

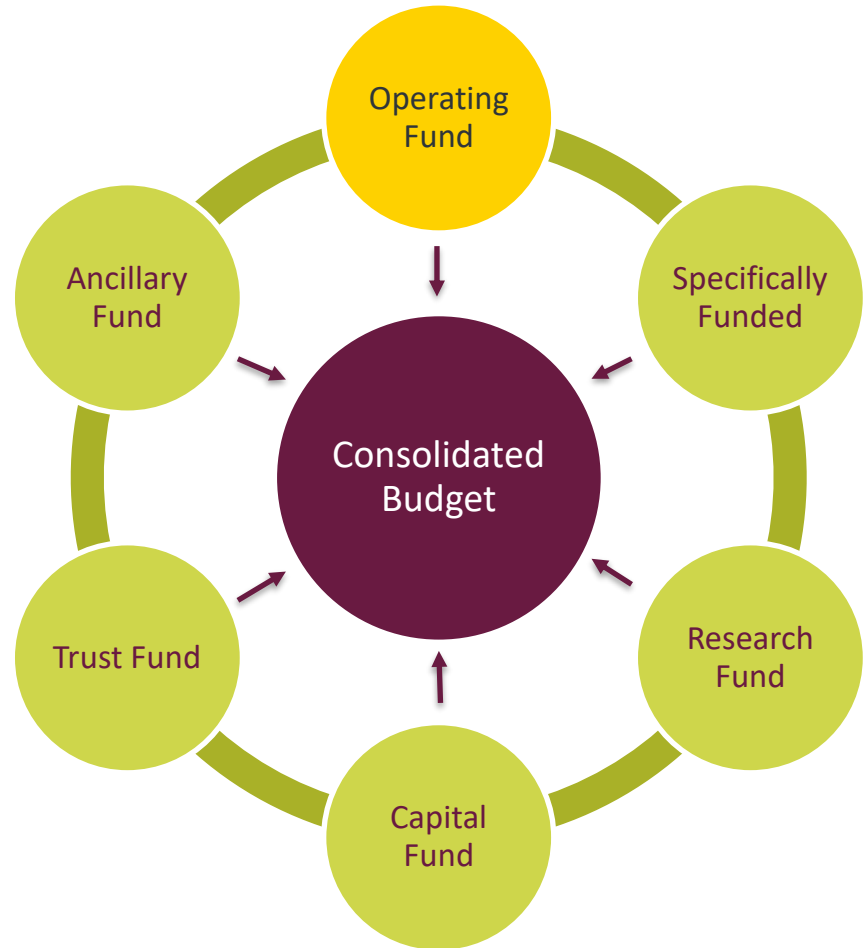
Budget Model Review: Overview and Current Situation



Presentation

Consolidated Budget & Operating Fund

- **Consolidated budget**
- **Operating fund**
- **Budget model** addresses distribution of revenues and expenses across the operating fund
- **Hybrid activity-based** budget model



Operating Fund: Hybrid model (1)

- **Activity units** (6 Faculties)
 - Revenue (Framework revenue) flows to Faculties based on “revenue drivers”:
 - Tuition (Faculty of teaching/Faculty of registration)
 - Provincial grants (Faculty of registration)
 - Research Overhead
 - Strategic priorities (central tax)
 - University Fund (8%), Research Infrastructure Fund, VP Research Discretionary Fund
 - Each Faculty is a “responsibility centre”
 - Revenue accrues to Faculty
 - Costs borne by Faculty
- Activity unit allocations based on revenue and activity

Operating Fund: Hybrid model (2)

- **Support units**
 - Central services, e.g., HR, CIS, Facility Services
 - Some services are shared (e.g., software licence), some are rival (e.g., space)
 - Funding (allocations) determined in Fall budget conferences based on:
 - New or changing priorities and initiatives
 - Cost pressures
 - Mandatory expenses
 - Inflationary increases (salary and other)
 - Challenge of cost-control under incremental budgeting
- Support unit allocations determined incrementally

