Operating Budget

2024-2025

University of Windsor

To the University of Windsor Campus Community,

At the University of Windsor, our strength emanates from our people and the relationships we form with each other and our communities. Our strategic plan, *Aspire: Together for Tomorrow,* emphasizes leveraging these connections for transformative change, promoting increased focus, equity, and accountability. *Aspire* guided our budgeting process for the new fiscal year, helping ensure our shared values and goals remained central.

I am pleased to present a budget for the fiscal year 2024/25 which is balanced through the prudent use of the Ministry of Colleges and Universities one-time funding. This was made possible through an immense and challenging collective effort to realize efficiencies while honouring the commitments made in *Aspire.*

The higher education landscape is in constant flux, with recent developments posing challenges for not only UWindsor but all postsecondary institutions in Ontario and Canada. It is imperative that we exercise prudence. Ensuring fiscal sustainability is paramount to realizing our academic mission, achieving the collective goals outlined in *Aspire*, and mitigating institutional risk.

While the budget is balanced, the University is implementing a multi-year base budget balancing strategy. It emphasizes our commitment to financial stability, which is influenced by federal and provincial policy decisions, demographics, fundraising, enrolment fluctuations, and competitive pressures.

We have received some clarity from the province regarding the next three years, and we anticipate minimal alterations to tuition rates and only temporary grant funding. As well, changes in the international student market, coupled with recent federal caps on undergraduate international student study permits, will affect our ability to deliver on the aspirational goals outlined in the University's strategic enrolment management plan.

Adapting to funding frameworks and global dynamics will require careful budget planning and enhanced effectiveness. As a university, we must become even more agile and resourceful, leveraging collective wisdom and innovative practices. Plans will be aligned with current financial realities, with *Aspire* guiding resource allocation and revenue generation.

Together, we will make significant strides, addressing challenges while nurturing our collective spirit and upholding our shared values.

Robert Gordon, PhD
President and Vice-Chancellor

2024/25 Operating Budget

I. THE UWINDSOR ACTIVITY BASED BUDGET MODEL

The 2024/25 fiscal year represents the fourth year that the University of Windsor (UWindsor) has budgeted under the Activity Based Budget (ABB) model. A budget model is a management tool used to assist with resourcing decisions. It does not, in and of itself, create additional revenue for the institution. Rather, it is a framework for managing the budget employed to help achieve the strategic mission of the institution. At UWindsor, the ABB model was developed in 2020 by the Budget Redesign Committee (BRC) and has since been monitored by an ABB Governance Committee.

1. How the UWindsor ABB Model Works

Key to the ABB model is organizing all UWindsor operating units such that they are classified as either revenue or cost centres. Major revenue-generating departments responsible for delivering the academic mission (i.e., the 8 Faculties) are identified as 'Revenue Centres' with all operating revenues of the institution flowing through them and all expenses allocated against them. In simple terms, the budget model calculates a 'notional' financial position for each of the Revenue Centres using the formula below.

Image 1: The ABB Net Position Calculation

Budgeted Revenues - Direct and Allocated Expenses = Net Position (of the Revenue Centre)

<u>Revenues in the UWindsor ABB Model</u>

1. **Student Fees**

Student fees include tuition fees, tuition adjustments (for service teaching) and student incidental fees. Tuition is assigned directly to the Revenue Centre (Faculty) where the students major. The UWindsor ABB Model incorporates a 'created rate' for domestic undergraduate tuition at 3% premia to the general base rate to account for historical tuition rate increase inequities under prior government tuition frameworks. All other tuition fees are assigned according to their actual rates.

Tuition revenue is then adjusted for service teaching to account for courses students take outside their home Faculty. Students in joint major programs are counted as enrolled 50% in each program meaning their service teaching adjustment will now be based on an average of both home Faculty tuition rates whereas students taking a minor would observe the tuition rate of the Faculty where they are majoring.

Student incidental fees in the Operating Budget include Athletics and Recreation fees, Co-op fees, Student Health fees, Student Late Payment fees, among others. Where possible, these fees are assigned in the model directly to the department they are supporting. In some cases, they are assigned against the University Fund which supports institutional strategic initiatives and central reserve funds.

2. Government Operating Grants

The Core Operating Grant and Performance Grant (including the SMA3 Contingency Reserve) for the institution are allocated to all Faculties based on Weighted Grant Units (WGUs). This is the same activity driver the Ontario government uses when calculating institutional operating grants. Special purpose grants (i.e. Nursing Collaborative Grant) are assigned directly to the Faculty or department they support.

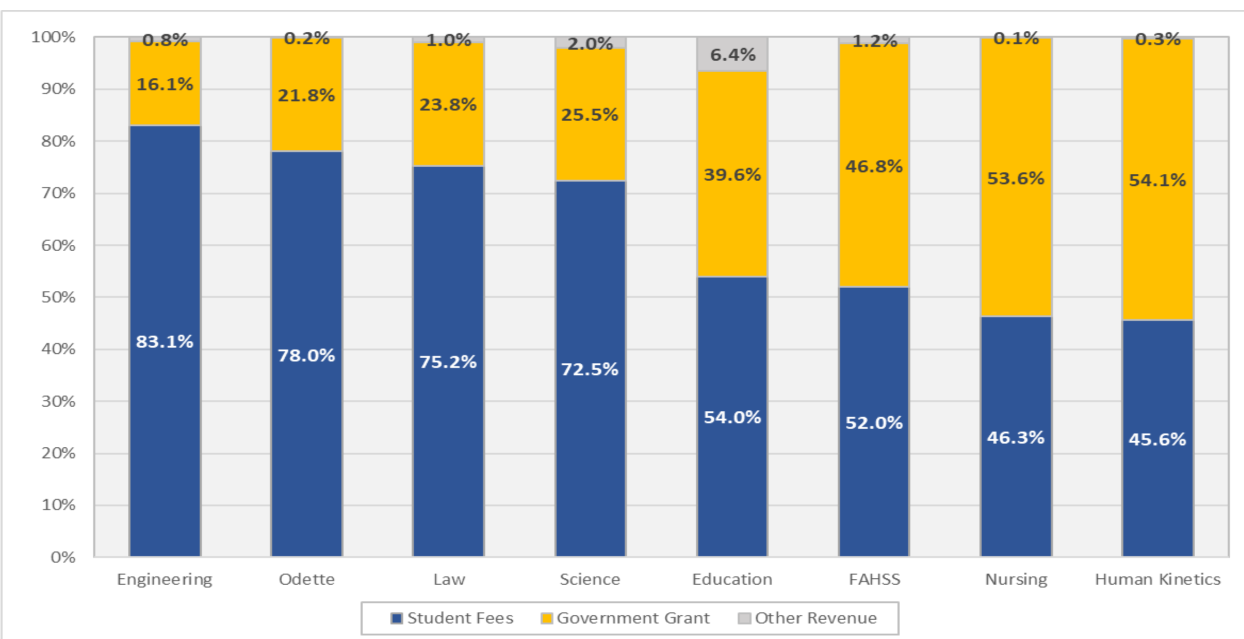
In Winter 2024, MCU announced a three-year $700M Postsecondary Education Sustainability Fund. UWindsor's share of this fund is $14.1M over the three-year period with $2.8M expected in 2024/25. Because of the one-time nature of this funding, it is not considered in UWindsor ABB Model calculations. Similarly, funding received for the Faculty of Nursing that is temporary in nature has not been captured in the ABB Model calculations.

3. Other Revenues

All other revenues generated by the institution are allocated, where possible, to the Revenue Centres. Indirect Research revenues are allocated 70% to the Revenue Centres and 30% to support strategic research activities under the direction of the Vice-President, Research and Innovation. Investment income from working capital funds, foreign exchange, and other small levies which are not easily allocated and are directed towards the University Fund.

The chart below illustrates the percentage of total revenues generated by each of the Revenue Centres (i.e. Faculties). Faculties on the left side of the graph tend to have higher tuition rates (domestic and visa) and, except for Law, have a higher concentration of international students. Faculties towards the right are generally less diversified and more focused on domestic students and, therefore, rely more on government grant funding.

Chart 1: 2024/25 Faculty Sources of Revenue (under UWindsor ABB)



Expenditures in the UWindsor ABB Model

1. **Direct Costs**

These are the costs of academic delivery where each Faculty has 'direct control'. They generally include faculty and staff salary and benefits, graduate and undergraduate teaching assistant support, sessional instruction, office expenses, lab costs, Faculty research support, and all other discretionary costs for each Faculty. To balance the budget for 2024/25, every Faculty and department across campus is required to realign 1.5% of their salary and benefit budget. This 'realignment' has been netted against each Faculty salary and benefit budget and will be independently managed by each Faculty.

2. **Other Assigned Direct Costs**

Direct costs hosted outside Faculty budgets but are directly assigned as part of the cost of individual Faculties. These include research institute expenses that are assigned directly to the Faculty that aligns with the home Faculty of the Chair of the institute. The ABB Governance committee intends to review the allocation methodology for Research institutes in the ABB model in the 2025/26 budget cycle. The Law Library is assigned as a direct cost for the Faculty of Law. It should be noted that Law does not participate in the allocation of Leddy Library costs. International student recovery and international student recruitment partner costs are assigned as direct costs of each student's home Faculty.

3. **Allocated Costs**

Allocated costs represent each Faculty's portion of the institution's shared-service costs. All shared-service costs are grouped together into eight 'Cost Pools' for ease of allocation. Each cost pool is allocated to Revenue Centres using 'Cost Driver(s)' that are selected to best represent the activities that drive costs within the shared-service unit. Hence, an "activity-based budget."

The table below provides details of the cost pools and the cost drivers used to allocate these costs to the Revenue Centres.

Table 1: Cost Pools and Cost Pool Drivers in the UWindsor ABB Model

Cost Pool	Cost Driver	Shared-service Units (Examples)
Financial Costs	50% Tuition & Operating Grant 50% Direct Operating Budget	Debt costs; Finance Department
Central Administrative Costs	Campus FTEs (Student + Faculty + Staff)	Office of the President, Provost, VP, PE&I, VP Finance & Operations; Institutional Support services; Other Central costs
Occupancy Costs	Net Assignable Square Meters	Utilities; Facility Services Department
Operating Scholarship Costs	70% Actual Scholarship Usage 30% Student FTEs	All Operating Budget-funded scholarships and bursaries awarded

Campus Community Support Costs	Campus FTEs (with slight adjustments for the Leddy Library)	Human Resources; Special Constable Service; Centre for Teaching & Learning/Open Learning; Information Technology; Leddy Library; Public Affairs & Communications
Student Experience Costs	Student FTEs	Student & Academic Services; Student Experience; Athletics & Recreation Services; Faculty of Graduate Studies
Pre-/Post Student Development Costs	30% Student Offers 70% Student Registrations	Enrolment Management; Admissions & Registrations; Student Recruitment; Advancement and Alumni
Research Support Costs	55% External Research Revenue 35% Research Applications 10% Tenured Faculty Counts	Office of the VP Research & Innovation; Research Services; Research Finance

New for 2024/25, the Occupancy cost pool is now cross allocated to all other cost pools. The ABB Governance committee implemented this change with the intention of creating a more accurate reflection of the total cost of space at the University by assigning space costs to the Cost Centres (in addition to the Revenue Centres). The net effect in the UWindsor ABB Model is a smaller allocation of Occupancy costs made directly to the Faculties with a significant portion (approximately 1/3) of the Occupancy costs allocated indirectly through the other cost pools where the Cost Centres are housed.

Service Level Agreements

The allocation of shared-service costs to Faculties in the UWindsor ABB Model has created a new, more transparent accountability between the shared service provider departments and the Faculties. Service Level Agreements (SLAs) specifying the level of service provided and laying out the metrics by which service can be measured are being implemented to provide academic leaders with a better understanding of the service offerings across campus.

An SLA is a tool employed to describe how a service area operates in support of achieving institutional strategic priorities. SLAs help consumers of services better understand the services available and should work to align these services towards achieving the academic mission of the institution.

At UWindsor, SLAs are being implemented to help achieve 5 key strategic priorities:

- To better align resources in support of Faculties and students
- To provide an enhanced understanding of the service offerings available across campus
- To focus service areas on serving the mission of the institution
- As a way of supporting the strategic priorities detailed in the *Aspire* strategic plan
- To help inform resource allocation decisions according to the ABB model

Preparation of SLA documents is expected to be completed by most services areas across campus prior to the start of the 2024/25 budget year. The development of SLA documents represents the first step on a continuous improvement path towards better aligning service offerings to meet the needs of Revenue Centres. A change management team will assist service areas and Faculties in negotiating the changes required to close the gaps between current service level capabilities and service delivery expectations.

4. Initial Contribution to the University Fund

The University Fund is the mechanism within the UWindsor ABB Model that provides the institution with the ability to act as one entity for key initiatives. It is used to support institutional strategic investments, contingencies, and reserve funds (the "first contribution") and finally, provides balancing across the Revenue Centres, with the Faculties in a positive net position under the model supporting those in a negative net position (the "second contribution", discussed in the Calculating the Net Position section below).

Each Faculty makes an initial contribution to the University Fund based on a percentage of their revenue generation. This is a significant strategic 'lever' available to senior leadership within the budget model. In 2024/25 the percentage is being reset to a balanced position for each revenue category to recognize the need to prioritize all student enrolment growth. The table below provides a year-over-year comparison of University Fund contribution rates by revenue category. 2024/25 has the lowest overall effective contribution rate as the costs of strategic and reserve funds have been significantly reduced to balance the budget overall and the University Fund is no longer responsible for bearing costs related to the Research Institutes consistent with the BRCs 5-year transition plan.

