Funding amounts to \$13.0m, of which \$11.8m is from Federal and \$1.2m from the Province. The \$1.2m from the Province is part and parcel of the annual Facilities Renewal Program (“FRP”) grant that the University currently receives from the Ministry for deferred maintenance costs

#### **IV. CAPITAL (Contd.)**

##### **SIRC Progress Update**

See separate presentation

##### **B. Moving Ground Plane (“MGP”)**

In June 2016, UOIT’s Board of Governors approved the completion of an agreement of purchase and sale with the Old Dominion University (“ODU”) for the acquisition of a moving ground plane (“MGP”) at a cost of no more than \$2.5m in accordance with the terms of a grant of \$2.5m funded by the Ministry of Economic Development and Growth (“MEDG”).

UOIT has also submitted an application to FedDev for additional funding of approximately \$10.2m and is working with industry partners (e.g. Magna and Multimatic) to complete the funding requirements for the installation and integration of the MGP into the ACE facility. This project does not include the use of the University’s operational funds.

It was anticipated that installation of the MGP at the ACE facility will be completed in late 2017 and become operational as of early 2018.

##### **MGP Progress Update**

- The University has paid ODU USD 2.0m in settlement for the equipment in September 2016, and is awaiting receipt of CAD 2.25m (CAD 2.5m less 10% holdback) from the Ministry of Economic Development and Growth. This is expected to be received in November 2016.
- All components of the rolling road have been shipped and are now at the Multimatic location.
- The FedDev application for additional funding of \$10.2m was declined. Executive Management is currently conducting active discussion with our industry partners.
- The agreements with Magna and Multimatic are currently being reviewed by UOIT’s legal team.

## V. CASH FLOW

The University administration uses a cash management forecasting model to manage its operating cash balances and operating short-term investment portfolios

University cash balances are cyclical in nature with higher balances in September & October and January & February due to tuition fee collection from the fall and winter semester registration, and lower balances during the late spring and early summer months.

In September 2014, and as approved by the Board, the University invested \$16.0m surplus operating cash in short-term GIC's at BMO Nestbitt Burns, of which \$6.0m has a renewable maturity date of 30 days and \$10.0m has a maturity date of 1 year.

In April 2015, the University transferred \$1.1m from BNY to RBC Wealth Management and these were invested in annual GIC's.

The University has the following line of credit (LOC) facility agreements:

- A revolving operating LOC of up to \$17.0m, bearing interest at prime plus 0.25% with a Canadian chartered bank.
- A revolving operating LOC up to \$5.0m, bearing interest at prime plus 0.25% with IBM.

### Cash Flow Update

- UOIT has not utilized its available line of credit at the end of the reporting quarter.
- To provide flexibility for major capital project funding, and in Oct 2016, Management has re-invested the \$16.0m GIC's at BMO Nesbitt Burns, plus all interest earned to date, in 30-day cashable GIC's.

In addition, \$1.1m at RBC was re-invested into GIC's with a one-year maturity date on June 12, 2017.

- **Operating cash balance** including short-term investments is forecast to be at \$30.8m at the end of the fiscal year.
- **Externally and internally restricted cash balances** (including, Research, Advancement, Campus Childcare, Regent Theater, ACE) is forecast to be at \$11.7m at the end of the fiscal year.



UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Cash Flow Forecast Summary for year ending March 31, 2017

