

2022–2023



# Budget Book

Office of the Provost and Vice-President,  
Academic Affairs

[provost@uOttawa.ca](mailto:provost@uOttawa.ca)

[uOttawa.ca/about-us/provost](https://uOttawa.ca/about-us/provost)



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# Budget Book

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## 2022–2023

I am pleased to present the budget for the 2022–2023 academic year. This budget is the culmination of a process that proved to be challenging right up until the very end, with many scenarios having to be revisited owing to events over the past year. I would sincerely like to thank our teams for their perseverance and their hard work.

As you know, this budget requires strategic planning in order to create a shared vision of our future and, in particular, of what we want to achieve in the coming year. Beginning in January 2022, our strategic planning was sorely tested due to tumbling financial markets, rising inflation, ongoing pandemic uncertainty, and confirmation of the continued government-imposed tuition freeze for Ontario residents for a fourth consecutive year.

But despite these challenges, which are outside its control, the University remains determined to pursue the projects outlined in its strategic plan, *Transformation 2030*. For fiscal year 2022–2023, we are maintaining our investments in research, the Francophonie and bilingualism, the Administrative Services Modernization Program, new building construction, and the Facilities Renewal Improvement Program (PAPI).

The University also continues to revitalize its academic programs in order to attract the next generation of talent and to remain competitive in an increasingly globalized higher education sector. We have stepped up our recruitment and partnership efforts in Asia and Africa to ensure the diversity of the student body and to support our long-term financial viability. Furthermore, we are continuing our efforts with respect to the Francophonie, mental health, the fight against racism, and Indigenous programming to focus on well-being and inclusion as foundational principles that underpin our operations and inform our goals and ambitions. The University's budget aligns with these priorities, as stated in its strategic plan, *Transformation 2030*.

The past year has been difficult, and the next is likely to be much the same. With that in mind, the 2022–2023 budget will be balanced so that we can better respond to external challenges. Fortunately, we can continue to rely on the dedication of our professors and support staff, and on the resilience of our students. Despite the uncertainty and challenges that still persist, our University of Ottawa community remains strong. I am confident that, together, we will prevail.

Jill Scott  
Provost and Vice-President, Academic Affairs

# Introduction

The University of Ottawa is proud to present its consolidated budget for fiscal year 2022–2023. This budget is based on the funding parameters, programs, and operational framework in place at the time of preparation. It also relies on our best assumptions concerning the evolution of the pandemic, financial markets, inflation rates, and the economic outlook in general. Lastly, the consolidated budget takes into account the constraints imposed by government ministries and funding agencies (funders), the regulatory framework that governs tuition fees, and other external factors that influence the University's operations and financial situation.

In many respects, preparing Budget 2022–2023 has been very challenging, given the many financial constraints imposed by the Ontario government, including its decision to maintain the tuition freeze for Ontario residents in 2022–2023, after the freeze imposed since 2020–2021 and the 10% tuition reduction of 2019–2020. The freeze for Ontario residents is thus still in place, despite a jump in inflation, which rose to 6.7% in Canada from April 2021 to March 2022. Hence, a full-time undergraduate student (in communications, for example) who in 2016 was paying \$3,188 per term for tuition will actually be paying less in September 2022, namely \$3,044, due to the tuition fee reduction and freeze imposed by the provincial government. Had the 2016 tuition rate kept pace with inflation, a student in the same program would be paying \$3,625 in September 2022. In that example, Ontario's policy results in a shortfall of nearly \$500 per term per student. The shortfall could be offset by a significant increase in provincial subsidies, but these subsidies have been frozen at 2014 levels. Taken together, financial constraints for all programs over four successive fiscal years represent a shortfall of \$68M, to which can be added an estimated \$53M in underfunding of French-language programs, amounting to a total of \$121M in underfunding for the University in 2022–2023.

The consolidated budget for 2022–2023 includes rationalization measures aimed at containing expenses and achieving a balance. The University's faculties and services will need to be especially rigorous in their

budgeting efforts. The Standing Budget Committee will be monitoring the budget situation closely in the coming months. The measures that have been implemented will be reviewed as the budget situation develops, and especially should it deteriorate. In addition to these measures, a series of initiatives will be rolled out to monitor expenditures, mitigate restrictions, and generate new revenue. For example, we hope to see higher enrolment in our summer courses, given that we have managed to maintain our course offerings and initial signs are pointing to strong demand. Moreover, by revitalizing our programs, we have established a number of partnerships with foreign governments in engineering, medicine, and management. We expect that in 2022–2023, these new partnerships will begin bringing in new revenue estimated at \$3M. Over the medium term, we aim to conduct a comparative analysis of administrative costs so that we can deliver our services for less. We will also be developing a long-term tuition fee strategy that will take a number of factors into account, such as program viability and capacity, delivery costs, recruitment issues (e.g., elasticity of demand), impact of international rankings, and characteristics of certain regions of the world. Lastly, in 2022–2023, we will begin to review our internal funding formula to incentivize better new revenue generation and expenditure reduction.

Senior management would like to thank all the teams involved in drafting the 2022–2023 budget, which will enable us to continue building the University of tomorrow and meet the goals of *Transformation 2030*.



# Transformation 2030 Strategic Plan



## Strategic Pillars

### **MORE AGILE**

#### ***Succeeding in a world where change is the only constant***

In this digitally driven era of ceaseless change, our diligent stewardship of the wisdom of the past must not distract us from the urgency of present and future imperatives.

- Be responsive and accessible with our program offerings
- Be flexible and creative with program structures to enable students to complete programs in a timely way, while maintaining high academic standards
- Be innovative and comprehensive in our approaches to teaching and learning
- Be able to seize new opportunities: Demonstrate national and global leadership in major scientific and social challenges

### **MORE IMPACTFUL**

#### ***Working together to build a better world***

In the world's great universities, students, faculty and staff are driven by a burning desire to make a difference.

- Give ourselves the means to make a difference: Achieve a level of philanthropic success consistent with our ambition to distinguish ourselves as a top-tier research university in Canada
- Leverage our assets to make a difference: Develop potentially high-impact research initiatives at all levels of scale from local to global
- Making a difference starts here: Improve the student experience academically, culturally, recreationally and socially to prepare students to go out into the world and make their mark

## ***MORE SUSTAINABLE***

### ***Securing our shared future***

Whether we limit our definition of sustainability to the environmental realm, or expand it to include sustained financial viability, sustainability is non-negotiable.

- Nurture a sustainable campus culture that promotes overall well-being, embraces diversity and fuels employee engagement
- Develop a long-term financial sustainability framework
- Ensure responsible and sustainable growth of our infrastructure
- Ensure responsible and sustainable security and safety planning



## ***MORE CONNECTED***

### ***Becoming leaders in our global village***

As academics, we are both in the world and of it, and today that world is becoming ever more densely tangled and interconnected.

- Connect with the world: Increase the scope and scale of our international presence and influence
- Connect with our identity: Create and promote a distinctive national and international identity that emphasizes our uniquely Francophone and bilingual status among research-intensive universities
- Connect with partners: Foster community engagement, as well as educational, research and industrial partnerships with both the public and private sectors
- Connect with Indigenous communities: In light of the recommendations contained in the Indigenous Action Plan, make our commitment to Indigenous peoples fully visible, sustainable and real
- Connect with technology: Develop a holistic digital vision and roadmap that will enable the transformation of [our] higher education capabilities

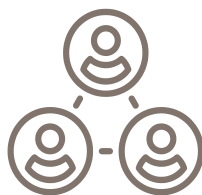
# Core Aspirations



## **TRANSFORMATIVE LEARNING**

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We are very conscious of the need to prepare our students, whatever their field of study. We will favour inclusive, innovative and nimble teaching, nourished by best practices in pedagogy.



## **OUTSTANDING LEADERSHIP AND MANAGEMENT**

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We wish to remain an employer of choice and are highly attuned to the fact that our success is built on the contributions of our talented and dedicated staff.



## **CUTTING-EDGE RESEARCH**

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We will conduct cutting-edge, high-quality research, in which intellectual worth and practical application are both valued and celebrated.



## **SUSTAINED COMMITMENT TO OUR COMMUNITY**

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We will demonstrate a strong commitment to our community, in our respect for its values as much as in our generous sharing of the fruits of our activity.



## **VIBRANT FRANCO-ONTARIAN AND FRANCO-CANADIAN CULTURE**

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We consider our commitments towards Franco-Ontarian and Franco-Canadian culture to be elemental, and we wish to play a frontline role in the broader intercultural French-speaking world.



## **EFFECTIVE GOVERNANCE**

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We will govern ourselves with rigour and transparency, focusing on the quality and value of administrative services from the user's point of view.



