

2018-2019 BUDGET

Financial Resources

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TABLE OF CONTENTS

INTRODUCTION AND OVERVIEW	
Introduction	5
<i>Destination 2020</i> Strategic Plan	6
Vision and mission	8
Current and futures challenges	10
BUDGET MODEL AND PROCESS	
Budget model	18
Budget process	20
DESCRIPTION AND LINKS BETWEEN THE FUNDS	
Description of funds	23
Links between the funds	23
FINANCIAL OVERVIEW	
Operating fund highlights	24
Operating fund	27
Ancillary enterprises	34
Restricted fund - Research	38
Restricted fund - Other	44
Capital fund	46
APPENDICES	52

INTRODUCTION AND OVERVIEW

INTRODUCTION

The University of Ottawa has tabled its 2018–2019 budget as well as its financial projections for the two subsequent years, until 2021. The projections focuses on the operating fund and are based on funding parameters, programs and operational frameworks known at the time of their preparation.

As part of the budget development, the University maintains the objectives set out in its strategic plan, *Destination 2020*, while taking into account the stringent requirements of governments and other external funders (including granting councils and donors), the increasingly expensive regulatory framework as well as other external factors influencing its activities and financial health.

In many respects, the 2018–2019 budget is one of change with the adoption of a new internal budget model. The planning and development of this new model was made possible through consultations and the combined efforts of the academic and administrative sectors. Since the summer of 2017, the three-year budget plans prepared by faculties and services have been analyzed to understand the needs of each unit compared to the historic approach used until now.

This new approach has led to a better understanding of the needs of faculties and services, allowing the budget to become a valuable tool capable of supporting the operationalization of strategic objectives.

In preparing the 2018–2019 budget, the focus has been to establish the basis for the budget allocation for faculties and services. Needless to say, a transition period will be necessary before the University has completed the implementation of the new model, which should be fully deployed and refined over the next three years.

The University of Ottawa has tabled a balanced budget to meet its strategic

priorities. The institution has, among other things:

- a contingent of high-quality professors-researchers, which includes 57 Canada Research Chairs as well as 45 university research Chairs and 6 Research Chairs on the Canadian Francophonie;
- a recruitment and support strategy for international students, specifically for doctoral students;
- increased funding to maintain library collections;
- operationalized new spaces at the Roger Guindon, Peter Morand, LabO, Learning Crossroads and STEM Complex buildings which provide space for professors, researchers and their research laboratories (in medicine, health sciences, arts, sciences and engineering) and a modern and safe environment for learning, teaching, and interdisciplinarity, thereby increasing student recruitment capacity in high-demand areas.

In the wake of the actions carried out in recent years, the University is also undertaking in 2018–2019 a project to improve administrative processes and support for the University as a whole. This project aims to increase the effectiveness and contribution of these activities to the achievement of the University's mission. The completion of this large-scale project will take more than one year.

The senior executives wish to thank all the teams who participated in developing the 2018–2019 budget, which 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.

VISION AND MISSION



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.

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.

CURRENT AND FUTURE CHALLENGES



CONTEXT FOR 2018–2019 AND ITS INFLUENCE

The current context creates many possibilities, including:

- **New support for Canadian students:** The measures announced in the provincial and federal budgets, which have come into effect gradually in 2017–2018, will continue in 2018–2019 with the integration of the billing of net tuition fees in Canada this autumn. Net tuition fees mean that student financial support provided through the Ontario Student Assistance Program (OSAP) and through any assistance provided by the University will be considered in the calculation of the tuition fees. In 2018–2019, the University of Ottawa will invest approximately \$100 M in scholarships and financial assistance to support its students.
- **Research development:** New sources of research revenue are actively explored through increased activity with potential partners, which includes the private sector, via industry-sponsored research. Overall, the University is projecting \$138 M in research funding.

An increase and a substantial improvement in the space devoted to research on campus has been made a reality for the University in recent years. The increase in the number of research chairs, with the addition of the Advanced Research Complex (ARC), the expansion of the Roger Guindon and Peter Morand complexes, and the construction of the Science, Technology, Engineering and Mathematics (STEM) Complex will continue to create opportunities for research as well as additional research funding.

- **International outreach:** Internationalization is one of the four major institutional priorities of the University. In this regard, the University has achieved its goal of having international students make up 15% of the student population in 2017–2018. The proportion is estimated at 16% for 2018–2019.

For the first time, a proportion of newly admitted international undergraduate and graduate students at the University of Ottawa will be awarded a scholarship of up to \$2,500. In addition, international PhD candidates will pay tuition fees at the same rate as those paid by Canadian PhD candidates, through the issuance of a scholarship equivalent to the difference between international tuition fees and Canadian tuition fees.

Finally, in the fall of 2017, the Board of Governors approved a resolution that would allow international tuition increases for students (under certain conditions) to predict tuition costs beyond their first year. Resulting from this resolution is a commitment by the University to limit future annual increases in tuition fees for international students, admitted in the summer term of 2019 or earlier, to a maximum of 5.5% for the normal duration of their program.

- **Campus development:** In 2015, the Board of Governors approved the campus master plan. This plan determines the changes to be made to the campus in the coming decades, and serves as a foundation for the development of the University's infrastructure. It allows for good investment planning to meet the needs of the University in the coming years. The new Learning Crossroads (CRX), the new laboratories at Marion Hall, the finalization of the Advanced Research Complex (ARC) and the new STEM Complex significantly increase the capacity of learning spaces, and teaching and research laboratories. In addition, the new STEM Complex will modernize and expand its research and innovation infrastructure with the private sector.
- **A major fundraising campaign:** The largest fundraising campaign in the University's history, launched in 2015, is in full swing. This \$400 M campaign aims to ensure an annual contribution to the University's activities to support its mission. As of April 23, 2018, pledges amount to approximately \$250 M, which demonstrates the relevance and momentum of the campaign. In the

CURRENT AND FUTURE CHALLENGES

long term, philanthropy will play an increasingly important role in retention and recruitment of faculty members, quality of student experience and campus development.

- **Improvements to residences and other ancillary enterprises:** Since 2013–2014, the University's residences have increased by more than 56%, reaching almost 4,700 beds available to students in September 2018. In response to an ever increasing demand of up to 6,000 beds and the need to redevelop residences built in the 1960's and 1970's, the University developed a strategic plan to guide its future investments and its programming for an additional 2,000 beds. Initial planning for this investment should take place in the 2018–2019 fiscal year. All ancillary enterprises, which are required to be self-funded, have revised their revenue and expenditure structures to meet their financial obligations, while remaining competitive with market prices. Of note, recent legislative changes to labour standards have had a significant impact on the operating costs of the activities of these services.

EXTERNAL FACTORS

Many external factors must be considered in preparing the 2018-2019 budget. Among the most important are the following:

- **Federal Government Budget:** Tabled in February 2018, the federal budget provides for a major investment of more than \$3.8 billion over the next five years for research in all disciplinary areas. This initiative will provide researchers with access to new programs, new funding and better support as international competition accelerates. It will also better support researchers and graduate students. With recent investments in the University's infrastructure, including the FSS, Roger Guindon, Marion, CRX, STEM, and LabO buildings, researchers are now well positioned to benefit from these grant programs.

- **A new provincial funding formula:** This new formula began in 2017–2018 with the signing of a Strategic Mandate Agreement for the University (covering 2017–2020). Since 2014, all Ontario publicly funded universities have signed three-year agreements with the Ministry of Advanced Education and Skills Development (MAESD). In addition to clearly identifying the attributes of each university, these agreements set out measurable goals and demonstrate the universities' commitment toward the government's future directions.

Bilingual program delivery in a research-intensive institution that is located in the heart of the nation's capital and offering the second-largest co-op program in Ontario: these are some of the distinctive features of the University of Ottawa highlighted in its 2017-2020 strategic mandate agreement. In recent years, the university sector has seen a disinvestment by government, relative to the total funding of the universities. The University of Ottawa was also impacted by this change, with the Ontario government's contribution to the Operating Fund decreasing from over 54% in 2011–2012 to 44% in 2018–2019.

- **Financial market volatility:** Volatility has had a direct impact on the University's investment income and the financial position of its pension plan. It also has implications for the decision-making process and timing of major donors.

- **Regulatory changes:** Many regulatory changes are impacting the University of Ottawa. Among these changes are:

1. The introduction of the Fair Workplaces Better Jobs Act, 2017. This legislation makes several changes to the Employment Standards Act, the Labour Relations Act and the Occupational Health and Safety Act, including:
 - Increasing the minimum wage and fringe benefits for employees, including equal work, equal pay.

- Additional holidays and vacations for contract employees, as well as extended personal emergency leaves in all workplaces.

- It is anticipated that this new legislation will have a more specific impact on ancillary and research activities. The total impact is estimated at approximately \$10 M annually.

2. The introduction of Ontario's Cap and Trade Program, which aims at reducing greenhouse gas emissions. The initial threshold allocated to the University will be lowered annually to encourage a greater reduction in emissions. If reductions are not respected, the university will have to buy additional emission rights at market price, which will fluctuate with the increase in demand.

3. The launch of Bill 177, Stronger Fairer Ontario Act, 2017. This legislation affects, among other things, the pension plan's regulations, the establishment of the Université de l'Ontario français, and new requirements related to occupational health and safety.

INTERNAL FACTORS

The 2018–2019 budget reflects the decisions and directions that enable the University to stand out, while taking the current financial environment into account.

The University wants to stay focused on the goals set out in *Destination 2020*, in a context where the inflation rate on expenses grows at a faster rate than that of revenues. Since salaries and benefits make up 73% of operating fund expenditures, any activity or agreement affecting payroll directly impacts the financial position of the University.

Considerable effort and energy have been expended to achieve a balanced budget.

The following elements contributed to this result:

- **New internal funding formula:** The 2018–2019 fiscal year introduces a major change in the budget process at the University of Ottawa, with the development and implementation of a new internal funding formula. This new approach has 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 strategic initiatives.

- **Service delivery optimization:** Optimization of the workflows, structures and resources. This project focuses on increasing the effectiveness and contribution of these activities to the achievement of the University's mission.

- **Targeted international recruitment:** The University of Ottawa is committed to integrating a strong international dimension into all of its core areas, particularly with respect to Francophone communities. The University aspires to enrich the student experience through greater cultural diversity.

