

Transcript – Budget Town Hall
November 18, 2024

Eleanor McMahon

Good afternoon, everyone. Thank you for tuning. Tuning in to our budget town hall. My name is Eleanor McMahon and I'm the vice president of university relations. It's my pleasure to host my first town hall since joining the University of Waterloo earlier this year. I'm joined here in Needles Hall by President Vivek Goel, Vice President and Provost Jim Rush, and Vice President Jacinda Reitsma.

As we begin, I want to acknowledge the University of Waterloo's campuses in Waterloo, Kitchener and Cambridge are situated on the Haldimand Tract, land 6 miles on each side of the Grand River granted to the Haudenosaunee of Six Nations. The land inside and surrounding the Haldimand Tract, including our Stratford campus, is the traditional territory of the Attawandaron, Anishinaabe, and Haudenosaunee.

I also acknowledge and recognize this area is now home to many diverse First Nation, Inuit and Métis peoples. We last came together for a town hall on the university operating budget last spring, and since then we have kept the university informed through email updates as we are now at the midpoint of the fiscal year. We feel it's important to touch base with all of you again to keep you in the loop.

As we grapple with a difficult financial environment. We understand the uncertainty can cause stress on our employees, and we hope this town hall can help address some of that uncertainty and fear as we continue to work on ways to support you through the changes we all need to make. For today's session, Vivek, Jim and Jacinda will provide you with an overview of the university's current budgetary state, and then we'll move into a Q&A session.

We'll open the Q&A function in Teams towards the end of the presentation, and we encourage you to submit your questions there. You should have the option to choose to pose questions anonymously if you would like. We've had many questions come in through already as a result of our registration process, so we will start by answering some of those and we'll take the questions you pose today.

Although a small group of us are here in Needles Hall, we're hosting this event entirely online to make sure as many people are able to attend and so that we can maximize accessibility. Please remember that there are assistive technologies like closed captioning and live transcripts available in your Teams client if you need them. Finally, we're recording this event and the recording will be available to the university community in the next day or so.

With those opening remarks out of the way. I'd now like to turn it to you, Vivek, for your presentation.

Vivek Goel

Well, thank you, Eleanor, and thank you all for joining us today. Earlier this year, we shared that the university faced a \$75 million operating budget deficit for the current fiscal year 2024-25, despite decades of careful financial management, pressures on the entire post-secondary sector, mean Waterloo is facing significant financial challenges now and in the years ahead.

Just a brief history over the last decade or so that has led us to this point. In 2019, the Ontario government cut domestic tuition by 10% and then froze it, a freeze that continues and has been extended for at least two more years. The province has also frozen our provincial grant and capped the number of domestic students that we can admit.

The province did strike a Blue Ribbon panel to review the financial sustainability of post-secondary institutions, which recommended significant increases in investment in the post-secondary sector as well as lifting of the caps on domestic enrollments and unfreezing of tuition. The province's response to the Blue Ribbon panel fell significantly short of those recommendations. Only a small fraction of the funding has been provided.

The caps continue to be in place for domestic enrollments, and the tuition freeze continues to be in place. On the federal level, we've had repeated changes to rules for international students and the imposition of caps on international students. This has had significant reputational damage for Canada as a destination for international study. International student enrollment was already declining following the pandemic and the uncertainty introduced by the last-minute changes this year, and which continued now for the next admissions cycle, have compounded the problem.

Our November's important enrollment data showed that we've enrolled around 30% fewer international students than last year, meaning just half of our target. Meanwhile, inflation and market volatility continue to result in increased costs, with approximately 80% of our operating budget for employee salaries and benefits. Growth in salary costs as a result of inflation continue to rise, even if we keep the same number of people.

All universities in the province are facing the same challenges. We've seen this coming, and we've been working to mitigate these pressures on the budget over the years. We have our long-term strategy. Waterloo at 100. A couple years ago, the Provost Advisory Committee on Building a Resilient University of Waterloo identified the need to increase efficiencies and find new ways of working.

We've been developing systematic approaches the capital planning, deferred maintenance and energy reduction initiatives, which also meet our campus sustainability targets. And for the last few years, we've been working on new approaches to integrated planning and budgeting. This was work we needed to do anyway to bring our planning and budgeting up to date and aligned to our needs. But we've made good strides that will help us make much better future decisions.

Both levels of government have made their positions clear. The province has said it will not make any changes to the tuition framework, structure of operating credits, or quarter caps on enrollment for at least the next few years. The federal government is clear that they stand behind their recent decisions on international student caps and immigration targets. The additional pressures affecting our budget do not show any signs of easing up. With fewer international

students enrolling, the freeze on tuition, no big increases in government grants and increasing costs. We need to find ways to reduce spending to balance the budget. We know that many units have taken difficult steps to reduce spending to work within lower budgets. Thank you to all of you who have contributed to cost savings by working more efficiently and reprioritizing your work.

And thank you to everyone who has submitted ideas for cost savings and revenue generation. Today, you'll hear more about other initiatives underway to reduce spending to deal with our operating budget deficit this year and about our plans for future years. I would like to end on a couple of notes before proceeding with my colleagues. Navigating a period of fiscal restraint doesn't mean we stop investing in our future.

We will continue to pursue initiatives and projects central to our mission, and that will generate future revenue. An example is the recent announcement for the new regional hospital to be located at our campus, which drives our academic priorities as well as generates revenue for us. As we focus on reducing spending. We really need to think about what we are doing and why we're doing it.

And are there ways we can work more efficiently together? The values we adopted at the University of Waterloo prepare us well for these difficult situations. I've seen these values on display so many times this year, and in so many of the thoughtful suggestions you've all sent into the budget inbox. We'll hear about those ideas later this afternoon. We recently had an excellent presentation to the senior team by Greg Smith, our Chief Information Officer.

Greg has been looking at how we organize it supports across the university. I want to share one slide with you as an illustration of some of the challenge ahead of us and where we will need our values to guide us. This would be funny if it wasn't so sad. This is a map showing the relationships and systems to manage

IT functions at Waterloo. You don't need to see the details here to realize that even for a place known for its advanced technology, we have developed a system that is too complex to manage effectively. If ever there was a system that needed us to think differently, act with purpose and work together. This is it. And I suspect that it's not just IT governance and management that has developed a complex map like this here at Waterloo. Helping the university make the changes it needs to get back to a balanced budget while delivering an exceptional educational experience and impactful research has to be a major priority for us all.

