

**UNIVERSITY OF WATERLOO
SENATE FINANCE COMMITTEE
NOTICE OF MEETING**

DATE: Wednesday 15 March 2023
TIME: 1:00 p.m. – 3:00 p.m.
PLACE: Needles Hall, Room 3318

Chair protem – J. Reitsma

AGENDA

<u>Item</u>	<u>Action</u>
1. Declarations of Conflict of Interest a. Excerpt from Bylaw 1, section 8*	Information
2. Remarks from the Chair	Information
3. Minutes of 15 February 2023* and Matters Arising (follow up re: item 4)	Decision
4. 2023/24 Operating Budget* (Rush)	Decision
5. Other Business	Information
6. Next Meeting: February 2024 – date yet to be determined	Information

* material attached

9 March 2023

Sarah Willey-Thomas
Associate University Secretary

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 15 February 2023 Meeting
[in agenda order]
Meeting held in Needles Hall 3318 and Teleconference

Present: Sheila Ager, Marc Aucoin, Jeff Casello, Charmain Dean, Vivek Goel (Chair), David Ha, Marten Karsten, Jennifer Kieffer, Scott Kline, Bob Lemieux, Christiane Lemieux (for Mark Giesbrecht), Lili Liu, Ellen MacEachen, Erin O’Connell, Nicholas Pfeifle, Jacinda Reitsma, James Rush, Sharon Tucker, Johanna Wandel (for Bruce Frayne), Mary Wells, Kathy Winter (secretary), Stanley Woo

Resources: MaryAnne Chan, Sarah Hadley, Allan Starr

Absent: Onurcan Gokkaya, Sonia Ismail*, Beth Sandore-Namachchivaya

Organization of meeting: Vivek Goel took the chair and Kathy Winter (secretary) advised that due notice of the meeting had been given, a quorum was present, and the meeting was properly constituted.

1. DECLARATIONS OF CONFLICT OF INTEREST

No conflicts of interest were declared.

2. REMARKS FROM THE CHAIR

Goel welcomed new Senate Finance committee members, including the Jacinda Reitsma, Vice-President, Administration and Finance.

3. MINUTES OF 18 MARCH 2022 AND BUSINESS ARISING

The minutes were approved as distributed. Casello and Ha. Carried. In terms of business arising from the minutes, Casello confirmed having addressed a question regarding funding distribution within the 2022 Teaching Assistantship package.

4. SENATE GOVERNANCE REVIEW – COMMITTEE TERMS OF REFERENCE

Goel provided an overview of the item as distributed, noting the context and elements of the Senate Governance Review across all committees and councils of Senate. Committee members’ invited feedback and initial observations included: length of time since inception of the committee’s initial terms of reference; changed landscape given the now greater numbers of Senate committees; recognition that content brought to this committee is seen elsewhere today. Discussion to be continued at 15 March 2023 Senate Finance meeting; members were invited to forward interim comments or reflections to secretary Winter (kwinter@uwaterloo.ca).

5. GENERAL INFORMATION ON UNIVERSITY FUNDS

This item was received for information. Hadley spoke to her [presentation](#) and provided a general overview of fund accounting at Waterloo, including Operating, Research, Ancillary, Trust and Endowment, Capital funds. In response to a question about transfers to capital fund, Hadley flagged accounting principles for fund accounting, the restricted nature of the capital fund, and proposed potential alternatives to track budget for potential future use in capital projects through visible tags on operating budget in the general financial system, for example. In other discussion: University’s investing strategy across funds; Board of Governors approval and policies in relation to budget and funding models; need for University to consider and evaluate future growth models; appetite for cyclical review of financial principles and this committee’s role thereon; Responsibility Center Management (RCM) budgeting and Continuity Model budgeting.

