

2019-2020 BUDGET

Financial Resources

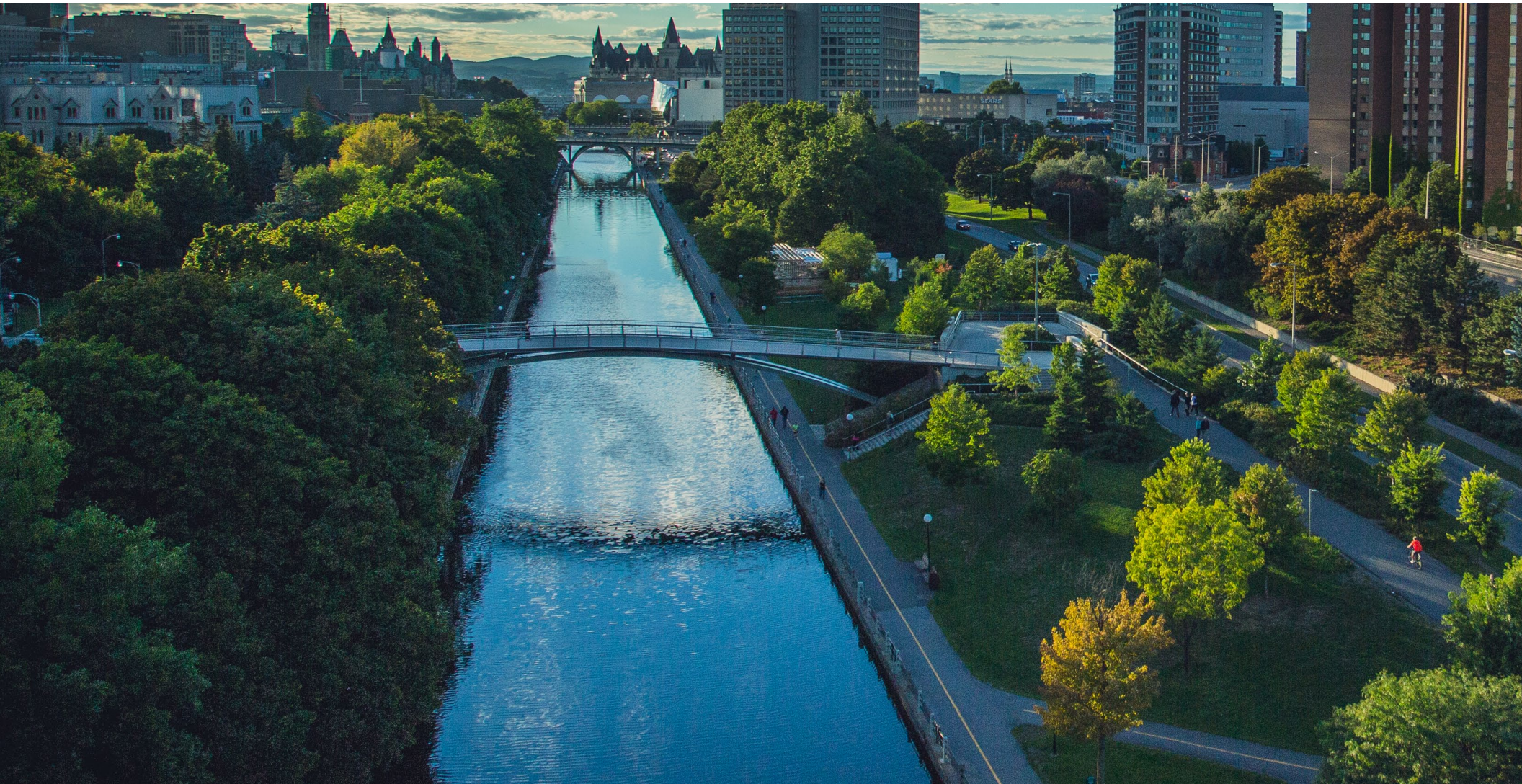
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INTRODUCTION





The University of Ottawa has tabled its consolidated budget for the 2019-2020 fiscal year as well as an outlook of its operating fund for the two subsequent years, to 2021-2022. Note that these outlooks are based on the funding parameters, programs, and operational frameworks known at the time of their preparation.

In preparing the 2019-2020 budget, the University remains focused on the objectives set out in its strategic plan, Destination 2020. It must also take into account the stringent requirements imposed by governments and funding organizations, which include granting agencies and donors, along with a regulatory framework and other external factors that influence its activities and financial health.

In many respects, tabling the 2019-2020 budget and its subsequent outlooks was exceptionally challenging, given the many financial constraints recently imposed by the Ontario government. For example, the government's decision to impose a 10% reduction in Canadian student tuition fees in 2019-2020, along with a tuition freeze for 2020-2021, result in substantial shortfalls for the corresponding budgets. Other changes announced since the election of the new provincial government a year ago that will affect subsequent budgets are analyzed in detail in the section titled "External Factors".

In 2018-2019, the University implemented a new internal budget model and focused on establishing the basis for budget envelopes allocated to the faculties and services. The new funding formula includes a yearly review of these allocations. Hence, for the 2019-2020 budget, the University directed its efforts on adjusting the budget allocations made in 2018-2019 to take into account the changing needs of faculties and services. This allows the University of Ottawa to present a budget in line with its strategic priorities while remaining financially prudent.

The senior executives wish to thank all teams who participated in developing the 2019-2020 budget, one that will help build the University of Ottawa of the future.

DESTINATION 2020 STRATEGIC PLAN

STUDENT EXPERIENCE

Learning in a unique cultural environment

A good university must do certain things well:

- Prepare young people to find their place in the world
- Enable faculty to share their knowledge and to pursue discovery
- Support its employees as they provide exceptional quality services to its students

A great university takes these ideals to heart, and then asks: What more can we contribute to our community and our world?

In the past decade, our university has grown in many ways. We are now the largest bilingual university in the world, our programs have increased to more than 450, in every field of human endeavour, and our plan for the future aims to strengthen every element of student connection. At the University of Ottawa, we offer our students a truly unique educational and cultural experience.

RESEARCH EXCELLENCE

A culture of discovery

The University of Ottawa is a top 10 Canadian research university. Our people can be found working on the frontiers of virtually every field of human endeavour, making us top of mind for industry and government when they seek special expertise and fresh insight.

Our curiosity keeps the University's brilliant minds engaged, as they grow from students to scholars, citizens and specialists.

We believe that curiosity is at the heart of every academic pursuit. A desire to learn, the courage to question and a passion for discovery are present in everything we do.

INTERNATIONAL

Open to the world

The University of Ottawa embodies the Canadian spirit. We believe in measured, intelligent choices, democratically made by people who are thoughtful and well informed. We debate issues with passion and openness while respecting each other's views.

Our university is the place where students discover how they can make their contribution to these Canadian ideals.

FRANCOPHONIE AND BILINGUALISM

The richness of francophonie and bilingualism

Canada's commitment to francophonie and bilingualism is fundamental to what we are as a country. The University of Ottawa has nurtured this vision of francophonie and bilingualism.

We offer outstanding programs in French, in English and in both languages. Our campus lives, learns and plays in both languages. No other major university in Canada can say the same; this duality makes our students uniquely prepared to shape our country and to live out its values.

An idea that moves people, especially in more than one language, is a truly powerful idea. These are the ideas that are forged at the University of Ottawa.



IMAGINE 2030

AN INNOVATIVE STRATEGIC PLANNING EXERCISE

To achieve their dreams and aspirations, people and organizations need to plan and map out the road to their future. With this in mind, the University of Ottawa is launching an innovative strategic planning exercise – Imagine 2030 – that will help define the long-term future of the university.

Throughout the strategic planning exercise, we will call on the creativity of the university community – students, faculty, staff, alumni, donors and key stakeholders – to participate in co-creating a new vision for our future.

Under the leadership of David Graham, Provost and Vice-President, Academic Affairs, Imagine 2030 will proceed through several phases with a goal of presenting the Board of Governors with a new Strategic Plan in June 2019.

VISION, MISSION, VALUES

OUR VISION

The University of Ottawa will offer an unparalleled university experience and, through outstanding teaching and research, play a vital role in defining the world of tomorrow. We will instil in each of our graduates an ethic of service, a culture of engagement and an awareness of shared responsibility that will prepare them for global citizenship.

OUR MISSION

We are unique because of our location in the heart of the nation's capital, our bilingualism and commitment to the promotion of French culture in Ontario, and the excellence of our scholarship. As a research-intensive university, we provide our students with an outstanding education and enrich the intellectual, economic and cultural life of Canada, helping our country play an important and valued role among the nations of the world.



THE CORE VALUES THAT DEFINE AND INSPIRE US

We put students at the centre of our educational mission

All our efforts are dedicated to ensuring that our students expand their knowledge, discover their creativity and develop their capacity for critical thought. Our objective is to prepare well-rounded individuals and committed citizens able to contribute to society and become leaders.

We foster the individual and collective development of our staff

We encourage and enable the personal growth and well-being of our employees. We aim to create an environment in which they will find fulfilment and mutual respect, one that is collegial, collaborative and open.

We exist in order to create and share knowledge

We seek excellence in both learning and discovery. That is how our reputation has been built, and how it will be maintained and enhanced.

We have the responsibility of promoting bilingualism and Francophone communities

We play a pivotal role in advancing bilingualism, while offering outstanding programs and services specifically designed for Francophones. We provide leadership on language issues and for Francophone communities in Ontario, across Canada and around the world.

We value and teach an ethic of service and civic responsibility

We help forge a stronger society by combining scholarship and social purpose. We value service to others and foster community partnerships in learning and discovery. We are committed to academic freedom, equality, cultural diversity, integrity, respect for others and sustainable development.



CURRENT AND FUTURE CHALLENGES

The following section describes the main internal and external factors that were considered when developing the 2019-2020 budget. We conclude the section with a discussion of future challenges.

EXTERNAL FACTORS

Many external factors must be taken into account when preparing the 2019-2020 budget. The most important of these was the June 2018 election of a new Conservative government in Ontario. This government has already proposed a vision for the postsecondary education sector that targets employment, and has followed up with measures that were announced before, during, and after the province's April 2019 budget. A summary of the most significant elements of this vision and its associated measures, along with the federal government initiatives, follow.

Provincial government's vision

In Chapter 3 of the budget presented on April 11, 2019, the Ontario government expressed a "vision statement" for the Ministry of Training, Colleges and Universities (MTCU) that states "the government wants all of the people of Ontario to have the skills they need to get a good job." It also states that it is "dedicated to making Ontario's postsecondary education system more sustainable and better aligned with labour-market needs while operating transparently and efficiently." The same statement goes on to state that "the Ministry is committed to providing job seekers with the opportunities and training needed to find and keep good jobs and giving employers the ability to find the skilled workers needed to thrive and restore Ontario to its rightful place as the economic driver of Canada."¹

1- Government of Ontario, Ontario Budget 2019: Ontario's Plan to Protect What Matters Most, page 296.

Tuition fees

On January 17, 2019, the Ontario government announced an horizontal 10% reduction in tuition fees for Canadian students for 2019-2020, followed by a freeze in tuition fees for 2020-2021. This measure applies to Canadian students and permanent residents enrolled in programs funded by the provincial government. In terms of the fallout of this measure, the University of Ottawa estimates that this shortfall will be \$33.0M in 2019-2020 and \$45.0M in 2020-2021. Tuition fees for international students remain unregulated.

As part of its general reforms, the government announced that it would redesign the Ontario Student Assistance Program (OSAP) to guarantee that the program remains viable by allocating a greater proportion of OSAP funding to families most in need of financial assistance. The University fears that these changes could result in an increase in requests for emergency financial aid.

Ancillary fees

On January 17, 2019, the government also announced a new regulatory framework for ancillary fees that would allow students to opt out of ancillary fees associated with certain services and activities. Ancillary fees remain mandatory for university services related to health, safety and public transportation (U-Pass). This measure should have little impact on the University's budget, but student association activities may be affected.

Strategic Mandate Agreement (SMA)

Since 2014, all publicly funded universities in Ontario have signed three-year strategic mandate agreements with the MTCU. In addition to clearly identifying each university's attributes, these agreements set out measurable goals and demonstrate the universities' commitment toward the government's future directions. In its 2017-2020 Strategic Mandate Agreement (SMA), the University highlighted its distinctive characteristics, namely that it is a bilingual, research-intensive university in the heart of the nation's capital offering the second-largest

CO-OP program in Ontario. In its April 2019 budget, the Ontario government stated its intention to negotiate new Strategic Mandate Agreements (SMA3) that would instead cover five years, namely from 2020-2021 to 2024-2025. Moreover, the government announced that the percentage of funding that is tied to performance indicators and therefore “at risk” (funding might decline but not grow) would gradually increase from 25% in 2020-2021 to 60% in 2024-2025. Furthermore, the government would reduce the number of performance indicators to 10.

