Key Highlights

Data and assumptions that underlie the budget

Management has based the 2014-2015 budget on the following assumptions:

- Undergraduate enrollment of 35,916 and graduate enrollment of 6,797 (compared to undergraduate and graduate enrollment of 35,905 and 6,545, respectively, in 2013-2014). These numbers represent a growth of 0.6% (263 students), while the average growth over the past three years has been 2.4%. This decrease reflects both the Board of Governors’ decision to achieve a moderate growth of 500 new students and a levelling off of the number of students.
- Decrease of $5.9M in funding from grants, resulting from stabilization in student numbers and a 1% decrease in 2014-2015, for the second year running.
- Allocation of $7.1M from the federal government for indirect research costs, compared to $6.8M in 2013-2014.
- General 3% increase in tuition fees for Canadian students, of which 10% will be earmarked for financial aid and scholarships.
- Operating fund investment income of $23.5M ($13.5M in 2013-2014).
- An investment of more than $4.6M (6.8%) to provide further support for scholarships, financial aid and work-study programs.
- Salary increases consistent with current collective agreements and those approved by the Executive Committee of the Board of Governors.
- A $21.3M allocation for deferred maintenance and renovations, compared to $22.4M in 2013-2014 and $23.5M in 2012-2013. The operating fund will finance $10M of these expenses.
- No new debts are anticipated for 2014-2015. The University expects to borrow a maximum of $80M from now until 2016-2017 in order to stay on track with our five-year capital plan.
- Energy and utility costs are stable at $12.7M, due to energy efficiency programs.

A number of assumptions related to the replacement of computer equipment and other revenues and expenses were also taken into consideration when drafting the 2014-2015 budget.

Fund-by-fund analysis of 2014-2015 budget

University overall (Table A)

Revenue projections for each fund:

<table>
<thead>
<tr>
<th>('000$)</th>
<th>2014-2015</th>
<th>2013-2014</th>
<th>Increase (decrease)</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$ 771,803</td>
<td>$ 746,354</td>
<td>$ 25,449</td>
<td>3.4%</td>
</tr>
<tr>
<td>Ancillary services</td>
<td>$ 33,405</td>
<td>$ 34,239</td>
<td>(834)</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Research</td>
<td>$ 139,660</td>
<td>$ 142,861</td>
<td>(3,201)</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Trust</td>
<td>$ 35,409</td>
<td>$ 34,726</td>
<td>$ 683</td>
<td>2.0%</td>
</tr>
<tr>
<td>Capital projects</td>
<td>$ 5,533</td>
<td>$ 17,332</td>
<td>(11,799)</td>
<td>(68.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 985,810</td>
<td>$ 975,512</td>
<td>$ 10,298</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

* Excludes an estimated amount of $157M for affiliated research institutes.
Appendices 1.4 and 1.5 compare the University of Ottawa’s revenues by major sources with those of peer universities.

For the University as a whole, the 2014-2015 budget is based on revenues of $985.8M, compared to $975.5M in 2013-2014, broken down as follows:

- Operating fund revenues are $771.8M, representing an increase of $25.4M (3.4%), compared to 6% in 2013-2014, primarily due to an increase in tuition fees, donations, investment revenues and indirect research costs.
- Ancillary services revenues of $33.4M, representing a decrease of 2.4% (see Table C-1). Note that revenues from the new residence on Friel Street as of September 2014 will increase this revenue by $2.6M.
- At $139.7M, research funding revenues decrease by $3.2M compared to last year, stemming primarily from budgetary cuts by the federal and provincial governments (see Table D-1).
- Decrease in capital fund revenues of $11.8M due mainly to completion of the Advanced Research Complex (ARC) project.

**Key Highlights – Operating Fund (Tables B-1 to B-11)**

**Revenues**

Operating revenues come from two major sources: provincial operating grants and tuition fees. Table B-2 presents operating grant details, and Table B-8 sets out revenue trends by funding source for the past five years. Tuition fees reflect the governance framework set by the Ontario government and the overall tuition fee increase of 3%, with tuition fees frozen for doctoral candidates. We expect enrollment to increase by 11 students at the undergraduate level and 252 students at the graduate level, which is in keeping with the enrollment growth strategy presented to the Board of Governors, the desired increase in the number of graduate students and the levelling off of the number of students.