# 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 instill 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 aim to encourage our students to expand their knowledge, discover their creativity, and develop their critical thinking skills. Our objective is to prepare well-rounded individuals who are dedicated citizens capable of contributing to society and becoming 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

In recent months, government responses to the pandemic and the war in Ukraine have rattled financial markets, disrupted supply chains, and accelerated inflationary pressures. Uncertainty with respect to such issues is at a peak. The impact of this turmoil on the University of Ottawa is difficult to quantify. Nevertheless, we cannot ignore these external factors when drafting the consolidated budget, as discussed below. The tuition fee framework—another significant factor—will also be addressed. We will also discuss ancillary services, the Strategic Mandate Agreement 3 (SMA3), and the federal government.

- **Global geopolitical situation:** Geopolitical turmoil, particularly the war in Ukraine, is already having a significant negative impact on financial markets. As of April 25, the Dow Jones index had fallen 6.3% since the start of 2022. Of course, financial markets can rebound quickly on positive international news. However, for now, we need to consider the prospect of lower returns on investments in financial markets. Consequently, while return on investments usually accounts for less than 5% of our total consolidated budget revenue, it represents a significant nominal amount nonetheless, particularly in light of the cap on government funding and the tuition freeze for Ontario students. The 2022–2023 budget therefore assumes a return on investments of just 4%. When compared to the 6%-to-7% rate of return that we factored into consolidated budgets in the past few years, this represents a \$15M reduction in total revenues.

The geopolitical situation could also affect exchange rates. International tensions tend to lead to a rise in the US dollar, since international investors view it as a safe haven. As of April 25, 2022, the Canadian dollar had dropped only slightly against the US dollar, likely because of the rise in oil prices. Nonetheless, the spread between the US and Canadian dollar could widen in the weeks ahead. A steeper decline in the Canadian dollar against the US greenback would make it more expensive for us to purchase computer hardware and software or library acquisitions. Conversely, a rise in the Canadian dollar versus African currencies would drive up the actual costs of studying at uOttawa for several of our international

students, which could make international recruitment more challenging.

- **Inflationary pressures:** The rise in inflation has been accelerating since the beginning of 2022. According to Statistics Canada, the inflation rate in Canada between April 2021 and March 2022 was 6.7%. The US inflation rate reached 8.5% during the same period, the highest since 1981. This affects the University in that it purchases inflation-sensitive goods and services. These include library acquisitions, software licence renewals, computer and audiovisual equipment, materials for infrastructure maintenance and repair, travel, professional fees and contractual services. We have taken into account the rise in inflation since the beginning of 2022 in our budget assumptions. Should inflation continue to accelerate and persist, the University can expect pressure to increase wages during upcoming collective bargaining negotiations.
- **COVID-19 and ancillary services (residences, food services, parking, etc.):** In 2021–2022, the University had to significantly increase expenditures for general supplies and allocate additional resources to cleaning services, transportation, water testing, environmental assessments, signage, etc. On the academic side, considerable effort was expended on the transition to distance learning (training, IT equipment, teaching assistantships), particularly for online courses. Thanks to investments made in 2020–2021 and 2021–2022 to respond to the pandemic and facilitate the use of new teaching and telework technologies, we expect that the impact of COVID-19 on expenditures will decrease

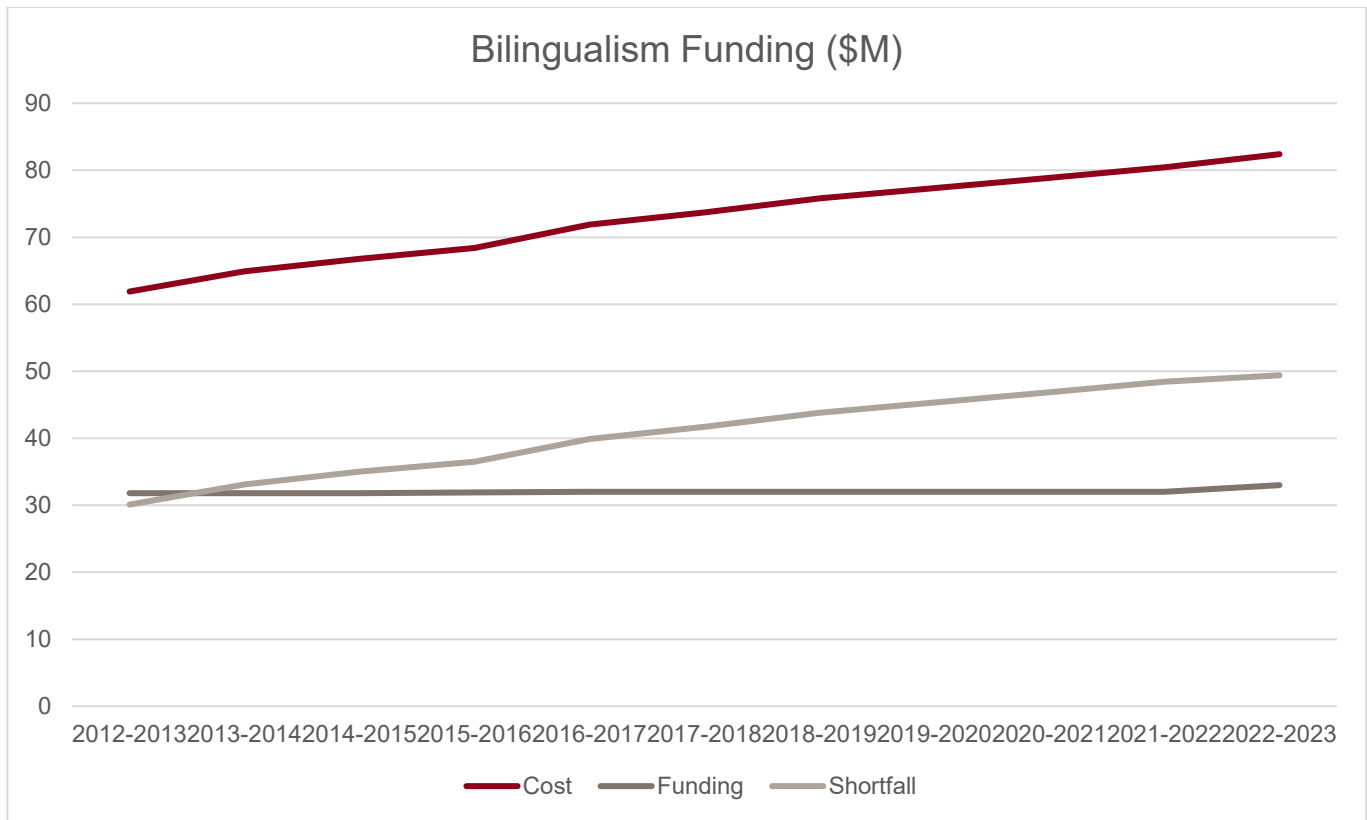
considerably in 2022–2023 from the previous two years, and that revenue from ancillary services will be on par with pre-COVID levels. Current demand for spots in student residences in the fall 2022 is very strong.

- **A restrictive tuition fee framework:** In 2019–2020, the Ontario government announced a 10% reduction in tuition fees, followed by a tuition freeze in 2020–2021. The measure applied to Canadian students and permanent residents enrolled in programs funded by the Province of Ontario. The Ontario government has extended the tuition freeze for 2021–2022 and 2022–2023 for Canadian students living in Ontario. The University of Ottawa estimates that the shortfall will reach \$68M in 2022–2023. Furthermore, this shortfall will increase if the freeze is maintained and is not offset in any way.
- **Strategic Mandate Agreement (SMA):** Since 2014, all publicly funded universities in Ontario have signed successive three-year strategic mandate agreements with the Ministry of Colleges and Universities (MCU). In addition to clearly specifying each university's areas of focus, the agreements set out measurable goals and demonstrate the universities' commitment to working with the government in terms of their future directions. In 2019–2020, a new Strategic Mandate Agreement (SMA3) was negotiated with the Ontario government. The SMA3 covers five years, from 2020–2021 to 2024–2025. According to the Ontario government, the SMAs support the government's commitment to "making Ontario's postsecondary education system more sustainable and better aligned with labour-market needs while operating transparently and efficiently." The major change in SMA3 in terms of grant funding is a gradual transition from the student-based budget approach to funding tied to 10 performance indicators. The percentage of funding related to performance indicators is expected to rise from

25% in 2020–2021 to 60% in 2024–2025. In recent months, the Ontario government announced that, owing to the pandemic, funding would not be based on performance indicators until 2023–2024. In short, Ontario government grant funding will, at best, remain unchanged until 2024–2025 (the last year of the SMA3) in nominal terms, and therefore decline in real terms after inflation. Government disinvestment in real terms has been a factor since 2014. The shortfall for 2022–2023 is pegged at \$55M, which significantly impacts our financial health.



- **Federal government:** Funding from the federal government generally has little direct impact on the University's operating fund. However, federal government funding supports research activities, for example by helping to finance the Canada Research Chairs program, assisting with the indirect costs of research, and financially supporting graduate students. The federal government also plans to revise its official languages policy. The University of Ottawa welcomes this initiative, given that our programs taught in French have been underfunded for many years. The figure below illustrates the financial cost and benefits of bilingualism at the University of Ottawa. It shows that the value of grants received from the federal and provincial governments has remained constant, at around \$32M since 2012–2013, whereas costs have been continuously increasing, producing an estimated shortfall of \$49M in 2022–2023.