		Actual	Actual	Forecast					Total Forecast	
		Apr - Jun 2016	Jul - Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	FY 2016-17
		\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s
Operating Beginning Cash Balance	A	\$ 14,918	\$ 3,234	\$ 23,209	\$ 20,246	\$ 16,028	\$ 11,599	\$ 24,366	\$ 21,017	\$ 14,918
Total Operating Inflows	B	35,107	62,752	19,642	8,585	9,819	28,351	8,594	9,502	182,353
Total Operating Outflows	C	(46,381)	(41,692)	(22,806)	(11,989)	(13,964)	(13,453)	(12,096)	(14,221)	(176,603)
Net Operating Cash Flows	D=B+C	(11,274)	21,060	(3,165)	(3,404)	(4,145)	14,898	(3,502)	(4,718)	5,750
Total Operating Cash Available	E=A+D	3,644	24,294	20,044	16,842	11,883	26,497	20,863	16,299	20,668
SIRC Building Outflows	F	(410)	(1,085)	(1,273)	(814)	(1,760)	(2,131)	(2,176)	(2,799)	(12,448)
SIRC Building Inflows	G			1,475		1,475		2,330		5,280
Net SIRC Building	H=F+G	(410)	(1,085)	202	(814)	(285)	(2,131)	154	(2,799)	(7,168)
Operating Ending Cash Balance after SIRC	I=E+H	3,234	23,209	20,246	16,028	11,599	24,366	21,017	13,500	13,500 N1.
Total Internally and Externally Restricted Cash	J	10,722	10,528	10,572	11,365	11,639	11,549	12,058	11,744	11,744 N2
Total Consolidated Cash Position	K=I+J	\$ 13,957	\$ 33,737	\$ 30,818	\$ 27,393	\$ 23,238	\$ 35,914	\$ 33,076	\$ 25,244	\$ 25,244

**Reconciliation of bank balances to G/L balance as at Sep 30, 2016**

Balance as per bank statements	\$ 33,737
Add: Outstanding Deposits	144
Less: Outstanding Cheques	(375)
Bank Balance as per G/L	33,506
Add: Short-term investments in GIC's	17,338
<b>Total Cash and ST investments, as per Balance Sheet</b>	<b>\$ 50,844</b>

**Total Cash Forecast as at Mar 31, 2017**

<b>N1 Total Operating Cash after SIRC</b>	\$ 13,500
Add: Short-term investments in GIC's	17,338
<b>Total Operating Cash and ST investments</b>	<b>\$ 30,838</b>
<b>N2 Total Internally and Externally Restricted Cash</b>	<b>\$ 11,744</b>

## **VI. LONG-TERM FORECAST**

In April 2016, the Board approved a balanced budget for 2016 – 17. At that time, a long-term forecast was also presented for the budget years 2016 – 17 to 2020 – 2021.

In August 2016, the long-term plan was re-cast to include revised enrolment targets as a result of the upcoming construction of the new SIRC building and revised labor costs relating to the new job evaluation system (JES).

The long-term forecast will be updated for Quarter 3 reporting to reflect final winter Day 10 official enrollment count and 5-year forecast input from budget holders.

### **Assumptions on Aug 2016 forecast model**

- Enrolment targets revised to take into account occupancy of SIRC in Jan 2018
- Grant funding as per the current funding formula (funding formula currently under review by the Ministry).
- Tuition YOY average increase at the current approved rate of 3.0% (new tuition framework currently under review by the Ministry).
- Retention rate held at current rate of 80.3%
- Salary increases as per the new JES and as per faculty collective agreements
- New hires to maintain current student to faculty ratio
- TELE transformation to a full “BYOD” model by FY 2019-2020
- Operational reserves \$2.0m + planned capital reserves \$2.5m for a total of \$4.5m
- 3% YOY increase in utilities
- 2% YOY increase in purchased services cost from Durham College

### **Balancing the budget over the long-term**

Currently, the long-term forecast is showing a deficit in Year 2 through to Year 5. Over the last 6 months, Management has developed a plan to address this shortfall. This plan, which will be implemented in the budget year 2017 / 18, will balance UOIT’s budget over the next 5 years.

## UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

## Long-Term Forecast Summary as at August 31, 2016

FORECAST					
	FY 2017 - 18	FY 2018 - 19	FY 2019 - 20	FY 2020 - 21	FY 2021 - 22
	\$'000 s	\$'000 s	\$'000 s	\$'000 s	\$'000 s
<b>Revenues</b>					
Grants	76,587	77,569	77,656	77,898	78,732
Tuition	77,298	79,695	82,131	84,950	86,731
Ancillary, including TELE	11,872	11,853	10,779	10,816	11,089
Other	14,589	14,799	14,935	15,305	15,313
<b>Total</b>	<b>\$ 180,347</b>	<b>\$ 183,915</b>	<b>\$ 185,501</b>	<b>\$ 188,969</b>	<b>\$ 191,865</b>
<b>Expenses</b>					
Labour	95,990	99,161	101,661	104,210	106,302
OPEX	74,395	75,874	76,824	78,081	79,367
Capital	5,283	5,402	5,109	4,434	4,434
Contingency	4,500	4,500	4,500	4,500	4,500
<b>Total</b>	<b>\$ 180,168</b>	<b>\$ 184,936</b>	<b>\$ 188,094</b>	<b>\$ 191,226</b>	<b>\$ 194,603</b>
<b>Revenues less Expenses</b>	<b>\$ 178</b>	<b>\$ (1,021)</b>	<b>\$ (2,592)</b>	<b>\$ (2,256)</b>	<b>\$ (2,738)</b>
<b>FTE</b>	<b>8,814</b>	<b>8,859</b>	<b>8,875</b>	<b>8,930</b>	<b>8,954</b>



# Audit & Finance Committee Budget Update

Presented By Craig Elliott, CFO and Deborah Saucier, Provost  
November 16, 2016



# Agenda

- 1. 2016-17 Budget**
- 2. Five Year Forecast**
- 3. 2017-18 Budget**
- 4. Discussion Topics - PACIP**
- 5. Budget Schedule and Next Steps**
- 6. Questions/Comments**

# 2016-17 Budget



- **Day 10 headcount numbers are 9,384 Undergrads and 753 Grads, both up from last year. These figures still need be converted to FTE for comparison to budget. However, based on prior years calculations, we should be on target to meet budget enrolment numbers.**
- **As a result, the budget working group will not be asking for any adjustments to the existing budget for 2016/17**

# Five Year Forecast





Financials								UOIT 5 yr Operational Forecast- 1 Building - Proposed 2.5% Cut on all expenses, except non-eligible							
Revenues		14/15 Act	15/16 Base Budget	16/17 Fcst	17/18 Fcst	18/19 Fcst	19/20 Fcst	20/21 Fcst							
Basic Operating Grant		50,121,000	50,681,197	50,988,961	51,226,598	51,009,530	52,468,684	54,266,725							
CN Grant		4,725,000	4,424,123	4,450,498	4,449,242	4,520,045	4,587,102	4,671,306							
Debenture Grant		13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000							
Other Grants		7,397,000	7,279,958	7,279,958	7,279,958	7,279,958	7,279,958	7,279,958							
Donations		913,000	1,276,372	1,305,000	1,305,000	1,305,000	1,305,000	1,305,000							
Tuition		68,744,000	72,909,059	76,001,061	78,449,541	81,088,150	86,105,827	91,678,145							
Ancillary Fees		15,535,000	15,672,953	15,462,366	9,759,510	9,752,698	9,944,697	10,189,807							
