



AGENDA ITEM: Operating Budget and Financial Plans for Research and Special, Trust and Endowment and Capital Funds – 2011-2012

RECOMMENDED RESOLUTION:

That the Board of Governors approve:

- a tuition fee increase on all programs of 1% excluding specific professional program fees which were approved in 2010 to be effective 2011;
- the operating budget based on total revenue, fund transfers and expenditures of \$537,776,744; and
- financial plans for Research and Special, Trust and Endowment and the Capital Budget for the year ending March 31, 2012 as set out in Attachment 6 .

Action Requested: Approval Discussion/Advice Information

CONTEXT AND BACKGROUND:

At the April, 2011 meeting of the Board of Governors, a document entitled **2011-2012 Strategic Resource Planning and Budget Framework** was presented to establish a context for the presentation of a budget proposal to the Board of Governors. An explanation of the Restricted Fund Accounting Method, the method the University of Manitoba uses to account for its revenues and expenditures in accordance with Generally Accepted Accounting Principles (GAAP), also was provided. The funds are grouped into the following categories:

- General Funds which include General Operating, Specific Provisions and Expenses Funded from Future Revenues: and
- Restricted Funds which include Capital Asset, Research and Special, Staff Benefits and Trust and Endowment.

This document presents for approval by the Board of Governors the University of Manitoba's Operating Budget, and financial plans for the Research and Special, Trust and Endowment and Capital Funds for fiscal year 2011-12.

I. General Funds

1. General Operating Fund

The General Operating Fund is the largest of the funds which supports the academic mission, non-sponsored research and the administration of the University. General operating revenue sources include the Provincial operating grant, tuition and related fees, federal government grants, net investment income, miscellaneous income, sales of goods and services to external parties and income from ancillary enterprises.

Definitions

“Baseline” operating budgets refer to on-going budget allocations from all sources i.e. the base on which additional allocations are provided or reductions are taken.

“Budget only” refers to one-time budget allocations for 2011-2012 only. Budget only funds are not intended to fund on-going commitments such as continuing salaries.

“Basic Budget” refers to the net baseline amount on which reduction percentages, where applicable, are based, i.e., gross baseline net of sales and service revenue, other offsetting income (provincial/federal/other contract revenue, operating grants from foundations etc.), targeted tuition revenue (lab fees, surcharges, field trips etc), ACCESS program funding, indirect cost of research allocations, trust and endowment transfers, etc.

“President’s Budget Advisory Committee” refers to a committee whose composition, as currently structured, was approved by the Board of Governors. It has the following members:

- President, Chair;
- four Vice-Presidents or designates, Academic and Administrative Vice-Presidents to act as Vice-Chair as required;
- University Secretary
- six faculty members from the Senate Planning and Priorities Committee, including the Chair;
- two support staff members;
- Chair of the Board of Governor’s Finance, Administration and Human Resources Committee;
- President of UMSU or designate;
- President of the Graduate Students’ Association or designate;
- Assessor from the University of Manitoba Faculty Association;
- Vice-Provost (Academic Planning and Programs) – Resource Person

- University Budget Officer – Resource Person; and
- Executive Assistant to the President – Resource Person

The responsibilities of the Budget Advisory Committee are:

- To make recommendations to the President on the priorities for allocation of funds to meet the University's strategic objectives; and
- To review the annual operating budget that is recommended to the Board of Governors.

Budget Process

The annual budget process begins in the summer with the development of the Operating Estimates to the Province. The Estimates submission, requesting a 7.34% increase to the operating grant (\$21.15 Million) to maintain 2010-11 levels of programs and services was approved by the Board of Governors on September 28, 2010. The Operating Estimates were also presented to COPSE by the President, Vice-President (Administration) and Chair of the Board of Governors in September, 2010.

In late fall, all faculties, schools and administrative units were asked to develop strategic resource plans using a prescribed template format. This year both the planning template and the meeting format were revised to factor inter-unit collaboration as well as support the integration of planning for all fund types.

The President, Vice-Presidents, University Secretary and Senior President's Office Staff met in March, 2011 with Deans and Directors of academic units, Heads of colleges, and senior leaders of major administrative units to review and discuss their strategic resource plans. Deans and Directors presented in a "cluster/group" setting and presented a joint statement of collaboration.

To enhance transparency all budget presentations were open to any unit head and unit strategic resource planning submissions were circulated to all deans, directors, heads of colleges and heads of major administrative units.

Unit heads were advised that the following criteria would be considered in resource allocation decisions:

- Alignment of proposed activities with University Strategic Planning Framework Priorities;
- Evidence of novel/new academic and administrative collaborations;
- Enrolment trends;
- Degree to which proposed initiatives are reasonable and achievable;

- Extent to which resource plans present a realistic response to the budget directive;
- Evidence of new revenue generating activities;
- Degree to which OARS and ROSE initiatives will realize financial savings;
- Relative comparative data;
- Health or sustainability of unit budgets; and
- Overall quality of submission and adherence to template requirements.