In closing, I realize it is a difficult and challenging time, and I recognize the strains on all of us and all of our teams. Let's remember to support each other. Thank you. Over to Jim.

Jim Rush

Thanks, Vivek. Vivek shared some of the context regarding the pressures that exist on the operating budget. And I want to take a moment just to step back, and ensure that, I can provide a little bit of clarity about how the operating budget relates to, other financial terms and funds that, sometimes cause confusion.

A number of questions that have come into the budget email portal have related to this as well. And so, I wanted to just take a minute to differentiate what the operating budget is, compared to other, funds that you'll see sometimes with respect to the university's consolidated financial statements. So, this is just to clarify that the university's revenue and expenses are segregated in their managed in separate funds, and that's based on the source of the funding in on the purpose of the funds.

So, the total annual revenue and expenses are, of the university include activities that occur in a variety of those funds. The operating budget is what I talk about the most in the operating budget is driven on the revenue side by the tuition and the operating grants and other revenues. And it's responsible for funding the expenses of the university operating expenses of the university on an annual basis.

That's distinct from other funds that you'll see in the, consolidated financial statements as well, that include the research funds or external funds that are for specific research, purposes and related expenses and often, controlled in a distributed, manner, the capital fund, which has the responsibility for funding the costs of significant construction projects and for handling the related funding that comes into the university or from the university to fund those projects, and then trusts and endowments, which are external funds that are restricted for their purpose, and expenses, endowments having the distinction of being understood to be held in perpetuity and being funded just, completely by investment income to fund the related expenses. And then the ancillary enterprises, which are the housing, food services, print and retail and parking, for instance, units that are responsible for generating the revenues to cover their expenses. If you, go one step further and, take a look at the operating fund. The operating fund includes the annual operating budget.

But also, has, is where one-time resources are held. So, we refer to those one-time resources as reserve funds or carry forward funds or internally restricted net assets, depending on the context they're being discussed. And these are funds that have been accumulated over time intentionally from, surpluses in the operating budget over the decades that the university has existed.

And they're used as a place to save up funds to accomplish future goals. Those might be to fund and manage capital projects or strategic other strategic projects. It might be to meet multi-year operational commitments and investments, and also to manage risk in transition. So, I wanted to share that that's part of that operating fund as well as the annual operating budget that that is part of the operating fund as well.

The total one-time resources that are available to the university are in the range for about \$600 million currently, and about 60% of those funds are managed through, my office. The vice president, academic and provost, together with the president. About 35% of those funds are being managed by the faculties from the faculty, carry forwards again with specific plans for the usage of those funds that are annually reviewed and approved and about 5% of those funds are managed by other vice president, with again, the provost and the president, approving the funding.

A slightly more explicit version of this is just to show you that that \$607 million is broken down in those two categories. The 60% or \$365 million that's managed by the provost and president, again, has several, subcategories. I want to, reiterate that these are finite funds. These are one-time funds. There's a limited capacity. And they come from the careful strategic saving to fund these contingencies that are, listed here.

The first, designated area is risk in transition. And this is a category that we've, created a few years ago, as a separate category, which, became when it became apparent that our rate of expense growth was starting to, outstrip our rate of revenue growth in a year over year, manner that it would be prudent to specifically designate a risk and transition fund, understanding that there was a risk that there would be times when the, obligations for, salaries and benefits and other expenses of the university would start to outstrip the, revenue sources that normally fund the operating budget.

It's important to note that the utilization of these funds means that we are delaying or or become unable to do other things that we've saved resources for, and some of those things are listed in the other categories that you see here, including our capital commitments, which we've specifically designated to cover the entirety of the central current commitments on capital projects and, deferred maintenance and other strategic priorities.

And these would be one-time funds that would be, used to accomplish infrastructure purchases, systems upgrades and replacements and other major university projects and multi-year expenses. The redistribution of strategic priority one-time resources to risk and transition funds. Of course, puts pressure on our ability to fulfill all of the other strategically important things that, we would like to be doing.

And finally, there is a committed benefits, category, which, is to recognize, future commitments to specific plans related to, pensions. And that, of course, is protected. The graph on the right simply shows the distribution of the major categories in which the faculties have designated, the use of their carry forward or one time funds.

And the areas of commitment, mirror many of the things I just discussed. I thought I would provide that because there's often questions about how the consolidated financial statements will relate to the annual operating budget. And there's also, often questions about what are these one time funds, how can they be used to buffer, shortfalls?

And what is the, capacity of those funds to, allow for that kind of buffering? In the long run? And so I wanted to distinguish both the designations, but also the finite capacity. I'd like to transition now, just to give you a quick, mid-year update. And this has been through all the governance council. So I'm just going to give you a very, high level update that that going into the 24-25 operating budget year in April.

We went into that, year, as Vivek mentioned earlier, with an unmitigated deficit in the range of \$74.5 million. And we used a multi-modal approach to managing that deficit in year. The first part was to, use ongoing operating budget reductions that were applied to both central sources and to units to generate \$42.5 million of expense reduction, in year, which left an unmitigated

\$32 million deficit at the opening of the budget that we committed to resolve in year through one time, approaches in both the units and centrally.

As the fall, progressed and in the fall mid-year budget update, we're pretty much tracking where we started the year with a couple of, of small deviations. One was that, anticipated salary and benefit increase expenses are slightly higher than we anticipated in April by about \$2 million. And the other offset was that our anticipated or, expected revenue from, tuition.

It's about \$9 million higher than we expected at the beginning of the year. That the important contextual piece of that is to recognize what Vivek said as part of his comments, however, and that is that although that's a, positive in year, change compared to the April projections, the actual enrollment levels of international undergraduate students, are, following a trend that's existed for four years of being quite decreased compared to what our original aspirational targets are.

And so, you need to understand that in the context of this slight positive deviation still being part of a trend that is putting pressure on, tuition-based revenue. As we look forward to the, planning for, the next budget year. You'll see, maybe you could just complete all of the animation on the slide, and that would be helpful, to put the lines up.

Thank you. Yeah. And there should be one more.

As you know from previous updates, we, do utilize, multi-year, forward looking, projections. And this isn't a firm forecast of what's going to happen, in next year's budget deficit, scenario. Today. But it is tracking against assumptions, that we have made. And it's to illustrate, how we've managed 24-25 and what it looks like moving into 25-26.