For the first time, the proportion of revenue from grants will be below 50%, at 49.2% (51.7% in 2013-2014). This decrease is due to the government’s decision to reduce government grants by 1% for 2013-2014 and by another 1% for 2014-2015.

The proportion of revenue from tuition fees for 2014-2015 is 44.5%, compared to 43.6% in 2013-2014. It should be noted that the increase in revenue from tuition fees is due mainly to the increase in the number of international students; the proportion of revenue from Canadian students remains stable at 35.9%.

**Expenses**

Salaries and benefits, scholarships and financial aid, supplies, facility operating costs and debt financing are the University’s primary expense classes.

**Remuneration**

The collective agreement for the Association of Professors (APUO) runs until April 30, 2016, and provides for a salary increase of 2% and a catch-up increase of 1.5% for 2014-2015. The collective agreement for the support staff (FEESO) runs until April 30, 2016, and provides for an increase of 2.5% for 2014-2015. The IT staff collective agreement (PIPSC) expired on April 30, 2014. The CUPE collective agreements that apply to student salaries and to members of the Association of Part-Time Professors (APTPUO) expired on August 31, 2013.

**Pension-related expenses**

As mentioned, the budget includes a special annual contribution of $12M. The budget also reflects the current costs for the pension, namely 14.82%. The University tabled its latest actuarial valuation on January 1, 2013, and is currently reviewing its options with respect to the actuarial valuation as at January 1, 2014.

**Scholarships and financial aid**

The 2014-2015 budget provides for an increase of $4.6M (6.8%) in scholarships, bursaries, financial aid and work-study programs. In 2013-2014, a total of 11,728 uOttawa students received financial aid, for an average
of $1,925 per student. Moreover, a total of 13,802 uOttawa students received $125.5M in OSAP loans in 2013-2014, including $15M from the 10% Off Ontario Tuition Grant program (9,041 students). The OSAP loan repayment default rate for uOttawa students was 5.4% in 2013 (4.8% in 2012), well below the 25% limit that requires the Ontario government to impose financial penalties on postsecondary institutions (Appendix 1.2).

In 2014-2015, the Ontario government’s 10% Off Ontario Tuition Grant program will reduce tuition by $1,780 per year of study for eligible students.

Since 2009-2010, student financial aid has increased by $24.9M (52.5%). This significant growth ties in directly with the University’s commitment to promoting academic excellence and to providing financial support to students in need.

Debt financing

The interest and capital on the $150M bond issue will cost $9.4M in 2014-2015.

Key highlights – Ancillary services (Tables C-1 to C-3)

The University provides the following ancillary services:

- Housing Service
- University Centre / Community Life
- Parking and Sustainable Transportation
- Food Services
- University of Ottawa Press
- Conventions and Reservations

These services play a critical role in the quality of student life on campus.

Each service is mandated to self-finance its activities as government regulations do not allow the University to use operating funds to finance these services. They have all developed their goals and initiatives to support the objectives of Destination 2020 and maintain a healthy financial position.

Some of the projects related to ancillary services for 2014-2015:

- **Housing Service:** In order for the University to offer quality housing to its students, Housing Service conducts ongoing maintenance to the residence buildings. It expects to complete major renovations in some of its residences this summer. As part of Destination 2020, the University will invest $19.5M in building a new four-storey student residence. Work on the residence will get under way this summer. This project is self-funded and managed by Housing Service. Furthermore, as of September 2014, the University will offer students an additional 400 rooms in the building located at the corner of Friel and Rideau streets, only a short walking distance from the main campus. The service will invest more than $120,000 to make it possible for students to use their uOttawa card to pay for washers and dryers in its residences.

- **Parking and Sustainable Transportation:** Construction of the light rail line and the Highway 417 expansion will continue to put additional stress on Parking and Sustainable Transportation following the removal of the Lees Avenue bridge (June to October, 2014), lane reductions and the closure of highway ramps east of downtown. Sections of parking lot G4 on the Lees Campus are being used temporarily for construction access while the Lees Avenue bridge is being replaced. Cancellation of the shuttle between uOttawa and Carleton University means those who travel between the two campuses need to find alternate ways to travel. Construction and renovation projects scheduled for 2014-2015 will also require everyone on the main campus to make some adjustments. The net result is that traffic in and around downtown Ottawa, and particularly around uOttawa, will be affected with even greater disruptions than last year. However, Parking and Sustainable Transportation is committed to making sure members of the University community are aware of other travel options in order to reduce the inconvenience to everyone and the disruptions for getting around on campus.
• **University Centre / Community Life:** With capital financing from both the University and Chartwells, the University’s main food services partner, the food court and kitchen areas have been renovated and updated over the past two years allowing for the incorporation of modern food-prep techniques and greater food choices for students.