- **Generation of new net revenue:** The generation of new net revenue will be encouraged. Some elements identified include professional master's programs, an expansion of continuing education programs and co-op programs, as well as an increase in philanthropic activities.

CURRENT AND FUTURE CHALLENGES

FUTURE CHALLENGES

The university sector in Ontario and in Canada is undergoing a period of changes. The University of Ottawa is facing significant challenges that will further expose the University in the coming years. These risk factors are accentuated by the following elements:

- **Decrease in provincial grants:** The new Strategic Mandate Agreement covers a transitional phase to establish, in a collaborative manner, the measures and performance targets associated with funding that will be incorporated into the next agreement that will cover the 2020–2023 three-year period. For the next two years, provincial grants received will remain stable as long as the three-year moving average of registrations remains within the corridor established by the Ministry, taking into account a margin of plus or minus 3%. This means that provincial grants do not cover the growth in system costs.
- **Demographic decline:** This reality is a relatively recent phenomenon for the University, which has seen a remarkable and steady growth in the number of students and revenues associated with this growth from 2002 to 2010. It is important to note that the demographic decline in the 18 to 20 year-old cohorts in Ontario and Canada increases competition between universities. Since 2012, the University has faced a decrease in admissions of Canadian students in the order of 10%, offset by an increase in the number of international students.
- **Growth in expenses (figure 1):** Over the last five years, the growth rate of operating fund expenditures has been higher than that of revenues. The costs of delivering programs and services continue to grow. The need to seek additional sources of revenue is the result of a combination of the limits imposed on

grants and tuition fees juxtaposed with the growth of expenditures caused in particular by inflation factors in certain areas (library collections) and the terms of collective agreements.

- **Pension plan:** The pension plan has been facing significant financial pressure these last few years, originating from:
 1. The instability of the financial markets which directly affect the University's contributions to the pension plan, particularly with respect to special payments related to the plan's deficit. These special payments, funded entirely by the University, have a direct impact on the University's operating budget.
 2. The solvency valuation is mandatory under the law and was completed on January 1st 2016. The results have led to special payments of \$8.6 M annually. The next actuarial valuation must be filed no later than January 1, 2019.
 3. The Ontario government's Bill 177 to reform the funding rules for defined benefit pension plans came into effect on May 1, 2018. To date, the impact of this change for the University is considered minimal. Further analysis will be completed in the coming months to assess the full impact.
- **Deferred building and technology maintenance:** Although the campus added new modern buildings in recent years, there are still a number of aging buildings that require major renovations and maintenance. Over the next few years, the University will focus on the maintenance and renovation of its existing facilities. As well, several information systems are obsolete and no longer respond effectively to the needs of the institution.
- **Underfunding of some activities:** Some activities directly related to the University's mission are not adequately funded by governments. Four of these key activities suffer from chronic underfunding: indirect costs of research, the

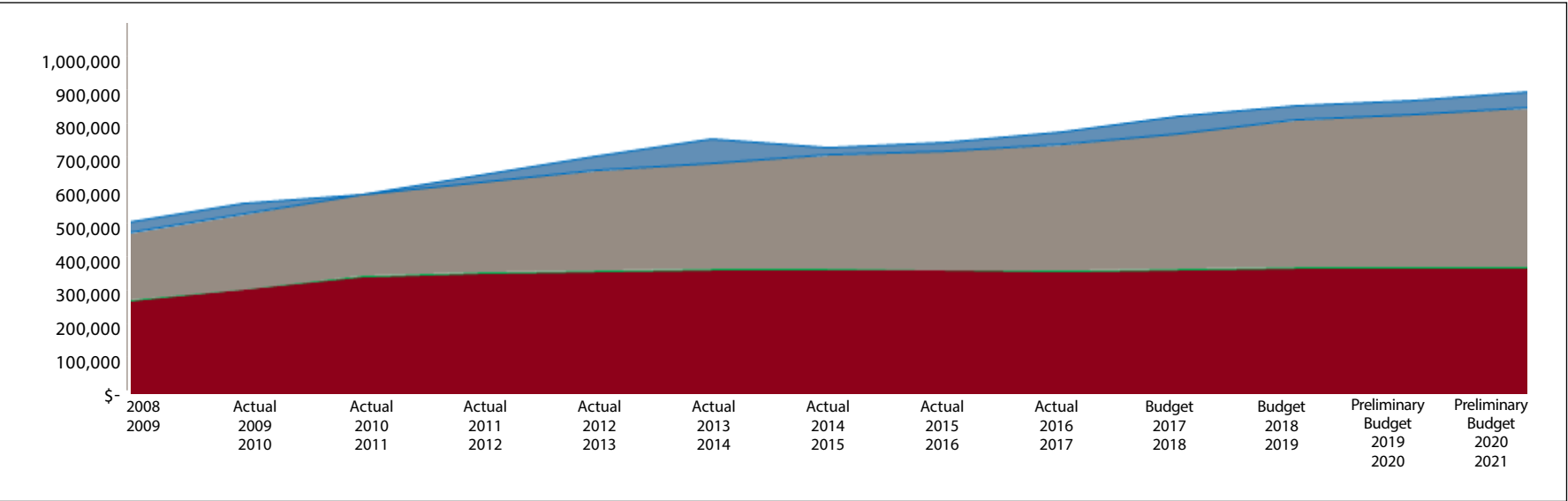
bilingualism mission, support for students with disabilities or special needs, and the maintenance and replacement of capital infrastructure and technologies. Each year, the University must draw from the Operating Fund to fund these activities.

academic programs, will enable the University to eliminate these deficits and create the margin required to invest in its future.

CONCLUSION

Following the recommendations of the Standing Budget Committee, approved by the Administration Committee and subsequently endorsed by the Finance and Treasury Committee, the University is of the opinion that the budget for the 2018-2019 fiscal year meets the objectives set by the Board of Governors.

FIGURE 1 — Operating fund evolution - Expenses and interfund transfers that are financed by tuition fees and grants (in thousand of dollars)
For the 2018-2019 fiscal year, approximately \$42 M must be funded by other sources of revenue. Increase in Expenses.





BUDGET MODEL AND PROCESS

BUDGET MODEL

The University adopted a new revenue allocation model for the 2018–2019 fiscal year that includes both long-term financial sustainability goals, and directions from the *Destination 2020* strategic plan, and the new *Strategic Mandate Agreement* for the period 2017–2020.

The new model will have three envelopes (figure 2):

- 1. A base envelope determined based on the review of the needs of each faculty and service (base allocation);
- 2. A performance-related envelope (incentives); and
- 3. An envelope for strategic priorities (strategic fund).

The historical formula based on the number of students was not used to establish the 2018–2019 budget allocation; in fact, faculties and services received a budget envelope based on actual operating costs and using existing commitments.

This new budget model alone will not increase the University’s total net revenue. This is a new way of distributing the related revenue and expenses to establish favourable conditions for the University to advance its mission of teaching and research, while ensuring its financial viability in the short, medium and long term. It aims at identifying additional sources of revenue; promotes the achievement of the objectives identified in the *Strategic Mandate Agreement* targets the modernization and implementation of innovative academic programs and the sound and efficient management of operations. This model is intended to be a tool that will facilitate the financial planning process while improving transparency in decision-making and accountability of the various stakeholders.

In preparing the budget for the 2018–2019 fiscal year, the focus was on establishing the basis for the first envelope, which contains the budget allocation for faculties and services. The creation of the 2019–2020 and 2020-2021 budgets will focus on the remaining two envelopes.

The second envelope will seek to incorporate incentives that will encourage faculties and services to achieve more rapidly goals identified as priorities. These

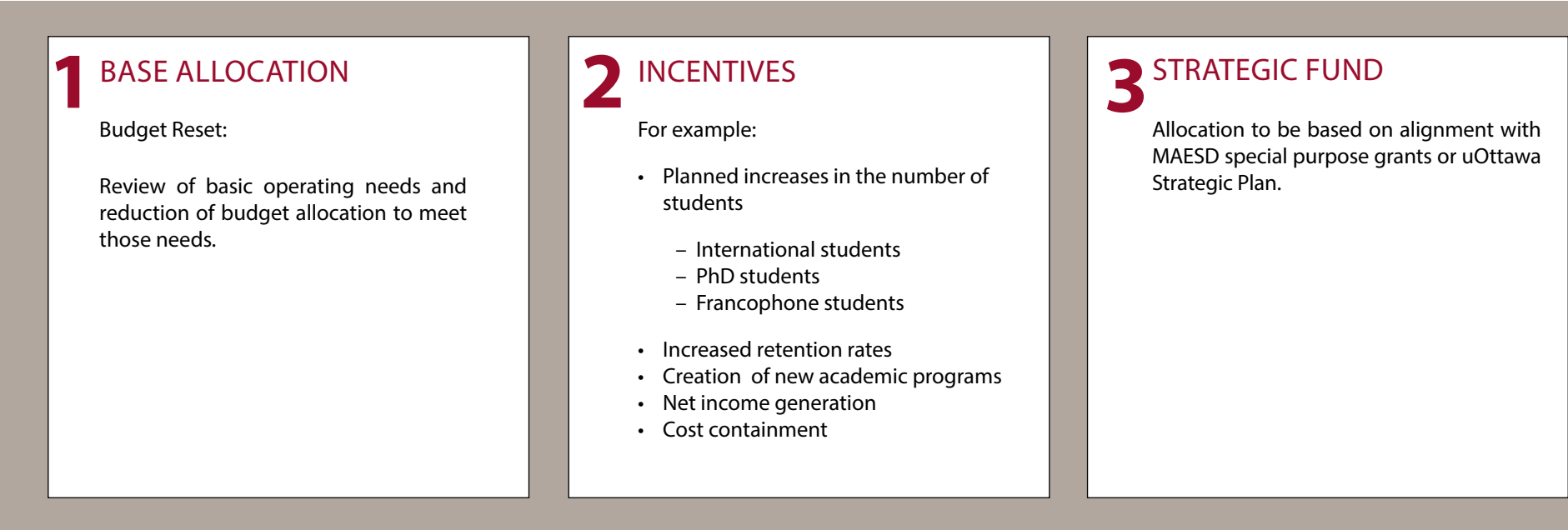
goals should increase revenue, contain costs and meet the established objectives. Incentives will be specific to each faculty and each service as needed.