The President, Vice-Presidents, University Secretary and Senior President's Office Staff subsequently met with the President's Budget Advisory Committee on three occasions to discuss the budget and to solicit input and advice.

Funding Announcement

On April 15, 2011 the Province announced the operating grant and tuition fee increases for the University of Manitoba. **See Attachment 1.** The base operating grant and Access grants will be increased by 5%. In addition, continued targeted funding to support the Faculty of Medicine including their undergraduate expansion and for the International Educated Engineer Program (IEEQ) was confirmed. Furthermore, the Province advised that general tuition fees could increase up to the current inflation rate subsequently confirmed by the Province to be 1%.

Resource Requirements

A 5% increase in the base operating grant plus a 1% tuition fee increase was better than had been anticipated. As already noted, a base grant increase of \$21.15 million or 7.34% had been identified in the response to COPSE for an estimate of what would be required to sustain 2010-11 programming and service levels. Included in the \$21.15 million were projected inflationary increases in utilities, insurance, library acquisitions, and supplies and expenses, previously negotiated and estimated salary and benefit increases and mandatory pension payments to address the going concern pension deficit. These estimates were prepared in the summer of 2010 using the best information available at the time.

Once funding increases were announced in April, 2011, projections of revenue and expenses were refined to reflect:

- increased tuition revenue arising from increased enrolment in 2010-11, 2011-12 projected enrolment growth and 1% inflation increase;
- a more up to date estimate of projected salary and benefit costs;
- a more up to date estimate of the additional funding required to meet the mandatory pension payment; and
- more current information on the utilities, budget requirements, and insurance premiums. Inflationary increases on all other supplies and expenses were

removed from the projections. Inflationary increases on library acquisitions were removed due to the increased buying power resulting from the strong Canadian dollar.

In addition, salary turnover savings (from the academic position management process) and increased revenue related to a revised fee sharing arrangement with the Faculty of Extended Education were incorporated under the projections.

The revised financial requirements for 2011-2012 are presented in **Attachment 2** and point to available baseline funding of \$9,670,000 before any allocations to units.

Assumptions for Budget Recommendations

In preparing the 2011-2012 operating budget recommendation, the following assumptions were made:

- The University of Manitoba will develop a balanced budget;
- Strategic investments are required to continue progress on organizational transformation and planning framework priorities; and
- Investments in select faculties and schools are required to sustain programs; and
- In addition to allocations of new funding, realignment of existing funding will be undertaken to address priorities.

Summary of Priorities for Budget Recommendations

In preparing the 2011-2012 operating budget recommendations, the following priorities were identified:

- Organizational transformation
 - investment in information technology is essential to replace/upgrade network, e-mail/calendar and learning management systems;
 - investments in Physical Plant required to maintain new facilities/property and enhance service;
 - additional support in the Office of Institutional Analysis to support inclusion in the U15 data exchange;
 - investment in external relations to increase talent and advocacy; and
 - investments in Public Affairs to enhance brand, image and reputation.
- Academic Enhancement
 - graduate student support
 - research bridge funding
 - CERC and CRC commitments
 - collaborative cluster initiatives

- enhanced research start up funding
- Aboriginal Achievement
 - support for the activities of the executive lead
- Student Experience
 - support for student services on Bannatyne Campus
 - creation of Office of Student Life
 - enhanced counseling services
 - enhanced undergraduate student support
 - enhanced student communication – current and projective
- Outstanding Workplace
 - funding to implement action plan
- Strategic Faculty Allocation/Reallocations
 - additional Pharmacy, Science, Social Work
 - revised fee sharing arrangement with Extended Education
 - funding for Architecture, Art, Arts, Kinesiology, Law, Music,
 - reallocation of funding from Medicine , Agriculture, Education and Nursing

Budget Recommendation

The baseline reductions, allocations and reallocations are detailed in **Attachment 3**. There are no budget-only allocations being recommended in the 2011-2012 operating budget.

2. Specific Provisions

The Specific Provisions Fund records appropriations to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carry-over, a fiscal stabilization provision to offset potential spending in excess of future budget and other matters. The Specific Provisions totaled \$82.5 million at March 31, 2010, the largest of which is the carryover provision at \$ 46.9 million.

At the end of 2010-2011, an assessment of the level of funding in the various provisions was made based on current circumstances. Funds have been shifted to provide funding for ROSE initiatives. The preliminary estimate for the 2011/12 Specific Provisions is \$81.1 million.

Attachment 4 details the projected general operating revenues for 2011-2012 from various sources.

Attachment 5 is a summary of the total 2011-2012 Recommended Operating Baseline and Fiscal Budget with comparisons to 2010-2011.

