

Financial Sustainability of the Institution



Definitions

SMA The Strategic Mandate Agreement (SMA) is a document signed by both the University and the Ministry outlining the accountability of each party. The SMA provides both the performance-based funding and the performance metrics.

MCU The Ministry of Colleges and Universities (MCU or the Ministry) is the body of the Government of Ontario responsible for allocation of funding to the Universities of Ontario.

Facts and Figures

Fiscal Pressures at Ontario Universities

- The MCU announced a two-year tuition fee framework that included a 10% reduction of all domestic student fee rates effective for the 2019/20 academic year and a freeze of the 2019/20 rates for the 2020/21 and 2021/22 academic years.
- The government operating grants put pressure on the University to meet the performance requirements under the [SMA3](#).
- The Province has not increased general operating grants to reflect inflation and as a result, the University's operating funding received from MCU in 2020-21 was almost 20% lower than what the University received in 2007-08 (adjusted for inflation).
- As operating grant funding has fallen, the demands on the University's budget have risen, including increased campus services in areas such as student mental health, more cost-intensive resources and equipment, and innovation activities including intellectual properties management and commercialization that receive no dedicated provincial funding.
- As a result of the domestic tuition constraint and the declining value of operating grants, universities in Ontario have increasingly relied on international student tuition to help cover the annual costs of inflation.

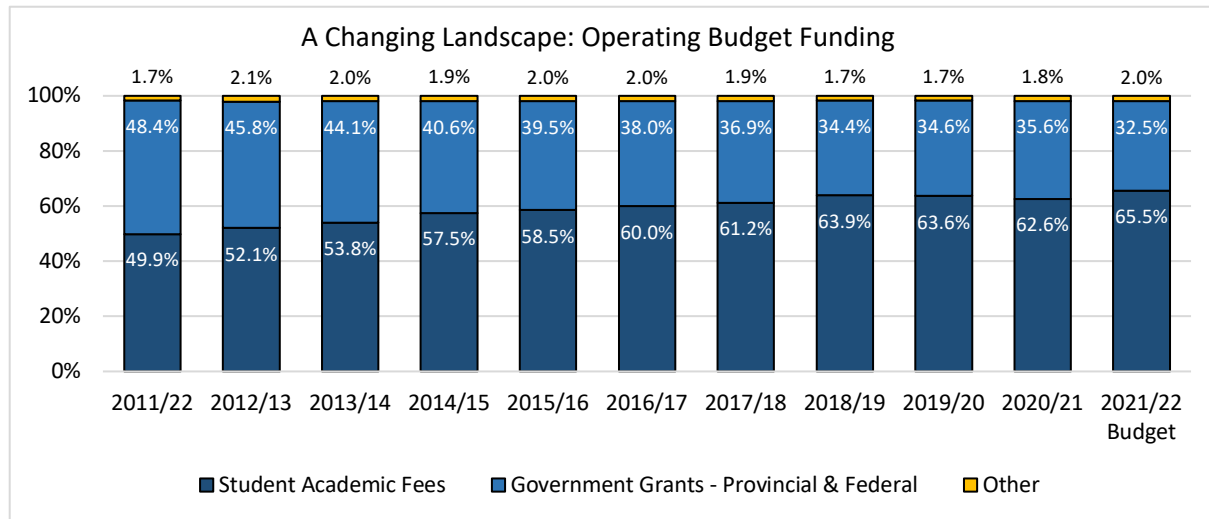


Figure 1

Prioritizing Financial Sustainability at UWindsor

UWindsor has a culture and internal control environment which prioritizes financial sustainability:

- Strong governance models for financial matters and balanced budgets are a top priority for the Board of Governors. This includes open and transparent processes for tuition and budget setting with opportunities for feedback and disclosures of financial health metrics to stakeholders including the Province.
- Focused approach towards enrolment for strategic decisions and diversification of the UWindsor student body. A transition to the Activity-Based Budget model drives decisions to consider enrolment strategies.
- Preservation of liquidity and active working capital management directed by Board-approved policies. This includes strong internal monitoring to ensure sufficient liquidity on a daily basis and regular reporting to the Investment Committee of the Board of Governors.
- Sustainable, fully funded debt repayment strategies such as:
 - Long-term financing arranged (30 to 40 years) of which most of the debt is “bullet style” debentures
 - Savings for debentures start on day 1 and are held in Trust (protected from spending on other costs)
 - Reporting on progress of savings for debt to Investment Committee of the Board annually
- Cost management and culture of fiscal management including full transparency across campus when cost savings are required either in-year or through base adjustment; UWindsor Activity-Based Budget Model for transparency on shared service costs; and Faculty Financial

Sustainability Planning development will form the foundation of all decision making related to budget approvals and allocations.

- Reserve funds (Faculty specific and centralized) fostered. The operating budget reacts to risks identified by establishing base or one-time reserve funds.

UWindsor prioritizes transparency on its financial health to the campus community by making data available:

- The operating budget audited financial statements and endowment financial reports are made available to the public annually.
- External credit ratings from Moody's and DBRS are disclosed to Resource Allocation and the Board of Governors annually and are made available to the public.
- MCU Financial Sustainability Metrics are disclosed to the Audit Committee and MCU annually. Metrics are categorized into three priority areas: (1) Performance, (2) Liquidity, (3) Leverage.
- Budget discussions with academic leadership occur frequently and discussions about the Operating Budget occur with Senate annually.
- Annual Open Pension Meetings provide an opportunity to review Pension Fund results and allow for questions and answers.

Best Practice Resources

- [Operating budget, audited financial statements, and endowment financial reports.](#)
- Annual [external credit ratings](#) from Moody's and DBRS

Thinking Question: What do you see as the biggest threat(s) to the University's financial sustainability over the next 5 years?