The University continues to budget by funds to account for restrictions of funding sources and resource allocation on its various activities.

Similar to the budgets of other Ontario universities, the University’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:

- 1. the difference between capitalization and depreciation of property, plant and equipment, such as books, equipment, buildings and computer hardware and software; and
- 2. the difference between the cash disbursements for the pension plan and other employee benefits, and the actuarial expenses measurement used for the consolidated financial statements.

FIGURE 2 — Operation fund — Three funding envelopes



BUDGET PROCESS

The strategic plan defines the framework for the budget at the University of Ottawa. The budget process ensures stakeholders are active participants in building the final budget to achieve the goals of quality of teaching and research.

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. The finance component of the Finance and Treasury Committee is responsible for reviewing the budget in detail to ensure its compliance with the University’s objectives. It is also responsible for recommending the University’s budget to the Board of Governors.

The **Administration Committee** is responsible for presenting a balanced budget in line with the objectives of the University and recommending its approval to the Finance and Treasury Committee.

To ensure a balanced budget, the Administration Committee must implement various processes to maximize revenues and ensure the effective and prudent management of expenditures. It may recommend a deficit only if it has previously received authorization by the Board of Governors.

The **Standing Budget Committee** is responsible for recommending the philosophy, principle, and approach, as well as the allocation of financial resources to achieve a balanced budget to the Administration Committee. The committee is composed of the following members:

- The President (ex-officio)
- The Vice-President, Academic and Provost (co-chair)

- The Vice-President, Resources (co-chair)
- The Vice-President, Research or delegate
- Two members of the Board of Governors
- Two professors, members of the faculty

The **Vice-President, Resources** provides leadership for the management and planning of the University’s budget process and presentation to the committees.

BUDGET UPDATES

Budget updates, also referred to as periodic financial forecasts, track changes in actual revenue and expenditures against budget. They are presented to the Board of Governors twice a year, in-line with student official enrolment. The first budget update uses actual data as at September 30 and the second budget update uses actual data as at January 31st. In addition to the monthly variance analysis, these two updates are used to validate revenues and expenses trends and, if necessary, make the 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 results of this analysis are presented to the Board of Governor’s Finance and Treasury Committee and to the Board of Governors in September of each year.

FIGURE 3 — *Calendar of the budget process*

Steps	Parties consulted	Dates
Presentation of the budget	<ul style="list-style-type: none">• Standing Budget Committee• Administration Committee• Finance and Treasury Committee	April/May
Adoption of the budget	<ul style="list-style-type: none">• Board of Governors	May
Presentation of the first budget forecast	<ul style="list-style-type: none">• Standing Budget Committee• Administration Committee• Finance and Treasury Committee• Board of Governors	November/December
Presentation of the second budget forecast	<ul style="list-style-type: none">• Standing Budget Committee• Administration Committee• Finance and Treasury Committee• Board of Governors	March / April
Final budget results	<ul style="list-style-type: none">• Standing Budget Committee• Administration Committee• Finance and Treasury Committee• Board of Governors	September

DESCRIPTION AND LINKS BETWEEN THE FUNDS

DESCRIPTION AND LINKS BETWEEN THE FUNDS

DESCRIPTION OF FUNDS

The University of Ottawa uses the fund accounting method for its budgetary operations. Each fund has a primary function that allows the earmarking of revenue and expenses for specific purposes to meet donor funding requirements. 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 objectives of teaching, research and community services.

Ancillary Enterprises consist 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 the restrictions determined by the external fund provider for non-reciprocal agreements such as research projects and research chairs. Projects are subject to the various rules and policies of the granting agencies and the University, particularly with respect to the procedures for managing eligible research expenses. Restricted funds are also used for restricted purposes such as the awarding of scholarships by donors. The University of Ottawa has two restricted funds:

- Restricted Fund – Research
- Restricted Fund – Other

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

The **Capital Fund** comprise financial resources used for capital expenditures (such as land and building acquisitions, building 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 deliver on their present and future obligations.

LINKS BETWEEN THE FUNDS

All these funds are distinct from one another, but transfers can be executed during the year between the different funds. The main authorized transfers are:

- Acquisitions of capital assets funded by the Operating Fund, Ancillary Enterprises, Restricted Fund – Research, and the Restricted Fund – Other. They must be recognized in the Capital Fund by 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 start-up fund and support for research chairs. These amounts are presented as interfund transfers from the Operating Fund to the Restricted Fund – Research.

OPERATING FUND HIGHLIGHTS



BALANCED
BUDGET

\$879 M

REVENUE

\$879 M

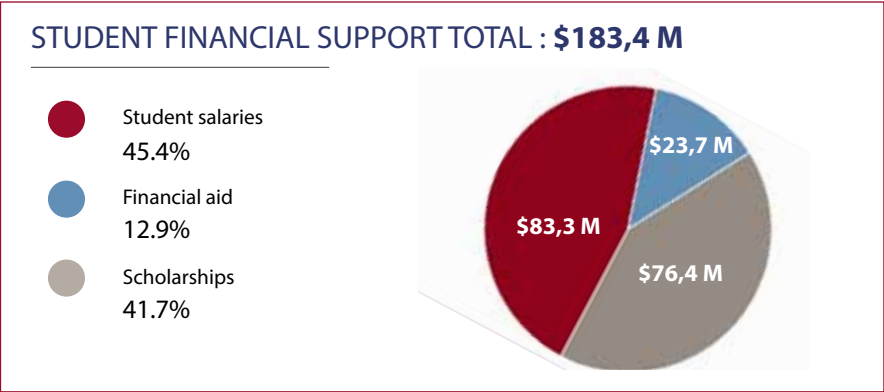
EXPENDITURES, INTERFUND
TRANSFERS, AND
FINANCING ACTIVITIES



\$614 M

SALARIES AND
BENEFITS

Salaries and benefits expenses
represents for **73.4%** of total operating
fund expenditures.



41,766

TOTAL PROJECTED HEAD
COUNT FOR CANADIAN AND
INTERNATIONAL STUDENTS

\$2,517

16%

PROPORTION OF
INTERNATIONAL STUDENTS

SCHOLARSHIPS AND
FINANCIAL PER FTE

(According to the presentation adopted
by the Council of Ontario Universities)



FINANCIAL OVERVIEW

OPERATING FUND

TABLE 1 — *Operating Fund, Initial Consolidated Budget 2018-2019 (in thousands of dollars)*

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total
Revenue						
Operating grants	390,301	422	-	-	-	390,723
Research grants and contracts	-	-	129,630	877	-	130,507
Capital grants	-	-	-	-	12,463	12,463
Tuition fees and other fees	444,280	1,048	-	-	-	445,328
Investment income	21,695	-	447	9,503	5,423	37,068
Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689
Student housing	-	24,489	-	-	-	24,489
Donations	555	5	5,079	7,041	-	12,680
Other	12,054	5,339	531	4,968	-	22,892
Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839
Expenditures						
Academic salaries	238,839	-	18,086	3,356	-	260,281
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784
Student salaries	83,294	-	3,968	218	-	87,480
Benefits	103,891	1,553	4,929	1,172	-	111,545
Scholarships and financial aid	70,318	-	22,210	7,584	-	100,112
Library acquisitions	16,225	-	100	206	-	16,531
Goods and services	90,888	17,390	37,481	4,992	-	150,751
Maintenance, construction and renovations	967	185	-	-	60,493	61,645
Travel	7,775	186	8,184	1,749	-	17,894
Professional fees	1,658	-	50	50	-	1,758
Interest and bank fees	14,406	4,032	3	20	-	18,461
Inter-institutional agreements	700	-	25,672	1,813	-	28,185
Research support and other	19,834	8,549	999	2,164	-	31,546
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839
Surplus (Deficit)	-	-	-	-	-	-

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

OPERATING FUND

REVENUE ANALYSIS

TABLE 2 — Operating revenue 2018-2019 (in thousand of dollars)

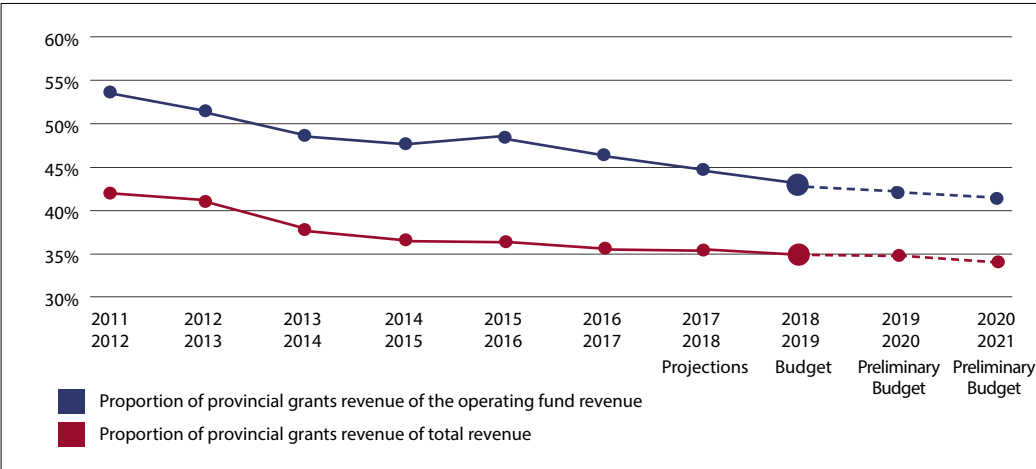
	Budget 2018-2019 (\$)	Projected actual 2017-2018 (\$)	Budget 2017-2018 (\$)	Variance Budget 2018-2019 vs projected actual 2017-2018		Variance Budget 2018-2019 vs budget 2017-2018	
				(\$)	(%)	(\$)	(%)
Grants	390,301	390,874	384,895	(573)	(0.1%)	5,406	1.4%
Tuitions and other fees - Canadians students	302,110	293,593	298,974	8,517	2.9%	3,136	1.0%
Tuitions and other fees - international students	142,170	114,175	110,580	27,995	24.5%	31,590	28.6%
Investment income	21,695	18,044	25,637	3,651	20.2%	(3,942)	(15.4%)
Sales of goods & services	10,458	9,289	8,875	1,169	12.6%	1,583	17.8%
Donations - non restricted	555	665	556	(110)	(16.5%)	(1)	(0.2%)
Other	12,054	12,315	11,907	(261)	2.2%	147	1.2%
Total revenue	879,343	838,955	841,424	40,388	4.8%	37,919	4.5%

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

OPERATING GRANTS

The University of Ottawa estimates that funding from the Ministry of Advanced Education and Skills Development (MAESD) will remain stable until 2019–2020, as set out in the 2017–2020 Strategic Mandate Agreement. It should be noted, however, that in the years that follow, funding may decrease if the objectives identified in the agreement are not achieved. For the 2017–2018 and 2018–2019 fiscal years, budgeted provincial grant revenues are estimated at \$390.3 M and \$384.9 M respectively, or 44.4% and 45.7%. Since 2013–2014, government funding has been below 50% of total operating fund revenues.

