

UNIVERSITY OF
WATERLOO



Senate Finance Committee

October 16, 2024

1:00 - 3:00 p.m.

Needles Hall

NH 3318

Waterloo Campus

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2024 10 16 Senate Finance Committee Meeting Book

AGENDA

OPEN SESSION

Governance Resources

<https://uwaterloo.ca/secretariat/governing-bodies/senate/finance-committee>

1:00 p.m.	1. Approval of the Agenda and Minutes	Information	
	1.1 Conflict of Interest	Information	
	1.2 Approval of the Agenda	Decision	
	1.3 Minutes of the April 2, 2024 Meeting To approve the minutes of the April 2, 2024 meeting as distributed/amended.	Decision	
	1.4 Business Arising from the Minutes	Information	
	Memo, items 1.1 - 1.4		3
	SFC Minutes 2024-04-02 open		4
	2. Remarks from the Chair	Oral, information	
1:05 p.m.	3. Presentation, 2024/25 Operating Budget Mid-Year Update	Discussion	
	3. 2024/25 Operating Budget Mid-Year Update		6
	3.1 Operating Budget Mid-Year Update 2024/2025	Information	7
	3.2 Senate Finance member information request	Information	10
2:05 p.m.	4. Update, Integrated Planning and Budgeting	Information	
	4 Memo, integrated planning and budgeting	Information	12
2:35 p.m.	5. Other Business		
	6. Next Meeting: Thursday January 23, 2025, 1:00-3:00 p.m. in NH 3318		
	CONFIDENTIAL SESSION		
	7. Approval of the Minutes (confidential session)	Decision	
	SFC Minutes 2024-04-02 confidential		13

For Information

Open Session

To: Senate Finance Committee

From: Secretariat

Agenda Item Identification: 1. Approval of the Agenda and Minutes

1.1 Conflict of Interest

Members are invited to declare any conflicts related to the open session agenda at this time. Should a conflict of interest arise during discussion, members are asked to declare a conflict of interest as it arises.

The Secretariat can provide guidance regarding potential conflicts of interest in advance of or during the Senate meeting.

1.2 Approval of the Agenda

Motion: To approve the agenda as presented/amended.

Members may request amendments to the agenda. Where possible, members are asked to contact the secretary in advance of the meeting.

1.3 Minutes of the April 2, 2024 Meeting

Motion: To approve the minutes of the April 2, 2024 meeting as distributed/amended.

Documentation Provided:

- Minutes of the April 2, 2024 Meeting – Open Session

Note: confidential minutes are approved separately in confidential session.

1.4 Business Arising from the Minutes

Two items of business arising are identified with the meeting agenda.

- 2024/25 Operating Budget, Mid-year Update
- Update, Integrated Planning and Budgeting

University of Waterloo
SENATE FINANCE COMMITTEE
Minutes of the April 2, 2024 Meeting
[in agenda order]

Present: Sheila Ager, Marc Aucoin, Jeff Casello, Charmaine Dean, Vivek Goel (chair), Paul Fieguth, Bruce Frayne, Mark Giesbrecht, Mike Grivicic (secretary), Vikas Gupta, Chris Houser, David Ha, Scott Kline, Ellen MacEachen, Erin O'Connell, Jacinda Reitsma, James Rush, Rida Sayed, Mary Wells, Stan Woo

Guests: MaryAnne Chan, Gen Gauthier-Chalifour, Sarah Hadley, Jennifer Kieffer, Karl Schuett, Allan Starr

Regrets: Sonia Ismail, Martin Karsten, Lili Liu, Stephanie Maaz

1. DECLARATIONS OF CONFLICT OF INTEREST

No conflicts were declared.

2. REMARKS FROM THE CHAIR

The chair offered remarks: the budget review/education session was held the previous week and was attended by more than half of Senators; since March 27th, the province has reviewed the allocation of international study permits among Ontario institutions and most Ontario universities have allocations at least equal to the previous year, with reductions to allocations to the college sector broadly and to some universities; with respect to admissions, issues external to the university persist with respect to the ability to provide attestation letters in a timely manner for inclusion with study permit applications.

3. MINUTES OF THE FEBRUARY 7, MEETING AND BUSINESS ARISING

A motion was heard to approve the minutes as distributed. Aucoin and Giesbrecht. Carried. There was no business arising.

4. 2024/25 OPERATING BUDGET

Rush provided a PowerPoint presentation on the 2024/25 Operating Budget:

- Key assumptions for budget development (both for revenues and expenses) alongside related risks, including factors such as enrolment decreases and increases to salaries/benefits and inflation in expenses broadly;
- Initial operating deficit of \$74.5 million before any measures to mitigate said deficit; defined mitigation will occur over a multiyear timeline with a multimodal approach, including ongoing across-the-board reductions to Faculties and academic support units as well as reductions from central spending, to address \$42.5 million of the projected deficit
 - These reductions are paired with draw down of one-time resources from Faculties, ASUs and central sources to resolve the remaining \$32 million in 2024/2025
 - The University will examine opportunities to gain efficiencies in operations and opportunities to monetize existing assets
 - Even with mitigating actions, the inflationary budget drivers are expected to persist and ultimately a change to the provincial funding model and regulatory framework will be an important step toward returning to balanced budgets
 - Some one-time resources are available from each of the Faculties, operating units and the central budget though drawing from these resources will result in deferring other investments (e.g. infrastructure renewal, strategic priorities, planned building projects)
- Further actions are expected to be taken in-year to resolve the deficit as clarity emerges on revenue and expense assumptions.