Capital grants

The Ontario budget announced the cancellation of capital grants related to the Graduate and Medical Enrolment Expansion Capital programs. In 2018-2019, the University received \$4.4M and \$0.7M in such grants, respectively, and this annual funding was forecasted to last until 2023-2024. The government also announced a slight reduction in its Facilities Renewal Program grants for universities. In 2019-2020, universities will receive a total of approximately \$52.0M in such grants, whereas the amount allocated in 2018-2019 was \$53.3M. However, the government stated that it intends to increase this funding to universities to approximately \$71.0M in 2020-2021. It also expects to review how it allocates these grants to each university during 2019-2020.

Funding from the federal government

Funding from the federal government generally has little direct impact on the University’s operating fund. However, the federal government helps finance research activities by funding Canada Research Chairs, assisting with the indirect costs of research, and financially supporting graduate students. With the tabling of its 2018-2019 budget, the federal government announced additional funding to the three federal granting agencies (SSHRC, NSERC, and CIHR) along with a significant investment in the Canada Research Chairs program, and in the Research Support Fund, which covers indirect research costs. No additional funding, above the levels earmarked in the 2018 budget, was announced in the 2019-2020 budget, which also includes one-time funding for targeted research projects.

However, the federal government did announce additional funding to support graduate students. It also outlined its strategy on international education with the aim of both continuing to attract international students to Canada and providing increased opportunities for Canadian students to pursue international experiences. Although federal government initiatives do not directly affect the University’s operating budget, they are in line with the University’s research mission, international recruitment strategy, and its goal of providing an excellent and unique student experience.





INTERNAL FACTORS

The 2019-2020 budget reflects the decisions and directions that enable the University to distinguish itself, while taking into consideration the current financial situation. The University wants to stay focused on the goals set out in Destination 2020 and those that will be elaborated in the 2030 strategic guidelines, despite a more challenging financial environment. The University has undertaken significant institutional projects that are vital to its future performance. Consequently, this budget confirms our willingness to transform the University notwithstanding a difficult budgetary environment.

Among the efforts undertaken these past few years that allow us to better meet these new budgetary challenges, the following are noteworthy:

A new internal funding formula

In 2018-2019, the University introduced a major change in its budget process, namely the adoption of a new internal funding formula. This new approach features three funding envelopes: a base budget allocation to support the core needs of each faculty and service; a performance-related envelope; and finally an envelope to fund one-time strategic initiatives.

Service delivery optimization

In 2018-2019, a major project was launched to modernize the University's financial and human resources systems. It focuses on increasing the effectiveness and contributions of administrative activities in support of the achievement of the University's mission. This project will accelerate in 2019-2020 and will continue over several years.

Targeted international recruitment

The University of Ottawa is committed to integrating a strong international dimension into all of its core business areas, particularly with respect to

Francophone communities. The University aspires to enrich the university experience through greater cultural diversity.

Generation of new net revenue

The University continues to encourage the generation of new net revenue. Some potential sources include professional master's programs, an expansion of continuing education and co-op programs, and as well as an increase in philanthropic activities.

FUTURE CHALLENGES

The university sector in Ontario and in Canada is undergoing a period of change. The University faces significant challenges that pose risks for the University and its development in the coming years. These challenges are accentuated by the following factors, among others:

Uncertainty with regard to provincial grants

The 2017-2020 Strategic Mandate Agreement (SMA) covers a transitional phase, which, in a collaborative manner, will establish the measures and performance targets associated with the funding; these measures and performance targets will be renegotiated in the next SMA, which will cover the 2020-2025 period.

In the coming year, the provincial grants was expected to remain stable since our three-year moving average of registrations will most likely fall within the corridor set by the Ministry, given a margin of plus or minus 3%. However, in future years, an increasingly greater proportion of provincial grants will be linked to performance indicators. The details are still to come. For now, recent government announcements regarding strategic mandate agreements (SMA3) increase the

uncertainty in relation to the amount of provincial grant funding expected in future years.

Demographic decline

This reality contrasts with the remarkable and steady growth in the student population and related revenues that the University realized between 2002 and 2010. It is important to note that this decrease in the number of 18-to-20 year olds' in Ontario and in Canada increases competition between universities. Since 2012, the decrease in Canadian student admissions has been offset by an increase in international enrolment.

For a second consecutive year, the University saw the number of requests for admission for the following fall term (2019-2020) increase considerably, both from Canadian and international students. It is too early to assess the effects of these requests on enrolment; however, if these increases continue, they will certainly help boost the University's revenues and assist it in overcoming its budgetary challenges.

Growth in expenditures (figure 1)

The need to seek new sources of revenue results from a combination of the limits imposed on grants and tuition fees combined with an increase in expenditures caused by inflation in certain areas (library collections, energy costs) as well as the terms of the collective agreements.

Pension plan

The pension plan has faced significant challenges for several years, both in terms of the overall economic and financial environment, as well as new regulations, which bring a fair amount of uncertainty. For example:

1. The instability of financial markets directly affects the University's contributions to the pension plan, particularly with respect to special payments and the provision for adverse deviation, related to the plan's solvency. These payments, funded entirely by the University, directly affect the University's operating budget.
2. The plan's solvency valuation is mandated by law and was completed on January 1, 2018, taking into account the new regulatory requirements that came into effect in May 2018, following the adoption of Bill 177. This legislation eliminated the special payment, an \$8M cost, but imposed a provision for adverse deviation of \$6.0M, resulting in a net reduction in employer contributions of approximately \$2.0M. However, in the longer term, it is estimated that the overall impact of these regulations will be an increase in annual contributions of \$6.0M. The next actuarial valuation must be filed no later than January 1, 2021.

Deferred building and technology maintenance

Although the University has built new, modern facilities on campus in recent years, a number of its older buildings still require major renovations and maintenance. Over the next few years, the University will focus on maintaining and renovating its existing facilities.

Several of the University's information systems are obsolete and no longer respond effectively to its needs. In the coming years, the University intends to invest in modernizing and replacing the University's web platform as well as its finance and human resources Enterprise Resource Planning (ERP) software.

Underfunding of some activities

Governments do not adequately fund some of the University's activities

that directly relate to its mission. The four key areas that suffer from chronic underfunding are:

- indirect costs related to research;
- Francophonie and Bilingualism
- support for students with disabilities or special needs; and
- the maintenance and replacement of capital and IT infrastructures.

Each year, the University must draw from its operating fund to finance these activities.

Financial outlook for 2020-2021 and 2022-2022 fiscal years

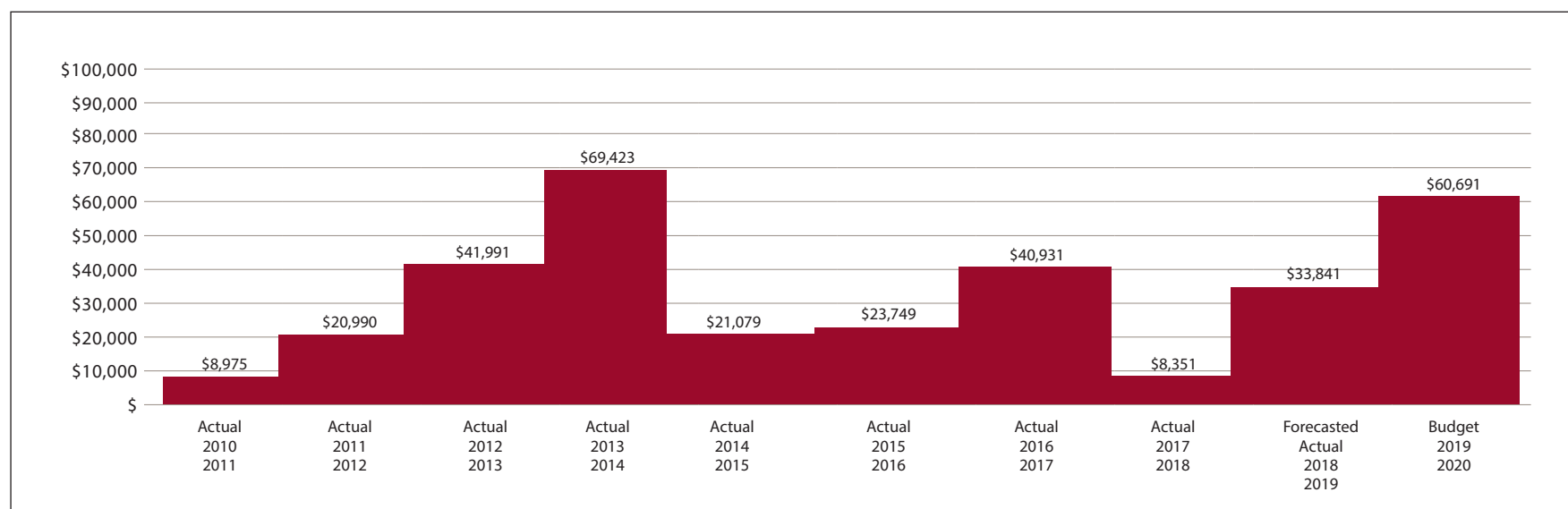
The current environment continues to put pressure on the University and its ability to balance its budget. Considerable academic and operational transformations will be required to maintain a healthy financial outlook.

CONCLUSION

Following the recommendations and endorsement by the Finance and Treasury Committee, the University's Administration Committee is of the opinion that the budget for the 2019-2020 fiscal year meets the objectives set by the Board of Governors.

For the 2019-2020 fiscal year, approximately \$61M must be funded by other sources of revenues, compared to a forecast of \$34M in 2018-2019).

FIGURE 1 — Operating fund evolution – Expenditures and interfund transfers financed by tuition fees and grants (in thousands of dollars)



BUDGET MODEL

In 2018-2019, the University adopted a new revenue allocation model that incorporates long-term financial sustainability goals, facilitates the achievement of strategic objectives, and assists in preparing for the upcoming 2020-2025 Strategic Mandate Agreement (SMA).

This budget model is a new way of allocating revenues and expenditures to allow the University to advance in its teaching and research mission while ensuring its financial viability in the short, medium and long term. It aims to identify additional sources of revenue; promotes the achievement of objectives identified in the SMA; encourages the modernization and implementation of innovative academic programs; and fosters sound and efficient management of operations.

This model is a tool that facilitates the financial planning process while improving transparency in decision-making and increasing management accountability. It will assist in meeting the performance indicators and goals stated in the next SMA, as announced in the provincial government's budget on April 11, 2019.

The new model comprises three envelopes:

1. a base budget allocation to support the core needs of each faculty and service (base allocation)
2. a performance-related envelope (incentives)
3. an envelope for strategic priorities (strategic fund)

The University continues to budget by fund to account for funding restrictions as well as resource allocation for various activities.



THE ENVELOPES



1

Base Allocation

As was the case in 2018-2019, the faculties and services received a base budget allocation for 2019-2020 that reflects the actual operating costs of current and new commitments. The new funding model allows for adjustments to the base allocation each year depending on the changes made by faculties and services, whether due to evolving human resources requirements (professors and support staff) or operations.

2

Incentives

The second envelope seeks to incorporate incentives into the new budget model to encourage faculties and services to more rapidly achieve goals identified as priorities. These goals seek to increase revenues, contain costs and reach identified goals. The incentives are specific to each faculty and service. This second envelope also serves to link the current financial year to the following one. Hence, good performance in the current year will feed into the second envelope the following year. For 2019-2020, given the anticipated decline in revenue due to a reduction in Canadian tuition fees, the incentives focused on efforts to recruit new students. Each faculty was assigned recruiting targets for the 2019 fall term. Faculties that exceed their target will receive an allocation in their second envelope in 2020-2021.

3

Strategic Fund

The third envelope constitutes a strategic fund that will allow the University to reach the strategic goals that it deems to be top priorities more rapidly. Ideally, the amounts allocated to this envelope will represent at least 3% of the total operating fund revenues.

BUDGET PROCESS



The strategic plan defines the framework for the budget of the University of Ottawa. The development of the budget is part of a process that includes input from unit managers and decision-makers; this ensures that the final budget aligns with the institution's teaching and research goals.

GOVERNANCE PROCESS

The **Board of Governors** is responsible for ensuring that the budget is consistent with the University's objectives and for the final approval of the budget.

The **Finance and Treasury Committee** (finance component) of the Board of Governors is responsible for the budget and financial oversight of the University. It is also responsible for recommending the University's budget to the Board of Governors.

The **University's Administration Committee** is responsible for presenting a proposed budget in line with the objectives of the University and recommending its approval to the Finance and Treasury Committee (finance component).

The **Standing Budget Committee** is responsible for recommending, to the Administration Committee, a philosophy, principle, and approach to the budget, as well as the allocation of financial resources to contribute to a balanced budget.