II. Restricted Funds

1. Research and Special Funds – 2011-2012 Financial Plan

The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Research and Special Funds include external grants and contracts from a variety of federal and provincial granting agencies, industry and non-governmental organizations provided specifically for research, research infrastructure and special activities. Funds are held in trust by the University until they are spent by our researchers, in accordance with the conditions stipulated in the governing contracts and agreements.

Expenditures have not been shown since they vary depending upon the type of research and duration of the project. The funds received in any given year for research may not all be spent in the year received, therefore, any unspent research funds as at March 31 are carried over to the following year.

Table 1 below details the 2009-2010 actual, 2010-2011 (preliminary) and 2011-2012 projected revenues and expenses for the Research and Special Fund including sources of those revenues.

Table 1
Research and Special Funds
Revenues and Expenses
2011-2012 Compared to Previous Years

	Actuals 2009/10	Forecast 2010/11	Budget 2011/12
REVENUES			
Manitoba Government	27,145	28,062	29,500
Federal Government	63,059	59,861	63,000
Foundations, Associations and Other	48,700	52,113	54,500
Total Revenue	138,904	140,036	147,000
EXPENSES			
Other operating Expenses	125,983	132,024	135,888
Total Expenses	125,983	132,024	135,888
Net Revenue Before interfund transfers	12,921	8,012	11,112
INTERFUND TRANSFERS	(8,947)	(7,902)	(11,112)
Net Revenue After Interfund Transfers	3,974	110	-

2. Capital Asset Fund – 2011-2012 Financial Plan

The Capital Asset Fund consists of restricted contributions from external parties for the purpose of acquiring capital assets and/or making debt repayments. The expenditures related to the construction of buildings or purchase of equipment are not recorded as an expense but are recorded as an asset on the University's balance sheet. Therefore, the Capital Fund will typically report a surplus unless current year amortization and interest/expense exceeds current year contributions.

Sources of capital funds include:

- Provincial allocations (primarily for deferred maintenance/infrastructure renewal) – see Attachment 1
- Donations through Development and Advancement Services
- Indirect Cost of Research Funds
- Operating funds (expenditure is reported as an interfund transfer to the Capital Fund)
- Canada Foundation for Innovation (CFI) funds and Provincial matching funding
- Federal and Provincial Government programs eg. RINC, MRIF, etc.

- Provincial Government allocations for major capital projects (eg. Domino)
- Debt financing

Projected capital fund sources and the 2011-2012 capital plan are detailed in Table 2 below compared to prior year 2010-2011. Specific projects and contracts in excess of \$1 million are subject to Board of Governors approval.

Table 2

<u>Capital Sources</u>	<u>Preliminary 10/11</u>	<u>Projections 11/12</u>
	\$	\$
Critical Deferred Maintenance (Province)	8,794,843	8,769,000
Provincial Territorial (PT) Base Funding	1,900,000	5,000,000
COPSE Capital Grant	3,257,900	3,031,000
COPSE Miscellaneous Capital	3,020,000	3,020,000
COPSE Science Lab & Security Funding	349,647	390,000
COPSE Domino Funding	12,610,000	15,011,000
Manitoba Research Innovation Fund	600,000	1,200,000
Interfund from Operating	24,225,485	25,280,500
Interfund from Research	5,000,000	5,000,000
Interfund from Trust (includes donations for capital)	5,163,038	520,000
Federal KIP program	17,736,231	9,626,000
WED	1,099,515	-
CFI	600,000	1,200,000
Indirect Cost of Research (ICR)	1,721,000	1,200,000
Capital Debt	4,272,394	6,280,000
Residence LTD and other	24,164,000	15,000,000
Other	1,264,947	1,882,500
Total	115,779,000	102,410,000

<u>Capital Plan</u>	<u>Preliminary 10/11</u>	<u>Plan 11/12</u>
	\$	\$
Miscellaneous Capital	3,020,000	3,020,000
Capital Infrastructure	12,386,000	17,000,000
Technology Projects	1,130,000	1,030,000
Indirect Costs of Research Funding	1,200,000	1,200,000
Downtown Asper Executive Program	2,000,000	500,000
Pembina Hall Residence	24,164,000	16,000,000
Domino Projects	1,085,000	7,000,000
KIP Projects	34,205,000	18,750,000
CFI Funded Projects	1,200,000	2,400,000
Active Living Centre / Playing Fields	1,900,000	5,000,000
Glenlea Farm Education Centre (const)	2,600,000	20,000
Wallace Building Addition	2,400,000	2,500,000
Other Capital Projects	3,489,000	2,990,000
Research Capital	5,000,000	5,000,000
Operating Capital	20,000,000	20,000,000
Total	115,779,000	102,410,000

3. Trust and Endowment – 2011-2012 Financial Plan

The Trust Fund records donations which may be used in their entirety, whereas the Endowment Fund records donations with the stipulation that the funds be used in perpetuity for the purpose designated by the donor.

