FISCAL BLUEPRINT 2021-2022

Budget Working Group

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OntarioTech UNIVERSITY

Contents

Executive Summary 2
Preamble: Budgeting in Pandemic Times 3
Planning and Budgetary Context 4
Looking Ahead – Building Assumptions 5
Revenue Sources 7
Tuition Fees 8
Ancillary Fees 8
Government Grants 9
Expenses 9
Personnel Costs 10
Facilities Costs 10
Financial Aid Costs 11
Information Technology Costs 11
Commercial Costs 11
Registrar's Office Costs 12
Key Budget Risks 12
Summary 13
Appendices 15
Appendix A: Ontario Undergraduate Domestic Tuition, 2020-2021 15
Appendix B: Ontario Undergraduate International Tuition, 2020-2021 15
Appendix C: Ontario Undergraduate Ancillary Fees by University, 2020-2021 16
Appendix D: Facilities Condition and Renewal Background 17
Appendix E – DRAFT Operating Budget 18
Appendix F – Reserves and Surpluses 20

Executive Summary

This paper outlines the initial phase of a new budget-setting process to enhance the clarity of Ontario Tech's approach to financial planning. This document provides a budget overview (i.e. revenues and expenses) while recognizing the tensions we face due to multiple competing demands.

Normally, our process begins with stating our estimated assumptions, yet we are not moving forward into a normal year. The uncertainties of COVID-19 overshadow our budget-related discussions. In setting the 2020-2021 budget, we reviewed many COVID-related scenarios and delayed budget setting from April to June. Choosing a scenario that still seemed risky at the time, we established an overall budget total that was almost $20 million less than 2019-2020.

Looking forward into 2021-2022, our revenues are trending towards 2019-2020 levels (i.e. approximately $190 million) resulting from flat government funding and anticipating domestic tuition freeze continuation. We expect international student growth to boost our revenues, but we remain uncertain about the impact of ongoing travel restrictions and the extent to which virtual learning will be offered.

The first draw on the $190 million budget is an investment in our employees, including limited hiring of new members and the provision of mandated salary increases. The budget includes $6 million more in salaries and benefits compared to 2019-2020. After removing the debenture grant from the calculation, about 69 per cent of the university's total expenses cover employee compensation.

When we add salaries and other items such as facilities, financial aid, and commercial services (e.g. parking, food sales, facility rentals), about 97 per cent (i.e. $185 million) of our budget is allocated. With $3.3 million of investments in capital expenditures, there is less than $2million (or about one per cent of the total budget) left for discretionary spending.

Spending what limited funds we have available requires a strategic and focused approach. We must prioritize our spending in areas to support the long-term sustainability of Ontario Tech. To this end, the following investments are seen as our top priorities for 2021-2022:

1. **Learning Re-imagined:** Investing approximately $600,000 in **technology to refurbish and add to our technological assets.**

2. **Sticky Campus:** Investing approximately $600,000 into **enhanced student recruitment** (e.g. recruitment staff, new digital media platforms) and **student success retention** (e.g. advising transformation, graduate scholarship program) initiatives.

Preamble: Budgeting in Pandemic Times

The pandemic had an immediate impact on teaching, learning, and work at universities across Canada. In March 2020, universities emptied their classrooms, residences, most research spaces and offices to ensure safety on their campuses. Some 1.4 million learners and their professors pivoted to online learning. From that date onward, many started to question what the next few years would look like.

This unprecedented public-health crisis threw Canadian universities into a state of financial uncertainty. The schools' two main revenue sources, tuition fees and public grants, were threatened as students contemplated gap years and governments reigned in spending. Supplemental income from commercial services (e.g. parking, food sales, facility rentals) and corporate partnerships could no longer be counted on. The recruitment of international students that many institutions relied on to boost revenue was also clearly compromised due to the inability to get study permits, let alone travel. Additionally, schools poured money into emergency measures (e.g. student supports, enhanced cleaning measures, and technology investments) with no sense of when, or how, the post-secondary sector would return to normal business. To help manage through the crisis, the sector implemented a number of cost-saving strategies including cuts to discretionary expenditures, travel and professional development initiatives. Hiring freezes, layoffs and deferred investments in capital maintenance projects were also common. However, many of these cost-reduction strategies need to be viewed as temporary.

For Ontario Tech, we looked at a number of different scenarios in planning for 2020-2021. While there were early indications that many students would opt out of enrolling for the year, we took a risk in setting our budget based on anticipated minimal decreases in domestic student enrolments, combined with an anticipated 50 per cent reduction in new international student enrolments (Scenario A, Figure 1). This resulted in an estimated **COVID-related revenue decrease of $20 million** as tabled in June (2020) in comparison to April (or pre-COVID 2020-2021). Both presentations included a proposed budget with a projected $2.2 million deficit.

Figure 1: Ontario Tech COVID Enrolment Scenario Planning

Scenarios		2018-2019	2019-2020	A	B	C
	FTEs	8924	8969	8160	7700	7260
Intake	Domestic UG			-10%	-15%	-20%
	International UG			-50%	-75%	-100%
Continuing	Domestic UG & Grad			-5%	-10%	-15%
	International UG & Grad			-15%	-25%	-35%

While 2020 national enrolment numbers are not yet finalized, indications from across the country are that new domestic student enrolments are steady, retention has grown and the ability of international students to learn virtually have led to less significant drops than originally anticipated. For Ontario Tech, unexpected total enrolment increases—fuelled by larger than anticipated continuing student numbers — brought in almost $14 million more in revenues than originally forecasted in the COVID-related budget (June 2020). However, commercial services incurred a $4-million loss. In summary, our 2020-2021 revenues were about $10 million higher than anticipated in our COVID-related (June) budget but $10 million (or about six per cent) below the pre-COVID (April) budget revenue estimates.

As we pass the 2020-2021 fiscal third quarter (Q3), the plan includes using the approximate $9.8 million in additional revenue to:

- Offset the pre-COVID (April) budget deficit of $2.2 million.
- Invest approximately $1.2 million into academic units.
- Cover about $4.3 million in capital project expenditures (including $2.7 million for the cost of the ACE Moving Ground Plane project not offset by external funding and $1 million for Athletic facility enhancements, which is covered by the ancillary fee reserve).

It is proposed that any remaining funds available at the end of the 2020-2021 fiscal year be carried forward into 2021-2022 fiscal for specified purposes (e.g. to cover the labour costs associated with a required increase in the number of nursing clinical placement sections and graduate student scholarships) or to be used as a contingency to offset the uncertainty of enrolment (**Note**: These reserves are described in Appendix F).

Looking forward, much uncertainty remains about the overall operating funding of universities, as well as funding for university research and infrastructure, at a time when federal and provincial governments face substantial increases in debt and ongoing fiscal challenges. While Ontario Tech recognized unexpected total enrolment gains in 2020-2021, it is important to note our **new** undergraduate intake was 5.1 per cent below last year. This shortfall in new student numbers will impact revenue in the out years and makes our efforts related to improving student success and retention more important than ever. Moreover, many questions remain as to what the medium- and long-term impacts of the pandemic will be on Canadian universities.