We will, of course, be firming up what that looks like as we get closer to the beginning of the budget year in the, early new year, when we're able to better assess the factors that are affecting the budget in the detailed measures that we will need, to decide on in the early months of the winter.

And as we enter that 25-26 budget year. But you've heard Vivek's comments about the freeze in tuition in some of the other constraints on the revenue side. And the revenue side is what's illustrated here in the yellow line of the budget. And you'll see that year over year revenue between the current year and last year, 24-25 versus 23-24 is actually decreased.

And we expect that in our projections to remain flat-lined. The management of the 24-25 budget I just described on the previous slide. And so that black line, the solid black line, the expense line for 24-25, actually is illustrating the current year budget with the \$42.5 million budget constraint imposed. You can see there's still a gap between the solid black line and the yellow line for 24-25.

And that's the unmitigated part of the, budget, which is the \$32 million that will, work on throughout the year. And then as we entered the 25-26 scenario, you can see that there is a, steep increase in the predicted expenses, which is following the, inflation and, salary and benefit increase scenarios that we know to be in place, for the coming year, which, for the 25-26 year,

replace or eliminate the, the ongoing reduction component, the 42.5 million that we created in the current year and create another large anticipated, gap between revenues and expenses in the coming year.

That's why the hatched line in the middle is illustrated. Because it's illustrated as a notional approach to, controlling what now, appears to be an ongoing situation of, as Vivek said, the government signaling that for at least the next two years, which is, actually two in a bit years right now, that there is not going to be relief on, enrollment or domestic tuition funding.

And it, appears that our, international, student recruitment is being limited by both visa caps and by a number of factors that have affected, Ontario and Canada as a, as a destination. So that ongoing pressure, exists. And the hatched line represents the challenge that we have in front of us through the, planning and budgeting process of, controlling on an ongoing basis the gap that now exists and will perpetuate.

I think that that is the current situation.

Eleanor McMahon

Thank you. Jim

Jacinda Reitsma

How we are going to achieve some of these results based on what Jim has shared. And as it's been made clear in both Vivek's comments and in Jim's comments, with over 80% of our operating fund expenses being related to salaries and benefits, we simply need to make changes to the number of people who work at the university in order to address our budget deficit, and there are different ways for us to address these challenges.

But the most important one is our hiring freeze. And and president shared that his message last week that we will be implementing a hiring freeze for both staff and faculty positions, but not for critical positions. Or positions funded or used for research. Grants will also continue to support our co-op program. And some of you have asked.

Eleanor McMahon

Apologies. Everyone will be right with you. Go ahead. Okay. Is that working now? I'll just make sure.

Jacinda Reitsma

Okay. Great. Start again. For those who weren't able to hear me, both Jim and David commented on.

Okay, I'm going to go to the handheld behind my chair. You just look behind your chair. Thank you everyone. Thank you. Jacinda. Here you go. Forgive me. I'm just going to do that. Thank you. Okay, we'll try again.

Okay. Go ahead. Okay. Third time's a charm. As Jim and Vivek pointed out, a very large portion of our operating fund costs relate to salaries and benefits. And that's why we simply need to

make changes to the number of people who work at the university in order to address our budget deficit. Now, there are a number of different ways for us to address these challenges.

But the most important one, as our president announced last week, is a hiring freeze. So the hiring freeze will be in place for staff and faculty positions, but not for critical ancillary positions, not for positions funded by student fees or by research grants. And we'll also continue to support our co-op program. And some of you have asked why not just continue with our limited hiring program?

Why do we need to move to a freeze? Well, we simply weren't seeing the reductions we need to see as our forecasts show us there will be limited exceptions for critical positions, and tomorrow we will be sharing more details about the process. Our partners will be the facilitators, but decisions will not be made by each other. A separate group of leaders from units and faculties across campus will make recommendations to our Provost and to me for approval and VP will also be involved.

So while a hiring freeze can reduce costs, with vacant positions, they can feel random. A key component to this hiring freeze is looking for ways to work and share resources across units and faculties. And I'll give you an example. With recent retirements in our parking group and sustainable transportation, we have reimagined how the group works together, changed leadership reporting, and found tasks that can be taken on by different groups.

If we simply leave positions vacant, our employees will take on too much and our services will suffer. Looking at these vacancies more closely will also mean making decisions about what we do and why we do it. We may need to stop doing certain things. I'm now going to highlight some of the reviews, that were discussed I mentioned earlier and also share some updates on the function reviews that we'll be doing as part of our cost and efficiency work.

So I've highlighted a few reviews here that are complete or underway, and the first three relate to various areas, across our academic groups where reviews are being put in place to look at how we operate and how we deliver services. I do want to spend a couple of minutes speaking about the last one, which is plant operations.

Our workforce planning group has been an integral part of the review of our services and plant operations, and this has been going on for a couple of years now. Over the past two years, we have found that plant operations often has different and more manual processes. For example, a real lack of integration with workday. And these were leaving inefficiencies and, lack of information out. Our volunteer retirement program was also very effective in plant operations.

And so we know we have an opportunity to make changes to our processes and service in order to maximize these opportunities. I do want to provide a sincere thank you to the patience of this group as we work through our review, and so we work through doing things differently. One of our leaders shared with me recently, this comment. He said some of some people come to the university in plant operations because it's a job, but a lot of people come because it's the University of Waterloo, and that's a big deal.

They see it as a place that will encourage learning, innovation and new ideas. But unfortunately, that has not always been the experience. We know that there are a lot of ways we can innovate and become more efficient in these areas. So we ask you to be patient and to stay tuned for more updates. I also want to move on to some discussion around our functional reviews.

And this was also highlighted in the message that came from Vivek last week. We've highlighted three areas information technology, finance, communications and marketing. And I want to highlight and emphasize what we mean by functional review. This is not a review of individual units. These reviews will look at how IT, communications and finance responsibilities are distributed across campus.

We chose these three areas to start with is they also linked to our risk assessments. Cybersecurity, reputational risk and financial risk are all tied to these functions. So we were working through these reviews. Working through these reviews will be shared in the coming weeks and will require coordination across all areas of campus. As Vivek pointed out at the beginning, the IT example he shared is similar in some ways to some of our other functions across campus as well, and we know we need to find ways to work differently.

These reviews will also help us understand if people are appropriately trained for the work they're doing, and if they have the resources they need. The reviews will be able to help us to understand if we can address current vacancies by doing work differently. I'm going to talk now a little bit about other costs. We've focused a lot of our time and energy on salaries and benefits because that is a significant part of our operating budget.

