

2011-2012 Strategic Resource Planning and Budget Framework

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1. Introduction to Pre-Budget Document

This document establishes a context for the presentation of a budget proposal to the Board at the next meeting. It is intended as a basis for discussion so that the President's Executive Team (PET) can be aligned with the expectations of the Board.

- The discussions leading up to the formation of the budget take place in the context of the **Strategic Planning Framework** approved by Senate and by the Board in 2009. The Framework does not describe everything that is taking place at UM, but it does provide a context for thinking about some of our strategic decisions. Thus it is not to be expected that all decisions shaping the budget are directly influenced by the existence of the Framework, but some certainly have been.
- The budget considerations should take place against a backdrop of shared **information**. One such set of information is **indicators** that will show progress toward the goals expressed in the Framework. A working group was established last year to focus on proposing such indicators that would be used for several purposes – for reporting to the community, for reporting to the Board and for managing the ongoing work of the university. As has recently been reported to the Board of Governors and to Senate, the University of Manitoba has been invited to join the U15 – the new G13 – a group of fifteen research-intensive universities in Canada. It is anticipated that through the U15, the University of Manitoba will have access to normative and comparative data which previously had either been unavailable or difficult to obtain. In addition, the University has embarked upon a Strategic Enrolment Management (SEM) project which will involve a range of activities including priority and goal-setting and measurement against these goals. These two initiatives have overtaken the work initiated last year by the University's working group and are expected to increase the University's capacity to measure itself against peer institutions and against its goals.

Another set of useful information is the analysis of **trends** in the University's pattern of expenditures. Several trend analyses are included here. We show several years of data for expenditures by category, expenditures by faculty, expenditures per student by faculty (raw and indexed), and some comparative data with other medical and doctoral universities. We are optimistic that better comparative information for other universities would represent common practice, if not best practice. However, it remains difficult to extract useful information from the data because institutions report in non-comparable terms. We anticipate that in consultation with our peers through the U15 we will be able to improve this situation.

- The University's budget is based on a number of different **funds**, each of which has different purposes.

Some transfers among funds are possible – e.g., moving an amount from the operating fund into the capital fund to support the start-up equipment costs associated with a new appointment – but many are not possible – e.g., money obtained from federal granting councils for research purposes or from the Federal Knowledge Infrastructure Program may not be used for any other purpose that that for which it was given.

Some transfers are a normal part of the budget administration throughout the year, e.g., the transfer of sums from central accounts into faculty accounts to fund salary increases when they take place.

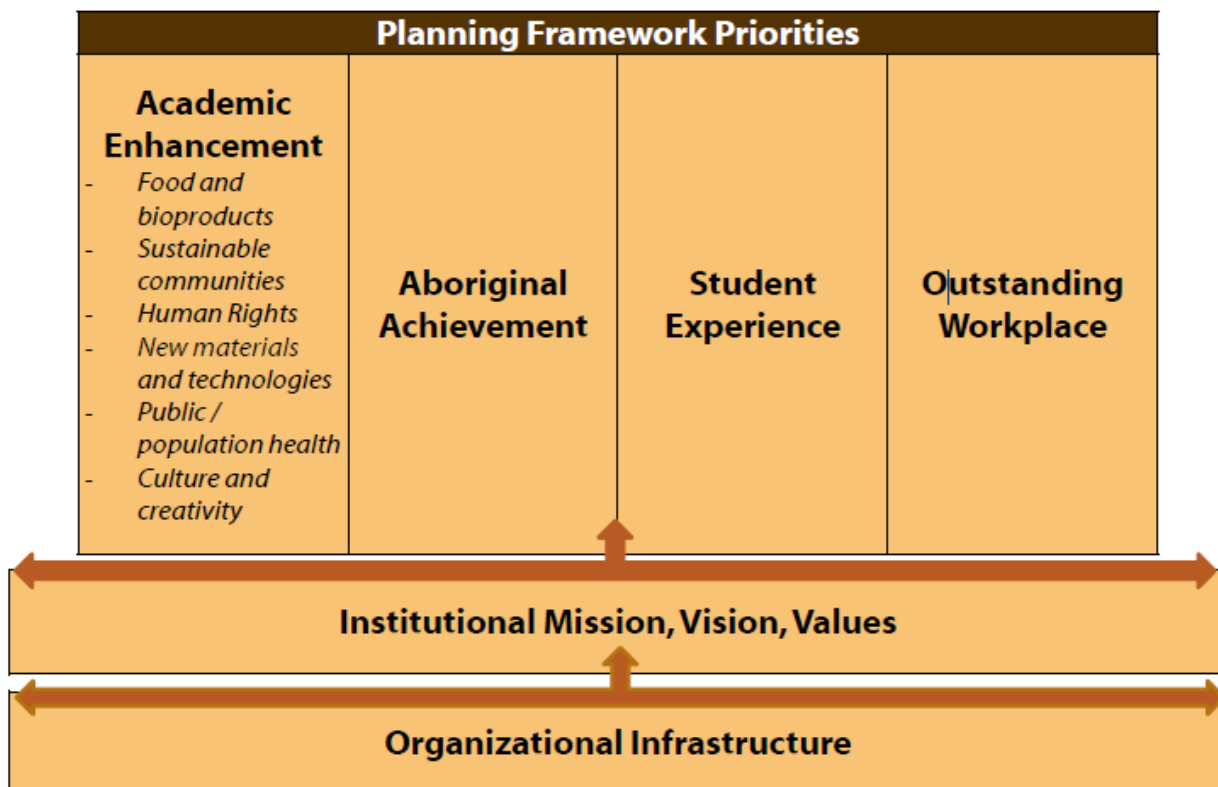
The document explains the purposes of the funds, the kinds of transfers that take place and the reasons for the balances that are held in reserve in certain funds. Much of this will be familiar to long-serving members of the Board but making it explicit is helpful for all of us.