6. 2022/23 OPERATING BUDGET UPDATE

Rush spoke to his presentation and provided an update on the University’s execution of the 2022/23 operating budget. Members heard that the update reflects: (a) a balanced budget (Opening Budget April 2022 - \$1.2 M deficit; Current Budget Update February 2023 - \$263k surplus); (b) tuition revenue changes driven by oscillating and heterogeneous changes across different tuition categories (positive and negative deviations; impact due to student intake deviating from forecast, increased graduations resulting from students fast-tracking their academic progression); (c) interest income increase due to increased interest rates; (d) areas of expense budget increases include salary and wages (reallocation from other non-salary budget), capital project, and deferred maintenance fund; (e) University’s continued commitment to align between the budget and institutional strategic priorities.

7. 2023/24 OPERATING BUDGET SCENARIO

With respect to budget activities for 2023/24, Rush continued his presentation and spoke to: (a) some budget planning considerations, including ongoing constrained revenue environment (no enrolment corridor grant adjustment, fixed and/or less tuition flexibility (domestic tuition rate decrease in 2019/20 followed by a freeze) and government and geopolitical uncertainty), along with expense growth as salaries and other costs increase; and (b) overall approach to mitigating budget challenges (e.g., commitment to year over year balanced operating budgets, multi-year scenario planning, and risk mitigation through expense management, enrolment and tuition rate planning, tuition advocacy). In discussion: expected corridor negotiation that did not come to fruition; proportion of international tuition and impact of geopolitical uncertainties; international enrolment diversification; inclusion of other elements within future operating budgets (e.g., increased visibility of strategic investments, including but not limited to sustainability, anti-racism, student mental health, indigenization); Waterloo's responsible investing and its commitment to government advocacy alongside Council of Ontario Universities (re: grant funding, tuition framework, student aid). In broader discussion: how big should Waterloo become; lifelong learning; graduate to undergraduate ratios; Waterloo's commitment to accessible campus and community housing located on main transit lines (Waterloo, alongside WLU and Conestoga College, soon to attend meeting convened by Mayor).

8. OTHER BUSINESS

There was no other business.

9. NEXT MEETING

The next meeting is Friday 15 March 2023, 1:00 p.m. to 3:00 p.m.; NH3318.

15 February 2023

Kathy Winter, PhD, CPsych,
Assistant University Secretary

University of Waterloo
Senate Finance Committee
March 2023

FOR APPROVAL

Recommended Operating Budget 2023/24

The 2023/24 Operating Income and Expense budget for review and approval is included in Attachment 1.

Executive Summary

The opening budget includes a small budget deficit of \$4m (less than 0.5% of income), which the University commits to working on throughout the year to achieve a balanced budget by the end of the year.

The University is dealing with continued funding environment restrictions and expense growth. On March 2, 2023, the Ontario Ministry of Colleges and Universities (MCU) announced that for the 2023-24 academic year the province is: continuing a general freeze on tuition fees for all domestic Ontario students; providing colleges and universities the flexibility to increase tuition fees for domestic, out-of-province students by up to 5%; and, providing each institution the opportunity to submit business cases for addressing tuition anomalies for up to three programs, with specific guiding criteria, with a mid-March deadline for submissions. Approval timelines for such submissions are uncertain but likely to occur after Board Budget approval timelines, and the financial impact of any such adjustments is likely to be immaterial to the overall tuition revenue scenario presented. In addition, MCU announced the Blue Ribbon Panel on quality, accessibility and sustainability in the PSE sector which is expected to provide advice and recommendations to the Minister of Colleges and Universities on a long-term tuition-fee policy.

Managing the cumulative impact of the 2019/20 10% domestic tuition cut, and subsequent domestic tuition freeze is becoming more challenging to manage each year, because expenses continue to increase.

In the 2023/24 year, the increase in expenses exceeds the increase in income, which has led to challenging decisions in building the budget.

Income

The income budget is increasing by \$10.9m to \$883.8m. The \$10.9m increase in the income budget relates mainly to increases in tuition of \$6.4m, co-op and student services fees of \$2m and interest income of \$2m. The income budget for tuition reflects a 0% domestic undergraduate Ontario tuition rate increase and a 5% domestic undergraduate out-of-province tuition rate increase as well as the international tuition rates previously approved by the Board of Governors.

The \$6.4m increase in tuition income relates to tuition rate increases of \$25.8m, enrolment reductions of (\$19.6m) and a decrease in transfers to affiliated and federated institutions of the University of Waterloo of \$0.2m.

