

**SENATE FINANCE COMMITTEE**

Wednesday 7 February 2024

1:00 – 3:00 P.M. EST

NH 3318 / Zoom

TIMING	AGENDA ITEM	PAGE	ACTION
	<b>OPEN SESSION</b>		
1:00 p.m.	1. Declarations of Conflict of Interest a. <a href="#">Excerpt from Bylaw 1, section 8</a>	Oral 3	Information
	2. Remarks from the Chair	Oral	Information
	3. <a href="#">Minutes of 5 October 2023*</a> and Business Arising To approve the minutes of the 27 November 2023 meeting as distributed/amended.	5	Decision
1:05 p.m. (10 min)	4. <a href="#">Slide Deck, Overview of University Funds</a> (S. Hadley)	7	Information
1:15 p.m. (30 min)	5. <a href="#">Update on Operating Budget 2023/24</a> (J. Rush)	15	Information
1:45 p.m. (30 min)	6. 2024/25 Budget Planning Considerations and Challenges (J. Rush)	Oral	Information
2:15 p.m. (30 min)	7. Update on Integrated Planning and Budgeting (P. Fieguth)	Oral	Information
	8. Other Business		
	9. Next Meeting: Wednesday 13 March 2024 from 1:00 – 3:00 p.m., NH 3318		

31 January 2024

 Mike Grivicic  
 Associate University Secretary

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# Excerpt from Senate Bylaw 1

## 8. Declarations of conflict of interest

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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).

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**University of Waterloo**  
**SENATE FINANCE COMMITTEE**  
**Minutes of the 5 October 2023 Meeting**  
**[in agenda order]**

**Present:** Sheila Ager, Marc Aucoin, Jeff Casello, Mark Giesbrecht, Vivek Goel (chair), Mike Grivicic (secretary), Vikas Gupta, Chris Houser, Diane Johnston (for Charmaine Dean), Marten Karsten, Jennifer Kieffer, Scott Kline, Lili Liu, Stephanie Maaz, Ellen MacEachen, Erin O'Connell, Jacinda Reitsma, James Rush, Rida Sayed, Johanna Wandel (for Bruce Frayne), Stanley Woo

**Resources:** MaryAnne Chan, Paul Fieguth, Genevieve Gauthier-Chalifour, Sarah Hadley, Andrea Kelman, Beth Namachchivaya, Allan Starr

**Regrets:** Charmaine Dean, Bruce Frayne, David Ha, Mary Wells, Sonia Ismail

**Organization of meeting:** Vivek Goel took the chair and Mike Grivicic (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 noted that this meeting occurs outside of the regular meeting schedule and fulfills the commitment to have an in-year budget update, considering the ongoing uncertainties and challenges in the sector.

### **3. MINUTES OF 15 MARCH 2023 AND BUSINESS ARISING**

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

### **4. PRESENTATION - OPERATING BUDGET UPDATE/DEVELOPMENTS**

Rush provided a presentation and members discussed the status of the university operating budget as well as updates on enrollment and geopolitical factors, and an overview of the MCU financial accountability framework:

- Increase to expenses of \$16M arising from reopener clauses in employee compensation agreements
- Increase to interest income from the higher interest rate environment
- No news on the report of the Blue Ribbon Panel or the response of the government, and any impacts are not likely to occur in the 2023-24 budget year
  - o Waterloo provided submissions into the panel's process both individually, and also via the Council of Ontario Universities as part of a submission from the U6 institutions
- Negotiations for the next set of salary agreements is upcoming, with new agreements to take effect in May 2024
- Enrollment trends show international enrollment tracking below target for undergraduates, and is relatively steady for graduates
- For domestic enrollment, the University is near the top of the funding corridor
- Geopolitical factors related to downward trends in international enrollments from certain source countries, and the federal government is considering measures to cap international study permits
- In recent years some students increased their course loads to accelerate their studies, and this impact is visible in enrollment/revenue trends in more recent years
- Recent media coverage has conflated some issues that largely are impacting the college sector as also impacting the university sector
- MCU framework is still under development, and a technical manual for institutions is expected as part of the implementation

- From what is currently understood, Waterloo appears likely to be graded in the lowest risk category in the MCU framework
- The University carries no external debt, and there is scope of cautiously take on debt for priority areas (e.g. capital investments related to deferred maintenance)
- Sensitivity analyses related to key budget drivers are carried out on a regular basis
- General education sessions on the budget will be scheduled for both the Senate and the Board of Governors

## **5. WATERLOO BUDGET MODEL - DEVELOPMENTS AND PLANS**

Fieguth provided a presentation and members discussed the Waterloo Budget Model:

- Identification of guiding principles for budget modelling, with attention to transparency, efficiency and migrating to paradigm of integrated planning
- Anticipated changes as the budget model evolves include a revised/clarified role for the university fund, improvements to data supports, budget planning that relates to multi-year planning, and coordination between the Budget Office and the Faculties/ASUs
- Key goal to have budget model in place for 2025-26 fiscal year, including budget office, yearly cycle framework, templates, five-year projections, and integrated planning support
- Budget model aims to support and reflect activity in organizational units, and integrated planning will support that approach
- The budget model and data supplied need to support specific analyses e.g. interdivisional teaching, and will promote transparency and reduce decisions via edict or one-time deals with units
- As budget model is implemented, the role of this committee and also of Senate Long Range Planning Committee will also adapt

## **6. OTHER BUSINESS**

There was no other business.

## **7. NEXT MEETING**

The next scheduled committee Wednesday 7 February 2024 from 1:00-3:00p.m.

11 October 2023

Mike Grivicic  
Associate University Secretary

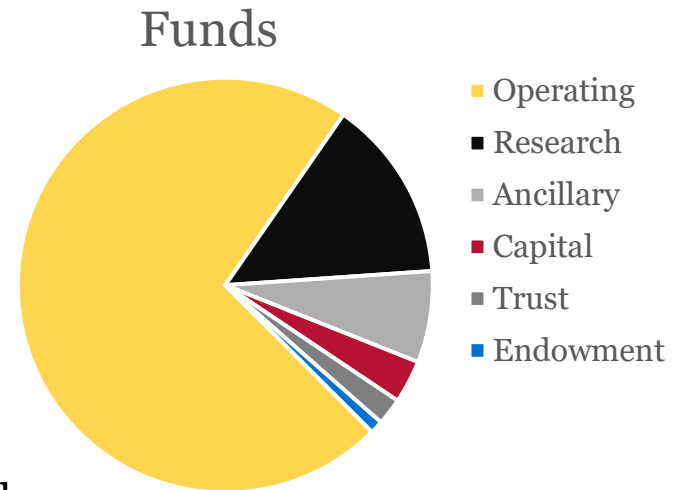


UNIVERSITY OF  
**WATERLOO**

## **Overview of University Funds**

# Background

- Total annual revenue and expenses of the University ~ \$1.2B in recent years including activities in the following funds:
  - Operating, research, capital, trust, endowment and ancillary
    - Audited financial statements of the University include all funds
    - University revenues and expenses are segregated and managed in specific funds, depending on their source and purpose
    - Transfers between funds only occur in limited pre-defined scenarios





# Operating Fund

- Unrestricted fund used to manage general operations of the University
- In February, Senate Finance Committee and Senate receive an update on the current year operating budget for information
  - Current year budget update processes inform transition to new budget year
- In March, Senate Finance Committee and Senate review recommended annual operating budget, and Senate makes recommendation to the Board of Governors for its April meeting
  - Finance & Investment Committee of the Board also reviews and makes recommendation to the Board of Governors



# Operating Fund

## Sources of Income

- Grant revenue from the Ontario Ministry of Colleges and Universities
- Tuition fees
- Co-op and student services fees
- Interest on expendable funds held in University bank accounts
- Miscellaneous income – application fees, rental income, etc.