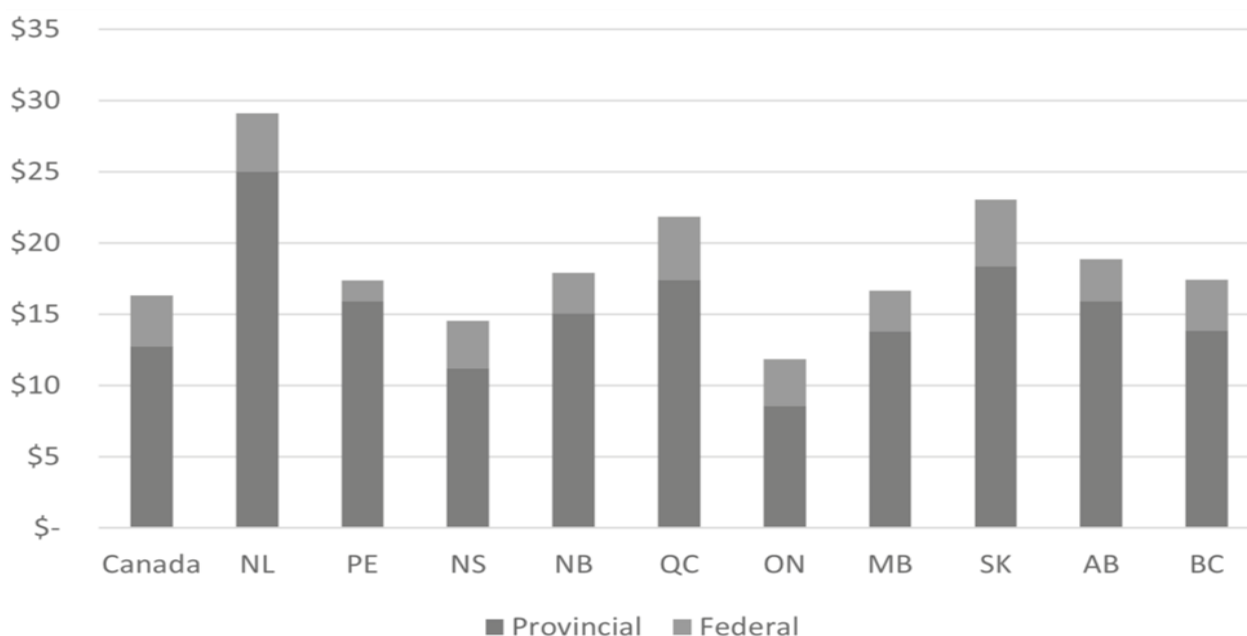


## Future Challenges

The university sector in Ontario and in Canada is undergoing a period of change. The University faces significant challenges that could jeopardize its ambitious goals in the coming years. These challenges are exacerbated by the following factors, among others:

- Uncertainty about provincial grants:** The 2020–2025 Strategic Mandate Agreement (SMA3) sets the performance measures and targets tied to funding. In 2022–2023, provincial grants will remain stable owing to the government’s decision to delay implementing the SMA3 metrics because of COVID-19. We are confident that the University’s three-year rolling average of enrolment will fall within the range set by the Ministry, plus or minus 3%. However, for the final years of SMA3, a greater share of provincial grants will be tied to performance indicators.

While provincial grants are expected to remain stable in nominal terms for 2022–2023, government funding for postsecondary institutions has fallen by more than 10% in real dollar terms over the past five years. In that respect, if we compare provincial and federal expenditure per full-time equivalent (FTE) student across Canada, we see that the amount allocated in Ontario is approximately 30% below the Canadian average, by far the lowest of all the Canadian provinces, as illustrated in the following chart.



PROVINCIAL AND FEDERAL GOVERNMENT EXPENDITURE PER FULL-TIME EQUIVALENT (FTE) STUDENT, BY PROVINCE, IN THOUSANDS OF DOLLARS, 2019–2020 (ALEX USHER'S BLOG, FEBRUARY 8, 2022)

- **Increased competition for international students:** The pandemic has made the recruitment of international students more challenging. Although our student population currently includes a significant proportion (20%) of international students, as is the case at all U15 universities, four out of 10 of our international students are Francophones and therefore eligible for scholarships totalling approximately \$36M per cohort. The University of Ottawa's international student population is more diverse than at other U15 institutions. However, compared to its competitors, its per-student revenue is much lower.
- **Growth in expenditures:** The need for new revenue streams is increasingly urgent, given the limits imposed on grants and tuition fees and the increase in expenditures caused by inflationary factors.
- **Revitalization of academic programs:** To respond to these financial pressures, driven by higher expenditures, and to the changing needs of our students and the labour market, we have initiated a series of measures to revitalize our academic programs. A reform of our graduate scholarships has allowed us to increase the number of PhD students more quickly than expected. The number of course-based master's programs continues to rise, which should result in higher master's student graduation rates in the near future. Moreover, new international education partnerships with Egypt and Kuwait, along with new fully online programs, and new engineering and management programs, will generate additional revenue. We anticipate that these partnerships will bring in approximately \$3M in added revenue in 2022–2023. Finally, many microprograms are in the pipeline. These new programs, which are designed for students with work experience, will include a professional development component. Our Professional Development Institute is contributing content to these revenue-generating programs.



- **Scholarships and financial aid:** Scholarship expenditures have increased significantly in recent years. As shown in the table below, scholarship and financial aid expenditures have more or less doubled from 2019–2020 (\$61M) to 2021–2022 (\$120M), and are expected to exceed \$156M in 2022–2023. There are three reasons for the dramatic increase: (1) grade inflation among high school and university students during the pandemic drove a significant increase in undergraduate excellence scholarships (admission scholarships and merit scholarships). Steps were taken in 2022–2023 to curb the increase and bring the total number of excellence scholarships over the next two years back down to pre-pandemic levels; (2) the new differential tuition fee exemption scholarship for international Francophone students, introduced last year to replace the partial tuition fee

exemption, resulted in an approximate \$36M increase in the total number of scholarship funding awarded in 2021–2022. Note that this \$36M is also accounted for in revenue because under the new system, international Francophone students pay the same tuition as international Anglophone students but receive a scholarship that brings their net tuition fees close to what Canadian students pay. The new system is being implemented gradually and applies only to students admitted since September 2021; (3) Lastly, the new graduate scholarship program was a victim of its own success, so to speak. One of the objectives of the new program is to step up support for PhD students. However, the number of new enrolments exceeded expectations. But, as in the case of the first two items, we have taken steps to contain the rise in costs, such as the introduction of faculty quotas.

000'\$	2019–2020	2020–2021	2021–2022	2022–2023
Excellence Scholarships	18,426	24,498	29,794	27,998
International Students	3,979	5,042	42,961	78,898
Graduate Studies	21,886	23,048	30,193	32,205
Dependent Support	3,396	3,793	3,780	3,780
Financial Aid	13,126	11,584	13,001	13,001
Others	505	156	639	629
<b>Total</b>	<b>61,318</b>	<b>68,121</b>	<b>120,368</b>	<b>156,611</b>

- **Pension plan:** Contributions to the defined-benefit pension plan represent significant expenditures that are included in salaries and benefits. However, the pension plan is currently in a healthy position, with a going concern ratio of 118% and a solvency ratio of 103% as of May 15, 2021. It should be able to maintain that position during fiscal year 2022–2023. An actuarial valuation was filed on May 15, 2021, extending the current contribution levels until 2024 and providing budget stability over this timeframe.
- **Deferred maintenance of buildings and technology:** Many older buildings require major renovations and maintenance. Over the next few years, the University will need to focus on maintaining and renovating its existing facilities. The Facilities Renewal Improvement Program (PAPI) will once again total \$25M in 2022–2023 despite budgetary challenges. Two years ago, \$20M was allotted to the program, up from just \$15M four years ago. Unfortunately, government infrastructure investment programs have been few and far between since the start of the pandemic.

▪ **Underfunding of some activities:**

Governments do not adequately fund some of the activities that are directly related to the University's mission. Several key areas suffer from chronic underfunding:

- a) indirect costs related to research
- b) bilingualism
- c) support for students with disabilities or special needs
- d) mental health
- e) antiracism, and all efforts to promote equity, diversity, and inclusion
- f) maintenance and replacement of capital and IT infrastructure

Each year, the University must draw on its Operating Fund to finance such activities.

- **Financial outlook for future fiscal years:** The current environment continues to put pressure on the University and on its ability to balance its budget. Future strategic mandate agreements and tuition fee frameworks will have a decisive impact on the financial health of Ontario universities, including the University of Ottawa.



## Conclusion

As a result of the recommendations of the Finance and Treasury Committee and with its endorsement, it is the opinion of the University's senior management that the fiscal year 2022–2023 budget meets the goals established by the Board of Governors.