Table 2: University Fund Contribution Rates (First Contribution) by Revenue Category

Fiscal Year	Domestic Student Tuition	International Student Tuition	Government Operating Grant	Effective Rate
2021/22	2.78%	2.78%	2.78%	**2.78%**
2022/23	0.00%	8.25%	5.00%	**4.94%**
2023/24	0.00%	6.15%	3.50%	**3.70%**
2024/25	1.58%	1.58%	1.58%	**1.58%**

<u>Balancing Revenue Centre Net Positions</u>

Revenue Centres with 2024/25 budgeted revenues greater than budgeted expenditures (including all allocated costs) will be deemed in a positive net position. These Faculties will receive base budget investments and will make a second contribution to the University Fund, subsidizing those Faculties in negative net positions.

Faculties where the 2024/25 budgeted revenues are below their budgeted expenditures (including all allocated costs) are in a negative net position. Their position is balanced through base budget realignments and subsidies from the net positive Faculties.

Faculty Financial Sustainability Plans (FFSPs)

All Faculties have been asked to develop Faculty Financial Sustainability Plans (FFSPs) – strategic financial documents prepared by the Deans and approved by PBC that will include, but are not limited to, the following details:

- Top strategic priorities guiding the Faculty into the future
- Financial risks and challenges facing the Faculty, including mitigation plans
- Academic programming change management plan – new, reimagined, or discontinued
- Enrolment planning for all categories of students aligned with the University SEM plan
- Potential strategic opportunities
- Faculty and staffing requirements
- Faculty research goals and associated KPIs
- Long term infrastructure and capital planning objectives
- Fundraising ambitions

FFSPs will form the foundation for decision making related to budget investments and realignments for each Faculty and will align with the *Aspire* strategic plan.

University administration has determined that the first FFSP to be prepared will be for the University's largest and most complicated Revenue Centre – the Faculty of Arts, Humanities, and Social Sciences (FAHSS). A committee has been established, and work on this project is underway with an expected timeline for the completion of the FAHSS FFSP before the end of the 2024 calendar year. The expectation is the FAHSS FFSP will become a template for the development of FFSPs for all other UWindsor Revenue Centres.

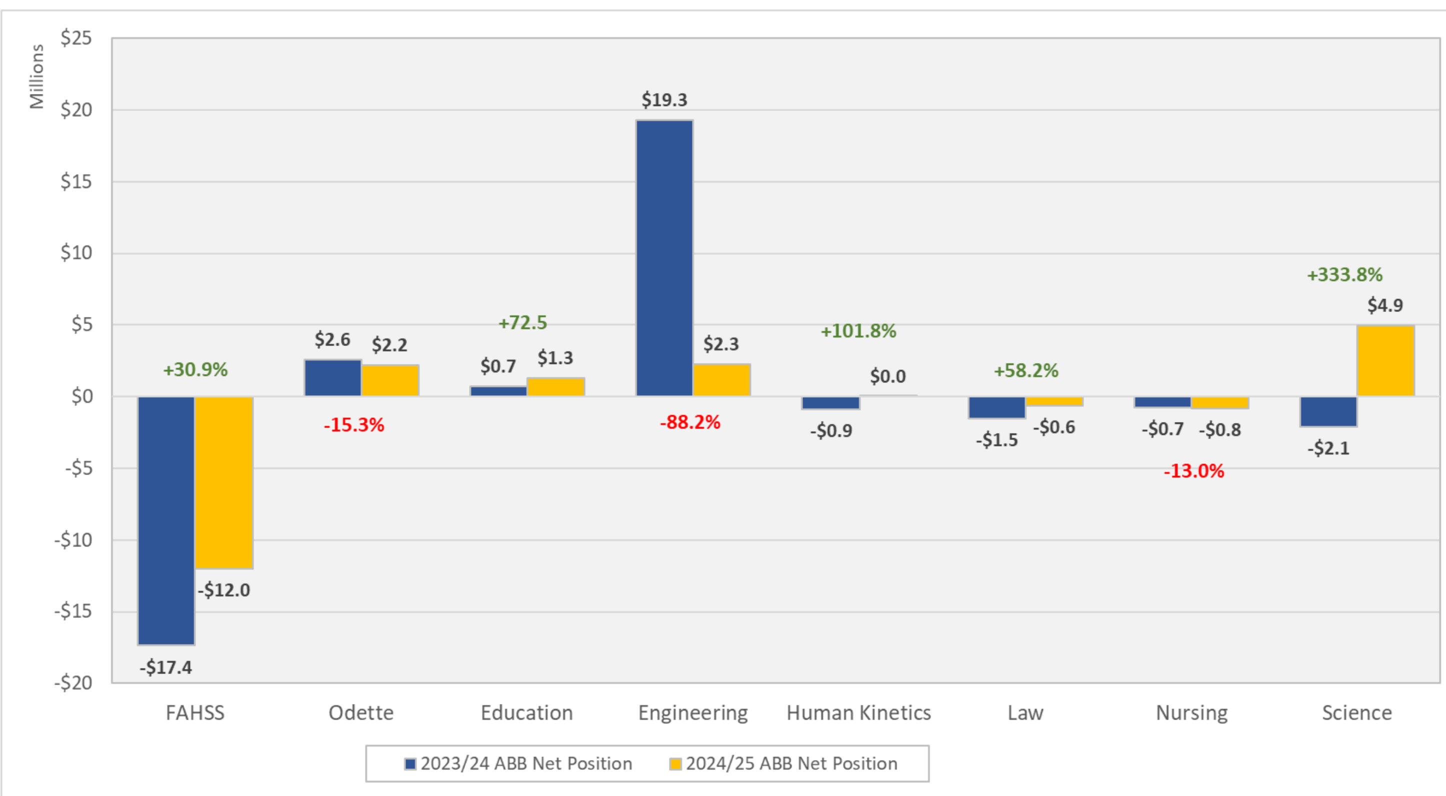
2. Changing Faculty Positions for 2024/25

In 2024/25 we are observing the first significant change in net position results since the introduction of the UWindsor ABB Model. The Faculty of Engineering is grappling with a decline in their net position (decrease of $17M from 2023/24) as enrolment in their largest international course based master program, Master of Engineering is budgeted lower than in recent years. This is reflective of the challenges being faced in the international markets because of geopolitical unrest, particularly between Canada and India. This change in enrolment pattern in the Faculty of Engineering is expected to be temporary, and the Faculty's planned launch of Master of Engineering: Electric Vehicles stream is expected to be in significant demand.

As a result of the implementation of several budget balancing strategies, only two other Faculties are observing lower net position results than they achieved in 2023/24: the Odette School of Business and the Faculty of Nursing.

Every other Faculty has seen a positive change in their net positions from 2023/24. Most significantly, the Faculty of Science (up $7M) and FAHSS (up $5.4M) have shown the most year-over-year improvement. Each Faculty has achieved their respective net position results on the strength of their own unique set of circumstances. The chart below provides a comparison of pre-balancing net positions for all Faculties for the current and previous fiscal years.

Chart 2: Faculty Net Position Comparison (in $M)



II. BUDGETING ENROLMENT

Student enrolment continues to drive almost all operating revenue for UWindsor. Faculties concentrate their efforts on achieving their enrolment management strategies as base budgets are directly impacted by enrolment levels under the UWindsor ABB Model.

1. Managing Enrolment within the Faculties

Enrolment is classified into four main components: 1) undergraduate domestic; 2) undergraduate international; 3) graduate domestic; and 4) graduate international.

Under the UWindsor ABB Model, Faculties receive a share of the Provincial Operating Grant proportionate to their eligible domestic student enrolment, which is an important element to motivate Faculties to grow domestically, both at the undergraduate and graduate levels.

2. The Impact of IRCC Announcements on UWindsor Enrolment

Immigration, Refugees, Citizenship Canada (IRCC) has recently announced several policy changes that will have a significant impact on those applying for a study permit from outside of Canada.

i. As of January 1, 2024, the cost-of-living financial requirement for study permit applicants was raised from $10,000 to $20,635 for a single international student to ensure that they are financially prepared for life in Canada. This requirement will be adjusted annually.

ii. In addition, on January 22, 2024, the federal government announced the following measures:
   a. An intake cap on international student permit applications set for a period of two years. For 2024, the cap was announced at 360,000 approved student permits, representing decrease of 35% from 2023. The cap exempts master and doctoral degrees and does not affect current permit holders. Allocations were made to provinces based on population, and institutions will receive their allotment from the province.
   b. Every study permit application will require an attestation letter from the province. The province is responsible to develop the attestation letter process (PAL- Provincial Attestation Letter). The Ontario University Application Centre (OUAC) has been accepted as the PAL provider for the university system. and is ready to implement the process once the allocations are provided by the Province. Applicants to master and PhD programs will be exempt from this requirement.
   c. As of May 15, 2024, international students studying as part of a Public-College Private Partnership (PCPP) will not be eligible for a post graduate work permit upon graduation. Although this does not affect the University of Windsor, it will affect many colleges and may factor into the government's allocation of permits.
   d. IRCC has removed the length of program criteria for graduates of master degree programs which will allow shorter programs to be marketed as eligible for a work permit.

e. Spouses of international students, except those in master and doctoral programs, will no longer be eligible for open work permits.

The Ministry of Colleges and Universities responded by introducing measures to protect students and the integrity of the post-secondary system:

- Institute a review of programs offered by postsecondary institutions that have high amounts of international students
- Ensure that programs being offered are meeting the needs of the labour market
- Introduce a moratorium on new PCPPs (Private College Private Partnership)
- Implement measures to improve the response rate to student outcome surveys that will help ensure the best academic outcomes are being achieved
- Require all colleges and universities to have a guarantee that housing options are available for incoming international students
- Better integrate enforcement efforts and oversight of career colleges

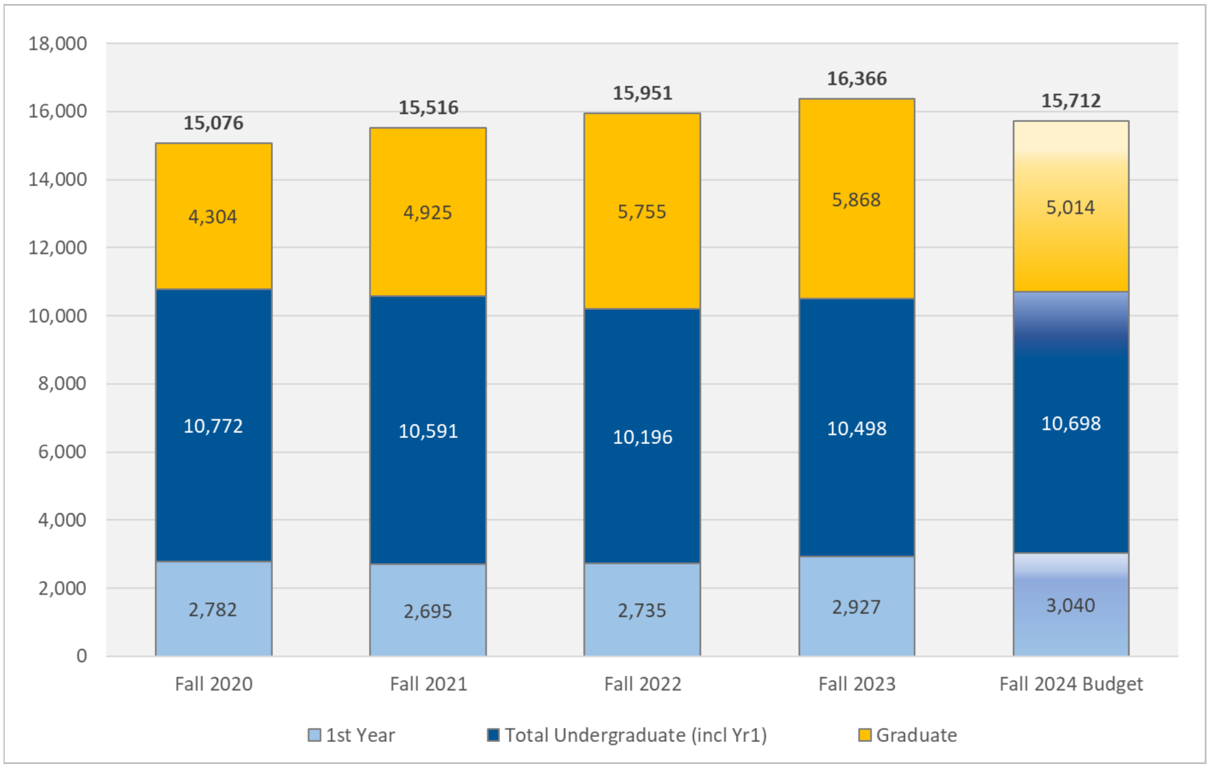
All the announced changes by both levels of government have caused confusion in the international student market and has the system concerned that applicants will not consider Canada as a top destination for their education. Administration is working on our internal processes to maximize the number of enrolled students within the University's assigned application and permit numbers.

3. Enrolment Projections

UWindsor's total full-time enrolment is budgeted at 15,712 in Fall 2024. The budgeted totals for undergraduate and graduate students are 10,698 and 5,014, respectively, which represents an increase of 1.9% in undergraduate and a decline of 14.5% in graduate resulting in an overall decrease in full-time enrolment of 4.0% from Fall 2023 levels. It is anticipated that 28% of the full-time UWindsor student body will be comprised of international students in Fall 2024.