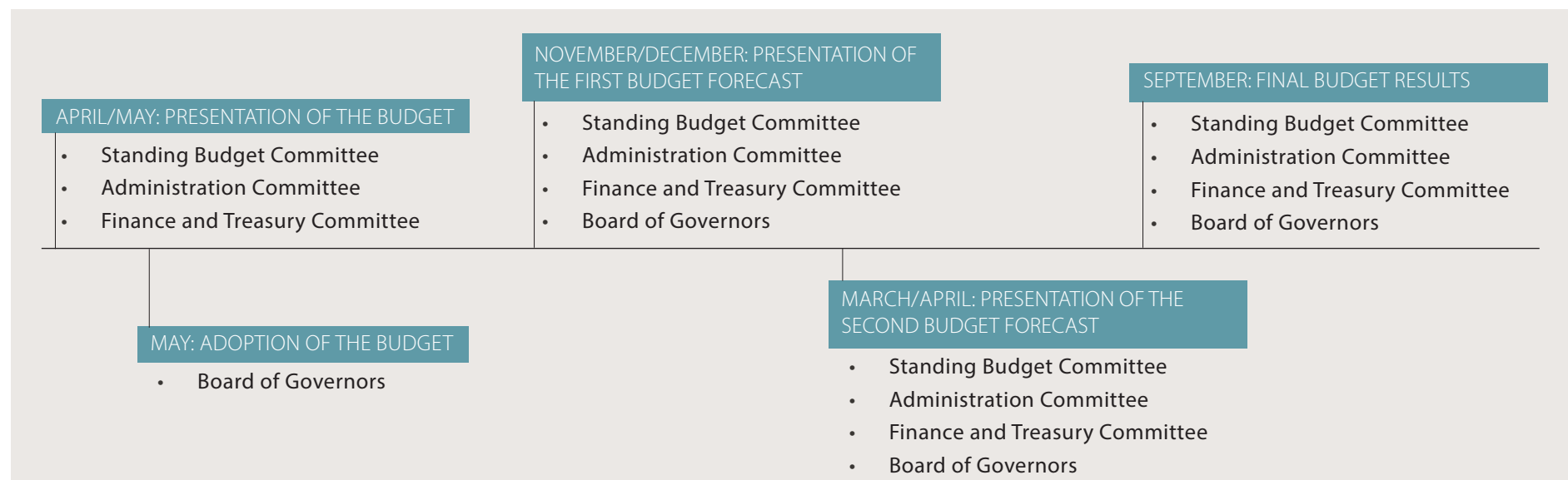
BUDGET UPDATES

Budget updates, also referred to as financial forecasts, track changes in actual revenue and expenditures against budget. They are presented to the Board of Governors twice a year, in conjunction with official student enrolment figures. The first budget update uses actual data as at September 30 and the second uses actual data as at January 31. In addition to the monthly variance analysis, these two updates are used to validate revenue and expenditure trends and, if necessary, make necessary adjustments.

FINAL BUDGET RESULTS

In conjunction with the preparation of the audited consolidated financial statements, the actual financial results are compiled on a budget basis to allow for an analysis of the differences between the actual results and the budget. The result of these analyses are presented to the Board of Governor's Finance and Treasury Committee and to the Board of Governors in September of each year.

FIGURE 2 — *Calendar of the budget process*



FUND DESCRIPTIONS AND LINKS BETWEEN THE FUNDS

FUND DESCRIPTIONS

The University of Ottawa uses the fund accounting method for its budgetary operations. Each fund has a primary function that allows the earmarking of revenues and expenditures for specific purposes to meet the funding requirements of donors. Different budget requirements will apply depending on the type of fund.

The **Operating Fund** is composed of financial resources that can be used without external restrictions to achieve the University's objective of teaching, research and community service.

Ancillary Enterprises consists of financial resources whose use is intended for activities that complement the main research and teaching activities. It includes self-funded services such as food services, residences, the University of Ottawa Press, and parking.

Restricted Funds consist of financial resources that must be used according to restrictions imposed by external fund providers for non-reciprocal agreements, such as research projects and research chairs. Projects are subject to the various rules and policies of each granting agencies and the University, particularly with respect to the procedures for managing eligible research expenditures. Restricted funds also comprise funds on which other restrictions are imposed, such as those imposed on scholarships awarded by donors. The University of Ottawa has two restricted funds:

- Restricted fund — Research
- Restricted fund — Other

The **Endowment Fund** is used to capitalize donations received by the University, and the distribution of the earned revenues from this capitalization. The capital must be maintained and in general, the proceeds from it can generally be only be used for the purposes specified by the donor.

The **Capital Fund** comprises financial resources used for capital expenditures (such as land and building acquisitions, facility construction, and major renovations). The Capital Fund is financed through grants, donations, loans, and transfers from other funds.

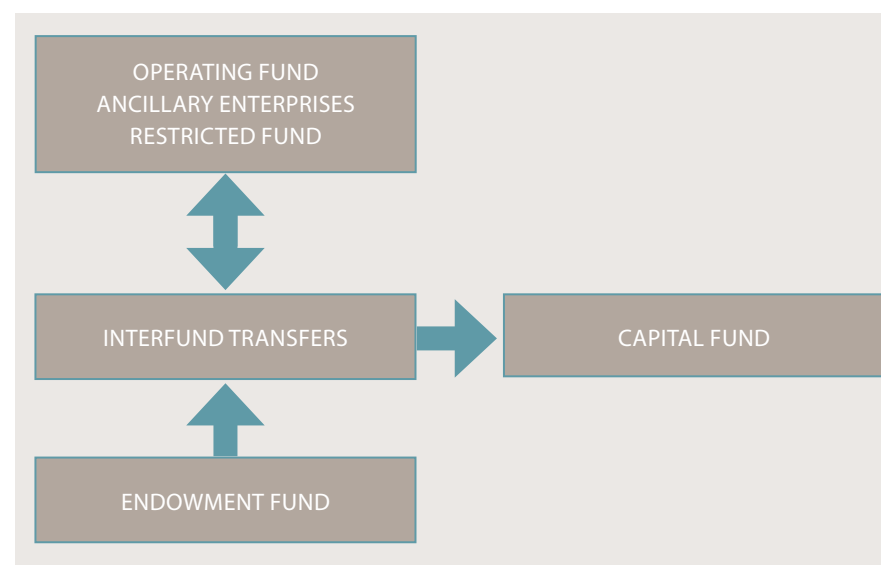
Each fund accumulates the net resources available to meet its current and future obligations.

LINKS BETWEEN THE FUNDS

Even though all these funds are distinct from one another, transfers between the different funds can be made during the year, depending on the funding agreements. The main authorized transfers are:

- Acquisitions of capital assets funded by the Operating Fund, Ancillary Enterprises, Restricted Fund – Research, and the Restricted Fund – Other. These acquisitions must be accounted for in the capital fund through an interfund transfer between the original fund and the capital fund.
- The Operating Fund contributes in a number of ways to research activities at the University, including by providing start-up funds and support for research chairs. These amounts are presented as interfund transfers from the Operating Fund to the Restricted Fund – Research.

FIGURE 3 — *Links between the funds*



BUDGET 2019-2020

TABLE 1 — Budget 2019-2020, details by fund (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
Tuitions and other fees	444,707	1,107	-	-	-	445,814
Investment income	21,251	5	311	9,877	2,953	34,397
Sales of goods and services	8,995	13,763	2,241	3,003	-	28,002
Student housing	-	25,337	-	-	-	25,337
Donations	647	5	2,400	9,879	-	12,931
Other	12,159	4,970	613	5,202	4,000	26,944
Total revenue	807,512	45,569	148,946	100,004	11,742	1,113,773
Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
Goods and services	93,121	17,126	36,196	4,838	-	151,281
Maintenance, construction and renovations	941	85	-	-	34,998	36,024
Travel	8,482	1,629	8,430	1,846	-	20,387
Professional fees	1,412	261	25	55	-	1,753
Interest and bank fees	17,105	1,404	6	44	-	18,559
Inter-institutional agreements	1,383	-	29,454	1,590	-	32,427
Other	20,815	3,850	1,645	2,027	-	28,337
Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
Surplus (deficit) before interfund transfers	10,868	11,012	1,863	84	(23,256)	571
Transfers – Capital fund	18,640	500	2,956	119	(22,215)	-
Transfers – Internal loan	1,433	6,873	-	-	(8,306)	-
Transfers – Capital reserve	-	3,236	-	-	(3,236)	-
Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

Certain comparative information has been reclassified to conform to the current year's presentation.

TABLE 2 — Progression of the consolidated budget (in thousand of dollars)

	Budget 2019-2020	Forecasted actual 2018-2019	Actual 2017-2018	Actual 2016-2017	Actual 2015-2016
Revenue					
Operating grants	320,135	320,643	327,604	315,460	318,650
Research grants and contracts	215,424	207,365	199,716	318,650	184,580
Capital grants	4,789	14,463	35,884	38,159	22,593
Tuitions and other fees	445,814	439,649	403,703	381,806	361,184
Investment income	34,397	31,375	54,324	65,373	12,382
Sales of goods and services	28,002	28,358	25,043	25,502	21,155
Student housing	25,337	24,927	27,970	26,016	24,836
Donations	12,931	11,374	10,748	10,124	16,237
Other	26,944	35,883	148,523	52,473	29,357
Total revenue	1,113,773	1,114,037	1,234,158	1,139,263	990,974
Expenditures					
Salaries	590,680	556,309	546,566	534,534	516,242
Benefits	116,075	105,090	107,830	98,710	105,076
Scholarships and financial aid	100,806	103,104	99,890	98,765	103,020
Library acquisitions	16,873	16,730	15,498	16,006	16,796
Goods and services	151,281	145,535	138,358	162,344	164,852
Maintenance, construction and renovations	36,024	50,317	217,812	104,926	44,768
Travel	20,387	19,037	17,704	17,599	18,379
Professional fees	1,753	1,734	1,687	1,562	-
Interest and bank fees	18,559	18,963	18,798	15,553	12,315
Inter-institutional agreements	32,427	31,016	31,275	33,354	22,716
Other	28,337	35,392	24,182	25,239	31,652
Total expenditures	1,113,202	1,083,227	1,219,600	1,108,592	1,035,816
Surplus (deficit)	571	30,810	14,558	30,671	(44,842)

Certain comparative information has been reclassified to conform to the current year's presentation.

BUDGET PRESENTED AS FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING STANDARDS



As is the case for most Ontario universities, the University of Ottawa's budget is compiled on a modified cash basis. This method differs from Canadian accounting standards for not-for-profit organizations. The two main differences are:

- the difference between capitalization and depreciation of capital assets, such as books, equipment, buildings and computer hardware and software; and
- the difference between the cash disbursements for the pension plan and other employee benefits, and the actuarial measurements of expenditures used in the consolidated financial statements.

To track and monitor the budget throughout the year, and to predict the effects on required cash reserves at the end of the fiscal year, the University's budget is prepared before the application of some of these standards. This approach means that information in the budget document itself differs from information presented in the financial statements. For example, accounting for adjustments for future employee benefits is not included in the budget. As well, the change in net assets invested in capital assets is accounted for as an expenditure in the budget whereas it is capitalized in the University's statement of financial position.

For comparison purposes, the 2019-2020 budget figures are presented in the same format as the financial statements and thus include all the accounting standards for not-for-profit organizations.

TABLE 3 — Consolidated statement of operations (in thousands of dollars)*

	Budget 2019-2020	Forecasted Actual 2018-2019	Actual 2017-2018
Revenue			
Operating grants	320,135	320,643	327,604
Tuitions and other fees	445,814	439,649	403,703
Research grants and contracts	203,298	201,084	201,490
Student housing	25,337	24,927	27,970
Sale of services	28,002	28,358	25,043
Donations	13,788	12,225	14,293
Investment income	34,397	31,375	54,324
Capital grants	11,094	10,853	9,549
Other	26,944	23,130	28,778
Total revenue	1,108,809	1,092,244	1 092,754
Expenses			
Salaries	595,245	561,094	550,898
Benefits	87,067	77,976	85,752
Supplies and other contractual services	131,502	133,211	137,064
Scholarships, bursaries and financial aid	95,815	97,861	95,115
Professional fees	1,753	1,734	1,335
Inter-institutional research and other agreements	32,427	31,016	31,275
Travel	20,387	19,037	17,704
Interest and bank fees	18,559	18,963	18,798
Depreciation of capital assets	77,130	69,312	64,206
Other	26,717	33,882	20,835
Total expenses	1,086,602	1,044,086	1,022,982
Excess of revenue over expenses	22,207	48,158	69,772

Certain comparative information has been reclassified to conform to the current year's presentation.

* Actual 2017-2018 is an extract from the audited consolidated financial statements. The presentation and terminology used may differ from the budget documents.

For the fiscal year ending April 30, 2020, the University forecasts an excess of revenue over expenses of \$22.2M, which is a significant drop compared to April 30, 2019. This variance is the result of the growth in expenditures exceeding the growth in revenues.

When comparing the excess of revenue over expenses (accounting surplus) to the budget surplus forecasted for 2019-2020, the variance can be reconciled as shown in Table 4.