But of course, there are other costs as well. Last month, for example, our board of governors approved a change to our benefits that will save \$500,000 a year without changing services to our employees. We're also reviewing our vehicle purchases, maintenance, and fleet management to find savings across campus. We ask all of you to reconsider expenses on travel, printing costs for reports, hospitality expenses, office furniture, just to name a few.

We don't want to reduce our training investments, but maybe we can do that training a little differently. And I will stress, for those of you with budget responsibilities, please consider ways that you can adjust your approach. We expect care and caution for all the expenses across the university. I'd also like to point out, as a reminder that our What Procure E-procurement system was launched last month.

This system is designed to improve efficiencies and find savings across campus, so it is very timely. Next, I want to highlight what was mentioned earlier about budget ideas. Highlighting just a few of them here. And I will point out that these are not ideas yet that are going to be put into place. We just wanted to share some of what we've heard.

And when Jim and I first send out a message to our community in October, we contemplated the idea of asking everyone to share ideas with us, and we were reminded of our engagement survey that stated a number of times how much people want to be more involved and engaged in the decisions we make as a university. We were very encouraged by the thoughtful responses we received.

We shared only a few ideas here today and have divided all the ideas into three broad categories the first category, operational efficiency, second category revenue generation, and program ideas. And the third really focused on flexible work and salaries and benefits budget areas. So I'll highlight just a few for you to give some thought to. The first on operational efficiencies.

Some of the ideas that came through were keeping work in-house instead of hiring contractors. Looking carefully of what we do across the university when it comes to contracting out, is an important part of our cost savings initiative. Another way is to streamline processes and merge software tools to save on licensing fees and warranties. Another important area that we know we can achieve efficiencies and cost savings on. Reviewing IT services to eliminate duplication.

And I'll highlight here a lot of the ideas that came forward, really connected with some of the functional reviews that we were already planning to do. So this was a great way for us to ensure that we were on the right track. There's also the idea of establishing a centralized inventory system to share interdepartmental resources. A few of you talked about travel.

Are there ways we can optimize by coordinating internal travel and external travel? By looking at coordinating our stops and visits, there are many more as well, but just wanted to share a few examples on the revenue generation side. A few of you highlighted real estate opportunities selling, leasing buildings. Looking into that more broadly, there were also some really great ideas around online education.

How could we be more involved, looked at revitalizing or condensing courses for graduates, practitioners, continuing education, and also some ideas on corporate sponsorships for classroom renovations? Two items that we've raised here, rent flexible work, came through quite a number of times from a number of different individuals across campus, so we felt it was important to highlight them here.

The first being the optional four day workweek for those willing to reduce their salaries or others had suggested voluntary, partial unpaid time off in the summer. Again, we aren't in a position to implement any of these ideas yet, but we fully appreciate what you've suggested, and we do ask you to keep sending in your ideas. We commit to responding and to looking at each of them carefully.

I'm going to wrap up my portion of this session by talking a little bit about resources for employees. At the end of emails that we send, we often remind employees that resources are available for those who find the news difficult. And I wanted to expand a little bit more on that. I want to emphasize how important the well-being of you and your family are to us.

Many of us are also dealing with hard things outside of work, and with all the uncertainty in the world, it's tough. The resources we highlight are for you or any of your dependents. They offer emergency services. If you think you or a family member need help, just call. The group is wonderful. There's a great team. The answer all your questions and they'll send you in the right direction.

I'd also like to. I would also ask that on the topic of well-being, we stay connected to each other and be patient with each other. As groups deal with changing work expectations and vacancies. Understanding is key. Check in with each other, go for a walk or have a coffee together. Connecting is so important and as has already been said today, thank you for your time and attention and for all the work you do every single day.

Eleanor McMahon

Thank you so much. Just I know that I join all of my colleagues here in thanking all of you for continuing to think creatively and to share your ideas about operational efficiencies, revenue generation. And Jacinda has now shared a few of those with you today. The goal here is to empower as many of you as we can to continue to think creatively aligned with our values, and bring as many ideas as you can forward.

Every single one is appreciated and we thank you. Before moving on to our Q&A, I now wanted to turn it over to Jim to talk a little bit about some next steps, things over,

Jim Rush

as you can see from the, the slide. Oh, sorry. As you can see from the slide that, we're in a very active, phase of collecting, plans, unit, operational plans and budget plans for the next year.

And they're in review. This is the first cycle in which we're using the integrated planning and budgeting approach that has been in development over the last year, and it's with thanks to, the entire community and the leaders that responsible for submitting their unit budget plans, that we go into that process because this brings key information together about what the activities and the priority needs are, for the year, also in the context of understanding, what the challenges are for the years and what the implications of reduced resources would be on operations, plans and priorities that are coming forward from those units.

So, the integrated planning and budgeting process, is, underway that will go actually through December and into January, when the consolidation of all of those plans comes forward, to the president, vice president, and deans for final discussion and recommendations to myself and the president on, budgets moving forward, the, operating budget updates that go through governance will begin in February.

But at the same time, there'll be development of budget, forecasts and plans based on our own. But the consolidation of that integrated planning and budgeting process, as well as the, challenge of, figuring out what the measures and the constraints, will be that will have to be applied, to, budgets to come up with a way of balancing the budget.

And so there'll be continued refinement of budgets, and discussions throughout March, in April, leading up to the budget, presentation and, approval that, that, process will result in a final operating budget being presented to the board in April and the implementation of plans, beginning in May, there will be very active discussions on, on an ongoing basis on the reasonability of, reaching, or addressing our budget challenges through reasonable, approaches to the information we're discovering through these planning processes.

And also, through the, mobilization of, more consolidated approaches to revenue generation. At the same time, one of the reasons that we are also activating a development of a framework for a strategic enrollment management process is to, be able to couple with the integrated planning and budgeting process, to, to be able to bring all of the, processes that cross the university together into a, a truly university strategy for how we're approaching, enrollment management, which is the main driver of our the revenue side of our budget.

So those are the steps ahead. The president has made a commitment to, keeping the community, informed in a timely manner throughout all of these, processes. And we look forward to, future engagement.

Eleanor McMahon

Thank you, Vivek and Jacinda, for your presentations. We're now going to turn to the Q&A session. We're about halfway through, which leaves us about 45 minutes to take your questions.