- The University’s budget can be difficult to understand because of the use of these funds (which makes our budget different from those of many other organizations). The 2011/12 University of Manitoba budget will be presented with an **aggregate plan** for all of the funds which simplifies the budget presentation for the Board, for management and for other interested readers to have an omnibus document that lays out the plans, in general terms for each of the major fund categories. Quarterly reporting to the Board during the year will refer back to this omnibus presentation.

The University of Manitoba has a history of careful management of its resources and our intention is to continue the pattern of care while at the same time being increasingly well informed about the decisions we are making, and then making choices that will have the University of Manitoba increasingly recognized as a great university.

2. University of Manitoba Strategic Planning Framework 2009-2014 – Update

The University of Manitoba Strategic Planning framework will inform the major decisions made at the University of Manitoba through the annual strategic resource planning and allocation process. Four priorities identified below will guide the approach.



In order to make progress in the planning framework priorities the University is undergoing a transformation of its **organizational infrastructure** – a necessary first step to broadly support learning, discovery and engagement. This transformation process is focusing on six major areas of organizational infrastructure: process, structure, space, IT and data, leadership and governance. A brief description of the work underway in each of the six areas follows:

Process: Our academic and administrative processes support the core of the University’s activity. Two projects impacting a significant number of both academic and administrative processes have been underway since October, 2009.

ROSE Project - In the early stages of the ROSE project, it became increasingly apparent that the University was suffering from a deferred maintenance of organizational infrastructure. The lack of investment to leverage technology and improve our administrative processes has come at significant cost – a cost that has seriously impacted the delivery of service to our students, faculty and staff.

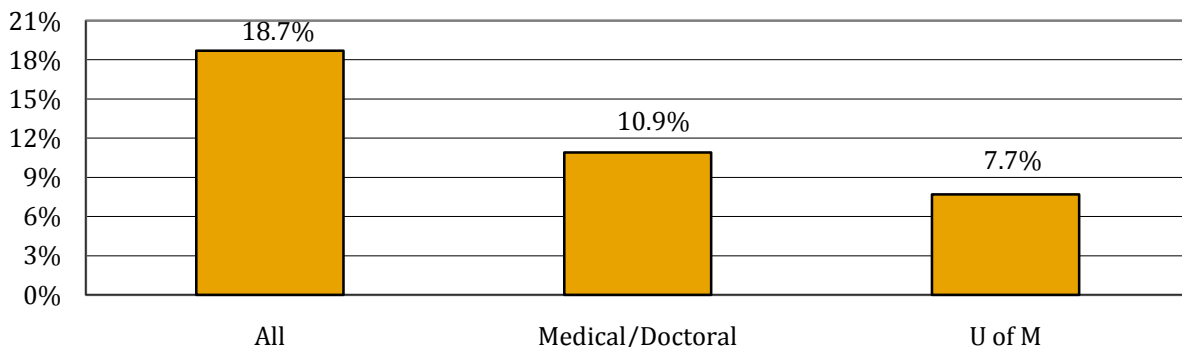
The ROSE project is now in Phase 3, **Implementation**. Twenty initiatives are underway within IT, Human Resources, Finance, Research Services, Student Services, Physical Plant and Communications and Marketing. Some of these initiatives will be completed in the short term while others will take three to five years. Investment through the ROSE project in these seven stream areas is critical to ensure efficient and effective processes are in place all of which will contribute to the institutional priorities. For example, initiatives like e-recruitment and employee self service will serve the University’s goal of being an outstanding employer. Other ROSE initiatives such as implementation of a student recruitment CRM tool and improved enrolment services/admissions systems and processes will significantly enhance the student experience.

OARs Project - As the OARs project evolved, it became apparent that a number of the issues identified by the three project teams: Academic Synergies and Efficiencies (ASE), Rules/Regulations and Red Tape (3Rs) and Strategic Enrolment Management (SEM) exhibit a common theme, predominantly centred in the SEM domain. Consequently, the work of OARs has ‘moved upstream’ as an integrated and embedded process under the auspices of SEM. A SEM Planning Committee has been established with a mandate to provide leadership in strategic enrolment management through a variety of committees including data management, student success/retention, graduate students/research, academic rules and regulations, recruitment and marketing, and teaching and learning.

