

2023–2024



# Budget Book

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# Budget Book

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## 2023-2024

I am pleased to present the budget book for the 2023–2024 academic year. This budget book is the culmination of a process that is always challenging, with numerous uncertainties outside our control persisting until the very last moment. Furthermore, the latest information we receive often means that assumptions have to be revisited. 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. Our strategic planning was sorely tested in 2022 due to tumbling financial markets, difficulties for international students in obtaining their study visas, the persistent rise in inflation and confirmation of the continued government-imposed tuition freeze for Ontario residents for a fifth consecutive year.

But despite these challenges, which are outside our control, the University remains determined to pursue the projects outlined in our strategic plan, *Transformation 2030*. For fiscal 2023–2024, we are maintaining our investments in the following areas: research, the Francophonie and bilingualism; finalization of the Administrative Services Modernization project; new building construction; and the Facilities Renewal Improvement Program.

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 our strategic plan, *Transformation 2030*.

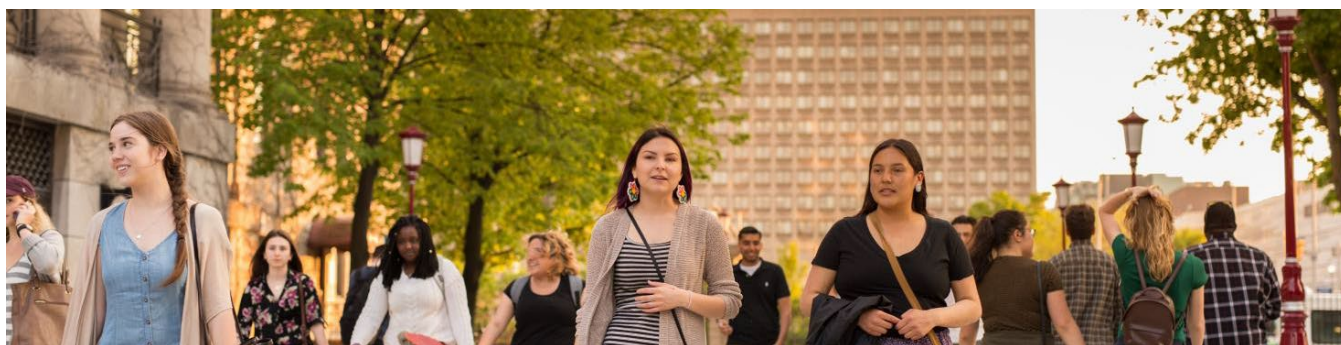
The past few months have been especially difficult, with the University having to restore its financial situation in the very middle of the fiscal year. The coming year will not be easy either, but the proposed budget should spare us such a course correction in 2023–2024. In fact, budget 2023–2024 provides for contingencies in the Operating Fund in order to consolidate our financial viability over the medium and long term. We project a deficit of approximately \$10 million in the Operating Fund. However, the consolidated budget includes a slight surplus, giving us some room to manoeuvre.

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 pleased to present its consolidated budget for fiscal 2023–2024. This budget is based on the funding parameters, programs, and operational framework in place at the time of preparation. It therefore relies on our best assumptions concerning the recruitment of new students, financial market performance, inflation rates and the economic outlook in general. 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. Lastly, it reflects the effort required of the faculties and services in prioritizing and monitoring expenditures.

In many respects, preparing Budget 2023–2024 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, after the freeze imposed effective in 2020–2021, on the heels of the 10% reduction in tuition fees in 2019–2020. The freeze for Ontario residents is thus still in place, despite the acceleration in inflation, which held steady above 6% in Canada in 2022 and remains high in 2023 (4.4% in April 2023). Hence, a full-time undergraduate student (in communications, for example) from Ontario who in 2016 was paying \$3,188 per term for tuition will actually be paying less in September 2023, 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 \$3,928 in September 2023. Taking that example, Ontario's policy results in a shortfall of \$884 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, these financial constraints for all programs over four successive fiscal years represent a shortfall of over \$75 million, to which can be added an estimated \$50 million in underfunding of French-language programs, translating into \$125 million in total underfunding for the University of Ottawa in 2023–2024.

The investments required to implement *Transformation 2030* will have to rely on a financially sound Operating Fund over the medium or long term. In that vein, the 2023–2024 consolidated budget achieves the feat of significantly reducing the Operating Fund deficit to approximately \$10 million (1% of revenue), unlike in 2022–2023, when it was nearly \$30 million in the red. The faculties and services were therefore asked to keep a very close eye on their financials, given that base budgets included rationalization measures totalling \$13 million. A strategy to recruit new students and maximize revenue in individual markets was also implemented. With financial markets performing close to historical levels, the goal of a nearly balanced Operating Fund will be achieved. The Standing Budget Committee will be monitoring the budget situation closely in the coming months. Moreover, by revitalizing our programs, we have increased the number of partnerships with foreign governments. These new partnerships will bring in an estimated \$2 million in new revenue this year.

The mandate of the senior advisor, digital strategy and learning innovation, to create online professional and executive training programs, a third component in revenue building and fiscal viability, bears mentioning. In 2023–

2024, we will be focused on Workday and a comparative analysis of administrative costs so that we can deliver our services for less. We will also be continuing to develop a long-term tuition fee strategy and recruitment that takes 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 2023–2024, we will begin to review our internal funding formula to incentivize new revenue generation and expenditure reduction.

Senior management would like to thank all the teams involved in drafting the 2023–2024 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.

### **MORE IMPACT**

*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.

### **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.

## **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.

# Key aspirations

## **TRANSFORMATIVE LEARNING**

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.

## **SUSTAINED COMMITMENT TO OUR COMMUNITY**

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.

## **OUTSTANDING LEADERSHIP AND MANAGEMENT**

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.

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

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.

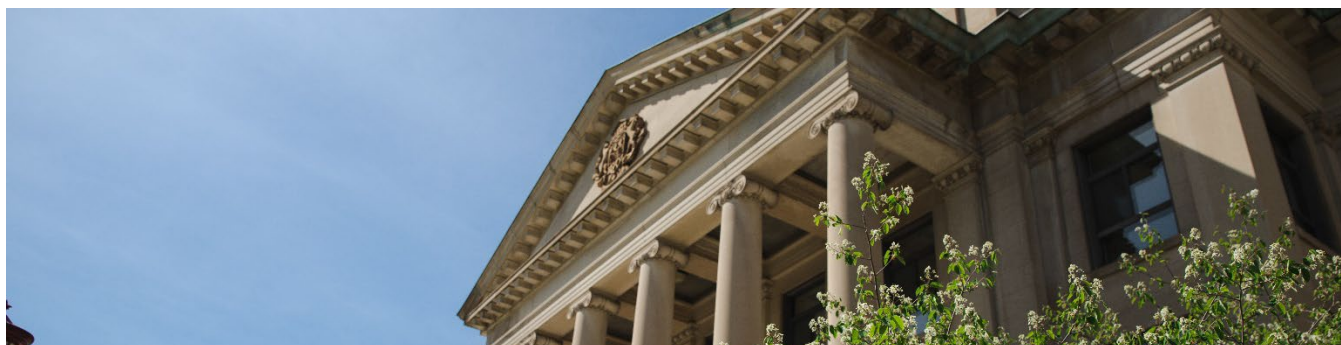
## **CUTTING-EDGE RESEARCH**

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

## **EFFECTIVE GOVERNANCE**

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 and values



## Our vision

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

## Our mission

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

## Our values

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.

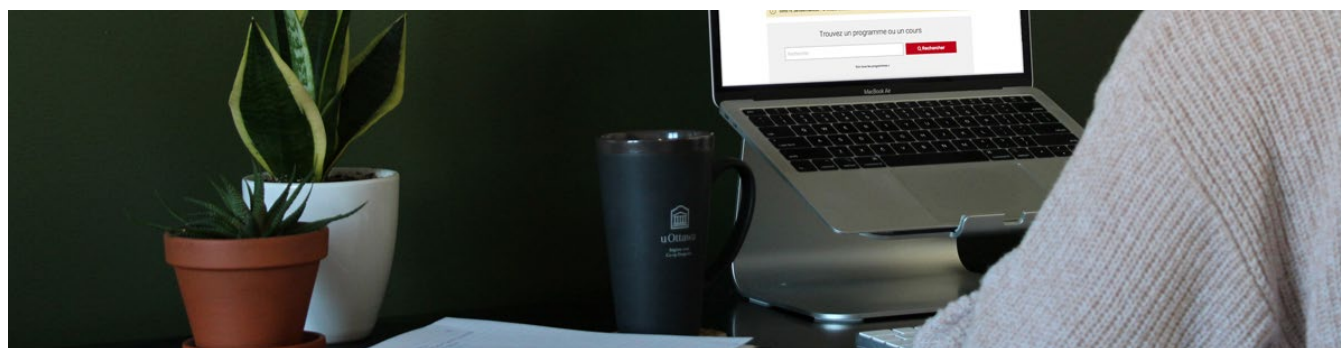
### **We have the responsibility of promoting bilingualism and Francophone communities.**

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



Last year was marked by unpredictability as a result of the war in Ukraine, supply chain disruptions and accelerating inflationary pressures. Those external factors affected the University of Ottawa during fiscal 2022–2023 and therefore had to be considered in preparing the consolidated budget for 2023–2024. The tuition fee framework is another factor with a significant impact that should be noted. We will also discuss Ancillary Enterprises, Strategic Mandate Agreement 3 (SMA3), and the federal and provincial governments.

- **Global geopolitical situation:** Geopolitical turmoil had a significant negative impact on the University of Ottawa in 2022–2023. First, more than 400 international students enrolled at the University of Ottawa were unable to be on campus during the fall 2022 and winter 2023 terms. The loss in revenue from students unable to attend their classes in September 2022 and January 2023 totalled close to \$10 million. The study visa situation seems much brighter in 2023–2024, but our recent experience requires that we be cautious in our revenue projections.

Second, financial markets performed well below historical averages from the beginning of 2022 to recently. Financial markets can rebound quickly. However, for now, we need to consider the prospect of lower returns. Consequently, while return on investments usually accounts for less than 5% of our total consolidated budget revenue, it represents a significant nominal amount nonetheless against the backdrop

of a tight budget. Budget 2023–2024 therefore assumes a return on investments of just 3.5%, considerably less than the 6% to 7% posted prior to the pandemic.