The Committee discussed the proposed budget, including: resolution of the budget deficit takes the approach of setting targets on expense reductions from the top down, with units able to decide how to meet those targets; limited hiring program is in effect, which will still allow hiring where the need is essential and secures the necessary approval; across-the-board cuts may be feasible in the short term but more nuanced strategies are necessary for future years; sustained budget reductions will necessarily impact the quality of Waterloo's education offerings and research enterprise; some consideration may be made for finding efficiencies in curriculum and teaching to harmonize academic offerings and optimize the teaching resources allocated; recent provincial announcement included funds that could be available to conduct analyses pertaining to efficiency measures; some worthwhile efficiencies will require upfront investment; the University may pursue external borrowing pragmatically in order to finance initiatives that will generate revenue or cost savings and/or achieve key strategic objectives; potential for ancillary operations to offer support in mitigating the deficit through existing allowed transfers; the committee's involvement in the budget recommendation influences the suite of mitigating actions that would be pursued; enrolment corridor is an ongoing concern, and in the future the University may consider reducing enrolment to return to the corridor; the integrated planning under

development will support multi-year budget decisions and provide increased budget transparency above what is available currently.

A motion was that Senate recommend that the Board of Governors approve the 2024-25 Operating Budget as presented. Rush and Giesbrecht. Carried.

5. OPERATING BUDGET BACKGROUND

These items were referenced in discussion under item #4.

6. FURTHER DISCUSSION AND OTHER BUSINESS

It is anticipated that the October meeting of this committee will feature an in-year operating budget update, as well as an update from Paul Fieguth on integrated planning.

7. NEXT MEETING

The next meeting will be on Wednesday October 16, 2024 from 1:00-3:00 p.m.

September 16, 2024

Mike Grivicic
Associate University Secretary

For Information

Open Session

To: **Senate Finance Committee**

From: Secretariat

Agenda Item Identification: **3. 2024/25 Operating Budget Mid-Year Update**

James Rush, Vice-President Academic and Provost, will provide in-year update on the current year operating budget.

3.1 Operating Budget Mid-Year Update 2024/2025

This report provides an update and background on the uncertainties which were identified at the opening of the 2024/25 operating budget, along with estimates impacts on the budget.

3.2 Senate Finance member information request

Supplemental information provided in response to a senator's request, focusing on three expense categories:

- Student support
- University Fund
- Other non-salary expenses

University of Waterloo
Senate Finance Committee
October 16, 2024

FOR INFORMATION

Operating Budget Mid-Year Update 2024/2025

Executive Summary

At the time of preparation and presentation of the 2024/2025 opening operating budget, uncertainties were identified in several areas with updates to be provided in-year. This memo outlines the nature of these uncertainties and related updates including estimated impact on the operating budget.

2024/2025 Operating Budget as at April 2024 (Approved by Board of Governors)	in millions
Unmitigated deficit	(\$ 74.5)
Ongoing budget reductions included in operating budget	42.5
Deficit (to be addressed, if necessary, through use of one-time resources on hand)	(\$32.0)

2024/2025 Operating Budget Fall Developments as at October 2024	in millions
Deficit in 2024/2025 operating budget	(\$32.0)
Estimated financial impact relating to:	
Increased tuition income - enrolments	9.0
Increased salary and benefits expenses - compensation agreements	(2.0)
Current estimate: Deficit (to be addressed through use of one-time resources on hand)	(\$ 25.0)

Work has started on assessing potential operational changes to achieve the necessary budget reductions in the 2025/2026 year. Given the significant constraints and regulations currently in place impacting the University's revenues, a balanced budget will require expense reductions.

Enrolments

Based on Spring 2024 and preliminary estimates for Fall 2024, tuition revenue is tracking to be approximately \$9.0 million above budget for the year, with some underlying changes and trends within individual categories of tuition revenue versus budget.

Preliminary estimates of undergraduate domestic student intake are tracking above planning target. This is further supported by undergraduate domestic continuing student numbers year to date above the level forecasted in the opening budget. The result of this is undergraduate domestic tuition revenues are projected to be \$5.9 million year to date above budget.

Preliminary estimates of undergraduate international new student intake are tracking below planning target and less than the last five years. In particular, Fall 2024 international undergraduate new student intakes are forecast to land 600 below target, which results in an \$19M shortfall in tuition revenue from what the university could have realized had those targets been met. In total, international undergraduate new student intakes have declined to 50% of the new international undergraduate students enrolled in 2019/2020, and the total undergraduate international student population has declined by approximately 33%. The shortfall in Fall 2024 new intakes is offset by conservatism built into the tuition revenue estimates used in the budget as compared to targets, and by international undergraduate continuing student numbers year to date above the level forecasted in the opening budget. The result of this is undergraduate international tuition revenues are projected to be \$3.7 million year to date above budget.