## Expenditures

- Salaries and employee benefits
- Student financial support
- University Fund
- Capital project fund and deferred maintenance fund
- Insurance, municipal taxes and utilities
- Other non-salary expenses



# Research Fund

- Restricted fund to manage grant and contract revenue received for research activities
- University must ensure funds are spent according to the terms of the research agreement
- Federal granting agencies (NSERC, CIHR, and SSHRC)
  - Provide for direct costs of research (e.g., salaries, supplies, equipment)
  - Provide funding to help offset indirect costs of research through a multi-year commitment

# Ancillary Funds

- Funds used to manage operations for each ancillary unit
- Includes: Campus Housing, Print & Retail Solutions, Food Services, Parking and WatCard
- Expenses include paying the operating fund for space, utilities, administrative services and maintenance
- Ancillary unit revenues fund the expenses of running their operations, and the units set aside funds for significant future costs such as capital projects and renovations

# Trust and Endowment Funds

- Restricted funds to support scholarships, Chairs, student activities or other activities as agreed upon by the donor
- Trust funds:
  - Includes donations intended to be fully spent for a purpose designated by the donor
  - Also, includes grants to be used for specific purposes
- Endowment funds:
  - Endowment contributions (principal) must be permanently maintained
  - A spending rate is set each year (2023/24 - 3% of principal) and is funded by the investment income earned by endowments
  - Additional portion of investment income is used to grow the principal balance to preserve purchasing power (based on CPI)



# Capital Fund

- Restricted fund used to manage major construction, renovations and facility renewal projects
- Sources of funding:
  - MCU provides annual grant funding to support building repairs, maintenance and alterations
    - Strict guidelines apply, and projects must be submitted to MCU for pre-approval
  - Donations
  - Other special government grants for capital programs
  - Transfers from operating fund



**University of Waterloo**  
**Senate Finance Committee**  
**February 2024**

**FOR INFORMATION**

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**2023/24 Operating Budget Update**

The 2023/24 Operating Income and Expense budget update is included in Attachment 1.

Executive Summary

At the time of preparation and presentation of the 2023/24 opening operating budget, uncertainties were identified in several areas with updates expected later in the year. Updates were provided in the fall regarding the nature of these uncertainties and estimated impact on the operating budget.

The table below summarizes the updates to the opening budget.

<b>Operating Budget (in thousands)</b>	
Deficit for 2023/24 in budget at start of year	(\$ 4,017)
<u>Fall Update to Budget:</u>	
Bill 124 base salary amendments	( 16,000)
Increase in interest income	5,000
Estimated deficit	<u>(\$15,017)</u>
<u>February Budget Update:</u>	
Increase in operating grants	200
Tuition – enrolment impacts	(400)
Increase in other income	600
Increase in benefits expense – extended health	(1,000)
Increase in utilities expense	<u>(575)</u>
Unfunded deficit	<u>(16,192)</u>

The University will address the unfunded deficit through foregoing planned spending of centrally managed funds that would otherwise have been used to address University priorities, and will therefore be unable to achieve important work in areas including deferred maintenance and sustainability, enterprise systems and capital projects.

Income

The income budget is increasing by \$5.4m to \$889.2m. The \$5.4m increase in the income budget relates mainly to increases in interest income of \$5m due to rising interest rates throughout calendar 2023. 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 \$0.4m decrease in tuition income relates to decreases in international enrolment of \$9.2m offset by increases in domestic enrolment of \$8.8m.

### Expenses

The expense budget is increasing by \$17.6m to \$905.4m. The \$17.6m increase in the expense budget relates to salaries of \$14m and benefits of \$3m and utilities of \$0.6m.

The salary budget increase of \$14m reflects costs for salary increases relating to Bill 124 reopener agreements with employee groups, resulting in extraordinary salary base increases for eligible faculty and staff effective May 1, 2023.

The benefit budget increase of \$3m includes \$2m for the estimated incremental benefit costs associated with the salary budget increase (mainly employer pension plan and Ontario employer health tax contributions) and \$1m for increasing extended health benefits claim experience.

### Planning for 2024/25 Operating Budget

The University considers various scenarios for the operating budget for the four fiscal years that follow the current fiscal year (i.e. currently through to the year ending April 30, 2028). In all scenarios across this four-year period, expenses are increasing, and, in general, revenues are expected to be relatively flat, or to increase only modestly. For 2024/25, without mitigation, we expect that the University will have a significant operating budget deficit, due to decreased revenues and increased expenses. However, the University is developing a plan to work towards mitigating the deficit to the extent possible.

There are a number of uncertainties that will affect both revenues and expenses, including:

- The timing and content of the province's response to the Blue Ribbon Panel report, including a tuition framework for the 2024/2025 year
- The conclusion of salary agreements with the University's employee groups effective for the 2024/2025 year and the two following years
- Domestic and international enrolment levels, including:
  - increasing geopolitical and economic factors that could impact international enrolment levels, and
  - a newly introduced Canadian federal 2-year cap on international student study visa permits. Provinces have been tasked with deciding how permits will be distributed among universities and colleges in their jurisdictions. It is not yet clear how this will impact international enrolment.

The University is undertaking significant work to determine how to bring forward through governance (beginning with the March 2024 Senate Finance Committee meeting) a budget for the 2024/25 year, given significantly constrained and uncertain revenues and increased expenses. Multiple short-term and longer-term efforts, including significant spending constraints and budget reductions will be required to mitigate the gap between revenues and expenses.



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

**Senate Finance Committee**  
**February 7, 2024**

Estimated 2023/24 As at April 4, 2023	Increase / (Decrease)	Estimated 2023/24 As at February 6, 2024	Notes
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**INCOME**

Operating Grant

Enrolment	112,268	-	112,268
SMA3 Performance Outcomes	138,355	-	138,355
Special Purpose	5,550	100	5,650
International Student Recovery	(5,000)	100	(4,900)
Transfers to AFIW	(13,150)	-	(13,150)
	238,023	200	238,223

Tuition

Domestic - Undergraduate	239,700	9,000	248,700	Note 1
Domestic - Graduate	27,300	(200)	27,100	
International - Undergraduate	257,300	(10,300)	247,000	Note 2
International - Graduate	55,100	1,100	56,200	Note 3
Transfers to AFIW	(20,550)	-	(20,550)	
	558,850	(400)	558,450	

Other Revenue

Co-op Recovery	27,100	100	27,200	
Student Services Fees	16,210	-	16,210	
Interest	30,000	5,000	35,000	Note 4
Services to AFIW	3,960	-	3,960	
Miscellaneous Income	9,670	500	10,170	Note 5
	86,940	5,600	92,540	

Total Income

883,813	5,400	889,213
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Note 1: The increase in Domestic Undergraduate tuition is due to new student intakes exceeding opening budget plan.

Note 2: The decrease in International Undergraduate tuition is due to new students intake below opening budget plan. This has been further impacted by student graduations accelerating beyond expected in the opening budget plan.

Note 3: The increase in International Graduate tuition is due to new international Masters students intakes exceeding opening budget plan.

Note 4: The investment income earned on operational funds is based on current and forecasted cash management and investment plans. The increase is due to the impact on general interest rates of the significant increases Bank of Canada has made in interest rates during calendar year 2023.

Note 5: Miscellaneous income includes application fees, rental income and various other fees such as transcripts, verification letters, etc. The increase reflects increased application revenues.