TABLE 4 — Reconciliation between financial statement and budget (in thousands of dollars)

	Budget 2019-2020	Forecasted Actual 2018-2019	Actual 2017-2018
Excess of revenue over expenses	22,207	48,158	69,772
Variation of net assets invested in capital assets*	7,798	10,224	(32,693)
Adjustment related to employee future benefits**	(29,434)	(27,572)	(22,521)
Surplus (deficit) budget	571	30,810	14,558

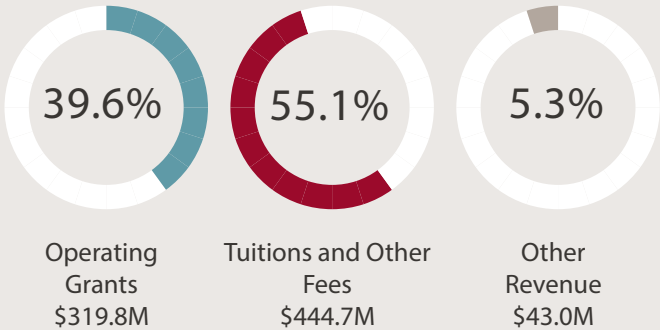
* See Note 14 in the audited statements for details on the change in net assets invested in capital assets.

** See Note 6 of the audited statements for 2017-2018 for details of the adjustments for future employee benefits. The data used for the 2018-2019 forecast and the 2019-2020 budget were drawn from the five-year projection submitted by our actuaries and are dated summer 2017 and summer 2018, respectively.

OPERATING FUND HIGHLIGHTS

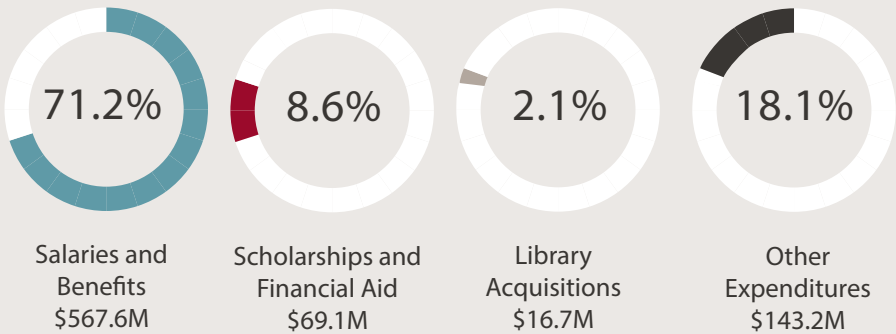
\$807.5M Revenue

The Operating Fund revenue will total \$807.5M, an increase of 1.1% compare to the 2018-2019 forecasted actuals.



\$824.9M Expenditures and Interfund Transfers

The expenditures and interfund transfers planned for 2019-2020 amount to \$824.9M. Salaries and benefits account for nearly 71% of all University of Ottawa expenditures.



4.1% Evolution of Expenditures and Interfund Transfers

The University of Ottawa will continue to review its expenditures and interfund transfers.



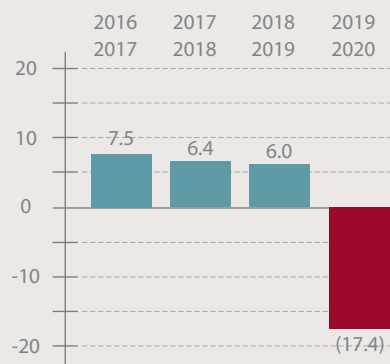
(\$17.4 M)

Budget Deficit

This budget shows a deficit of \$17.4M. As promised, the University of Ottawa will reduce the deficit over a period of 3 to 5 years.

Evolution of the Surplus (Deficit)

(in millions of dollars)



\$7,821

2019-2020
Budget

\$8,642

2018-2019
Forecasted Actual

Average
Tuition Cost
per Canadian
Student

42,990

Estimated Number of
Canadian and International
Students in the Fall of 2019.





OPERATING FUND

TABLE 5 — Operating fund, consolidated budget 2019-2020 (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
Tuitions and other fees	444,707	1,107	-	-	-	445,814
Investment income	21,251	5	311	9,877	2,953	34,397
Sales of goods and services	8,995	13,763	2,241	3,003	-	28,002
Student housing	-	25,337	-	-	-	25,337
Donations	647	5	2,400	9,879	-	12,931
Other	12,159	4,970	613	5,202	4,000	26,944
Total revenue	807,512	45,569	148,946	100,004	11,742	1,113,773
Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
Goods and services	93,121	17,126	36,196	4,838	-	151,281
Maintenance, construction and renovations	941	85	-	-	34,998	36,024
Travel	8,482	1,629	8,430	1,846	-	20,387
Professional fees	1,412	261	25	55	-	1,753
Interest and bank fees	17,105	1,404	6	44	-	18,559
Inter-institutional agreements	1,383	-	29,454	1,590	-	32,427
Other	20,815	3,850	1,645	2,027	-	28,337
Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
Surplus (deficit) before interfund transfers	10,868	11,012	1,863	84	(23,256)	571
Transfers – Capital fund	18,640	500	2,956	119	(22,215)	-
Transfers – Internal loan	1,433	6,873	-	-	(8,306)	-
Transfers – Capital reserve	-	3,236	-	-	(3,236)	-
Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

Certain comparative information has been reclassified to conform to the current year's presentation.

REVENUE ANALYSIS

TABLE 6 — Operating revenue 2019-2020 (in thousand of dollars)

	Budget 2019-2020 (\$)	Forecasted actual 2018-2019 (\$)	Budget 2018-2019 (\$)	Variance Budget 2019-2020 vs forecasted actual 2018-2019		Variance Budget 2019-2020 vs budget 2018-2019	
				(\$)	(%)	(\$)	(%)
Operating grants	319,753	320,323	322,572	(570)	(0.18)	(2,819)	(0.87)
Tuitions and other fees - Canadian students	275,718	302,635	302,110	(26,917)	(8.89)	(26,392)	(8.74)
Tuitions and other fees - International students	168,989	135,966	142,170	33,023	24.29	26,819	18.86
Investment income	21,251	16,620	21,695	4,631	27.86	(444)	(2.05)
Sales of goods and services	8,995	9,832	9,783	(837)	(8.51)	(788)	(8.05)
Donations	647	701	555	(54)	(7.70)	92	16.58
Other	12,159	12,699	12,054	(540)	(4.25)	105	0.87
Total of revenue	807,512	798,776	810,939	8,736	1.09	(3,427)	(0.42)

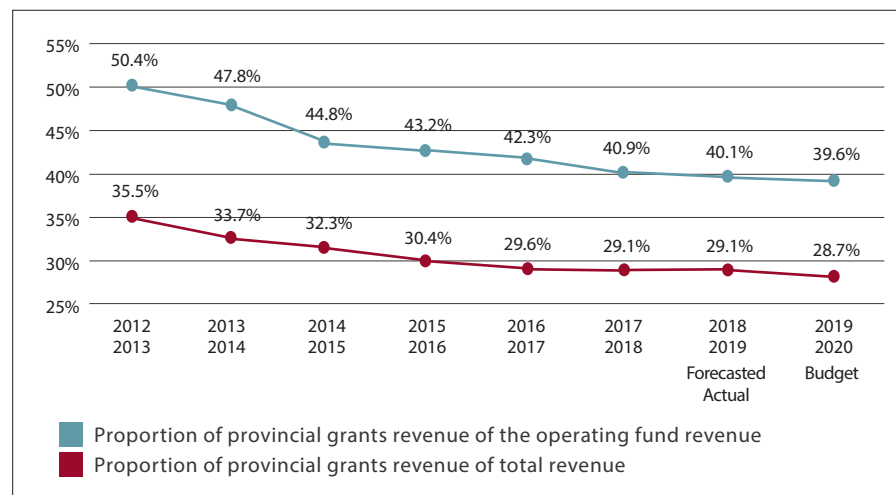
Certain comparative information has been reclassified to conform to the current year's presentation.

GRANTS

As announced in the latest provincial budget, operating grants from the MTCU remain stable in 2019-2020. For the 2019-2020 budget and the 2018-2019 forecasted actual, provincial grant revenues are estimated at \$319.8M and \$320.3M, respectively². Since 2013-2014, grant revenues have dropped under 50% of Operating Fund revenues.

In 2019-2020, this proportion will drop under 40% for the first time. The next SMA, which will cover five years (from 2020 to 2025), is likely to solidify the trend towards a decrease in provincial grant revenue as a proportion of Operating Fund revenues.

FIGURE 4 — Evolution of provincial grants (%)



2- Note that these amounts do not include Professional Association of Residents of Ontario (PARO) grants, which only apply to the Faculty of Medicine.

TUITION FEES

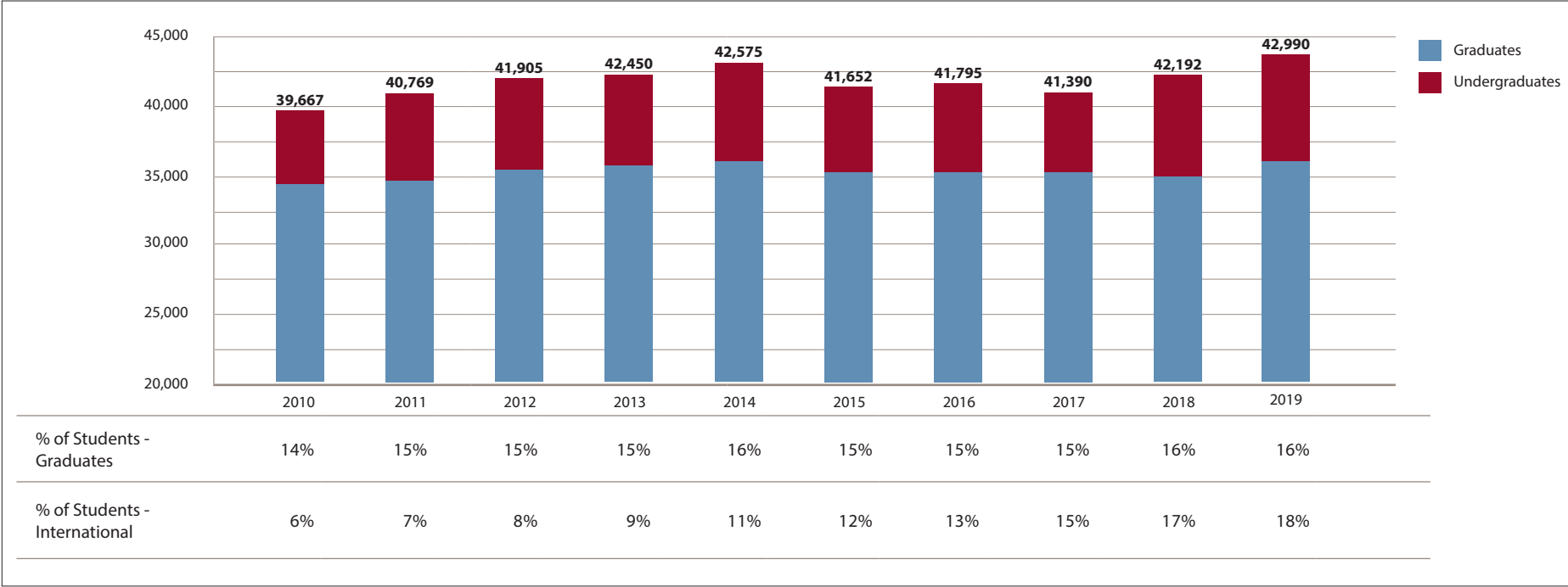
Tuition fees must comply with the new regulatory framework set by the Ontario government. This means that for students who are Canadian citizens or permanent residents, tuition fees were reduced by 10% in 2019-2020 from 2018-2019 levels. In 2020-2021, tuition fees will be frozen to the same level as 2019-2020³. The University of Ottawa has decided that for 2019-2020, it would extend the 10% tuition fee reduction to international students who qualify for the partial tuition fee waiver (Francophones).

A tuition fee increase of up to 15% for newly enrolled, non-exempted international students is in line with market trends. However, this increase is partially offset by the continuation of the scholarship program implemented last year for these students, resulting in a net indexed increase of 12%. In the fall of 2017, the Board of Governors approved a resolution that mandated the University to include within any international tuition fee increases, a mechanism by which students (under certain conditions) can anticipate tuition costs beyond their first year. Consequently, the University has limited future annual increases in tuition fees for international students admitted before or during the summer 2018 term to a maximum increase of 5.5% for the normal duration of their program, in accordance with the criteria approved by the Board of Governors.

Due to the new regulatory framework, and despite an increase in enrolment, tuition fee revenues will increase only slightly from 2018-2019 forecasted actual levels to the 2019-2020 budget levels, from \$438.6M to \$444.7M. The increase is primarily due to an increased number of students, particularly international students, thanks to sustained recruitment efforts over the past two years. Despite the reduction in tuition fees for Canadian students, the proportion of Operating Fund revenues arising from tuition fees increases from 54.9% in 2018-2019 to 55.1% in 2019-2020.

3- In fact, the Ministry's instructions for applying this policy mean that for some students, the reduction in tuition fees is greater than 10%.