Planning and Budgetary Context

This paper provides an overview of Ontario Tech's main revenue streams and expenses while also highlighting the opportunities we are pursuing as well as the challenges we currently face. This paper outlines the initial phase of a new budget-setting process to enhance the clarity of our financial-planning efforts as well as our budget recommendations in an environment fraught with competing demands. The focus will be on the revenues and expenses associated with our operating budget (including commercial services and capital). Ontario Tech's operating budget accounts for 94 per cent of our total budget, with the other six per cent being largely related to sponsored research.

As we strive to reach our vision and mission through working on our strategic priorities (as outlined in the Integrated Academic & Research Plan and the Strategic Research Plan) we have started on a path that will help solidify our university as a remarkable and recognized place of work and study. With numerous competing demands the Senior Leadership Team has developed short-term priorities. This does not eliminate the need for growth and investment in many areas, but rather a focused approach to spending in our current environment.

In this current period of fiscal constraint, the university remains committed to finding efficiencies, while still being able to deliver quality education to our students and supporting our employees. The Senior Leadership Team has reviewed a number of approaches to revenue allocation with an eye on one-time only investments for the next year to provide maximum flexibility going forward. We are prioritizing actions that will help us move towards the following strategic priorities:

1. **Learning Re-imagined**: investing in the next generation of innovative and high-quality tech-based programs and the **technology** needed to support them.

2. **Sticky Campus**: bringing more students to campus via investments in **enhanced recruitment** and **digital media platforms** and boosting student success once they are here (i.e. advising transformation).

Remaining focused on strategic priorities in a time of budgetary constraints requires all constituents of our university to work together. This includes following the guiding principles (established in 2019) to develop the annual Operating Budget and working to ensure the end product is balanced and decisions are financially sustainable in the long term. The principles to guide the annual Operating Budget:

> **Students:** We are committed to providing an excellent learning environment and student experience.
> **Faculty and Staff:** We are committed to minimizing the impact on people by finding efficiencies.
> **Access**: We are committed to maintaining and enhancing a diverse and inclusive campus community.
> **Communication:** We are committed to communicating regularly with our campus community about the budget process as it progresses.

Looking Ahead – Building Assumptions

Ensuring that students have access to high-quality post-secondary education has never been more critical than it is right now. For many, the learning gained through the pandemic presents opportunities in addition to challenges. The Ontario Tech community will come together to think of new ideas to rebuild and reinvigorate the academy.

Although the university has long-term plans to grow to 20,000 students, the short-term growth in student numbers will be relatively flat. Ontario Tech's enrolment challenges and opportunities have not substantially changed since the 2014 release of our Strategic Enrolment Management Plan 2014-2020: Vision Critical. The university still recruits the majority of its students from the Greater Toronto Area (GTA) and the international student population remains steady representing about 6 per cent of our students across all programs. Space limitations continue to hinder significant growth in some popular programs and retention rates remain lower than the system average. With the Ontario population on the cusp of a demographic upturn, the university should be moving into another growth phase. But the era of Ontario universities receiving funding based primarily on enrolments has changed and institution support has decreased. We now find ourselves needing more funds to cover inflationary expenses, with relatively little left over to put into the strategic investments. We have no choice but to continue investing in our efforts to recruit more students and to retain those who have already enrolled in our programs.

The vast majority of our revenue is driven by the number of students registered in our programs. Enrolments drive our revenue from grants, tuition and ancillary fees—all of which are governed by the Province of Ontario. As we look to the next three years, our assumptions include:

- **Enrollment (Figure 2)**: Overall enrolments will decrease as our new intake numbers remain flat and we experience lower progression into upper years due to decreases in our new student intake in 2020. The cancellation of the Ontario Universities Fair and school recruiting visits will reduce our ability to recruit students.

With the normal university-aged population demographic holding steady and an anticipated upsurge in competition for students amongst Ontario PSE institutions, caused by the creation of new university and college programs, we need to diversify our recruitment efforts to include new and enhanced pathways and non-traditional learner populations.

In 2019, we proposed a plan to grow to an annual intake of 240 new international students to begin to move our international student numbers to be closer to that of the Ontario university average (i.e. about 15 per cent of the total student body). Due to continued travel restrictions, it will be difficult to reach this target. Therefore, we have revised our international student intake targets to 180 for 2021 and 225 for 2022.

These assumptions are set with the information we have at this time and will be revised as deemed necessary. Any one positive or negative event can drastically change our budget projections. For example, these events might include if we enroll more international students then anticipated, if we get access to provincial or federal monies to fund building construction, if government allows a permutation in grant and/or tuition increases to at least equal the rate of inflation or if we are able to renegotiate the $3-million debenture. At this time our budget is established on the basis of:

- **Grants:** These are expected to remain flat as the province has implemented a model that provides institutions with the same level of support as that received in 2016-2017. The implementation of performance-based funding has been delayed until at least 2023.

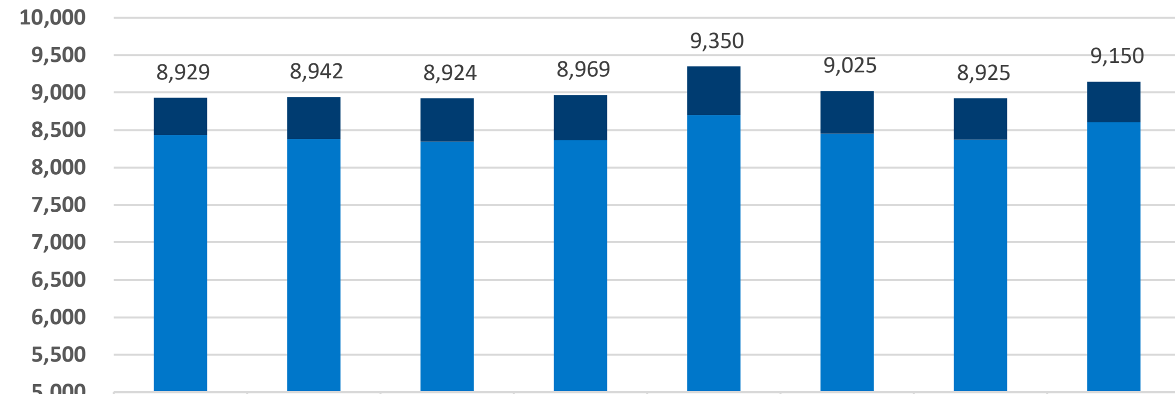
- **Tuition:** Domestic tuition fee rates were rolled back 10 per cent in 2019-2020 and frozen for 2020-2021. At present, we do not have any information on the domestic tuition framework for future years. The logical assumption is that the tuition freeze will continue.

- **Ancillary Fees:** These fees are governed by a fee protocol that allows for an annual inflationary increase. The 2021 rate is 1.9 per cent.