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

**Senate Finance Committee**  
**February 7, 2024**

Estimated 2023/24 As at April 4, 2023	Increase / (Decrease)	Estimated 2023/24 As at February 6, 2024	Notes
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**EXPENSES**

**Salary and Wages**

Current salaries and wages	535,177	14,000	549,177	
Current benefits	132,160	3,000	135,160	
	<u>667,337</u>	<u>17,000</u>	<u>684,337</u>	Note 1

**Non Salary Expenses - Strategic and Priority Spending**

Student Support	75,967	-	75,967	Note 2
University Fund	43,100	-	43,100	Note 3
Capital Project Fund	4,300	-	4,300	Note 4
Deferred Maintenance Fund	6,000	-	6,000	Note 5
	<u>129,367</u>	<u>-</u>	<u>129,367</u>	

**Non-Salary Expenses - Other**

Insurance	3,250	-	3,250	
Municipal taxes	3,050	-	3,050	
Utilities	22,925	575	23,500	
Other non-salary expenses	77,501	-	77,501	
Total other - before budget reduction	<u>106,726</u>	<u>575</u>	<u>107,301</u>	Note 6
Budget reduction	<u>(2,700)</u>	<u>-</u>	<u>(2,700)</u>	
Total other - after budget reduction	<u>104,026</u>	<u>575</u>	<u>104,601</u>	

**Gross expenses**

<u>900,730</u>	<u>17,575</u>	<u>918,305</u>
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**Cost recoveries**

<u>(12,900)</u>	<u>-</u>	<u>(12,900)</u>	Note 7
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**Estimated net expenses**

<u>887,830</u>	<u>17,575</u>	<u>905,405</u>
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**Estimated income**

<u>883,813</u>	<u>889,213</u>
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**Surplus (Deficit)**

<u>(4,017)</u>	<u>(16,192)</u>
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The University plans to fund the current year budget deficit through planned underspending of current year centrally managed budgets, and if needed through use of available one-time resources

Note 1: The budget increase reflects the salary scale increases and benefits cost impacts related to the Bill 124 salary agreement reopener adjustments (\$16m) and an increase in costs for extended health benefits (\$1m).

Note 2: 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 and it is to be used for needs based student support programs.

Note 3: The University Fund is used strategically for funding the University's strategic priorities and managing risk.

Note 4: The Capital Project Fund budget supports central funding of capital projects. Other support for capital projects includes other central operating funds, faculty funding, donations and other sources.

Note 5: The Deferred Maintenance Fund supports central funding of deferred maintenance projects. Other support for deferred maintenance includes other central operating funds, faculty funding, grants and donations.

Note 6: Other non-salary budget reflects the budget for a variety of non-salary 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.

Note 7: 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.

# 2023/24 Operating Budget Update and 2024/25 Planning

02/07/2024

## Senate Finance Committee

James W.E. Rush, Vice-President, Academic and Provost



# **2023/24 OPERATING BUDGET UPDATE PROJECTED YEAR END**

# Operating Budget – 2023/24

## In thousands

	2022/23 Opening Budget	2022/23 Budget Update	2023/24 Opening Budget	2023/24 Fall	2023/24 Budget Update
Income	\$861,738	\$872,893	\$883,813	\$888,813	\$889,213
Expense	862,955	872,630	887,830	903,830	905,405
<b>Surplus (Deficit)</b>	<b>(\$1,217)</b>	<b>\$263</b>	<b>(\$4,017)</b>	<b>(\$15,017)</b>	<b>(\$16,192)</b>

**2023/24 operating budget result is a \$16m deficit which will be funded through planned under-spending of current year centrally managed budgets, and if needed through use of available one-time resources.**

**As a consequence of foregoing this planned spending, the University is unable to achieve important work in areas including deferred maintenance, enterprise systems and capital projects.**

# Operating Budget – Income

## In thousands

	2022/23 Opening Budget	2022/23 Budget Update	2023/24 Opening Budget	2023/24 Budget Update	2023/24 % of Total
Grant	\$237,438	\$237,553	\$238,023	\$238,223	27%
Tuition	558,960	552,410	558,850	558,450	63%
Other Revenue	65,340	82,930	86,940	92,540	10%
<b>Total</b>	<b>\$861,738</b>	<b>\$872,893</b>	<b>\$883,813</b>	<b>\$889,213</b>	<b>100%</b>

	2022/23 Opening Budget	2022/23 Budget Update	2023/24 Opening Budget	2023/24 Budget Update	2023/24 % of Total
Revenue attributable to enrolments	\$831,929	\$825,808	\$834,758	\$834,458	94%
Other revenues (not attributable to enrolments)	29,809	47,085	49,055	54,755	6%
<b>Total</b>	<b>\$861,738</b>	<b>\$872,893</b>	<b>\$883,813</b>	<b>\$889,213</b>	<b>100%</b>