FIGURE 4 — Evolution of provincial grants (%)



TUITION AND OTHER FEES

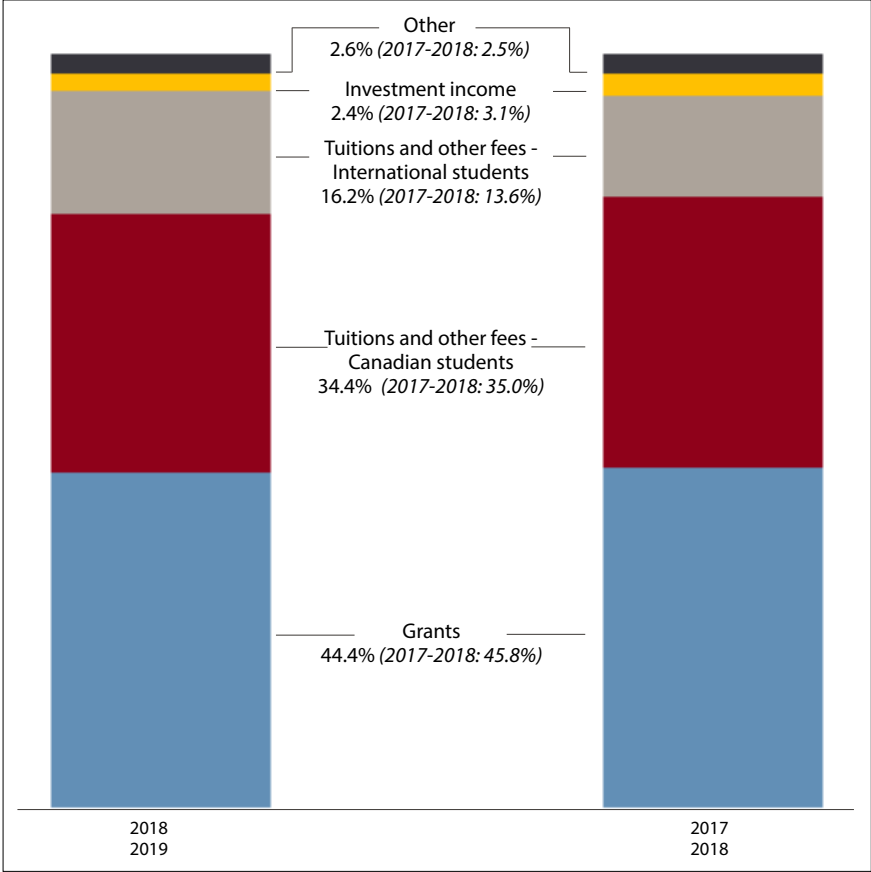
Tuition increases are aligned with the Ontario government’s regulatory framework for Canadian students. The overall average indexation of tuition fees is 3.0%. The proportion of revenues from the Operating Fund from tuition fees is 50.6% in 2018–2019, compared with 48.6% in 2017–2018. It should be noted that the growth in tuition fees results mainly from an increase in international student enrolment. The share of tuition fees from international students is projected at 32.0% in 2018–2019 compared to 27.0% in 2017–2018 (see appendix B). The tuition increase of up to 15.0% for newly enrolled international students is aligned with market data. However, this increase is partially offset by a new scholarship program for this group of students for an estimated net tuition indexation of 7%.

In the fall of 2017, the Board of Governors approved a resolution requesting the University to include in its recommendations for international tuition increases, a mechanism that allows students (under certain conditions) to anticipate tuition costs beyond their first year. Resulting from this resolution is a commitment by the University to limit future annual increases in tuition fees for international students admitted to the summer term of 2019 or earlier, to a maximum of 5.5% for the normal duration of their program.

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 5.5%, yielding \$21.7 M in investment income. Given the uncertainty surrounding financial markets, the University protects itself from fluctuations in investment income through the use of a stabilization reserve. Investment returns above targets are expected to increase the stabilization reserve. The University draws down on the reserve in the event that investment returns are lower than expected. The 2018–2019 budget does not provide for any increases or usage of this reserve.

FIGURE 5 — Proportion of revenue, comparative 2018-2019 and 2017-2018 (%)



OPERATING FUND

EXPENDITURES ANALYSIS

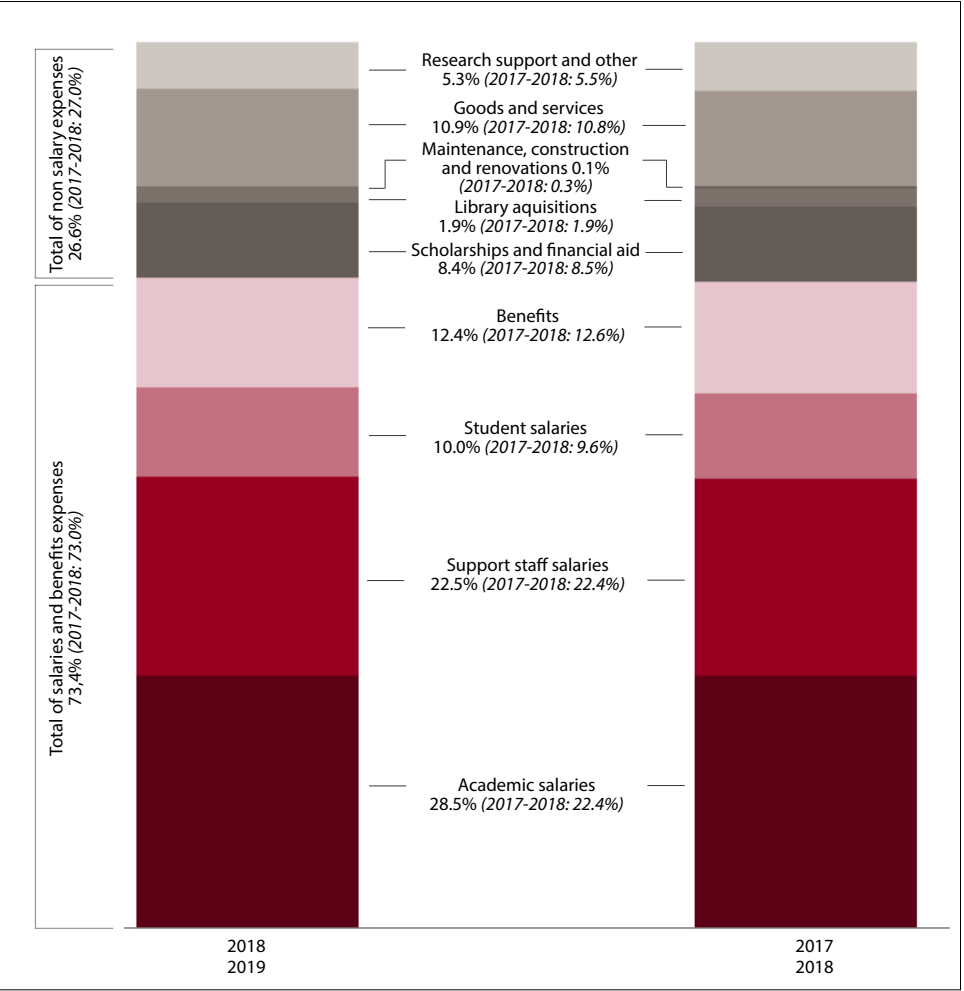
TABLE 3 — Operating expenditures 2018-2019 (in thousand of dollars)

	Budget 2018-2019 (\$)	Projected actual 2017-2018 (\$)	Budget 2017-2018 (\$)	Variance Budget 2018-2019 vs projected actual 2017-2018		Variance Budget 2018-2019 vs budget 2017-2018	
				(\$)	(%)	(\$)	(%)
Academic salaries	238,839	227,024	231,655	11,815	5.2%	7,184	3.1%
Support staff salaries	188,107	179,307	182,293	8,800	4.9%	5,814	3.2%
Student salaries	83,294	82,450	78,474	844	1.0%	4,820	6.1%
Benefits	103,891	100,774	102,552	3,117	3.1%	1,339	1.3%
Scholarships and financial aid	70,318	68,489	69,005	1,829	2.7%	1,313	1.9%
Library acquisitions	16,225	15,720	15,114	505	3.2%	1,111	7.4%
Goods and services	90,888	95,081	87,737	(4,193)	(4.4)%	3,151	3.6%
Maintenance, construction and renovations	967	3,219	2,714	(2,252)	(7.0)%	(1,747)	(64.4)%
Travel	7,775	8,022	7,692	(247)	(3.1)%	83	1.1%
Professional fees	1,658	1,994	1,740	(336)	(1.7)%	(82)	(4.7)%
Interest and bank fees	14,406	14,010	14,134	396	2.8%	272	1.9%
Inter-institutional agreements	700	507	670	(193)	3.8%	30	4.5%
Research support and other	19,834	19,291	21,114	543	2.8%	(1,280)	(6.1)%
Total expenditures	836,902	815,888	814,894	21,014	2.6%	22,008	2.7%

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



FIGURE 6 — Proportion of total expenditures, comparative 2018-2019 et 2017-2018 (%)



OPERATING FUND

COMPENSATION

Salary and benefits represent 73.4% (73.0% in 2017–2018) of total operating fund expenditures. The breakdown by various categories is presented in figure 7.

The 2018–2019 budget provides for economic increases in addition to progress through the rank increases, in accordance with existing collective agreements and mandates approved by the Executive Committee of the Board of Governors.