- **Commercial Revenues** (e.g. parking, food sales, facility rentals)**:** will continue to be reduced as the pandemic impacts run into 2022.

- **Expenses:** Operating expenses have increased at a rate greater than inflation. For example, the Ontario University system has seen increases of about four per cent annually over the past 3 years. With known increases in cleaning supply costs, required lab kits (e.g., personal protective equipment) and food costs, we anticipate limiting operational expense increases at a rate of four per cent will be difficult.

Figure 2: Total Student Enrolment (FTEs)

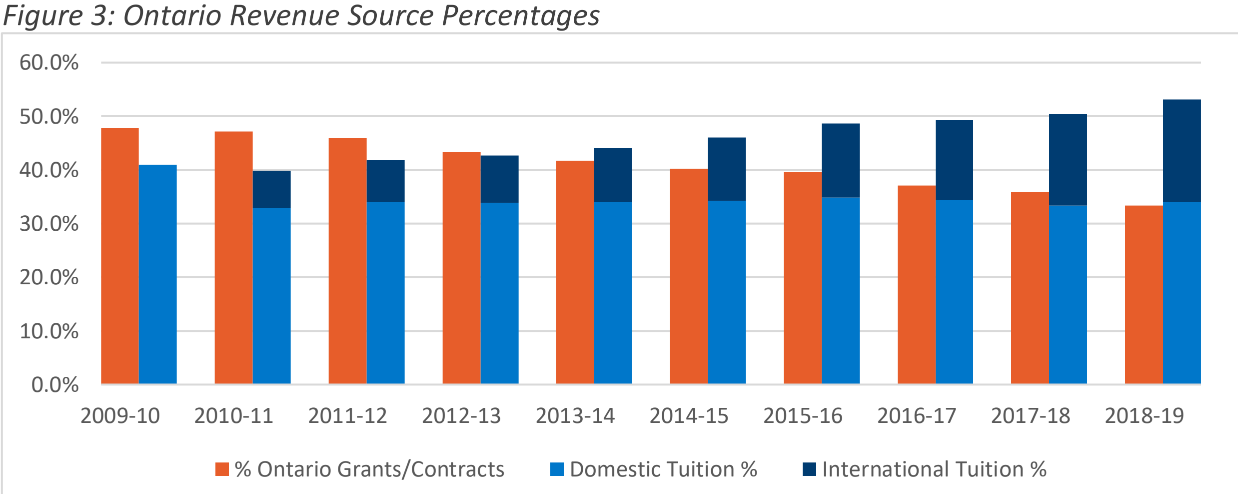


	2016	2017	2018	2019	2020	2021	2022	2023
Total FTEs	8,929	8,942	8,924	8,969	9,350	9,025	8,925	9,150
GR FTEs	496	560	577	607	650	575	550	550
UG FTEs	8,434	8,383	8,347	8,362	8,700	8,450	8,375	8,600
% Graduate	5.6%	6.3%	6.5%	6.8%	7.0%	6.3%	6.3%	6.0%
% International	7.0%	6.8%	6.7%	7.5%	7.6%	8.5%	9.5%	10.8%
New UG Intake	2,612	2,443	2,658	2,629	2,496	2710	2730	2880

Revenue Sources

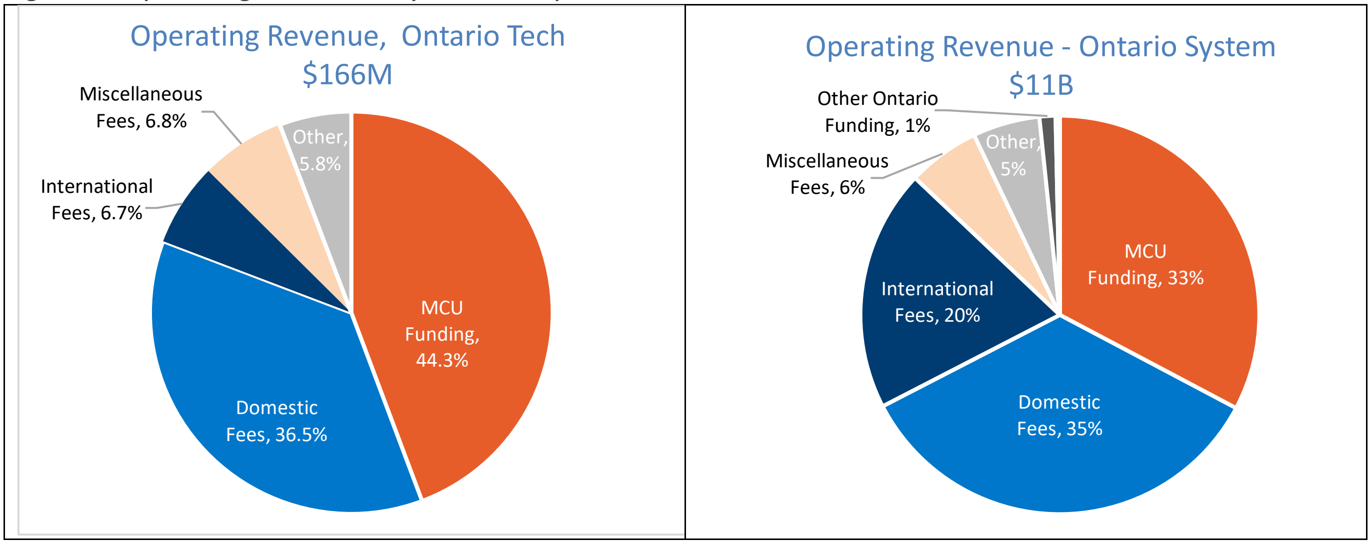
A university's revenue is primarily a function of the number of students who register and the policies put in place by the provincial government that enhance or constrain revenue growth. In Ontario, government grant funding of universities has been essentially flat, while income from students has grown. In summarizing the current revenue conditions, it is important to note that the university's two main revenue streams, domestic tuition and government grants (Figure 3), are currently frozen. This means the university system will see no new revenue in 2021-2022 from these sources and will need to rely going forward on a substantial increase in enrolment, particularly by international students.

Figure 3: Ontario Revenue Source Percentages



When adding in other fees such as student ancillary fees, in 2018-2019 Ontario Tech's operating revenues from tuition and student fees represented 43 per cent of our total revenues versus the provincial system average of 55 per cent (Figure 4). Depending upon the university in question, the proportion of revenues funded by students, ranges from a low of about 40 per cent to a high of 70 per cent of total revenues.

Figure 4: Operating Revenue - System Comparator



Tuition Fees

Tuition comprises both domestic and international amounts and represents what undergraduate and graduate students pay for educational instruction. Currently, tuition for undergraduate domestic students at Ontario Tech is around the median for Ontario universities (Appendix A). In February 2019, the government announced a 10 per cent cut to domestic student tuition fees for the 2019-2020 academic year and a subsequent tuition freeze for domestic students for the 2020-2021 academic year. For Ontario Tech, this meant a revenue reduction of $9.4 million (2019-2020) and $12 million (2020-2021) relative to what we had expected. As a result of the cuts to domestic tuition fees, all institutions across Ontario have shifted toward international recruitment strategies to help enhance their revenue streams. Competition for international students is on the rise in Canada, as well as globally. For 2021-22, Ontario Tech proposes increased international undergraduate tuition fees by 10 per cent for new and five per cent for continuing. These increases will still keep our international tuition fees among the lowest in the system and below the system median (Appendix B).