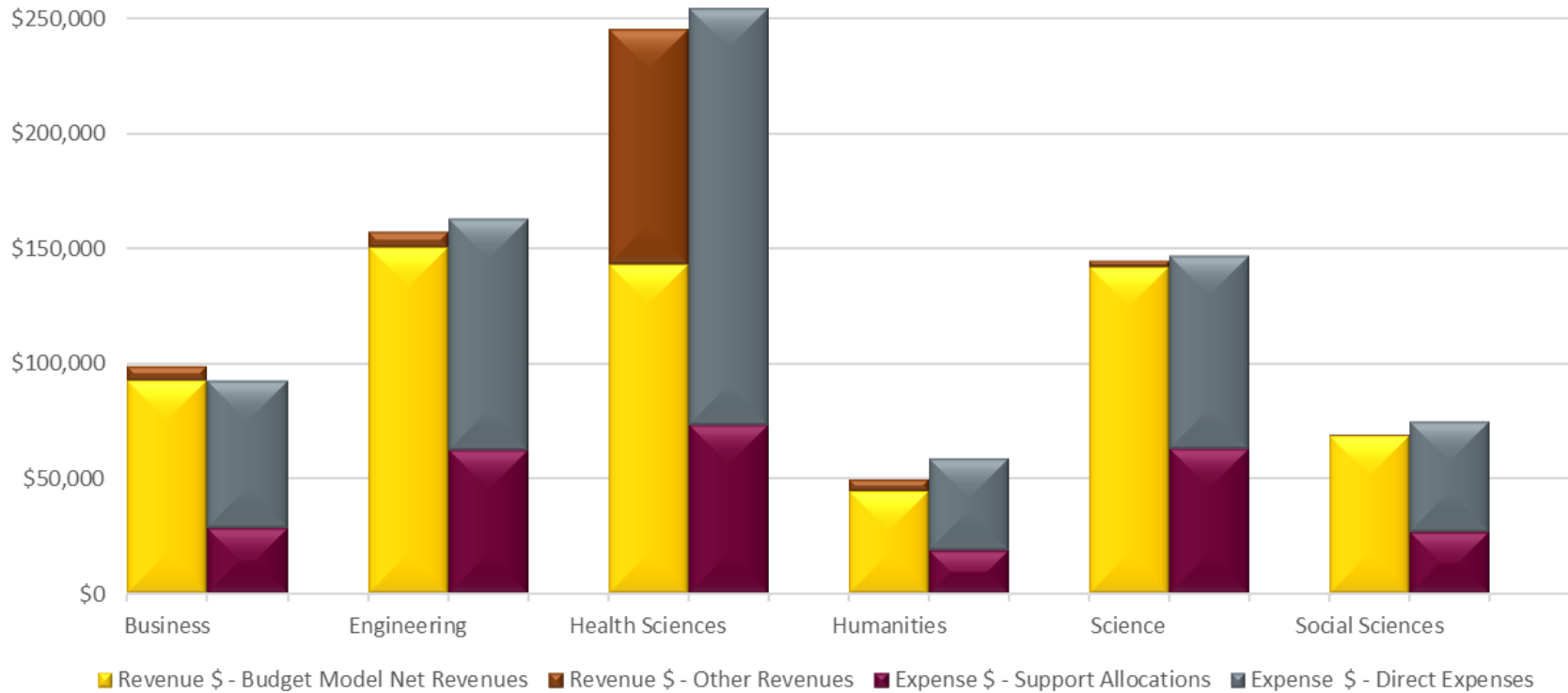
Operating Fund: Hybrid model (3)

- **Link between Activity units and Support units**
 - Faculties pay for the Support units
 - Support unit allocations are determined first
 - Allocations are deducted from Faculty revenues based on:
 - Quantity measure of use by Faculties (“cost drivers”), such as
 - Space
 - Faculty/staff FTEs
 - Research revenue (moving average)
 - Student FTEs
 - Driver varies with support unit
 - Price of the service (roughly average cost, not marginal)
- Faculties are residual claimant
- Faculties receive net allocation after covering Support unit costs

Budget Revenue & Expense ('000s)