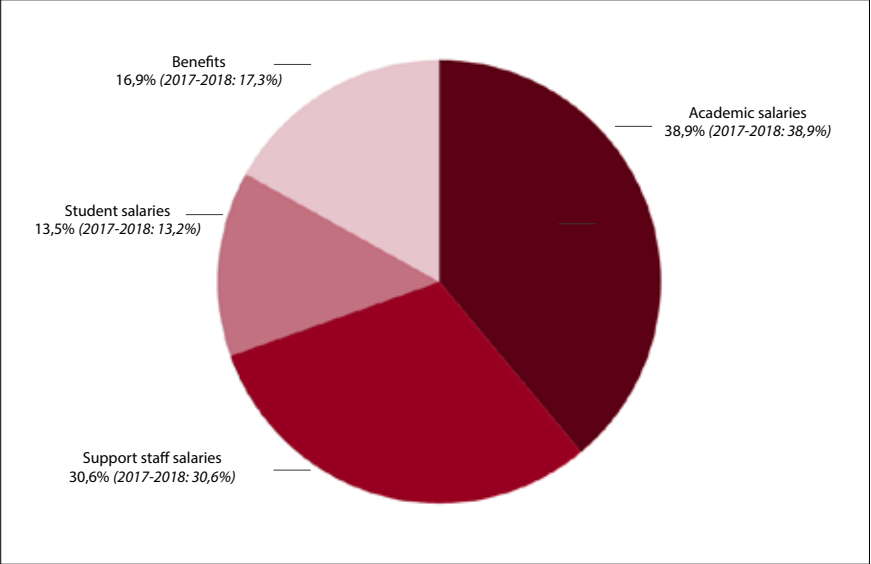
In 2017, the Ontario government adopted Bill 148, Fair Workplaces Better Jobs Act, 2017. This new legislation affects, among other things, the minimum wage and workplace equity. Its actual impact will be assessed over the course of the fiscal period; however, known assumptions, such as the increase of the minimum hourly rate to \$15 on January 1st, 2019, have been included in the budget.

PENSION PLAN

The pension plan represents a total cost of \$45,9 M (\$45,4 M in 2017-2018) for the University, including special payments of \$8.6 M. The current service cost of the plan according to the last actuarial valuation filed in January 2016 is 19.4%, of which 42,0% is contributed by the employees. Under most current collective agreements, this proportion will gradually increase up to 50% over the next few years.

During the course of 2017, the Government of Ontario finalized Bill 177, which deals with the Ontario Pension Benefits Act. This regulation on the defined-benefit pension plans reform came into effect on May 1st, 2018. Based on the information available and the analysis made to date, the University expects the impact of this change to be minimal for 2018–2019.

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



SCHOLARSHIPS AND FINANCIAL AID

The total budget allocated to scholarships and financial aid is \$100.1 M for 2018–2019 compared to \$100.5 M in 2017–2018. The Operating Fund will contribute \$70.3 M to this program.

For the first time, a proportion of newly enrolled international undergraduate and graduate students at the University of Ottawa will be awarded a scholarship of up to \$2,500. In addition, international PhD candidates will pay tuition fees at the same rate as those paid by Canadian PhD candidates, through the issuance of a scholarship equivalent to the difference between international fees and Canadian fees.

Currently, the University has nearly 500 PhD students from abroad. The increase in scholarships will help make the University of Ottawa a destination of choice for the best doctoral candidates. This is a first step towards realizing the University’s internationalization strategy.

Since 2009–2010, the total budget for scholarship and financial aid has increased from \$54.4 M to \$100.1 M, a growth of 84.0%. This increase is directly related to the University’s commitment to promote excellence in education as well as supporting students in need.

The financial support offered by the University to Canadian students is in addition to the financial assistance announced in the provincial and federal budgets, which is being deployed gradually in 2017–2018, under the Ontario Student Assistance Program (OSAP).

GOODS AND SERVICES

Goods and services include operating expenses of the buildings (including property taxes, maintenance, purchase, lease and utilities), investment management fees and contractual services. These expenses are estimated at \$90.9 M, an increase of \$3.2 M compared to 2017–2018. This increase is mainly due to the introduction of new learning and research spaces.



ANCILLARY ENTERPRISES

TABLE 4 — Ancillary Enterprises, Initial Consolidated Budget 2018-2019 (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total
Revenue						
Operating grants	390,301	422	-	-	-	390,723
Research grants and contracts	-	-	129,630	877	-	130,507
Capital grants	-	-	-	-	12,463	12,463
Tuition fees and other fees	444,280	1,048	-	-	-	445,328
Investment income	21,695	-	447	9,503	5,423	37,068
Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689
Student housing	-	24,489	-	-	-	24,489
Donations	555	5	5,079	7,041	-	12,680
Other	12,054	5,339	531	4,968	-	22,892
Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839
Expenditures						
Academic salaries	238,839	-	18,086	3,356	-	260,281
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784
Student salaries	83,294	-	3,968	218	-	87,480
Benefits	103,891	1,553	4,929	1,172	-	111,545
Scholarships and financial aid	70,318	-	22,210	7,584	-	100,112
Library acquisitions	16,225	-	100	206	-	16,531
Goods and services	90,888	17,390	37,481	4,992	-	150,751
Maintenance, construction and renovations	967	185	-	-	60,493	61,645
Travel	7,775	186	8,184	1,749	-	17,894
Professional fees	1,658	-	50	50	-	1,758
Interest and bank fees	14,406	4,032	3	20	-	18,461
Inter-institutional agreements	700	-	25,672	1,813	-	28,185
Research support and other	19,834	8,549	999	2,164	-	31,546
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839
Surplus (Deficit)	-	-	-	-	-	-

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The Ancillary Enterprises budget compiled activities to support the University's objectives while maintaining a sound financial position. They play a vital role in the quality of life and student experience on campus.

To be financially viable, ancillary enterprises' activities must be self-sustaining, i.e. each service must generate sufficient revenue to cover its operating expenses, as well as the cost of its capital assets and their replacement.

The adoption of Bill 148, Fair Workplaces, Better Jobs Act, 2017, had a major impact on ancillary enterprises. As a result, these services have had to revise their pricing to achieve their objective of breaking even and meeting the needs of the University's community while 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



ANCILLARY ENTERPRISES

HOUSING

Housing thrives to provide the student population with the best service by focusing on quality housing that is safe, responsive, and offers a variety of programming and coaching services tailored to the students’ needs.

Housing has entered into an agreement with the private sector to open the Annex Residence, located at the intersection of Laurier and Friel streets. This new residence scheduled to open in September 2018 will offer 503 beds. With this addition, Housing will have a total capacity of 4,700 beds for the student population. Taking into account this addition, Housing has increased its offering by more than 56% since 2012–2013.

In the fall of 2017, the cost of deferred maintenance requirements for residences was estimated at approximately \$101 M. Housing reviewed its financial structure by conducting a comparative analysis of prevailing market rates, when determining the price increases necessary to maintain the long-term viability of its residences.

To support the academic success of students who reside on campus, Housing 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 will continue to provide full-time counsellors. This provides residents with priority access to counselling and mentoring services.

Residences are much more than a bed and a desk; they are an important support for student integration, which leads to academic success.

FOOD SERVICES

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

Food Services will be implementing the second phase of its management plan approved in July 2014. This phase includes completing the construction of a new food court opening in September 2018 at the Learning Crossroads and offering 400 new spaces. This new food court will offer three service counters. As well as improving the on-campus food service offering, these changes will make it possible to create food destinations that better meet the needs of the University community.

The sentiment survey carried out with the customers of the 24/7 dining room shows a satisfaction rate greater than 90%. This result was translated into an increase of around 25% in sales of food packages over the last year. Food Services is the recipient of the City of Ottawa’s prestigious Best Service award in the Service and Provider category in 2017.

PARKING AND SUSTAINABLE TRANSPORTATION

The light rail line on the Confederation Line (LRT Line) is scheduled to come into service in 2018. The City of Ottawa announced in February 2018 that the first trains should be able to run by the end of November 2018. The University is preparing for the opening of Lees and Campus stations and redeveloping the G4 (200 Lees) and K lots, currently used by the City of Ottawa during LRT construction.

The Parking and Sustainable Transportation sector will continue to make pedestrian safety a priority, while continuing to educate the University community about the use of sustainable transportation.



RESTRICTED FUND - RESEARCH

TABLE 5 — *Restricted Fund - Research, Initial Consolidated Budget 2018-2019 (in thousands of dollars)*

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total
Revenue						
Operating grants	390,301	422	-	-	-	390,723
Research grants and contracts	-	-	129,630	877	-	130,507
Capital grants	-	-	-	-	12,463	12,463
Tuition fees and other fees	444,280	1,048	-	-	-	445,328
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Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689
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Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839
Expenditures						
Academic salaries	238,839	-	18,086	3,356	-	260,281
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784
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Research support and other	19,834	8,549	999	2,164	-	31,546
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839
Surplus (Deficit)	-	-	-	-	-	-

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

REVENUE ANALYSIS

RESEARCH GRANTS AND CONTRACTS

Research grants and contracts are budgeted at \$130 M and represent 93.9% of the total revenues of the Restricted Fund–Research. Research grants and contracts budgeted diffur from sums awarded and received due to research projects. These amounts can come from several granting agencies, including the three Canada research councils (NSERC, SSHRC and CIHR), the Canada Foundation for Innovation (CFI), the Canada Research Chairs Program, the Government of Canada and of the Province of Ontario.

The table below provides an analysis of actual and projected research revenues. This table shows the value of research grants and contracts received by the University over the last three years and provides an estimate of the projected research grants for 2018–2019. It is important to note that research grants fluctuate from year to year depending on a variety of factors, including economic conditions, announcements of major research and infrastructure programs, government priorities and the competitiveness of the research projects of the University's researchers.

TABLE 6 — *Research grants and contracts awarded and received by category (in thousands of dollars)*

	Budget 2017-2018	Projected actual 2017-2018	Budget 2018-2019
Funding Agency			
CIHR	15,500	15,500	13,500
NSERC	18,000	18,000	19,000
SSHRC	7,600	7,600	7,000
CFI	19,738	17,993	14,872
CRC	10,500	10,500	10,500
Government of Canada — Other	7,900	7,400	7,000
Province of Ontario	26,787	13,506	15,046
Private Sector	4,200	4,316	4,200
Networks and Fourth Pillar Organizations	2,200	1,601	2,400
Medical Research Foundations and Associations	3,500	4,504	3,500
Other	15,500	16,505	15,500
Research Support Fund (gross)- Formely Indirect Costs	13,875	13,875	13,810
Scholarships	8,400	8,400	8,800
Total — Research *	153,700	139,700	135,128
Hospitals and affiliated Institutes	157,346	157,346	167,011
Grand Total	311,046	297,046	302,139

* Represents cash inflows during the fiscal year.