It is important to recall that a decline in enrolment at the graduate level in Fall 2024 was planned for by the institution back in Budget 2021/22. For the last two fiscal years, the University has managed an extraordinary level of enrolments at the graduate level as a result of the after-effects of COVID-19 and the travel restrictions of 2020. While the softening in the international graduate category is slightly higher than what was forecast, it was indeed the University's intention to strategically reduce enrolment at the graduate level in Budget 2024/25.

Chart 3: Enrolment Retrospective Fall 2020 to Fall 2024



<u>Undergraduate Students</u>

First-year enrolment has a multi-year effect on the undergraduate enrolment as the cohort of students moves through their program of study. Year 1 in Fall 2024 is budgeted to increase by 113 students over Fall 2023 levels.

First-year enrolment has several components, including 101s (students entering university directly from high school), 105s (college transfers and out of province Canadian students), international students, students entering Law School, and returning students (those who are continuing at the year 1 level).

This budget reflects another year of higher Year 1 enrolment, mainly due to the increase in the 101's (students entering directly from high school). The University is experiencing a notable uptick in interest from prospective students, as evidenced by year-over-year applicant growth and an increase in the percentage of applicants ranking the University as their preferred choice. This positive trend can be attributed to the intensified outreach efforts of our faculties, the improvement of our student recruitment marketing and communication strategies, reputational growth, and the amplification and efficacy of our recruitment endeavours.

Looking at our new full time first year students, the Fall 21 cohort retention from year 1 to year 2 retention was 81.4% improving with the Fall 22 cohort retention to year 2 of 85.2%. Although this has improved, the continuation to year 3 has declined in the last few years and efforts across campus are continuing to improve the retention until graduation. The projection model will account for changes in student flow from year to year, although it is tempered in the model until the change appears as a trend rather than a one-time occurrence.

Chart 4: Undergraduate Retention Rates

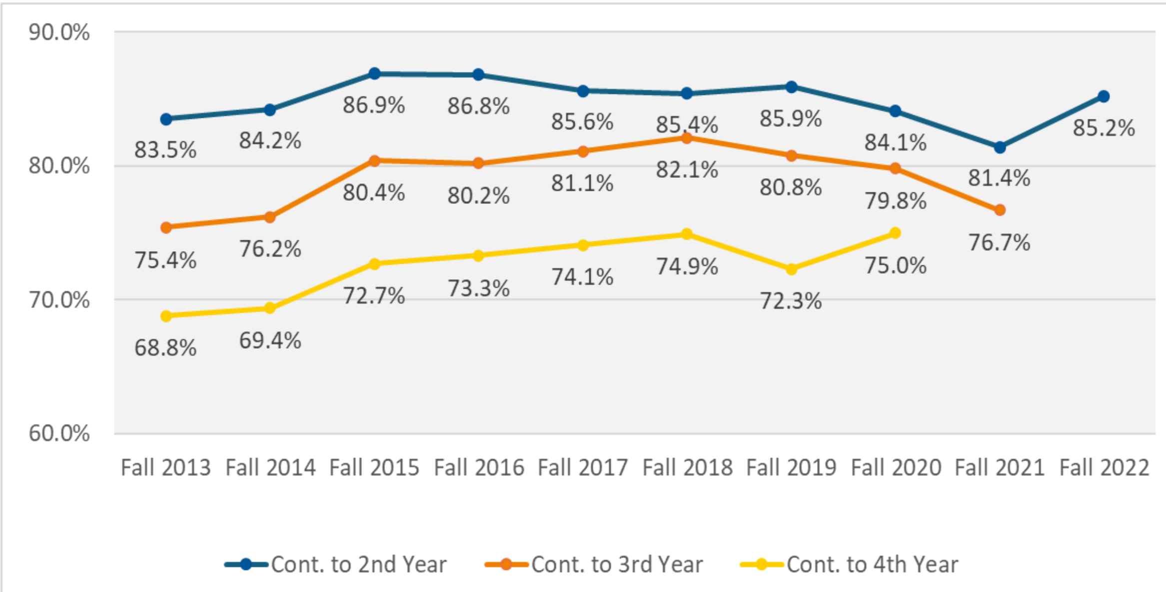
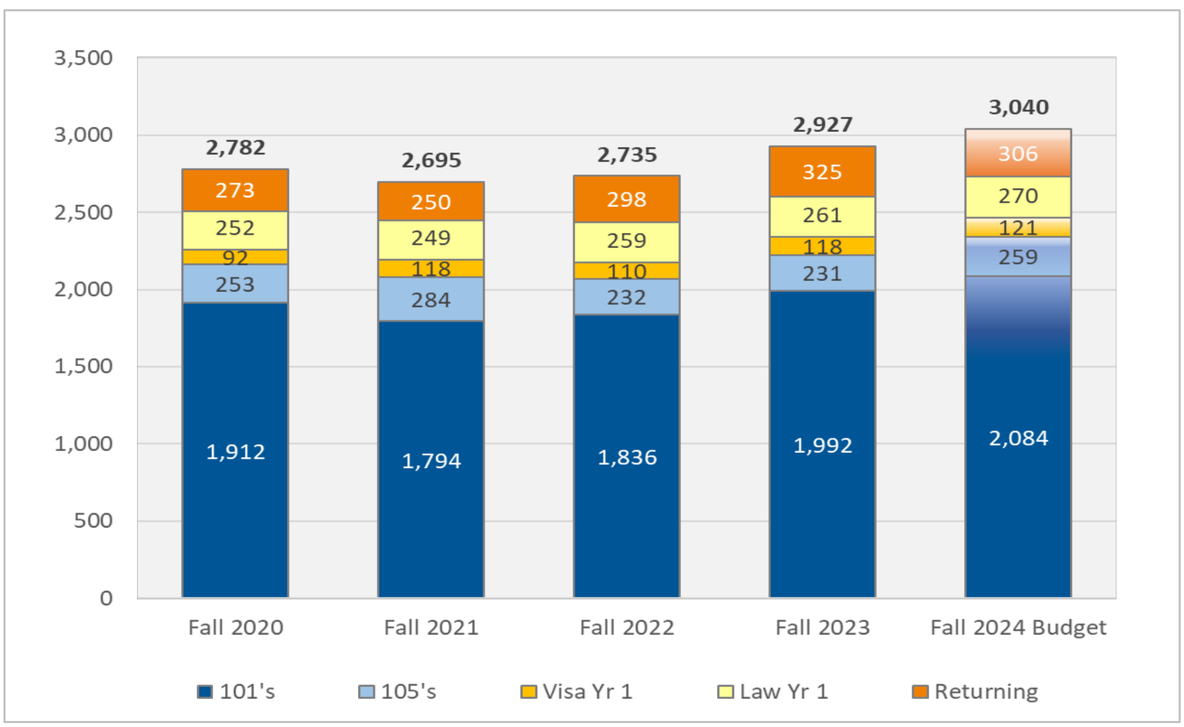


Chart 5: First Year Undergraduate Enrolment



The Faculty of Education has an intake counted as part of the fourth-year undergraduate number for students in the Consecutive Education program and is not presented in the above chart. The budgeted intake for Fall 2024 for Consecutive Education students is stable at 295 (290 in Fall 2023).

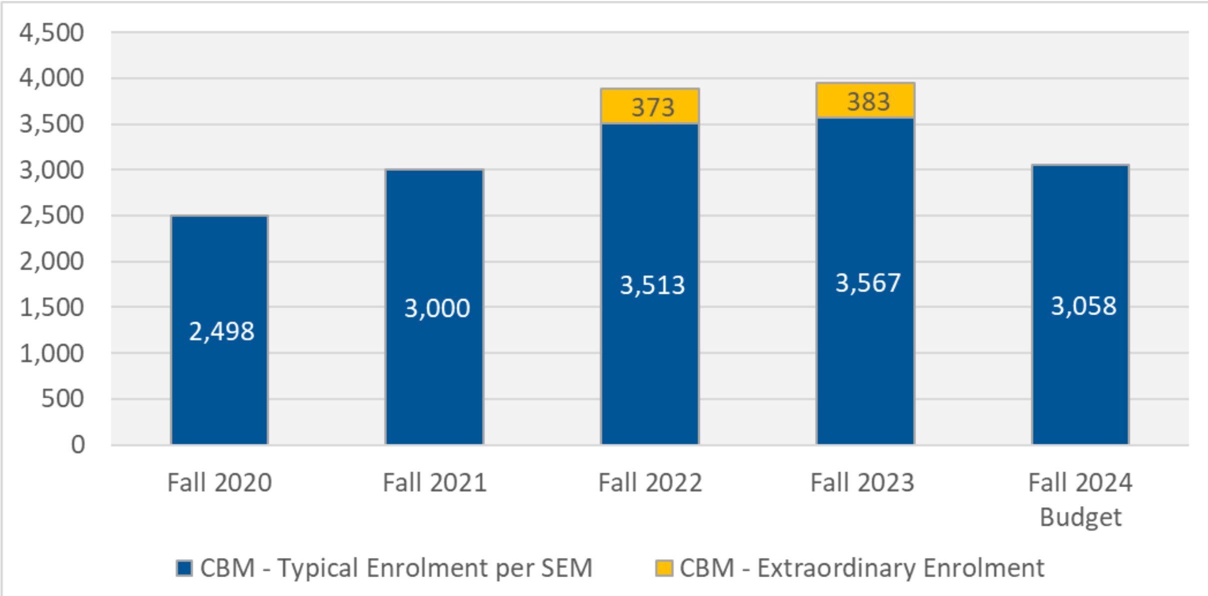
Graduate Students

Total full-time graduate student enrolment headcount is budgeted at 5,014 for Fall 2024. This figure includes 4,590 Master and 424 PhD students and represents a 14.5% decline from the Fall 2023 headcount. The decrease is a result of a lower budget for the international course based master (ICBM) programs, specifically the Master of Engineering and the Master of Management program compared to Fall 2023.

The International Education sector continues to face considerable disruption that began in 2023/24 when we experienced lower than the usual conversion rates (percent of students who accept the offer versus those who register). The recent IRCC announcements have exacerbated the volatility in the market and is affecting the global perception of Canada as a destination for international study. The exemption of Master and PhD programs is expected to increase the competition among institutions for these students. Coupled with the geo-political issues and the cost-of-living concerns, we are projecting a temporary decline in enrolments at the international master level beyond what we had planned for as part of Budget 2023/24 and what has been contemplated in the SEM plan.

Applicant demand continues to be strong, and there is a renewed effort by senior administration to engage directly with the countries (through in-country visits with local agents) where the University sees an opportunity for growth. Our teams deployed around the world are focused on driving new applications, and on conversion activities. The operating budget 2024/25 includes a small increase in some Science ICBM programs, with a corresponding small capital investment to come in the University's capital budget for 2024/25 to increase lab space. Overall, we are anticipating for the enrolment for the ICBM programs to decline from Fall 2023 actual of 3,950 to 3,058 budgeted for Fall 2024. Recall that a portion of this decline was planned for with the planned conclusion of the Extraordinary Enrolment Fund in place in 2022/23 and 2023/24. The extraordinary enrolments in the ICBM programs of the past two years are depicted in Chart 6.

Chart 6: Course Based Master Enrolment: Extraordinary Enrolment Trends

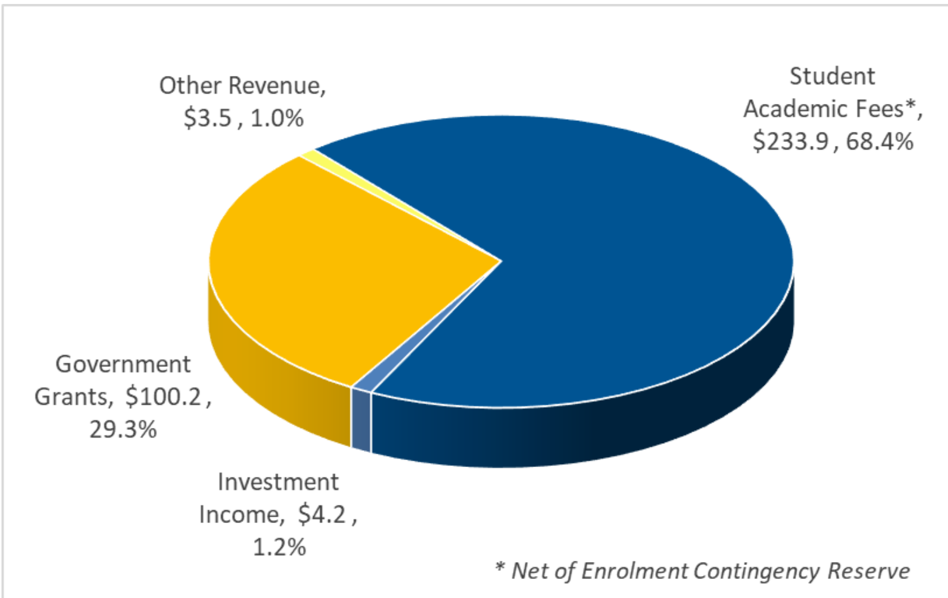


III. OPERATING REVENUE

Operating revenue for 2024/25 (net of the Enrolment contingency reserve and the Extraordinary enrolment offset fund) is budgeted at $341.8M, a decrease of 1% (or -$3.5M) versus last year (see Appendix A for further details).

The chart below provides a breakdown of the four major categories of UWindsor operating revenue.