Third, the geopolitical situation also played a role in the depreciation of the Canadian dollar over the U.S. greenback. International tensions tend to push up the value of the U.S. dollar, with international investors viewing it as a safe haven. The Canadian dollar fell by approximately 4% in one year and was trading at \$0.74 in relation to the U.S. dollar on March 10, 2023. Any decline in the Canadian dollar against the U.S. greenback makes acquisitions (e.g., hardware and software, library materials) more expensive for the University.

- **Inflationary pressures:** Since the beginning of 2022, inflation has remained well above the targets set by the Bank of Canada. The inflation rate stood at 4.4% in April 2023. 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 high inflation rates into account in our budget assumptions.
- **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 extended the tuition freeze for Canadian students living in Ontario, effective 2021–2022, 2022–2023 and 2023–2024. The University of Ottawa estimates its shortfall will exceed \$75 million in 2023–2024.
- **Strategic Mandate Agreement (SMA):** Since 2014, all publicly funded universities in Ontario have signed successive strategic mandate agreements (SMAs) with the Ministry of Colleges and Universities. In addition to clearly specifying each university's areas of focus, the SMAs set out measurable goals and demonstrate the universities' commitment to working with the government on their future strategies. 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 the end, that share will be 10% in 2023–2024 owing to the pandemic. 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.
- **Provincial government:** In April 2021, the Ontario legislature's Standing Committee on Public Accounts gave the Office of the Auditor General a mandate to audit Laurentian University to look at the reasons why Laurentian took advantage of the Companies' Creditors Arrangement Act and ensure that such a situation does not recur in another university. Thus, all Ontario universities are now subject to audit in turn by the Office of the Auditor General. The provincial government will closely monitor the University's responsible, transparent budgetary management and our financial viability. In a similar vein, the Ministry of Colleges and Universities has defined ratios and fiscal thresholds to better monitor Ontario universities regarding reserves, financial viability, assets, debt, and debt burden, as well as net revenue.

- **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 supporting graduate students. The federal government also plans to revise its official languages policy. Following competitions, the University of Ottawa recently obtained new grant funding for STEM (science, technology, engineering, medicine) programs in order to strengthen our course offerings in French. These grants require an almost equivalent contribution from the University of Ottawa. We welcome this new funding, given that our French-language programs have been underfunded for many years.
- **Creating a culture of continuous improvement:** Over the past 20 years, the University of Ottawa has grown considerably and garnered significant recognition for its academic achievements. It has also seen its international reputation grow. As a result, the University now ranks among the best institutions of higher learning in the world, attracting internationally renowned academics and researchers, and high-calibre students.

To support this growth and academic success, and to mitigate the continuing operational pressures being felt across the sector, the University has undertaken to become a leader among its peers in delivering administrative services to its students, professors and staff. Accordingly, the University will be endeavouring to rethink the way in which professional services support its chief mission, with a view to becoming the globally engaged outstanding university envisioned in *Transformation 2030*.

To that end, the University recently joined UniForum, an international comparative analysis program. This carefully led, multi-year program supports performance analysis and the sharing of best practices with other comparable institutions of higher learning in order to support organizations in the strategic management of administrative and support services. The first complete series of UniForum results were delivered to the University of Ottawa in January 2023.

Drawing on UniForum's findings, the University of Ottawa crafted a transformation master plan that will help it restructure its administrative services in order to increase user satisfaction and keep costs in check, first and foremost. One of the key facets of this plan is the establishment of a continuous improvement program for administrative services, to be launched in the spring. The purpose of the program is to align initiatives aimed at adopting best practices in order to achieve service effectiveness and efficiency while promoting an organizational culture of continuous improvement.

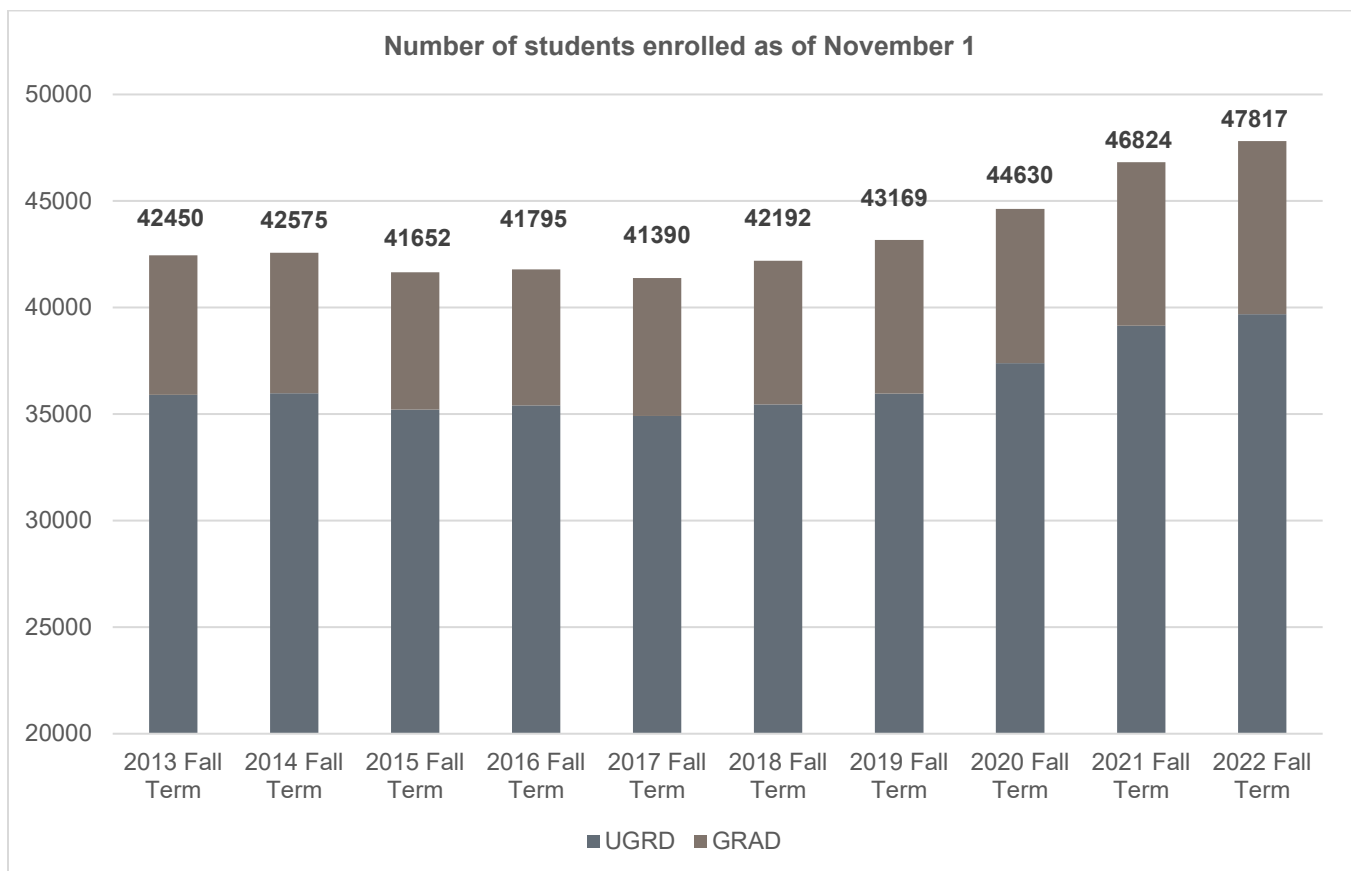
## Future challenges

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 accentuated by the following factors, among others:

- **Funding from the Province of Ontario:** For the 2023–2024 academic year, the province is maintaining stable grant funding levels in nominal terms, as well as a general freeze on tuition fees for Canadian students residing in Ontario, while allowing colleges and universities to increase tuition fees for out-of-province Canadian students by up to 5%. On March 2, 2023, the Ontario government created a blue-ribbon panel to provide advice and recommendations aimed at maintaining the financial stability of the postsecondary education sector, and to focus on delivering the best possible student experience. After 2023–2024, the tuition fee framework will probably be based on this committee's recommendations. One thing is certain, however. As reported by the Higher Education Strategy Associates' blog on April 18 and

19, 2023, the status quo in terms of grants and tuition fees for Ontarians is no longer sustainable for Ontario's universities.

- **Challenge in terms of student numbers:** Student numbers and composition have changed significantly in recent years. The table below illustrates the total number of students reported to the Ministry of Colleges and Universities every November 1 since 2013. There are two trends: first, stable student numbers (around 42,000) between 2013 and 2018, and then, from 2018, a significant rise in the total number to nearly 48,000 in 2022. Growth has topped 4% annually since 2018. That growth has coincided with the decrease in, and subsequent freeze, of tuition fees for Canadians, imposed by the Ontario government beginning in 2019–2020. While increasing the number of students to offset the tuition freeze could be a solution, albeit at the risk of seeing a drop in tuition fee revenue from a budgetary perspective, such a strategy quickly reaches its limits by increasing instructor-student and student-support staff ratios at the same time, potentially harming the student experience in and outside the classroom. Indeed, we've reached a situation where the total revenues from SMA3 grants and Ontario students' tuition fees is not sufficient to cover the costs of academics and the student experience. In other words, accepting additional Ontario students would create a deficit. Consequently, as we will see, this budget tackles the University's budget challenge while seeking to increase revenue per student, to stabilize the total number of students. Significantly, the proportion of graduate students rose from 15.4% in 2013 to 17% in 2022. Alongside the rise in the total number of students over the past 10 years, the make-up of the student body has also changed significantly. This changed composition has major ramifications from a budgetary perspective, as noted in the following paragraphs.

