

**University of Waterloo
SENATE FINANCE COMMITTEE
NOTICE OF MEETING**

DATE: Friday 12 February 2016
TIME: 9:00 a.m. – 11:00 a.m.
PLACE: Needles Hall, Room 3318

AGENDA

	ACTION
1. Declarations of Conflict of Interest a. Excerpt from Bylaw 1, section 8*	Information
2. Minutes of 18 March 2015*	Approval
3. University of Waterloo - General Information on Finances*	Information
4. 2015/16 Operating Budget Update* (Orchard)	Information
5. 2016/17 Operating Budget Scenario (Orchard)	Information
6. Other Business	
7. Next Meeting: Monday 21 March 2016, 10:30 a.m. – 12:00 noon in NH 3318	

* attached

** to be distributed

5 February 2016

Mike Grivicic
Assistant University Secretary

Please convey regrets to Melissa Zapletal at 519-888-4567 x36125, or melissa.zapletal@uwaterloo.ca

Excerpt from Senate Bylaw 1

8. Declarations of conflict of interest

8.01	At the beginning of each meeting of Senate or any of Senate's committees or councils, the chair will call for members to declare any conflicts of interest with regard to any agenda item. For agenda items to be discussed in closed session, the chair will call for declarations of conflict of interest at the beginning of the closed portion of the meeting. Members may nonetheless declare conflicts at any time during a meeting.
8.02	A member shall be considered to have an actual, perceived or potential conflict of interest, when the opportunity exists for the member to use confidential information gained as a member of Senate, or any of Senate's committees or councils, for the personal profit or advantage of any person, or use the authority, knowledge or influence of the Senate, or a committee or council thereof, to further her/his personal, familial or corporate interests or the interests of an employee of the university with whom the member has a marital, familial or sexual relationship.
8.03	Members who declare conflicts of interest shall not enter into debate nor vote upon the specified item upon which they have declared a conflict of interest. The chair will determine whether it is appropriate for said member to remove themselves from the meeting for the duration of debate on the specified item(s).
8.04	Where Senate or a committee or council of Senate is of the opinion that a conflict of interest exists that has not been declared, the body may declare by a resolution carried by two-thirds of its members present at the meeting that a conflict of interest exists and a member thus found to be in conflict shall not enter into debate on the specified item upon which they have declared a conflict of interest. The chair will determine whether it is appropriate for said member to remove themselves from the meeting for the duration of debate on the specified item(s).

University of Waterloo
SENATE FINANCE COMMITTEE
Minutes of the Wednesday 18 March 2015 Meeting

Present: Lutz-Alexander Busch, David Edwards, Jim Frank, Feridun Hamdullahpur, Dennis Huber, Beth Jewkes, Terry McMahon, Michele Mosca, Ian Orchard, Boyd Panton, Pearl Sullivan, Olaf Weber

Secretariat: Mike Grivicic

Resources: Barb Blundon, Helen Hannusch, Mark Haslett, Jane Manson, Allan Starr

Guests: Katherine Bergman, David Porreca

Regrets: Jean Andrey*, Graham Brown*, George Dixon*, Ian Goulden*, Craig Janes*, Mohammad Nasif, Douglas Peers*, James Rush*, Manoj Sachdev, Jay Shah, Alexander Wray

Organization of meeting: Feridun Hamdullahpur, chair of the committee, took the chair, and Mike Grivicic, secretary of the committee, acted as secretary. The secretary advised that due notice of the meeting had been given, a quorum was present, and the meeting was properly constituted.

1. MINUTES OF 11 FEBRUARY 2015

A motion was heard to approve the minutes as distributed. Busch and Weber. Carried. The chair noted that the current status of the new resource allocation model will be reviewed at this meeting.

2. 2015/16 OPERATING BUDGET

Orchard provided a PowerPoint presentation: overview of revenues, expenditures, and major categories of funding sources; ministry has announced that the funding formula is to be reviewed; increase in graduate enrollments and static undergraduate enrollments, with tuition increases for each; increases to international tuition, with overall tuition still lower than competitor universities; recent salary settlements with faculty and staff groups; increases to faculty and staff complement; estimates re: student enrollment are conservative; expenditure reductions of 2.5% in the faculties; projected deficit of ~\$836,000. Members discussed: relative expenditures for university operations, research, and ancillary activity; absence of table SD9 and decision to remove certain tables; flexibility in utilization of funds depends on source, and inter-fund guidelines are posted to the Finance website; research budget increases impact operating budget due to indirect costs; indirect costs will be more transparent under NRAM; university provides a form of subsidy for capital-heavy research activity. A motion was heard to that Senate recommend that the Board of Governors approve the 2015/16 Operating Budget as presented. Orchard and McMahon. Carried.

