Revenue Generating – Unit Protocols

Contact: VP Administration Last update: Oct 2023

Purpose

This document is to ensure a common approach for requesting and reviewing the creation of revenue generating units. It also includes the framework for charging overheads for these units.

All revenue-generating activities undertaken shall be reviewed to ensure a mutually beneficial and holistic arrangement across the university while supporting the commercial enterprises owned and operated by the University and other recognized bodies. The financial benchmark is to cover all direct expenses, contribute 5% to overheads and have a net return of at least 25%.

Every supplemental revenue-generating activity at Ontario Tech, as defined through this protocol, requires the approval of the Vice-President Administration, following Senior Leadership Team (SLT) approval.

Who does this apply do?

While supplemental revenue-generating activity at the University primarily occurs through auxiliary departments or their contracted service providers, the University may, from time to time, engage in, or be approached about, activities other than those currently operating on or off campus.

This protocol applies to any existing or proposed revenue generating activity including, but not limited to, advertising arrangements, campus events, property leases, license arrangements, facility rentals, third-party non-credit and professional course offerings, space rentals, etc. This policy does not apply to the sale or disposition of university assets, the collection of tuition fees for credit-courses, sponsorship, philanthropic activities, research mobilization or commercialization.

There are three main types of units this applies to:

Commercial Services: are revenue-generating activities by a unit or an outside business, that is facilitated in a University space (physical or virtual). Examples include bookstore, food outlets, parking. This includes but is not limited to any activity that attempts to raise funds through the sale of goods and services.

Income Diversification (operating revenue): are revenue-generating activities which supports the growth of the academic mission of the University. These services are a range of self-sustaining supports offered to the campus community. Examples include Continuous Learning, English for Academic Purposes, Outreach, etc. As the services are expected to be self-sustaining, the cost of delivery is funded through user fees, internal and external revenue generation.

Innovation (operating revenue): are revenue-generating activities which support the growth of the entrepreneurship or research mission of the University. These services are a range of self-sustaining support offered to the campus community. Examples include Brilliant Catalyst, ACE, Core Labs, etc. As the services are expected to be self-sustaining, the cost of delivery is funded through user fees, internal and external revenue generation. For external revenue each project will be reviewed with VPR to determine if this protocol applies or the Indirect Cost of Research.

Proposed / new "revenue generating" activities.

All revenue activities, including units renting out space, equipment, etc, require approval of SLT. The approval and monitoring of activities for Ontario Tech is guided by the objective that arrangements are beneficial and that the interests of existing activities and enterprises are protected. Activities are evaluated based on the following criteria:

- Alignment with, and potential to contribute to, Ontario Tech's strategic goals;

- Ability to meet the needs of the campus community and its partners;
- Extent to which the activity is expected to be profitable (including covering direct costs, contributions to covering allocated overhead and savings for future maintenance);
- Acceptable risk profile as determined by the Office of Risk Management; and,
- “Worth the effort”

Submission Process:

Proposals to establish a Revenue Generating activity on university-owned or operated properties, or with University-owned assets, shall include the following:

a. Sponsoring unit, and contact information for the Relationship Manager;
b. Purpose of the activity and benefit to the University community;
c. Clear identification of all third parties involved, their legal status (e.g. corporation, association, etc.), and their business address(es);
d. Business Case (see appendix A) including: anticipated start and end date (if applicable); duration of the activity; total revenues and expenses.
e. Identification of potential risks to the University/ University community including identification of and plans to ensure compliance with all applicable policies and laws; and
f. Copies of all relevant documents, including draft agreements and/or proposed terms and conditions.

Proposals shall be submitted to through the Vice President Administration. Once a unit is set-up, they do not need to submit a new proposal for each activity but rather follow the process for “existing unit”.

Existing unit activities - What is required?

All of these revenue generating activities are required to submit a 3-year rolling budget as part of the normal annual budget submission. Budgets should include projected revenues and expenses (ie all capital investments and any additional human resources) required to achieve anticipated results. Projections should be prepared based on most likely scenario (as opposed to best- or worst-case scenario). A simple report will accompany the rolling 3-year budget to explain the following:

- Results of the last year including highlights, challenges and explanation of variances from budget;
- Assumptions for future budgets including updates or changes to the implementation strategy in out years.

In September each year a Q2 report and updated forecast will be prepared to help with the creation of the Fiscal Blueprint paper.

How is Overhead calculated?

The intent is for each unit to at minimum cover their direct costs plus overhead. Overhead is required for the use of administrative services, central computing, space, heat, light, depreciation of equipment, etc. Overhead recovery received will be credited to the University's operating budget annually. In principle, it may be possible to calculate the exact share of indirect costs required for each individual unit/ service, but it would be a logistical nightmare. Imagine tracking how much electricity was used on a project-by-project basis.