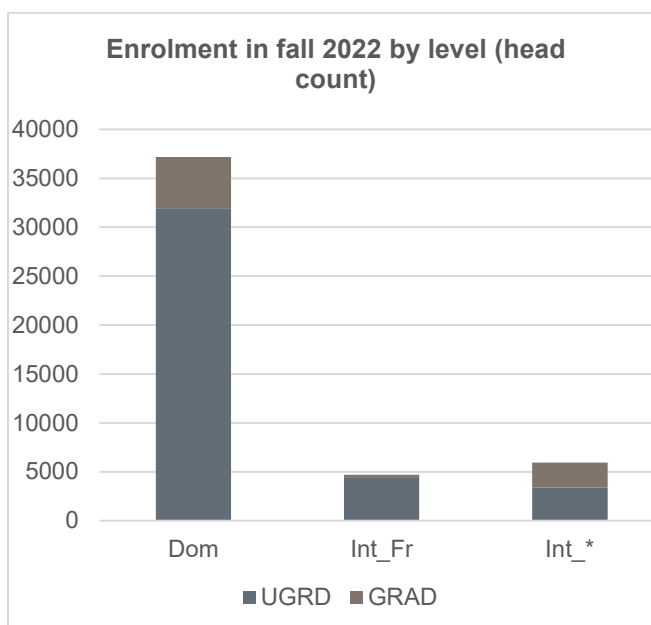
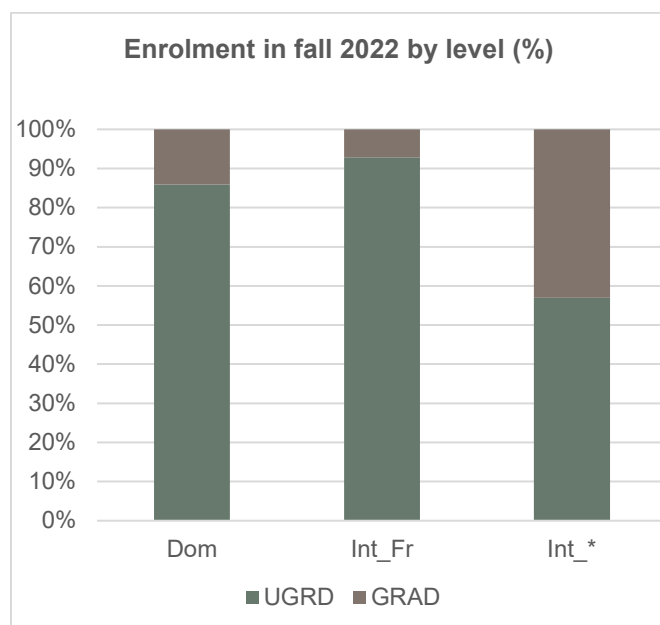




% of graduate students	15%	15%	16%	15%	15%	16%	16%	17%	16%	16%
% of Francophone international students	1%	2%	3%	4%	4%	5%	6%	7%	9%	10%
% of international students (others)	8.2%	9.4%	9.3%	9.8%	10.8%	11.7%	13.3%	12.3%	12.1%	12.4%

- Proportion of international students:** As shown in the above table, the proportion of international students out of total student numbers has increased significantly since 2013. International students made up 22.4% of the student body in 2022, compared to 9.2% in 2013. The rise was slow and steady over the period covered in the table. The table also shows that, although Anglophones accounted for the vast majority of international students at the beginning of the period under review, Francophone international students have significantly narrowed the gap with their Anglophone counterparts in recent years. As at November 1, 2022, 12.4% of the student body were Anglophone international students and 10% Francophone international students. Canadian undergraduate students accounted for nearly 80% of the total student body in 2013. However, in 2022, their proportion had fallen to just two thirds.

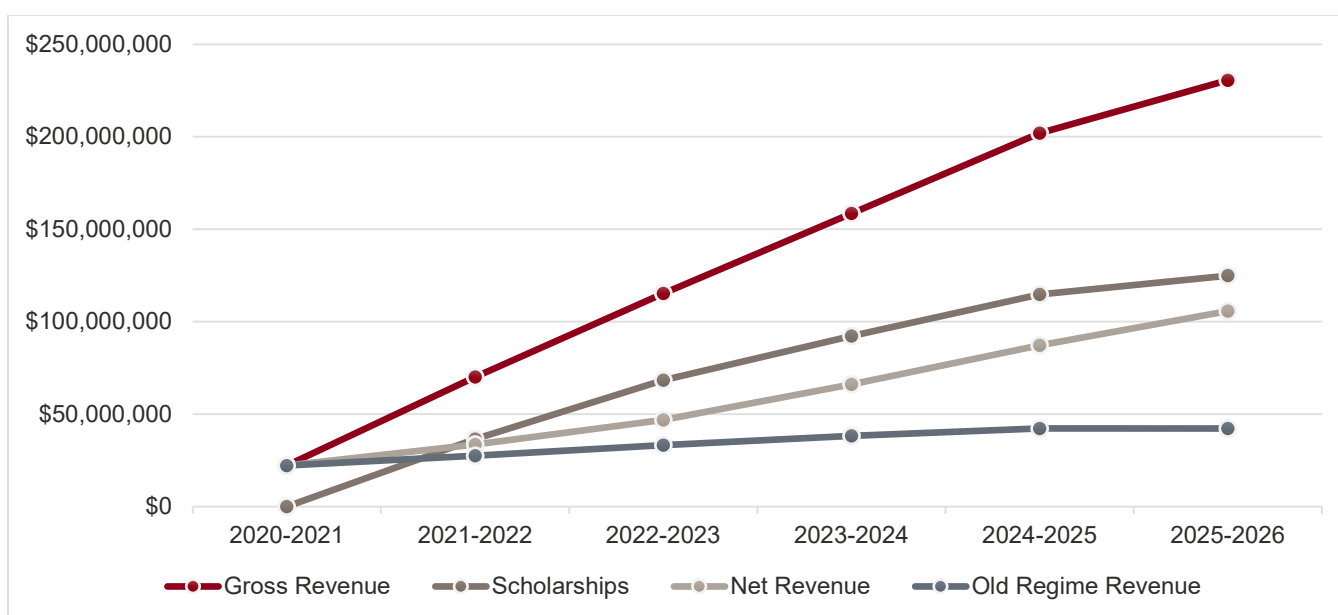
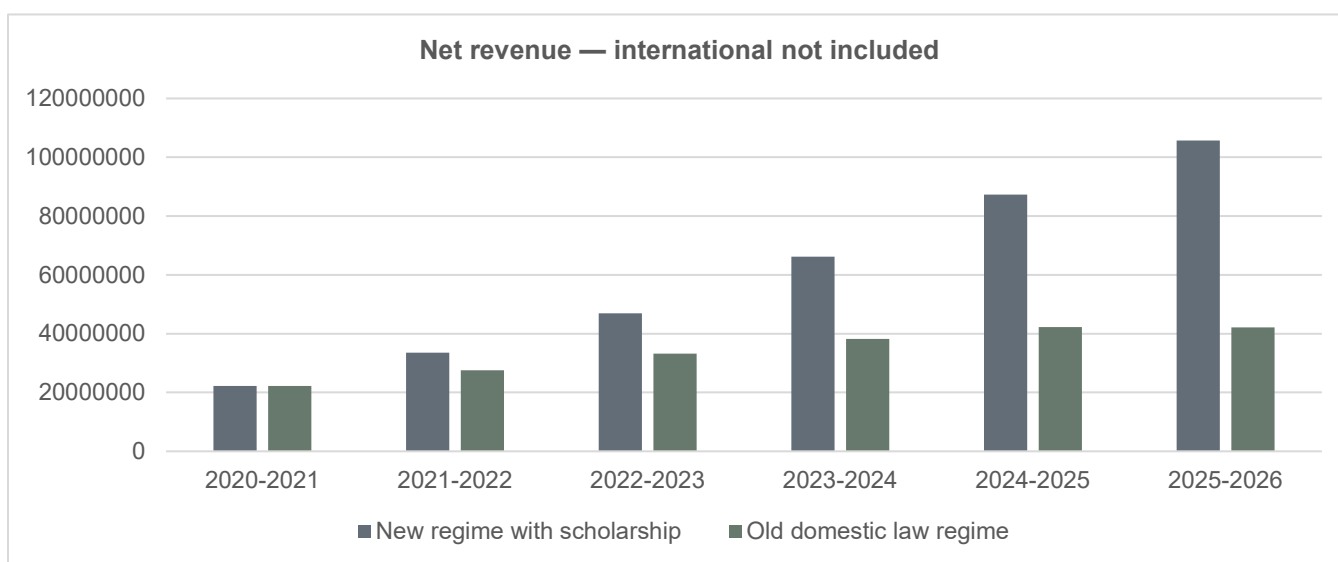
Moreover, the distribution of students from various categories (undergraduate to graduate) matters from a budgetary perspective. The figure below shows that the vast majority of Canadian and Francophone international students are undergraduates. Conversely, nearly half of Anglophone international students are enrolled in graduate programs. Also, the number of Anglophone international students at the undergraduate level is lower in absolute terms than the number of Francophone international students. Although graduate students pay tuition fees just as undergraduate students do, those fees are often less than undergraduate tuition, once admission scholarships are factored out. The situation regarding international students from China is worrisome. The number of admission applications (900 fewer for September 2023 vs. September 2022) continues to decline each year at the University of Ottawa as at our competitors. Political tensions between Canada and China won't help our cause. This is why it is important to develop new markets.



- **Growth in expenditures and investments:** 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. As well, the final judgment on Bill 124 is causing some uncertainty regarding payroll. The Ontario government passed Bill 124 in 2019 to cap salary increases in the public and broader public sectors at 1% annually for three years. However, the law was deemed unconstitutional and “null and void” by the Ontario Superior Court of Justice. The decision has been appealed.
- **Revitalization of academic programs and new partnerships:** 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. The number of course-based master’s programs continues to rise in tandem with new international partnerships. These education ventures with countries in the Middle East, Africa and Asia will generate additional revenue, approximately \$4 million in 2023–2024. Lastly, numerous microprograms are in the works. These programs, designed for students with work experience, Most of the new programs will have a professional development component. Our Professional Development Institute is contributing content to these revenue-generating programs.
- **Scholarships and financial aid programs:** A major rationalization effort is under way for scholarship programs for graduate and undergraduate students. As shown in the table below, scholarship and financial aid expenditures more or less doubled from \$61 million in 2019–2020 to \$120 million in 2021–2022. There are three reasons for this dramatic increase. First, grade inflation among high school and university students during the pandemic drove a significant rise 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 back down to pre-pandemic levels. In 2023–2024, the admissions scholarship budget will be cut by 40% and merit scholarships eliminated, which will allow for an additional \$6 million in savings. Savings from the new measures will continue to increase since more students will be affected (an additional \$13 million). Second, the new differential tuition fee exemption scholarship for Francophone international students, introduced in 2021–2022 to replace the partial tuition fee exemption, is meant to be more flexible in recruiting Francophone international students and increasing net revenue per student by allowing for separate, more strategic changes to tuition fees and admission scholarships. It is important to understand that effect of the new regime is to significantly increase tuition revenue but also the amount of scholarships. Under the new system, Francophone international students pay the same tuition as Anglophone international students but receive a scholarship that brings their net tuition fees in 2023–2024 above the revenue received by admitting an Ontario student (grant and tuition included). Consequently, as shown in the chart below, the new differential tuition fee exemption scholarship for Francophone international students resulted in net gains in tuition revenue totalling \$6 million in 2021–2022 and \$13 million in 2022–2023. Anticipated savings will be approximately \$28 million in 2023–2024 compared to the status quo. Third and 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 quotas by faculty.