Chart 7: 2024/25 Operating Revenue (in $M)



1. Student Academic Fees

<u>*Domestic Tuition Rate Freeze*</u>

In January 2019, the Ministry of Colleges and Universities (MCU) announced a 10% reduction of all domestic tuition rates effective for the 2019/20 academic year and a tuition rate freeze for the 2020/21 academic year. The freeze has remained in place for the next fiscal year, with two exceptions:

- Starting in 2022/23, tuition could increase by no more than 5% for students from outside of the province of Ontario
- Starting in 2023/24, MCU announced a tuition anomaly adjustment program

On February 26, 2024, MCU announced the extension of the domestic student tuition rate freeze for at least three more years. Like prior years, MCU is allowing for tuition rate increases of no more than 5% for domestic students from outside the province of Ontario.

Tuition Anomaly Adjustment Program

MCU introduced an opportunity in the 2023/24 tuition fee framework for institutions to apply for Tuition Anomaly Adjustments for up to three programs where current domestic rates are 15% (or more) below the sector average for comparable programs. Under the Tuition Anomaly framework, tuition may be increased up to 7.5% per year until reaching the MCU calculated sector average for approved programs.

Under the Tuition Anomaly framework, UWindsor received approval to adjust domestic tuition rates for undergraduate Business, undergraduate Engineering, and Law/Dual JD programs. New incoming students beginning in Fall 2023 were subject to tuition increases of up to 7.5% each year. Under the Tuition Framework announced in February 2024, MCU is allowing for the Tuition Anomaly framework to continue for 2024/25. The 2024/25 tuition projections include the full anomaly adjustment increase for year 1 and year 2 students in the approved programs.

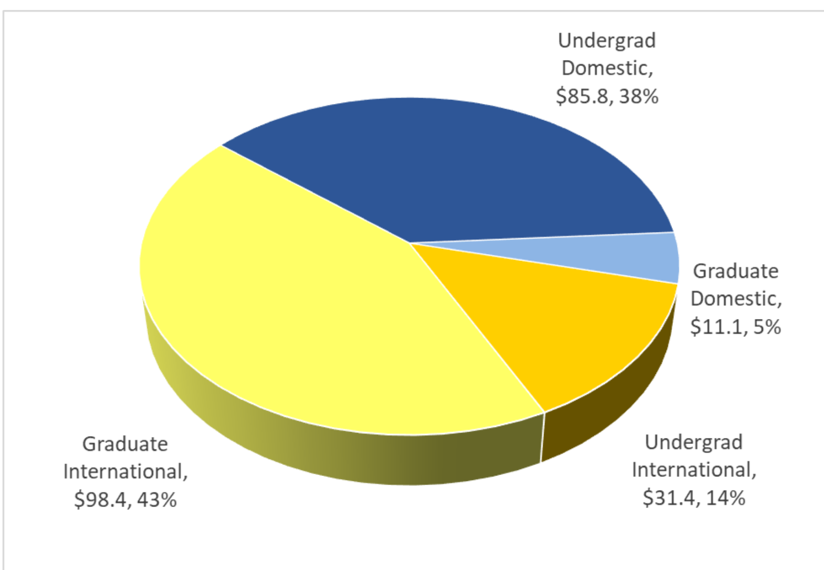
International Student Tuition Guarantee

In 2021/22, UWindsor announced the International Student Tuition Guarantee (ITG) providing both undergraduate and graduate international students with a commitment to hold tuition rates consistent as the rate they pay in their first term of study (assuming their degree takes the typical number of years to complete). Considerations for the ITG have been included in the 2024/25 tuition fee budget.

Tuition Fee Budget

Total gross institutional tuition fee revenue is budgeted at $226.7M, down $9.8M (or 4.1%) compared with the prior year budget of $236.5M. This decrease is a result of the volatility of the international education sector resulting in lower enrolments in the ICBM programs and the continued domestic tuition rate freeze.

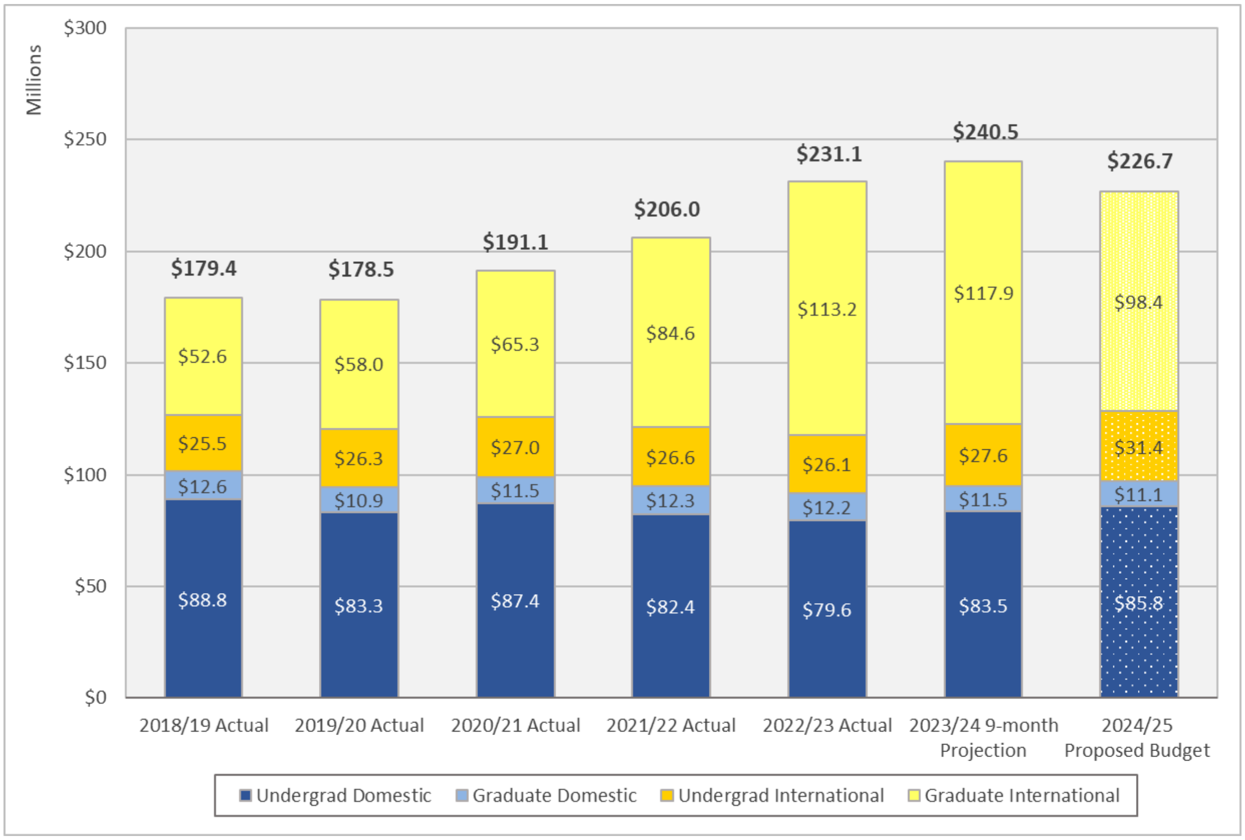
Chart 8: 2024/25 Tuition Fee Revenue Budget by Student Category (in $M)



Historical Tuition Trends

The shift in reliance on tuition from international students can be linked to provincial funding policies controlling UWindsor revenue generating capabilities. Please see Table 4: Degree of Revenue Generating Flexibility included in the "Understanding the Impact of Provincial Policy and Funding on UWindsor" section to better understand exactly how these policies (and other factors) are contributing to changes in UWindsor and other Ontario university tuition generating trends.

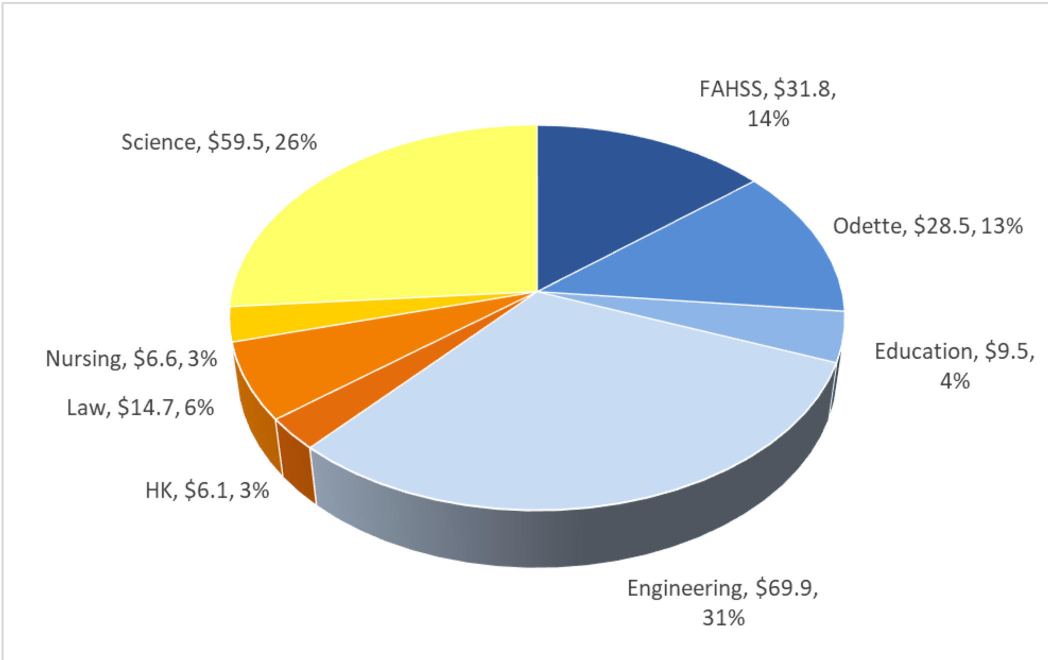
Chart 9: Historical Tuition Revenue by Student Category (in $M)



Tuition by Faculty

The following chart provides the distribution of total tuition revenue for each UWindsor Faculty:

Chart 10: 2024/25 Tuition Fee Revenue Budget by Faculty (in $M)



When further examining the tuition revenue budget, UWindsor Faculties can be broadly organized into two distinctive groups: 1) Faculties with significant international cohort-based graduate program tuition revenue and 2) Faculties that rely primarily on domestic student tuition revenues.

The Faculties of Engineering, Science, and the Odette School of Business generate a significant amount of their tuition fee revenue from graduate international students. The Faculties of Education, Human Kinetics, Nursing, and FAHSS rely heavily on domestic tuition revenues and receive only a small portion of their tuition fees from international students while the Faculty of Law relies almost entirely on domestic tuition fees.

The Faculty of Engineering continues to lead with 31% percent of the total institutional tuition budget. The Odette School of Business is the only other Faculty with tuition budgeted below prior year at $28.5M, down $3.3M (or -10%) from the previous year.

The Faculty of Science has continued to grow, with a tuition budget of $59.5M, up 13% from the previous year and accounting for 26% of the institutional total. All other Faculties, including Education (+6%), Human Kinetics (+10%), Law (+17%), and Nursing (+8%) are budgeted above prior year. In the case of Law, the driving force is the tuition anomaly program (i.e.: higher domestic tuition rates) while conversely, in Education, HK and Nursing, the increase is due to enrolment growth.

Sunsetting the Extraordinary Enrolment Reserve (EER)

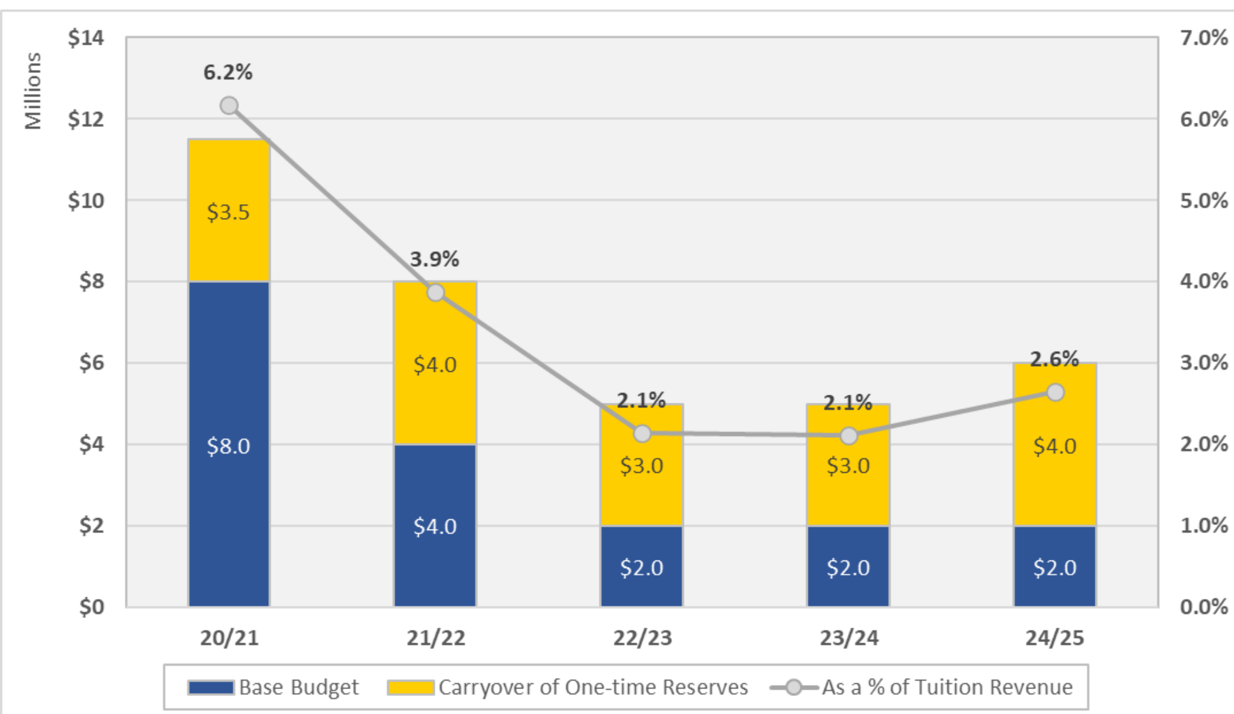
In 2022/23, UWindsor offered additional cohorts of their programs, or increased the number of sections within cohorts, to accommodate the significant number of international students who had deferred their acceptance into those programs during the COVID-19 pandemic. This effectively created a temporary tuition revenue 'bubble' where revenue expectations exceeded 'normal' tuition revenue trends (i.e., excess graduate international tuition revenues not anticipated to be consistently maintained into the future).