Ancillary Fees

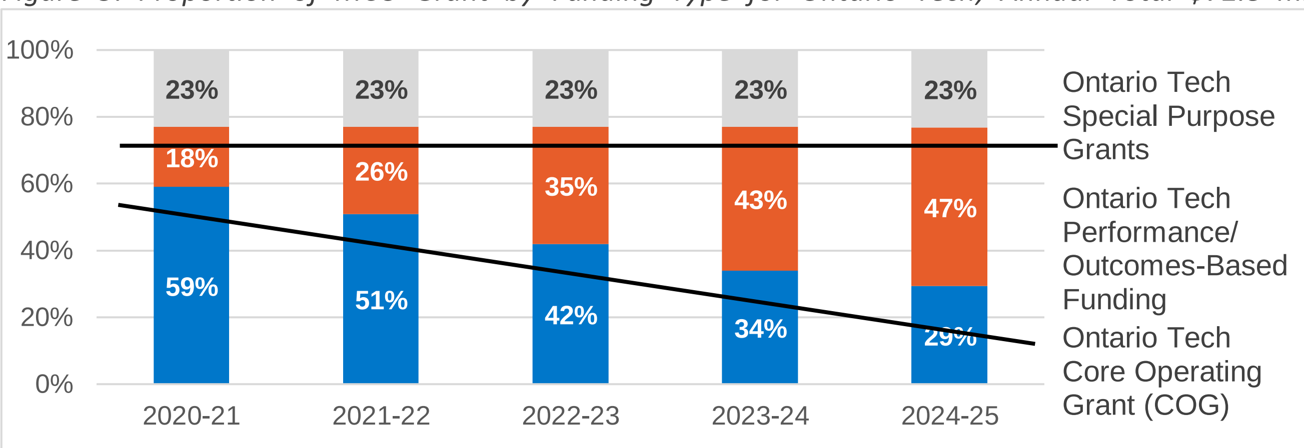
The remaining student fees are classified as ancillary fees. Ancillary fees are restricted for the activities for which they were approved (e.g., recreation services, health services, student success centre, disability services and a variety of other student-centred services). These represent about 12 per cent of total student fees. Over the past five years Ontario Tech has focused on keeping these fees relatively flat as we have the highest ancillary fees in Ontario (Appendix C). This number is due to a number of factors including, but not limited to:

- The small size of the institution.
- Two capital projects supported by students (i.e., Campus Recreation and Wellness Centre and new A5 Building).
- The cost of the UPASS program (i.e., unlimited use of the Durham Transit system at a greatly reduced price).
- Direct access to degree program-related software packages.

Government Grants

In 2016, the government announced an enrolment-based funding formula where institutions receive a set operating grant as long as their five-year moving enrolment average stays within **three per cent** of an established target (or corridor mid-point). The new funding model was designed to provide equitable, predictable and stable funding for all institutions and greater certainty for planning. The total grant amount was set based on 2016-2017 enrolment numbers and has not changed since then. Changes to the funding formula were introduced in 2019-2020 as part of the third round of Strategic Mandate Agreements (SMA3). Under this new formula, funding is more heavily tied to performance and outcomes measures. Importantly, due to the COVID-19 pandemic, the provincial government has paused linking our funding to these new performance and outcome measures for two years. However, the SMA3 will be applied for a five-year term and over time, funding will be increasingly tied to the aforementioned metrics with a corresponding decrease in the portion of grants tied to enrolment (Figure 5).

Figure 5: Proportion of MCU Grant by Funding Type for Ontario Tech; Annual Total $72.8 million



Expenses

Operating expenditures increase annually and are influenced by a number of factors including, but not limited to:

- Inflation.
- The cost to recruit and retain high-quality faculty, staff, and students.
- The escalating costs of key services (e.g. software licenses, library subscriptions).
- The cost of maintaining and servicing aging facilities.

After two years of strategic budget cuts prompted by mandated tuition decrease in 2019 and enrolment uncertainty in 2020, as well as escalating costs as described above, the goal for 2021 was to work with all academic and administrative units to reallocate monies within their budgets to support key functions rather than to introduce further cuts.

There are a number of predefined services or programs that are mandated by government or existing university policies and agreements leading to some monies being set aside and designated as restricted. Restricted funds represent monies that are collected from students, donated, or provided to us via designated granting programs. The university monitors the collection of these funds and automatically provides the money to the associated service departments. For instance, the Campus Health Services fee collected from students applies directly to the expenses of running this service and cannot be used for any other purpose. Some monies received through government grants are also restricted. One example of a restricted grant at Ontario Tech is the debenture, which is valued at $13.5 million annually and covers a portion of the $16.5-million expense.

The operating budget includes both base and one-time discretionary funding. As we enter 2021-2022 budget planning, the university has a limited amount to invest in discretionary spending initiatives, given that 97 per cent (or $185 million) of the $190-million operating budget is required to cover our base and debenture costs. A further 1.4 per cent ($2.5 million) of our revenues are restricted. This leaves only about one per cent ($2 million) for new discretionary investments.

The following subsections provide a general breakout of the budgetary expenses (i.e. $176.5 million) to be considered without the cost of the debenture grant included.

Personnel Costs

Sixty-nine per cent of Ontario Tech's annual budget supports personnel costs, including salaries and benefits. Year-over-year increases are a factor of new faculty and staff hires, and annual salary raises for existing employees. The first draw on the $176.5 million is an investment in our employees, including hiring new members and providing the mandated salary increases. The budget includes $6 million more in salaries and benefits compared to 2019-2020. Ontario Tech salary increases have annually increased by $2.5 million to $3 million over the past few years. Given that grant and tuition revenues remain flat for the foreseeable future, the university will needs to bring in about 300 to 350 more students per year to cover these increasing salary costs.

> **HIGHLIGHT 1: Within the staffing full-time equivalents (FTEs) (Figure 6), the university will see five new faculty (including two CRCs) to advance our teaching and research mission, four new advising staff to focus on student success and retention, and the hiring of an Indigenous Outreach Co-ordinator to support our response to the Truth and Reconciliation Commission Calls to Action.**

Figure 6: Staff Complements (FTEs)

FTE's	2018-19 Actual	2019-20 Actual	2020-21 Budget	2020-21 Forecast	2021-22 Budget	2022-23[1] Budget	2023-24 Budget
Filled	1-Oct	1-Oct		1-Oct			
TTT	207	221	217	220	225		
TF	77	84	82	83	83		
LTFM	24	18	16	16	16		
Staff	417	427	421	423	434[2]		
Total	725	750	736	742	758		

Facilities Costs

Ten per cent of our budgetary expenses include the costs associated with the annual upkeep of our physical infrastructure. There are 31 buildings (24 owned, portables and storage facilities and 7 leased)

[1] Out years will be added for April budget presentation
[2] This includes a ~three per cent holdback on approved FTEs based on normal annual vacancy rates.

totaling 116,724 gross square metres of space. Embedded in this number is more than $5 million a year in building leases and $3 million for the unfunded portion of the debenture. More than 60 per cent of our buildings are in great condition. As we plan for the future, funds need to be set aside for renovations and to move from leases to university-owned buildings.