3. NEW RESOURCE ALLOCATION MODEL

Orchard provided a PowerPoint presentation: new model will inform strategic decisions across all levels and promotes the efficient use of funds; model connects efforts to new revenues; central fund will exist to align with strategic goals and initiatives; follows principles of clarity, collaboration, efficiency, long-term planning, risk management and academic excellence; most universities that have adopted similar budget allocation models utilize ~12 easily-understood budget drivers; adjustments for interdivisional teaching; charges for space utilized and central costs; anticipated transition in 2016-17 with gradual shifting toward NRAM-guided budgeting; accountability committee for oversight; model drives strategic enrollment management and space rationalization. Members clarified: portion of tuition/grant revenues for teaching is not yet fixed; management of salary and benefit increases via central funds; model helps to assess what decision will make long-term financial sense; accounting for interdivisional teaching follows from student registration and is treated as a separate category.

4. MEMO: REVIEW OF EX-OFFICIO MEMBERSHIP AND APPOINTMENT TERMS

Grivicic provided an overview and invited members to provide feedback directly following the meeting.

5. OTHER BUSINESS

There was no other business.

6. NEXT MEETING

The next meeting is scheduled for Friday 12 February 2016, 9:00 a.m. – 11:00 a.m. in NH 3318

4 February 2016

Mike Grivicic
Assistant University Secretary

University of Waterloo
GENERAL INFORMATION ON FINANCES

Fund Accounting

Universities use an accounting principle known as 'fund accounting'. Monies are segregated in several different funds, depending on their source and purpose. Each of these funds can be viewed as a 'bank account' which receives income each year, from which various expenses are paid. Transfers between funds are subject to stringent rules.

Operating Fund

Each year, the Senate Finance Committee (SFC) reviews the Operating Budget, which describes projected income and expenses for the Operating Fund. A major source of operating income is the operating grant from the Ontario Ministry of Training, Colleges & Universities (MTCU). The Basic Grant is allocated on the basis of an enrolment corridor system. The university must maintain average enrolment above its corridor floor in order to retain a share of the basic operating grant. The university also receives allocations for both undergraduate and graduate growth and these funds are shared with faculties and academic support units based on their activity levels. Over a two year period, commencing with the 2013/14 budget year, MTCU reduced enrolment based funding grants (includes the basic grant), referred to as "Policy Levers" in the budget document. The operating grant for undergraduate and masters level international students has also been reduced.

The university receives several special purpose funds (e.g., Access for Disabled, Grant in lieu of Taxes) which must be used for specific expenses. Certain components, such as Research Infrastructure, are funded based on our share of funding from the federal granting councils (NSERC, CIHR, SSHRC). Tuition fees form the other major source of operating income and exceed operating grant income. A portion of the tuition funds must be allocated to needs-based student assistance (shown under the heading 'Tuition Set Aside' in the expense budget). A portion of the grant and tuition income is transferred to the Federated University and Affiliated University Colleges (with a percentage retained for services provided to the Colleges). Other sources of income include co-op and student services fees, overhead on research contracts, and interest on non-endowed funds held temporarily in university accounts. Miscellaneous income includes OHIP billings and professional services income in Optometry and Health Services, application processing fees, tuition for continuing education courses, and other general revenues.

The largest expenditures in the Operating Budget are salaries and employee benefits for faculty and staff. Other major expenses include student support, utilities, library acquisitions, and supplies. Some special purpose funds are administered centrally by the Provost. The expense budget shows the base level of ongoing expenditures as well as temporary budget adjustments, if any, to recognize unusual expenses or savings in the current fiscal year. An operating surplus (deficit) occurs if operating income is greater than (less than) operating expenditures in a particular year. The 2015/16 Operating Budget (February 2016 BOG) shows a projected operating deficit of \$1.2 million, after an expenditure reduction of 2.5%.

Research Funds

The largest area of expenditure, after the Operating Fund, is research. The university administers, on behalf of researchers, about \$157 million per year. The university acts as a trustee for these monies, and must ensure that they are spent for the purposes intended. The federal granting agencies (NSERC, CIHR, SSHRC) provide for direct costs of research (e.g., salaries, supplies, equipment) and, through a multi-year commitment, provide funding to help offset the indirect costs arising from federally funded research.

Ancillary Operations

The Ancillary Enterprises generate about \$73 million annually and include Housing and Residences, Retail Services, Food Services and Parking. They pay the university operating fund for space, utilities, administrative services, maintenance, etc., and must maintain contingency funds for major repairs such as roof replacements and renovations. Additional annual contributions to the Operating Fund are made by Retail Services and Parking of \$160,000 and \$350,000, respectively.

Trust & Endowment Funds

The university has many trust & endowment accounts, most of which support scholarships, Chairs, and student activities. Total endowment contributions (principal) amount to about \$316 million (at cost). A percentage of the investment income only is expended each year for purposes designated by the donor and the remainder, if any, is used to preserve the 'purchasing power' of the fund, as the principal must be permanently maintained.