A number of you have, joined us today. Close to 1800 of you. So thank you all. That's an impressive number. It'll be very difficult for us to answer every question we get online, but we'll do our best. We have some subject matter experts in the room. And of course, my colleagues are here to take your questions.

Our moderating team is already at work to make sure they publish as many of your questions as they can. So please remember, you can choose to ask questions anonymously by clicking on the slider in the question area. Please don't feel like you have to be anonymous though. We love to know who we're talking to. We did have more than 250 questions sent in advance, so perhaps I'll start there.

And then we'll move to some of our online questions too. So Vivek, I'm going to start with you. So on everyone's mind, is the idea of job losses. And what can you tell us about that? Will there be job losses and how will those be decided?

Vivek Goel

So as referred to percent of our budget allocated to salary and benefits and, salary costs likely going to continue to increase, given the inflationary pressures we continue to see over the coming years, it is a reality that, if nothing else, changes on the government policy front, that we will have fewer people working here.

We would like to achieve this reduction through attrition and retirement. That's why we had the voluntary, retirement incentive program earlier in the spring. And as Jacinda talked through, we've moved from, the restricted hiring program to a hiring freeze. But we can't rule out the possibility that faculties or units will need to make difficult decisions over the next few years.

If we do move to any involuntary job losses or layoffs, we will obviously follow the requirements in our memorandums of agreements, our policies, as well as our collective agreements. As those difficult decisions are made.

Eleanor McMahon

Thank you. Vivek. Not surprisingly, we've had some questions online about the hiring freeze that we just spoke about. And for this, I'm going to turn to you, if I can, to send in Jim, the first question is, what is the difference between our limited hiring program and now a hiring freeze? Jacinda?

Jacinda Reitsma

So some of you have asked about unfilled job requisitions and whether or not they will be canceled. And we just wanted to assure you that we will continue to work through those, positions, as we have shared earlier, and that the hiring freeze is effective, beginning this week. On that point, though, we do ask to continue to work with leaders to assess whether the currently approved but vacant positions should continue in the hiring process.

To ensure that we can receive detailed information on these exceptions during the freeze. H.R. Partners will be able to provide details if anyone has any questions and as I mentioned early will earlier will be providing more information tomorrow. We will be working with a group of leaders, as I highlighted previously, who will make recommendations for approval by the Provost and by myself.

We will continue to fill positions funded by research grants, ancillary services and positions funded by student fees.

Eleanor McMahon

Jim, I don't know if you had anything you wanted to add.

Jim Rush

As just a pointed out, the, process will, be a more rigorous process now that will take into account, more, factors that, relate to the absolute, essentiality of the work that's being proposed and take into account the, cross unit, requirements in, in better coordination.

I tell you, in the last, process, it was mostly looking at needs, within the unit. But throughout the, introductory comments that we've made today, I think we've emphasized, repeatedly, the need to, be informed in our decisions by the cross unit, functionality and the idea of, finding places to coordinate, etc. and those I think will all, be required, in the new process as well.

Eleanor McMahon

Thank you. Jim, actually, another question for you, Jim, if I may. Are we considering wage freezes and how will budget cuts affect faculty and staff salary agreements?

Jim Rush

Yeah, thanks. That's an important question. As members of the community will know, our, salaries are set through collective agreements and agreements that we have with our associations, our staff association and the faculty association of the University of Waterloo.

So it's important for you to hear, I think, that we'll be honoring our obligations in all of our current agreements.

Thank you. Jim, Jacinda, a question for you. Many people listening in online and in advance have asked us, a question about their pensions. Can you talk a little bit about that?

Jacinda Reitsma

I'll speak a little bit about pensions, because we do want to assure everyone that the assets of the pensions, of the university are secure and they are governed by Ontario pension legislation.

So the pension assets are invested to meet pension obligations, which is an important calculation as well. Both the pension investments and obligations are monitored regularly and overseen by committees, dedicated to ensuring the financial health of the pension plan. Also share that a quarterly pension risk management dashboard, a prepared by our Pension Actuary, and reviewed by the committee, shows that the pension is in a surplus position on a going concern basis as at the end of September.

So we want to share that information with you as well.

Eleanor McMahon

Thank you. To send up a question now, Jacinda, also to you, you spoke of the reviews of communications and marketing finance, and IT and, our viewers are asking about the potential impact on employees in those areas. Could you tell us a little bit about that? Thank you.

Jacinda Reitsma

Yes. And as I mentioned, emphasize it again that these are function reviews for all positions across, the university. And I'll highlight Vivek's point as well around vacancies created by retirements and by attrition. That's the most important part for us to consider, as we do with these reviews. And our goal with these functional reviews, you know, is really looking at what needs to be done to support the mission and processes to get the work done most efficiently.

I will share that in our I for it review to date and the budget ideas that have come forward have confirmed that we do have inefficient use of our systems and manual workarounds, and that is causing some inefficiency as well. You can expect updates from leaders in the upcoming weeks, to provide additional information.

Vivek Goel

Eleanor, if I could just, certainly add in on this and go back to the diagram I showed, you know, again, the point of showing that is that, you know, again, we've heard repeatedly, both in the comments that have come into the budget lot, email address, but also in responses on the employee engagement survey a year ago that many of our decision processes are complex, take a long time where people feel like decisions never get made. And if our governance process is as we see on the screen, we can see why that is happening. And so when we talk about a functional review, it's not, as Jacinda said, a review of just IST or specific unit.

It's how we work collectively together to deliver the functions that we need as an institution. And so it's it will certainly look at what different people are doing, both within centralized as well as in faculties and other ASUs, but also how we work together in these areas.

Eleanor McMahon

Thank you and thank you, Jacinda. A question, Vivek, for you and Jim.

And that speaks to how the university will manage increasing workloads given the potential hiring freezes. And, as a result of that workforce reduction, potentially, what support will be available for departments expected to do more with fewer resources?

Vivek Goel

So, again, I'll just, go back to what we just talked about as we start to think about working more effectively, making decisions more smoothly and quicker.

Hopefully that will reduce a lot of the burden and strain that many of our employees face. If we look at where there's duplication of efforts. And again, we've heard that repeatedly in the employee engagement survey and other consultations that we have, we can find ways that, we will reduce the overall workload. We also, as Jim referred to earlier, we do need to look at why we are doing certain things.