The revenues of the Trust and Endowment Funds include the net investment income, earned by the investments of the UIT and Specific Trusts plus an estimate of the new donations received.

The expenses are transfers of allocations to the various units in accordance with the spending policy approved by the Board of Governors and as required by the units, plus awards paid directly to students.

Table 3 and 4 below includes projected revenues and expenditures in 2011-2012 compared with preliminary results to March 31, 2011.

Table 3

Trust Fund

Revenues and Expenses

2011-2012 Compared to Previous Years

	Actuals 2009/10	Forecast 2010/11	Budget 2011/12
REVENUES			
Other Revenue			
Gifts and Contributions	5,090	7,339	4,250
Investment	32,035	19,575	13,280
Miscellaneous	-	2	-
Total Revenue	37,125	26,916	17,530
EXPENSES			
Other operating Expenses	14,432	14,478	16,400
Total Expenses	14,432	14,478	16,400
Net Revenue Before interfund transfers	22,693	12,438	1,130
INTERFUND TRANSFERS	(8,159)	(5,253)	(2,650)
Net Revenue After Interfund Transfers	14,534	7,185	(1,520)

Table 4
Endowment Fund
Revenues and Expenses
2011-2012 Compared to Previous Years

	Actuals 2009/10	Forecast 2010/11	Budget 2011/12
REVENUES			
Other Revenue			
Gifts and Contributions	11,593	15,866	13,500
Investment	17,270	17,820	11,620
Miscellaneous	-	(2)	-
Total Revenue	28,863	33,684	25,120
INTERFUND TRANSFERS			
	4,992	3,281	3,706
Net Revenue After Interfund Transfers	33,855	36,965	28,826

SUMMARY

Attachment 6 is a high level Summary of the 2011-2012 Operating Budget plus financial plans for all other funds. The 2011-2012 budgets are compared with the 2010-2011 preliminary year end results at March 31, 2011. Throughout the 2011-2012 fiscal year, the Board of Governors will receive quarterly reports on each fund comparing actual for each quarter with prior year actual and projected full year results.

IMPLICATIONS:

The 2011-2012 operating budget recommendations are for an allocation or reallocation of funding totaling \$11,070,000. Of this total \$7,355,000 or 66.4% is directed to faculty support to supporting the four priorities in the Strategic Planning Framework. A significant investment of \$3,715,000 (33.6%) in the organizational infrastructure is also recommended but falls short of what is required to provide adequate support given decades of underinvestment in these areas. The commitment from the Province for multi- year funding increases of 5% per year should enable further progress on this front in future years.

Although a number of criteria were considered in making these recommendations, as indicated previously there is a lack of good comparative data for assessing the relative budgets of the various units. It is hoped that in the current year, progress can be made in collecting comparative data from our sister institutions particularly given our inclusion in the U15. Through this association we anticipate access to both common definitions and comparative data which will enable us in making more informed decisions regarding the relative needs of the various units.

ALTERNATIVES:

Once the funding available from the operating grant and tuition fee increase was determined, alternatives were considered to strike the budget. First, consideration was given to no budget reductions or reallocation of funds. It was not recommended since this approach does not recognize that units have differing needs. The second and recommended approach was to make selective budget reductions and strategic reallocations taking into account the criteria that were established for reviewing the budgets and priorities for the institution.

Furthermore, building on a long term strategy developed this past year in conjunction with the Dean of Extended Education to make the Faculty self supporting, a revised fee sharing policy was implemented resulting in additional revenues accruing centrally for reallocation in the strategic reallocation process.

CONSULTATION:

Meetings were held with all Deans, Directors and Heads of Colleges and Administrative units regarding budget requirements and to assess their ability to respond to a budget reduction of up to 3%. Three meetings were held with the President's Budget Advisory Committee to receive advice and feedback on priorities. Several meetings were held with all members of the President's Executive Team and Senior Administrative staff in the President's Office.



Board of Governors Submission

Routing to the Board of Governors:

<u>Reviewed</u>	<u>Recommended</u>	<u>By</u>	<u>Date</u>
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Submission prepared by: Joanne Dyer, University Budget Officer and Executive Assistant to the Vice-President (Administration)

Submission approved by: Deborah McCallum, Vice-President (Administration)

Appendices

- Attachment 1 – April 15, 2011 letter from COPSE re the operating grant increase*
- Attachment 2 – 2011/12 Increased Funding and Fixed Cost Requirements*
- Attachment 3 – 2011/12 Operating Budget Recommendations*
- Attachment 4 – 2011/12 Projected Operating Revenues*
- Attachment 5 – 2011/12 Operating Budget*
- Attachment 6 – Summary of the 2011/12 Budget Plans for all Funds*