FIGURE 5 — Number of students on November 1st

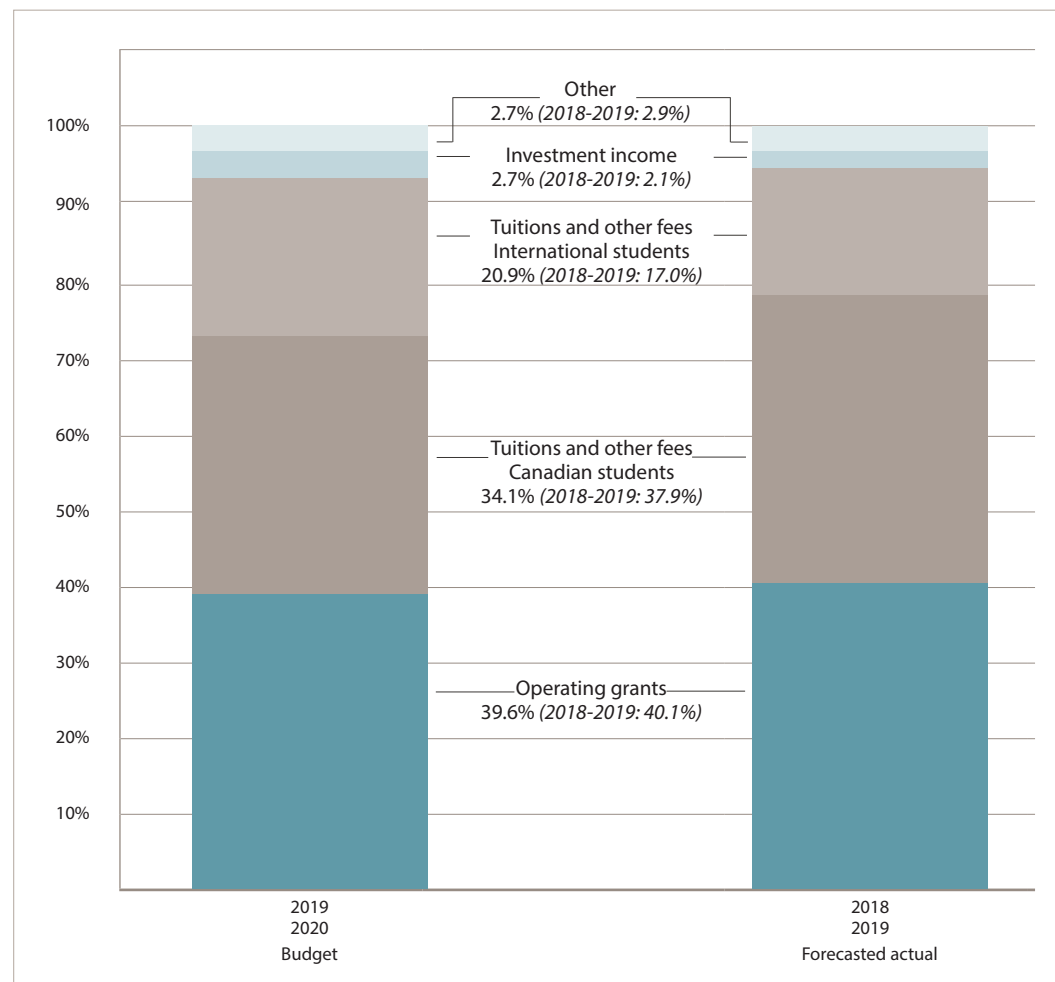


INVESTMENT INCOME

The University estimates its investment income based on the rate of return provided for in its investment policy. The long-term return is currently estimated at 5.0%, which yields \$21.3M in investment income. Given the uncertainty surrounding financial markets, the University hedges against fluctuations in investment income through the use of a stabilization reserve. Investment returns above targets are used to increase the stabilization reserve.

The University draws down on the reserve in the event that investment returns are lower than expected. The 2019-2020 budget does not provide for any increases or usage of this reserve. However, since the total funds invested may decrease, the University must plan for a decrease in investment revenue in 2020-2021 to reach a level of approximately \$18.0M.

FIGURE 6 — Proportion of revenue, comparative 2019-2020 budget and 2018-2019 forecasted actual (%)



Certain comparative information has been reclassified to conform to the current year's presentation.

EXPENDITURES ANALYSIS

TABLE 7 — Operating expenditures 2019-2020 (in thousands of dollars)

	Budget 2019-2020 (\$)	Forecasted actual 2018-2019 (\$)	Budget 2018-2019 (\$)	Variance Budget 2019-2020 vs forecasted actual 2018-2019		Variance Budget 2019-2020 vs budget 2018-2019	
				(\$)	(%)	(\$)	(%)
Academic salaries	247,694	226,296	238,839	21,398	9.46	8,855	3.71
Support staff salaries	195,823	183,224	187,993	12,599	6.88	7,830	4.17
Student salaries	24,305	23,710	23,179	595	2.51	1,126	4.86
Benefits	99,741	89,095	95,762	10,646	11.95	3,979	4.16
Scholarships and financial aid	69,126	71,184	70,318	(2,058)	(2.89)	(1,192)	(1.70)
Library acquisitions	16,696	16,552	16,225	144	0.87	471	2.90
Goods and services	93,121	93,420	90,888	(299)	(0.32)	2,233	2.46
Maintenance, construction and renovations	941	1,724	967	(783)	(45.42)	(26)	(2.69)
Travel	8,482	8,109	7,775	373	4.60	707	9.09
Professional fees	1,412	1,626	1,658	(214)	(13.16)	(246)	(14.84)
Interest and bank fees	17,105	16,461	16,112	644	3.91	993	6.16
Inter-institutional agreements	1,383	873	700	510	58.42	683	97.57
Other	20,815	21,798	18,082	(983)	(4.51)	2,733	15.11
Total expenditures	796,644	754,072	768,498	42,572	5.65	28,146	3.66

Certain comparative information has been reclassified to conform to the current year's presentation.

The University estimates that regulatory framework on tuition fees introduced by the provincial government represents a revenue shortfall of about \$33.0M in 2019-2020 for the University of Ottawa⁴. This presents a significant budgetary challenge.

Aside from efforts to recruit more students, and particularly international students, this \$33.0M shortfall can also be compensated by a further tightening of expenses. For example, although the University has received well-justified requests for

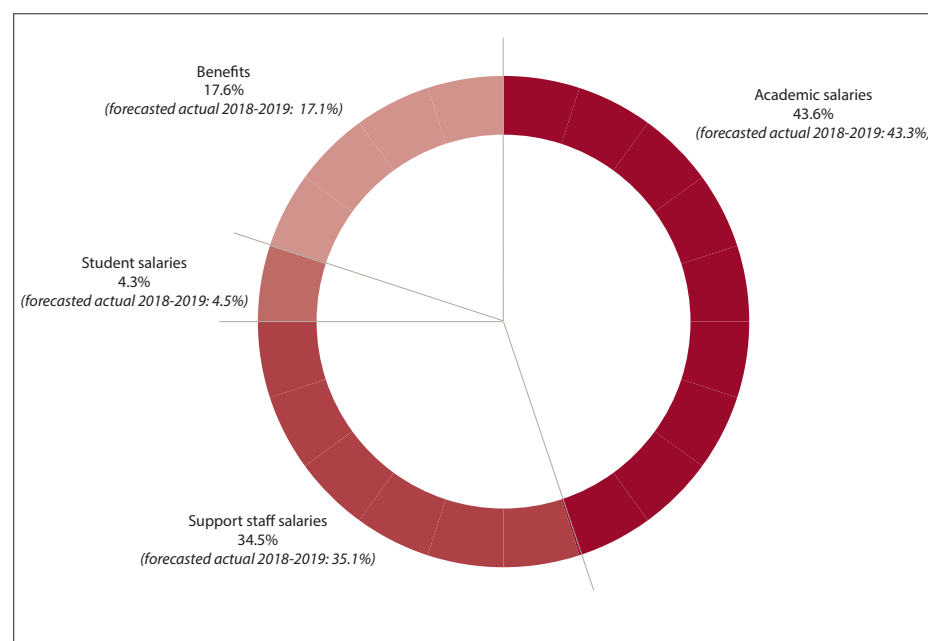
additional funding from its faculties and services, the University has decided to allocate the same envelopes to faculties and services in 2019-2020. As shown in the comparison of expenditure that follows, the increases in 2019-2020 over the preceding year are essentially due to salary increases mandated by collective agreements.

4- This revenue loss is estimated at \$45.0M in 2020-2021.

COMPENSATION

The 2019-2020 budget provides for economic increases in addition to progress-through-the-rank increases, in accordance with current collective agreements and mandates approved by the Executive Committee of the Board of Governors. Given the tightening measures imposed on other expense categories, the proportion of salaries and benefits to total operating fund expenditures rises from 69.3% in 2018-2019 to 71.2 % in 2019-2020. Figure 7 illustrates the distribution of the various components.

FIGURE 7 — *Distribution of salary and benefits expenditures (%)*



PENSION PLAN

The pension plan represents a total cost of \$47.2M (\$45.9M in 2018-2019) for the University. According to the latest actuarial valuation, the current service cost of the plan is 12.6%, of which 41.0% is contributed by the employees.

In May 2018, the Ontario government passed Bill 177, which amends the Ontario Pension Benefits Act. To take advantage of the positive effects of these new regulations, the University commissioned an actuarial valuation whose results were submitted on January 1, 2018. As a result of this valuation, employer contributions decreased from those indicated in the 2018-2019 budget by approximately \$2.0M.

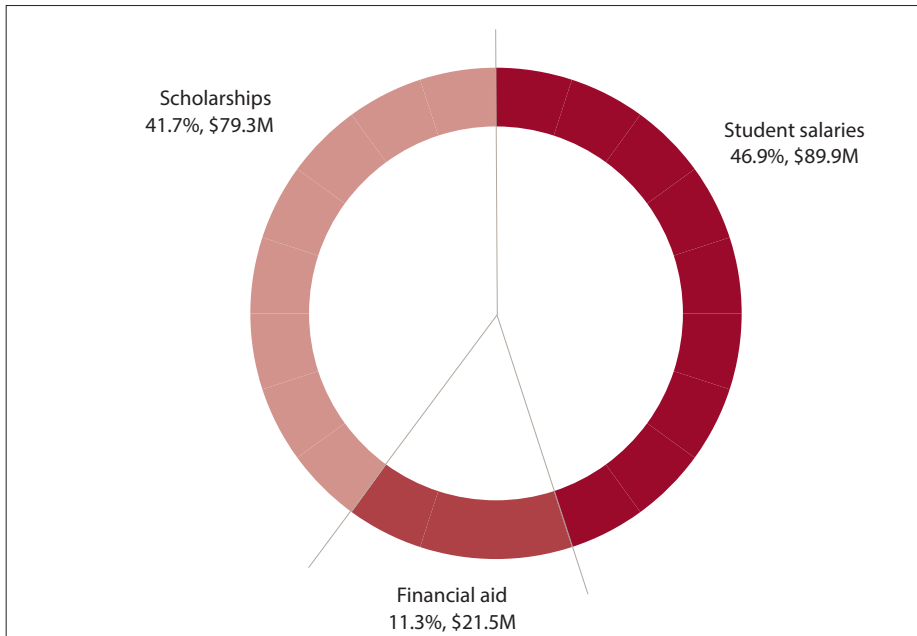
SCHOLARSHIPS AND FINANCIAL AID

In 2019-2020, the total budget allocated to scholarships and financial aid is \$100.8M, compared to \$100.1M in 2018-2019. The Operating Fund contributes 68.6% of the University's scholarship and financial aid budget. The tuition fee reduction for Canadian students and permanent residents will result in marginal savings in financial aid. Hence, in 2019-2020, the operating fund contribution to the scholarships and financial aid budget will be \$69.1M, compared to \$71.2M in the 2018-2019 forecasted actual results.

For the second time, a proportion of international undergraduate and graduate students newly enrolled at the University of Ottawa will be awarded a scholarship of up to \$2,500. Moreover, international PhD candidates will pay the same tuition fees as Canadian PhD candidates, as a result of the awarding of a scholarship that is equal to the difference between international and Canadian tuition fees.

The University estimates that changes to Ontario Student Assistance Program (OSAP) bursaries could increase the number of requests for emergency financial aid. Consequently, the budget allocated to financial aid may need to be increased in 2020-2021.

FIGURE 8 — *Student financial support: \$190.7M*



INTERFUND TRANSFERS

It is well known that governments underfund research and capital expenditures. This explains why, year in and year out, funds are transferred from the Operating Fund to other funds, including the Restricted Fund – Research and the Capital Fund. For 2019-2020, the interfund transfer from the Operating Fund is expected to be \$28.3M, which is approximately \$10.3M less than in 2018-2019.