# Budget Model

In 2018–2019, the University adopted a new revenue allocation model that incorporates long-term financial sustainability goals, facilitates the implementation of strategic directions, and assists in responding to the Strategic Mandate Agreement (SMA).

This model is a new way for the University to distribute revenues and expenditures in order to advance in its teaching and research mission while ensuring its financial viability over the short, medium, and long terms. It aims to identify additional sources of revenue, achieve the SMA objectives, modernize and implement innovative academic programs, and promote sound and efficient operations management. The model is meant to be a tool that facilitates the financial planning process while improving transparency in decision-making and increasing stakeholder accountability.

The model comprises three envelopes:

- |  |   |  |
|--|---|--|
| <b>1. A basic envelope determined after reviewing the needs of each faculty and service (basic allocation)</b> | <b>2. A performance-related envelope (incentives)</b> | <b>3. An envelope for strategic priorities (strategic funding)</b> |
|--|---|--|

The faculties and services have been assigned a budget envelope for 2022–2023 that reflects actual operating costs, taking into account the institution's commitments and budget situation. This year, the University is asking its faculties and services to rationalize their spending in order to balance the budget. That effort will require a 3.5% reduction in non-academic and other spending. Unlike in 2021–2022, no new regular professors will be hired to offset attrition. The Standing Budget Committee will review the situation this summer to ensure that the objectives regarding spending cuts of 3.5% are achieved.

The second envelope includes specific incentives for each faculty and service to encourage them to reach their performance objectives more quickly, i.e., increase revenue, contain costs, and achieve established goals. This envelope also serves to link the current fiscal year to the following one. Consequently, good performance in the current year puts funds into the second envelope for the following year. It should be noted that the second envelope is a reserve, so to speak, for faculties and services in the event of contingencies and one-time funding needs for new initiatives.

The third envelope comprises the University's strategic fund, whose purpose is to allow the institution to achieve its priority strategic objectives sooner. Despite uncertainties and budget challenges, the University is maintaining the investments provided for in envelope 3 to modernize its administrative systems and to fund research (centres and institutes, start-ups), the Facilities Renewal Improvement Program, and new revenue-generating initiatives. This explains why the amount transferred from the Operating Fund to the Capital Fund and to research-related funds remains high in the 2022–2023 budget.

The University continues to budget by fund to take into account funding source restrictions and allocation of resources to its various activities.

# Budget Process

The Strategic Plan is the backdrop to the budget process at the University of Ottawa—a participatory approach bringing together unit decision makers and managers while maintaining the University’s direction regarding teaching and research quality.

## Roles and Responsibilities

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

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

The **Administration Committee** presents a budget proposal that is in step with the University’s objectives and recommends its approval to the Finance and Treasury Committee (finance section).

The **Standing Budget Committee** recommends, to senior management, a budget philosophy, principles, and approach, along with financial resource allocation methods required to achieve a balanced budget. It also analyzes and assesses expenditures on a regular basis.



## Budget Updates

Budget updates track changes in actual revenues and expenditures against the planned budget. They are submitted to the Board of Governors twice annually, after the official student enrolment figures are updated. The first budget update uses actual data as of October 31, and the second, actual data as of January 31. In addition to monthly budget tracking, the two updates are used to validate revenue and expenditure trends and to make any necessary adjustments.

## Final Budget Results

Alongside the preparation of the audited consolidated financial statements, actual financial results are compiled on a budget basis to analyze variations between actual results and budget targets. The result of those analyses is submitted to the Board of Governors Finance and Treasury Committee and to the Board of Governors in September of each year.

# Fund Descriptions and Linkages Between Funds

University budgets are prepared using the fund accounting method. Each fund has a main function that allows the allocation of income and expenditure for specific purposes to meet donor funding conditions. Different budget requirements 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 service.

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

The **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 agency and the University, particularly with respect to the procedures for managing eligible research expenditures. They are also subject to other restrictions, 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 to redistribute the resulting income. The capital must be maintained and, in general, the proceeds from it can be used only for the purposes specified by the donor.

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

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



Even though all these funds are separate, transfers between them can be made during the year, depending on funding agreements. The main authorized transfers are:

- Acquisitions of capital assets funded by the Operating Fund, the Ancillary Services Fund, the Restricted Fund—Research and the Restricted Fund—Other must be accounted for in the Capital Fund through an interfund transfer between the originating fund and the Capital Fund.

The Operating Fund is used to contribute in various ways to research activities at the University, e.g., support for research chairs and start-up funding. Those amounts are recorded as interfund transfers from the Operating Fund to the Restricted Fund—Research.



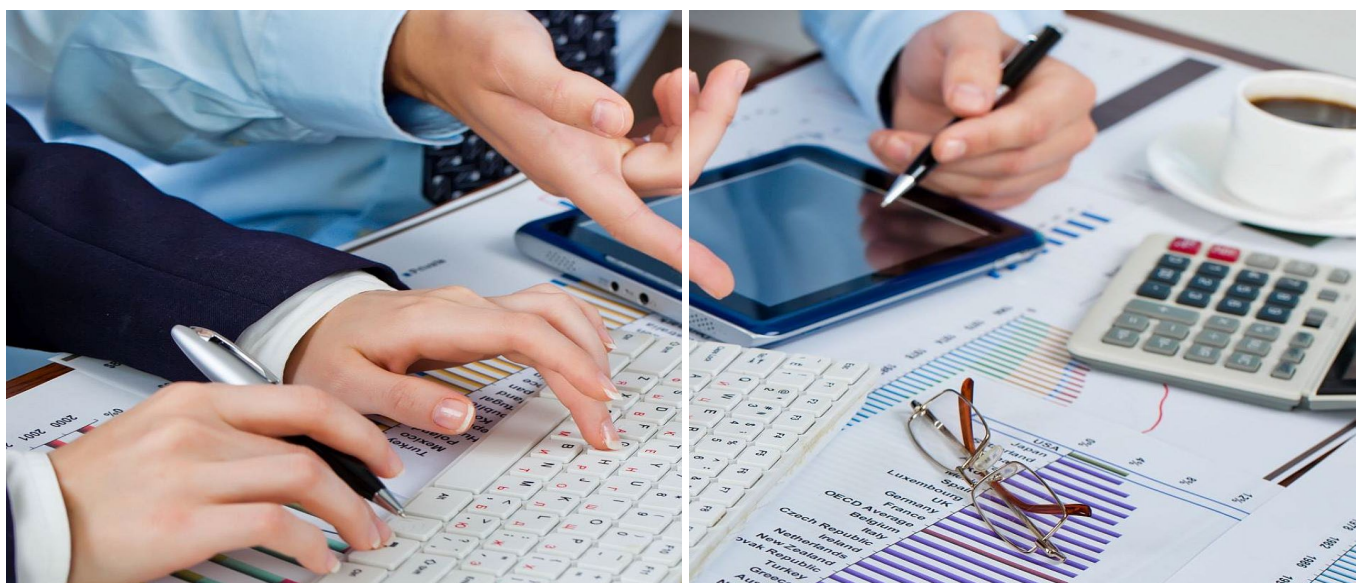
# Budget 2022–2023

Details by fund (in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	<b>610,052</b>
Operating grants	318,998	438	-	-	-	<b>319,436</b>
Restricted grants & contracts	-	-	161,243	78,387	8,889	<b>248,519</b>
Investment income	26,021	-	200	11,866	5,193	<b>43,280</b>
Sale of goods and services	6,845	13,371	2,576	2,412	-	<b>25,204</b>
Student housing	-	26,373	-	-	-	<b>26,373</b>
Donations	445	1	2,766	11,808	-	<b>15,020</b>
Other	13,428	2,883	327	3,673	97,541	<b>117,852</b>
<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	52,052	74,367	-	<b>654,872</b>
Benefits	105,246	1,930	7,295	11,578	-	<b>126,049</b>
Scholarships and financial aid	156,511	3	28,659	10,473	-	<b>195,646</b>
Library acquisitions	17,702	-	78	97	-	<b>17,877</b>
Cost of goods and services	34,827	7,197	34,938	2,040	1,500	<b>80,502</b>
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	130,770	<b>172,008</b>
Travel	6,493	39	3,020	864	-	<b>10,416</b>
Contractual services and professional fees	38,972	309	5,415	6,390	-	<b>51,086</b>
Interest and bank fees	26,309	896	6	72	-	<b>27,283</b>
Inter-institutional agreements	1,509	-	39,499	2,527	-	<b>43,535</b>
Other	21,154	2,992	800	1,516	-	<b>26,462</b>
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	28,950	-
Transfers—Intern loans	(926)	(5,880)	-	-	6,806	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	11,544	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>
Change in net assets invested in capital assets						(936)
Employee future benefits adjustment						14,607
<b>Excess of revenue over expenses as per financial statements</b>						<b>13,671</b>

# Budget Presented as Financial Statements in Accordance with Accounting Standards for Not-For-Profit Organizations



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

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

The University's budget document is prepared prior to the application of some of the ASNPO standards in order to track and monitor the budget throughout the year, and to predict year-end cash reserves. As a result, information presented in the financial statements differs from the information contained in the budget document. For example, accounting adjustments for future employee benefits are not included in the budget document. In addition, changes in net assets invested in

capital assets are entered as an expenditure in the budget, whereas they are recorded as capitalized in the University's financial statements.