Sometimes it's the answer is was the way we've always done them. And, there are many things I think we can think of. And some of those were in the suggestions that came in on the budget line, that, we can make decisions about not doing any more.

Eleanor McMahon

Thank you. Jim.

Jim Rush

Yeah, thanks. I'll pick up on that.

And, it may be follow from something I said earlier. Of course, this will look different in different, areas, in different situations that come up. But, one of the things we're going to need to do as we grapple with the challenge that's at the root of this question is to be able to find ways to work across units to manage some of, the pressures that will come from vacancies.

And some units have been affected, more than others, by retirements and by leaves and by absences, even in the regular course of business, and certainly during the constraints that we're under now. So we have to recognize that we can't just simply push that work, on to others, that we have to make choices about what the priorities are and what we're actually doing.

But we also have to and this will be the challenge. Find ways of sharing the load of that work in more coordinated ways, maybe ways we haven't been doing it before across units in Up and operational units, to achieve those kinds of efficiencies. We've already made some progress in these areas. It was a major theme of both the Waterloo at 100, exercise, and the Provost Advisory Committee on Building a resilient University of Waterloo exercise that we need to prioritize collaboration and discover unconventional ways of getting things done and working across units.

And there have been a lot of buy in to that in the way that we've proceeded with portfolio, realignments for coordinated functions. And I think we need to, find ways to support that, support managers and leaders and employees who are, functioning in that kind of in, of an environment.

And, those efforts are certainly going to be, continuing in the institution will be behind it. It's going to be really important in the way that we navigate both the financial constraints, but also the changes that are ahead for us. And we have to not be afraid to identify what we shouldn't be doing anymore.

Eleanor McMahon

An interesting Segue, perhaps, Jim, to that response.

A question has come in about the reserves and the savings that are being used to plug the operating budget gap, and so what is the university opting not to do as a result of this decision?

Jim Rush

Yeah, I was trying to, make that point. One of the reasons I took the time in the introductory comments to show the distribution of those reserves was to make the point that that's the total, reserve. And the designations now, to some extent are notional and need to be moved around to meet the highest priority at the time.

But it's in its, purest form. Those reserves are being used to save the money, to do the things that have been identified as just strategic priorities of the university, that cross budget years to fund capital projects, to fund infrastructure renewal, to fund systems implementation, and to fund other operational projects that cross several years to meet our strategic goals.

The more what the point I was emphasizing was that over the past several years, we've had to recognize the, need to designate more of those to, more short term risk management, including, transitional, and, and revenue gap, risks that exist. And the more that we, need to call on those to meet that gap, the, less of the things we can do that we need to do to build the long term sustainability of the university by making investments in our infrastructure, in our people, in our systems.

And to be able to set a platform for future revenue generation.

Vivek Goel

If I could just add just give some concrete examples. We have many buildings on our campus that are 50 or 60 years old, and, many of you are working in those buildings. You know what they're like, even some of the buildings that aren't that old, I know, have some issues as well.

But you know, this these are funds that would be used to address some of those maintenance needs. Many of our older buildings aren't designed for the way in which we work, teach and do research today. And so those new capital projects that we might invest in the future will have to be delayed, to modernize our facilities.

We know that our student information system is going to be in need of a major upgrade or replacement in a few years because the underlying platform will be decommissioned. And the longer we delay starting that project because we don't have the resources, the more difficult it's going to be for us in the future. So those are just a couple of examples, so that people have a sense of what we're putting off.

In a media interview last week, I talked about if it was your home, it's using the money you've set aside to replace your roof to pay for your mortgage. You can do that, but eventually the roof is going to come caving in on you.

Eleanor McMahon

A good example. Jacinda.

Jacinda Reitsma

Yeah, just to pick up on that as well.

The new systems that Jim touched on, projects that people have in place and they're all really great projects, great things that we want to do as a university. But looking at those carefully to say, does this integrate with some of the plans of the university, major renovation projects, revitalization projects, IT systems projects. It's a really good chance for us to look at all of those, to see how they integrate and if they're urgent, or if they can be delayed until later date.

Eleanor McMahon

Thank you. Jacinda, we've had a question online about the guidance and resources that will be given to managers and supervisors to support their staff. Those who are worried about the security of their employment, those who will not be able to explore further career opportunities. And so perhaps I could start with you, Jacinda and Jim, perhaps, pass it to you as well.

Jacinda Reitsma

Well, I'm glad this question came through, because we do want to acknowledge, that this is a very difficult situation and it's a very difficult topic. And I think what worries people the most is the uncertainty. We can't give final answers today, and we need to be aware that some of those answers will come on the timeline that Jim laid out.

So acknowledging the uncertainty of our employees and encouraging leaders to have those open discussions with them, is the first step. We are also working with our H.R partners to ensure that they can provide advice and resources as needed for areas that may require them. So it is an important piece, and it's also why we want to be very open in our communication today to.

Jim Rush

I'll just add to the, sentiment in the facts that Jacinda, presented is a, honest appreciation of the, pressure, the stress and the, anxiety that the uncertainty of the situation, creates and the need to support, the community. Some of those will be works in progress as we navigate this together and figure out what the responses are going to be and what how we're going to have to meet some of the challenges.

But in addition to traditional units that, organize the resources of the university to provide that kind of support for employees, and managers, we've, committed to, using new structures to develop, bespoke supports as the conditions evolve. And we've also committed to, leadership and manager, the, professional development enhancement. And we've started as a, project that came out of the Provost Advisory Committee, with a commitment to enhancing academic leadership.

And we have evolved that during the course of Mark Weber's service in that role as an advisor to me in conjunction working with Jacinda and her portfolio with HR in in the office of, Human Development to, figure out where there are opportunities to enhance the, manager and leader, training across the, campus as well, which will be, necessary, as well as the individual employee support.

So we're trying to come at it from a, from both sides.

Eleanor McMahon

Thank you. Jim, thinking about the student experience, we've had a question about, the, impact of budget cuts and, specifically, how will that impact the ability to support our students and the quality of education we provide? How will the university ensure that these changes don't negatively impact the student experience?

And to answer this, perhaps Vivek, if I could turn to you and then Jim as well.

Vivek Goel

Yeah. So again, it's clear that, we do have to find ways to work more efficiently, work together, in an effective way across asks faculties and departments. And we want to continue to focus on the things that make a Waterloo education a special experience for our students, like co-op entrepreneurship.