The normal central support at Ontario Tech is about 50%. As we want to incentive revenue diversification, we **will require a minimum 5% overhead charge on total revenues plus a direct fee for space.** At times units may be asked to support other areas of the university. Any surplus above this amount may be reallocated at the discretion of the unit vice-president.

SLT has the ability to delay overhead if deemed necessary for the good of the institution or to incentivize a start-up/ new investment. Normally the investment would be treated like a loan against operating with an expectation that this will be paid off within three years.

As units run differently there is the possibility for modifications to this general rule. Further, once units start to make large profits we could move to an alternate "profit sharing" model. Any agreement will be appended to this document. A "sample" Normal TERM SHEET is in Appendix B

Appendix A – Sample Business Case

Section 1 Description

Purpose of the Project Description Section: The reason for writing the Project Description Section is to provide the reader with a clear definition of what the project will accomplish (objective), what the project will and will not include (scope), what are the expected results (outcomes) and who are the players (stakeholders).

Outlines what the project will accomplish, in clear and measurable terms within a specified time frame. These objectives can be used in a post-implementation review to assess the success of the project. The objectives should be formulated broadly enough so that meaningful alternatives are not ruled out and narrowly enough so that only relevant alternatives are considered and that costs and benefits can be formulated. Objectives should be focused on goals, not operations, and on outputs, not production.

Outcome/Deliverable	Estimated Completion
Detailed Business Requirements Document	3 Weeks
Project Design Document	6 Weeks

Ensure this section provides the reader with an understanding of how the project aligns with the Integrated Academic Research Plan, and how it may impact other initiatives.

Section 2 Environment Analysis

Purpose of the Environment Analysis Section: The reason for writing the Environment Analysis Section is to provide the reader with an understanding of what other organizations have done or are doing to address similar types of problems. The reader can use this section to compare the proposed business case direction to that of other organizations and sector trends. This section includes any findings from related studies that identify higher education trends and best practices.

The Analysis should include what is happening in other Ontario universities, other Canadian universities and the government sector if applicable, that directly relates to the scope of the project. This review may include:

- The length of their project
- Critical success factors
- Benefits achieved
- What the organizations would have done differently (Lessons learned)

Section 3 Cost/Benefit Analysis

Purpose of the Cost/Benefit Analysis Section: The reason for writing the Cost/Benefit Analysis Section is to provide the reader with an evaluation of the costs and benefits associated with each viable alternative. The reader can easily understand and compare the initial and on-going expenditures to the expected financial and non-financial benefits, for each viable alternative.

3.1 Quantitative Analysis – Financial Cost & Benefit:

Full Cost Analysis: Where possible all costs and expected benefits resulting from this opportunity should be analyzed for each viable alternative (including the costs and benefits of status quo). This methodology provides the reader with a total cost picture and is much more informative that an incremental approach. Any detailed worksheets should be attached as an appendix.

Incremental Cost Analysis: If it is not possible or practical to fully analyze the entire cost or where the incremental project costs are relatively small to the entire cost, an incremental approach may be used. This methodology involves identifying the changes or differences between each alternative, using the projected benefits/costs of the status quo alternative as a basis.

Timeframe: Identify an appropriate project timeframe over which both the cost and benefits will be analyzed. Timeframe should be appropriate to the expected lifecycle of the project, from incurring costs to achieving the anticipated benefits.

Sample Costing Template for each Viable Alternative:

Quantitative Analysis – Viable Alternative 1	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Benefits:						
Revenue	$	$	$	$	$	$
Start up Costs:						
Analysis	$	$	$	$	$	$
Design	$	$	$	$	$	$
Implementation	$	$	$	$	$	$
Ongoing Operational Costs:						
Human Resources	$	$	$	$	$	$
Administration	$	$	$	$	$	$
Net Benefit or Cost of Viable Alternative 1	**$**	**$**	**$**	**$**	**$**	**$**
Net Present Value (xx% Discount Rate)	**$**					

Consideration should be given to:

- When the costs will be incurred
- Who will incur the costs
- Certainty of costs

Analysis: A "Net Present Value" calculation is used to account for the fact that $1 today is not worth the same as $1 five years from now, due to inflation and interest rates. The use of a "Net Present Value" calculation should be used to take into account the time value of money, regardless of whether the full or incremental cost approach is used.