Structure:

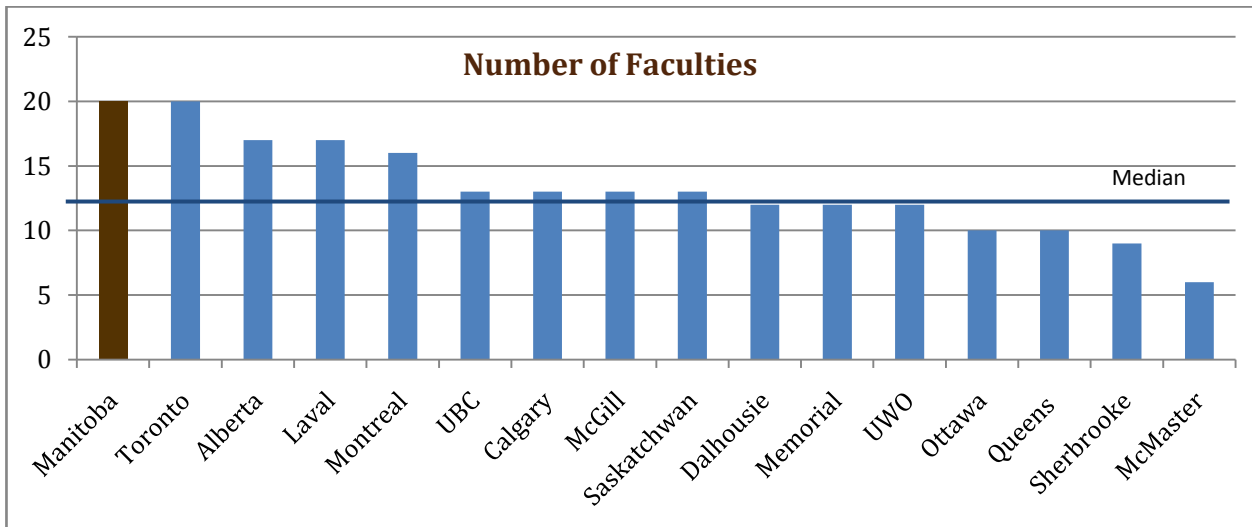
Administrative Structure : Historically, central administrative costs at the UM have been reported by the Canadian Association of University Business Officers (CAUBO) as being among the lowest in the country. This ranking is not the result of highly efficient processes but is stemmed from a significant lack of investment for the past two decades resulting in a significant risk for administrative inefficiency.

% Of Budget for Administrative Costs 2008/09



Academic Structure: The current number of faculties, departments and senate committees is well above the median for universities across the country. There are 20 faculties (median 13), 76 departments (median 66.5) and 25 Senate Committees (range in peer institutions 7 – 23). The

University of Manitoba has as many faculties as the University of Toronto with in excess of 75,000 students.



The complexity of our academic structure has resulted in the creation of many barriers that impede progress of both our students and faculty. Furthermore, although central administration has been underfunded as noted previously, the large numbers of faculties has resulted in a significant cost related to administrative infrastructure in the academic units. Following the September 2010 senior executive retreat, where “common ground” was identified in terms of activities that need to be pursued on a priority basis to realize strategic planning framework objectives, the Deans’ Collaborative Clusters Project was initiated to facilitate collective work on stated priorities through activities including among other things:

- collaborative strategic planning and development of academic programs (teaching and research) and public outreach/community engagement initiatives;
- working collectively to reduce barriers and foster faculty and student mobility within and between units;
- sharing administrative services and resources, and working together to address common administrative and budgetary issues;
- review and, where appropriate, make recommendations/provide advice on changes to the University’s existing academic structure (faculty/school, departmental) that would advance our academic effort; and,
- identify and pursue opportunities for joint resource planning and utilization and, in so doing, foster a greater focus on our collective.

The following clusters have since been established:

- Social and Human Development (Education, Extended Education and Social Work);
- Social Sciences (Arts, Business and Law);
- Natural and Applied Sciences (Agricultural and Food Sciences, Engineering, Environment, Earth and Resources, and Science);
- Fine Arts, Design and Culture (Architecture, Art, Arts, and Music); and,
- Health Sciences (Dentistry, Human Ecology, Kinesiology and Recreation Management, Medicine, Nursing, and Pharmacy).

Each cluster is facilitated by a liaison from the Provost's Office and the V.P. Research Office. The members of each cluster selected a Chair to be responsible for advancing and coordinating activities of the cluster, and liaising with other cluster Chairs. Each cluster chair reports monthly to Provost's Council for purposes of sharing information on activities and initiatives, and exploring opportunities for synergies and efficiencies across clusters.

The Collaborative Cluster Project is a mechanism to reinforce and enhance university-wide collaboration and a focus on the collective good. While the initiative organizes members of Provost's Council into clusters with similar disciplines, interests and/or issues, it is not intended to limit collaborative efforts between clusters. Indeed, the aim is to explore and support synergies and opportunities university-wide.