RESTRICTED FUND - RESEARCH

TRI-COUNCIL FUNDING (NSERC, SSHRC AND CIHR)

The recent federal budget announced a significant increase in investment and changes in the programming of university research funding. These investments, designed to make Canada more internationally competitive, represent a 25% increase over three years and were described by Canada’s Finance Minister as the single largest investment in investigator-led fundamental research in Canadian history. The budget announcement addresses a number of factors, including the government’s review of federal support for research (the Naylor Report), which calls for increased investment in basic research and intense lobbying by the research community. Because the impact on the University’s revenues is unknown, the 2018–2019 budget does not incorporate this increase; however, a favourable impact is expected.

CANADA FOUNDATION FOR INNOVATION (CFI)

The 2017–2018 fiscal year saw the completion of several equipment acquisitions and construction activities for CFI projects funded through the 2015 Innovation Fund competition. The results of the 2017 Innovation Fund competition was announced by the CFI in June 2017 and four projects led by the University of Ottawa were funded. These projects will receive a total funding of approximately \$14.5 M. The University of Ottawa collaborated on three other CFI projects funded by partner institutions for an additional \$0.6 M. The implementation of these projects will begin in 2018.

Furthermore, the CFI awarded the University of Ottawa \$3.3 M for 12 FCI-JELF (John R. Evans Leaders Fund) projects in 2017–2018. These funds are used, among other things, to attract new researchers to the University. Thirteen other projects are awaiting a decision or in preparation and will be judged in 2018. The John R. Evans Leaders Fund envelope should be maintained for the fiscal year 2018–2019 with the recruitment of several research chairs from the Canada. The University received an additional \$3.3 M in 2017–2018 to support its infrastructure portfolio through the Infrastructure Operating Fund. The CFI is expected to announce the launch of the next round of Innovation Fund competitions by the end of 2018 and the University

of Ottawa is already preparing the selection and internal review process for this competition.

CANADA RESEARCH CHAIRS

The increased competitiveness of the Tri-Council competitions in recent years has resulted in the University of Ottawa securing two additional Canada Research Chairs in the 2017 national reallocation process, bringing the total to 77 of which 57 are in post and 20 chairs are being recruited. Significant recruitment activities are under way to replace a number of chairs whose terms are expiring. These efforts are focused on selecting excellent candidates in the University’s strategic research areas, while respecting the University’s inclusion and diversity objectives.

GOVERNMENT OF CANADA

Federal spending restraints in the past have affected the level of departmental funding available for research contracts. The University of Ottawa will seek opportunities under other federal programs to supplement its research funding opportunities, as funding is expected to decrease in fiscal year 2018–2019.

PROVINCE OF ONTARIO

The total funding for the province of Ontario is intrinsically linked to CFI funding because the province matches CFI funding in most cases. The corresponding decisions of the 2017 CFI Innovation Fund competition were announced in November 2017. Two of the four projects run by the University of Ottawa and funded by the CFI in June 2017 were also funded by the province of Ontario, for a total funding of \$5.6 M.

Nonetheless, the province of Ontario has approved funding for two of the four large projects, thus creating an unexpected and important challenge for the University of Ottawa. The University is still exploring alternatives to secure the shortfall for these projects.

PRIVATE SECTOR

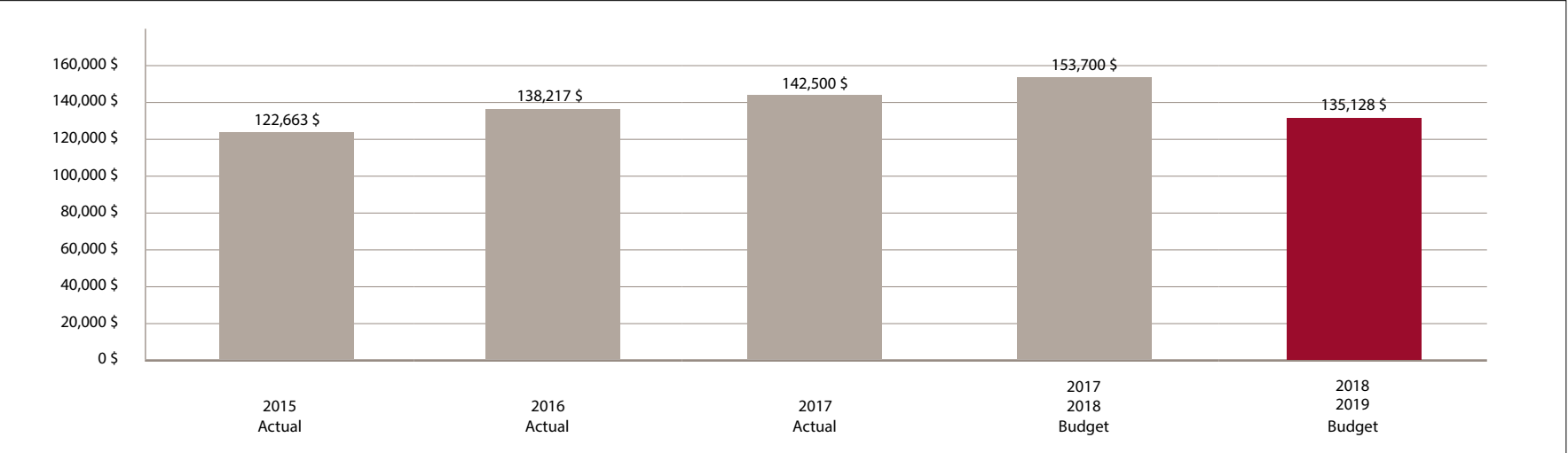
Academic researchers continue to respond enthusiastically to the three Tri-Council funding programs that provide start-up funding for new collaborations, which could potentially pave the way for more intensive collaborative research activities with the private sector. The University of Ottawa will continue to pursue industry-sponsored research opportunities, maximizing provincial and federal levers.

INDIRECT COSTS OF RESEARCH

Funding for 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 revenue, with a rate of about 21% of grants received by researchers. This rate is well below the actual indirect costs of research incurred by the University. Despite an expected revenue decline for 2018–2019, the announcement of the 2018 federal budget demonstrates an increase in investment in research and the University is confident that its revenues will increase in the coming years.

FIGURE 8 — Evolution of annual cash inflows by the University for its research activities over the last five years (in thousands of dollars)

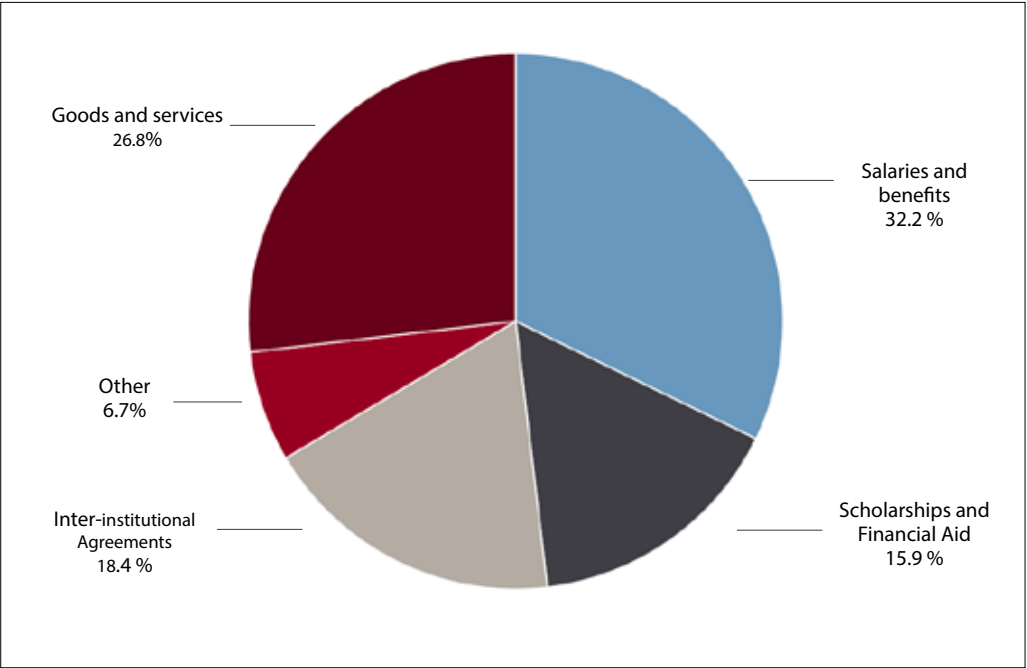


EXPENDITURES ANALYSIS

The estimate of the 2018–2019 budget expenditure is calculated using the average of the last three years’ expenditures for the majority of the projects. For projects funded by the Canada Foundation for Innovation, the estimated expenditures were made on a project-by-project basis according to the approved agreements and their cost estimates.

Restricted Fund – Research expenditures include, but are not limited to salaries, awards, and equipment for research projects.

FIGURE 9— *Proportion of expenditure by categorie (%)*



RESTRICTED FUND – OTHER

TABLE 7 — *Restricted Fund - Other, Consolidated Initial Budget 2018-2019*

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total
Revenue						
Operating grants	390,301	422	-	-	-	390,723
Research grants and contracts	-	-	129,630	877	-	130,507
Capital grants	-	-	-	-	12,463	12,463
Tuition fees and other fees	444,280	1,048	-	-	-	445,328
Investment income	21,695	-	447	9,503	5,423	37,068
Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689
Student housing	-	24,489	-	-	-	24,489
Donations	555	5	5,079	7,041	-	12,680
Other	12,054	5,339	531	4,968	-	22,892
Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839
Expenditures						
Academic salaries	238,839	-	18,086	3,356	-	260,281
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784
Student salaries	83,294	-	3,968	218	-	87,480
Benefits	103,891	1,553	4,929	1,172	-	111,545
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Library acquisitions	16,225	-	100	206	-	16,531
Goods and services	90,888	17,390	37,481	4,992	-	150,751
Maintenance, construction and renovations	967	185	-	-	60,493	61,645
Travel	7,775	186	8,184	1,749	-	17,894
Professional fees	1,658	-	50	50	-	1,758
Interest and bank fees	14,406	4,032	3	20	-	18,461
Inter-institutional agreements	700	-	25,672	1,813	-	28,185
Research support and other	19,834	8,549	999	2,164	-	31,546
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839
Surplus (Deficit)	-	-	-	-	-	-

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

REVENUE ANALYSIS

Investment income in the 2018–2019 budget amounts to \$9.5 M and represents 38.4% of the total revenues of the Restricted Fund – Other. Most of this income comes from the transfer of 3.5% of the investment income earned on the endowment fund that can be spent. The University protects the future purchasing power of its endowment funds by designating part of its annual return earned by endowments.