Other Revenue		10,285,000	10,090,719	10,090,719	10,090,719	10,090,719	10,090,719	10,090,719							
DC		3,799,000	4,231,100	4,231,100	4,231,100	4,231,100	4,231,100	4,231,100							
<b>Total Revenues</b>		<b>175,019,000</b>	<b>180,065,480</b>	<b>183,309,663</b>	<b>180,291,667</b>	<b>182,777,199</b>	<b>189,513,086</b>	<b>197,212,759</b>							
Increase %		7.9%	7.4%	1.8%	-1.6%	1.4%	3.7%	4.1%							
Expenses															
FT Labour		54,498,155	64,201,637	65,828,278	67,063,606	68,329,817	69,627,683	70,957,996							
PT Labour		15,956,038	13,194,611	13,194,611	13,194,611	13,194,611	13,194,611	13,194,611							
Benefits		11,608,962	13,115,975	13,365,746	13,594,282	13,828,531	14,068,636	14,314,744							
OPEX (Other than listed below)		49,134,131	51,653,960	52,687,039	53,740,780	54,815,596	56,161,907	57,285,146							
Contracts (Consulting & Other)		4,017,871	3,751,773	3,751,773	3,751,773	3,751,773	3,751,773	3,751,773							
Utilities		1,584,299	1,898,460	1,936,429	1,975,158	2,014,661	2,304,954	2,351,053							
Leases		1,223,865	1,877,905	2,052,650	2,093,703	2,135,577	2,178,289	2,221,855							
RAM Unallocated				2,899,596	4,510,512	6,005,919	9,932,251	14,404,989							
CarryForwards		-	621,343												
Contingency Reserve			4,505,609	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000							
OPEX DC		16,453,000	15,420,018	15,728,418	15,728,418	15,728,418	15,728,418	15,728,418							
<b>Total Expenses</b>		<b>154,580,569</b>	<b>170,241,291</b>	<b>175,944,541</b>	<b>180,152,843</b>	<b>184,304,902</b>	<b>191,448,523</b>	<b>198,710,584</b>							
Increase %		6.0%	10.1%	1.7%	2.4%	2.3%	3.9%	3.8%							
Capital		6,342,388	2,964,727	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000							
Capital Tele		5,481,925	5,545,036	5,545,036	584,515	584,515	584,515	584,515							
Capital DC		1,193,049	1,598,500	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000							
<b>Total Expenditures</b>		<b>167,597,931</b>	<b>180,349,554</b>	<b>185,689,577</b>	<b>184,937,358</b>	<b>189,089,417</b>	<b>196,233,038</b>	<b>203,495,099</b>							
Increase %		3.3%	7.6%	3.0%	-0.4%	2.2%	3.8%	3.7%							
<b>Revenues less Expenses</b>		<b>7,421,069</b>	<b>(284,074)</b>	<b>(2,379,914)</b>	<b>(4,645,691)</b>	<b>(6,312,218)</b>	<b>(6,719,952)</b>	<b>(6,282,341)</b>							
<b>Proposed 2.5% Cut</b>				<b>(3,333,619)</b>	<b>(5,751,624)</b>	<b>(5,751,624)</b>	<b>(5,751,624)</b>	<b>(5,751,624)</b>							
<b>Revenues less Expenses After Cuts</b>				<b>953,706</b>	<b>1,105,933</b>	<b>(560,594)</b>	<b>(968,328)</b>	<b>(530,717)</b>							
								Average over 5 years				0			