> **HIGHLIGHT 2: As our buildings age, we need to set aside funds for deferred maintenance. The repair estimate is $12 million (Appendix D) over the next decade. There is also a need for $35 million[3] to complete the top floor the new A5 Building and move to university owned buildings by 2030. Previously, we set aside $3.5 million a year for these items but that was paused in 2020-2021 due to financial constraints.**

Financial Aid Costs (including scholarships & bursaries)

Five and a half per cent of the budget is allocated for scholarships, bursaries and fellowships to help students attend the university and to support our institutional access agenda. With increasing entrance scholarships, graduate assistance and a new international program, we anticipate that we will distribute more than $9 million to support students.

> **HIGHLIGHT 3: In 2021, we will introduce a new annual investment of $200,000 to support students entering research based graduate programs.**

Information Technology Costs

Three and a half percent is dedicated to IT operating costs and capital purchases. Funds have been reallocated to support learning re-imagined. This includes the purchasing of a limited number of hardware/software platforms to enhance in-class opportunities (i.e. piloting new classroom technology setups to achieve a flexible hybrid learning environment). The aim is to provide equitable access for students who cannot commit to coming to campus as the pandemic lingers on. We will also launch a customer-relationship management initiative in support of recruitment, advancement, research, continuous learning and other functions.

> **HIGHLIGHT 4: A $600,000 investment in pilot projects leading to a high-level three- to five-year implementation plan by October 2021, which will outline transformative investments at the intersection of technology and pedagogy. We expect the need to set aside $4 million in the near term for further investments aimed at enhancing our technology assets.**

Commercial Costs

Four percent of our expenses are linked to a huge range of essential services and facilities to support staff, student, and visitor experiences on our campuses. These include parking, food services, and the use of the Regent Theatre, ACE, the Campus Bookstore, and the Campus Ice Centre/Fieldhouse. The general concept is to build a community (i.e. a sticky campus) by continuing to develop an exceptional experience through opportunities for engagement and support. As we work towards a sustainable future, the goal is to invest strategically to maintain and improve our facilities and services.

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[3] 66 per cent of $53 million assuming other sources for the remainder

HIGHLIGHT 5: **In 2020, we launched Dana's Hospitality as our new Food Services provider. As we begin to bring members of our university community back to campus, we will gradually open refreshed food outlets.**

Registrar's Office Costs

Half a per cent is allocated to operate the recruitment, records and registration arm of our institution. The Registrar's Office operates a student-centred client service hub that deals with financial aid, registration and admissions inquiries. The Registrar's Office plays a key role in the university's strategic enrolment management efforts by co-ordinating student recruitment, as well as contributing to student success and retention through the various administrative services they provide.

HIGHLIGHT 6: **A new $625,000 investment into student recruitment aimed at increasing both the use of technology and contract staffing to engage one-on-one with prospective students via personal outreach, live chat, integrated text, and a robust lead scoring and nurturing system. Additionally, we have made investments in our international recruitment efforts by employing off-shore representatives in China, India and Africa.**

Key Budget Risks

The following outlines key risks for the university as it relates to the budget-setting process.

Operational Risks

- **Uncertainty in achieving enrolment targets**, is a medium risk, especially as we look at steady new domestic and growing new international student enrolment numbers. In a normal year, a three-per cent variance for total FTEs is reasonable. With increasing competition for students and the lingering effects of the pandemic, we must stay focused on this area.

- Given that we have assumed an **ongoing freeze for tuition** in the coming year, this is a low risk area. However, continued freezes in future years will have a major impact on our revenues.

  The province's **shift to a performance-based funding model** with SMA3 is not a concern right now as government funding for universities will be decoupled from the agreement for two years. However, as we look to the third year of the agreement, we anticipate that a number of our performance/outcome indicators will be negatively impacted.

- **Escalating COVID-19-related operating costs** is a low to medium risk as we have set aside within the budget what we believe to be adequate funds to accommodate smaller classes on campus. However, personal protective equipment costs are increasing at rates greater than 10 per cent and work-from-home costs may impact our spending. We will need to continue to track these trends.

Strategic Risks

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

- **Campus Well-being:** Our staff and faculty share one thing in common: a dedication to student success. Our student and administrative services are backed by an impressive array of knowledgeable and caring professionals. By increasing virtual supports for all members and creating a new step-care model for student mental health, we are working to deliver this vital service. For our employees we have also increased access to services through our Employee Assistance Programs. Moving forward, enhancing our professional development offerings for staff and faculty will need to be a priority.

- **Physical/Virtual Infrastructure:** One of the first budget areas to be reduced was the repair and replacement of equipment. A central contingency fund has been set up should emergencies arise. However, the chances of equipment failure only increase as the need for these reductions continue. As we look to the virtual landscape there are also increasing cybersecurity threats. In collaboration with Durham College, a new Director of Cybersecurity has been hired in an effort to mitigate these risks.

Summary

Ontario Tech strives to advance its strategic priorities while ensuring that we engage in financially responsible budgeting practices. This paper provides a better understanding of Ontario Tech's main revenue streams and expenses as we focus on the upcoming 2021-2022 budget. Resource allocation is important to everyone who is part of the institution and Ontario Tech strives to provide an improved understanding of the issues and factors that must be considered when we make necessary, but also difficult, decisions in our current fiscally constrained environment.

It is important to note that the university's two main revenue streams (i.e. domestic tuition fees and provincial government grants) are currently frozen, while expenses continue to rise due to yearly salary increases and the costs of inflation. Ontario Tech has no choice but to focus on enrolment growth (especially international) and generating alternative revenue streams, as well as finding cost efficiencies, during this time of financial constraint.

Key Highlights

- Undergraduate domestic enrolment is expected to remain stagnant over the next few years.

- Domestic tuition rates were reduced by 10 per cent in 2019-2020 and remains frozen at this time.

- Universities across Ontario, including Ontario Tech, have shifted their focus to recruiting international students to generate additional revenue causing greater competition.

- Ministry of Colleges and Universities grant funding amount is frozen at the 2016-2017 enrolment level. The funding formula has changed, but the total funding package remains the same.