SURPLUS (DEFICIT)

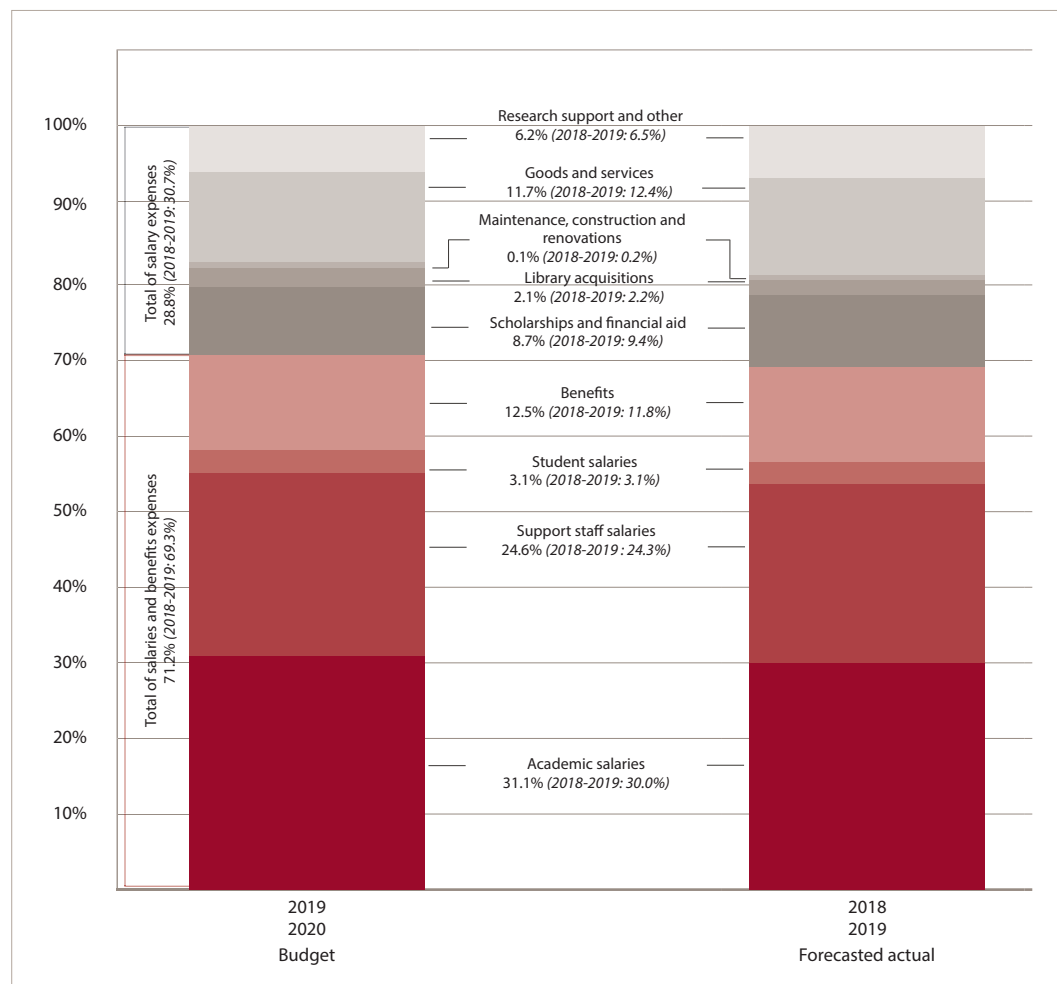
Despite increased recruitment efforts, which have partially compensated for losses incurred due to the reduction in tuition fees for Canadian students, the University expect to incur an Operating Fund deficit, before restrictions, of \$17.4M. The deficit will be partially funded as follow:

- \$5.2M from the surplus realized in 2017-2018; and
- \$2.1M from the energy reserve to finance increases in energy consumption rates planned for in the the 2019-2020 budget.

The University will devise strategies to finance the remaining deficit over 3-to-5 years, based on the data known at this time.

The total financial support for students is \$189.7M, including \$100.8M in scholarships and financial aid.

FIGURE 9 — Proportion of total expenditures, comparative of 2019-2020 budget and 2018-2019 forecasted actual (%)



Certain comparative information has been reclassified to conform to the current year's presentation.



ANCILLARY ENTERPRISES

TABLE 8 — Ancillary enterprises, consolidated budget 2019-2020 (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
Tuitions and other fees	444,707	1,107	-	-	-	445,814
Investment income	21,251	5	311	9,877	2,953	34,397
Sales of goods and services	8,995	13,763	2,241	3,003	-	28,002
Student housing	-	25,337	-	-	-	25,337
Donations	647	5	2,400	9,879	-	12,931
Other	12,159	4,970	613	5,202	4,000	26,944
Total revenue	807,512	45,569	148,946	100,004	11,742	1,113,773
Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
Goods and services	93,121	17,126	36,196	4,838	-	151,281
Maintenance, construction and renovations	941	85	-	-	34,998	36,024
Travel	8,482	1,629	8,430	1,846	-	20,387
Professional fees	1,412	261	25	55	-	1,753
Interest and bank fees	17,105	1,404	6	44	-	18,559
Inter-institutional agreements	1,383	-	29,454	1,590	-	32,427
Other	20,815	3,850	1,645	2,027	-	28,337
Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
Surplus (deficit) before interfund transfers	10,868	11,012	1,863	84	(23,256)	571
Transfers – Capital fund	18,640	500	2,956	119	(22,215)	-
Transfers – Internal debt	1,433	6,873	-	-	(8,306)	-
Transfers – Capital reserve	-	3,236	-	-	(3,236)	-
Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

Certain comparative information has been reclassified to conform to the current year's presentation.

The budget for Ancillary Enterprises finances activities and initiatives that support the University's objectives and play a vital role in the quality of life and student experience on campus. However, these activities and initiatives must maintain a sound financial position.

To be financially viable, Ancillary Enterprises must be self-sustaining, which means that each service must generate sufficient revenue to cover its operating expenses, as well as the cost of its capital assets and their replacement. Each enterprise has adjusted its pricing to achieve self-financing while meeting the needs of the University community and taking into account their respective markets.

The University offers the following Ancillary Enterprises:

- Housing
- Food Services
- Parking and Sustainable Transportation
- Bookstore
- University Centre
- Conventions and Reservations
- University of Ottawa Press

HOUSING SERVICES

Housing Service provides the student population with the best housing service by focusing on quality accommodations that are safe and responsive

to student needs. It also offers a variety of programming and coaching services tailored to students.

The Housing Service strategic plan, which was approved by the Administration Committee and the Executive Committee of the Board of Governors, outlined a requirement for a total of 6,500 beds and the need to redevelop its older residences.

In September 2018, the University was forced to close Brooks residence due to issues arising mainly from differed maintenance. This closure reduced the number of beds on offer by 708 spots. Following a review of issues related to differed maintenance, Housing Service plans to permanently close Stanton and Marchand residences as soon as 2022. Note that in December 2018, the differed maintenance requirements for residences were estimated at \$81M.

To reduce the impact of the shortage of beds on campus, Housing Service has partnered with the private sector, which resulted in the opening of the Annex in September 2018. Thanks to these changes, Housing Service now boasts a 4,000-bed capacity for the student population, an increase of over 48.0 % since 2012-2013.

To support the academic success of students who reside on campus, Housing Service will continue to implement the concept of learning communities and offer the services of team leads, peer supports, mentors and community counsellors living in residence. Finally, to ensure both success, and health and safety of students, Housing Service will continue to provide full-time counsellors. This provides residents with priority access to counselling and mentoring services.



FOOD SERVICES

Food Services offers students a diverse and appealing selection of healthy food choices at competitive and fair prices.

To continue in this direction, Food Services implemented in 2018-2019 the second phase of its master plan, which was approved in July 2014. This phase is the completion of a new, 400-seat food court in the Learning Crossroads, which opened its doors in September 2018. This new facility features three service counters.

Moreover, in 2019-2020, Food Services will renovate the food court in Roger Guindon Hall to provide 150 seats. Work is slated to begin in June 2019 and should be completed in January 2020.

In addition to improving the food services offered on campus, these changes will create food destinations that better meet the needs of the University community.

Customer satisfaction surveys of patrons using the 24/7 Dining Hall revealed a greater than 90% satisfaction rate, which is reflected in a 7% increase in food sales over the course of the past year.



PARKING AND SUSTAINABLE TRANSPORTATION

The Confederation Line of Ottawa's light rail train (LRT) system should be completed by summer 2019, although no official date is yet available. The University is preparing to open the Lees and Campus stations and redeveloping the G4 (200 Lees) and K parking lots, which are currently used by the City of Ottawa during LRT construction.

Parking and Sustainable Transportation will continue to make pedestrian safety a priority and will maintain its efforts to educate the University community on the use of sustainable transportation.

RESTRICTED FUND — RESEARCH

TABLE 9 — *Restricted fund - Research, consolidated budget 2019-2020 (in thousands of dollars)*

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
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Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
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Inter-institutional agreements	1,383	-	29,454	1,590	-	32,427
Other	20,815	3,850	1,645	2,027	-	28,337
Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
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Transfers – Capital fund	18,640	500	2,956	119	(22,215)	-
Transfers – Internal debt	1,433	6,873	-	-	(8,306)	-
Transfers – Capital reserve	-	3,236	-	-	(3,236)	-
Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

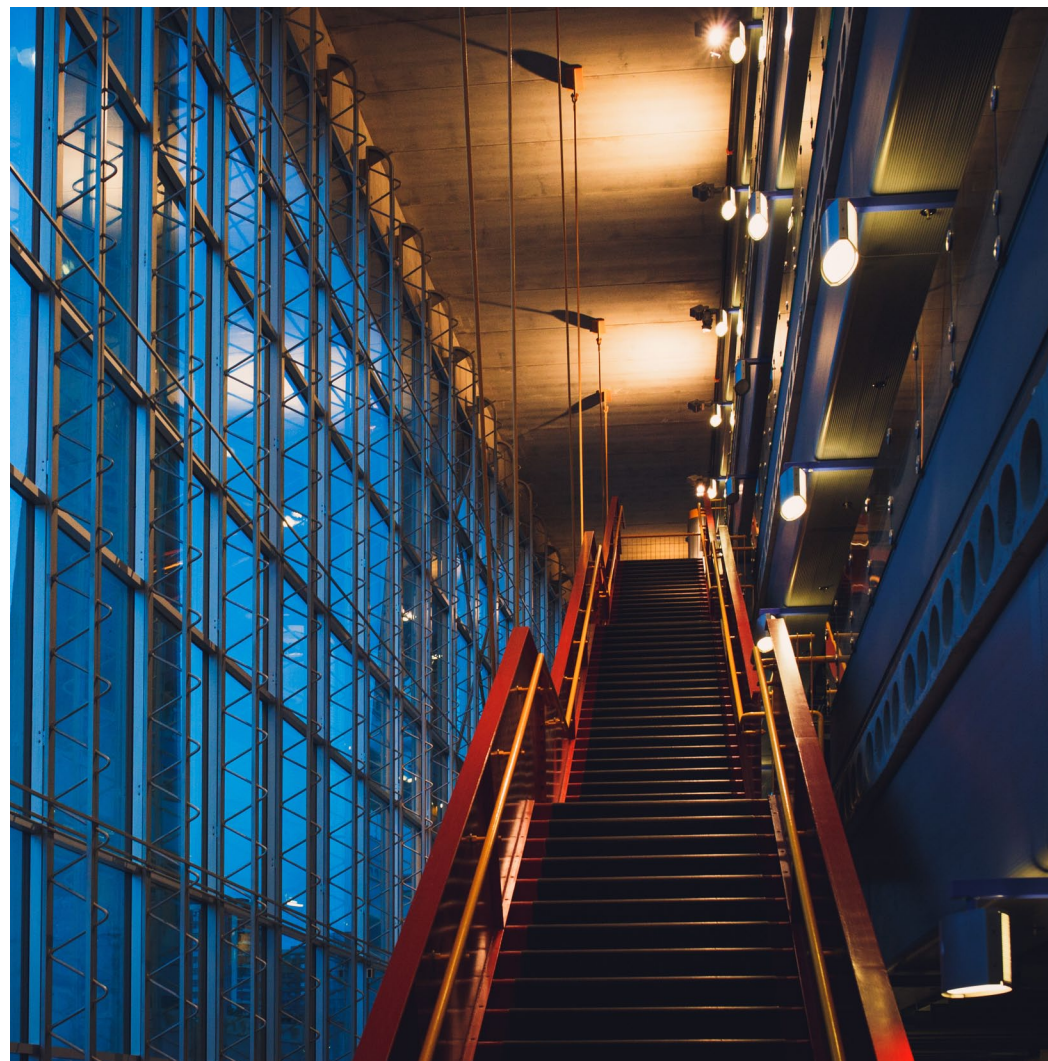
Certain comparative information has been reclassified to conform to the current year's presentation.

In 2018-2019, University of Ottawa researchers performed well in terms of receiving funding from the Tri-Council Agencies and during the launch of highly publicized initiatives, such as the New Frontiers in Research Fund.

In 2019-2020, our researchers are expected to remain competitive, as new investments announced by the federal government in 2018 take effect. In parallel, new sources of research revenue are actively explored thanks to increased activities with potential partners, including some in the private sector. Note that in February 2019, the University opened a satellite campus, complete with offices, classrooms and meeting spaces, in Kanata North, the second-largest technology park in Canada. A number of events with key partners will be held during the rest of 2019. Our presence in Kanata North strengthens our pre-research activities and relations. Overall, a significantly increase in the number of interactions with our technology partners is expected in 2019-2020 by using a three-pronged approach that focuses on access to students, learning, and solutions.