The total amount of scholarships and financial aid should exceed \$160 million in 2023–2024. However, the projected \$21 million increase over 2022–2023 is due almost entirely to the inclusion of a new cohort of students in the new differential tuition fee exemption scholarship for Francophone international students. The new regime will reach full maturity in 2024–2025.

<b>(in thousands of dollars)</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Admission scholarships	9,760	9,996	13,006	13,510	8,355
Merit scholarships	6,398	13,219	12,538	10,500	10,000
Other excellence scholarships	1,631	1,283	1,287	1,260	1,355
International students	3,545	5,671	41,352	73,658	99,125
Graduate Studies	21,886	23,048	30,193	31,084	30,500
Support for dependants	3,396	3,793	3,486	3,450	3,614
Financial Aid	13,126	11,584	12,329	11,715	13,491
Others (COVID-19)	0	156	639	0	0
<b>Total</b>	<b>59,742</b>	<b>68,750</b>	<b>114,830</b>	<b>145,177</b>	<b>166,440</b>



- **Pension plan:** Contributions to the defined benefits pension plan represent significant expenditures that are included in salaries and benefits. The pension plan is currently in a healthy position, with a going concern ratio of 119% and a solvency ratio of 108% as at July 1, 2022. An actuarial valuation was filed on July 1, 2022, enabling us to extend the currently reduced contribution levels until 2025 and generating total savings of approximately \$16.9 million over fiscal 2022–2023 and 2023–2024.
- **Deferred maintenance of buildings and technology infrastructure:** 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 will see \$25 million in spending in 2023–2024 despite budgetary challenges. A total of \$19.6 million on average has been allocated to the program over the past five years. The Ministry of Colleges and Universities also provides an annual grant for facilities renewal. In 2023–2024, the grant will amount to \$5.6 million.
- **Underfunding of 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) anti-racism, and all efforts to promote equity, diversity, and inclusion
  - f) maintenance and replacement of capital and IT infrastructure, where needs increase with the growth in the student population

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

In light of the recommendations made by the Finance and Treasury Committee, and with its endorsement, the University’s senior management is of the opinion that the budget for fiscal 2023–2024 meets the objectives set 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:

- 1. A basic envelope determined after reviewing the needs of each faculty and service (basic allocation)**

The faculties and services have been assigned a budget envelope for 2023–2024 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 5% reduction in spending.

- 2. A performance-related envelope (incentives)**

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.

- 3. An envelope for strategic priorities (strategic fund)**

The third envelope comprises the University's strategic fund, which allows it to achieve its strategic objectives faster. 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, startups), 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 2023–2024 budget.

The University continues to budget by funds to take into account restrictions of funding sources 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 process bringing together unit decision makers and managers while maintaining the University's direction with regard to 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 section) of the Board of Governors oversees the University's budget and finances. It also recommends a University budget to the Board of Governors.

The **Administration Committee** presents a budget proposal that is in lockstep 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, principles, a philosophy and an approach to the budget, as well financial resource allocation methods 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 update uses actual data as at October 31, and the second, actual data as at January 31. In addition to monthly budget tracking, these two updates are used to validate revenue and expenditure trends and, if need be, make necessary adjustments. In March 2023, a public meeting on budgetary matters was organized for the entire University community. Over 750 people attended. In 2023–2024, we intend to repeat the experience and to continue to communicate as best as we can to the community the challenges and fiscal issues the University is facing.

# Final budget results

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

# Fund descriptions and linkages



The University of Ottawa uses the fund accounting method for its budgetary operations. 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** consists of financial resources that can be used without external restrictions to achieve the University's objectives of teaching, research and community service.

The **Ancillary Enterprises** fund consists of financial resources 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.

**Restricted Funds** consist of financial resources that must be used according to restrictions imposed by the fund provider 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.

The **Sinking Fund** consists of financial resources that are used to repay capital on maturity of debentures (over \$600 million). It is funded through investment income and Operating Fund transfers.

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, Ancillary Enterprises Fund, Restricted Fund — Research and the Restricted Fund — Other. These acquisitions must be accounted for in the Capital Fund through an interfund transfer between the original fund and the Capital Fund.
- The Operating Fund is used to contribute in various ways to research activities at the University, e.g., support for research chairs and start-up funding. These amounts are presented as interfund transfers from the Operating Fund to the Restricted Fund — Research.



# BUDGET 2023-2024

Details by fund (in thousands of dollars)

	Operating Fund	Ancillary Services	Restricted Fund — Research	Restricted Fund — Other	Capital Fund and Sinking Fund	Total
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
Investment Income	28,934	2	307	11,699	4,344	45,286
Sales of goods and services	8,206	15,954	3,221	3,024	-	30,405
Student housing	-	26,344	-	-	-	26,344
Donations	513	8	3,004	13,354	-	16,879
Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
Scholarships and Financial Aid	175,539	5	31,044	9,871	-	216,459
Library acquisitions	18,185	-	127	111	-	18,423
Procurement — goods and services	35,246	7,823	41,811	2,122	-	87,002
Maintenance, repairs and utilities	35,792	10,249	-	-	115,925	161,966
Travel	7,174	147	5,858	1,464	-	14,643
Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881

	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>
<b>Budget balance before interfund transfers</b>	<b>28,263</b>	<b>13,511</b>	<b>704</b>	<b>(1,019)</b>	<b>(38,062)</b>	<b>3,397</b>
<b>Interfund transfers</b>						
Transfers — capital projects	(27,111)	-	(4,446)	(35)	31,592	-
Transfers — internal debt	(560)	(4,661)	-	-	5,221	-
Transfers — capital reserves	(4,960)	(8,740)	-	-	13,700	-
Transfers — research support and other	(6,217)	1,001	5,200	16	-	-
<b>Total interfund transfers</b>	<b>(38,848)</b>	<b>(12,400)</b>	<b>754</b>	<b>(19)</b>	<b>50,513</b>	<b>-</b>
<b>Budget balance</b>	<b>(10,585)</b>	<b>1,111</b>	<b>1,458</b>	<b>(1,038)</b>	<b>12,451</b>	<b>3,397</b>
Change in net assets invested in capital assets						<b>14,221</b>
Adjustments for future benefits						<b>14,824</b>
<b>Excess of revenue over expenses as per financial statements</b>						<b>32,442</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. This means that information presented in the financial statements is different from that in the budget. 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)

	2023–2024 Initial Budget	2022–2023 Projected
<b>Products</b>		
Tuition and other fees	652,630 \$	596,702 \$
Operating grants	331,714	326,325
Restricted grants and contracts	260,023	265,968
Sales of goods and services	30,405	27,421
Student housing	26,344	26,037
Donations	17,450	13,156
Investment income	45,286	31,242
Other	24,543	32,032
	1,388,395	1,318,883
<b>Expenses</b>		
Salaries and benefits	790,403	810,088
Scholarships and financial aid	210,849	188,284
Cost of goods and services	59,614	64,335
Maintenance, repairs and utilities	51,041	22,139
Professional fees and contractual services	49,691	55,940
Inter-institutional research and other agreements	45,518	45,692
Travel	14,643	14,836
Interest and bank fees	28,995	28,488
Depreciation of capital assets	76,465	76,095
Other	28,734	26,668
	1,355,953	1,332,566
<b>Excess of revenue over expenses</b>	32,442 \$	(13,683) \$

For the fiscal year ending April 30, 2024, the University projects a surplus of revenues over expenditures of \$32.4 million, versus a surplus of expenditures over revenues of (\$13.7 million) as of April 30, 2023.

This \$32.4 million surplus of revenue over expenses corresponds to a net profit ratio of 2.3%, which is higher than the risk threshold set by the Ministry of Colleges and Universities. It should be noted that the \$32.4 million surplus is 90% the result of positive changes in book value (thus non-budgetary). The difference between the surplus of revenues over expenditures (book balance) and the consolidated budget balance forecast for 2023–2024 can be reconciled by considering the following:

# Reconciliation between the financial statements and the budget

	<b>Initial Budget (2023–2024)</b>	<b>Projected (2022–2023)</b>	<b>Actual (2021–2022)</b>
Budgetary balance	3,397	(4,444)	(69,636)
Variation of net assets invested in capital assets*	14,221	13,548	6,404
Adjustment for employee future benefits**	14,824	(22,787)	(12,948)
Surplus of revenues over expenses (expenses over revenues) as per consolidated financial statements	<b>32,442</b>	<b>(13,683)</b>	<b>(76,180)</b>

\* For details on the change in net assets invested in capital assets, see Note 14 in the audited financial statements for 2021–2022 (actual).

\*\* 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 2022–2023 projections and the 2022–2023 initial budget were drawn from the five-year projections submitted by our actuaries in winter 2023.



# Operating Fund 2023–2024

(in thousands of dollars)

	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
Investment income	28,934	2	307	11,699	4,344	45,286
Sales of goods and services	8,206	15,954	3,221	3,024	-	30,405
Student housing	-	26,344	-	-	-	26,344
Donations	513	8	3,004	13,354	-	16,879
Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
Scholarships and Financial Aid	175,539	5	31,044	9,871	-	216,459
Library acquisitions	18,185	-	127	111	-	18,423
Procurement — goods and services	35,246	7,823	41,811	2,122	-	87,002
Maintenance, repairs and utilities	35,792	10,249	-	-	115,925	161,966
Travel	7,174	147	5,858	1,464	-	14,643
Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>

	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Budget balance before interfund transfers</b>	<b>28,263</b>	<b>13,511</b>	<b>704</b>	<b>(1,019)</b>	<b>(38,062)</b>	<b>3,397</b>
<b>Interfund transfers</b>	<b>(38,848)</b>	<b>(12,400)</b>	<b>754</b>	<b>(19)</b>	<b>50,513</b>	<b>-</b>
<b>Budget balance</b>	<b>(10,585)</b>	<b>1,111</b>	<b>1,458</b>	<b>(1,038)</b>	<b>12,451</b>	<b>3,397</b>

To assist in understanding the choices made for 2023–2024, we present the table below, which includes the Operating Fund budget for 2023–2024, along with the initial budget and projections for 2022–2023. The significant variations between the initial budget and projections for 2022–2023 reflect recent geopolitical and inflationary developments. The Operating Fund balance for 2023–2024 has improved significantly compared to the actual forecast for 2022–2023.