## Key Points From Five Year Forecast

- **The forecast illustrated a structural budget deficit with increasing losses each year starting in 2016/17. Total loss over 5 years was \$26M**
- **UOIT adopted a plan to address this shortfall with budget reductions of 2.5% in 2016/17 and 2017/18. The initial 2.5% cut was implemented with the current years budget – and focused mainly on OPEX reductions.**
- **An additional 2.5% cut was planned for 2017/18, and this would balance our budget over the next 5 years.**

## UOIT Forecast

- **The 5 year forecast has now been updated at August, 2016 to incorporate current data, and revised projections for revenues and expenses. Some of the more significant changes revolve around:**
  - Enrolment forecasts based on Day10 actuals for 2015/16
  - TTT/TF new contracts
  - Implementation of JES
  - 2.5% Budget reductions implemented in 2016/17
  - Reduced contingency in Working Capital and UPF Reserves
- **We extended our analysis out 10 years to understand the longer term financial implications of our fiscal structure**

Financials UOIT 10 yr Operational Forecast- Aug 2016 Base Line - New Building

Revenues	17/18 Fcst	18/19 Fcst	19/20 Fcst	20/21 Fcst	21/22 Fcst	2022-23	2023-24	2024-25	2025-26	2026-27
Basic Operating Grant	55,219,932	55,995,048	55,875,731	56,117,762	56,951,729	58,121,947	59,728,931	61,552,169	63,600,422	65,058,972
Debenture Grant	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
Other Grants	7,867,420	8,073,819	8,280,180	8,280,180	8,280,180	8,280,180	8,280,180	8,280,180	8,280,180	8,280,180
Donations	608,100	608,100	608,100	608,100	608,100	608,100	608,100	608,100	608,100	608,100
Tuition	77,298,372	79,694,947	82,131,487	84,949,968	86,731,133	88,513,245	90,960,503	93,737,091	96,856,351	99,077,562
Ancillary Fees	11,871,979	11,852,566	10,778,802	10,816,423	11,089,179	11,215,036	11,394,376	11,597,352	11,633,748	11,633,748
Other Revenue	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858	10,421,858
DC	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976
<b>Total Revenues</b>	<b>180,334,637</b>	<b>183,693,314</b>	<b>185,143,134</b>	<b>188,241,267</b>	<b>191,129,155</b>	<b>194,207,342</b>	<b>198,440,925</b>	<b>203,243,726</b>	<b>208,447,635</b>	<b>212,127,396</b>
Increase %		1.9%	0.8%	1.7%	1.5%	1.6%	2.2%	2.4%	2.6%	1.8%
<b>Expenses</b>										
FT Labour	80,804,830	83,731,132	85,923,233	87,815,861	89,526,872	92,315,394	94,996,985	97,893,259	100,708,028	102,667,987
PT Labour	15,076,984	15,320,723	15,628,453	16,284,819	16,639,916	17,020,388	17,459,362	17,930,008	18,252,618	18,551,739
OPEX	30,472,608	31,071,131	30,854,961	31,166,349	31,499,347	32,067,495	32,600,758	33,083,457	33,422,568	33,748,715
OPEX Ineligible	29,716,892	30,311,230	30,917,454	31,535,804	32,166,520	32,809,850	33,466,047	34,135,368	34,818,075	35,514,437
Contingency Reserve	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
OPEX DC	15,425,488	15,733,997	16,048,677	16,369,651	16,697,044	17,030,985	17,371,604	17,719,036	18,073,417	18,434,886
<b>Total Expenses</b>	<b>174,996,802</b>	<b>179,668,213</b>	<b>182,872,779</b>	<b>186,672,483</b>	<b>190,029,698</b>	<b>194,744,112</b>	<b>199,394,756</b>	<b>204,261,129</b>	<b>208,774,707</b>	<b>212,417,762</b>
Increase %	40.8%	2.7%	1.8%	2.1%	1.8%	2.5%	2.4%	2.4%	2.2%	1.7%
<b>Capital</b>	2,805,322	3,011,914	3,218,313	3,218,313	3,218,313	3,218,313	3,218,313	3,218,313	3,218,313	3,218,313
<b>Capital Tele</b>	1,262,174	1,173,974	674,828	-	-	-	-	-	-	-
<b>Capital DC</b>	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686
<b>Total Expenditures</b>	<b>180,279,983</b>	<b>185,069,787</b>	<b>187,981,606</b>	<b>191,106,482</b>	<b>194,463,697</b>	<b>199,178,111</b>	<b>203,828,755</b>	<b>208,695,128</b>	<b>213,208,706</b>	<b>216,851,761</b>
Increase %		2.7%	1.6%	1.7%	1.8%	2.4%	2.3%	2.4%	2.2%	1.7%
<b>Revenues less Expenses</b>	<b>54,654</b>	<b>(1,376,473)</b>	<b>(2,838,472)</b>	<b>(2,865,215)</b>	<b>(3,334,542)</b>	<b>(4,970,769)</b>	<b>(5,387,830)</b>	<b>(5,451,402)</b>	<b>(4,761,071)</b>	<b>(4,724,365)</b>

## Key Points From Forecast

- **The reductions we made last year have improved our financial outlook, but we are still faced with an ever increasing budget deficit in future years, given our labour intense cost base**
- **The budget working group has been consulting with the Senior Leadership Team over the summer to develop a Budget Reduction Plan that would address our longer term fiscal issues**

## 2017-18 Budget



# Significant Budget Assumptions

- Enrolment levels as forecasted
- Grant funding from the Province will remain at current level
- Tuition increase of 3% maintained each year
- Compensation increases and other fixed cost estimates as forecast
- New building occupied in 2018/19 funded by Fed gov't and UOIT
- Academic hires funded out of the faculty, and maintain current student/faculty ratios.
- No new non-academic hires.
- Contingency included in the budget:
  - \$2.5M for new building/capital renewal
  - \$1.0M general contingency for operations
  - \$1.0M UPF for strategic initiatives

## Key Components of Proposed Budget Reduction Plan

### ***Lower our cost base by \$2.5M in 2017/18***

- ATB reduction in discretionary PD and Travel by 30%
- Reduced OPEX eligible expenses, in areas determined by each budget holder
- Strategic labour reductions through attrition, part time, and contract positions
- Reduced contingency