Space:

Modern, state of the art facilities are essential to support the goals of academic enhancement, student experience, aboriginal achievement and to become an employer of choice. Significant progress has been made over this past year on upgrading or replacing university facilities. As part of Project Domino, the Pembina Hall student residence is progressing on schedule. In the fall of 2011, subsequent to completion of the Residence, the Tache Hall redevelopment project will commence.

The Knowledge Infrastructure Program (KIP) projects under construction or completed include the ART Lab, Biological Sciences Redevelopment, Regenerative medicine development, Neil John Maclean Health Sciences Library expansion, Buller Building Redevelopment, Eureka Incubator and Smartpark Phase II.

In addition, a major renovation is underway at the Wallace Building to house the new CERC laboratory and construction of the Stadium is underway which will be used by the Bison football team as well as for other university events and activities.

Under development remains the establishment of a Campus Planning and Real Estate Department, continuation of Project Domino, the Active Living Centre, Southwood Land Development and a Dafoe Library enhancement –the learning commons.

Considerable effort has gone into enhancing the campus grounds – an important factor when students are choosing a post secondary institution. In 2010, the pedestrian walkway was completed and landscaped linking University Centre with Frank Kennedy and providing a new and popular venue for orientation. In 2011, the Isabel Auld Plaza will be completed south of the Buller Building providing another outdoor gathering and recreation space.

IT and Data:

The urgent need to renew our IT infrastructure was a recurring theme through the ROSE recommendations. IT renewal is an integral part of most initiatives within all seven of the ROSE streams. The resultant IT renewal (impacting both systems and infrastructure) will result in a change to the nature of the delivery of IT services at the UM resulting in positive implications for students, employees, and academic and research support.

Limited access to comparative and normative data, particularly relative to peer institutions has resulted in significant challenges which impede the identification of relevant goals and the measurement of progress toward goals. A positive development is the inclusion of the University of Manitoba in the U15. Through this association we anticipate access to both common definitions and comparative data. In addition, an external review of the Office of Institutional Analysis (OIA) was

recently conducted and the final report is anticipated shortly. This is the first formal Review of OIA since 1990.

The SEM steering committee and working groups are in the process of identifying goals that connect to institutional priorities and determining the data required to support measurement of these goals.

Leadership:

Selecting the right people for leadership roles is critical for success. This applies both to academic and non-academic roles. We need to develop a culture in which the capacity to lead is sought out and developed – at all levels – by providing opportunities for our people who have interest and capacity to acquire skills and experience so that they can take on larger leadership roles in the University.

In particular, the appointment of strong deans of faculties and directors of support units is one of the most significant contributions that the President’s Executive Team can make to the development of the University. Significant effort is underway to recruit new deans, an associate vice president (philanthropy), an executive lead (aboriginal achievement) and a Chief Information Officer (CIO) – all essential positions to enable the University of Manitoba to achieve its goals.

Good Governance:

Both effective communication and appropriate involvement by Board and Senate in planning and decision-making will aid the achievement of the Framework Priorities. The Board is very conscious of its practices and procedures, and is continuing to develop them in line with best practices in board governance. In particular, the Board conducts an annual self-assessment.

The Senate has a more complex set of committees than is the case elsewhere in Canada. This is currently under review.

Institutional Mission, Vision, & Values

An inclusive approach with an emphasis on engagement is an important yet less recognized part of university mission. There is a great deal of commitment university-wide such as the provision of expert advice to governments and the public and the involvement in initiatives that address local and global needs that is reflected in our values – e.g., “responsibility to society” . We plan to emphasize the breadth of these activities through the development of a community engagement strategy.

Support for Framework Priorities

In the last two successive budgets, \$3.4 million in ongoing funding and \$650,000 in one-time funds have been allocated to framework priorities. The ongoing funding represents a small portion of operating budget – 0.67%. Nevertheless, these funds have been utilized to launch new programs and seed new initiatives.

Academic Enhancement *The University of Manitoba will be nationally and internationally recognized for its teaching, research and creative excellence, sought after by students and faculty alike as their preferred site of study.*

Allocations to date include funding for: new programs (MFA, Jazz Studies, Peace and Conflict Studies, PhD in Native Studies), seed money for targeted initiatives, support for international academic program development and enhanced graduate student support (GETS).

Progress made toward enhanced research capacity includes: CERC in Arctic Geomicrobiology and Climate Change, NSERC Industrial Research Chairs (Biofuels, Water Resources Engineering), Canada Research Chairs e.g., Biomedical Materials, Watershed Systems Research Chair, Babs Asper

Professorship in Jazz Performance. In Development include: Genome Canada proposal, Canada Research Chairs e.g.: Food and Feed Safety, Human Rights, Neurosciences, Entrepreneurship

Aboriginal Achievement *The University of Manitoba will work with a variety of partners to make Winnipeg the national centre of excellence in Aboriginal education, and in particular to allow Aboriginal students to be prepared to achieve academic success in the full range of academic programs we have to offer.*

A multi-faceted approach includes developing a strategic vision for improving programs, services and outcomes for Aboriginal students. External funding was secured for a study undertaken by Dr. Kiera Ladner. Targeted funding has been allocated to hire an executive lead for which the search is underway. A committee of University faculty and staff are working in partnership with other post-secondary institutions to develop a proposal for the Truth and Reconciliation Commission Centre of Excellence.