# Operating Budget – Tuition Income

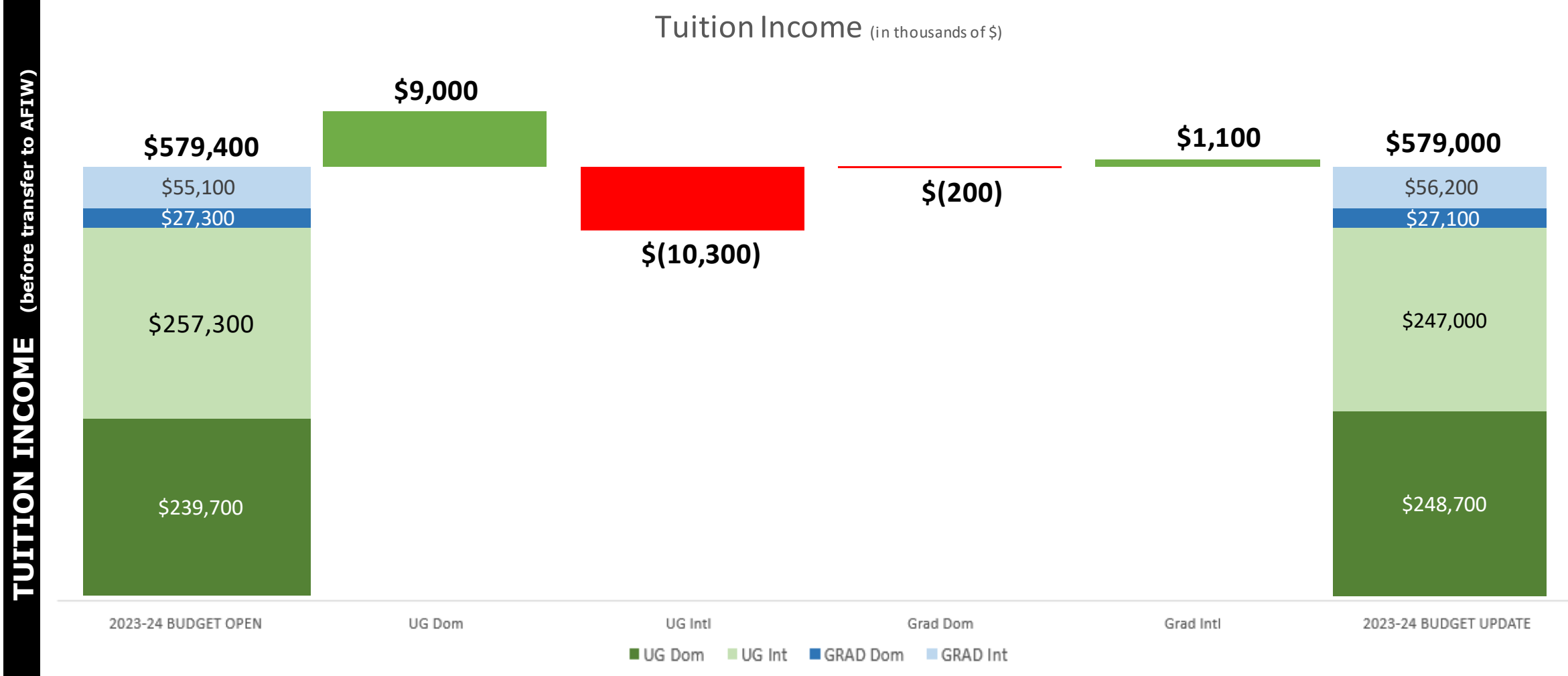
## In thousands

	ONGOING			ONGOING		
	2023/24 Base Budget OPENING	Increase/ (Decrease) \$	Increase/ (Decrease) %	2023/24 Base Budget UPDATE		
<b>INCOME</b>						
Tuition						
Domestic - Undergraduate	\$ 239,700	\$ 9,000	3.8%	\$ 248,700		
Domestic - Graduate	\$ 27,300	\$ (200)	-0.7%	\$ 27,100		
International - Undergraduate	\$ 257,300	\$ (10,300)	-4.0%	\$ 247,000		
International - Graduate	\$ 55,100	\$ 1,100	2.0%	\$ 56,200		
Transfers to AFIW	\$ (20,550)	\$ -	0.0%	\$ (20,550)		
	<b>\$ 558,850</b>	<b>\$ (400)</b>	<b>-0.1%</b>	<b>\$ 558,450</b>		

- Tuition income at Update is forecasted to be \$558,450 in total, which is a decrease of (\$400) or -0.1% below Opening 2023/24 of \$558,850
- Tuition at Update (before transfers to AFIW) is forecasted to be \$579,000 in total, which is a decrease of (\$400) or -0.1% below Opening 2023/24 of \$579,400

# Operating Budget – Tuition Income

## In thousands



# Operating Budget – Expenses

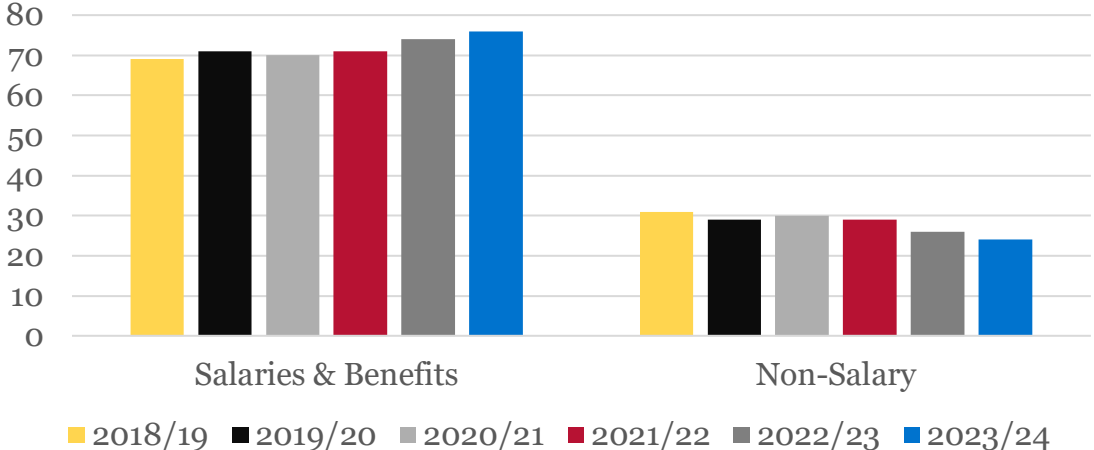
## In thousands

	2022/23 Opening Budget	2022/23 Budget Update	2023/24 Opening Budget	2023/24 Budget Update	2023/24 % of Total
Salary, wages and benefits	\$636,037	\$644,437	\$667,337	\$684,337	76%
Student Support	75,967	75,967	75,967	75,967	9%
University Fund	43,100	43,100	43,100	43,100	5%
Capital Project Fund	3,300	4,300	4,300	4,300	<1%
Deferred Maintenance Fund	-	6,000	6,000	6,000	<1%
Utilities, Insurance, Municipal Taxes	29,225	29,225	29,225	29,800	3%
Other non salary expenses and cost recoveries	80,626	74,901	64,601	64,601	7%
Budget reduction	(5,300)	(5,300)	(2,700)	(2,700)	(<1%)
<b>Total</b>	<b>\$862,955</b>	<b>\$872,630</b>	<b>\$887,830</b>	<b>\$905,405</b>	<b>100%</b>

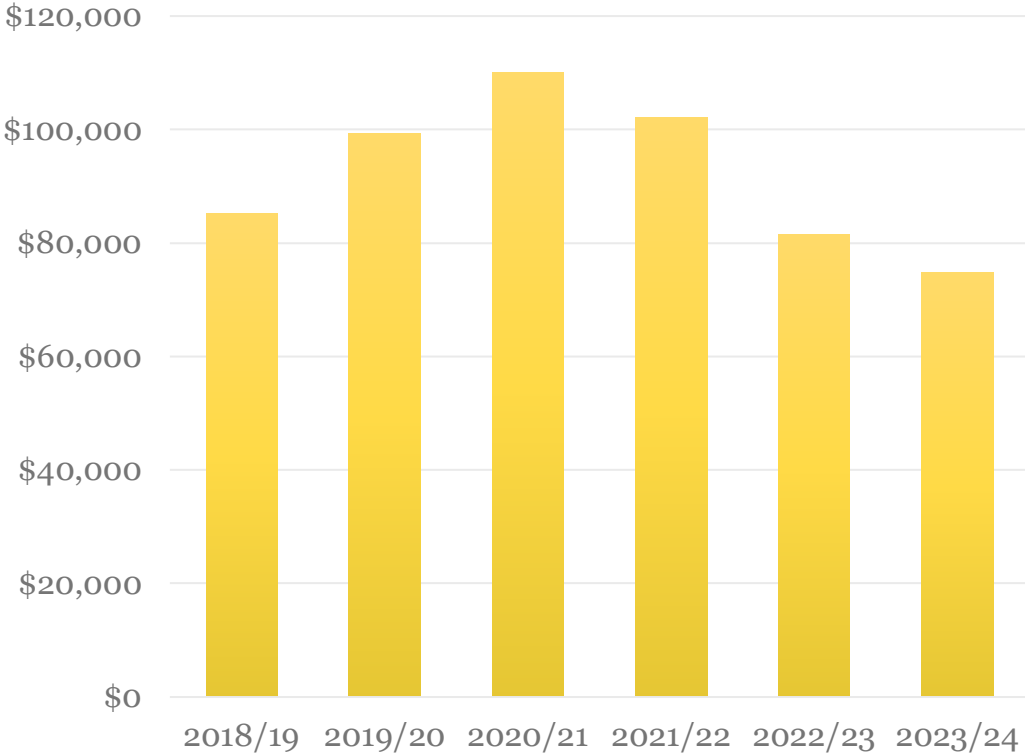
# Other Non-Salary Expenses In thousands

- The chart below shows the relative amount of budget available
- Allocation/spend of non-salary budget provided to faculties and ASUs is determined in-year by the areas based on operational requirements