Financials										
UOIT 10 yr Operational Forecast- Aug 2016 Base Line - New Building										
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Basic Operating Grant	55,219,932	55,995,048	55,875,731	56,117,762	56,951,729	58,121,947	59,728,931	61,552,169	63,600,422	65,058,972
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DC	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976	3,546,976
<b>Total Revenues</b>	<b>180,334,637</b>	<b>183,693,314</b>	<b>185,143,134</b>	<b>188,241,267</b>	<b>191,129,155</b>	<b>194,207,342</b>	<b>198,440,925</b>	<b>203,243,726</b>	<b>208,447,635</b>	<b>212,127,396</b>
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<b>Capital Tele</b>	1,262,174	1,173,974	674,828	-	-	-	-	-	-	-
<b>Capital DC</b>	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686	1,215,686
<b>Total Expenditures</b>	<b>180,279,983</b>	<b>185,069,787</b>	<b>187,981,606</b>	<b>191,106,482</b>	<b>194,463,697</b>	<b>199,178,111</b>	<b>203,828,755</b>	<b>208,695,128</b>	<b>213,208,706</b>	<b>216,851,761</b>
Increase %		2.7%	1.6%	1.7%	1.8%	2.4%	2.3%	2.4%	2.2%	1.7%
<b>Revenues less Expenses</b>	<b>54,654</b>	<b>(1,376,473)</b>	<b>(2,838,472)</b>	<b>(2,865,215)</b>	<b>(3,334,542)</b>	<b>(4,970,769)</b>	<b>(5,387,830)</b>	<b>(5,451,402)</b>	<b>(4,761,071)</b>	<b>(4,724,365)</b>
2.5% cut of eligible expenses	(2,500,000)	(3,000,000)	(3,565,549)	(3,565,549)	(3,565,549)	(3,565,549)	(3,565,549)	(3,565,549)	(3,565,549)	(3,565,549)
<b>Revenues less Expenses After Cuts</b>	<b>2,554,654</b>	<b>1,623,527</b>	<b>727,077</b>	<b>700,334</b>	<b>231,007</b>	<b>(1,405,220)</b>	<b>(1,822,282)</b>	<b>(1,885,853)</b>	<b>(1,195,522)</b>	<b>(1,158,816)</b>



# Discussion Points On The Budget PACIP October 11, 2016



# Budget Discussion

## The proposed Budget Reductions are not all ATB. Do we agree with this methodology?

- Eligible expenses are those that we can manage, such as part-time labour. Ineligible expenses are those that we can not impact/change such as debenture payments.
- Do we let each faculty/dept. determine their own OPEX reductions?

### PACIP Feedback:

- ▶ Agreement that we need to be strategic, reductions should NOT be ATB.
- ▶ Like flexibility of each unit determining where OPEX reductions should occur.
- ▶ Suggest that proposed reductions, and their impact on other units they service, be clearly outlined.
- ▶ Asked about exchange impact, and it was indicated that significant exchange variances would be handled through the forecast process.

**Conclusion: Agreement on budget methodology**

# Budget Discussion

## Should we continue to plan for future buildings once we fully funded SIRC?

- UOIT faces a critical space issue and can not rely on government assistance to provide additional infrastructure. We have strategic plans that will require funding to execute – currently there is \$26M held in federal treasury for CARIE. UOIT would plan to reserved \$2M per year for the next 10 years. We also put aside \$.5M in reserve for deferred maintenance. This is in addition to the FRP money the Province provides for building maintenance and the funds we allocate as capital in the OCIS budget for new or upgrades of infrastructure.
- If we did reduced the building reserve by 50%, we would need to reduce our cost base by an additional \$1.0M per year.

### PACIP Feedback:

- ▶ Agreement that we should continue to put aside strategic funds for infrastructure
- ▶ Comments that we need to address our current space requirements
- ▶ People felt the 10 year forecast was helpful

**Conclusion: Continue with strategic reserves**

# Budget Discussion

## **Do we have enough contingency and strategic reserve?**

- We have very little contingency or strategic funds to operate with over the next 5 years. Should we be more conservative in our approach to have contingency funds for unforeseen events or opportunities?
- The more money we wish to set aside for these purposes, the more we will need to cut in other areas to balance the budget.