Student Experience *The University of Manitoba will be a student-focused research university from the time of recruitment: a life-long academic home where students contribute to a diversity of ideas and experiences.*

Plans for infrastructure improvements include: improve library space and initiate Learning Commons, Residence construction, Southwood lands potential, Active Living Centre development, automation of transactional services, Stadium and development of outdoor spaces.

Plans for service improvements include: personalized student communications, enhance coordination and training for academic advising, coordinate orientation, increase student mobility, enhance communication and collaboration and development of facilities to provide student services on the Bannatyne Campus.

Enhanced Student Opportunity include: enhanced research opportunities for undergrads, encouragement of student engagement outside of classroom, implementation of co-curricular record, proposal for increased graduate student funding.

Outstanding Workplace *The University of Manitoba will be an employer of first choice; offering and expecting respect for all staff and faculty, providing opportunities for leadership, growth and development, and recognizing the contributions made at all levels of the organization.*

In November 2010, Dr. Stan Amaladas joined the University of Manitoba as project lead for the Outstanding Workplace Initiative. A guiding team in support of this initiative has been established and begun its work, and consultations are ongoing with focus groups and individual staff members. A survey for existing UM staff has been posted on the UM web site and is accessible from the home page. Best practices are currently being researched and identified.

A framework and action plan on the basis of the consultation feedback and survey responses received will be drafted by May 2011. Based on emerging themes (Leadership and Management, Contribution, People and Community, Recognition, Appreciation of “Benefits”), a University wide Workplace Experiences Survey will be conducted for staff and faculty to provide feedback. The framework and survey results will be used to develop strategies for action (September 2011).

Three offices have been brought together under the umbrella of the “Office of Fair Practices and Legal Affairs”: Equity and Human Rights Advisor, Access and Privacy, and the Office of Legal Counsel. These units will operate independently of each other, but will take advantage of the synergies that can be realized by their closer cooperation. The establishment of the Office of Fair Practices and Legal Affairs demonstrates the University’s continued commitment to providing advocacy, advice and support

services to students, faculty and staff. The Equity and Human Rights Advisor will continue to work to prevent discrimination and harassment at the University by promoting, supporting and administering the University's *Respectful Work and Learning Environment Policy*.

3. Background and Fund Overview

The University of Manitoba is responsible for the financial stewardship of in excess of \$760 million annually. The University of Manitoba uses the Restricted Fund Accounting method to prepare its Financial Statements in accordance with Generally Accepted Accounting Principles (GAAP). The University maintains a collection of separate Funds for its major diverse activities which are grouped into the following categories:

- General Funds include General Operating, Specific Provisions and Expenses Funded from Future Revenues; and
- Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust and Endowment Funds

Throughout this document, a number of graphs, tables and charts have been included in an effort to provide useful financial data to the Board of Governors. What continues to be disappointing, however, is the lack of good comparative data from other institutions. For example, University of Manitoba data on the net operating expenditures per student full time equivalent for each faculty has been presented but we have not yet had access to comparative data from other institutions.

In some cases percentages referenced in the tables may vary dependent on the source of data. For example, some data collected by the Canadian Association of University Business Officers (CAUBO) has been provided. The data collected by CAUBO varies somewhat from the data extracted from the University's annual financial report based on differing definitions.

Fund Overview

General Funds

- **General Operating:** General operating funds support the academic mission and the administration of the University. Ancillary enterprises (Book Store, Parking, Residences, University Centre Pharmacy) are included in the general operating fund but are self-supporting. General operating revenue sources are the provincial operating grant, tuition and related fees, federal government grants, net investment income, miscellaneous income, sale of goods and services to external parties and income from the ancillary enterprises.
- **Specific Provisions:** The Specific Provisions Fund records appropriations to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carry-over, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters.
- **Expenses Funded from Future Revenues:** Expenses funded from Future Revenues record the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension obligations.

Restricted Funds

- **Capital Asset Fund:** The Capital Asset Fund consists of contributions for the purpose of acquiring capital assets and/or making debt repayments. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets.
- **Research and Special Funds:** The Research and Special Fund consists of contributions specifically restricted for research or other special activities. This includes external grants and contracts from a variety of federal and provincial granting agencies, industry and non-governmental organizations provided specifically for research, research infrastructure and special activities. Funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.
- **Staff Benefits Fund:** The Staff Benefits Fund includes Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.
- **Trust Fund:** The Trust Fund records donations received by the University which may be used in their entirety along with the net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for capital projects, faculty and school support, and student support.
- **Endowment Fund:** The Endowment Fund records donations received with the stipulation that these funds are invested in perpetuity and an annual allocation of investment income earned is utilized for purposes as designated by the donor. These allocations are used to support faculties and schools, students, professorships, chairs, research, libraries and athletics.