Operating Fund

Revenues & Expenses 2023/24



Budget Net Allocations

Operating Fund

\$000's	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projection	Budget
Net Allocations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Business	30,525	31,713	36,269	41,355	47,245	52,199	61,147	66,188	64,200	64,184
Engineering	53,406	55,755	62,340	64,143	71,923	75,214	87,430	90,929	91,204	87,963
Health Sciences	69,330	69,330	70,001	72,753	78,947	71,446	70,090	69,191	73,527	69,567
Humanities	23,913	23,913	26,292	26,165	26,968	23,925	27,403	26,238	27,021	25,611
Science	51,433	51,433	59,038	66,295	71,790	72,253	80,363	78,092	76,139	78,942
Social Sciences	29,890	30,409	33,418	34,743	37,552	37,670	42,087	44,578	42,850	41,301
Arts & Science	1,594	1,411	1,634	1,562	1,694	1,374	1,596	1,597	1,613	1,427
MRSC Mohawk	4,875	4,691	4,684	4,347	4,192	4,048	4,089	4,201	4,331	4,272
	264,966	268,655	293,676	311,363	340,312	338,129	374,205	381,014	380,885	373,267

Model distributes net allocations based on enrolment growth areas

Revenue Growth over 10 years: \$108.3M or 40.9%

%	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projection	Budget
Net Allocations	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Business	12%	12%	12%	13%	14%	15%	16%	17%	17%	17%
Engineering	20%	21%	21%	21%	21%	22%	23%	24%	24%	24%
Health Sciences	26%	26%	24%	23%	23%	21%	19%	18%	19%	19%
Humanities	9%	9%	9%	8%	8%	7%	7%	7%	7%	7%
Science	19%	19%	20%	21%	21%	21%	21%	20%	20%	21%
Social Sciences	11%	11%	11%	11%	11%	11%	11%	12%	11%	11%
Arts & Science	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
MRSC Mohawk	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Faculty Total %	52%	54%	55%	55%	57%	55%	56%	55%	55%	54%
University Fund %	6%	4%	5%	5%	4%	6%	7%	6%	6%	5%
Support Unit %	42%	42%	40%	40%	39%	39%	38%	39%	39%	41%

Operating Budget 2023/24

(\$ thousands)

	2022/23 Projection	2023/24 Budget	
Revenues			
Provincial grants	240,021	240,222	} → Operating Grant relatively flat at 2016/17 level (2019/20 for Grad)
Tuition	433,451	433,810	
Research overhead income	27,733	26,974	} → UG International (unplanned) and domestic (planned) enrolment decline
Investment income	9,467	9,467	
Other income	118,530	124,364	→ Includes alternative revenues including radioisotopes, fees, licensing, etc.
Total revenues	829,202	834,837	
Expenses			
Salaries, wages and benefits	566,541	598,373	→ Salary inflation, faculty renewal, filling vacancies
Utilities and maintenance	48,953	51,192	→ Utilities rate increases
Equipment and renovations	65,039	55,491	→ Reduction in Faculty capital transfers
Scholarships, bursaries and work study	36,180	36,828	
Library acquisitions	15,533	15,660	
Debt and financing charges	26,002	25,355	
All other expenses	73,798	81,770	→ Spending up in 2023/24 as more campus activity and travel combined with price inflation
Total expenses	832,046	864,668	
Excess of revenues over expenses	(2,843)	(29,831)	→ Excluding items considered one-time, \$8.2M surplus.
Fund balance, beginning of year	226,772	223,928	
Fund balance, end of year	223,928	194,097	