### **PACIP Feedback:**

- ▶ Concern was expressed that higher reserves might constrain our investment in people.
- ▶ The risk of an enrolment shortfall was discussed, and factors of increased competition, potential enrolment caps from Province, and existing UOIT enrolment caps in Engineering. Some pathway programs could be in jeopardy with recent provincial decisions on degree granting

**Conclusion: Leave level of reserves where they are today**

# Budget Discussion

## **What levels of academic, and support staff ( non-academic and administrative) can we maintain over the next five years?**

- Do we agree that we should focus on our core research & teaching mission by satisfying our academic hiring requirements initially, and then determine what support staff positions we can fund?
- Our support units are under considerable pressure already, and we have no new positions in the forecast for the next five years.
  - We cannot ask support units to do more with less. How can we improve processes and procedures, create efficiencies through system enhancements, and better understanding the scope of work given the constraints for each area.

### **PACIP Feedback:**

- ▶ Concern that being asked to do more, but do not have the resources.
- ▶ Asked how we get everyone to stop those activities that we have agreed we will not do anymore. Need for open dialogue between Academic and Support units around what can, and cant be done. Suggestions about a “red tape” commission

**Conclusion: Agree with direction, but recognize support unit concerns**

# Budget Schedule





UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY  
 BUDGET AND FORECAST TIMELINES - 2017/18

FY 17 / 18 Budget & 2016/17 Fcst Calendar		
May 2016	SLT reviews and proposes 17/18 Budget reductions	
1-Aug-2016	Preparation of data for FAST Budget (Finance only)	
6-Sep-2016	BWG meet to prepare for all budget holders meeting (PACIP)	
12-Sep-2016		Q2 FAST Forecast open to user community
19-Sep-2016	Provost send RAM allocation templates to faculties and requests LT staffing plan ..... And space template??	
11-Oct-2016	High level presentation of budget assumptions to PACIP	
7-Oct-2016		Q2 Forecast due back to Finance
17-Oct-2016	FAST Budget module open to user community	Q3 FAST Forecast open to user community
17-Oct-2016	FAST Budget module open to user community	Q3 FAST Forecast open to user community
9-Nov-2016	Budget update to Strategy and Planning	
15-Nov-2016	Faculty budget strategic allocation, new hires, salary/merit increases built into FAST budget (Finance only)	
15-Nov-2016	High level presentation of budget assumptions to AC	
16-Nov-2016	High level presentation of budget assumptions to A&F	
30-Nov-2016	2017 / 18 budget completed in FAST Budget	
1-Dec-2016	Budget Paper presentation to AC	
9-Dec-2016		Q3 Forecast completed in FAST forecast
15-Dec-2017	BWG reviews 1st Draft Budget	
2-Jan-2017	BWG presents summary of asks to SLT	
Jan 10 - 11/2017	Finance reviews DC/UIT Shared Service budgets. Joint presentation by UOIT and DC staff responsible for the areas of: IT, Facilities, Student Services, Ancillary, and Purchasing	
Jan 16 - 23/2017	Budget holders make presentations to Deans / VP's	
8-Feb-2017	DC confirm final Shared Service operating costs, and capital requirements	
8-Feb-2017	Budget working group presents high-level revenues and base expenditures SLT / makes budget recommendations	
15-Feb-2017	Finance presents high-level revenues and base expenditures to A&F	
27-Feb-2017	Budget working group presents high-level revenues and base expenditures to AC Exec	
6-Mar-2017	Final budget approved by SLT	
Mar 7 - Mar 31	Finance prepares budget presentation files for A&F/Board	
7-Apr-2017	Finance sends budget package to SLT for review	
12-Apr-2017	Budget Package sent to A&F Committee members	
19-Apr-2017	Presentation of proposed budget to A&F	
3-May-2017	Presentation of proposed budget to Board for approval	
16-May-2017	Presentation of Board approved budget to Academic Council	



## Questions/Comments