Substantial improvements in the space and capabilities of our research facilities, such as the addition of the Advanced Research Complex (ARC) and the opening of the Science, Technology, Engineering and Mathematics (STEM) building, along with the creation of a new group of professors (60 in all) will continue to generate opportunities for additional research funding. Moreover, the University of Ottawa and the National Research Council (NRC) have signed two strategic partnerships: the first to create a uOttawa-NRC joint centre for extreme photonics research (\$4.2M over seven years); and the second to create a centre for collaborative research on the interaction of light and matter (\$3.6M over two years).

The Office of the Vice-President, Research has implemented a long-term strategy targeted at bolstering the organizational support and multi-year financing of two key programs: the centers and institutes, and the key installations.



REVENUE ANALYSIS

RESEARCH GRANTS AND CONTRACTS

In the 2019-2020 budget, research grants and contracts account for \$144.0M, representing 96.3% of the total Restricted Fund — Research, compared to figures for 2018-2019, which were \$130.0M and 93.9%, respectively.

The research grants and contracts budget is distinct from the amounts allocated

and received based on the research projects. This funding is granted by a number of different funding organizations, including the three Canada Research Council agencies (NSERC, SSHRC and CIHR), the Canada Foundation for Innovation (CFI), the Canada Research Chairs Program, the Government of Canada and the Province of Ontario.

Table 10 provides an estimate of projected research grants and contracts for 2018-2019 and 2019-2020. It is important to note that research grants fluctuate from year to year depending on a variety of factors, including announcements of major research and infrastructure programs, government priorities, and the competitiveness of the research projects of the University's researchers.

TABLE 10 — *Research grants and contracts awarded and received by category (in thousands of dollars)*

	Budget 2018-2019	Forecasted actual 2018-2019	Budget 2019-2020
Funding agency			
CIHR	13,500	16,000	15,500
NSERC	19,000	22,000	22,000
SSHRC	7,000	7,500	7,000
CFI	14,872	8,998	7,418
CRC	10,500	9,500	10,500
Government of Canada — Other	7,000	12,000	12,000
Province of Ontario	15,046	14,749	9,332
Private Sector	4,200	4,200	4,200
Networks and Fourth Pillar Organizations	2,400	2,400	2,500
Medical Research Foundations and Associations	3,500	3,500	3,500
Other	15,500	17,100	18,000
Research Support Fund (gross)- Formerly Indirect Costs	13,810	15,107	15,530
Scholarships	8,800	7,576	9,400
Total — Research *	135,128	140,630	136,880
Hospitals and affiliated Institutes	167,011	168,500	168,500
Grand Total	302,139	309,130	305,380

* Represent cash inflows during the fiscal year.

Tri-Council funding (NSERC,SSHRC and CIHR)

Most of the funding announced in the 2018 federal budget began being transferred to universities during the last quarter of the 2018-2019 fiscal year. University of Ottawa researchers obtained better results than expected from these three funding agencies. Note that early career researchers from the University of Ottawa achieved solid results (19% success rate) in New Frontiers in Research competitions, which is above the national average of 12% for this highly competitive new program. This reflects the excellent quality of the researchers recently recruited by the University and bodes well for our future research prospects.

Canadian Foundation for Innovation (CFI)

In 2018-2019, most of the acquisition and construction activities for CFI projects funded through the 2015 Innovation Fund competition were completed. The 2017 Innovation Fund competition saw two projects entirely funded by the CFI and the provincial government, as well as two projects solely funded by the CFI. The purchasing and installation activities for the two entirely funded projects are ongoing. The University was able to obtain funding for the two projects that did not receive provincial funding. For the first of these, the University deployed internal funding to leverage the \$4.0M in CFI funding, for a total project value of \$10M. In terms of the second partially funded project, the University partnered with the National Research Council to obtain a contribution of \$3.6M and match the CFI's \$4.8M contribution, for a total project value of \$12.2M. The implementation of these projects will begin during the 2019-2020 fiscal year.

The CFI also awarded \$3.1M to the University of Ottawa for 14 John R. Evans Leaders Fund (CFI-JELF) projects in 2018-2019. Among other things, these funds serve to attract new researchers to the University. The CFI is also expected to announce the renewal of its JELF envelope for 2019. In 2018-2019, the University received \$2.1M in infrastructure support funding through the Infrastructure Operating Fund. The CFI is expected to announce the launch of the next round of Innovation Fund competitions in the spring of 2019 and the

University is well positioned in the selection of projects for this competition. We expect funding decisions to be announced in late 2020.

We expect fewer CFI grants in 2019-2020 as it is a transition year for Innovation Fund competitions.

Canada research Chairs

As a result of the increased federal investment in the program and the University's competitiveness in Tri-Council competitions, the University of Ottawa was awarded 12 additional Canada Research Chairs in 2018, bringing the total to 89 chairs. Significant recruitment activities are underway to replace a number of chair-holders whose terms are expiring. These efforts focus on selecting excellent candidates in the University's strategic research areas, while respecting the University's inclusion and diversity objectives. In light of the recruiting deadlines, we do not expect any changes in 2019-2020.

Government of Canada

Federal spending restraints continue to affect the level of federal department funding available for research contracts. Nevertheless, University of Ottawa researchers managed to obtain a few significant contracts this year. We expect this to continue in 2019-2020.

Province of Ontario

The 2018 provincial elections resulted in a change of government and a generally restrictive approach to research funding, which in turn affected several funding programs. Total research funding from the province of Ontario is intrinsically tied to CFI funding, since the province matches CFI funding in most cases. However, since the 2018 provincial elections, the decisions to match CFI-JELF project funding have been delayed. This has caused significant delays in implementing these projects and has considerably affected researchers, new recruits and the Canada Research Chairs. As of April 30, 2019, the province had announced funding decisions for 10 of the 14 projects, for a total of \$2.6M in matching funds. These projects will be implemented in 2019-2020.

In late March 2019, the province announced the results of the second Ontario Research Fund (ORF) — Research Infrastructure Program Data (\$82,400) along with eight Early Researcher Awards (\$140,000 each, for a total of \$1.1M). Given the uncertainty of certain provincial programs, we expect this funding to decrease in 2019-2020.

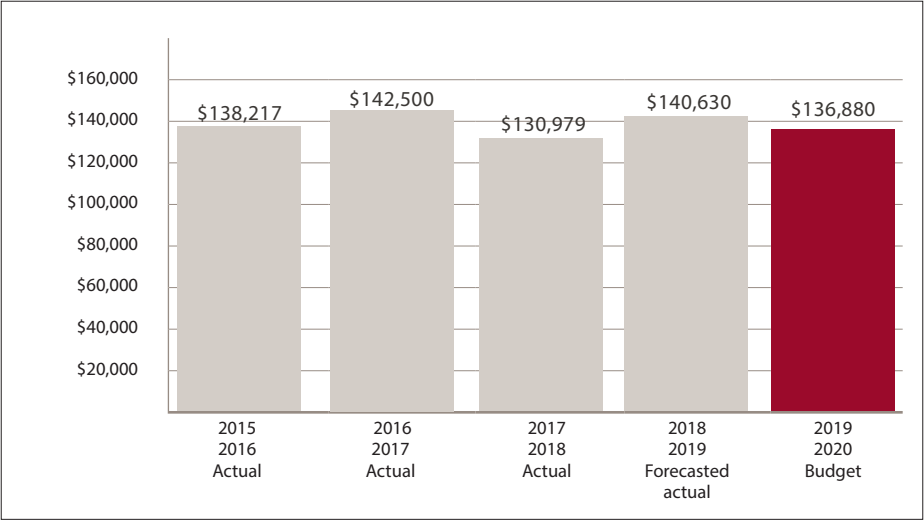
Private sector

Despite the gloomy economic conditions that generally prevail, university researchers continue to eagerly apply for new Tri-Council programs that offers start-up funding for new partnerships, which could eventually pave the way for more intensive research activities in collaboration with the private sector. The University will continue to pursue industry-sponsored research opportunities to maximize provincial and federal leverage.

Indirect research costs

Funding for the indirect costs of research comes from a variety of sources, including general collections related to contract research and the Research Support Fund (formerly known as the Federal Indirect Costs Program). The Research Support Fund is the largest source of federal grant revenue: it accounts for roughly 22% of grants awarded to researchers. This rate is well below the actual indirect costs of research incurred by the University. The 2018 federal budget allocated a moderate increase to fund specifically targeted activities.

FIGURE 10 — Evolution of annual cash inflows by the University of Ottawa for its research activities over the last five years in thousands of dollars)



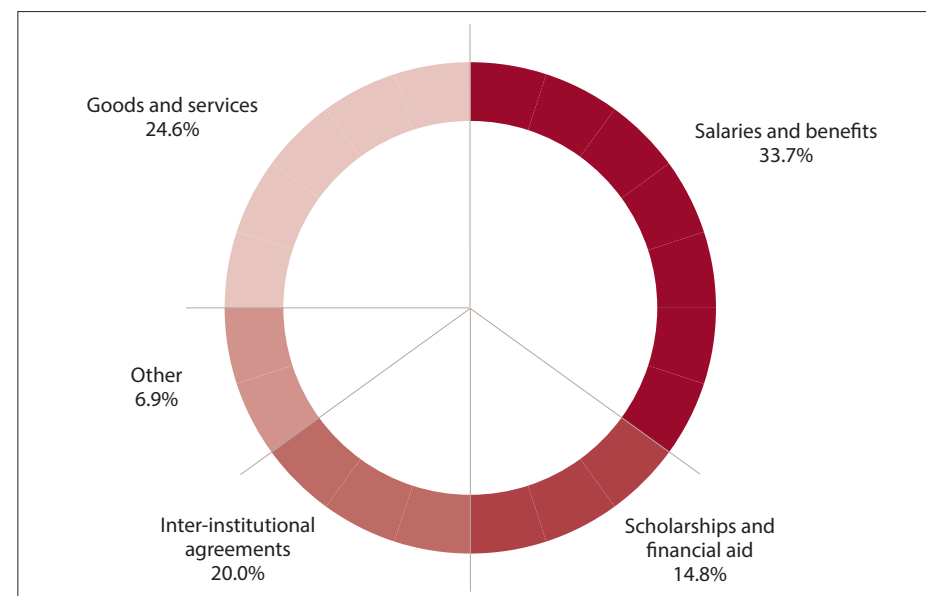


EXPENDITURES ANALYSIS

In the 2019-2020 budget, expenditures for most projects are estimated using the average of the last three years' expenditures. For projects funded by the CFI, expenditures are estimated on a project-by-project basis, based on approved agreements and their cost estimates.

Research project expenditures consist primarily of salaries, student scholarships and financial aid, and research equipment.

FIGURE 11 — *Proportion of expenditures by category (%)*



RESTRICTED FUND — OTHER

TABLE 11 — *Restricted fund - Other, consolidated budget 2019-2020 (in thousands of dollars)*

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
Tuitions and other fees	444,707	1,107	-	-	-	445,814
Investment income	21,251	5	311	9,877	2,953	34,397
Sales of goods and services	8,995	13,763	2,241	3,003	-	28,002
Student housing	-	25,337	-	-	-	25,337
Donations	647	5	2,400	9,879	-	12,931
Other	12,159	4,970	613	5,202	4,000	26,944
Total revenue	807,512	45,569	148,946	100,004	11,742	1,113,773
Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
Goods and services	93,121	17,126	36,196	4,838	-	151,281
Maintenance, construction and renovations	941	85	-	-	34,998	36,024
Travel	8,482	1,629	8,430	1,846	-	20,387
Professional fees	1,412	261	25	55	-	1,753
Interest and bank fees	17,105	1,404	6	44	-	18,559
Inter-institutional agreements	1,383	-	29,454	1,590	-	32,427
Other	20,815	3,850	1,645	2,027	-	28,337
Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
Surplus (deficit) before interfund transfers	10,868	11,012	1,863	84	(23,256)	571
Transfers – Capital fund	18,640	500	2,956	119	(22,215)	-
Transfers – Internal debt	1,433	6,873	-	-	(8,306)	-
Transfers – Capital reserve	-	3,236	-	-	(3,236)	-
Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

Certain comparative information has been reclassified to conform to the current year's presentation.

REVENUE ANALYSIS

Research grants and contracts amounts to \$72.0M, which represents 72% of Restricted Fund-Other total revenues.

Most investment income results from the distribution of 3.5% of investment income earned on the endowment fund, which can be spent. The University protects the future purchasing power of its endowments by designating a portion of the annual return they earn. Accordingly, the University has established a policy of setting aside the amount of income available for spending at 3.5% of the 12-quarter moving average market value. The purpose of this policy is to allow the University to distribute a consistent amount of income from endowments on an annual basis regardless of the investment income earned in the fiscal year.

EXPENDITURES ANALYSIS

The expenditures of the Restricted Fund – Other include salaries and benefits, scholarships, and payments for inter-institutional agreements. The expenses incurred under the Restricted Fund – Other are directly related to activities funded by the donor, and do not include any indirect costs.