Consequently, the University has instituted the principle of fixing the amount of income that is expendable at 3.5% of the average fair value of the fund over the last 12 quarters. The purpose of this policy is to allow the University to distribute a constant amount of endowment income on an annual basis, regardless of the investment income earned in the tax year end.

EXPENDITURES ANALYSIS

The expenditures of Restricted Fund–Other include salaries and benefits, scholarships and payments for inter-institutional agreements. Approximately one third of the expenditures of the Restricted Fund–Other relates to endowment funds that can be spent.

The expenses incurred under the Restricted Fund – Other are directly related activity funded by the donors, and do not include any indirect costs associated with the activity.



CAPITAL FUND



Complexe STEM

TABLE 8 — Capital Fund, Consolidated Initial Budget 2018-2019

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total
Revenue						
Operating grants	390,301	422	-	-	-	390,723
Research grants and contracts	-	-	129,630	877	-	130,507
Capital grants	-	-	-	-	12,463	12,463
Tuition fees and other fees	444,280	1,048	-	-	-	445,328
Investment income	21,695	-	447	9,503	5,423	37,068
Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689
Student housing	-	24,489	-	-	-	24,489
Donations	555	5	5,079	7,041	-	12,680
Other	12,054	5,339	531	4,968	-	22,892
Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839
Expenditures						
Academic salaries	238,839	-	18,086	3,356	-	260,281
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784
Student salaries	83,294	-	3,968	218	-	87,480
Benefits	103,891	1,553	4,929	1,172	-	111,545
Scholarships and financial aid	70,318	-	22,210	7,584	-	100,112
Library acquisitions	16,225	-	100	206	-	16,531
Goods and services	90,888	17,390	37,481	4,992	-	150,751
Maintenance, construction and renovations	967	185	-	-	60,493	61,645
Travel	7,775	186	8,184	1,749	-	17,894
Professional fees	1,658	-	50	50	-	1,758
Interest and bank fees	14,406	4,032	3	20	-	18,461
Inter-institutional agreements	700	-	25,672	1,813	-	28,185
Research support and other	19,834	8,549	999	2,164	-	31,546
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839
Surplus (Deficit)	-	-	-	-	-	-

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

CAPITAL FUND

REVENUE ANALYSIS

CAPITAL GRANTS

Capital grants are projected to amount to \$12.5 M and consist primarily of Ontario Facility Renewal and Construction Grants (\$4.3 M) and the remaining amount of the Government of Canada Strategic Innovation Fund grant related to the STEM project (\$6.7 M).

EXPENSES ANALYSIS

The Buildings 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.

In 2018–2019, disbursements for major capital projects will be finalized and include projects such as:

- The **Learning Crossroads** has welcomed students since January 2018. This \$80 M project received a provincial grant of \$30 M. The building has two new auditoriums, plus a dozen study-group rooms and 1,000 new study spaces. It has an array of advanced multimedia technologies to give students a more engaging and rewarding learning experience than ever before. It includes an exploratory laboratory for testing innovative tools, an 8K giant screen occupying the entire area of a laboratory wall, a wooden floor and a piano installed in a multifunctional room to enrich the teaching of dance and music as well as a new food court of approximately 400 places.
- The University's collaboration with the City of Ottawa Arts Court project will provide new spaces for the Faculty of Arts theatre program (**LabO**).

This \$9.4 M project benefited from a \$4.5 M government grant. The opening of LabO is scheduled for the summer of 2018.

- The construction of the **STEM** Complex is estimated at \$173 M and benefited from a \$51.5 M federal grant. The Complex will house open-concept teaching labs, Richard L'Abbé Makerspace 3D Printing Workshops, the Entrepreneurial Hub, as well as multidisciplinary spaces such as the Brunsfield Centre where students will be able to build and test complex prototypes in modern research laboratories. The opening is scheduled for September 2018.
- **Facilities Renewal Improvement Program** (PAPI): \$ 24.1 M.

The main projects planned for the 2018–2019 budget are:

- Upgrading areas occupied by **Animal Care and Veterinary Services** on the main campus to comply with standards. Total anticipated funding for this project is estimated at \$6.8 M in 2018–2019. It is essential for our institution to comply with applicable legislations to retain licences for the housing and use of animals and continue to attract researchers who are leaders in their field.
- The **modernization of student spaces** at Roger Guindon as well as Food Services area.
- The **replacement of systems** such as emergency generators at the University Centre and the Morisset building, and the replacement of cooling towers at the thermal power station. Generators and cooling towers are at the end of their useful life, with units and parts no longer available. The replacement of these infrastructures is essential for the operation, and health and safety of the community on campus.

TABLE 9 — *Approved capital projects*

	Total Value	Expenses and/ or disbursement					2018-2019
		Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	
Learning Crossroads	80,000	-	-	-	-	7,220	7,220
LabO	9,400	-	-	-	-	188	188
Roger Guindon	15,950	-	-	-	-	130	130
ARC	10,950	-	-	-	-	40	40
Peter Morand	8,150	-	-	-	-	140	140
STEM	173,063	-	-	-	-	16,740	16,740
Other including Facilities Renewal Improvement Program (PAPI)	45,865	22,500	2,698	589	226	10,022	36,035
Total	343,378	22,500	2,698	589	226	34,480	60,493

CAPITAL FUND



Although the University has added new modern buildings in recent years, the campus has many aging buildings that require either major renovations or redevelopment. In the coming years, the University, through the Buildings and Lands Committee, will need to focus on the maintenance and redevelopment of its existing facilities.

FACILITIES CONDITION

The University currently owns approximately 96 major buildings totaling more than 620,000 square metres, located on 42.5 hectares. The average age of the University's portfolio of buildings is nearly 61 years. In light of this, deferred maintenance is very important for the institution.

The Facilities Condition Index (FCI) is a numeric score used as an indicator of the overall condition of campus assets. The FCI is widely used in assets management, notably by the Council of Ontario Universities in its triennial reports. Since the late 1990s, all Ontario universities have been required to conduct facility condition assessments using common software that generates FCI reports.

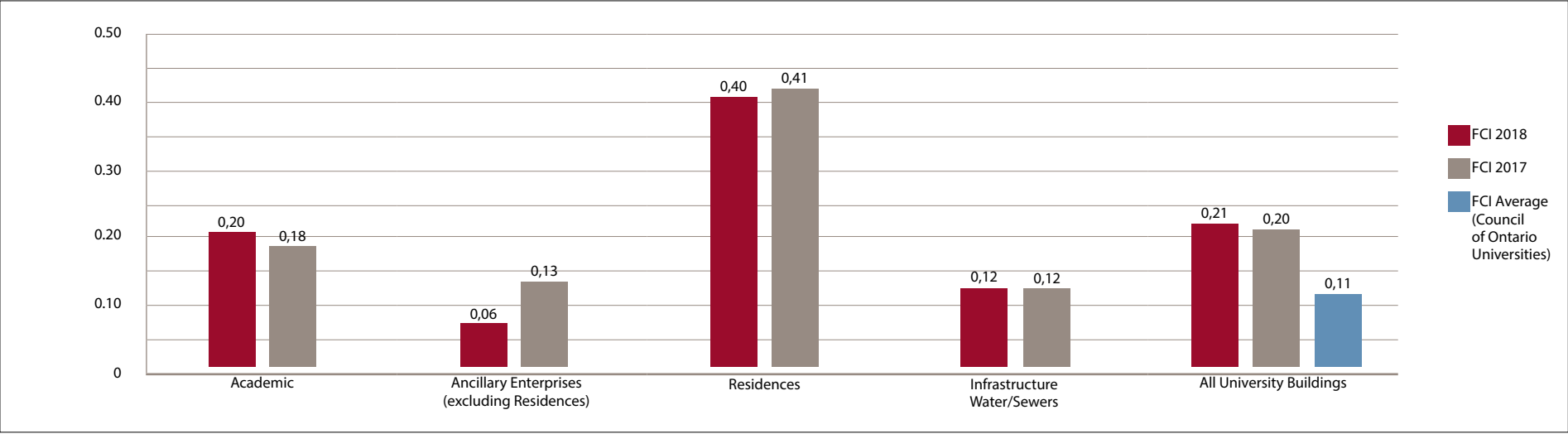
The FCI is a numerical value between 0.0 and 1.0. In simple terms, a value between 0.00 and 0.05 means that the assets are in excellent condition while a value greater than 0.31 suggests a critical level deterioration. The index is calculated by dividing the total cost of Deferred Maintenance (DM) by the Current Replacement Value (CRV) of the assets. To evaluate the DM, teams of experts carry out verification of the assets. About 20% of the assets are evaluated each year, which ensures the renewal of all data every five years.

As of December 2017, the total deferred maintenance of the University is estimated at more than \$421 M. Of this amount, \$300 M relates to facilities for teaching and research, \$101 M to student residences, \$13 M to other ancillary enterprises and \$7 M to infrastructure.

The situation at the University of Ottawa is not unique; deferred maintenance remains a constant concern for many other provincial and federal institutions. It is essential for us to understand the state of our facilities in order to be able to make the strategic decisions related to this portfolio. This allows us to invest where the priorities are greatest and to follow the orientations of our Campus Master Plan.

As stipulated in the Ontario Universities' Facilities Condition Assessment Program as of June 2015, generally accepted industry standards for annual facility financing are approximately 1.5% of the current replacement value (either \$29.5 M). For the 2018–2019 budget, \$12.5 M has been planned as part of the Facilities Renewal and Improvement Program (PAPI).