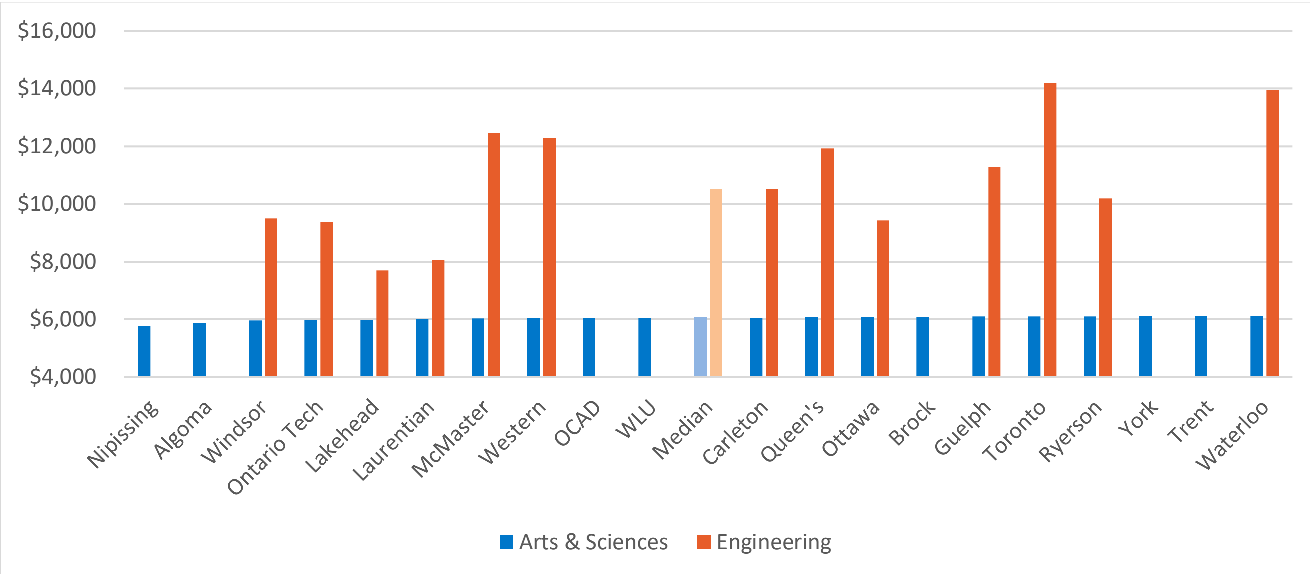
- Expenses will continue to grow each year with annual salary increases and inflationary costs.

- The university has invested $6 million more in salaries than 2019 - 2020 even though the total revenues are expected to be similar.

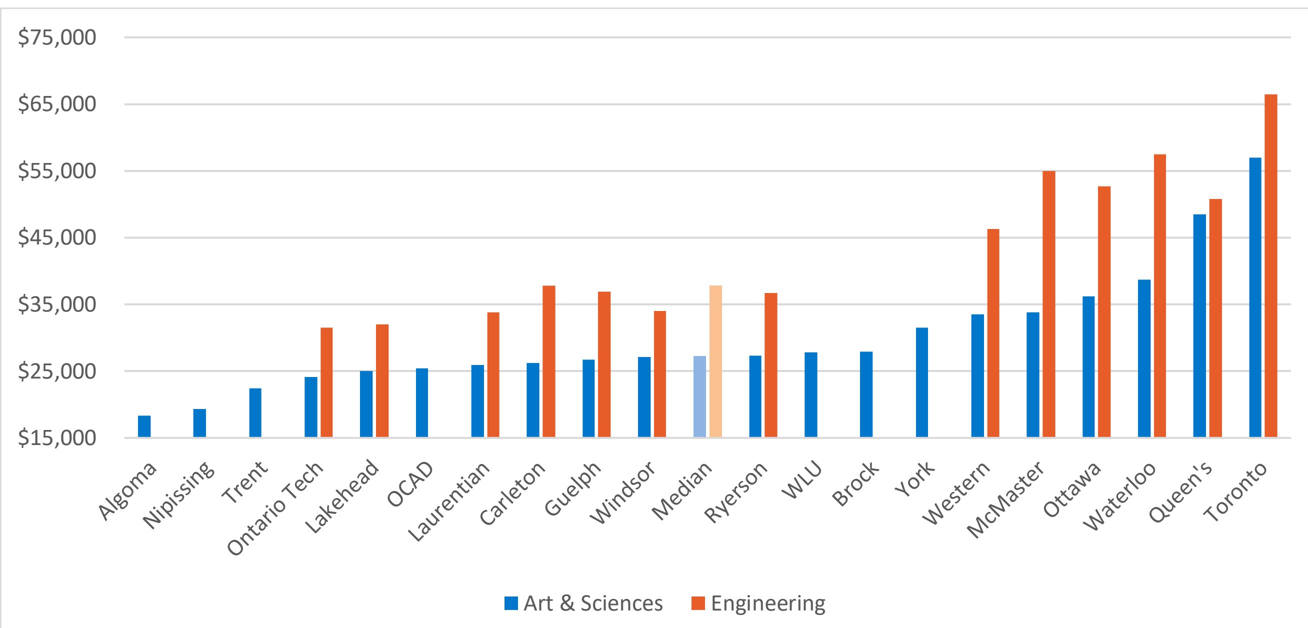
- The majority of the $2 million discretionary funds are being prioritized for technology to support learning, enhanced student recruitment (e.g. recruitment staff, new digital media platforms) and student success retention (e.g. advising transformation, graduate scholarship program).

Appendices

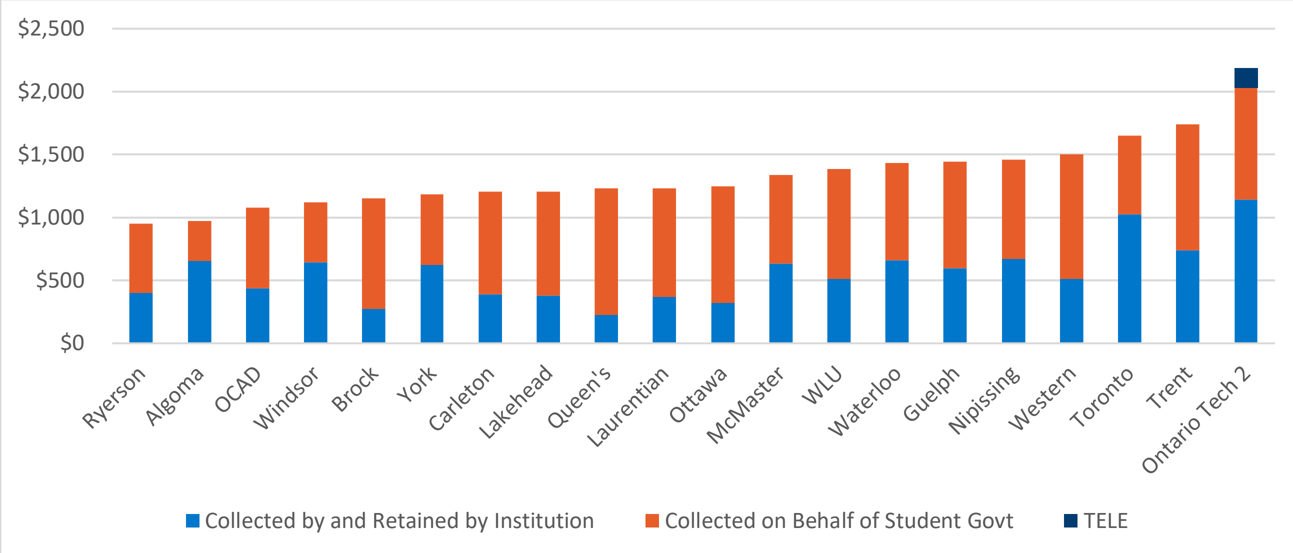
Appendix A: Ontario Undergraduate Domestic Tuition, 2020-2021