In 2022/23, an Extraordinary Enrolment Reserve (EER) fund was established at $9M representing an 'offset' against tuition budgeted above the normal trend. This offset fund was established to budget these additional temporary revenues one-time without affecting the base budget. The offset continued in 2023/24, at $5.5M, representing the remainder of those students still enrolled above normal levels. Now that the extra cohort students have graduated in 2024/25, returning the enrolment forecast to more normal levels, the EER will be eliminated.

Maintaining the Enrolment Contingency Reserve (ECR)

The Enrolment Contingency Reserve (ECR) is being maintained in the 2024/25 operating budget as an international student risk mitigation strategy (in effect, an allowance). The ECR will be funded at $6M in 2024/25 ($2M base plus $4M one-time reserves) or about 2.6% of the gross tuition revenue budget. The increase in the reserve over the prior year is to manage any further unexpected impacts of the federal and provincial government international student policy decisions.

Chart 11: Enrolment Contingency Reserve Planning (in $M)



Student Incidental Fees

Compulsory student incidental fees budgeted within the UWindsor Operating Budget include Student Late Payment Fees, Student Health Fees, Co-op Fees, and Athletics & Recreation Service Fees, among others. In 2024/25, these fees are budgeted at $9.1M, up very slightly from the previous year as CPI rate increases offset slight enrolment reductions. Revenues generated against these budgets are either specifically designated in support of relevant expenditures or directed to non-academic units to fund costs associated with supporting academic programs.

2. Government Operating Grants

Update on Blue Ribbon Panel

The Blue Ribbon panel was established by the Provincial Government in March 2023 with a mandate to provide advice and recommendations for keeping the postsecondary sector financially stable and focused on supporting student success.

The Panel was to advise on a tuition framework and overall funding including the core operating grant and the performance fund (tied to Strategic Mandate Agreement 3). The Panel submitted their report to the government in November 2023 in which they supported a shared approach to funding PSE institutions and ensuring financial sustainability. The recommendations were categorized within the responsibilities of government, students, and institutions.

Government's role:

- A significant adjustment in per student funding for colleges and universities to recognize unusually high inflationary cost increases over the past several years. Specifically, an increase of 10%, which represents partial recognition of inflation since 2017 in the first year, and a commitment to more modest annual adjustments over the next three to five years, in line with increases in the consumer price index, or a minimum of 2% per annum, thereafter
- Review the Ontario Student Assistance Program (OSAP) assessment processes and policies to increase grants for low-income students.

Student's role:

- Government to permit a multi-year tuition framework beginning in September 2024 allowing a 5% increase for tuition rates paid by Ontario students, with subsequent tuition increases equal to the consumer price index or 2%, whichever is greater
- Additional increases of 3% for professional programs in universities

Institution's role:

- Offset increased costs of tuition by increasing needs-based institutional student aid
- Pursue greater efficiency and collaboration in operations and program offerings. The panel suggests there may be room for improvement of efficiency that could reduce administrative costs by as much as 10%

- Cost reduction areas identified by the Panel included space utilization, administrative services, IT Services, and other non-labour costs

Strategic Mandate Agreement 3 (SMA3)

- A more modest shift of funding from the enrolment envelope to the performance-based envelope beginning at 10% in 2023/24, adding 5% each year to a maximum of 25% in 2026/27
- Ensure performance metrics are within the control of the institution
- Each SMA cycle should include changes to corridor midpoints

Ministry Announcement on Funding: Blue Ribbon Panel Response

On February 26, 2024, the government introduced a suite of measures for colleges and universities while also extending the tuition freeze for at least three more years, until 2026/27 while at the same time announcing nearly $1.3 billion in new time-limited investments, as follows:

1. **Funding for STEM (Science, Technology, Engineering and Math) Programs**

For 2023/24, the government provided $100M to support STEM program costs for colleges and universities above their funded enrolment levels in the corridor. Based on the criteria, UWindsor was not eligible for this one-time funding.

2. **Postsecondary Education Sustainability Fund**

Starting in 2024/25, the government will allocate $903M over three years through a Postsecondary Education Sustainability Fund intended to improve the financial sustainability of universities and colleges. This Fund has two parts, a $700M allocation, of which all institutions are eligible to receive a portion, and a $203M targeted support fund, which is intended to provide supplementary financial support to institutions categorized as having “greater financial need”.

The University has been briefed on the initial distribution process for the $700M fund. In the 2024/25 fiscal year, it is anticipated that each university will receive a 3% increase in their total operating grant (which includes both the Core Operating Grant and the Performance Fund), followed by a 2% increase in both 2025/26 and 2026/27. It is important to note that the increase will not be incorporated into the University’s base funding but will be allocated through a separate special-purpose grant and should be treated as one-time only for this three-year period.

As shown in the table below, for the 2024/25 fiscal year, the estimated funding allocation for the University of Windsor is $2.8M. In 2025/26 UWindsor is expected to receive an additional $1.9M, representing additional funding of $4.7M. In 2026/27 UWindsor is expected to receive an additional $2.0M, representing funding of $6.7M above normal COG and Performance. This represents $14.1M in additional funding for UWindsor from this new envelope.

Table 3: UWindsor Allocation of Postsecondary Education Sustainability Fund (in $000s)

Description	2024/25 Projection	2025/26 Projection	2026/27 Projection	Envelope
% Annual Increase	3%	2%	2%	
Base Operating Grant (COG + Performance)	$93,078	$93,078	$93,078	
2024/25 Allocation	$2,792	$2,792	$2,792	$8,377
2025/26 Allocation	-	$1,917	$1,917	$3,835
2026/27 Allocation	-	-	$1,956	$1,956
Total Operating Funding	**$95,871**	**$97,788**	**$99,744**	**$14,168**
Already captured in the Base Budget	*$93,078*	*$93,078*	*$93,078*	
One-time funds not able to be captured in Base	*$2,792*	*$4,709*	*$6,665*	

The University is still waiting for confirmation from MCU on the allocation details of the $203M targeted support fund. While the Supplementary Fund is designated for institutions in the most significant financial need, the specific criteria for determining the allocation have not been disclosed.

3. Other Funding Envelopes

Smaller funding envelopes over the three years for mental health ($23M), additional facilities renewals ($167.4M) and for efficiency and accountability ($15M). These funds will have accountability requirements outlined in transfer payment agreements (TPA) to ensure that the institutions are taking the necessary steps to operate as efficiently as possible. The Ministry is designing the details with more information to be made available in the coming weeks.

Overall, this funding delivers only a fraction of the multi-year operating funding that the Blue Ribbon Panel recommended with the Council of Ontario Universities (COU) issuing the following statement, "The province funding announcement falls far short of what the sector needs to be financially sustainable. Even after factoring in the $100M in STEM funding for 2023/24 and the one-time funding of $700M over three years for both colleges and universities, at least 8 universities are still forecasting operating deficits in 2023/24 for a combined deficit of $152M, and there are at least 12 universities projecting operating deficits in 2024/25 for combined total of $293M." The challenges faced by the sector are very significant.

Strengthening Accountability and Student Supports Act, 2024

On February 26th, the government of Ontario introduced the Strengthening Accountability and Student Supports Act, 2024.

As written, the proposed legislation would make amendments to the Ministry of Colleges and Universities Act, requiring colleges and universities to have:

- a student mental health policy that describes the programs, policies, services, and supports available at the college or university
- policies and rules to address and combat racism and hate, including but not limited to anti-Indigenous racism, anti-Black racism, antisemitism, and Islamophobia

For each of these policy requirements, the legislation gives the Minister of Colleges and Universities the authority to a) issue directives to one or more colleges and/or universities to mandate topics and items to be addressed or included in the policies, and consequences, b) specify steps that the Minister intends to take if, in the opinion of the Minister, a college or university fails to comply.

Finally, the legislation would also give the Minister of Colleges and Universities the authority to issue directives to colleges and universities, requiring institutions to make public information about the costs associated with attendance at the college or university.

Master Degrees at Publicly Assisted Colleges

MCU signaled that it intends to make regulatory changes that would allow Colleges to develop and offer applied master's degrees.

Core Operating Grant and the Performance Grant

1. **Core Operating Grant**

The Core Operating Grant (COG) is governed by an enrolment corridor in which the University receives a base level of funding by maintaining eligible enrolment within +/- 3% of the corridor midpoint. First established in 2016/17, the University's corridor midpoint has grown from 26,337 Weighted Grant Units (WGUs) to 27,046 WGUs in 2023/24. This change reflects the roll-in of WGUs associated with the growth of Education and Graduate enrolments relative to associated targets. UWindsor is within the corridor as of the last reported enrolment data to MCU (Fall 2022).

While the University is operating at its corridor midpoint, incremental domestic enrolment growth in programs that are maintained outside of the COG (i.e., Teacher's Education, and Master and Doctoral programs) have resulted in a gap of $4.3M in unfunded enrolments in Education ($1.55M) and Graduate students ($2.75M).

2. Distribution of Funding between the Core Operating Grant and the Performance Grant

In the 2019 Ontario budget, the government announced that the next cycle of Strategic Mandate Agreements (SMA) would tie a substantial portion of funding to performance outcomes, based on 10 specified metrics. This was accomplished by using existing levels of funding and reallocating a portion of the COG into the newly renamed Performance Grant, previously referred to as the Differentiation envelope. For the 2024/25 fiscal year, the University is budgeting for $61.8M in the Performance Fund, representing over 66% of total operating funding.

The ten metrics were phased in over three years, with all ten now in place.

- Graduate Employment rate in a related field
- Institutional Strength/focus*
- Graduation Rate
- Community/Local Impact of student enrolment
- Economic Impact*
- Research Funding: Federal Tri-Agency Funding
- Experiential Learning
- Innovation: Industry Funding
- Graduate Employment Earnings
- Skills and Competency*

The government determined and defined all but three of the metrics denoted with an asterisk. The three metrics were to be institution-specific but were required to meet guidelines and fall within the parameters established by the Ministry.

Initially, the intention was to link 25% of funding to performance, increasing to 60% by 2024/25 at a 'steady state' when all metrics have been developed and activated, however, implementation plan changed as a result of COVID-19. The Ministry activated the funding in year 4 at a revised system-wide proportion of 10% and in year 5 at 25%. The Ministry will continue the 'stop-loss' mechanism to cap funding losses at 95% for each metric allocation amount.

Any expected decrease in the operating grant due to anticipated performance in the metrics is accommodated within the budget, although the actual transfer payments on a cash basis are not impacted until at least Year 5 of SMA3 (i.e., 2024/25).

Special Purpose Grants

Special Purpose Grants are grants provided to address government and system-wide priorities. The 2024/25 budget for Special Purpose grants totals approximately $1.9M and includes the following:

1. Funding for Students with Disabilities ($514K)
2. Municipal Tax Grant ($854K)
3. Clinical Nursing Grant ($427K)
4. Mental Health Services ($100K)

Other Grants

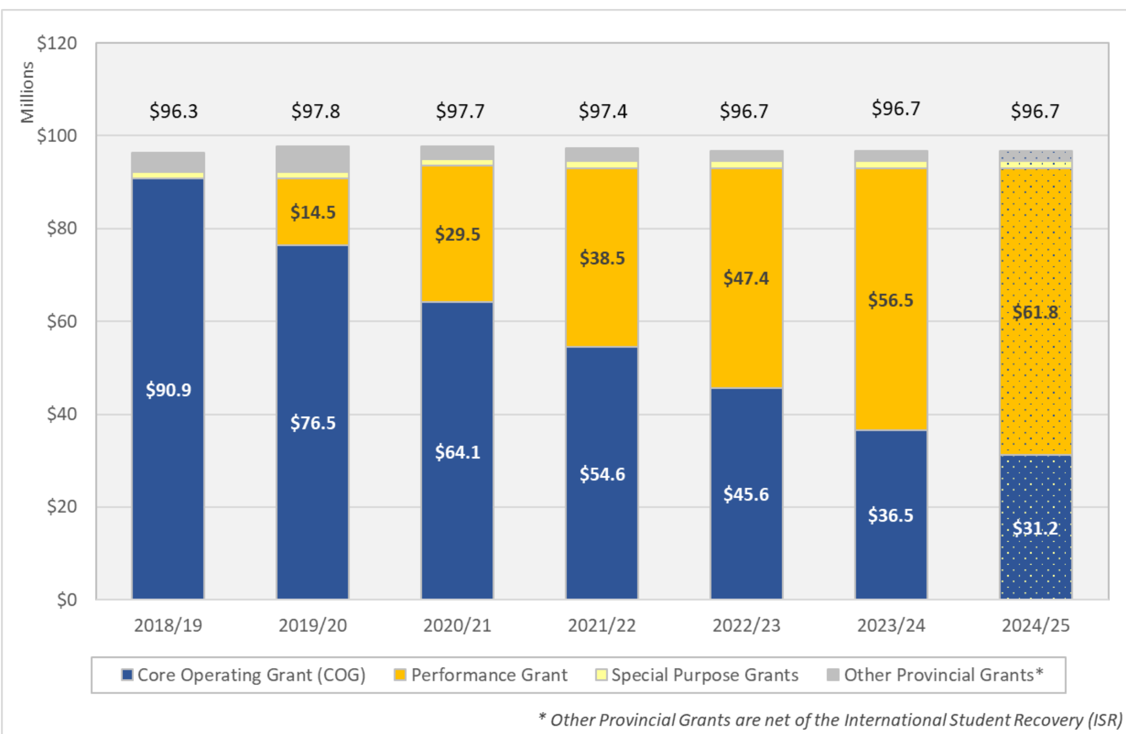
In addition to the above grants, UWindsor has budgeted $4.8M for the Collaborative Nursing Grant, down $656K based on prior year collaborative program enrolment levels. This separate envelope supports a Collaborative Nursing program currently offered jointly with St. Clair College and Lambton College. During 2022, the dissolution of the collaborative agreement with Lambton College was negotiated with the last intake by Lambton College in Fall 2022. The plan outlines the commitment for the students to complete their studies without disruption through the collaborative program by the end of the 2025/26 academic year and has been approved by the Ministry. The collaborative program with St. Clair College will continue uninterrupted.