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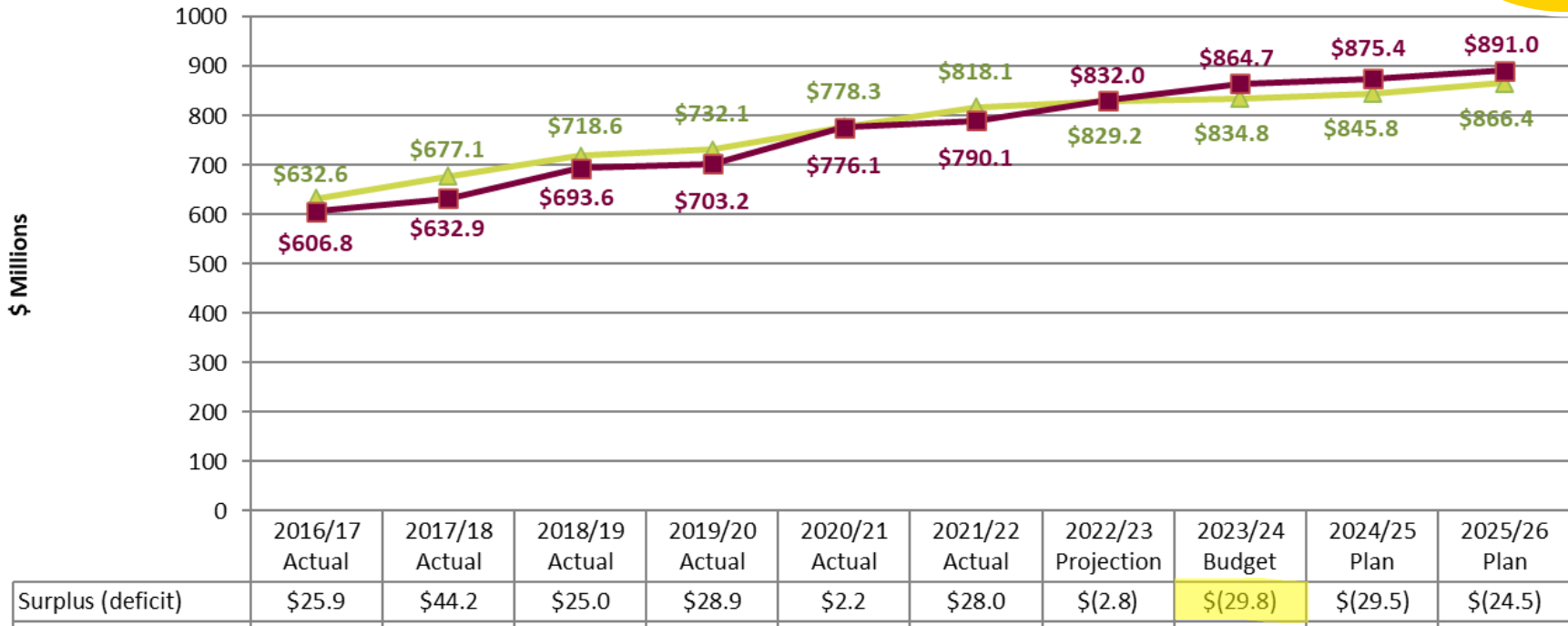
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2023/24 Budget

Operating Fund Outlook

Operating Fund



- Structurally balanced with operations close to break-even
- Expense pressures due to one-time initiatives (including large transfers for Capital projects) and COVID-19

▲ Revenue

■ Expenses

Operating Budget 2023/24 (Ongoing V One-time)



(\$ thousands)

	2022/23 Projection	2023/24 Budget
Ongoing:		
Allocated income	699,438	702,428
Other income	127,561	129,869
Total revenues	826,999	832,297
Expenses	809,329	824,134
Excess of revenues over expenses	17,670	8,164
% of revenue	2.1%	1.0%
One-time:		
Allocated income	-	-
Other income	2,204	2,540
Total revenues	2,204	2,540
Expenses	22,717	40,535
Excess of revenues over expenses	(20,513)	(37,995)
Excess of revenues over expenses	(2,843)	(29,831)
Fund balance, beginning of year	226,772	223,928
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Ongoing items incurred in the normal operations or a unit

Operating Fund budget is a **structural surplus**

One-time items occur in a single reporting period, although may cross over multiple periods, budget includes:

- University Fund strategic investments
 - Post-COVID return to campus initiatives
 - Systems projects
 - Rejuvenating core research platforms
 - Policy reforms
 - Other capital priorities
- Renovations and expansions to facilities
- One-time staffing needs
- Branding & Marketing activities

Some Key Issues

- Provincial funding frozen since 2106/17 (2019/20 for grad)
- Domestic tuition cut in 2019/20, then frozen since (both in nominal \$)
- Unfunded enrolment of domestic students beyond corridor: to be scaled back, 2023/24 budget based on SMA enrolment
- Decline of international undergraduate enrolment, competitive international market
- SMA performance-based funding
- Alternative revenue strategies
- Structural challenge of cost containment in hybrid budget model



Questions?