Appendix B: Ontario Undergraduate International Tuition, 2020-2021



Appendix C: Ontario Undergraduate Ancillary Fees by University, 2020-2021



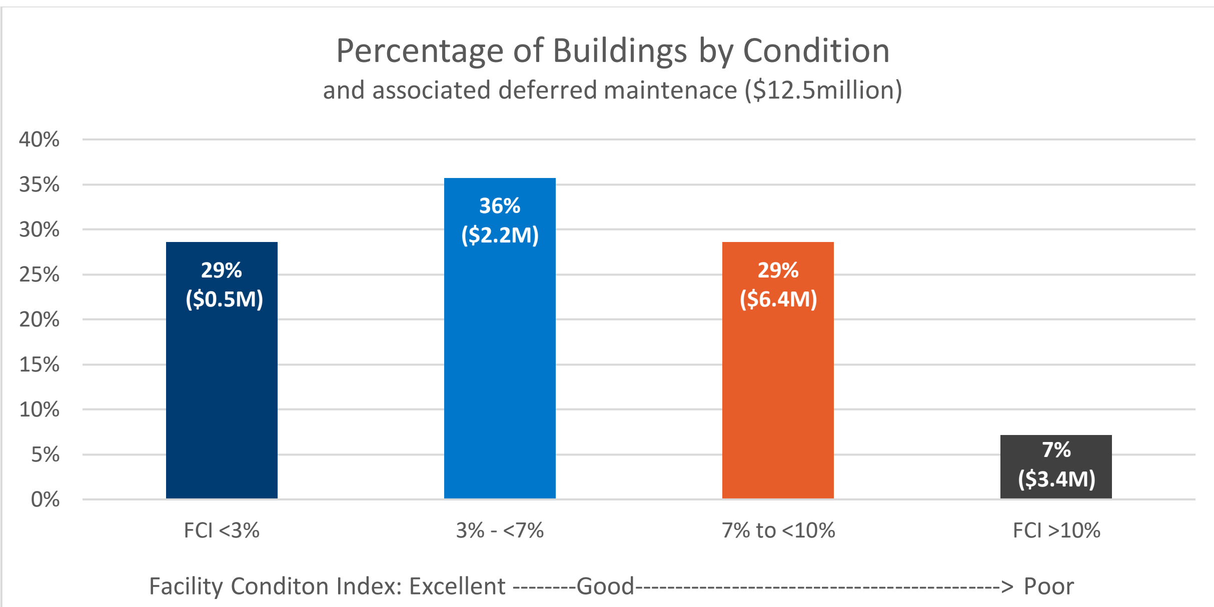
The Ontario Tech fees include:

- $283.50 for UPASS so all students have free access to transit in Durham Region. Upon last review, only six other schools had a UPASS-like program (i.e., Carleton, Ottawa, McMaster, WLU, Waterloo, Western).
- $277.10 for capital projects (i.e., the new A5 building and Campus Recreation Centre) that were student referendum approved.

Appendix D: Facilities Condition and Renewal Background

Ontario Tech has 31 buildings (24 owned buildings, portables and storage facilities and 7 leased buildings) totaling 116,724 gross square metres of buildings space. Fourteen buildings have been audited and assessed, having a current replacement value of $305 million (2020-2021) and an estimated repair value of $12 million over the next decade. The majority of buildings not assessed include our leased buildings, storage barns and temporary portables. Ontario Tech aims to audit 20 per cent of its campus facilities annually while also reassessing major facility systems every five years.

The Facility Condition Index (FCI) is the ratio of the cost of deferred maintenance (DM) to the cost of the current replacement value (CRV) of the physical infrastructure. The FCI is used to illustrate the condition of the current building. The chart below displays the condition of Ontario Tech's buildings and the amount of deferred maintenance associated with each FCI category. An FCI of less than seven per cent states the building is in great condition; seven per cent to 10 per cent are in good condition; and greater than 10 per cent is considered poor to very poor. As the value approaches 100 per cent, replacement for the building should be considered.



A capital improvements budget of about $1.8 million ($1.1 million grant and $700,000 operating) in 2021-2022 is allowing the university to address some of the $12M deferred maintenance backlog, as well as to undertake critical repairs, electrical upgrades, modernize classrooms, and to make other capital improvements. In 2019 the operating budget was $1.4 million.

The vast majority of these funds are currently directed towards the moves into our new building, A5, and the backfill plans (e.g. moving the Offices of the President and Provost into the Science Building, expanding the Faculty of Science spaces in the Science Building, converting Energy Systems and Nuclear Science Research Centre classrooms into Kinesiology and Energy labs, and creating a machine shop to meet the needs of our researchers).

Ontario Tech could allocate fewer dollars to these capital projects but this would just defer critical maintenance activities into the future when finances may still be as tight.

Appendix E – DRAFT Operating Budget

The assumptions and priorities have been used to set a 2021-2022 Draft Operating Budget and a simple inflationary rate is applied to future years. ***For reference only, not finalized.***

Appendix E.1 – Operating Statement Forecast

Operating Statement	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget	2020-2021 Forecast	2021-2022 Budget	2022-2023 Budget	2023-2024 Budget
FTE	8,905	8,975	8,162	9,350	9,000	8,950	9,150
Grants	$82,375	$81,065	$81,023	$81,770	$80,900	$81,200	$81,200
Tuition	$82,247	$79,102	$68,629	$78,791	$82,100	$84,600	$90,400
Ancillary	$12,541	$14,453	$10,732	$11,211	$11,900	$12,000	$12,200
Commercial	$9,670	$9,693	$9,693	$6,306	$10,900	$10,900	$10,900
Other	$8,043	$8,255	$4,128	$3,762	$3,500	$3,500	$3,500
Total Revenue	$194,876	$192,568	$174,205	$181,840	$189,300	$192,200	$198,200

Appendix E.2 – Budget Forecast by Department (future years will be updated in April budget submission)