For comparison purposes, the 2022–2023 budget figures are presented in the same format as the financial statements, thereby meeting the accounting standards for not-for-profit organizations.

# Pro Forma Consolidated Statement of Operations, Year Ending April 30 (in thousands of dollars)

	Initial Budget (2022–2023)	Forecasted (2021–2022)	Actual (2020–2021)
<b>Revenue</b>			
Tuition and other fees	610,052	533,610	467,773
Operating grants	319,436	325,312	321,886
Research grants and contracts	247,180	254,991	241,811
Sale of goods and services	43,280	19,048	13,229
Student housing	25,204	18,186	5,756
Donations	26,373	11,894	17,490
Investment income	15,438	53,472	118,055
Other	25,092	19,192	16,094
	<b>1,312,055</b>	<b>1,235,705</b>	<b>1,202,094</b>
<b>Expenses</b>			
Salaries and employee benefits	771,864	768,136	734,171
Scholarships and financial aid	190,096	157,206	111,818
Cost of goods and services	49,285	60,559	68,042
Repairs, maintenance, utilities and taxes	52,423	26,264	35,840
Contractual services and professional fees	51,086	54,255	42,630
Inter-institutional research and other agreements	43,535	43,239	48,519
Travel	10,416	4,491	3,133
Interest and bank fees	27,283	27,411	26,727
Amortization of capital assets	77,935	76,811	73,772
Other	24,461	24,388	15,735
	<b>1,298,384</b>	<b>1,242,760</b>	<b>1,160,387</b>
<b>Excess of revenue over expenses</b>	<b>13,671</b>	<b><u>(7,055)</u></b>	<b><u>41,707</u></b>

For the fiscal year ending April 30, 2023, the University projects a surplus of revenues over expenditures of \$13.7M, versus a surplus of expenditures over revenues of (\$7.1M) as of April 30, 2022.

The difference between the surplus of revenues over expenditures (book balance) and the consolidated budget balance forecast for 2022–2023 can be reconciled by considering the following:

## Reconciliation between the budget and the financial statements (in thousands of dollars)

	Initial Budget (2022–2023)	Forecasted (2021–2022)	Actual (2020–2021)
<b>Budget balance</b>	0	(26,273)	45,462
Variation of net assets invested in capital assets <sup>*</sup>	(936)	28,714	(2,318)
Adjustment related to employee future benefits <sup>**</sup>	14,607	(9,496)	(1,437)
<b>Excess of revenue over expenses (expenses over revenue) as per Financial Statements</b>	<b>13,671</b>	<b>(7,055)</b>	<b>41,707</b>

<sup>\*</sup> For details on the change in net assets invested in capital assets, see Note 14 in the audited statements.

<sup>\*\*</sup> For details on the adjustment for future employee benefits, see Note 6 of the audited statements for 2020–2021 (actual). The data used for the 2021–2022 projections and the 2022–2023 initial budget were drawn from the five-year projections submitted by our actuaries in the summer of 2020 and the summer of 2021, respectively.





# Operating Fund 2022–2023

(in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	610,052
Operating grants	318,998	438	-	-	-	319,436
Restricted grants and contracts	-	-	161,243	78,387	8,889	248,519
Investment income	26,021	-	200	11,866	5,193	43,280
Sale of goods and services	6,845	13,371	2,576	2,412	-	25,204
Student housing	-	26,373	-	-	-	26,373
Donations	445	1	2,766	11,808	-	15,020
Other	13,428	2,883	327	3,673	97,541	117,852
<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	52,052	74,367	-	654,872
Benefits	105,246	1,930	7,295	11,578	-	126,049
Scholarships and financial aid	156,511	3	28,659	10,473	-	195,646
Library acquisitions	17,702	-	78	97	-	17,877
Cost of goods and services	34,827	7,197	34,938	2,040	1,500	80,502
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	130,770	172,008
Travel	6,493	39	3,020	864	-	10,416
Contractual services and professional fees	38,972	309	5,415	6,390	-	51,086
Interest and bank fees	26,309	896	6	72	-	27,283
Inter-institutional agreements	1,509	-	39,499	2,527	-	43,535
Other	21,154	2,992	800	1,516	-	26,462
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	28,950	-
Transfers—Intern loans	(926)	(5,880)	-	-	6,806	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	11,544	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>

To assist in understanding the choices made for 2022–2023, we present the table below, which includes the Operating Fund budget for 2022–2023, along with the initial budget and projections for 2021–2022. The significant variations between the initial budget and projections for 2021–2022 reflect recent geopolitical and inflationary developments. The Operating Fund balance for 2022–2023 is headed in the right direction when compared to the actual forecast for 2021–2022.

	Budget 2021–2022	Projected Actual 2021–2022	Budget 2022–2023
<b>Revenue</b>			
Tuition fees and other fees	523,047	532,274	<b>608,693</b>
Operating grants	319,545	324,969	<b>318,998</b>
Investment income	41,466	35,621	<b>26,021</b>
Sale of goods and services	7,193	5,387	<b>6,845</b>
Unrestricted donations	514	577	<b>445</b>
Others	11,601	13,028	<b>13,428</b>
<b>Total revenue</b>	<b>903,366</b>	<b>911,856</b>	<b>974,430</b>
<b>Expenses</b>			
Academic salaries	250,252	251,596	<b>260,345</b>
Support staff salaries	211,046	222,478	<b>231,491</b>
Student salaries	24,861	28,229	<b>27,506</b>
Employee benefits	102,319	103,394	<b>105,246</b>
Scholarships and financial aid	110,569	120,368	<b>156,511</b>
Library acquisitions	17,327	17,325	<b>17,702</b>
Cost of goods and services	35,006	36,745	<b>34,827</b>
Repairs, maintenance, utilities, and taxes	29,167	29,505	<b>31,922</b>
Travel	3,564	2,438	<b>6,493</b>
Contractual services and professional fees	36,901	39,711	<b>38,972</b>
Interest and bank fees	26,342	26,393	<b>26,309</b>
Research and inter-institutional agreements	953	663	<b>1,509</b>
Other	18,615	20,423	<b>21,154</b>
<b>Total expenses</b>	<b>866,922</b>	<b>899,268</b>	<b>959,987</b>
<b>Budget balance before Interfund transfers</b>	<b>36,444</b>	<b>12,588</b>	<b>14,443</b>
<b>Inferfund transfers</b>	<b>(45,867)</b>	<b>(45,358)</b>	<b>(43,428)</b>
<b>Budget balance</b>	<b>(9,423)</b>	<b>(32,770)</b>	<b>(28,985)</b>

# Revenue Analysis

## Tuition Fees

Tuition fees are in line with the 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 were the same as in 2019–2020. The University of Ottawa decided that, for 2019–2020 and 2020–2021, it would extend the 10% domestic tuition fee reductions and freeze to qualifying international students, i.e., those studying in French. For 2021–2022 and 2022–2023, the Ontario government has announced that tuition fees for Ontario residents will remain frozen at 2020–2021 levels. However, it has given institutions the authority to increase tuition fees for out-of-province students by up to 3% in 2021–2022 and 5% in 2022–2023. The University of Ottawa did not avail itself of that option in

2021–2022 but will do so in 2022–2023. International tuition fees remain unregulated. After consultation and discussion, the University of Ottawa recommends the following for 2022–2023:

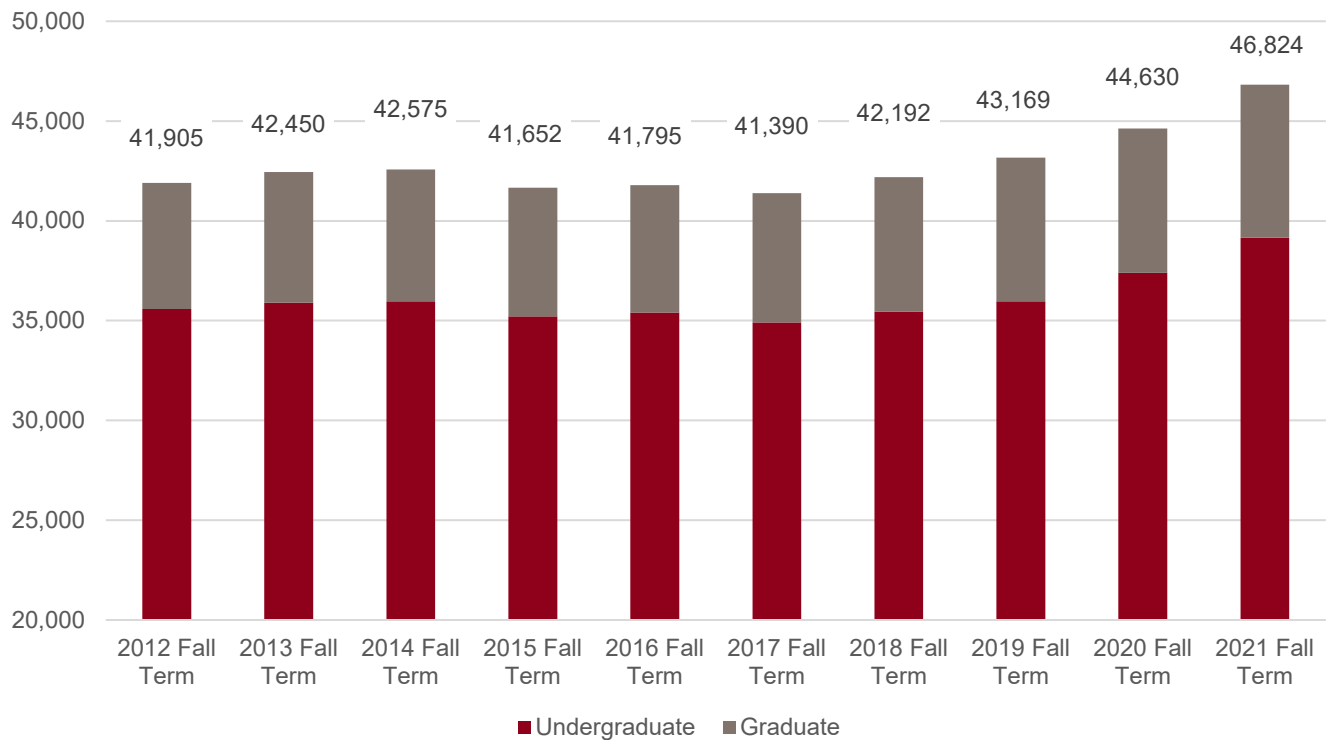


- A tuition freeze for Canadian and permanent-resident students who live in Ontario
- A 5% increase in tuition fees for Canadian and permanent-resident students who do not live in Ontario
- A 7% increase in tuition fees for newly admitted international students, and a 5.5% increase for returning international students.

	2021–2022 Budget	2022–2023 Budget	Variance
Tuition and other fees	532,274	608,693	76,419
Scholarships and financial aid	120,368	156,511	36,143
<b>Net</b>	<b>411,906</b>	<b>452,182</b>	<b>40,376</b>

The table above shows a substantial increase in tuition fees of \$76M over the 2021–2022 budget, but the actual increase will be \$40M. The \$36M differential is due to a change in the treatment of tuition fees for the 2021 cohort of international students studying in French, who will henceforth be charged the same fees as those studying in English but will be offered a generous admission scholarship, which will bring the level of revenue from Francophone international students (tuition fees) close to the revenue generated by Canadian and permanent-resident students (government grant plus tuition fees). This “artificial” increase of \$36M will therefore be recorded as an expenditure under “Scholarships and Financial Aid” and ascribed to international students who choose to study in French.

## Number of students as of November 1st



% of Graduate Students	15%	15%	16%	15%	15%	16%	16%	17%	16%	16%
% of International Francophone Students	1.0%	1.2%	1.7%	2.7%	3.6%	4.3%	5.2%	6.0%	7.0%	8.7%
% of Other International Students	7.1%	8.2%	9.4%	9.3%	9.8%	10.8%	11.7%	13.3%	12.3%	12.1%

## Grants

Operating grants from the Ministry of Colleges and Universities will remain stable in 2022–2023 in nominal terms. The minor variations between the 2021–2022 and 2022–2023 budgets stem from special grants, which can change marginally over time. Note that those amounts do not include PARO grants, which apply to the Faculty of Medicine only. Since 2013–2014, grant revenues

have dropped well below 50% of total Operating Fund revenues. The provisions of the five-year SMA3 (2020–2025) are contributing to the downward trend in provincial grant revenue as a proportion of total Operating Fund revenue. In 2022–2023, Ontario government grants will account for just 31.8% of our operating costs.



## Investment Income

The University is projecting a 6.1% return on its medium—and long-term investments, in the light of its investment policy. That rate will fluctuate from year to year since it is affected by the general economic picture and financial market conditions. After averaging 10.5% annually over the past five years, the annual yield for 2021–2022 is currently estimated at 0.0%, which illustrates the volatility of financial markets. This translates into a 7.0% decrease over the previous forecast; it is caused by the impact of the geopolitical situation in Ukraine and rising interest rates in recent months. The University has a stabilization reserve to hedge against fluctuations in annual investment returns. Investment returns above targets are used to increase the stabilization reserve to a predetermined

ceiling. The University draws down the reserve if investment returns are lower than expected, as was the case in 2021–2022. Returns in 2022–2023 are expected to be modest compared to historical yields (4%).



## Expenditure Analysis

The University estimates that the new regulatory tuition fee framework introduced by the provincial government will result in a revenue shortfall of \$68M in 2022–2023 for the University of Ottawa, versus a 3% increase per year since 2019 under the previous framework. This presents a significant budgetary challenge for the University.

Apart from efforts to recruit more students, and particularly full fee paying international students, the \$68M shortfall can also be offset by a further tightening of expenses. For example, despite receiving additional and justified budget requests from its faculties and services, the University decided to allocate envelopes to faculties and services in 2022–2023 that were over \$9.2M less in real terms than those in 2021–2022. As shown in the following analysis of expenditures, the increases in 2022–2023 over 2021–2022 are essentially due to investments in institutional initiatives (envelope 3) and an increase in Scholarships and Financial Aid.

## Compensation



The 2022–2023 budget provides for financial increases in addition to progress-through-the-rank increases, in accordance with Bill 124, current collective agreements, and mandates approved by the Executive Committee of the Board of Governors.

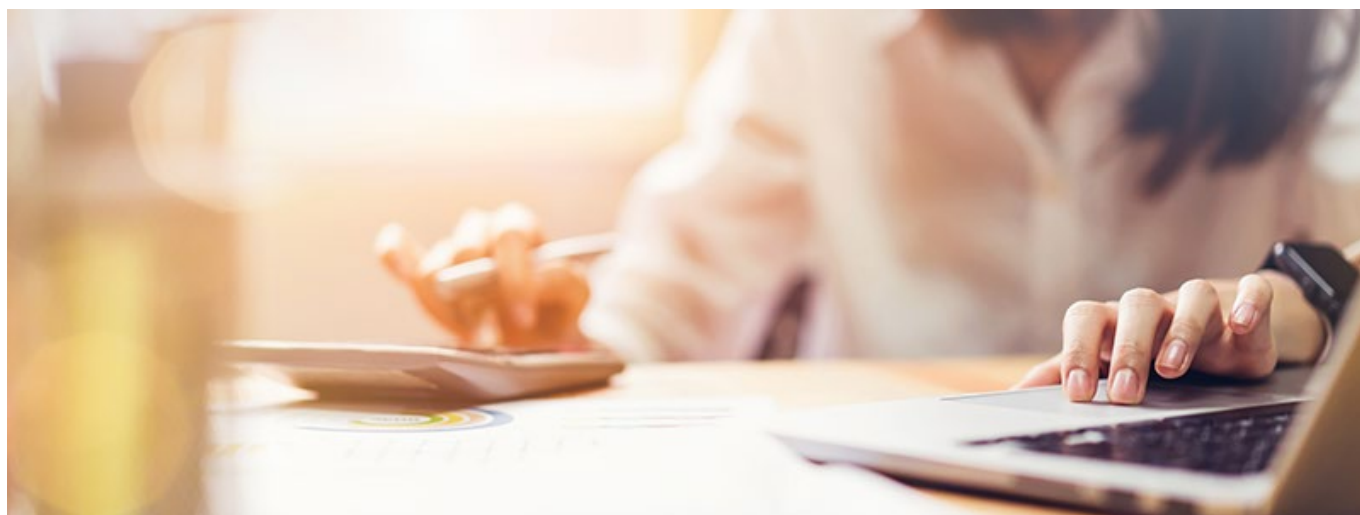
Compared to the initial budget for 2021–2022, faculty salaries will increase by \$10M, students by \$3M, and support staff by \$20.4M.

## Scholarships and Financial Aid

The scholarship and financial aid budget increased by \$46M over the initial budget for 2021–2022, with \$38M of this amount due to the arrival of the second cohort to qualify for the scholarship model of tuition fees for international students studying in French. The remaining \$8M stems from excellence scholarships (admission scholarships and merit scholarships) for undergraduate students (\$4M) and for graduate scholarships (\$4M). Where admission scholarships are concerned, high school grade inflation has been observed since the start of the pandemic. For example, the percentage of undergraduate applications from candidates with an

average of 80% or higher increased from 85.2% in 2020 to 92.5% in 2021 and to 95.5% in 2022. More significantly, the percentage of undergraduate applications from candidates with a high school average of 90% or more rose from 33.2% in 2020 to 46.7% in 2021 and to 58.1% in 2022. With regard to merit scholarships, the introduction of qualitative grades (S/NS) at the University of Ottawa during the pandemic resulted in a much larger number of eligible students. Mitigation measures will be implemented in 2023–2024, which will significantly reduce pressure on Scholarship and Financial Aid expenditures.