If there are some assumptions that have a significant impact on the cost or benefit, a sensitivity analysis should be presented. Contingency allowances or interest rate premiums should be used to account for differences in certainty/risk. The cost/benefit analysis should be reviewed for reasonableness through the use of benchmarks, other organization's experience, or sector data.

3.2 Qualitative Analysis – Non-Financial Benefits & Costs:

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value). For example non-quantifiable benefits may be: increased student/customer satisfaction or increased staff morale. Non-quantifiable costs may be: improved brand image or adverse public perception. Where reasonable, these should be translated into quantifiable benefits ie. increased staff morale, may lead to high productivity, which may lead to less over-time. However, the non-quantifiable cost/benefits that cannot be translated into quantifiable cost/benefits should be summarized in the following manner:

Viable Alternative 1

Qualitative Summary	Description	Stakeholder(s) Impacted
Benefits:		
Benefit 1	Description of benefit 1	
Benefit 2	Description of benefit 2	
Costs:		
Cost 1	Description of Cost 1	
Cost 2	Description of Cost 2	

Appendix B – Sample Term Sheet

Purpose: To capture agreed terms related to annual profit sharing between a revenue generating unit and Ontario Tech University.

Outcomes:

- Provide clarity to both parties regarding the expectations of unit profits
- Enable unit to plan for the utilization of retained profits to drive growth in support of the strategic plan
- Capture the non-binding terms in a manner that can be adjusted, with approval, subject to business' needs

Profit Sharing Expectations:

A. The unit is expected to make at least a 30% profit margin on total revenue.
B. Up to 5% total revenues and space costs will be taken first to cover overhead.
C. The VP of the unit may add in other revenue sharing here.
D. After 30% profit the unit may be asked to help support other university costs.

Section B – may add in any amount the university is investing (ie with ACE we are contributing $600K to the operation to support research and innovation).

Section C – may add in any loan/ deferral by BWG such as: Before any further investment in the unit will actively reduce the existing balance of its line of credit from Ontario Tech University to $200K (or less). Line of Credit: As of March 31, 2023 has a **xxM owing**

Line of Credit Terms

Term	Details
Duration	April 1, 2023 to March 31, 2026 (reviewed annually)
Line of Credit	I. Ontario Tech TALENT Inc. will actively reduce the existing balance of its line of credit from Ontario Tech University to $200K (or less) before any profit sharing occurs.

	II. Ontario Tech University will continue to offer Ontario Tech TALENT Inc. access to an ongoing, rolling line of credit of up to $200K. III. Ontario Tech TALENT Inc. may request to extend this line of credit at any time via Board approval.
Funding Reserves	I. Ontario Tech TALENT Inc. may request a reserve from the university during the normal annual budget process to meet specific investment needs. II. Ontario Tech TALENT Inc. may also make ‘in year’ funding requests for opportunities with backing business case(s).

Appendix C – COMMERCIAL & INCOME SERVICES (Budget Paper)

Ontario Tech's values of integrity, inclusion, intellectual resilience, and innovation are at the core of everything we do. Our ability to deliver outstanding customer-service results from practicing these values every day. The overarching goal of the unit is to break even. This would include setting aside reserves for capital upgrades.

($000s)	21/22 Actuals	22/23 Budget	22/23 Forecast	23/24 Budget	24/25 Budget	25/26 Budget	26/27 Budget
TOTAL							
Revenue	2,964	6,466	5,466	5,932	6,050	6,232	6,357
Labour Cost	(1,363)	(1,603)	(1,256)	(1,508)	(1,476)	(1,520)	(1,550)
Operating Cost	(2,469)	(4,320)	(3,834)	(3,866)	(3,943)	(4,061)	(4,143)
Net Surplus/(Deficit)	**$ (868)**	**$ 543**	**$ 376**	**$ 558**	**$ 632**	**$ 651**	**$ 664**

Bookstore							
Revenue	59	100	40	40	41	42	43
Labour Cost	0	0	0	0	0	0	0
Operating Cost	0	0	0	0	0	0	0
Net Surplus/(Deficit)	**$ 59**	**$ 100**	**$ 40**	**$ 40**	**$ 41**	**$ 42**	**$ 43**

Parking							
Revenue	606	1,188	1,210	1,364	1,392	1,433	1,462
Labour Cost	(41)	(42)	(42)	(44)	(45)	(46)	(47)
Operating Cost	(583)	(837)	(255)	(313)	(319)	(328)	(335)
Net Surplus/(Deficit)	**$ (18)**	**$ 309**	**$ 913**	**$ 1,008**	**$ 1,028**	**$ 1,059**	**$ 1,081**