Preliminary estimates of the financial impact of graduate domestic tuition revenues are projected to be \$0.5 million above budget, while graduate international tuition revenues are projected to be (\$1.1) million below budget.

In addition, it is important to note that if all eligible (domestic) enrolment were fully funded by the provincial government, the University would receive an additional \$25M in grant revenue annually.

Compensation agreements

At the time of preparing the operating budget for 2024/2025, employee compensation agreements were not yet in place for May 1, 2024. The faculty salary negotiation process ended with an arbitrated result. A salary agreement was achieved with the largest union group, and a salary arrangement was put in place for the staff group. The estimated additional operating budget costs are:

- May 1, 2024 base salary: \$2 million (salary and benefits) recurring annual expense to be reflected in the annual operating budget
- Lump sum payments: \$2 million one-time expense to be funded within existing budgets

Ongoing Budget Reductions

The ongoing budget reductions of \$42.5 million were allocated at the start of the 2024/2025 year. Difficult challenges and decisions need to be made in all units to achieve the budget reduction plans. Achieving these significant expense reductions is the responsibility of VPs, Deans and unit leaders. Business plans to achieve the ongoing expense reductions are in progress. Some of the business plans to achieve the ongoing expense reductions will have one-time costs, that will result in further in-year draw downs of one-time resources on hand.

Examples of business plans to achieve the budget reductions include:

- Elimination of the capital project fund budget and a reduction in the University Fund budget.
 - One-time funds have been earmarked for all current capital project commitments.
 - Strategic projects that have been funded by the University Fund budget in the past will need to take place at a slower pace or be funded with other available budgets.
- Due to the limited hiring program, there has been a reduction in employee levels by not replacing all roles after employee departures. Further, a small number of redundancies have been implemented to date.

All units will report on their approach to achieving budget reductions in mid-year integrated planning and budget reporting.

Next Steps

We will be monitoring and assessing the status and timing of achieving the ongoing expense reductions throughout the year. Further in-year updates on the 2024/2025 operating budget and on the development of the 2025/2026 budget will be shared in the January Senate Finance Committee meeting. Due to international study permit restrictions and enrolment challenges, it is expected that international enrolments and related tuition revenue will continue to decrease in future years.

Senate Finance member information request

Request for additional details on the following operating budget lines to improve understanding

- Student support
- University Fund
- Other non-salary expenses

1) Student Support \$76M (8.4% of the 2023/24 operating expense budget)

Student support budget categories include centrally funded budget support for students in addition to student support allocated from Faculty budgets.

Student support budgets managed by the University Registrar and Graduate Studies and Post Doctoral Affairs \$56M (\$36M undergraduate, \$20M graduate)

Additional student support within Faculty budgets: \$20M

Note that in addition to operating budget funds, student support is provided through other funds including trust, endowment and research.

2) University Fund \$43.1M (4.8% of the 2023/24 operating expense budget)

The University Fund is budget available for funding the University's strategic priorities and for managing risk. The Vice-President, Academic & Provost makes budget consultation decisions on the University Fund, in consultation with the President. The nature of the allocation can vary year to year depending on the strategic initiatives underway and risk environment. Major categories of operating budget support provided through the University Fund budget allocation in 2023/24 include the following:

- Capital project funding, deferred maintenance, and renovations (including Indigenous spaces)
- IT projects and systems
- Research initiatives in the Faculties and research centres
- New and/or increased funding for student support such as scholarships and bursaries
- Equity, Diversity and Inclusion initiatives including the cluster hire program
- Academic programming support including new and evolving program initiatives

PG. 1



Senate Finance member information request

3) Other non-salary expenses \$74.8M (8.3% of the 2023/24 operating expense budget)

Other non-salary expenses reflects the budget for a variety of non-salary operating expenses of the Faculties and Academic Support Units. Faculties and Administrative Support Units determine use of this budget in-year based on operational requirements. Based on spending in recent years, the major categories and relative amount of allocation are as follows. The new integrated planning and budget process will be providing more transparency on how units are using available budgets.

- Capital (equipment, renovations, maintenance): 25%; examples: contributions of current year operating budget to significant building construction projects such as Math4, purchases of computer equipment
- Contracted Services: 10%; examples: fees for annual external financial statement audit, outsourced services to clear snow from parking lots
- Software: 15%; examples: license fees for enterprise software systems such as Quest, the student information system
- Books & Periodicals: 15%; examples: book and subscription purchases, including library acquisitions
- Supplies: 10%; examples: office and lab supplies (batteries, whiteboards, nitrogen)
- Professional consulting: 5%
- Other: 20%; examples: travel, telephone charges, training, FPER

For Information

Open Session

To: **Senate Finance Committee**

From: Secretariat

**Agenda Item
Identification:** **4. Update, Integrated Planning and Budgeting**

Paul Fieguth, Associate Vice President - Academic Operations, will provide an update on progress towards integrated planning and budgeting.