Relative Expense budget % by Category



Other Non-salary Expense Budget



# Operating Budget – Year over Year

## In thousands

Income	2022/23 Budget Update	2023/24 Budget Update	Change \$	Change %
Grant	\$237,553	\$238,223	\$670	<1%
Tuition	552,410	558,450	6,040	1%
Other revenue	82,930	92,540	9,610	12%
<b>Total</b>	<b>\$872,893</b>	<b>\$889,213</b>	<b>\$16,320</b>	<b>2%</b>
Expenses				
Salary, wages and benefits	\$644,437	\$684,337	\$39,900	6%
Student support	75,967	75,967	0	0%
University fund and other central expenses	82,625	83,200	575	<1%
Other non salary expenses and cost recoveries	74,901	64,601	(10,300)	(14%)
Budget reduction	(5,300)	(2,700)	2,600	(49%)
<b>Total</b>	<b>\$872,630</b>	<b>\$905,405</b>	<b>\$32,775</b>	<b>4%</b>

Note: dollar amounts are shown in thousands, unless otherwise noted



# 2024/2025 PLANNING

# Operating Budget – Overall Approach & Considerations

- Forecasting tuition, enrolment, and other revenue categories
- Understand and plan for salary and benefit costs
- Resources for strategic priorities
- Iterative and integrated processes considering revenue and expenses
- Understanding financial risks and managing them
- Looking forward, and managing transitions between budget years
- Identifying mechanisms to address long-term financial sustainability

# Planning for 2024/25 Operating Budget

- For 2024/25, we expect that the University will have a significant operating budget deficit due to decreased revenues and increased expenses
- work underway towards plan for mitigating the effect of projected 2024/25 operating budget deficit on longer-term financial sustainability



# Planning for 2024/25 Operating Budget

## Challenges Increasing for 2024/25:

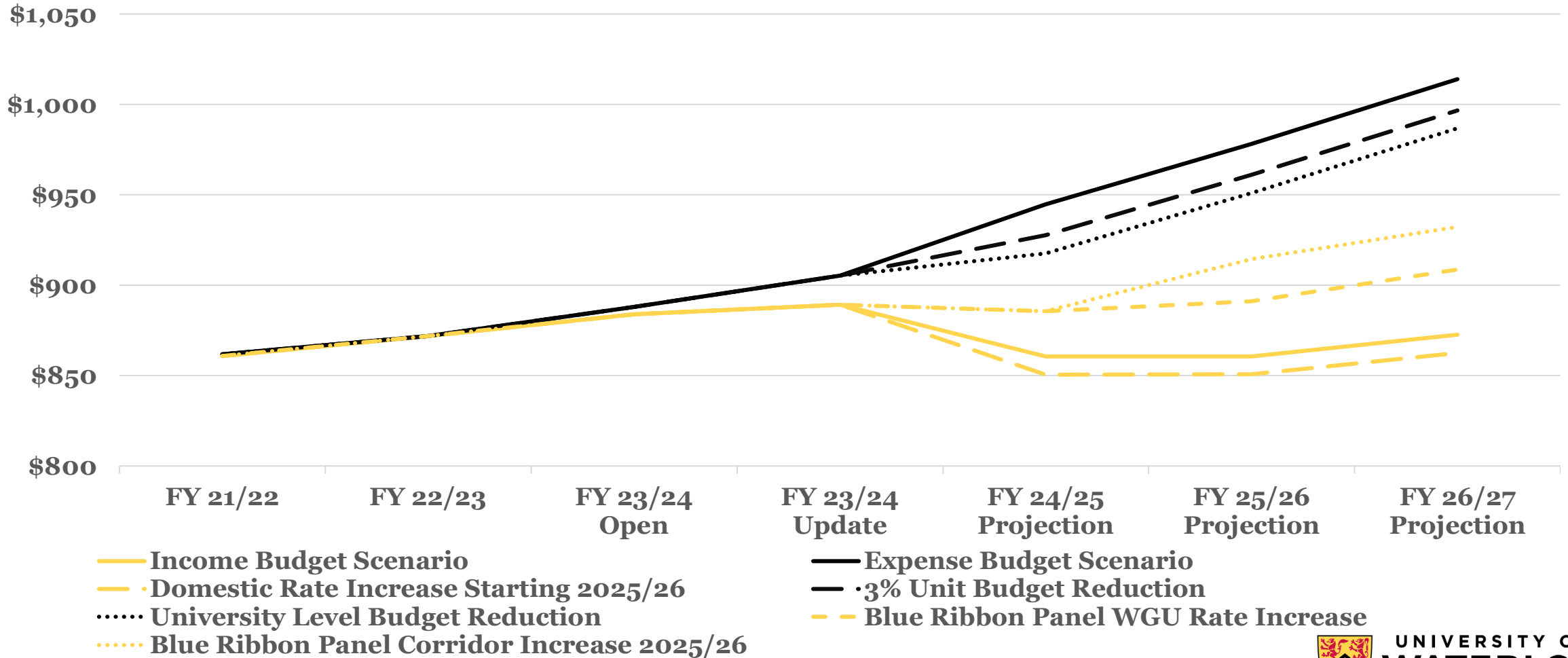
- Constrained Revenue
  - MCU has not yet responded to Blue-Ribbon Panel (operating grant, tuition)
  - Diminished international tuition flexibility
  - International enrolment challenges
- Expense Growth
  - Cost increases - salary and benefit cost escalation
  - Other cost escalations
- Government and geopolitical uncertainty
- Newly announced cap on international student study visas
- For 2024/2025, significant deficit expected due to constrained revenue and overall expense growth
  - Work underway on a plan to address the 2024/2025 deficit, also considering further future years

# Operating Budget – Challenges Increasing for 2024/25

Placeholder for Updates on dynamic issues since the distribution of Senate Finance Committee materials

# Multi-year Operating Budget Projection Based on Scenario Estimates and Possible Impacts

Operating Income and Expense Budget Scenario Examples  
(in millions)



# Operating Budget – Enrolment Trends and Projections

For reference, please see attached reports from January 29, 2024 Senate on Undergraduate and Graduate Admissions Data

Additional enrolment trend data will be shown at the Senate Finance Committee on February 7, 2024

## Undergraduate Admissions 2019-2023 Brief prepared for Senate 29 Jan 2024

This Brief provides an overview of Fall 2023 undergraduate admissions, along with comparative data from 2019-2022 and an early look at Fall 2024 application numbers. The recruitment and admissions funnel includes the number of applications, number of offers, number of acceptances (matriculations), and count date registrations (Nov 1 enrolment, first year new admits) for each of the most recent five years. Data are divided into domestic and international numbers, as each cohort represents different targets and is assessed different levels of tuition.

### OBSERVATIONS

#### Domestic

Domestic applications and enrolment remained strong overall with confirmations exceeding expectations. The range of admissions averages and criteria varied broadly between competitive entry programs or those with capacity limitations, and those programs accepting minimum entry averages and making offers to all eligible applicants. Many of our programs applied minimum admissions criteria to meet target. We also made alternate offers to programs with not enough qualified applicants.

#### Domestic applications, offers, matriculations, registrations 2019-2023

Domestic	2019	2020	2021	2022	2023
Applications <sup>1</sup>	36,694	37,086	42,300	50,086	49,933
Offers <sup>1</sup>	22,665	27,261	26,186	26,812	28,338
Matriculations <sup>2</sup>	5,918	6,761	6,447	6,432	6,376
Nov 1 Registered <sup>3</sup>	5,652	6,333	6,123	6,058	6,087
Targets <sup>4</sup>	5,553	5,558	5,532	5,594	5,617
% of Target	102%	114%	111%	108%	108%

Source: University of Waterloo Institutional Analysis & Planning (IAP)

#### International

The numbers below demonstrate declining international applicant interest in Waterloo. In Fall 2023, Waterloo had the 3rd largest volume of applications in the province (behind Toronto and Ottawa), and the 4th largest volume of confirmed students to full-time first-year studies (behind Ottawa, Toronto, and York, in that order). Note: international students in this report are defined as international fee-paying students.