	<b>Budget 2022–2023</b>	<b>Projected Actual 2022–2023</b>	<b>Budget 2023–2024</b>
<b>Revenues</b>			
Tuition and other fees	608,693	595,310	651,188
Grants	318,998	325,913	331,113
Investment income	26,021	15,684	28,934
Sales of goods and services	6,845	7,503	8,206
Unrestricted donations	445	552	513
Other	13,428	17,633	17,324
<b>Total revenue</b>	<b>974,430</b>	<b>962,595</b>	<b>1,037,278</b>
<b>Expenses</b>			
Salaries — teaching staff	260,345	257,024	268,339
Salaries — support staff	231,491	231,542	246,099
Student salaries	27,506	28,319	28,505
Benefits	105,246	97,333	102,534
Scholarships and financial aid	156,511	151,560	175,539
Library acquisitions	17,702	17,659	18,185
Procurement — goods and services	34,827	34,921	35,246
Maintenance, repairs and utilities	31,922	30,928	35,792
Travel	6,493	6,830	7,174
Professional fees and contractual services	38,972	42,900	36,901
Interest and bank fees	26,309	27,515	28,167
Inter-institutional agreements	1,509	1,696	1,543
Other	21,154	21,612	24,991
<b>Total expenditures</b>	<b>959,987</b>	<b>949,839</b>	<b>1,009,015</b>
<b>Budget balance before interfund transfers</b>	<b>14,443</b>	<b>12,756</b>	<b>28,263</b>
Interfund transfers	(43,428)	(44,900)	(38,848)
<b>Budget balance</b>	<b>(28,985)</b>	<b>(32,144)</b>	<b>(10,585)</b>

## Revenue analysis

### Tuition

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 reduction and freeze to qualifying international students, i.e., those studying in French. The Ontario government announced that, for 2021–2022, 2022–2023 and 2023–2024, tuition fees for Ontario residents (with some exceptions) would remain frozen at 2020–2021 levels. The Ministry of Colleges and Universities allows institutions to propose increases in tuition for incoming students for up

to three disciplines for which tuition fees are more than 15% below the sector average. Following an analysis, tuition fees for undergraduate programs in management (46% below), engineering (22% below) and common law (21% below) will be increased by 7.5%, as permitted under the regulatory framework.

The Ministry has also given institutions the authority to increase tuition fees for out-of-province students by up to 3% in 2021–2022, 5% in 2022–2023 and 5% in 2023–2024. The University of Ottawa did not avail itself of that option in 2021–2022, but did in 2022–2023 and will again do so in 2023–2024. International tuition fees remain unregulated. After consultation and discussion, the University of Ottawa recommends the following for 2023–2024:

- A tuition freeze for Canadian and permanent-resident students who live in Ontario, while tuition for entering students in management, engineering and common law be increased by 7.5%.
- A 5% increase in tuition fees for Canadian and permanent-resident students who do not live in Ontario
- A 12% increase in tuition fees for newly-admitted international students, a 5.5% increase for cohorts admitted prior to September 2022 and 7% for cohorts admitted since September 2022.
- A tuition freeze for all PhD students.

<b>(in thousands of dollars)</b>	<b>Projected Actual 2022–2023</b>	<b>Budget 2023–2024</b>	<b>Variance</b>
Tuition and other fees	595,310	651,188	55,878
Scholarships and Financial Aid	151,560	175,539	23,979
<b>Net</b>	<b>443,750</b>	<b>475,649</b>	<b>31,899</b>

The table above shows a \$56 million increase in tuition fees over the 2022–2023 budget, while the actual increase will be \$32 million. The \$24 million 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 an admission scholarship that reduces their net tuition fees. The change made in 2021 was gradual, as it targeted the newly-admitted cohorts only. Consequently, the impact of the new scholarship regime for Francophone international students will be fully felt only in 2024–2025. Tuition fees paid by Francophone international students will generate more revenue compared to fees paid by Canadian students from Ontario (government grant plus tuition fees).

## Grants

Operating grants from the Ministry of Colleges and Universities will remain stable in 2023–2024 in nominal terms. The positive variations between the 2022–2023 and 2023–2024 budgets stem from non-recurrent grants we received to improve our academic programs for Francophone students. Those amounts do not include PARO grants, which are limited to the Faculty of Medicine and are therefore included in the Restricted Fund — Other. Since 2013-2014, grant revenues have dropped well below 50% of 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 2023–2024, Ontario government grants will cover just one third of our operating costs.

## Investment income

Investment returns are affected by the general economic climate and financial market conditions, and thus fluctuate from year to year. Over the medium and long term, return on investment has been averaging around 6%, in light of the University of Ottawa's investment policy. Events such as the pandemic, the deteriorating geopolitical situation and the sudden and persistent rise in inflation and interest rates over the past few months are accentuating those fluctuations. After averaging 10.5% annually over the period from 2017–2018 to 2019–2020, annual returns rose spectacularly in 2020–2021. However, in 2021–2022, returns were negative, and in 2022–2023, below projections for most of the fiscal year, thereby illustrating the volatility of financial markets. 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 pre-determined ceiling. The University draws down the reserve if investment returns are lower than expected. Given the high degree of uncertainty, returns in 2022–2023 are expected to be modest compared to historical yields (3.5%).

## Expenditure analysis

The University estimates that the new regulatory tuition fee framework introduced by the provincial government in 2019 will result in a revenue shortfall of \$75 million in 2023–2024, compared to with projected increases of 3% annually, as was the case under the previous framework. This presents a significant budgetary challenge.

Apart from efforts to recruit more students, and particularly full-fee paying international students, the \$68 million shortfall can also be offset by a further tightening of expenses. For example, despite receiving additional and justified budget requests from the faculties and services, the University decided to subtract \$13 million from their base budgets in 2023–2024. As shown in the following analysis of expenditures, the increase in 2023–2024 over 2022–2023 is due basically to the rise in the “Scholarships and financial” aid item, and inflation, including higher salaries.

## Compensation

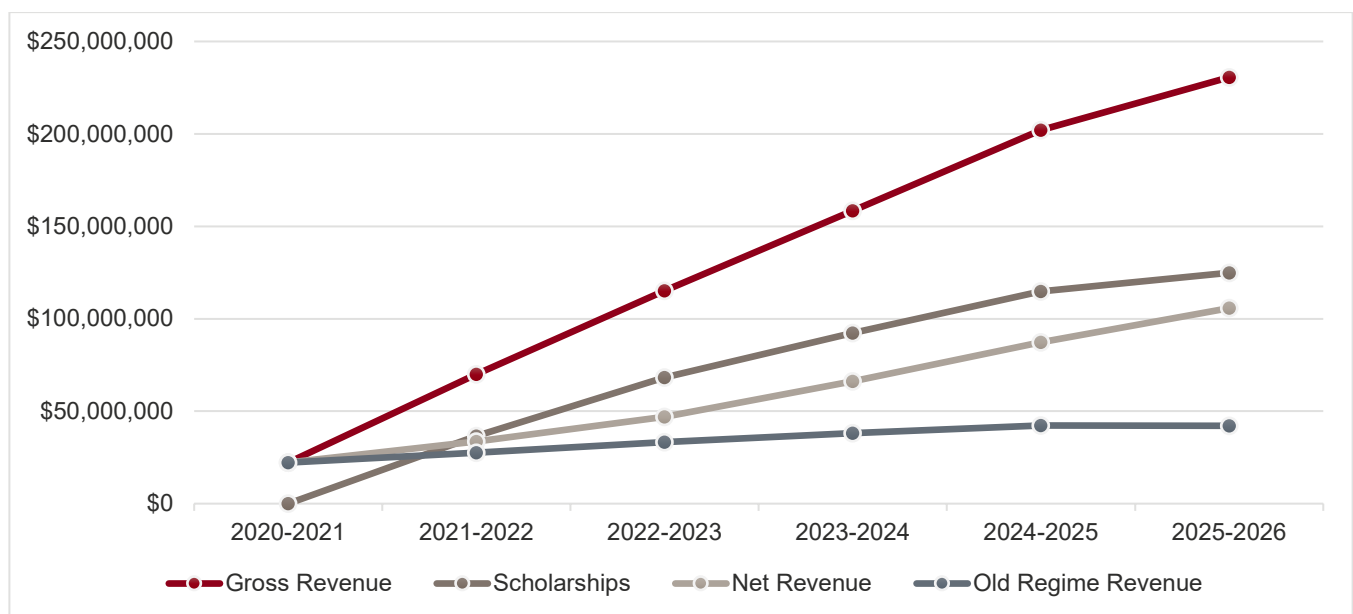
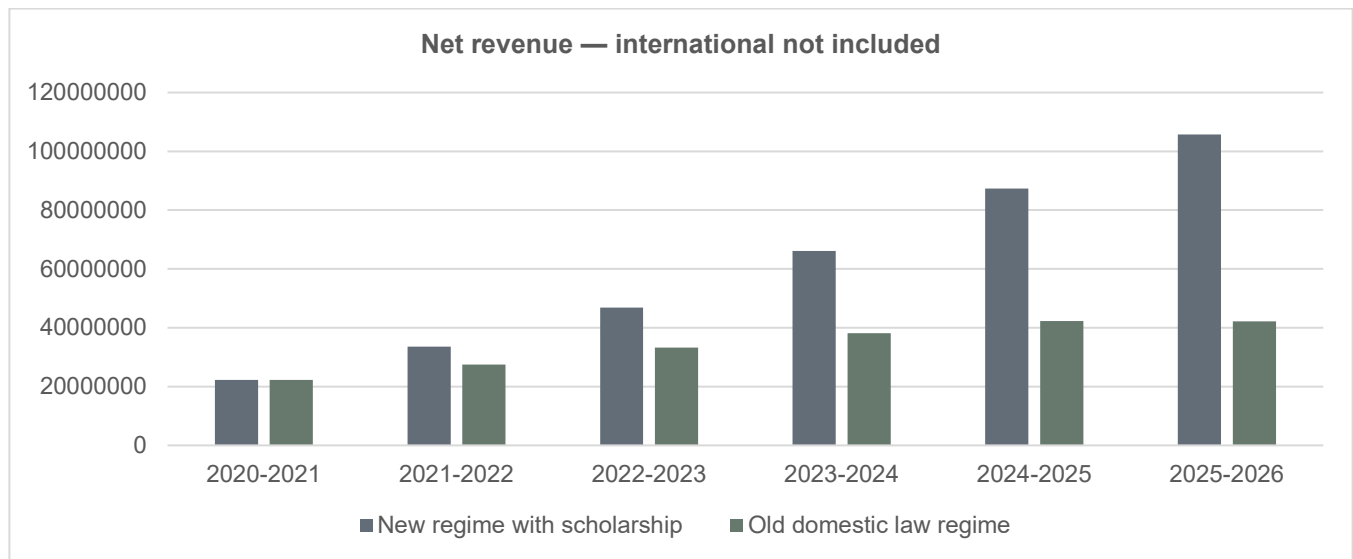
The 2023-2024 budget provides for economic increases in addition to progress-through-the-ranks increases, in accordance with current collective agreements and mandates approved by the Executive Committee of the Board of Governors. Compared to the initial budget for 2022–2023, teaching staff salaries will increase by \$8 million, students by \$1 million and support staff by \$14.6 million. Benefits will cost \$2.7 million less in 2023–2024 compared to 2022–2023, given the pension plan's sound financial position.