• **Food Services:** In 2014-2015, Food Services will complete its master plan, which is aligned with the Campus Master Plan. The plan will provide clear direction for the future and address student needs. The goal is to begin planning major renovations to the food court in the University Centre. The process for planning and renovation will be carried out over the 2014-2015 and be completed in the summer of 2015. No additional renovations or expansions to food service locations are currently being planned.

• **Conventions and Reservations:** This service, which has projected a deficit of approximately $150,000 for 2014-2015, will continue developing its action plan to balance its budget, improve customer service and simplify its processes.

**Key highlights – Research and trust funds (Tables D-1 to D-3)**

Projections for research revenues and expenses are based on multi-year grants, contracts already awarded and possible new contracts and awards. As a result, budgeting exercises are difficult, but experience and close relationships with granting agencies allow for us to make reasonably accurate assumptions and estimates.

For financial planning and reporting purposes, revenues generally correspond to expenses because revenues are recognized only when expenses are incurred. The University uses deferred revenues to account for the difference between revenue and expense projections and award projections.

An analysis of actual and projected research and trust-fund revenues is provided in Table D-1, which indicates both the value of awards received by the University over the past three years and the awards projected for 2014-2015. As noted, research awards fluctuate from year to year based on economic conditions, funding announcements for major research and infrastructure programs as well as new government priorities.

In 2013-14, the University continued to experience the impact of federal and provincial budget constraints as governments cope with budgetary pressures in a difficult economic climate. Nonetheless, the University has managed well overall, with increases in keeping with its U15 counterparts as shown by strong CRC and CFI performances. However, continuing at this pace is unlikely as competition becomes fiercer over the next 18 to 24 months. Existing and new sources of research revenue are being actively explored through increased activity with potential partners, including the private sector, through industry-sponsored research and increased enrollment of industrial research chairs. Similar to 2013-14, we project a modest decrease (1.5%) overall in total awards for 2014-15. Substantial increases to research space, such as the addition of the Advanced Research Complex (ARC) in the fall of 2014 and the renovation of Marion laboratories, will create opportunities for seeking and obtaining additional research funding.

The rationale is as follows:

**Tri-Council funding (NSERC, SSHRC and CIHR):** The funding environment continues to be extremely competitive and competition will likely intensify over the short term in light of the federal deficit reduction plan, which constrains government program spending. The 2014 Federal Budget earmarked modest increases in funding for the councils. In addition, a new Canada First Research Excellence Fund, set to start in 2015-2016, was announced to boost research excellence in select areas where institutions already have world-leading expertise. Details are now being worked out, but the funding will likely be allocated based on a university’s track record in receiving grants from the granting councils.

Overall, University researchers are competing well in the Tri-Council programs. Of note, performance at NSERC remains strong and SSHRC success rates are steady. At CIHR, uOttawa researchers are becoming more competitive; however, national success rates remain very low, and major changes to CIHR programs over the next year will create challenges. As researchers increasingly focus on developing (traditional and non-traditional) partnerships, including internationally and with the private sector, the University will be better positioned to compete in existing and new targeted initiatives.

Overall, we project the status quo in Tri-Council awards for 2014-2015 (this includes completion of Tri-Council support in 2013-2014 for the Canadian Stroke Network, a federal Networks of Centres of Excellence.)
Canada Foundation for Innovation (CFI): 2014-2015 will be a very busy time for CFI projects where new opportunities to secure funds are ahead of us with the major “Innovation Fund 2015” competition. The University of Ottawa will be submitting CFI projects totalling more than $65M cash and the results for the nationwide competition are expected in the spring of 2015. In addition, we will be very active in implementing and finalizing approved CFI projects related to the construction of ARC laboratories and the renovation of Marion laboratories. This will result in more than $23M in spending related to both research programs.

The hiring of a significant number of professors (60 in total) at uOttawa within the next three years will create a higher capacity for undertaking research. The uOttawa CFI-JELF (John R. Evans Leaders Fund) allocation will be used strategically to help attract the very best of today’s and tomorrow’s researchers. We anticipate an overall expenditure of over $3M out of our CFI-JELF envelope to be used in the next fiscal year for the attraction of these new faculty positions. This amount has not yet been included in the overall projection for 2014-2015.