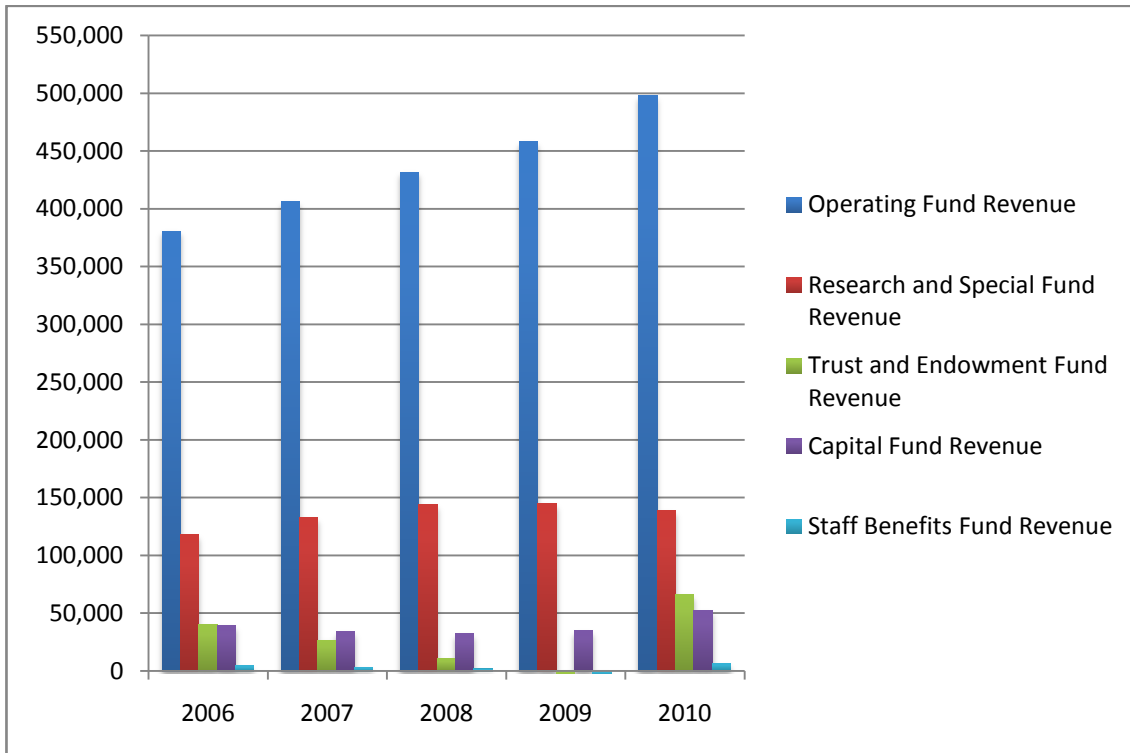
4. Interfund Transfers

Under certain circumstances, approval is granted for inter-fund transfers between Fund types. For example, when a faculty/unit purchases a capital item (eg equipment, computers, etc), the expenditure is reported as an Interfund Transfer out of the Fund (Operating or Research) that paid for the item with an offsetting Interfund Transfer into the Capital Fund. Debt servicing costs funded from operating (for example, the technology fee collected from students as part of the approved debt servicing plan) are also transferred to the Capital Asset Fund. Funding in support of scholarships, bursaries and other awards are transferred to the Trust Fund for the disbursement of the funds to students. Spending allocations from the Trust Fund are transferred, on request, to Operating, Capital or Research Funds dependent upon the nature of the planned expenditure.