## Scholarships and financial aid

The scholarship and financial aid budget increased by \$19 million over the initial budget for 2022–2023, due mainly to the arrival of the third cohort stemming from the transition to the scholarship model of tuition fees for international students studying in French. This increase is much less than the \$46 million increase posted over the period from 2021–2022 to 2022–2023. This more modest rise can be attributed to significant rationalization of admission scholarships for international students studying in French and undergraduate excellence awards (admission scholarships and merit scholarships) and graduate scholarships. In addition, although the amount of scholarships awarded to international students studying in French has increased over the past three years and will increase again in 2024–2025 once the new regime has matured, net revenue from the new system is already higher than revenue from the former system, which aligned tuition fees for international students studying in French with tuition fees paid by Canadian and permanent-resident students. As can be seen in both charts below, when compared to the old system, the new regime generated \$13 million in net additional revenue in 2022–2023. That figure is projected to



total \$28 million in 2023–2024. The second chart shows that as the new system gets closer to full maturity, growth in scholarship expenditures will fall towards zero, while net revenue will continue to rise quickly.



## Other expenses

Travel expenses are estimated at \$7.2 million, up nearly \$1 million compared to the initial budget for last year, given the complete return to face-to-face provincial meetings and international conferences following the pandemic. Inflation is having an impact on “Maintenance, repairs and utilities,” with that item increasing from \$31.9 million in 2022–2023 to \$35.8 million in 2023–2024. Higher interest rates have increased the allocation for “Interest and bank fees” by nearly \$1 million. However, expenses for professional fees and contractual services will decline by \$2 million in 2023–2024 compared to the initial budget for 2022–2023. The project to modernize financial and HR systems will be in its final year, allowing us to reduce expenditures on this transformational initiative.

## 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 remain high in 2023–2024 at nearly \$39 million, with the Capital Fund and the Research Fund being the main benefactors.

<b>(in thousands of dollars)</b>	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>CAPITAL FUND</b>	<b>Sinking fund</b>	<b>Total</b>
Transfers — capital projects	(27,111)	-	(4,446)	(35)	31,592	-	-
Transfers — internal debt	(560)	(4,661)	-	-	5,221	-	-
Transfers — Sinking Fund	(4,960)	-	-	-	-	4,960	-
Transfers — capital reserve	-	(8,740)	-	-	8,740	-	-
Transfers — research support	(5,216)		5,200	16	-	-	-
Transfers — other	(1,001)	1,001	-	-	-	-	-
	<b>(38,848)</b>	<b>(12,400)</b>	<b>754</b>	<b>(19)</b>	<b>45,553</b>	<b>4,960</b>	<b>-</b>

## Transfers — capital projects

Transfers for capital projects, totalling \$31.6 million, come mainly from the Operating Fund (\$27.1 million), with \$25.7 million for the Facilities Renewal Improvement Program. Transfers from the Restricted Fund — Research will total \$4.4 million, specifically monies received from the Canada Foundation for Innovation, and will be used for funding research-related capital expenses.

## Transfers — internal debt

Transfers for internal debt, totalling \$5.2 million, will be used to repay interest and capital on long-term loans that were subscribed during previous fiscal years by faculties and services, and funded by reserves from the Capital Fund or debentures.

## Transfers — Sinking Fund

Transfers to the Sinking Fund, totalling \$5 million, will be used to accrue the capital required (\$650 million) on maturity of Series A, B, and C unsecured debentures, maturing in 2043, 2046 and 2060, respectively.

## Transfers — capital reserve

Transfers to the capital reserve are performed by Ancillary Enterprises to set aside monies needed for deferred maintenance of housing, parking, food services and community life.

## Transfers — research support

Transfers — research support totalling \$5.2 million consist of transfers from the Operating Fund to the Restricted Fund - Research (\$15.1 million) and from the latter to the Operating Fund (\$9.9 million).

Details of the transfers — research support are provided in the table below:

*(in thousands of dollars)*

Contribution to the Canada Research Chairs (CRCs) of the Tri-Agencies (SSHRC, NSERC and CIHR)	<b>2,969</b>
Funding for the University Research Chair (URC) program	1,010
Funding for Early Career Researcher of the Year Awards	229
Funding for Chaires de recherche sur le monde francophone	362
Funding for Distinguished Research Chairs (DRC)	175
University of Ottawa research centres and institutes	1,525
Research development programs and participation in NSERC CREATE and SSHRC partnership grants	935
Funding for the Seed Funding Opportunity program for new researchers at the University of Ottawa	1,507
Funding for the support program for major research infrastructure projects funded by government programs (e.g., CFI)	3,740
Funding of University of Ottawa core facilities	570
Funding for Banting Postdoctoral Fellowships	25
Total contribution from central administration	13,047
Contribution from faculties and services to support research	2,078
<b>Total interfund transfers from the Operating Fund to the Restricted Fund — Research</b>	<b>15,125</b>
Indirect research costs	(8,450)

Overhead from research contracts	(1,475)
<b>Total interfund transfers from the Restricted Fund — Research to the Operating Fund</b>	<b><u>(9,925)</u></b>
<b>Total interfund transfers for research support</b>	<b><u>5,200</u></b>

Transfers — Other totalling \$1 million consist of internal transfers from the student services sector in the Operating Fund to Ancillary Enterprises.

## Surplus (deficit)

Drawing on available information and thanks to the efforts of the faculties and services, the University is pleased to report an Operating Fund budget balance that is slightly in deficit (\$10 million). That represents a significant improvement over last year, when projected balances for the initial budget and the actual projected for 2022–2023 hovered around a \$30 million deficit. The Operating Fund budget surplus prior to interfund transfers is projected at \$28.3 million for 2023–2024, a significant improvement over 2022–2023, when the projected balance was \$14.4 million. The Operating Fund budget balance shows a deficit following transfers of close to \$39 million to the other funds.

# Ancillary Enterprises 2023–2024

(in thousands of dollars)

	Operating Fund	Ancillary Services	Restricted Fund — Research	Restricted Fund — Other	Capital Fund and Sinking Fund	Total
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
Investment income	28,934	2	307	11,699	4,344	45,286
Sales of goods and services	8,206	15,954	3,221	3,024	-	30,405
Student housing	-	26,344	-	-	-	26,344
Donations	513	8	3,004	13,354	-	16,879
Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
Scholarships and Financial Aid	175,539	5	31,044	9,871	-	216,459
Library acquisitions	18,185	-	127	111	-	18,423
Procurement — goods and services	35,246	7,823	41,811	2,122	-	87,002
Maintenance, repairs and utilities	35,792	10,249	-	-	115,925	161,966
Travel	7,174	147	5,858	1,464	-	14,643
Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>



	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Budget balance before interfund transfers</b>	28,263	13,511	704	(1,019)	(38,062)	3,397
<b>Interfund transfers</b>	(38,848)	(12,400)	754	(19)	50,513	-
<b>Budget balance</b>	(10,585)	1,111	1,458	(1,038)	12,451	3,397

To assist readers in understanding the choices we made for 2023–2024, we have included in the table below the Ancillary Services budget for 2023–2024, along with the initial and projected budgets for 2022–2023.

	<b>Budget 2022– 2023</b>	<b>Projected Actual 2022–2023</b>	<b>Budget 2023– 2024</b>
Revenues			
<b>Student housing</b>	26,373	26,037	<b>26,344</b>
<b>Sales of goods and services</b>	13,371	12,904	<b>15,954</b>
<b>Tuition and other fees</b>	1,359	1,392	<b>1,442</b>
<b>Grants</b>	438	412	<b>601</b>
<b>Other</b>	2,884	3,080	<b>3,126</b>
Total revenue	44,425	43,825	<b>47,467</b>
Expenses			
<b>Salaries</b>	9,111	9,069	<b>9,480</b>
<b>Benefits</b>	1,930	1,869	<b>2,167</b>
<b>Maintenance, repairs and utilities</b>	9,316	8,878	<b>10,249</b>
<b>Procurement — goods and services</b>	7,197	7,803	<b>7,823</b>
<b>Professional fees and contractual services</b>	309	432	<b>373</b>
<b>Interest and bank fees</b>	896	894	<b>748</b>
<b>Travel</b>	39	9	<b>147</b>
<b>Other</b>	2,995	2,958	<b>2,969</b>
Total expenditures	31,793	31,912	<b>33,956</b>
Budget balance before interfund transfers	12,632	11,913	<b>13,511</b>
<b>Interfund transfers</b>	(12,191)	(11,913)	<b>(12,400)</b>
<b>Budgetary balance</b>	<b>441</b>	<b>-</b>	<b>1,111</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, these 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. With the pandemic having faded, Ancillary Enterprises returned to profitability in 2022–2023. Results should be even better in 2023–2024, enabling Ancillary Enterprises to repay a portion of their internal debt.

## INTERFUND TRANSFERS

Interfund transfers for Ancillary Enterprises total \$12.4 million, as follows:

- \$13.4 million was transferred to the Capital Fund to:
  - Pay back interest and capital for long-term loans that were subscribed during previous fiscal years, and funded by the Capital Fund (\$4.7 million).
  - Set aside monies needed for deferred facilities maintenance, totalling \$205.1 million as at April 30, 2023.