Capital Funds

Each year, MTCU provides funding to support building repairs and related maintenance and alterations. This funding is intended to supplement each university's in-house maintenance program. Funding is allocated to the universities by formula, on the basis of their respective 'space entitlements'. Strict guidelines apply, and projects must be submitted to MTCU for approval. From time to time, special government programs (e.g., CFI, ORF, Knowledge Infrastructure Program) may provide capital funding for construction or renovation costs, generally with a portion of the costs to be provided by the university. Commencing in 2007/08 the government is providing capital funding for new or enhanced physical space to support graduate growth. The total support available to Ontario institutions is \$550 million and is allocated for a period of 20 years based on actual enrolment growth.

**UNIVERSITY OF WATERLOO
2015/16 Operating Income Budget**

Board, 2 February 2016

	Estimated 2015/16 15-04-07 \$000	Increase (Decrease) \$000	Estimated 2015/16 16-02-02 \$000	Notes
INCOME				
Operating Grant				
Basic Grant	209,572		209,572	
Policy Levers	(4,431)	438	(3,993)	[1]
International Student Recovery	(3,219)	(168)	(3,387)	[2]
Graduate Growth	7,832	(852)	6,980	[3]
Undergraduate Growth	12,339	2,430	14,769	[4]
Quality Improvement Fund	9,431	2	9,433	
Transfers to Colleges	(13,451)	(139)	(13,590)	
Performance Fund	2,107		2,107	
Research Infrastructure	1,598	43	1,641	
Clinical Programs	1,306		1,306	
Access for Disabled	1,026	19	1,045	
	<u>224,110</u>	<u>1,773</u>	<u>225,883</u>	
Tuition				
Undergraduate	321,444	(738)	320,706	[5]
Graduate	54,744	1,033	55,777	[6]
Transfers to Colleges	(17,865)	(16)	(17,881)	
	<u>358,323</u>	<u>279</u>	<u>358,602</u>	
Co-op Recovery	17,121	265	17,386	
Student Services Fee	10,158		10,158	
Research Overhead	8,637	(137)	8,500	
Interest	8,000		8,000	
Services to Colleges	3,667	18	3,685	
Grant in lieu of Taxes	2,144	9	2,153	
Miscellaneous Income	11,170	657	11,827	[7]
	<u>60,897</u>	<u>812</u>	<u>61,709</u>	
Total Income	<u><u>643,330</u></u>	<u><u>2,864</u></u>	<u><u>646,194</u></u>	

NOTES TO 2015/16 OPERATING INCOME

- [1] Policy Levers are based on Waterloo's share of a reduction from the Ontario system. The change in figure reflects updated information received from the Ministry of Training, Colleges and Universities (MTCU).
- [2] An increase in international undergraduate first year enrolment contributed to the variance against the opening budget.
- [3] The estimate has been updated to reflect actual Fall 2015 domestic graduate enrolment and a revised estimate of Winter 2016 MAcc enrolment. Forecasted graduate enrolment fell below the Fall 2014 level which results in a reduction in grant.
- [4] The allocation is based on receiving full funding for the estimated growth in 2015/16. Although domestic enrolment decreased marginally, grant revenue increased as a result of a higher than estimated number of students enrolling in programs that have a higher grant value per student.
- [5] The undergraduate tuition has been updated to reflect actual tuition collected in Spring and Fall 2015 and an updated forecast of enrolment for Winter 2016. The decrease is a result of lower than estimated new admits for Fall 2015.
- [6] A net increase in graduate tuition reflects growth in international enrolment beyond the estimate, but a decrease in domestic enrolment.
- [7] Miscellaneous income includes: Health Services and Optometry OHIP and professional services income, application processing fees, non credit tuition, other student related fees, rental income, and other general revenues. Many of these items have offsetting expenses.