FIGURE 10 — uOttawa Campus Facilities Condition Index (FCI)



APPENDICES

APPENDICES

APPENDIX A — Initial Consolidated Budget 2018-2019 (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund - Research	Restricted Fund - Other	Capital Fund	Total 2018-2019	Budget 2017-2018	Projected Actual 2017-2018*
Revenue								
Operating grants	390,301	422	-	-	-	390,723	385,286	391,275
Research grants and contracts	-	-	129,630	877	-	130,507	128,873	131,025
Capital grants	-	-	-	-	12,463	12,463	36,024	36,349
Tuition fees and other fees	444,280	1,048	-	-	-	445,328	410,592	408,806
Investment income	21,695	-	447	9,503	5,423	37,068	40,155	31,866
Sales of goods & services	10,458	12,425	2,439	2,367	-	27,689	24,535	24,904
Student housing	-	24,489	-	-	-	24,489	27,675	28,144
Donations	555	5	5,079	7,041	-	12,680	13,185	12,476
Other	12,054	5,339	531	4,968	-	22,892	22,601	23,783
Total revenue	879,343	43,728	138,126	24,756	17,886	1,103,839	1,088,926	1,088,628
Expenditures								
Academic salaries	238,839	-	18,086	3,356	-	260,281	253,319	248,948
Support staff salaries	188,107	8,070	18,090	3,517	-	217,784	213,813	209,769
Student salaries	83,294	-	3,968	218	-	87,480	82,954	86,794
Benefits	103,891	1,553	4,929	1,172	-	111,545	110,688	108,355
Scholarships and financial aid	70,318	-	22,210	7,584	-	100,112	100,525	99,458
Library acquisitions	16,225	-	100	206	-	16,531	15,465	16,049
Goods and services	90,888	17,390	37,481	4,992	-	150,751	145,832	151,013
Maintenance, construction and renovations	967	185	-	-	60,493	61,645	202,076	224,506
Travel	7,775	186	8,184	1,749	-	17,894	18,135	18,503
Professional fees	1,658	-	50	50	-	1,758	1,860	2,127
Interest and bank fees	14,406	4,032	3	20	-	18,461	18,569	18,929
Inter-institutional agreements	700	-	25,672	1,813	-	28,185	28,627	31,721
Research support and other	19,834	8,549	999	2,164	-	31,546	33,431	31,053
Total expenditures	836,902	39,965	139,772	26,841	60,493	1,103,973	1,225,294	1,247,225
Transfers - Facilities Renewal Improvement Program	22,500	2,698	589	226	(26,013)	-	-	-
Transfers - Capital fund	6,333	309	-	-	(6,642)	-	-	-
Transfers - Research and other	10,867	(330)	(9,923)	(614)	-	-	-	-
Financing activities	2,741	1,086	7,688	(1,697)	(9,952)	(134)	(131,745)	(156,905)
Total expenditures, interfund transfers and financing activities	879,343	43,728	138,126	24,756	17,886	1,103,839	1,093,549	1,090,320
Surplus (Deficit)	-	-	-	-	-	-	(4,623)	(1,692)

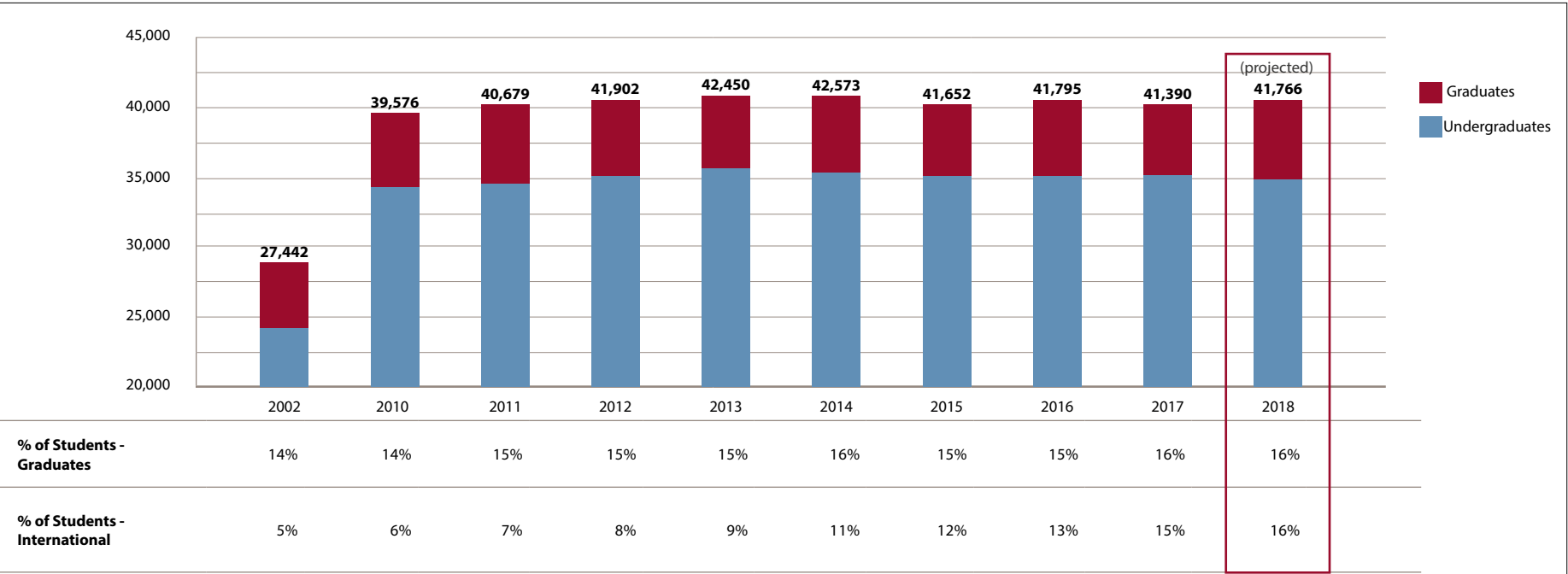
* Based on January 31st, 2018 forecast.

APPENDICES

APPENDIX B — Operating Fund, Revenue - Tuition and Other Fees 2015-2019 (in thousands of dollars)

	Actual 2015-2016	Actual 2016-2017	Budget 2017-2018	Projected Actual 2017-2018	Budget 2018-2019
Tuitions Fees - Canadian Students					
Undergraduate - Full Time	196,504	203,419	210,600	208,422	215,710
Undergraduate - Part Time	18,006	17,641	20,300	19,269	19,880
Graduate - Full Time	29,672	29,761	30,479	29,091	31,053
Graduate - Part Time	3,719	4,311	4,868	4,885	4,846
Total - Tuitions Fees - Canadian Students	247,901	255,132	266,247	261,667	271,489
Tuitions Fees - International Students					
Undergraduate - Full Time	45,990	55,219	68,200	69,306	86,540
Undergraduate - Part Time	5,874	7,780	8,800	9,310	10,550
Undergraduate - Full Time	19,624	20,438	22,350	24,383	28,746
Undergraduate - Part Time	561	597	600	625	650
Total -Tuitions Fees - International Students	72,049	84,034	99,950	103,624	126,486
Other Fees	40,190	41,613	43,357	42,477	46,305
Total - Tuitions fees and other fees	360,140	380,779	409,554	407,768	444,280
% Canadian Students Tuition fees	77%	75%	73%	72%	68%
% International Students Tuition fees	23%	25%	27%	28%	32%

APPENDIX C — Number of Students on November 1st



APPENDICES

APPENDIX D — Operating Fund, Expenditures - Salaries and Employee Benefits - Budget 2018-2019 (in thousands of dollars)

	Budget 2017-2018	Projected Actual 2017-2018	Budget 2018-2019
Salaries			
Academic salaries - Full time	200,438	192,627	203,210
Academic salaries - Part time	31,217	34,397	35,629
	231,655	227,024	238,839
Support staff salaries - Full time	151,286	142,943	155,322
Support staff salaries - Part time	31,007	36,364	32,785
	182,293	179,307	188,107
Student salaries - Assistantships	21,789	22,599	23,179
Student salaries - Professional Association of Residents of Ontario (PARO)	56,685	59,851	60,115
	78,474	82,450	83,294
Employee benefits			
Employee benefits (exluding pension & PARO)	48,650	47,427	49,869
Pension	45,432	45,241	45,896
PARO	8,470	8,106	8,126
	102,552	100,774	103,891
Total - Salaries and employee benefits	594,974	589,555	614,131

APPENDIX E — Operating Budget, Budget 2018-2021 (in thousands of dollars)

	Budget 2018-2019	Preliminary Budget 2019-2020	Preliminary Budget 2020-2021
Revenue			
Grants	390,301	390,001	388,968
Tuition fees & other fees	444,280	463,295	483,279
Investment income	21,695	18,848	18,846
Sale of goods & services	10,458	10,762	11,000
Donations	555	555	555
Other	12,054	12,041	12,036
Total revenue	879,343	895,503	914,684
Expenditures			
Academic salaries	238,839	246,793	254,243
Support staff salaries	188,107	191,935	196,425
Student salaries	83,294	83,653	84,018
Benefits	103,891	107,615	110,375
Scholarships and financial aid	70,318	71,708	72,762
Library acquisitions	16,225	17,036	17,848
Goods and services	90,888	91,143	92,951
Maintenance, construction and renovations	967	986	1,006
Travel	7,775	7,877	8,032
Professional fees	1,658	1,691	1,724
Interest and bank fees	14,406	14,689	14,980
Inter-institutional agreements	700	700	700
Research support and other	19,834	24,982	32,086
Total expenditures	836,902	860,810	887,150
Transfers - Facilities Renewal Improvement Program	22,500	15,700	15,700
Transfers - Capital fund	6,333	6,438	6,454
Transfers - Research and other	10,867	7,051	10,470
Financing activities	2,741	8,168	5,991
Total of expenditures, interfund transfers and financing activities	879,343	901,367	925,765
Surplus (Deficit)	-	(5,864)	(11,081)

FRAMEWORK AND ASSUMPTIONS USED

- The three-year plan used the assumption that the number of Canadian and international students will remain unchanged from those used in preparing the 2018-2019 budget;
- Salaries and benefits are calculated using the terms of the most recently ratified collective agreements;
- Non-salary expenditures were increased by an inflation rate varying between 2% and 5%;
- Additional investment in deferred maintenance for systems and buildings, which are included in the 2018-2019 budget, were projected until 2021, under *Research support and other* ; and
- Ongoing investments in research support have been projected according to agreements known to date.