## Other Expenses



Assuming that the pandemic will eventually fade, projected travel expenses (\$6.5M) will be higher than those forecast in the initial 2021–2022 budget, taking us back to pre-pandemic levels. The \$2.5M increase in “Other” expenses in 2022–2023, in relation to the initial budget for 2021–2022, is due mainly to hospitality and business meeting expenses, which should start ticking up again as in-person gatherings resume in 2022–2023.

### ***Interfund Transfers***

It is well known that governments underfund research and capital expenditures. As a result, year in and year out, funds are transferred from the Operating Fund to other funds, including the Restricted Fund—Research and the Capital Fund. Interfund transfers will exceed \$40M in 2022–2023, primarily benefitting the Capital Fund and the Restricted Fund—Research. Without those transfers, the Operating Fund would have a positive balance.

### ***Surplus (deficit)***

Based on the information available, the University is projecting a surplus of \$14.4M for fiscal year 2021–2022 before interfund transfers. With interfund transfers of \$43.4M, there will be a budget deficit (after transfers) of \$28.9M.

# Ancillary Services 2022–2023

(in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	610,052
Operating grants	318,998	438	-	-	-	319,436
Restricted grants and contracts	-	-	161,243	78,387	8,889	248,519
Investment income	26,021	-	200	11,866	5,193	43,280
Sale of goods and services	6,845	13,371	2,576	2,412	-	25,204
Student housing	-	26,373	-	-	-	26,373
Donations	445	1	2,766	11,808	-	15,020
Other	13,428	2,883	327	3,673	97,541	117,852
<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	52,052	74,367	-	654,872
Benefits	105,246	1,930	7,295	11,578	-	126,049
Scholarships and financial aid	156,511	3	28,659	10,473	-	195,646
Library acquisitions	17,702	-	78	97	-	17,877
Cost of goods and services	34,827	7,197	34,938	2,040	1,500	80,502
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	130,770	172,008
Travel	6,493	39	3,020	864	-	10,416
Contractual services and professional fees	38,972	309	5,415	6,390	-	51,086
Interest and bank fees	26,309	896	6	72	-	27,283
Inter-institutional agreements	1,509	-	39,499	2,527	-	43,535
Other	21,154	2,992	800	1,516	-	26,462

	Operating Fund	Ancillary Enterprises	Restricted Fund— Research	Restricted Fund—Other	Capital Fund	Total
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	28,950	-
Transfers—Intern loans	(926)	(5,880)	-	-	6,806	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	11,544	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>

To assist readers in understanding the choices we made for 2022–2023, we have included in the table below the Ancillary Services budget for 2022–2023, along with the initial and projected budgets for 2020–2021.

	Budget 2021–2022	Projected Actual 2021–2022	Budget 2022–2023
<b>Revenue</b>			
Student housing	16,116	18,186	<b>26,373</b>
Sale of goods and services	4,181	7,555	<b>13,371</b>
Tuition fees and other fees	1,142	1,336	<b>1,359</b>
Operating grants	336	343	<b>438</b>
Student housing	1,127	1,324	<b>2,884</b>
<b>Total revenue</b>	<b>22,902</b>	<b>28,744</b>	<b>44,425</b>
<b>Expenses</b>			
Salaries	7,479	7,149	<b>9,111</b>
Benefits	1,581	1,592	<b>1,930</b>
Repairs, maintenance, utilities, and taxes	7,989	7,444	<b>9,316</b>
Cost of goods and services	6,066	6,375	<b>7,197</b>
Contractual services and professional fees	2,973	2,104	<b>309</b>
Interest and bank fees	964	949	<b>896</b>
Travel	290	396	<b>39</b>
Other	3,556	3,348	<b>2,995</b>
<b>Total expenses</b>	<b>30,898</b>	<b>29,357</b>	<b>31,793</b>
<b>Budget balance before Interfund transfers</b>	<b>(7,996)</b>	<b>(613)</b>	<b>12,632</b>
<b>Inferfund transfers</b>	<b>(6,300)</b>	<b>(6,674)</b>	<b>(12,191)</b>
<b>Budget balance</b>	<b>(14,296)</b>	<b>(7,287)</b>	<b>441</b>

The budget for Ancillary Services 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, those activities and initiatives must remain financially viable.

To that end, Ancillary Services 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. In recent years, each service has adjusted its pricing to achieve self-financing while meeting the needs of the University community and considering its market. However, these services have been greatly affected by the pandemic. In 2020–2021 and 2021–2022, the University sustained significant revenue losses in housing, food services, and parking. As the pandemic subsides, Ancillary Services will return to profitability in 2022–2023.



# Restricted Fund: Research 2022–2023

(in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	<b>610,052</b>
Operating grants	318,998	438	-	-	-	<b>319,436</b>
Restricted grants and contracts	-	-	<b>161,243</b>	78,387	8,889	<b>248,519</b>
Investment income	26,021	-	<b>200</b>	11,866	5,193	<b>43,280</b>
Sale of goods and services	6,845	13,371	<b>2,576</b>	2,412	-	<b>25,204</b>
Student housing	-	26,373	-	-	-	<b>26,373</b>
Donations	445	1	<b>2,766</b>	11,808	-	<b>15,020</b>
Other	13,428	2,883	<b>327</b>	3,673	97,541	<b>117,852</b>
<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	<b>52,052</b>	74,367	-	<b>654,872</b>
Benefits	105,246	1,930	<b>7,295</b>	11,578	-	<b>126,049</b>
Scholarships and financial aid	156,511	3	<b>28,659</b>	10,473	-	<b>195,646</b>
Library acquisitions	17,702	-	<b>78</b>	97	-	<b>17,877</b>
Cost of goods and services	34,827	7,197	<b>34,938</b>	2,040	1,500	<b>80,502</b>
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	130,770	<b>172,008</b>
Travel	6,493	39	<b>3,020</b>	864	-	<b>10,416</b>
Contractual services and professional fees	38,972	309	<b>5,415</b>	6,390	-	<b>51,086</b>
Interest and bank fees	26,309	896	<b>6</b>	72	-	<b>27,283</b>
Inter-institutional agreements	1,509	-	<b>39,499</b>	2,527	-	<b>43,535</b>
Other	21,154	2,992	<b>800</b>	1,516	-	<b>26,462</b>

	Operating Fund	Ancillary Enterprises	Restricted Fund— Research	Restricted Fund— Other	Capital Fund	Total
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	28,950	-
Transfers—Intern loans	(926)	(5,880)	-	-	6,806	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	11,544	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>

Total revenues are \$167.1M, including funds from granting agencies (\$161.2M) and revenues from other lesser sources, as noted in the table above. In the 2022–2023 budget, research grants and contracts account for 96.5% of total revenues.

# Revenue Analysis

## Research Grants and Contracts

Funding for research at the University of Ottawa totals \$410.2M, with the University accounting for \$161.2M. The remaining \$249M is accounted for by hospitals and/or affiliates (\$230.2M) and as amortization of deferred revenue and deferred contributions (\$18.8M).

The research grants and contracts budget is distinct from the amounts allocated and received based on the research projects.

This funding is granted by several 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.

The following table estimates projected research grants and contracts for 2021–2022 and 2022–2023. 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 research projects undertaken by University researchers.