Expenses

The expense budget is increasing by \$15.2m to \$887.8m. The \$15.2m increase in the expense budget relates to mainly to salaries of \$17m and benefits of 5.9m, offset by reductions in other non-salary expenses of \$4m (mainly a reallocation to salary budget), a budget reduction of \$2.7m, and increased cost recoveries of \$1m.

The salary budget increase of \$17m reflects increased costs for salary increases of \$12m and for new positions of \$5m. The salary increases include a 1% scale increase and merit increases, under the current salary agreements in place through to April 30, 2024. It is important to note that these salary agreements were put in place under Ontario Bill 124 salary scale restrictions. An Ontario Superior Court (OSC) of Justice decision has subsequently declared this legislation to be of no force and effect, however, the Ontario government is appealing this court decision. The University has committed to its employee groups to discussions on the reopener clauses in the current salary agreements given the OSC decision. The exact impacts of this on the 2023/2024 budget are uncertain at this time; updates will be provided when possible.

UNIVERSITY OF WATERLOO
2023/24 Operating Income Budget (in thousands)

Senate Finance Committee
March 15, 2023

	2022/23 Base Budget	Increase / (Decrease) \$	2023/24 Base Budget	Notes
INCOME				
Operating Grant				
Enrolment	137,423	(25,155)	112,268	Note 1
SMA3 Performance Outcomes	113,200	25,155	138,355	Note 1
Special Purpose	5,550	-	5,550	
International Student Recovery	(5,400)	400	(5,000)	
Transfers to AFIW	(13,220)	70	(13,150)	
	<u>237,553</u>	<u>470</u>	<u>238,023</u>	
Tuition				
Domestic - Undergraduate	240,200	(500)	239,700	Note 2
Domestic - Graduate	27,500	(200)	27,300	
International - Undergraduate	248,400	8,900	257,300	Note 3
International - Graduate	57,100	(2,000)	55,100	Note 4
Transfers to AFIW	(20,790)	240	(20,550)	
	<u>552,410</u>	<u>6,440</u>	<u>558,850</u>	
Other Revenue				
Co-op Recovery	26,300	800	27,100	Note 5
Student Services Fees	14,970	1,240	16,210	Note 6
Interest	28,000	2,000	30,000	Note 7
Services to AFIW	3,990	(30)	3,960	
Miscellaneous Income	9,670	-	9,670	
	<u>82,930</u>	<u>4,010</u>	<u>86,940</u>	
Total Income	<u><u>872,893</u></u>	<u><u>10,920</u></u>	<u><u>883,813</u></u>	

UNIVERSITY OF WATERLOO
2023/24 Operating Income Budget (in thousands)

Note 1 : The shift between the grant categories of Enrolment and SMA3 Performance Outcomes is due to the Ministry of Colleges and Universities (MCU) planned increase in performance proportion from 45% in 2022/23 to 55% in 2023/24.

Note 2 - The projected decrease in Domestic Undergraduate tuition revenue represents a return to target new enrolments in 2023/24 after exceeding 2022/23 new enrolment targets. This is partially offset by a 5% increase in domestic undergraduate out-of-province tuition rates. The Board of Governors approved setting 2023/24 domestic tuition rates up to the maximum permitted by the provincial tuition framework. As of March 2, 2023, MCU announced that the province is continuing a general freeze on tuition rates for domestic Ontario students, and flexibility to increase tuition rates for domestic out-of-province students by up to 5%. The budget for domestic undergraduate tuition incorporates a 0% tuition rate increase for domestic Ontario students and a 5% tuition rate increase for domestic out-of-province students, consistent with MCU's announcement.

Note 3 - The increase in International Undergraduate tuition revenue is consistent with tuition rate increases approved by the Board of Governors at its February meeting, partially offset by a projected decrease in international undergraduate enrolments.

Note 4 - The decrease in International Graduate tuition revenue is due to a forecasted decrease in international graduate enrolments, partially offset by tuition rate increases approved by the Board of Governors at its February meeting.