International Student Recovery

The International Student Recovery (ISR) effectively reduces the COG by $750.00 for each international undergraduate and master student enrolled (PhDs are excluded). For 2024/25, the University is budgeting for ISR reduction in operating funding totaling $3.16M, which represents 3.4% of the University's total budgeted operating funding, net of Special Purpose Grants. In the five years since the government implemented the 10% reduction and subsequent freeze in domestic tuition fees (beginning in 2019/20), $15.8M has been deducted from the University's operating grants for the ISR.

The chart below provides a historical review of the budgeted Provincial Operating Grants by category since enacting SMA3. A complete breakdown of Provincial Operating Grant funding for 2024/25 is provided in Appendix B.

Chart 12: Provincial Operating Grant History (in $M)



3. Other Sources of Operating Revenue

Investment Income

The 2024/25 Operating Budget includes $4.2M for revenue raised through the investment of working capital funds which are actively managed within the constraints of the Statement of Investment Policies and Procedures for Working Capital Funds (the SIPP). Working capital will continue to be managed and reinvested in response to changing market conditions within the constraints of the SIPP.

Other Operating Revenue

Other miscellaneous sources of operating revenue, including application fees and recoveries from the ancillary operations of the institution, are budgeted at $3.5M. The institution remains focused on the development and implementation of alternative revenue strategies.

4. Understanding the Impact of Provincial Policy and Funding on UWindsor

The University is reliant on financial support from the Province of Ontario for the Operating Grant and other strategic grant-funded initiatives that align with the priorities of the government. These grants now comprise only 29% of the UWindsor Operating Budget.

The Postsecondary Education Sustainability Fund provides some short-term assistance, but it falls woefully short of need and will not be incorporated into the University's base funding but will be allocated through a separate special-purpose grant and treated as one-time only for this three-year period. The table below provides a detailed examination of the institution's ability to influence or change the various components of the UWindsor operating revenue alternatives.

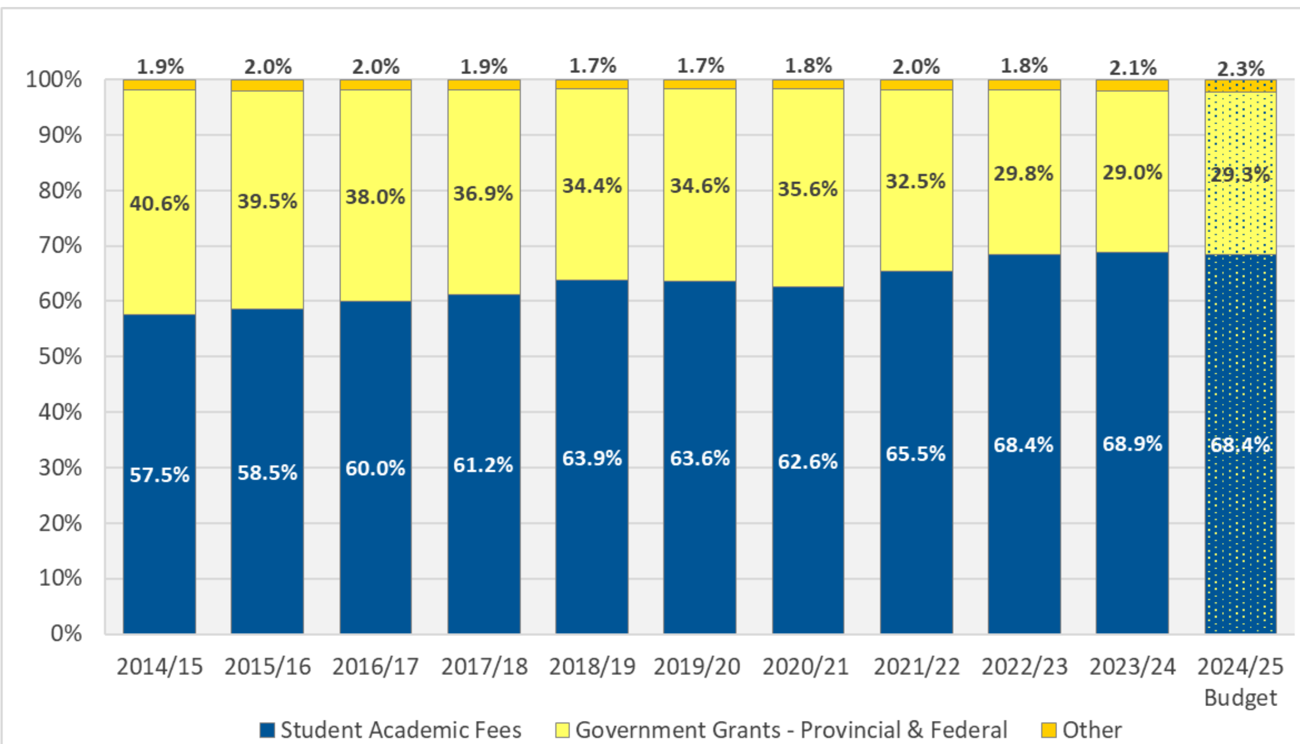
Table 4: Degree of Revenue Generating Flexibility

Revenue Component	Degree of Flexibility	Primary Constraint(s)
Provincial Operating Grant	**None**	MCU controlled through the WGU funding corridor and SMA3 agreement with the institution.
Domestic Enrolment	**Low**	Limited incentive to recruit past our grant corridor. Declining local population for university-aged demographic challenges domestic enrolment from traditional catchment, but opportunity exists within the Greater Toronto and Hamilton areas.
Domestic Tuition Rates	**Very Low**	Regulated under MCU Tuition and Ancillary Fee Framework. Ontario government reduced rates by 10% in 2019/20 and rates have remained frozen since. The freeze will continue until at least 2026/27. Anomaly increases permitted for up to 3 programs.

International Enrolment	**Moderate**	Internally restricted based on operating capacity. External pressures including geopolitical tensions, federal legislation around immigration (IRCC), provincial implementation of IRCC rules, and competition by both the University and the College sector.
International Tuition Rates	**Moderate**	Not regulated, however offset by the MCU international student recovery expense. Restricted by market competition. Influenced by UWindsor international student tuition guarantee (ITG).
Other Revenues	**Moderate** (but limited)	Most are not regulated. Requires investment in and development of new business activities that align with our core competencies.

The University of Windsor is now less than 1/3rd funded by the Province of Ontario. UWindsor, Council of Ontario Universities (COU) and Universities Canada continue to engage with all levels of government to advocate for stable funding for the sector, and fair and equitable access to post-secondary education for Ontario students.

Chart 13: UWindsor's Shifting Operating Revenue Pattern



IV. OPERATING EXPENDITURES

Operating expenditures – including investment and reserve funds – are budgeted at $344.5M, down slightly from last year as UWindsor implements an aggressive budget balancing strategy to contain spending to only $2.8M above budgeted operating revenues (see Appendix A for further details).

The single largest component of the institutional budget, comprising $262.3M, or approximately 77.7% of all budgeted expenditures, is the cost of employee salaries, wages, and benefits.

1. Faculty & Staff Salaries, Wages & Benefits

UWindsor operates with eight bargaining units and a non-union group as follows:

1. Windsor University Faculty Association – Faculty, librarians, ancillary academic staff, and sessional instructors;
2. UNIFOR Local 444 – Campus Community Police & Parking Services;
3. UNIFOR Local 2458 Full-time – Office & Clerical Staff;
4. UNIFOR Local 2458 Part-time – Office & Clerical Staff;
5. UNIFOR Local 2458 Engineers – Stationary Engineers;
6. CUPE Local 1001 – Full- & Part-time Food Services, Housekeeping & Grounds;
7. CUPE Local 1393 – Technical Staff, trades, and professional staff; and
8. CUPE Local 4580 – Graduate and Teaching Assistants.

All unions except for CUPE Local 1001 have collective agreements that are set to expire in 2025. The 2024/25 budget includes increases to salaries and benefits consistent with the terms of the current collective agreements. Reasonable assumptions have been made for salary changes for non-union employees.

The benefit cost to the institution, which amounts to approximately 21.6% of budgeted salaries and wages (prior year was 21.7%), can be classified into three main areas:

i. Legislated Benefits
ii. Negotiated Benefits
iii. Pension Contributions

Of these three areas, contributions to the University's two pension plans: 1) the Employees' Plan, and 2) the Faculty Plan, which provides post-retirement support to faculty and staff, are budgeted at a blended 7.7% of budgeted salaries and wages. Legislated benefits are budgeted at 6.7% and negotiated benefit costs at 7.3% of budgeted salaries and wages.

Pension Plan Costs

Planning for pension plan contributions is continuous due to their volatile nature and the significant cost to our expenditure budget. The Financial Services Regulatory Authority of Ontario requires tri-annual actuarial valuations. These actuarial valuations dictate contribution levels required by members of the Plans and by UWindsor.

Elective valuations were filed for the Employees' Plan as of July 1, 2021 and the Faculty Plan as of July 1, 2023, due to preferential market conditions. The next valuation for the will be required on or before July 1, 2024 for the Employees' Plan, and July 1, 2026 for the Faculty Plan.

The Employees' Plan is fully cost-shared between UWindsor and the Plan membership. As of the July 1, 2021 valuation, the Employees' Plan is showing a going concern surplus (118%) as well as a solvency surplus (103%). Contributions to the plan are shared evenly between the members and the University. In 2023, each group contributed a blended rate of approximately 6.8% of earnings to the pension plan. The total budgeted cost of the Employees' Plan (current service costs) for the University in 2024/25 is $4.9M.

The Faculty Plan is a hybrid plan comprised of two components: 1) a Money Purchase Plan component (MPP); and 2) the Minimum Guaranteed Benefit (MGB). Contributions to the MPP component for the Faculty Plan are currently 9% of pensionable earnings for plan members and 6% for UWindsor, subject to Income Tax Act annual contribution limits. UWindsor is solely responsible for funding the MGB liability, of 3.3% of earnings which represents the amount paid to ensure pensions are at the defined benefit level as prescribed in the Plan. The total budgeted cost of the Faculty Plan (current service cost) for the University for 2024/25 is $9.7M. Savings realized from filing the pension valuation as of July 1, 2023 have been used to cover the cost of the collective agreement increases for faculty members.

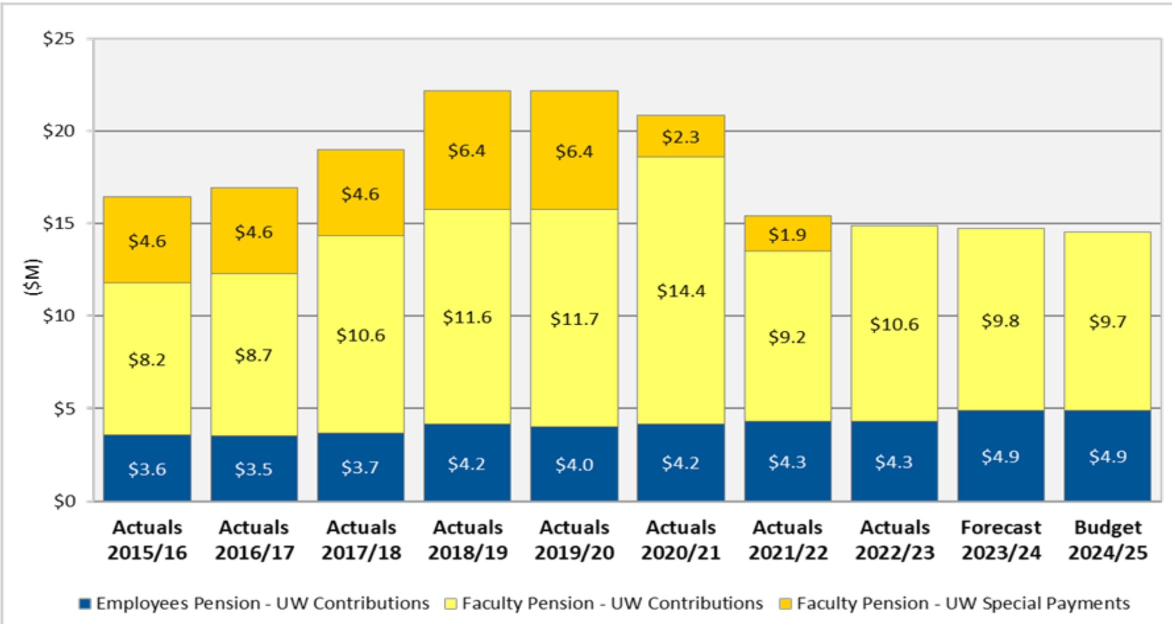
As of the July 2023 valuation, the Faculty Plan has a going concern surplus (102%) and a solvency surplus (151%). The Faculty Plan remained in a surplus position on a going concern basis, thus the earliest the Faculty Plan would have to make special contributions to fund a going concern deficit would be July 2027.