Details of the annual contribution for the capital reserve budget are as follows:

- Housing \$4.9 million
- Food services \$3.3 million
- Community Life \$0.4 million
- Parking \$0.1 million  
\$8.7 million
- (\$1.0 million) from the Operating Fund in the student services sector

# Restricted Fund — Research, 2023–2024 (in thousands of dollars)

	Operating Fund	Ancillary Services	Restricted Fund — Research	Restricted Fund — Other	Capital Fund and Sinking Fund	Total
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
Investment income	28,934	2	307	11,699	4,344	45,286
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Donations	513	8	3,004	13,354	-	16,879
Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
Scholarships and Financial Aid	175,539	5	31,044	9,871	-	216,459
Library acquisitions	18,185	-	127	111	-	18,423
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Travel	7,174	147	5,858	1,464	-	14,643
Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>

	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Budget balance before interfund transfers</b>	28,263	13,511	704	(1,019)	(38,062)	3,397
<b>Interfund transfers</b>	(38,848)	(12,400)	754	(19)	50,513	-
<b>Budget balance</b>	(10,585)	1,111	1,458	(1,038)	12,451	3,397

Total revenues are \$167.1 million, including funds from granting agencies (\$161.2 million) and revenues from other lesser sources, as noted in the table above. In the 2023–2024 budget, research grants and contracts account for 96.2% of total revenues.



# Revenue analysis

## Research grants and contracts

Funding allocated and received for research grants are projected to total \$402.1 million, with the University accounting for \$188.7 million. The remaining \$213.4 million is accounted for by affiliated hospitals and institutes.

The research grants and contracts budget is distinct from the amounts allocated and received due to amortization of deferred grants. A total of \$180.2 million is projected for budget 2023–2024, including \$8.6 million due to amortization of deferred grants.

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 2022–2023 and 2023–2024. 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)

<b>Grant Source</b>	<b>Budget 2022-2023</b>	<b>Projected Actual 2022-2023</b>	<b>Budget 2023-2024</b>
CIHR	18,500	15,985	26,309
NSERC	22,000	21,364	32,259
SSHRC	10,500	9,380	16,185
Subtotal — Tri-Agency	<b>51,000</b>	<b>46,729</b>	<b>74,553</b>
CFI	23,971	13,749	6,447
CRC	10,500	8,780	12,400
Government of Canada — other	11,000	11,093	14,000
Province of Ontario	25,194	11,855	11,327
Private sector	6,500	5,082	8,300
Networks and fourth-pillar organizations	5,000	6,122	12,300
Medical research foundations and associations	2,000	2,309	3,100
Other	18,000	16,720	18,000
Research support fund	16,937	17,170	18,320
Scholarships	9,891	9,871	9,801
Total — research	<b>179,993</b>	<b>149,480</b>	<b>188,748</b>
Hospitals and institutes	<b>230,198</b>	<b>213,374</b>	<b>213,374</b>
Grand total	<b>410,191</b>	<b>362,854</b>	<b>402,122</b>

Research revenue is forecast for moderate growth in 2023–24, largely driven by the University's success in securing several large grants, such as for the Brain-Heart Interconnectome project (through Canada First Research Excellence Fund), the largest research grant in uOttawa history, along with renewal of CoVaRR-Net, and several Quantum grants. As a result, Tri-Agency funding (CIHR, NSERC and SSHRC) is projected to increase sharply to \$74.8 million.

Moderate increases are expected in federal government (\$14 million) and health charity (\$3 million) revenue, and strong recruitment efforts will continue for Canada Research Chairs (\$12.4 million). Revenue from the private sector will increase by \$8.3 million, as the University strengthens its presence in Kanata North. New revenue sources continue to be explored and additional support continues to be provided to secure large grants from key public sector funders.

With respect to major infrastructure projects, 2023–24 is a year between two major competitions of the Canada Foundation for Innovation (CFI) and the Ontario Research Fund (ORF). As such, forecast revenues are less than would be expected in a year when major projects are awarded. The 2023–24 forecast includes provisions for payments made by the CFI for active projects and those expected to be active during fiscal 2023–24 (\$4.4 million). In addition, the University expects to leverage \$2 million to operate and maintain its infrastructure portfolio through the CFI Infrastructure Operating Fund. As funding from the Ontario government is closely linked to CFI funding, we expect an estimated amount of \$8.4 million from various ORF programs in 2023–24.

In June 2022, we received positive news from the CFI, with funding for the Andre E. Lalonde Accelerator Mass Spectrometry Facility for Environment Radionuclides renewed for the next six years at over \$5.8 million to support the ongoing operation and maintenance of our national research facility.

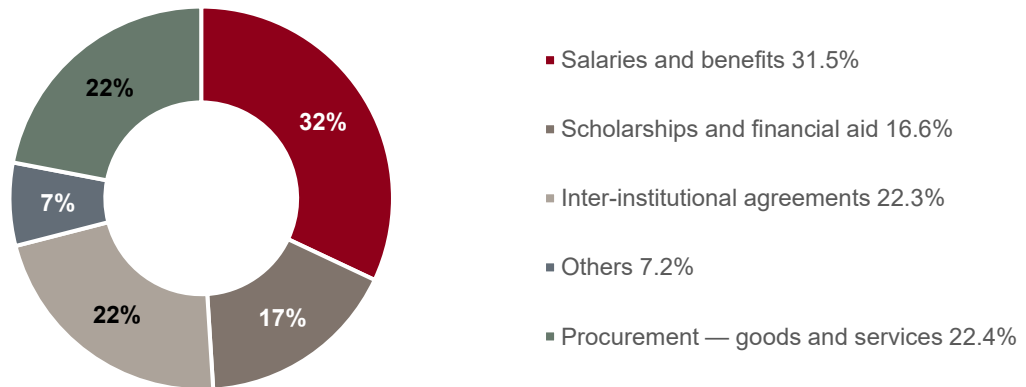
The University of Ottawa and McMaster University will be joining forces with partners to create the Canadian Pandemic Preparedness Hub (CP<sub>2</sub>H). The CP<sub>2</sub>H is one of the five research hubs selected following Stage 1 of the integrated Canada Biomedical Research Fund (CBRF) and Biosciences Research Infrastructure Fund (BRIF) funding opportunity. Stage 2 of this national competition includes \$570 million in available funding for proposals aimed at cutting-edge research, talent development and research infrastructure projects associated with the selected research hubs. CP<sub>2</sub>H will be enabled and complemented by a number of exciting new infrastructure projects, including the University of Ottawa's Advanced Medical Research Centre, which will serve as administrative headquarters for CP<sub>2</sub>H, as well as the Ottawa Hospital's Biotherapeutics Manufacturing Centre development and McMaster's Global Nexus. Decisions for Stage 2 of the CBRF-BRIF funding opportunity are expected in March 2024.

## Expenditure analysis

In the 2023–2024 budget, estimated expenditures for most projects are calculated using the average of expenditures for the past three years. For projects funded by the CFI, 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.

Proportion of expenditures by category (%)



## Analysis of interfund transfers

The Restricted Fund — Research receives monies (\$15.1 million) from the Operating Fund for research chairs and from seed funding for new researchers. In return, the Restricted Fund — Research returns monies (\$9.9 million) to the Operating Fund to help cover indirect costs and research overhead.

The Restricted Fund — Research transfers amounts (\$4.4 million) to the Capital Fund for capital projects that support research.



# Restricted Fund — Other 2023–2024

(in thousands of dollars)

	Operating Fund	Ancillary Services	Restricted Fund — Research	Restricted Fund — Other	Capital Fund and Sinking Fund	Total
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
Investment income	28,934	2	307	11,699	4,344	45,286
Sales of goods and services	8,206	15,954	3,221	3,024	-	30,405
Student housing	-	26,344	-	-	-	26,344
Donations	513	8	3,004	13,354	-	16,879
Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
Scholarships and financial aid	175,539	5	31,044	9,871	-	216,459
Library acquisitions	18,185	-	127	111	-	18,423
Procurement — goods and services	35,246	7,823	41,811	2,122	-	87,002
Maintenance, repairs and utilities	35,792	10,249	-	-	115,925	161,966
Travel	7,174	147	5,858	1,464	-	14,643
Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881

	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>
<b>Budget balance before interfund transfers</b>	<b>28,263</b>	<b>13,511</b>	<b>704</b>	<b>(1,019)</b>	<b>(38,062)</b>	<b>3,397</b>
<b>Interfund transfers</b>	<b>(38,848)</b>	<b>(12,400)</b>	<b>754</b>	<b>(19)</b>	<b>50,513</b>	<b>-</b>
<b>Budget balance</b>	<b>(10,585)</b>	<b>1,111</b>	<b>1,458</b>	<b>(1,038)</b>	<b>12,451</b>	<b>3,397</b>

## Revenue analysis

The 2023–2024 budget anticipates **grant and contract revenues** of \$75.1 million, representing 70.4% of the total revenue of the Restricted Fund — Other. Of that amount, \$70.8 million 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 this policy is to allow the University to distribute a consistent amount of income from endowments on an annual basis regardless of the investment income earned in the fiscal year.

Revenue from donations comes from external donors and from internal funds for scholarships and financial aid for our students.

## 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

## 2023–2024 (in thousands of dollars)

	Operating Fund	Ancillary Services	Restricted Fund — Research	Restricted Fund — Other	Capital Fund and Sinking Fund	Total
<b>Revenues</b>						
Tuition and other fees	651,188	1,442	-	-	-	652,630
Operating grants	331,113	601	-	-	-	331,714
Restricted grants and contracts	-	-	180,147	75,125	7,782	263,054
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Other	17,324	3,116	541	3,562	65,737	90,280
<b>Total revenue</b>	<b>1,037,278</b>	<b>47,467</b>	<b>187,220</b>	<b>106,764</b>	<b>77,863</b>	<b>1,456,592</b>
<b>Expenses</b>						
Salaries	542,943	9,480	51,223	73,176	-	676,822
Benefits	102,534	2,167	7,458	10,636	-	122,795
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Professional fees and contractual services	36,901	373	6,358	6,059	-	49,691
Interest and bank fees	28,167	748	7	73	-	28,995
Inter-institutional agreements	1,543	-	41,533	2,442	-	45,518
Other	24,991	2,964	1,097	1,829	-	30,881
<b>Total expenditures</b>	<b>1,009,015</b>	<b>33,956</b>	<b>186,516</b>	<b>107,783</b>	<b>115,925</b>	<b>1,453,195</b>



	<b>Operating Fund</b>	<b>Ancillary Services</b>	<b>Restricted Fund — Research</b>	<b>Restricted Fund — Other</b>	<b>Capital Fund and Sinking Fund</b>	<b>Total</b>
<b>Budget balance before interfund transfers</b>	28,263	13,511	704	(1,019)	(38,062)	3,397
<b>Interfund transfers</b>	(38,848)	(12,400)	754	(19)	50,513	-
<b>Budget balance</b>	(10,585)	1,111	1,458	(1,038)	12,451	3,397

The Capital Fund and the Sinking fund are presented together in the University budget, given that they are both related to capital projects. Budget 2023–2024 projects a surplus of \$12.5 million, that is, \$3.7 million for the Capital Fund and \$8.8 million for the Sinking Fund.