Food Services							
Revenue	113	2,505	1,744	2,381	2,429	2,501	2,551
Labour Cost	(4)	(214)	(314)	(274)	(279)	(288)	(293)
Operating Cost	(548)	(2,248)	(1,673)	(2,317)	(2,364)	(2,435)	(2,483)
Net Surplus/(Deficit)	**$ (440)**	**$ 42**	**$ (243)**	**$ (210)**	**$ (214)**	**$ (221)**	**$ (225)**

Regent							
Revenue	95	551	531	551	562	579	590
Labour Cost	(270)	(406)	(464)	(413)	(421)	(434)	(442)
Operating Cost	(48)	(143)	(108)	(143)	(146)	(150)	(154)
Net Surplus/(Deficit)	**$ (222)**	**$ 2**	**$ (41)**	**$ (5)**	**$ (5)**	**$ (5)**	**$ (5)**

Campus Fieldhouse & Ice Centre							
Revenue	1,381	1,818	1,751	1,596	1,627	1,676	1,710
Labour Cost	(421)	(699)	0	(716)	(731)	(753)	(768)
Operating Cost	(1,032)	(978)	(1,695)	(1,093)	(1,114)	(1,148)	(1,171)
Net Surplus/(Deficit)	**$ (72)**	**$ 141**	**$ 56**	**$ (214)**	**$ (218)**	**$ (224)**	**$ (229)**

Revenue-Generating Unit Financial Summary

($000s)	21/22 Actuals	22/23 Budget	22/23 Forecast	23/24 Budget	24/25 Budget	25/26 Budget	26/27 Budget
TOTAL							
Revenue	6,200	7,399	9,730	10,956	11,175	11,510	11,740
Labour Cost	(4,104)	(4,226)	(5,189)	(5,667)	(5,733)	(5,832)	(5,901)
Operating Cost	(3,765)	(4,331)	(6,202)	(5,595)	(5,644)	(5,720)	(5,772)
Net Surplus/(Deficit)	(1,670)	(1,157)	(1,662)	(307)	(202)	(43)	67
	0	0	(0)	(0)	0	(0)	(0)
ACE							
Revenue	3,241	4,882	5,338	5,252	5,357	5,517	5,628
Labour Cost	(1,929)	(2,309)	(2,418)	(2,406)	(2,406)	(2,406)	(2,406)
Operating Cost	(2,395)	(3,032)	(3,758)	(3,119)	(3,119)	(3,119)	(3,119)
Net Surplus/(Deficit)	(1,084)	(458)	(838)	(273)	(168)	(8)	103
AOOM							
Revenue	558	420	440	458	467	481	490
Labour Cost	(157)	(178)	(169)	(171)	(175)	(180)	(184)
Operating Cost	(288)	(224)	(251)	(202)	(206)	(212)	(217)
Net Surplus/(Deficit)	114	18	20	84	86	88	90
BRILLIANT							
Revenue	460	330	1,258	2,198	2,242	2,310	2,356
Labour Cost	(453)	(338)	(392)	(922)	(941)	(969)	(988)
Operating Cost	(225)	(334)	(1,209)	(1,276)	(1,302)	(1,341)	(1,367)
Net Surplus/(Deficit)	(218)	(342)	(343)	0	0	0	0
CONTINUOUS LEARNING							
Revenue	700	836	946	1,269	1,295	1,333	1,360
Labour Cost	(558)	(594)	(687)	(868)	(885)	(911)	(930)
Operating Cost	(254)	(327)	(296)	(481)	(490)	(505)	(515)
Net Surplus/(Deficit)	(112)	(85)	(37)	(79)	(81)	(83)	(85)
ENGLISH LANGUAGE CENTRE							
Revenue	333	606	378	764	779	802	818
Labour Cost	(610)	(654)	(622)	(637)	(650)	(669)	(682)
Operating Cost	(126)	(123)	(115)	(134)	(137)	(141)	(144)
Net Surplus/(Deficit)	(402)	(172)	(359)	(8)	(8)	(8)	(8)
ENGINEERING OUTREACH							
Revenue	410	0	874	665	678	699	713
Labour Cost	(332)	(86)	(837)	(595)	(607)	(625)	(637)
Operating Cost	(27)	0	(123)	(70)	(71)	(74)	(75)
Net Surplus/(Deficit)	51	(86)	(86)	0	0	0	0
STORES							
Revenue	498	325	497	350	357	368	375
Labour Cost	(66)	(67)	(65)	(68)	(69)	(72)	(73)
Operating Cost	(451)	(291)	(450)	(313)	(319)	(329)	(335)
Net Surplus/(Deficit)	(19)	(33)	(19)	(31)	(32)	(33)	(33)