And you know, I think as we are making the difficult decisions ahead, we will want to prioritize our core mission. But I think we also have to be clear that given what we just saw in terms of the budget projections, we can't just continue to do the things the way we've always done them. There are some amazing opportunities, with new pedagogical methodologies, with new technologies to think about the ways in which we deliver our academic programs that will be better experiences for our students and potentially saving costs.

So I think it's going to be important that we look at, as we always do, all of those opportunities. And I you know, I think we have to acknowledge that. Again, if there's no change in government policy direction and these trends continue, there is going to be ultimately an impact on the experience of our students and the quality of our work, whether it's in our education or research, areas, that will have long term impact on our institution, our province and our country.

Eleanor McMahon

Thank you. Jim? Okay. Thank you. I just want to take a moment and thank everyone for the questions online. Keep them coming. We'll do our best to answer as many of them as we can

with the time that we have left. Here's one that's been asked, and it speaks to the impact of operating budget changes with respect to core facilities on campus.

Thinking specifically now at the departmental and faculty levels. So, Jim, perhaps over to you on this one. Why are we building so many new buildings when people are concerned about jobs? And will there be funding to upgrade and renovate older buildings and facilities?

Jim Rush

Yeah, thanks. Maybe building on some comments that were made earlier, including some I made a couple of questions ago that, that, while we're, committed to implementing a budget controls and reductions, we also need to think about how the university's going to be sustained in the future and how we're going to support, strength, into the future, especially because of the uncertainty about what that model is, is

Jim Rush

going to look like. So we also, have the challenge of continuing to make investments in those things. At the same time that we're struggling, on the operating budget in an annual, in an annual cycle. So we have to help us meet our goals for the future as well as our very short term needs. So, for instance, that's why, we're continuing the commitment to the, math for building the Math 4 building is, well underway in terms of, setting aside the resources to funded.

It's come from a almost decade long process of recognizing the need and making the incremental investments that the faculty and the university and the fundraising level to enable it. It's why we're developing a new campus plan, to put things like that in the context of the, greater future in the sustainability of the campus, for the long run.

So if we take if we move from an example to a process in a, in a plan for, contextualizing, individual decisions, that's going to be about balancing, development and renovations, the renewal of spaces and the optimization of facilities. But at a pace that, respects what is happening, during, during different, annual cycles.

Like if I go back to the math example, for instance, and we talk about the future of education or the, growth of areas of, interest, that decade long process occurred because of the, plan of math about the value proposition in the the obvious interest in, that area, for future growth, in both academic and professional programs and, frankly, also the potential to maintain, interest, to respond to, evolving areas of interest to society, but also, to bring in, new revenue, new sources of revenue. Residents buildings are another example.

We have a whole portfolio of residence buildings that are, aging. And there is a consolidated plan and in, campus housing about their replacement in renovation, because our, students are, always going to need a place to live. And it's part of our commitment to meeting, what is also a local and national housing crisis as well.

So there are certain priority investments in infrastructure. We're going to have to continue to find the way to fund, even in the face of the challenges that we have on the other front.

Eleanor McMahon

Thank you, Jim, Jacinda, something to add,

Jacinda Reitsma

I always try to comment when the, the, discussion about campus plan comes up. There has been some communication and you'll be receiving more on this process.

But one of the questions that has come up recently is, why are we still doing the campus plan when we are in this fiscal reality? And I think the answer is we're doing it because of the fiscal reality. We want to ensure that the new campus plan will take into account what we can afford, our deferred maintenance requirements, where we want to see green space, how we can meet the student focused principles that we've laid out.

So I wanted to highlight that is an area where we need to continue to invest the time in the work so that we have a plan that will reflect our priorities, but also take into account our fiscal realities

Eleanor McMahon

and the a question for you, Vivek, about EDI and indigenization. These are new commitments on campus with many people new to roles and on contract and in contract roles, and other EDI and indigenization roles are cut.

How will the university focus on keeping his commitments, which are even more important in uncertain times?

Vivek Goel

Yeah, that's a very important question. And first of all, we need to emphasize that these remain priorities. EDI and indigenization. And we need to continue to ensure that this is an environment that everyone that comes here to work, to live, to study, feels like they belong.

We certainly haven't made any decisions around specific roles. But I also just want to remind everyone that these are responsibilities of everyone in the community, not just a few specific offices. And so we will need to all continue to work together on ensuring that our commitments are met.

Eleanor McMahon

Jacinda a question for you about voluntary retirement.

So, many people are asking online, if we are planning to introduce any new programs, like our voluntary retirement incentive program.

Jacinda Reitsma

Yeah. As we've shared previously, we had over 70 people take part in our, prior voluntary retirement program. I will share that at this time, we are not exploring further programs like that. Well, we did have, good pickup.

I think we also have to look at the, the benefits and, and looking at the cost realities as well.

Eleanor McMahon

Thank you. So turning our minds now to next year's budget, Jim, we're starting this conversation now. Certainly. But how will you determine where to cut the budget next year? What processes are in place to ensure that cuts are strategic and make us better as an organization?

Jim Rush

Yeah. Thanks, Eleanor. The, I touched on this a little bit earlier, by making reference to the, integrated planning and budgeting process and the inauguration of that in this year's planning cycle, partly to recognize the work and effort that, many people put into, meeting timelines in a new process, in the patience they showed as we evolve that process.

But that is the fundamental way of collecting information on what is happening operationally. What are the plans and priorities of the, individual units, and what are the budget implications of doing it and bringing that information together during one common cycle in time. It's the only way to really put all the information in front of leadership to make the very decisions that you're asking for.

So I would just selfishly like to make the point that it isn't me that's going to determine the exact formula of how the budget challenges are met. It's going to be a responsibility of leadership, as a collective through that process and through the decisions that ultimately the president and I have to take the responsibility for at the end of that process.

That's why it's, needs to be such a thoughtful process and why there will need to be some patience with us throughout the early winter as we evaluate all of that information and try to do exactly what, you said, which is to have a thoughtful approach to how to, do the calculus on that to both address the challenge but to do it in a thoughtful way that respects what we're talking about in terms of the answers to many of the other questions which is to maintain the long term sustainability of the university while trying to optimize, as far as possible with the constrained environments, what the experience is on our core missions.

Eleanor McMahon

Thank you. Jim, maybe building on that ever so slightly, is the plan still to roll out a new Waterloo budget model and activity based budget model, and do you have a sense or can you share when one might roll out?