UNIVERSITY OF WATERLOO
2015/16 Operating Expense Budget

Board, 2 February 2016

	ONGOING		ONE-TIME TEMPORARY			TOTAL	% of Income	Notes	
	2015/16 Base 15-04-07 \$000	Increase (Decrease) \$000	2015/16 Revised Base \$000	2015/16 One-Time 15-04-07 \$000	Increase (Decrease) \$000	2015/16 Revised One-Time \$000			2015/16 Total \$000
EXPENSES									
Salary and Wages									
Current salaries and wages	369,634	11,136	380,770				380,770	58.9	[1,5]
Secondments	343		343				343	0.1	
Total salary and wages	369,977	11,136	381,113				381,113	59.0	
Benefits									
Current benefits	81,585		81,585				81,585	12.6	
Faculty professional expense reimbursement plan	2,047		2,047				2,047	0.3	
Parental leave supplement	1,411		1,411				1,411	0.2	
Total benefits	85,043		85,043				85,043	13.1	
Total salaries and benefits	455,020	11,136	466,156				466,156	72.1	
Student Support									
Graduate incentive fund	401		401				401	0.1	
Graduate student support	8,701	(350)	8,351				8,351	1.3	[2]
Senate matching scholarships	160		160				160		
Support for international graduate students	7,051	444	7,495				7,495	1.1	
Tuition set aside	21,262		21,262				21,262	3.3	
Undergraduate scholarships/bursaries	8,720	350	9,070				9,070	1.4	[2]
Total student support	46,295	444	46,739				46,739	7.2	
Income Sharing									
Differential tuition	1,666	(1,666)	0				0		
Graduate international growth	249	(249)	0				0		
International tuition	8,493	(8,493)	0				0		
Undergraduate enrolment expansion	2,249	(2,249)	0				0		
Total income sharing	12,657	(12,657)	0				0		[3,5]
Sub-total	513,972	(1,077)	512,895				512,895	79.3	

UNIVERSITY OF WATERLOO
2015/16 Operating Expense Budget

Board, 2 February 2016

	ONGOING		ONE-TIME TEMPORARY			TOTAL	% of Income	Notes	
	2015/16 Base 15-04-07 \$000	Increase (Decrease) \$000	2015/16 Revised Base \$000	2015/16 One-Time 15-04-07 \$000	Increase (Decrease) \$000	2015/16 Revised One-Time \$000			2015/16 Total \$000
Academic development fund	5,668	(459)	5,209				5,209	0.8	
Access for disabled	1,026	19	1,045				1,045	0.2	
Base budget adjustment to reflect overhead costs	4,364	(128)	4,236				4,236	0.6	
Contingency reserve	1,000		1,000				1,000	0.2	
Insurance	1,800		1,800				1,800	0.3	
International fund	3,071	(16)	3,055				3,055	0.5	
Library acquisitions	8,519		8,519				8,519	1.3	
Municipal taxes	2,491	34	2,525				2,525	0.4	
Programs holdback	28,120	(754)	27,366				27,366	4.2	[4]
Utilities	19,400		19,400				19,400	3.0	
Sub-total	75,459	(1,304)	74,155				74,155	11.5	
Supplies and expenses	74,633	(1,125)	73,508				73,508	11.4	[5]
Expenditure reduction at 2.5%	(6,600)	6,600	0				0		[6]
Gross expenses	657,464	3,094	660,558				660,558	102.2	
Cost recoveries and chargeouts	(12,798)	155	(12,643)				(12,643)	(1.9)	
Manageable allowance	(500)		(500)				(500)	(0.1)	
Estimated net expenses	644,166	3,249	647,415				647,415	100.2	
Estimated income							646,194		
Excess income over expenses							(1,221)		

NOTES TO THE 2015/16 OPERATING EXPENSE BUDGET

1. The net increase in current salaries and wages includes a reallocation of budget from non-salary to salary accounts by academic and academic support units for new staff and faculty positions and other salary cost adjustments.
2. Temporary funding for a graduate scholarship was previously provided on an ongoing basis and is now being redistributed to undergraduate scholarships/bursaries.
3. Income sharing for existing programs is allocated to the faculties on a slip-year basis. Graduate growth allocations are funded on a calendar-year basis. The ongoing cumulative income sharing amounts, from inception to date, are as follows:

	\$000
Differential tuition	18,529
Graduate expansion/growth	8,650
Graduate international growth	3,147
Undergraduate enrolment expansion	40,488
Undergraduate international tuition	43,321
Graduate course based masters	<u>7,397</u>
Total	<u>121,532</u>

To accommodate growth, academic support units receive supplemental budget increases.

4. Undergraduate and graduate programs holdback is a portion of the grant and tuition related to growth and held at the centre to support new initiatives and to generate the university fund necessary for transition to the new budget model.
5. The net decrease in supplies and expenses results from the following: the distribution and transfer of income sharing; the reallocation of budget from non-salary to salary accounts by academic and academic support units; a 2.5% expenditure reduction; and other miscellaneous adjustments.

Supplies and expenses is the total of non-salary budgets in faculties and academic support units that are not specifically identified elsewhere in the budget. Based on 2014/15 actual expenses, included in this number are the following items:

	\$millions
Equipment, maintenance and rentals	20.1
Travel and hospitality	11.4
Supplies	10.5
Computing, including software	8.6
Contracted services	7.5
Consulting	3.3
Telephone	3.0
Purchases for resale	2.7
Printing	2.2
Postage	<u>2.0</u>
Total	<u>71.3</u>

6. The expenditure reduction of \$6.6M has now been allocated against salary and non-salary accounts as determined by each unit.