5. Revenues and Expenditures – All Funds Over 5 Years

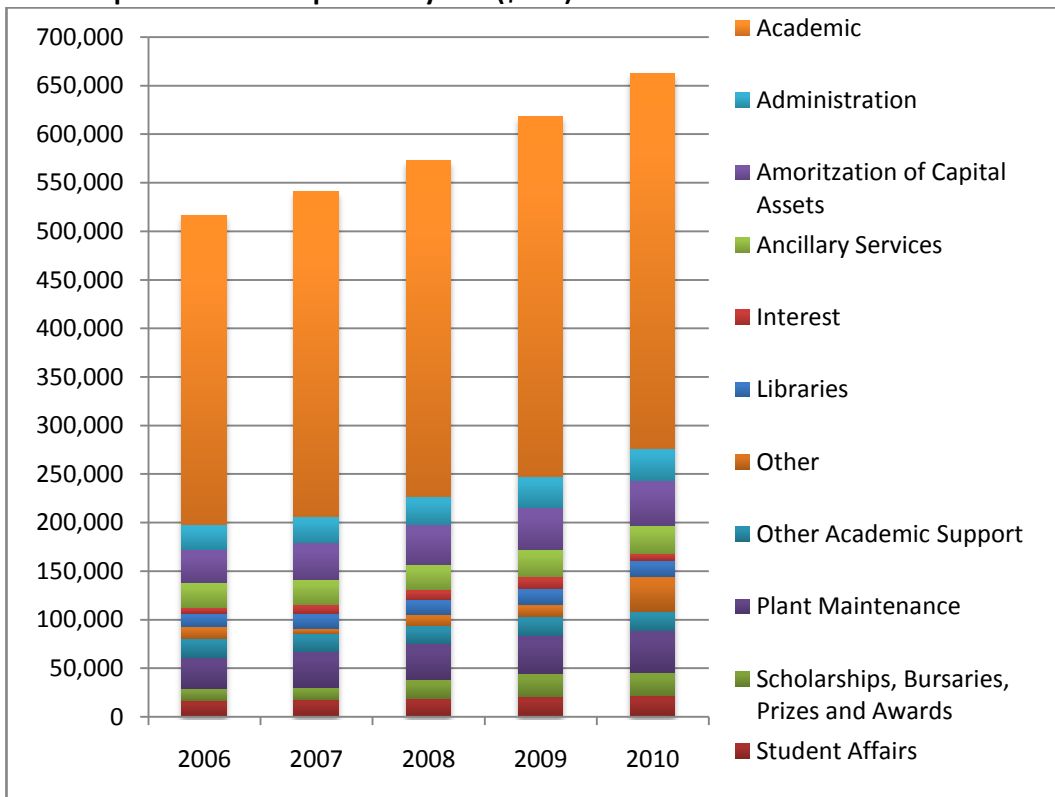
GRAPH I illustrates the growth (or decline) in revenues for all funds over the past five years. There has been an increase in operating fund revenues of \$117.0 M (30.7%), in research revenues of \$21.1 M (17.9%), in trust and endowment revenues of \$25.4 M (62.4%), in capital fund revenues by \$12.8M (32.6%) in 2010 and in the staff benefits fund revenues by \$1.9 (38.5%). Research revenues experienced a slight decline in 2010 of 4.4% predominantly as a result of a decline in funding from the US government and the Gates Foundation. The decline in US funding is largely due to timing of receipts.

GRAPH I - Revenues by Fund over the past five years (\$000) – All Funds:



Graph 2 illustrates expenditures over 5 years by function for all funds.

GRAPH 2 - Expenses over the past five years (\$000) – All Funds:



A five year summary of revenues and expenses for all funds is attached as Appendix 1.

6. Long-Term Debt

Over the past decade, the University has not only undertaken numerous new capital projects, there have also been upgrades and refurbishments to most existing buildings on both campuses. Although these projects are funded through various sources like special grants from different levels of government as well as gifts from generous donors, from time-to-time the University has to borrow funds in order to help fund the construction costs of various projects. The University tends to borrow on a long-term basis in order to match the debt to the serviceable life and benefit received from real property. Also, lenders are willing to lend long-term to the University as our credit risk is very favorable, and as an institution, we have the ability to repay loans over an extended time-frame.

The University has negotiated borrowings through the Province of Manitoba and from chartered Canadian Banks. Depending on the project, the term of the loan can be anywhere between 5 years and 30 years, though most new major projects tend to have loan terms of 20-30 years. Since many of the capital projects have tight operating budgets in the post construction period, and thus are very sensitive to both interest rates and terms, the goal in borrowing is to secure a relatively low fixed rate over an extended term.

The University is responsible for all debt-servicing obligations, and as such, repays principal and interest from the operating budgets of the real properties financed by debt. Where real property is constructed and has an identifiable revenue stream, such as a new student residence, the debt is serviced by the operating income related to this revenue. Where the University constructs buildings for primarily academic purposes, debt-servicing is addressed through levies against faculty operating budgets and special student fees. Finally, other miscellaneous income sources such as unrestricted trust funds and royalty income from oil and gas properties have been directed towards repaying principal and interest obligations.

The following is a list of projects funded all or in part with loan funds.

Non-revenue producing projects receiving loan funds through the Province of Manitoba:

- Aboriginal House
- Engineering and Information Technology Centre
- Richardson Centre for Functional Foods and Nutraceuticals
- Apotex Centre
- Storage Annex Addition to Dafoe Library
- Underground Service System
- Environmental Safety Building – Hazardous Waste
- Technology Projects
- Health and Safety Infrastructure
- William Norrie Centre
- Welcome Centre

Revenue producing projects receiving loan funds through the Province of Manitoba:

- Bannatyne Campus Parkade
- 135 Innovation Drive – Smartpark
- One Research Road – Smartpark
- 78 Innovation Drive – Smartpark
- Indoor Soccer Complex
- Pembina Hall Residence

Revenue producing projects funded by loans through banks

- Arthur Mauro Residence
- RTDS Building – Smartpark
- Monsanto Building – Smartpark

For all of the above projects, loan funds may have fully funded the project, or only partially funded the project with the remaining funds coming from other sources such as government or fundraising through donors. All projects that are identified as revenue producing are required to repay all of the principal and interest related to the loan funds they received.