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1. Applications and Offers data sourced from Registrar Resources Admissions Reports in Power BI Admissions reports | Registrar Resources ([uwaterloo.ca](http://uwaterloo.ca)).
  2. Matriculation is the process of adding students as active in a program in Quest. For the purposes of this analysis, matriculation denotes the number of full-time Year One students who are eligible to enrol at the end of July, as defined in IAP's Year One Monitoring reports.
  3. November 1 Registered data source from IAP's Year One Monitoring reports (Quest extracts).
  4. Targets established by Provost and Faculty Deans.

### International applications, offers, matriculations, registrations 2019-2023

International	2019	2020	2021	2022	2023
Applications <sup>1</sup>	20,153	18,604	19,189	17,692	16,642
Offers <sup>1</sup>	6,609	8,839	7,500	8,361	8,280
Matriculations <sup>2</sup>	1,513	2,227	1,425	1,465	1,245
Nov 1 Registered <sup>3</sup>	1,084	1,468	965	937	812
Targets <sup>4</sup>	1,260	1,271	1,223	1,187	1,156
% of Target	86%	115%	79%	79%	70%

Source: University of Waterloo Institutional Analysis & Planning (IAP)

The significant drops between application to registrations are due to a variety of internal and external factors.

- For most programs, we extended offers to all qualified international applicants using our minimum admission criteria. By contrast, our most competitive areas for admission had deep applicant pools and extremely high admission average cut-offs (most Faculty of Math programs and several programs in the Faculty of Engineering).
- Waterloo has lost market share across the U15 universities, declining from 7% to 4.6% of student visas issued among the U15.
- Since 2022, more than 50% of student visas issued are for Ontario institutions (source: [ApplyBoard](#)). Waterloo has a very good visa approval rate of 86.5% - second only to Toronto in the province (source: [Toronto Star](#)).
- Canada continues to attract more foreign workers along with their dependents. As a result, we are seeing significant growth in the number of dependent students applying as international applicants and subsequently registering as domestic students. This contributes to international summer attrition rates.
- International melt (attrition) rates among Waterloo new students are largely for financial reasons, particularly among those students who had indicated Waterloo was a *top* choice on their application (Source: Fall 2023 International Student Melt Survey). External research also indicates that international students across the sector are increasingly prioritizing employment and finances ([ApplyBoard](#)).

### Summary Undergraduate international summer attrition rate, 2019-2023

All Faculties	2019	2020	2021	2022	2023
Matriculation <sup>2</sup>	1,513	2,227	1,425	1,465	1,245
Nov 1 Registered <sup>3</sup>	1,084	1,468	965	937	812
Summer attrition <sup>5</sup>	28.4%	34.1%	32.3%	36.0%	34.8%

We continue to see a nearly half of our international fee-paying student population coming from high schools within Canada.

<sup>5</sup> Summer attrition or “melt” is the percentage of students who accept their offer of admission and are counted as part of the Matriculation numbers but do not attend and are not part of the institution by the November 1 Registered date.

### International registered students who had attended high school in Canada vs. outside Canada, Fall 2023

Source: Registrar's Office, Admissions



### International registered students, by country of last school attended, and country of citizenship, Fall 2023

source: Registrar's Office, Admissions

Last school attended (by country)	Registered	%
Canada	352	43%
India	127	16%
China	117	14%
United Arab Emirates	42	5%
United States	14	2%
Bangladesh	13	2%
Kenya	11	1%
<i>Rest of world</i>	<i>136</i>	<i>17%</i>
<b>Total</b>	<b>812</b>	<b>100%</b>

Citizenship	Registered	%
China	370	46%
India	196	24%
Korea	47	6%
Viet Nam	19	2%
Pakistan	17	2%
Hong Kong	17	2%
Nigeria	15	2%
<i>Rest of world</i>	<i>131</i>	<i>16%</i>
<b>Total</b>	<b>812</b>	<b>100%</b>

## EARLY LOOK: FALL 2024 UNDERGRADUATE APPLICATIONS AND OFFERS

Applications	2020	2021	2022	2023	2024 (as of Jan 4)
Domestic	37,086	42,300	50,086	49,933	42,973
International	18,604	19,189	17,692	16,642	11,499

*Note that Fall 2020-2023 numbers are final, from end of cycle; the Fall 2024 numbers are as of Jan 4 and will grow somewhat. Most applications close on Feb 1 though there will continue to be small additions through the spring and summer.*

### **Domestic – comparing our numbers Jan 4, 2024 with the same date last year**

- We have a modest 4% increase in Domestic applications to first-year compared with the same time last year, while there is an increase of 7% across Ontario. The majority of our increase is comprised of applicants who ranked Waterloo as their 3<sup>rd</sup> choice or greater.
- We are 5<sup>th</sup> in total domestic applications to first-year behind Toronto, McMaster, Western, and Queen’s.
- Our collective work to recruit, admit, and better support self-identified Indigenous students in recent years is showing positive results. The number of offers of admission we were able to make in 2023 was more than double the number made in 2018.

### **International – comparing our numbers Jan 4, 2024 with the same date last year**

- International applications to first-year are down approximately 7% across Ontario and down approximately 11% for Waterloo when compared with numbers at this same time last year.
- We have a considerable decrease in 1<sup>st</sup> choice applications of approximately 22%, compared with a decrease of approximately 8% across Ontario, again compared with numbers from the same time last year.
- We are second to Toronto in total international applications to first-year. McMaster and Ottawa are close behind.
- International applications from students studying in Ontario Secondary Schools are up, while the applications from international students studying outside of Ontario are down. Externally, geo-political and financial factors are key influencers. Canadian universities are experiencing a significant decrease in applications from the two largest source countries for qualified students – China and India. With the exception of a small increase in Fall 2021, Waterloo has been experiencing a decline in international applications since 2018.
- In India, there is an emerging negative perception of Canada as a high-quality destination for post-secondary education. Canada’s eroding value proposition appears to be hitting institutions across the sector, with a [40% decline in applications from India for study permits to Canada in the second half of 2023](#). Waterloo has seen a ~35% decrease in applications from India year-over-year for the Fall 2024 incoming class (source: Quest). Geo-political tensions have lead to a media narrative that positions Canada as having insufficient housing / food / jobs, being dangerous for Indian nationals, and selling a false promise of the realities of living successfully in Canada. A campaign is in progress to address the negative perception of Canada and emphasize Waterloo’s key differentiators via paid, owned, and earned media.
- To support our international recruitment efforts, travel increased with the addition of two Admissions Officers taking on a recruitment portfolio; executive leaders supported international visits and events; digital engagement was enhanced through paid and organic digital advertising, search engine optimization, social media, and earned media;



- and comprehensive market reports were developed for key markets.
- In Admissions, we are continually striving to improve our knowledge and efficiency to allow for assessments to be made quickly and accurately. We will continue to assess international applications and make offers as quickly as we have the information required to do so.

### **Offers**

- We have made 20% more offers of admission to domestic students and 46% more offers of admission to international students than at this time last year.

## **Graduate Student Application & Enrollment Data for Fall 2023** *Brief prepared for Senate 29 Jan 2024*

The following report summarizes the University's graduate student admissions data for fall 2023. For background, this report presents the data in a format that reflects the graduate student "admissions funnel". This is structured as follows. We report:

1. Total applications to the University.
2. The number of applicants who receive offers from the University.
3. The number of offers that are accepted by the applicants.
4. The number of students who accepted the offers that ultimately matriculated and were counted at Government count date.