CAPITAL FUND



TABLE 12 — Capital fund, consolidated budget 2019-2020 (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Restricted Fund Other	Capital Fund	Total
Revenue						
Operating grants	319,753	382	-	-	-	320,135
Research grants and contracts	-	-	143,381	72,043	-	215,424
Capital grants	-	-	-	-	4,789	4,789
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Sales of goods and services	8,995	13,763	2,241	3,003	-	28,002
Student housing	-	25,337	-	-	-	25,337
Donations	647	5	2,400	9,879	-	12,931
Other	12,159	4,970	613	5,202	4,000	26,944
Total revenue	807,512	45,569	148,946	100,004	11,742	1,113,773
Expenditures						
Salaries	467,822	8,783	44,184	69,891	-	590,680
Benefits	99,741	1,412	5,315	9,607	-	116,075
Scholarships and financial aid	69,126	7	21,754	9,919	-	100,806
Library acquisitions	16,696	-	74	103	-	16,873
Goods and services	93,121	17,126	36,196	4,838	-	151,281
Maintenance, construction and renovations	941	85	-	-	34,998	36,024
Travel	8,482	1,629	8,430	1,846	-	20,387
Professional fees	1,412	261	25	55	-	1,753
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Total expenditures	796,644	34,557	147,083	99,920	34,998	1,113,202
Surplus (deficit) before interfund transfers	10,868	11,012	1,863	84	(23,256)	571
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Transfers – Research and other	8,234	(726)	(7,252)	(256)	-	-
Total of interfund transfers	28,307	9,883	(4,296)	(137)	(33,757)	-
Surplus (deficit)	(17,439)	1,129	6,159	221	10,501	571

Certain comparative information has been reclassified to conform to the current year's presentation.

REVENUE ANALYSIS

CAPITAL GRANTS

The University forecasts that grants from the Ontario government's Facility Renewal and Construction Program will remain unchanged at \$4.8M.

INVESTMENT INCOME

The University estimates its investment income based on the rate of return provided for in its investment policy and based on its cash position. The long-term performance of its investments is currently estimated at 5.0%.

EXPENDITURES ANALYSIS

The Building and Lands Committee reviews the University's major capital projects, while the Finance and Treasury Committee reviews its borrowing capacity and other sources of funding required to complete major capital projects in accordance with the Campus Master Plan.

The major capital projects initiated over the past few years, namely the Learning Crossroads, the LabO, and the STEM Complex, were completed in 2018-2019. The refurbishment of spaces occupied by Animal Care and Veterinary Service, which had initially been planned for 2018-2019, has been delayed to 2020-2021, and this project's cost and scope are currently under review.

Fiscal year 2019-2020 will focus on immediate concerns as it relates to immediate capital needs.

The main capital projects planned for in the 2019-2020 budget are:

- **Optimization of Nutrition Science teaching labs**, which has become necessary to maintain the program's accreditation.
- **Updating of fixed furniture** in certain classrooms and of the security card access system.
- **Replacement of certain vital systems**, such as emergency generators, electrical and mechanical systems, and fire alarms. These systems are nearing their end-of-life and replacing them is crucial to operations and community security on campus.
- **Feasibility studies** that identify the replacement / redevelopment options for buildings, infrastructure and systems that have reached the end of their useful life. These studies will help update the Master Campus Plan over the coming years.

Although the University has started building new modern facilities over the past few years, the campus still houses several aging buildings that require major renovation or redevelopment.

Over the coming years, the University, through its Buildings and Lands Committee, will need to focus on maintaining or redeveloping its existing facilities.

TABLE 13 — Major capital projects (in thousands of dollars)

	Expenses				
	Operating Fund	Ancillary Enterprises	Restricted Fund Research	Capital Fund	Total
Facilities renewal Improvement Program (PAPI)					
PAPI 1 - Optimization of academic and administrative spaces	-	-	-	2,200	2,200
PAPI 2 - Improvement of public spaces	3,340	-	-	6,000	9,340
PAPI 3 - Deferred Maintenance	11,660	500	-	8,223	20,383
Other	-	-	3 075	-	3,075
Total	15,000	500	3,075	16,423	34,998

CONDITIONS OF FACILITIES

The University currently owns approximately 96 major buildings totaling more than 613,000 square meters, located on 42.5 hectares. The average age of the buildings owned by the University is nearing 69 years, as calculated by the VFA methodology (a Web base Capital Planning and Management Software system) used by many Ontario universities. In light of this, deferred maintenance becomes very important for the University.

The Facilities Condition Index (FCI) is a numeric score that reflects the overall condition of campus assets. The FCI is widely used in asset management, including the triennial reports published by the Council of Ontario Universities (COU). Since the late 1990s, all Ontario universities have been required to assess the condition of their facilities using software that generates FCI reports.

The FCI is a numeric value between 0.0 and 1.0. In simple terms, a value between 0.00 and 0.05 means that assets are in excellent condition, while a value greater than 0.31 suggests a critical level of deterioration. The index is calculated by dividing the total cost of deferred maintenance (DM) by the current replacement value of the assets. To evaluate the DM, teams of experts inspect approximately 20% of assets each year, meaning that all assets are inspected within five years. This ensures that the complete data set is renewed every five years.

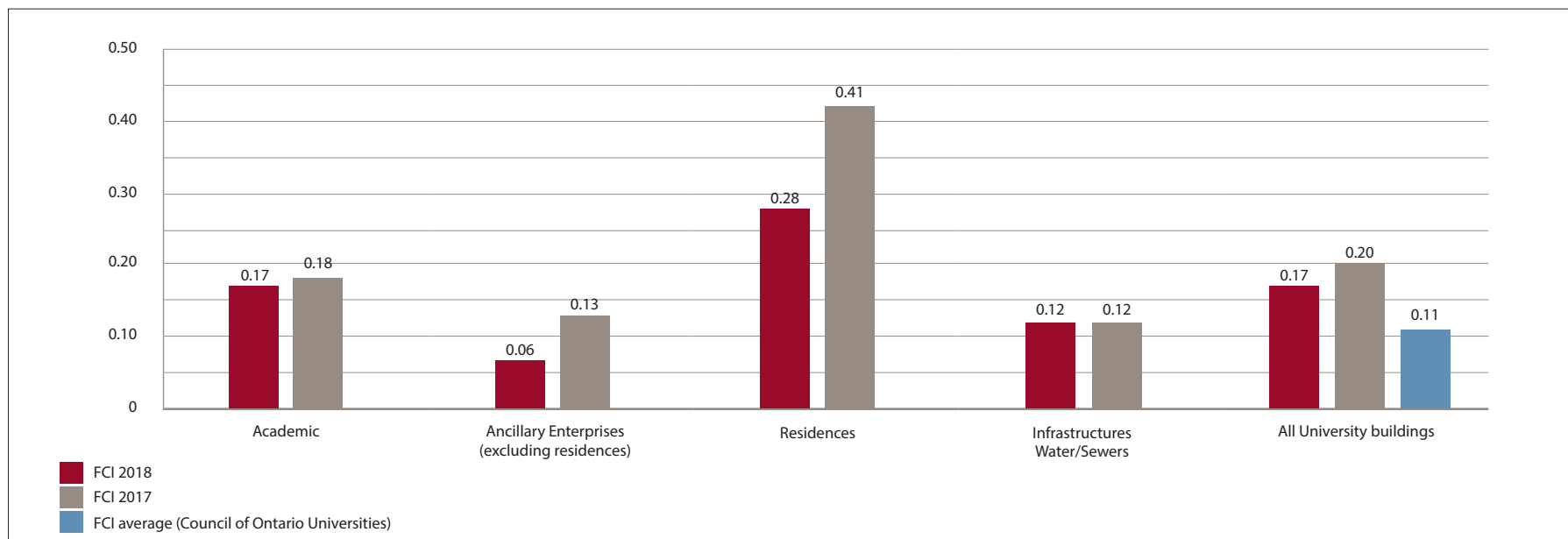
As of December 2018, the University's total deferred maintenance cost is estimated at over \$387M. Of this amount, \$292M is related to facilities used for teaching and research, \$81M for student residences and \$14M for Ancilliary Enterprises' facilities. Note that these figures do not take into consideration the deferred maintenance costs association with the Brooks residence, given its closure in September 2018. The University is currently evaluating its options.



The University of Ottawa is not alone in this regard: deferred maintenance remains a constant concern for several provincial and federal institutions. It is vital to have a complete picture of the condition of our facilities to make strategic decisions regarding our assets. This will allow us to invest in the highest priority assets and follow the Campus Master Plan.

As stated in the document entitled Ontario Universities' Facilities Condition Assessment Program as of June 2015, generally accepted industry standards for annual facility financing are about 1.5% of the current replacement value, which in the University's case is \$34M. In the 2019-2020 budget, \$20.4M has been earmarked from the Facilities Renewal and Improvement Program (PAPI).

FIGURE 12 — uOttawa Campus Facilities Condition Index (FCI)



TWO YEAR OUTLOOK

The University of Ottawa is resilient while being responsible from a budgetary standpoint. This explains why the University intends to continue to renew its academic programs, aim for excellence in research, improve the student experience, and modernize its systems and procedures. To achieve these goals, the University hopes to meet the budgetary challenge posed by the Ontario government without imposing across-the-board cuts to the faculties and services. To do so, the University has developed a two-year outlook for the Operating Fund with the goal of continuing its various institutional projects while quickly reducing the Operating Fund deficit over the next two years.

As illustrated in Table 14, revenues are projected to increase by \$28.0M in 2020-2021 and by \$34.0M in 2021-2022 when compared to prior years. These favourable variances are the result of increases in the number of students and in international student tuition fees. The provincial government's plans for 2021-2022 with respect

to Canadian tuition fees are not yet known. The two-year outlook projects that tuition fees for Canadian students and permanent residents will increase by 3% on average, which was the permissible percentage increase set before 2019-2020.

It is also expected that the 2019-2020 budget allocations to faculties and services will remain constant in 2020-2021 and 2021-2022. The increase in allocations reflects projected salary increases due to collective agreements as well as the indexation of costs associated with library collections, and a \$5M increase in the PAPI budget in 2020-2021 and 2021-2022 (from \$15.M to \$20.M, when compared to 2019-2020 levels). Furthermore, for the final two years, the energy portion of the budget is increased by \$3.0M. Finally, the University will need to start setting aside \$5.0M annually, beginning in 2021-2022, to reimburse the long-term debenture issued in the fall of 2016.



TABLE 14 — *Three -year plan (in thousands of dollars)*

	Budget 2019-2020	Outlook 2020-2021	Outlook 2021-2022
Revenue			
Operating grants	319,753	319,472	319,266
Tuitions and other fees	444,707	475,967	510,057
Investment income	21,251	18,251	18,251
Sale of goods and services	8,995	8,995	8,995
Donations	647	647	647
Other	12,159	12,256	12,375
Total revenue	807,512	835,588	869,591
Expenditures			
Academic salaries	247,694	253,078	261,369
Support staff salaries	195,823	198,150	202,491
Student salaries	24,305	24,742	25,188
Benefits	99,741	104,424	108,752
Scholarships and financial aid	69,126	70,541	72,032
Library acquisitions	16,696	17,505	18,354
Goods and services	93,121	97,566	107,854
Maintenance, construction and renovations	941	941	941
Travel	8,482	8,482	8,482
Professional fees	1,412	1,412	1,412
Interest and bank fees	17,105	17,105	17,105
Inter-institutional agreements	1,383	1,383	1,383
Other	20,815	20,263	20,251
Total expenditures	796,644	815,592	845,614
Interfund transfers	28,307	32,834	38,053
Surplus (deficit)	(17,439)	(12,838)	(14,076)

Certain comparative information has been reclassified to conform to the current year's presentation.

Envelopes 2 and 3 include amounts earmarked for the University's research mission (chairs, start-up funds, CFI). In addition to investing in research, the University must invest in modernizing and replacing the University's web platform as well as its finance and human resources ERP software.. In fact, the substantial increases noted from 2020-2021 (\$26.8M) to 2021-2022 (\$35.3M) are mainly driven by an additional \$15.0M investment in the ERP in 2021-2022, which is \$10.0M more than in 2020-2021.

The University of Ottawa is transforming in many different ways. Initiatives have been implemented to develop master's programs, online courses and programs, and professional development programs that will bring in additional revenues. The University also intends to rejuvenate its faculty, which will result in savings in the medium term. These initiatives, and other streamlining activities, would allow the University to generate revenues and savings of about \$5.3M in 2020-2021 and and \$9.2M in 2021-2022.

The combination of all these measures will decrease the deficit from \$17.4M in 2019-2020, to \$12.8M in 2020-2021 and to \$14.1M in 2021-2022. The deficits in 2020-2021 and 2021-2020 are mainly due to one-time investments in University systems, as previously discussed, and no recurring, longer-term deficit is forecasted at this time. The University plans to considerably reduce its projected deficits in 2020-2021 and 2021-2022 to be in a healthier financial condition in the near future.

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This document can be consulted at the following address:

www.uottawa.ca/financial-resources/financial-planning/budget

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