Note 5 - The increase in Co-op recovery is consistent with co-op fee rate increases approved by the Board of Governors at its February meeting, partially offset by a projected decrease in enrolments.

Note 6 - The student services fees revenue relates to decisions of the Student Services Advisory Committee to provide funding for designated student services.

Note 7 - The investment income earned on operational funds is based on current and forecasted cash management and investment plans.

UNIVERSITY OF WATERLOO
2023/24 Operating Expense Budget (in thousands)

Senate Finance Committee
March 15, 2023

	2022/23 Base Budget	Increase / (Decrease) \$	2023/24 Base Budget	2023/24 Base Budget as % of Income	Notes
EXPENSES					
Salary and Benefits					
Current salaries and wages	518,177	17,000	535,177	60.5%	Note 1
Current benefits	126,260	5,900	132,160	15.0%	Note 2
	644,437	22,900	667,337	75.5%	
Non Salary Expenses - Strategic and Priority Spending					
Student Support	75,967	-	75,967	8.6%	Note 3
University Fund	43,100	-	43,100	4.9%	Note 4
Capital Project Fund	4,300	-	4,300	0.5%	Note 5
Deferred Maintenance Fund	6,000	-	6,000	0.7%	Note 6
	129,367	-	129,367	14.7%	
Non-Salary Expenses - Other					
Insurance	3,250	-	3,250	0.4%	
Municipal taxes	3,050	-	3,050	0.3%	
Utilities	22,925	-	22,925	2.6%	
Other non-salary expenses	81,501	(4,000)	77,501	8.8%	Note 7
Total other - before budget reduction	110,726	(4,000)	106,726	12.1%	
Budget reduction	-	(2,700)	(2,700)	-0.3%	Note 8
Total other - after budget reduction	110,726	(6,700)	104,026	11.8%	
Gross expenses	884,530	16,200	900,730	101.9%	
Cost recoveries	(11,900)	(1,000)	(12,900)	-1.5%	Note 9
Estimated net expenses	872,630	15,200	887,830	100.5%	
Estimated income	872,893		883,813		
Surplus (Unfunded deficit)	263		(4,017)		

UNIVERSITY OF WATERLOO
2023/24 Operating Expense Budget (in thousands)

Note 1 - The budget increase reflects current estimated May 1 salary increases (\$12 million) and estimated reallocation from non-salary budget for in-year deployments of available budgets to support new positions (\$5 million). Current salary agreements with employee groups apply for a 3 year period ending April 30, 2024 and incorporate a 1% annual scale increase based on the requirements of Ontario Bill 124.

Note 2 - The budget increase reflects increases in benefits costs related to a number of factors including the impact of salary increases, new positions and rate/premium increases.

Note 3 - Student Support includes Tuition Set Aside (TSA), as well as undergraduate and graduate support in the form of scholarships, bursaries and awards. The TSA amount (approximately \$27 million) is calculated based on a formula mandated by the Ministry of Colleges and Universities (MCU). It is to be used for needs based student support programs. Additional student support is provided through use of strategic funds available in the University Fund.

Note 4 - The University Fund is used for funding the University's strategic priorities and managing risk. In the current year, the University Fund has been decreased from 5% to 4.9% of income, representing a budget reduction of \$1 million.

Note 5 - The Capital Project Financing budget supports central funding of internally financed capital projects. Additional funding for capital projects includes other central operating funds, faculty funding, donations and other sources.

Note 6 - The Deferred Maintenance Fund supports central funding of deferred maintenance projects. Additional funding for deferred maintenance includes other central operating funds, faculty funding, grants and donations.

Note 7 - Other non-salary expenses reflects the budget for a variety of non-salary operating expenses of the Faculties and Academic Support Units including investments in capital and enterprise software, and expenses in professional services, maintenance and supplies. Faculties and Administrative Support Units determine use of this budget based on operational requirements. The decrease mainly reflects a reallocation of budget to salaries.

Note 8 - The allocation of and implementation plan for the budget cut is currently under review.

Note 9 - Chargeouts and cost recoveries primarily include recoveries from Ancillary Enterprises (Housing, Food Services, Print & Retail Solutions, Watcard and Parking) for space charges and administrative support.