The data are presented for the University as a whole, then disaggregated as follows:

1. By international and domestic applicants.
2. By those applying to course-based master's programs, research master's programs, and PhD programs.

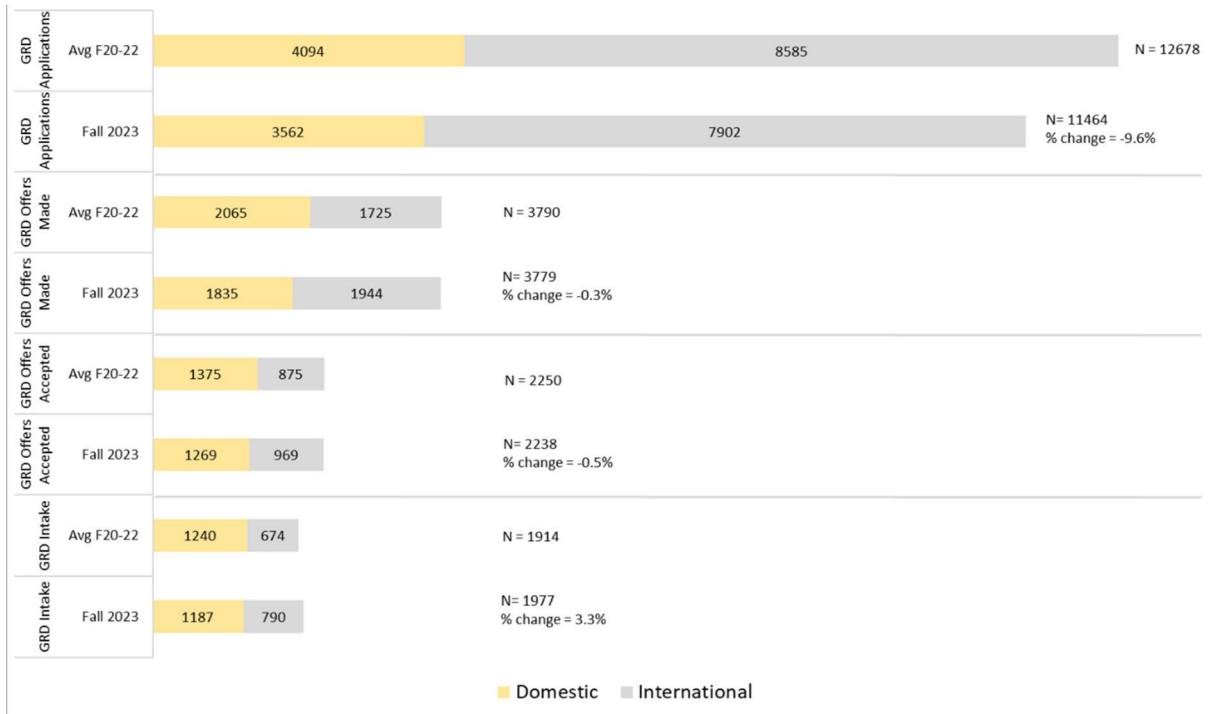
For comparative purposes, the fall 2023 data are presented with the average of the previous three years – fall 2020, 2021, and 2022. This comparison is motivated by the variance that is typical in graduate applications which makes year-over-year comparisons less valuable.

Note also that many graduate programs allow admissions in each of the three terms. So, the Fall data are a subset of total applications / admissions – about 75%.

The summary is that the University saw general weakness in its applicant pools to all of its program types, with substantive weaknesses in its international applicant pools for course-based programs. Despite the smaller applicant pool, the number of offers made remained relatively constant, with greater emphasis on offers to international students.

In total, the intake for fall 2023 was roughly equivalent to the previous three years, with modest growth in master's programs offsetting declines in PhD enrollments.

## Aggregate fall 2023 graduate applications

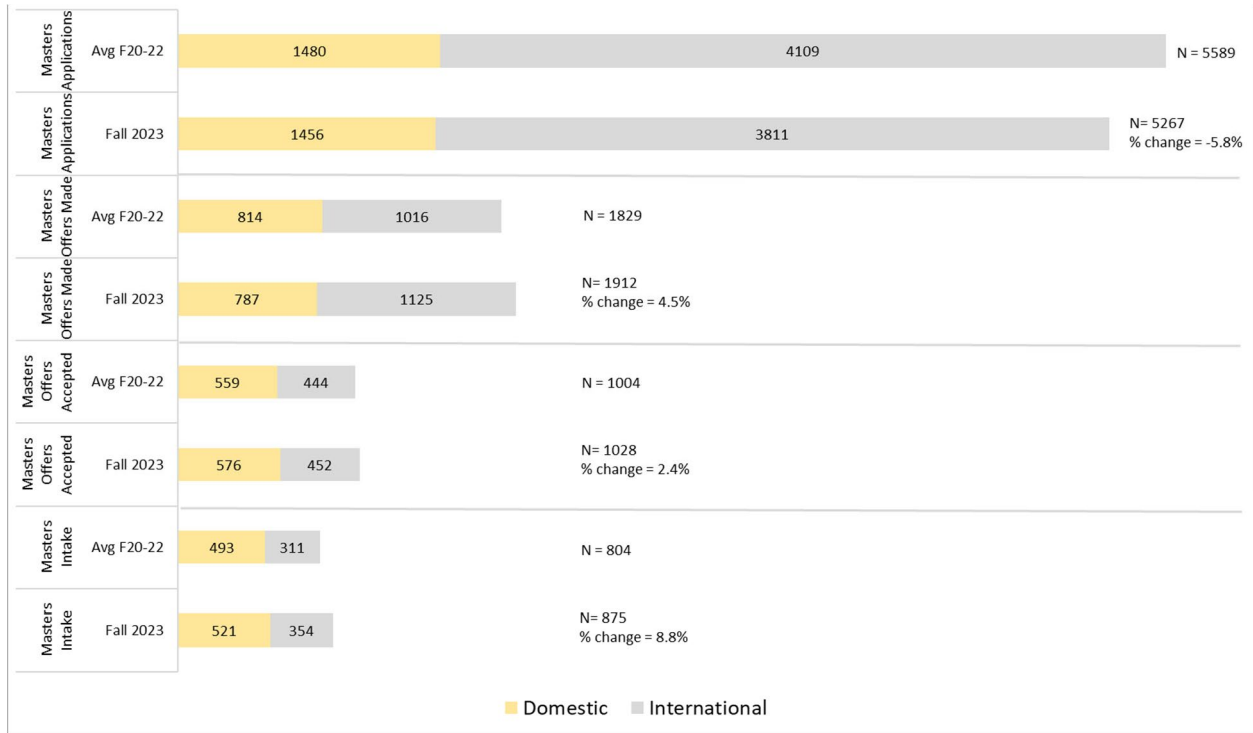


The graph shows the aggregate data for all graduate applications to the University in Fall 2023. In aggregate, the University saw declines in total applications, with similar reductions in domestic and international applications. In sum, there were about 10% fewer applications to graduate programs in fall 2023 compared to the previous three years.

Despite the reduced number of applications, the university made nearly the same number of offers to students in 2023 as the average over the previous three years. There was a greater emphasis on international offers in fall 2023 than in previous years.

There were no substantive changes in the proportions of offers accepted or in the matriculations. In fall 2023, Waterloo welcomed 1,977 new students with approximately 40% being international.