## Research grants and contracts awarded and received by category (in thousands of dollars)

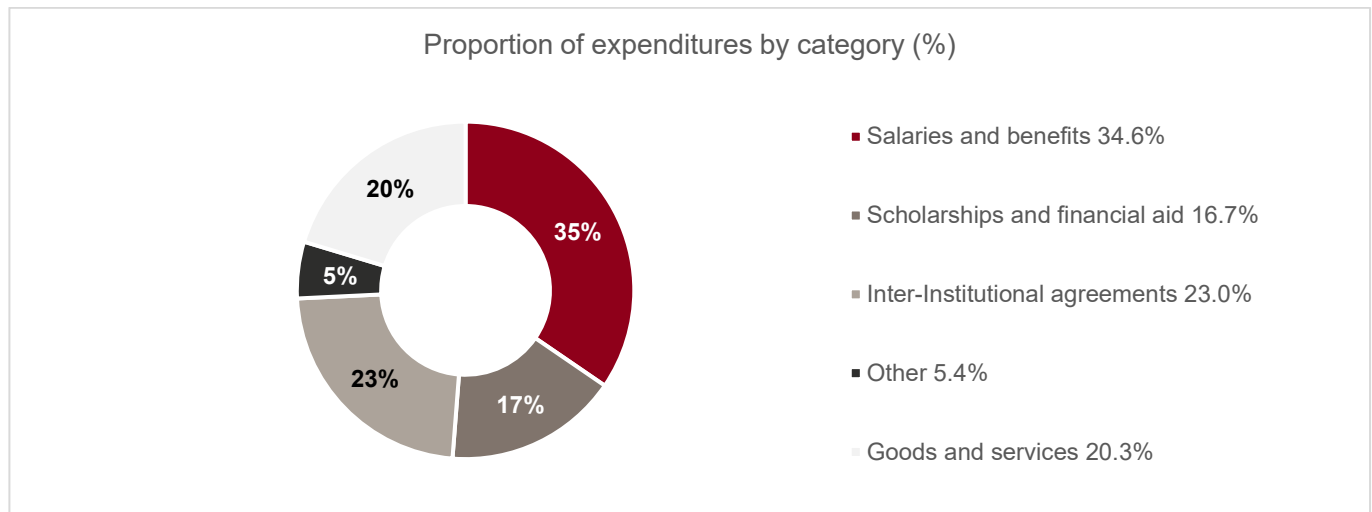
Funding Agency	Budget 2021–2022	Projected Actual 2021–2022	Budget 2022–2023
CIHR	16,500	26,131	18,500
NSERC	22,000	21,047	22,000
SSHRC	10,000	9,991	10,500
CFI	24,238	25,241	23,970
CRC	10,500	10,390	10,500
Government of Canada—Other	12,000	9,234	11,000
Province of Ontario	8 20	11,144	25,194
Private sector	6,500	4,544	6,500
Networks and Fourth Pillar Organizations	4,000	5,390	5,000
Medical Research Foundations and Associations	2,500	1,544	2,000
Other	15,500	16,643	18,000
Research support fund	16,800	16,937	16,937
Scholarships	9,700	9,891	9,891
Total—Research	158,758	168,127	179,993
Hospitals and affiliated Institutes	220,105	230,198	230,198
<b>Grand Total</b>	<b>378,863</b>	<b>398,325</b>	<b>410,191</b>

# Expenditure Analysis

In the 2022–2023 budget, estimated expenditures for most projects are calculated using the average of expenditures for the past three years. For CFI-funded projects, expenditures have been estimated on a project-by-project basis, based on approved agreements and their estimated cost.



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



# Restricted Fund: Other 2022–2023

(in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	<b>610,052</b>
Operating grants	318,998	438	-	-	-	<b>319,436</b>
Restricted grants and contracts	-	-	161,243	<b>78,387</b>	8,889	<b>248,519</b>
Investment income	26,021	-	200	<b>11,866</b>	5,193	<b>43,280</b>
Sale of goods and services	6,845	13,371	2,576	<b>2,412</b>	-	<b>25,204</b>
Student housing	-	26,373	-	-	-	<b>26,373</b>
Donations	445	1	2,766	<b>11,808</b>	-	<b>15,020</b>
Other	13,428	2,883	327	<b>3,673</b>	97,541	<b>117,852</b>
<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	52,052	<b>74,367</b>	-	<b>654,872</b>
Benefits	105,246	1,930	7,295	<b>11,578</b>	-	<b>126,049</b>
Scholarships and financial aid	156,511	3	28,659	<b>10,473</b>	-	<b>195,646</b>
Library acquisitions	17,702	-	78	<b>97</b>	-	<b>17,877</b>
Cost of goods and services	34,827	7,197	34,938	<b>2,040</b>	1,500	<b>80,502</b>
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	130,770	<b>172,008</b>
Travel	6,493	39	3,020	<b>864</b>	-	<b>10,416</b>
Contractual services and professional fees	38,972	309	5,415	<b>6,390</b>	-	<b>51,086</b>
Interest and bank fees	26,309	896	6	<b>72</b>	-	<b>27,283</b>
Inter-institutional agreements	1,509	-	39,499	<b>2,527</b>	-	<b>43,535</b>
Other	21,154	2,992	800	<b>1,516</b>	-	<b>26,462</b>



	Operating Fund	Ancillary Enterprises	Restricted Fund— Research	Restricted Fund—Other	Capital Fund	Total
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	28,950	-
Transfers—Intern loans	(926)	(5,880)	-	-	6,806	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	11,544	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>

## Revenue Analysis

The 2022–2023 budget anticipates grant and contract revenues of \$82.1M, representing 72.5% of the total revenue of the Restricted Fund—Other. Of that amount, \$70.7M has been provided by the Ministry of Health and Long-Term Care for the Professional Association of Residents of Ontario (PARO).



Most investment income stems from the distribution (3.5%) of investment income from endowments. The University protects its endowments through Policy 111, by, for example, designating a portion of the annual earned return on investments. The University policy sets the amount of income available for spending at 3.5% of the average fair value of the fund over the last 12 quarters. The purpose of the 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 by the end of the fiscal year.

## Expenditure Analysis

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



# Capital Fund and Sinking Fund 2022–2023

(in thousands of dollars)

	Operating Fund	Ancillary Enterprises	Restricted Fund—Research	Restricted Fund—Other	Capital Fund*	Total
<b>Revenue</b>						
Tuition fees and other fees	608,693	1,359	-	-	-	<b>610,052</b>
Operating grants	318,998	438	-	-	-	<b>319,436</b>
Restricted grants and contracts	-	-	161,243	78,387	<b>8,889</b>	<b>248,519</b>
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<b>Total revenue</b>	<b>974,430</b>	<b>44,425</b>	<b>167,112</b>	<b>108,146</b>	<b>111,623</b>	<b>1,405,736</b>
<b>Expenses</b>						
Salaries	519,342	9,111	52,052	74,367	-	<b>654,872</b>
Benefits	105,246	1,930	7,295	11,578	-	<b>126,049</b>
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Library acquisitions	17,702	-	78	97	-	<b>17,877</b>
Cost of goods and services	34,827	7,197	34,938	2,040	<b>1,500</b>	<b>80,502</b>
Repairs, maintenance, utilities, and taxes	31,922	9,316	-	-	<b>130,770</b>	<b>172,008</b>
Travel	6,493	39	3,020	864	-	<b>10,416</b>
Contractual services and professional fees	38,972	309	5,415	6,390	-	<b>51,086</b>
Interest and bank fees	26,309	896	6	72	-	<b>27,283</b>
Inter-institutional agreements	1,509	-	39,499	2,527	-	<b>43,535</b>
Other	21,154	2,992	800	1,516	-	<b>26,462</b>

	Operating Fund	Ancillary Enterprises	Restricted Fund— Research	Restricted Fund—Other	Capital Fund*	Total
<b>Total expenses</b>	<b>959,987</b>	<b>31,793</b>	<b>171,762</b>	<b>109,924</b>	<b>132,270</b>	<b>1,405,736</b>
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,632</b>	<b>(4,650)</b>	<b>(1,778)</b>	<b>(20,647)</b>	<b>-</b>
<b>Interfund transfers</b>						
Transfers—Capital projects	(25,710)	-	(3,192)	(48)	<b>28,950</b>	-
Transfers—Intern loans	(926)	(5,880)	-	-	<b>6,806</b>	-
Transfers—Capital reserves	(4,960)	(6,584)	-	-	<b>11,544</b>	-
Transfers—Other	(11,832)	273	11,775	(216)	-	-
<b>Total interfund transfers</b>	<b>(43,428)</b>	<b>(12,191)</b>	<b>8,583</b>	<b>(264)</b>	<b>47,300</b>	<b>-</b>
<b>Budget balance</b>	<b>(28,985)</b>	<b>441</b>	<b>3,933</b>	<b>(2,042)</b>	<b>26,653</b>	<b>-</b>

\* Note 1: Includes debt sinking fund.

# Revenue and Expenditure Analysis

For budget purposes, capital assets are expensed and included in the expenditure section of the budget. At year's end, assets designated as capital assets according to generally accepted accounting principles are reallocated to the balance sheet as long-term assets and amortized accordingly.



A \$28M surplus is projected for the Capital Fund budget. It consists of the following items:

- Major investments in the 200 Lees (\$80M) and Advanced Medical Research Centre (\$13M) projects. These projects, which represent a total investment of \$360M, will be funded through the use of debentures (\$90M in 2022–2023), deferred capital grants (\$3M in 2022–2023), and through monetization of student residences. The projects began in 2021–2022 and will continue until 2025–2026.
- Construction and renovation to meet the immediate needs of the University's real property assets (\$39M). Funding for these projects comes from the Operating Fund (\$25M), the Facilities Renewal Fund (\$6M), the Canada Foundation for Innovation (\$3M), the plan to monetize one residence (\$7M, of which \$2M will be deferred to 2023–2024) and various capital reserves, including funds set aside in prior years.
- Projected contributions from ancillary services to their capital reserve (\$7M).
- Recovery of pre-authorized internal loans for facility construction (\$7M).
- Interest income from the reserves and from the Sinking Fund established by the University to repay the capital portion of the debentures when they mature (\$7M). An additional contribution of \$5M from the Operating Fund to the Sinking Fund is slated for 2022–2023, in keeping with the plan to repay the \$200M debenture due in 2056.