Pension Stabilization Reserve

As we have seen over time, pension plan valuations can fluctuate dramatically, and the risk of future pension special payments remains. In addition, we have seen volatile and at times, extraordinary market conditions in the shadow of the COVID-19 pandemic, which increases the risk that pension related expenses could change dramatically at the next valuation date.

During the 2021/22 Operating Budget, when Faculty Plan pension special payments were eliminated, UWindsor established a Pension Sustainability Reserve. As both plans are currently not subject to special payments, administration is reducing the Pension Stabilization Reserve to $800K base budget. This level of Pension Stabilization Reserve will help ensure that we have sufficient base budget available to manage special payments in the event they were return to historically high rates, or a material increase in contributions was to return for the Employees' Plan. This strategy creates stability within the base budget for the coming years, while ensuring we are prepared for a potential material adverse change to contribution rates at the next valuation dates.

Chart 14: UWindsor Pension Contributions (Employees' and Faculty Plans) (in $M)



2. Direct Costs of Academic Delivery

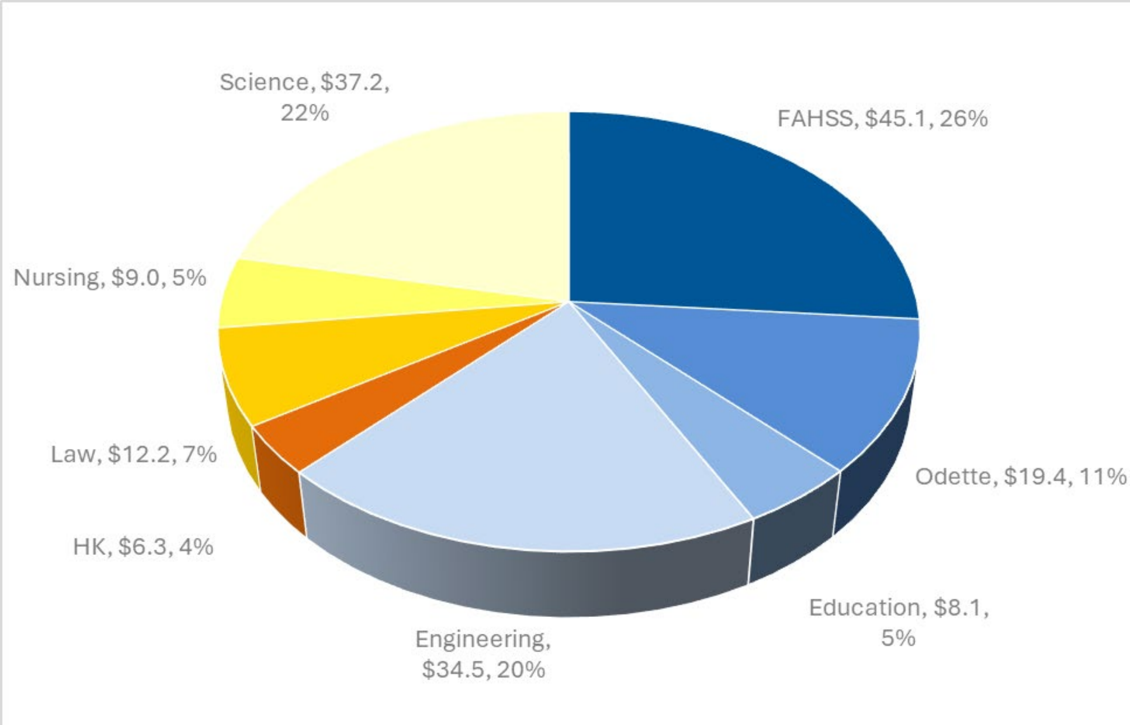
Salaries, wages and benefits for faculty and staff working within Faculty units account for the lion's share of the direct Faculty expenditure budgets. Spending related to graduate and undergraduate teaching assistantship, sessional teaching, office and lab supplies, computer and other equipment, and Faculty research investments round out the Direct Cost of Academic Delivery.

The table below provides the aggregate Direct Cost of Academic Delivery budget by major category with a comparison to the prior year while the chart provides the 2024/25 budget by Faculty.

Table 5: Aggregate Direct Cost of Academic Delivery Comparison (in $000s)

Description	**2023/24 Budget**	**2024/25 Budget**	***Variance***
Direct Faculty Revenues	($1,889)	($2,079)	*-$190*
Salaries, Wages & Benefits	151,017	155,350	*4,333*
GA/TA Funding	10,998	11,400	*402*
Non salary budgets	9,099	8,308	*-791*
Research Investment in Faculties	1,250	1,367	*117*
Realignment	(1,592)	(2,458)	*-866*
Budget Model Adjustments (ECM & ABB)	730	(39)	*-769*
Total Direct Costs of Academic Delivery	**$169,612**	**$171,848**	***$2,236***

Chart 15: Direct Cost of Academic Delivery by Faculty (in $M)



As previously explained, Faculties will continue to see their base expenditure budgets adjusted – invested in or realigned against – based on their respective ABB Net Position and as governed by their respective approved Faculty Financial Sustainability Plans (FFSPs).

3. Shared Service Costs

Costs of delivering key services in support of academic and research activities of the institution can be broadly divided into two categories:

1) Costs directly linked to supporting the student experience; and
2) Costs indirectly linked that provide the infrastructure from which services are provided

Within the first category are costs related to Academic & Student Support, the Library, Outreach and Communications, and Scholarships. The second category includes the costs of Facilities (including Utilities); Information Technology Services; Equity, Diversity, Inclusion, Indigenization and Decolonialization; Administration; and Debt Financing. Investments in these shared service areas can be broadly split into two categories:

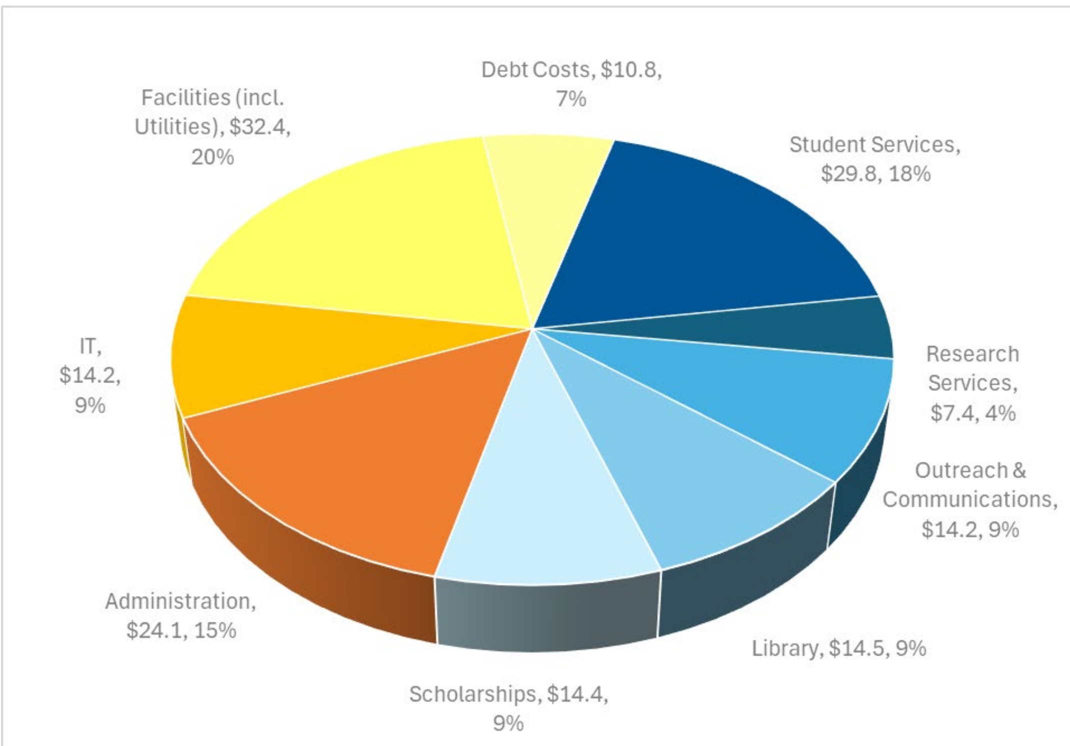
1) Unavoidable cost increases, and
2) New Investments that align with the strategic priorities of the institution

Unavoidable cost increases are related to the following:

- Labour-related costs – annual salary increases and benefit improvements consistent with ratified collective agreements
- Inflationary pressures – examples include utility costs, library resources, IT system licenses, and maintenance agreements
- Maintaining current service levels – variable costs calculated on a per student basis (i.e. international recruitment partner costs)

All new investments are made according to *Aspire* specific strategic priority criteria and are approved by the Provost Budget Committee (PBC). In anticipation of significant budget challenges in 2024/25, the PBC's approval of new budget investment was very modest. The chart below provides a breakdown of the funding for all shared service units in the 2024/25 budget:

Chart 16: Shared Service Unit Budgets (in $M)



4. STRATEGIC INVESTMENT & RESERVE FUNDS

Strategic Investment Funds are established to support institutional strategic priorities and enable the institution to execute key initiatives. Potential uses include:

- Support initiatives integral to the *Aspire* strategic plan
- Prioritize performance against the metrics reported as part of the Strategic Mandate Agreement
- Ensure subsidies are available to support the operating model structure
- Providing start-up funding for priority programs
- Directly underwrite new initiatives that do not naturally fall under one of the Faculties
- Reserve funds intended to mitigate institutional risk by setting aside funding to meet potential future financial obligations, especially those that might arise unexpectedly

The table below provides a year-over-year comparison of UWindsor Strategic Investment and Reserve Funds held in the Operating Budget:

Table 6: Strategic Investment & Reserve Funds (in $000s)

Fund Name	**2023/24 Budget**	**2024/25 Budget**	***Variance***
Strategic Investment Funds			
Strategic Priority Fund*	$2,500	$2,000	*-$500*
Strategic Research Activity Fund	998	998	-
Deferred Maintenance Fund	2,000	2,000	-
Environmental Sustainability Small Projects Fund	100	100	-
	$5,598	**$5,098**	***-$500***
Reserve Funds			
For the Future Fund	$3,500	$3,300	*-$200*
Pension Stabilization Fund	2,800	800	*-2,000*
Energy Sustainability Reserve	1,800	1,800	-
SMA3 Protection Reserve	100	100	-
	$8,200	**$6,000**	***-$2,200***
Total Investment & Reserve Funds	**$13,798**	**$11,098**	***-$2,700***

Strategic Priority Fund

The SPF will be deployed to support initiatives that align with the institution's new *Aspire: Together for Tomorrow* strategic plan.

The *Aspire* strategic plan begins with a fundamental commitment towards our people: students, staff, faculty, alumni, and communities. The areas framing the strategic plan fall into three distinct categories:

1. **Foundational Commitments** – specific actions that address gaps in campus practices that are either not working well or take too much time and effort to accomplish.

2. **Strategic Priorities** – goals and transformative priorities within specific areas of institutional practice that will help us to further our mission, achieve our vision, live our values, and capitalize on our untapped potential.
3. **Strategic Opportunities** – ambitious, multi-disciplinary opportunities that have transformative possibilities beyond our strategic priorities.

The Executive Leadership Team will deploy funds from the SPF through strategic investments (both base and one-time) in activities happening across campus that align with the strategic plan.

<u>Strategic Research Activity Funds</u>

The Strategic Research Activity Fund of $1M, approximately 30% of the research incentive funding received by UWindsor, is managed under the direction of the VP, Research and Innovation.

In addition to these centrally managed research activity funds, it is important to remember that under UWindsor ABB, each Faculty receives a percentage share of the indirect research incentive grant received by the institution for use by the Faculty in year to stimulating and supporting research. In 2024/25 these 'Research Investment in Faculty' funds were increased by 9% to $1.36M. The total strategic funds available for research purposes, both centrally and within the Faculties, in the 2024/25 Operating Budget are $2.36M, including the Strategic Research Activity Funds described above.

<u>Deferred Maintenance Fund</u>

The Deferred Maintenance Fund was established to focus on the maintenance of our existing campus physical assets. Ongoing improvements and maintenance of existing buildings is of utmost importance as properly maintained facilities reflect the pride of the institution. The investment from the Operating Budget, along with Facility Renewal Project funds from the MCU not included in the Operating Budget, are together invested in areas of priority across campus.

<u>Environmental Sustainability Small Projects Fund</u>

While achieving the institution's carbon neutrality goals is primarily work that is funded by the institution's Capital Budget, it is recognized that small, grass roots projects happening across campus that support our sustainability are also high value in the fight against climate change. The Small Projects Fund provides seed funding to student, staff, or faculty-led initiatives, and to support efforts around communicating the institution's priorities around the environment.