## Fall 2023 applications to course-based Master’s programs

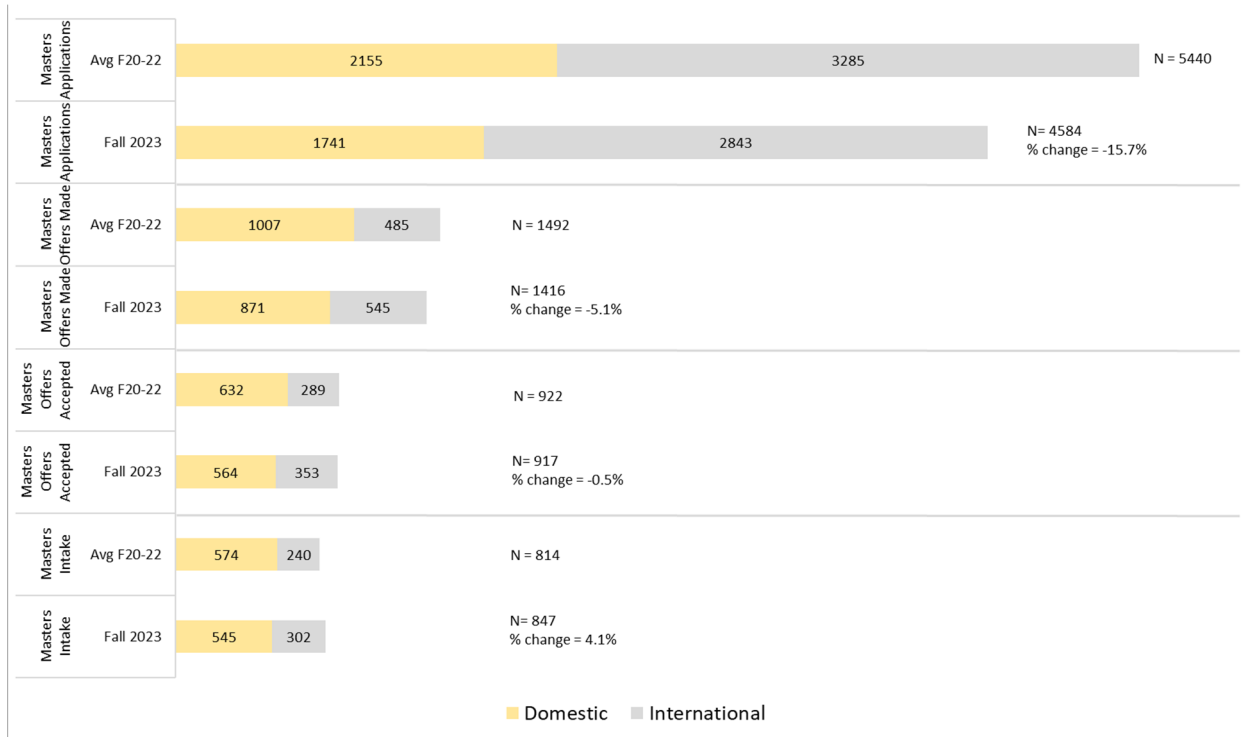


Fall 2023 generated about 5% fewer applications, with a decline predominantly in international applications (about 300 fewer). The University made a larger number of offers, about 80 more (or ~4.5%), with a greater proportion of offers made to international applicants.

Of the offers made, 40% of international applicants accepted offers, whereas more than 73% of domestic applicants accepted offers. This difference in acceptance rates is consistent with previous years and is likely a result of the tuition differential for these two student cohorts.

The University’s intake of new course-based master’s students was 875, about 9% higher than the previous three years. Attrition rates (measured as the proportion of accepted offers who do not matriculate) was 9.5% for domestic students and 22% for international students.

## Fall 2023 applications to research Master's programs

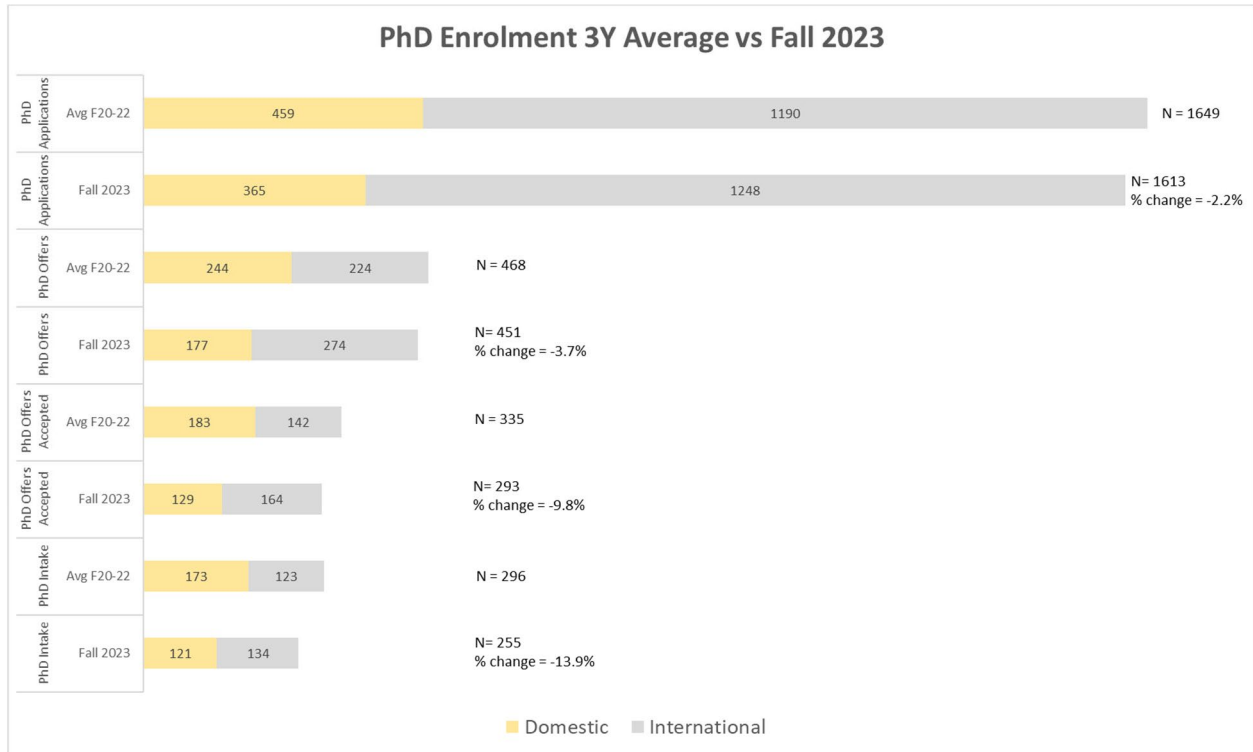


The University saw a large decline in applications for our research master's programs. In total, applications decreased by about 16%, with decreases in both domestic and international applications (19 and 13% respectively).

Supervisors made significantly fewer offers (136 or ~14%) to domestic applicants in fall 2023 compared to previous years. For international applicants, supervisors made a larger total number of offers, 545 compared to 485 (+70), from a smaller applicant pool (3285 versus 2843, or 442), reflecting a much higher offer rate (19.2% versus 14.7%) than the previous three years.

Offers were accepted and attrition rates were roughly comparable to previous three years.

## Fall 2023 PhD applications



The University continues to rely heavily on PhD applications. For fall 2023, the ratio of international applicants to domestic applicants was 3.4:1, substantively higher than the average of the previous years (2.6:1). Attracting strong domestic applicants to Waterloo’s graduate (PhD) programs remains a challenge.

Supervisors made offers to 451 applicants in F2023, roughly equivalent to the three year average. The offers made in F2023 were more heavily skewed to international students than in previous years; offers to international students represent ~61% compared to the historic value of ~48%.

The number of PhD offers accepted was down by ~10% in Fall 2023, resulting in a very low intake (matriculated) student count of 255.