We project a slight decrease for 2014-2015.

Canada Research Chairs: In the national re-allocation of Canada Research Chairs last year, the University received an additional 3 chairs, bringing the total to 76. The University’s performance is impressive in this regard, as it ranked 2nd among U15 universities in terms of gains. Given the time it will take to fill these new chairs, we project the status quo for 2014-2015.

Government of Canada: Federal government spending constraints have also had an impact on the level of departmental funds available for research contracts. In addition, a number of long-term government contracts at the University will be coming to an end in the next few years. uOttawa will be looking at opportunities under other federal programs, such as FedDev Ontario, to complement its research funding prospects. We expect a small decrease in 2014-2015.

Province of Ontario: Total funding from the Province of Ontario is intrinsically linked to CFI funding because the province matches CFI funding in most cases. Consequently, we expect to spend more than $23M on research equipment and renovations. With respect to other provincial programs, the impacts of government restraint are evident, as some have been cancelled or suspended. However, the recent call for proposal issued by the Ministry of Research and Innovation (MRI) in the Ontario Research Funds – Research Excellence (ORF-RE) is a likely opportunity for uOttawa to add to its research capacity. We project the status quo for 2014-2015.

Private Sector: While the overall economic climate remains lackluster, University researchers are responding enthusiastically to new Tri-Council funding programs which offer “seed” funding for new collaborations, which may ultimately set the stage for more intensive collaborative research activities with private sector firms. uOttawa will continue to pursue industry sponsored research opportunities, maximizing provincial and federal leveraging. We project the status quo in this area for 2014-2015.

Networks and Fourth Pillar Organizations: “Fourth pillar” organizations are associations amongst industry, university and government organizations which promote and facilitate inter-sectorial research. These organizations are also very sensitive to the economic climate and to government funding priorities. We expect the status quo in the coming year.

Medical Research Foundations and Associations: Many disease-oriented foundations and associations have experienced budgetary restrictions because the economic downturn had negatively affected their fundraising programs. Nonetheless, university researchers are highly competitive; therefore, we project status quo for 2014-2015.

Indirect Costs: Indirect costs are generated through a variety of sources including overhead recoveries on contract research and through Federal Indirect Costs Program. At the federal level, the most important source of indirect cost revenues is the Federal Indirect Costs Program. In 2014-2015, the federal rate of reimbursement will decrease modestly but this will be offset by modest increases in the program budget. Therefore, we project the status quo for 2014-2015.
Key highlights – Capital funds (Tables E-1 to E-7)

Capital funding sources are as follows:

1. Ontario government capital grants for infrastructure renewal and construction;

2. Federal government capital grants from the Canada Foundation for Innovation, for facility construction and renovation, as well as equipment grants (CIHR, NSERC and SSHRC);

3. Other sources, including transfers from the University’s operating budget, loans and fundraising campaigns.

To ensure that the University’s debt and liabilities are well managed, the Board of Governors approved Policy 114 in May 2007 to frame the University’s capital financing and debt management. This policy establishes a comprehensive and complementary administrative structure for both assets and liabilities that involves monitoring interest-coverage ratios and unrestricted liquidity-to-debt ratios. An updated version of Policy 114 was approved by the Board of Governors in April 2014.

With this policy in mind, the Board’s Finance and Treasury Committee reviews annually the University’s assets and debt portfolios as well as its capital expenditure plans, including the financial commitments required to carry out the Five-Year Facilities Expansion and Renewal Plan. Funding for 2014-2015 capital projects will come from the capital reserves for such projects and government grants. This approach will allow the University to comply with the two regulatory ratios outlined in Policy 114 on liability management.

The University has set its debt affordability level at $80M.

The project set forth in the 2007-2012 five-year plan were completed in 2012-2013 with the opening of the Social Sciences Building in September 2012 and the transfer of $35M to the next five-year plan (2012-2017). This second plan, which projects some $127M in investments, will feature two major capital projects, namely 1) consolidation of the Faculty of Health Sciences and 2) a new learning centre.

The capital projects also take into account the $69M construction project approved by the Board of Governors for the faculties of Science and Engineering (ARC project).

Capital projects under construction, under consideration or in the planning stages are described in tables E-1, E-2 and E-4.