Jim Rush

Yeah, thanks. One of the things that we realized with past budget models is that it's not very effective to introduce a model in the absence of a thorough budget process.

And that's why, what I've just referred to as the integrated planning and budgeting process is actually a prelude to continuing to evolve co-evolve the actual budget model. Some of the past versions of budget models that this university has, entertained have, suffered, because of the lack of, integration and information sharing that is necessary, the transparency, the oversight structure and having really thorough budget planning processes, that have been like, frankly, incomplete or inadequate to, support previous iterations.

So we have been working very hard on improving that budget planning process. And that's where our efforts for the past year, and now ongoing, have been focused. But conversations about the budget model and the continued development of the components that actually drive a model are also, active conversations. And one of the reasons for creating the, position of the associate vice president, academic operations was to continue to drive that, and that in the establishment of the, Integrated Planning and Budgeting Office, still has the, budget model development as in course, as well,

Vivek Goel

I could just add, because we often get asked questions around, the movements on the budget model. And I think sometimes there's a sense that the budget model will solve our budget situation. And, for me, the budget model is a tool that informs decision making. But ultimately, our decisions should be driven by our strategy and our academic priorities, informed by the data and the information that the budget model.

And, as Jim just described, these new tools for integrated planning informs. And so, it's really critical that we get that right. First, how we set strategy, how we tie our plans to strategy and then go to the budget, rather than, you know, my take on what seems to have happened over the last ten years is we keep jumping to the budget first without getting the other pieces right.

Eleanor McMahon

Strategy first followed by resources. Thank you. Thank you. Vivek, I don't know if you have anything to add there, Jacinda. Okay, so, we just got room for a few more questions, but one that's, come from a lot of folks online, and I want to thank staff for feverishly capturing all of your questions today. We've had several questions online, Vivek, and I think this one might be to you.

This one is about extending remote work. Could you share perspective on how we're thinking about space? You should usage working from campus and the opportunity to save costs by having fewer people work from campus.

Vivek Goel

Right. Well, thanks for that. So this is obviously, a really important issue for us as well as for all organizations globally.

And I think it's also fair to observe that everyone has been adapting, following the pandemic as, we move through different phases and learning from the experiences that they have. And, we see, in other organizations moves in various directions. Over the last little while, we are having very significant discussions. We had a session with Executive Council just a few weeks ago, discussing the directions we might go in.

I think there are a number of considerations. And space was mentioned in that. But we have to look at that very carefully. While having remote work may mean we need less space, it's not necessarily the case because what the research is showing, you still need to bring teams together on a regular basis. And, if you bring the teams together, they need to be in on the same days.

And so, many organizations are not realizing the space savings that they thought they might have. And so before we make decisions, we're going to look very carefully at the evidence as well as the experiences of the units around, our campuses, because we've had many of these natural experiments within the institution where different units have had different ways of working over the last little while.

I do want to go back to what we said earlier about the experience that we provide for our students and the research that we do. We have to recognize that what makes the University of Waterloo a special place is particularly for our students, is that opportunity to interact with our employees, with faculty and staff and with each other.

And so I can't imagine a future where everyone at the university is working remotely, and we don't have offices and spaces for them. We're going to have some sense of campus presence.

Eleanor McMahon

Thank you Vivek. We've had a number of questions again, and thank you again to staff for grouping them together. People are wondering and asking about job losses.

How will they be determined? Will seniority be considered? How much notice will people have, will cuts affect full time positions, contract positions in the same way, part time and so on. So there's a lot of, concerns, as you can imagine, with people asking online will unpack this as best as we can. And I know my colleagues will answer it as best as they can.

So, Vivek, did you want to start?

Vivek Goel

Yeah. So I just want to restate again, first of all, we're not at that stage yet. That, at our level, we're considering those sorts of, decisions. And our goal is to try to avert that through, retirements and, attrition. If we get to that stage, we would follow all the requirements in our various collective agreements and memorandums of agreements and policies.

And, those specific issues being raised would all be things that would have to be considered, for example, seniority and so forth.

Jacinda Reitsma

I'll just I'll just add to that that the hiring freeze is really intended to be able to create those vacancies so that we don't need to have the job losses. I think the functional reviews are in, in a lot of ways the same.

We're doing a lot of work around retirement levels, attrition levels. And it does indicate that if we do this well, if we do this very efficiently, there can be a lot of savings from simply not filling those positions. And I also want to share, an observation someone made to me around hiring freeze as well. And I think it's relevant.

When we give someone a full time position, we make a commitment to them, and it's. They disrupt their lives, they move from somewhere else. Sometimes they move to a new city. So. So being able to put a pause on that as we make, you know, finalize our budget and work forward is a really important piece of this as well.

Eleanor McMahon

Also, just to our time is drawing to a close and so many questions, that have come in and we appreciate all of them and all of you for participating today. I wonder in the time that we have left Vivek, just wondered if you wanted to recap some of the conversation that we've had today and maybe give people something to think about and say and see the time.

How town hall, excuse me, comes to a close and our time together comes to a close. Thank you.

Vivek Goel

So, you know, again, I just want to emphasize again our commitment, to being as transparent as possible and continuing to share information. As Jim noted, the next, major round of work, is happening as we speak, and will be culminating in the budget recommendations that will go to Senate and Board, in, in the winter.

And I would expect we'll probably have a, as we did last spring, another town hall as things move through. There's certainly going to be more communications coming around the hiring freeze, each of the functional reviews, and the processes around those. And so please keep an eye on your inboxes, for those, please continue to send those suggestions, those comments into the budget email address.

We are looking at everything as Jacinda noted. There's some really helpful suggestions coming in that we will continue to collate feedback. And, act on. And as Jacinda noted, you know, there are lots of resources available for everyone in our community as well as for your families and and loved ones. We know this is a difficult time for everyone in the community.

And, please seek out the help and look out for each other.

Eleanor McMahon

Thank you. Thank you Jim. Thank you Jacinda, and thank you to all of you for taking part in today's townhall. The team will post a recording of this presentation on the budget update as part of the website, along with answers to the most frequently asked questions.

Transparency is crucial as we address the significant operating budget challenges we face. We will certainly be sharing more with you via email. So as Vivek mentioned, stay tuned and I want to echo his comments about making sure that we take care of one another and do avail yourself of of the resources that are available to you that have been highlighted today.

Thank you everyone. And we look forward to staying in touch.