<u>For the Future Fund</u>

The Budget Model Redesign Committee in 2020 set a goal of establishing a Base Fund approximately equal to 1% of total revenues in the first five years of implementation. In 2024/25, the For the Future Fund is budgeted at $3.3M or 1% of total institutional revenues.

Pension Stabilization Reserve

The Pension Stabilization Reserve is explained in *Section IV. Operating Expenditures.*

Savings for Debenture Repayment

As is customary for the institution, the cost of investing in Board-restricted funds for the repayment of the debentures of the institution are captured in the budget as Debt costs, rather than as an investment in a Reserve. The amount of funds budgeted for this purpose in 2024/25 is $1.25M.

V. BALANCING THE 2024/25 OPERATING BUDGET

University of Windsor President Gordon highlighted several fiscal challenges and other obstacles facing the Ontario University sector during his 'Together for Tomorrow' State of the University address on February 7, 2024. Paramount among these challenges are the external pressures that create financial uncertainty in the university sector. In response to this uncertainty, heading into the 2024/25 budget cycle, UWindsor established a Budget Balancing Committee (BBC) to identify solutions to achieve short- and long-term financial sustainability.

Budget Balancing Committee

The BBC is an advisory group of managers, professionals, and executives drawn from across the UWindsor campus community. The BBC was charged with brainstorming, assessing, evaluating, and recommending actions to balance the operating budget for the 2024/25 fiscal year, keeping in mind the obligation for long-term financial sustainability of the institution. The primary objective of the BBC was to present a set of recommendations to be included in the 2024/25 base operating budget for Provost Budget Committee (PBC) consideration. All recommendations consider the following:

- Provincial & operational constraints on the major sources of institutional operating revenue
- Existing and forecasted student enrolment trends
- Ability to meet current service delivery quality and quantity
- Respect for all existing collective agreements and University policies and procedures
- Impacts on current staffing levels
- Unavoidable cost increases related to inflation (and other influences)
- Impacts of operational changes across the entire institution
- Utilization of reserve (one-time) funds to bridge potential short-term budget deficits

The Committee's assigned mandate was to identify not less than $5M in savings to that could be realized in fiscal 2024/25.

BBC set out on a brainstorming process to identify potential budget balancing 'action items' across the following themes:

- Academic Delivery
- Staffing and Salaries/Benefits
- Service Offerings/Levels
- Process Changes/Efficiencies
- Technology Improvements/Adoption
- Facility Utilization
- Non-operating Units
- Other Revenue Opportunities
- Budgeting Methodologies

Through this process, the BBC identified 59 action items that were evaluated against a set of criteria to determine overall viability and feasibility. Following evaluation, action items were broadly separated into two categories:

i. Actions items leading to 2024/25 budget savings.
ii. Actions items requiring further investigation that could lead to longer-term sustainability.

Action Items Leading to 2024/25 Budget Savings

After careful consideration, PBC has accepted the following budget balancing action items from the BBC:

Table 7: 2024/25 Budget Balancing Strategy (in $000s)

#	Action Item	Budget Impact
1	Implement a realignment (1.5% of eligible salary + benefit budgets)	$3,676
2	Divest base operating budget funding from profit-oriented units	$1,044
3	Increase typical ABB reduction targets; decrease typical ABB investment	$700
4	Increase ancillary department overhead contributions to operating	$150
5	Reduce all institutional administrative travel budgets by 20%	$120
TOTAL BASE BUDGET SAVINGS		**$5,690**

Action Item #1: Implement a Realignment

Based on long-term projections and provincial policy outlook, the 2023/24 operating budget announced a 1% realignment for 2023/24 and indicated a further minimum 1% base budget realignment would be required for 2024/25. Because of the clarity that the institution has on the provincial funding framework for the next three years, and because of the limited discretionary budgets remaining across the campus, a different approach is being taken to the implementation of the realignment to ensure that the budget reductions are strategic and mitigate impact to the student experience wherever possible.

The academic share of the 1.5% realignment for 2024/25 will be allocated directly to the eight Revenue Centres (i.e. Faculties). Administration anticipates that a portion of the savings required within the faculties will be generated through ongoing faculty retirement incentives.

However, the non-academic department realignment obligations are being compiled and assigned at the executive level. This is a change from the previous years where realignment obligations were assigned directly at the department level. This year, each executive will develop a strategic and comprehensive realignment plan for their respective division. Support will be provided from the Budgets Office and Human Resources where headcount is impacted.

Action Item #2: Divest base budget funding from profit-oriented units

As part of the implementation of the ABB model in 2020, a small number of units who were historically funded as cost centres were identified as revenue centres by the budget model redesign committee. The budget adjustment in 2024/25 formally transitions these units into revenue centres and requires the units to realign their cost structures to match only the revenues that they generate.   In 2024/25, the Units will be treated as 'hybrid' within the budget model, and not allocated an overhead charge (similar to the ancillaries).   The executives in charge of the units are working with leaders to ensure that this transition is smooth and does not threaten the strategic goals articulated in *Aspire.*

Action Item #3: Increase typical ABB reduction targets; decrease typical ABB investment

Under the ABB model, the Faculties negotiate either an investment (if positive) or a realignment (if negative) with the Provost. This budget adjustment will be realized by offering a lower investment and/or increasing the realignment targets more than in the past several years. Administration anticipates that a portion of the savings required within the Faculties will be generated through ongoing faculty retirement incentives.

Action Item #4: Increase Ancillary Overhead Contributions

Several significant changes were made to sustain our Ancillary departments (Bookstore, Food, Parking, Printshop, and Residence services) during the COVID-19 pandemic. One such change included decreasing the expectation for contributions from Ancillary service areas to the Operating budget. With a return to more 'normal' operations, we are increasing annual contributions by $150K.

Action Item #5: Reduce Administrative Travel Budgets

The world has changed in the wake of the global COVID-19 pandemic. At UWindsor there has been a decline in administrative travel obligations from pre-pandemic levels as training sessions, meetings, and conferences are often able to be accommodated through digital applications. A 20% reduction of budget for administrative travel should have very little impact on a department's ability to continue to participate in their required activities. It should be noted that this travel budget reduction does not impact the faculty professional development funding stipulated in the WUFA collective agreement, faculty member research travel funds held in their respective grant accounts, or travel funding for specific departments required to travel to engage in student recruitment activities.

Action Items Requiring Further Investigation

In addition to the action items being employed to balance the 2024/25 operating budget, the BBC identified several items where process reviews, policy changes, collective bargaining, and further investigation is required before implementing changes could set the institution on a path towards longer-term financial sustainability. In many cases these action items are already underway within various departments more directly responsible for their undertaking. However, there is an opportunity to create further efficiencies and develop enhanced awareness of these cost-saving activities. To this end, the PBC has taken stock of these ideas and will be forming a committee to investigate their status. Where appropriate, action will be taken to initiate the required changes and report back to the PBC.

VI. CONCLUSION

These are challenging financial times for most universities in Ontario. After 5 years of frozen domestic tuition rates, many universities, including UWindsor, have expanded international student enrolments to mitigate budget pressures. The softening of international enrolment has resulted in strained financial positions across the sector. Short term measures have been implemented and we are fortunate that the financial planning of the past two years has allowed for a 2024/25 operating budget that can be balanced through the application of the Postsecondary Education Sustainability fund. However, more extensive measures must be investigated if the institution is to achieve long-term financial sustainability necessary to ensure our students continue to be well supported, both socially and academically. The Budget Balancing Committee has brought forward a variety of recommended changes to operations to set UWindsor on this path. Together we will find our way forward, addressing challenges and upholding our institutional values.

APPENDIX A: 2024/25 OPERATING BUDGET

	2023/24 RECLASSIFIED BUDGET ($000s)	2024/25 PROPOSED BUDGET ($000s)	% OF TOTAL 2024/25 BUDGET	$ INCREASE/ (DECREASE) TO 2023/24 ($000s)	% INCREASE/ (DECREASE) TO 2023/24
OPERATING REVENUE					
Student Academic Fees	$ 236,500	$ 226,721	66.3%	$ (9,779)	(4.1%)
Less: Enrolment Contingency Reserve	(2,000)	(2,000)	(0.6%)	-	0.0%
Less: Extraordinary Enrolment Offset	(5,500)	-	0.0%	5,500	(100.0%)
Student Incidental Fees	8,874	9,158	2.7%	284	3.2%
Government Grant - Provincial	96,684	96,657	28.3%	(27)	(0.0%)
Government Grant - Federal	3,444	3,550	1.0%	106	3.1%
Investment Income	3,772	4,200	1.2%	428	11.3%
Other Revenue	3,528	3,528	1.0%	-	0.0%
TOTAL OPERATING REVENUE	$ 345,302	$ 341,814	100.0%	$ (3,488)	(1.0%)
OPERATING EXPENDITURES					
Faculty Expenditures	$ 169,613	$ 171,848	49.9%	$ 2,235	1.3%
Research Services	7,361	7,356	2.1%	(5)	(0.1%)
Outreach & Communications	14,140	14,231	4.1%	92	0.6%
Academic & Student Services	29,075	29,771	8.6%	696	2.4%
Library	14,037	14,530	4.2%	493	3.5%
Scholarships	14,352	14,352	4.2%	-	0.0%
Administration	26,187	24,140	7.0%	(2,046)	(7.8%)
Information Technology	13,642	14,151	4.1%	509	3.7%
Facility Costs (including Utilities)	32,144	32,351	9.4%	207	0.6%
Debt Costs	10,954	10,779	3.1%	(175)	(1.6%)
Subtotal Base Operating Expenditures	$ 331,504	$ 333,509	96.8%	$ 2,005	0.6%
STRATEGIC INVESTMENT & RESERVE FUNDS					
Strategic Investment Funds	$ 5,598	$ 5,098	1.5%	$ (500)	(8.9%)
Reserve Funds	8,200	6,000	1.7%	(2,200)	(26.8%)
Subtotal Strategic Investment & Reserve Funds	$ 13,798	$ 11,098	3.2%	$ (2,700)	(19.6%)
TOTAL EXPENDITURES	$ 345,302	$ 344,607	100.0%	$ (695)	(0.2%)
BASE OPERATING POSITION	$ 0	$ (2,792)	0.0%	$ (2,792)	100.0%
Postsecondary Education Sustainability Fund		2,792			
BALANCED OPERATING BUDGET		$ 0			

APPENDIX B: 2024/25 PROVINCIAL GRANTS

		2023/24 RECLASSIFIED BUDGET		2024/25 PROPOSED BUDGET	% OF TOTAL OPERATING REVENUE		$ INCREASE/ (DECREASE) TO 2023/24	% INCREASE/ (DECREASE) TO 2023/24
		($000s)		($000s)			($000s)	
PROVINCIAL GRANT								
Core Operating Grant (COG)	$	36,545	$	31,238	9.1%	$	(5,307)	(14.5%)
Performance (Differentiation) Grant		56,534		61,840	18.1%		5,306	9.4%
Sub-Total	$	93,079	$	93,079	27.2%	$	(0)	(0.0%)
Special Purpose Grants	$	1,453	$	1,523	0.4%	$	70	4.8%
Collaborative Nursing		5,500		4,844	1.4%		(656)	(11.9%)
Other Provincial Grants		372		372	0.1%		0	0.0%
International Student Recovery		(3,720)		(3,160)	(0.9%)		560	15.1%
TOTAL BASE PROVINCIAL OPERATING GRANTS	**$**	**96,684**	**$**	**96,657**	**28.3%**	**$**	**(27)**	**(0.0%)**
Postsecondary Education Sustainability Fund*		-		2,792	0.8%		2,792	100.0%
TOTAL PROVINCIAL FUNDING	**$**	**96,684**	**$**	**99,449**	**29.1%**	**$**	**3,325**	**3.4%**

** The Postsecondary Education Sustainability Fund will not be incorporated into the University's base and is being treated as one-time funding for a 3-year period.*

APPENDIX C: 2024/25 ABB FACULTY NET POSITION CALCULATION

	Faculty of Arts, Humanities & Social Sciences	Odette School of Business	Faculty of Education	Faculty of Engineering	Faculty of Human Kinetics	Windsor Law	Faculty of Nursing	Faculty of Science
	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)
OPERATING REVENUE								
Student Fees	$ 33,133	$ 29,406	$ 9,195	$ 67,289	$ 5,377	$ 14,661	$ 6,612	$ 61,924
Government Operating Grant	30,013	8,158	6,718	13,129	6,377	4,642	7,594	21,619
Other Revenue	800	59	1,091	639	40	185	21	1,730
TOTAL BUDGETED REVENUE	$ 63,946	$ 37,623	$ 17,004	$ 81,057	$ 11,794	$ 19,488	$ 14,227	$ 85,273
OPERATING EXPENDITURES								
Direct Faculty Expenses	$ 45,748	$ 19,402	$ 9,169	$ 34,492	$ 6,282	$ 12,216	$ 8,995	$ 37,623
Other Direct Expenses	512	1,043	163	3,864	45	1,740	14	5,202
Allocation of Shared Service Cost Pools	28,703	14,426	6,144	39,113	5,253	5,859	5,821	36,225
Initial Contribution to University Fund	988	579	256	1,313	198	303	227	1,284
TOTAL BUDGETED EXPENDITURES	$ 75,951	$ 35,450	$ 15,732	$ 78,782	$ 11,778	$ 20,118	$ 15,057	$ 80,334
ABB NET POSITION	$ (12,005)	$ 2,173	$ 1,272	$ 2,275	$ 16	$ (630)	$ (830)	$ 4,939