Department	2018-2019 Actual	2019-2020 Actual	2020-2021 Budget
Energy Systems and Nuclear Science	$5,084	$4,308	$4,329
Business and Information Technology	$11,837	$11,883	$12,225
Social Sciences and Humanities	$9,979	$10,294	$10,378
Education	$5,189	$4,705	$4,272
Health Sciences	$11,069	$11,812	$12,867
Engineering	$13,730	$13,993	$13,856
Science	$12,511	$13,066	$12,441
Graduate Studies	$2,845	$2,917	$2,952
Outsourced Electives	$389	$67	$0
Life-Long Learning	$0	$1,678	$1,150
Total Academic	$72,632	$74,723	$74,470
Office of the Provost	$1,654	$948	$1,015
Planning	$1,395	$1,069	$748
Research & Innovation	$2,423	$2,612	$2,461
Teaching & Learning	$2,954	$2,995	$3,264
Registrar	$7,350	$7,490	$6,859
Tuition Set Aside	$7,173	$7,707	$6,656
Student Life	$8,349	$7,996	$6,984
Library	$3,973	$3,835	$3,891
IT - TELE	$4,376	$3,280	$2,720
Total Academic Support	$39,647	$37,933	$34,597
Secretariat and General Counsel	$2,417	$2,493	$1,627
President	$990	$790	$761
Finance	$2,903	$4,151	$3,008
Central Operations	$3,539	$4,219	$1,682
OCIS/Leased Space	$12,670	$11,831	$12,127
IT (excluding TELE)	$3,290	$3,915	$3,416
External Relations	$6,099	$6,575	$4,944

Human Resources	$2,708	$2,500	$2,302
Purchased Services	$15,721	$14,910	$13,110
Total Administration	**$50,338**	**$51,384**	**$42,978**
ACE	$4,070	$4,281	$3,862
Campus Ice /Campus Tennis Centre	$1,482	$1,638	$1,573
Food/Bookstore	$0	$301	$1,105
Daycare	$991	$958	$944
Regent	$699	$639	$374
Total Ancillary / Commercial Expenses	**7,242**	**7,818**	**7,858**
Debenture	$16,501	$16,501	$16,501
Total Operating Expenses	**$186,360**	**$188,359**	**$176,403**

Appendix F – Reserves and Surpluses

Ontario Tech will routinely carry reserves that are reflected in the budgets and annual financial statements. These reserves are often mistaken for unrestricted funds—or money that can be leveraged towards absorbing the costs of funding cuts, reducing tuition fees or investing in particular programs and services. This misunderstanding highlights the need for a clear explanation of the purposes of reserves, and why these funds are often restricted in terms of what kinds of expenses they can cover. Reserves should always be reviewed with a university's financial statements, with such statements often providing a breakdown or explanation of their categories.

1. **Providing short-term flexibility for unpredictable revenues and/or expenditures.**
   Where possible, universities keep prudent reserves to ensure that there is a level of stability to their revenues and expenditures, and to absorb or mitigate the costs resulting from external factors. Changes to government grants, tuition fee frameworks, other legislated obligations, the domestic and global economy, and foreign policy are all factors that have significant impacts on the financial health of Ontario's universities. For example, the 2018 deterioration in Canada-Saudi Arabia relations led to the Kingdom recalling its scholarship-funded students from Canadian universities. This led to a $3-million loss in expected tuition fee revenue for Ontario Tech.

   With the majority of the university budget being based on how many courses students take, there can be fluctuations in any one-year budget. Hence, the university will use carry forwards and contingencies to forecast a balanced scenario over three years. Assuming grants are relatively stable in a corridor model a good practice is to assume an annual three per cent enrolment fluctuation (or about $3 million of tuition and ancillary fees in 2021). The university works hard to be balanced but will always err on the side of surplus over deficit.

2. **Responding to one-time, evolving, or unexpected operational costs.**
   Universities frequently face unanticipated operational expenses at the institutional, faculty or departmental level. Reserves are intended to ensure that these costs can be met as they arise, whether as singular or ongoing expenses. Whereas more established institutions may have reserves set at the unit level, Ontario Tech maintains a central contingency. One of the key risks identified by many faculties in the risk register is the aging of equipment. As we approach our 20th year, equipment maintenance costs are increasing and the need for replacement is approaching.

   Other examples of being prepared for unexpected costs include research grants from external funders that require matching financial commitments from the university. These are anomalous expenses. Changes to institutional operations incur ongoing costs that reserves are intended to cover. For example, the Student Choice Initiative (SCI) required universities to develop new ancillary fee protocols that allowed students to opt-in and/or opt-out of non-mandatory fees. Operationalizing this policy required significant financial and human resources at each institution to consult affected fee-collecting groups, revising ancillary fee schedules and developing a software opt-in/opt-out platform before the 2019-2020 academic year.

3. **Funding long-term future and ongoing capital commitments.**
   Ontario's universities also use reserves for the purpose of investing in campus infrastructure to meet the changing needs of their students and keep current with advances in technology. Reserves are often earmarked for long-term capital commitments, such as the construction of new buildings

on campus, or for the upgrading and maintenance of existing infrastructure, such as outfitting existing studios and labs with the newest tools, equipment and technologies. The deferred maintenance of current university infrastructure is a significant and ongoing cost to institutions.

Since 2012 the university has had a planned set aside of $3.5 million for capital improvements. With the building of Software and Informatics Research Centre and A5, these funds are depleted. The repair estimates total $11 million over the next decade, the completion of the fifth floor A5 is estimated at $4 million and there is a need for $48 million to replace a downtown lease (i.e. Bordessa Hall) in 2030. To address these costs, we should be setting aside about $5 million a year.

4. **Unexpected Windfalls**

While the university has made great strides in reviewing in-year expenses by implementing quarterly reporting, the fact is with 35 units estimating 176 submissions there is bound to be in-year fluctuations. This has been compounded in some years by last-minute grants/awards. For example the 2017-2018 financial statement is often brought up as it had a $15.4-million surplus. To start this includes the investments, if we only look at operating, the number is $13 million. Of this there was the $3.5 million planned capital reserve and unexpected gains from a final quarter one-time enrolment grant of $1.8 million and a $4.9-million legal settlement. While above the normal three per cent variance, it should not be referred to as an example of poor fiscal planning or management.

5. **Where we are today**

As we complete 2020-2021 Q3, the university forecasts a $4.2-million surplus. A portion of this is already required to be carried into the next fiscal as follows:

- $300,000 student ancillary fees.
- $400,000 as part of the collaborative Nursing program agreement to fund required smaller clinical sizes in 2021-2022.
- $700,000 for student supports (i.e. $200,000 for graduate scholarships and $400,000 matching fund and other miscellaneous, emergency funds).
- The remaining surplus, if any, will be reviewed at year end but the idea is to use it as the enrolment contingency as we set a balanced budget. Should we hit our enrolment targets, it will support technology advances in support of learning re-imagined.

Internally Restricted Assets ($'000)	2019 - 2020 Actual	2018 - 2019 Actual	2017 - 2018 Actual
Research Related	$4,700	$5,206	$4,987
Capital Related	$2,409	$14,501	$12,593
Student Awards	$222	$1,000	$1,000
Working Capital	$6,000	$6,000	$6,000
Budget Carry Forward	$1,154	$1,154	$1,708
Other	$3,104	$3,925	$3,524
Total Restricted	$17,589	$31,786	$29,812