The Sinking Fund was created to accrue the capital required (\$650 million) on maturity of Series A, B, and C unsecured debentures, maturing in 2043, 2056 and 2060, respectively.

# Revenue analysis

## Restricted grants and contracts

The University is projecting a total of \$7.8 million for restricted grants and contracts. Details are provided in the following table:

<b>(in thousands of dollars)</b>	<b>\$</b>
Ministry of Colleges and Universities	
Facilities Renewal Fund (FRF)	5,600
College Equipment and Renewal Fund (CERF)	664
Undergraduate Doctor of Pharmacy (D.Pharm) program infrastructure	1,518
<b>Total</b>	<b>7,782</b>

The Facilities Renewal Fund (FRF) helps publicly-funded colleges and universities with critical maintenance, repairs, upgrades and renewal of existing facilities.

The College Equipment and Renewal Fund (CERF) helps publicly-funded universities purchase state-of-the-art equipment that supports in-person instruction or virtual learning, helps to meet industry or business standards, or supports enrolment growth.

The University secured a grant from the Ministry of Colleges and Universities equal to 50% of the projected total expenses for the creation of the new Undergraduate Doctor of Pharmacy (D.Pharm) program in French.

## Investment Income

The University estimates its investment income based on the rate of return provided for in its investment policy and on the basis of its cash position. The long-term return on investments is estimated at 3.5%.

Investment income totals \$4.3 million, most of which (\$3.8 million) can be attributed to the Sinking Fund. Sinking Fund balances are held in long-term investments, and interest accrued during the fiscal year is reinvested to accrue the funds needed to repay the capital portion of the debentures when they mature.

## Other

Other revenue, totalling \$65.7 million, stems from the use of the \$300 million debenture obtained in 2020 for the construction of major capital projects.

## Capital projects planned for 2023–2024

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

Capital projects planned for fiscal 2023–2024 are as follows:

(in thousands of dollars)

<b>Description</b>	<b>Total approved cost</b>	<b>Accumulated cost (forecast), April 30, 2023</b>	<b>Disbursement 2023–2024</b>	<b>Disbursement 2024 and beyond</b>	<b>Source of funding</b>
<b>Major projects</b>					
200 Lees	130,820	115,390	15,430		Use of debentures
Roger Guindon Hall	1,000	892	109		Use of debentures
Advanced Medical Research Centre	249,300	6,652	50,198	192,450	Use of debentures
Animal Care and Veterinary Service	14,600	6,205	2,000	6,395	Funding awarded in previous years
Total major projects	<b>379,307</b>	<b>125,507</b>	<b>67,737</b>	<b>196,327</b>	
Research support projects (CFI)			4,446		Interfund transfers from research (CFI)
Research support projects (seed funding for professors)			1,450		Interfund transfer from Operating Fund
Restricted Fund — Other			35		Interfund transfer from Restricted Fund — Other
Facilities Renewal Improvement Program projects			38,558		Interfund transfer from Operating Fund, FRF and Ancillary Enterprises reserves
College Equipment and Renewal Fund (CERF)			664		CERF grant
Undergraduate Doctor of Pharmacy program infrastructure			3,035		Grant (50%) from Ministry of Colleges and Universities, and University of Ottawa (50%)
Total: planned capital projects			<b><u>115,925</u></b>		

Facilities Renewal Improvement Program (FRIP) projects planned during the fiscal year are as follows:

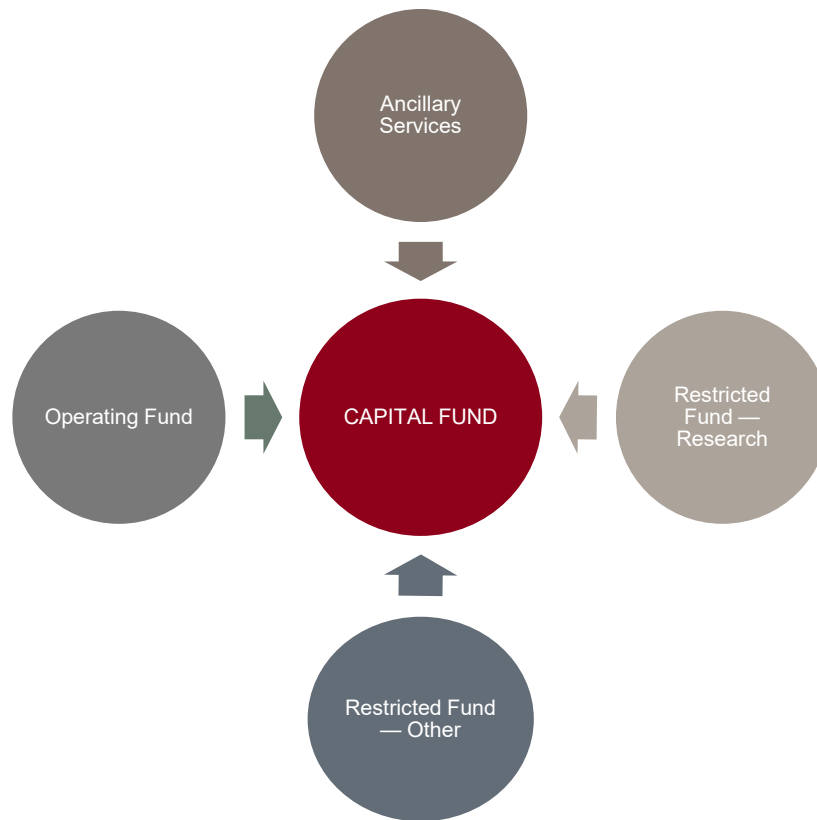
<b>(in thousands of dollars)</b>	<b>\$</b>
FRIP 1 (optimization of faculty and service spaces)	3,500
FRIP 2 (program to enhance public spaces)	4,350
FRIP 3 (facility refurbishment plan)	23,411
Self-funded services project — Parking and Protection Services	100
Self-funded services project — Student Services	7,197
<b>Total</b>	<b>38,558</b>

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.

## Analysis of interfund transfers

The Capital Fund receives substantial amounts from the Operating Fund, Ancillary Enterprises and the Restricted Fund — Research, with \$45.4 million projected in the 2023–2024 budget:

- Operating Fund (\$32.6 million)
  - \$25.7 million under the Facilities Renewal Improvement Program (FRIP)
  - \$4.9 million as an annual contribution to the Sinking Fund
  - \$560,000 from some faculties and services for capital payments and interest on long-term loans related to capital projects funded by the Capital Fund in previous years
  - \$1.5 million for funding for the Seed Funding Opportunity program for new researchers
- Ancillary services (\$13.4 million)
  - \$8.7 million for the anticipated contribution to Ancillary Enterprises' capital reserve fund for deferred maintenance of their facilities
  - \$4.7 million for capital payments and interest on long-term loans related to capital projects funded by the Capital Fund in previous years
- Restricted fund — Research (\$4.4 million)
  - \$4.4 million from the Canada Foundation for Innovation for immediate needs as regards the University's real property assets
- Restricted Fund — Other (\$35,000)



## Facility status and deferred maintenance

Deferred maintenance of University facilities is supported by annual funding from the Operating Fund via the Facilities Renewal Improvement Program (FRIP) and a grant from the Ministry of Colleges and Universities for facility renewal, and a contribution from Ancillary Enterprises as their financial situation allows.

The University anticipates that, over the next few years, the deferred maintenance balance will increase as the systems and buildings in the University's portfolio reach the end of their useful life. In light of this, deferred maintenance becomes very important for the University.

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

The FCI is a numeric value between 0.0 and 1.0. In simple terms, a value between 0.00 and 0.05 means that assets are in excellent condition, while a value greater than 0.31 suggests a critical level of deterioration. The University's FCI is 0.34. 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 inspect the assets. Approximately 20% of assets are inspected each year, ensuring that the complete data set is renewed every five years.

The table below presents the University's FCI:

### University of Ottawa's FCI

Current replacement value of assets	\$2,172,483
Deferred maintenance (DM)	\$730,166
FCI	0.336

As at April 2023, the University's total deferred maintenance cost is estimated at \$730.2 million. Of this amount, \$525 million is related to facilities used for teaching and research, \$134.3 million for student residences and \$70.9 million for ancillary enterprise facilities.

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

The following tables set out the total deferred maintenance required by system and type of asset.

(in thousands of dollars)	\$
Building envelope and structure	96,917
Fire protection	6,655
Electrical	181,911
Mechanical and plumbing	147,048
Elevators	10,511
Interiors	241,938
Other	45,186
<b>Total deferred maintenance by system</b>	<b>730,166</b>

Deferred maintenance by type of asset (in thousands of dollars)	\$
Academic affairs	525,012
Ancillary services	70,878
Residences	134,276
<b>Total deferred maintenance by asset type</b>	<b>730,166</b>

As stated in the document titled "Ontario Universities' Facilities Condition Assessment Program," as of June 2015, generally accepted industry standards for annual facility financing are about 1.5% of the current replacement value, in order to maintain these assets in good condition for the next 50 years of their life cycle. Historically, since these investment objectives were not achieved, the recommended approach would be to invest 2% of the value of the portfolio, or \$43.4 million.

A total of \$37.7 million has been set aside in Budget 2023–2024. Of that amount, \$29 million comes from the Operating Fund through the Facilities Renewal Improvement Plan (FRIP 3; \$23.4 million), with \$5.6 million coming from the Ministry of Colleges and Universities' Facilities Renewal Fund. Ancillary Enterprises have set aside \$8.7 million.