As of March 31, 2010 the University had the following debt:

Loans from the Province of Manitoba

\$69.093 million and \$70.742 million (\$150 million capital financing)

The Province provided two \$75 million tranches of 30 year debt to support capital renewal projects. The debt repayments are funded by (approximate portion of current funding):

- Unit Capital Development Assessment (42%)
- Student Technology Fee (33%)
- Repayment of loans from revenues on new capital projects i.e. Smartpark, Bannatyne Parkade (10%)
- Other sources – oil and gas income, trust fund income (15%)

\$30.965 million (Pembina Hall Residence)

The Province provided a loan for a portion of the cost of constructing the Pembina Hall Residence. This loan is funded by future net revenues to be earned from the residence.

\$555,000 (Capital Advance)

This is funded by sinking fund investments and is expected to be extinguished in the current year.

Term Loans

RBC (\$1.26 million) and Workers Compensation Board (\$1.15 million) term loans are funded with lease revenues earned on existing buildings at Smartpark.

Interest Rate Swaps (with RBC)

\$7.075 million – Loan for Smartpark RTDS Building

This loan is funded by net lease revenues associated with RTDS Building.

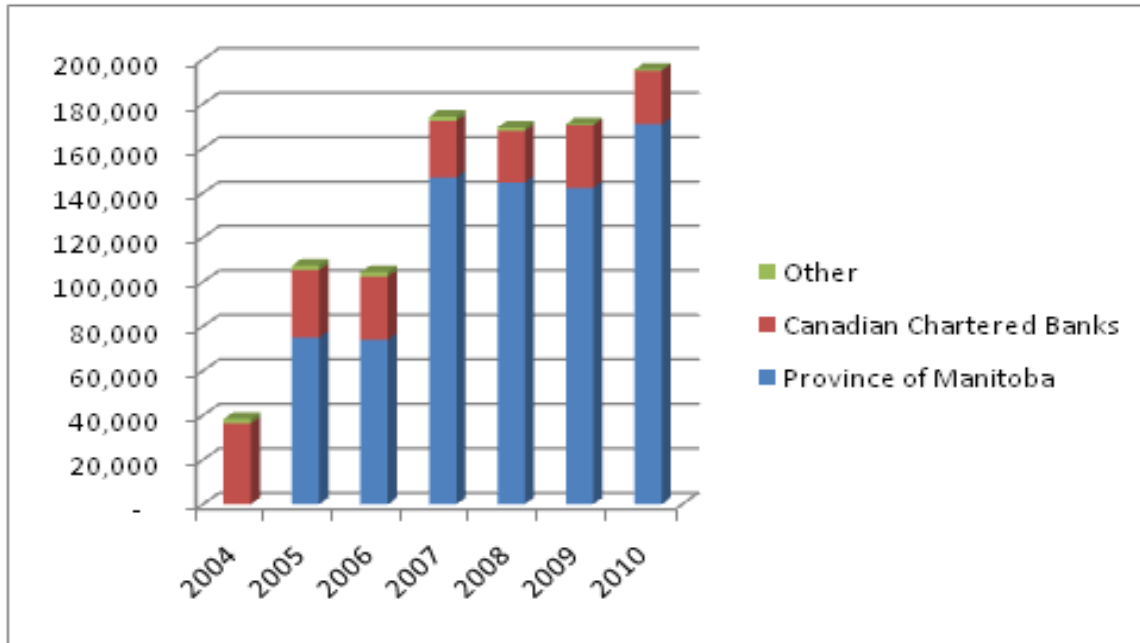
\$14.673 million – Loan for Arthur Mauro Student Residence

This loan is funded by net **revenues** from the Arthur Mauro Residence.

\$8.8 million – Loan for Smartpark Monsanto Building

This loan is to be funded by future net lease revenues associated with Monsanto Building.

University of Manitoba Debt Levels 2004 – 2010 (in 000's)



7. Overview of the Strategic Resource Planning Process – Operating Budget

The strategic resource planning process which informs the development of the general operating budget begins with the development of assumptions with respect to inflationary and other parameters. These assumptions are used to model revenue and expenditures for the Estimates of Operating Requirements in response to the annual request from the Council on Post-Secondary Education (COPSE) for preliminary budgets and supplementary information. The request from COPSE signals the start of the Province's budgeting process. Throughout the planning period, revenue and expenditure projections are reviewed and refined as new information becomes available.

To support the 2011/12 resource planning and allocation process, Deans, Directors and Heads of Administrative units were requested to submit a Strategic Resource Plan using a prescribed template, which included the following sections:

- I. Introduction (Mission, Vision, Values)
- II. Strategic Influences (SWOT)
- III. Strategic Priorities – Accomplishments
- IV. Enrolment – Academic Units Only
- V. Teaching Loads/Graduate Student Supervision – Academic Units Only
- VI. Unit Strategic Priorities
- VII. Collaborative Efforts
- VIII. Response to Potential Budget Reductions
- IX. Supporting Comparative Data (External)
- X. Unit Based Capital Planning
- XI. Activities Supported from Trust and Endowment
- XII. Projected 2010/11 and Anticipated 2011/12 Research and Special Funding Levels
- XIII. Template A - Summary of New Initiatives Requiring Additional Funds

Both the planning template and the meeting format were revised to foster inter-unit collaboration as well as support the integration of planning for all fund types. Changes to the 2011/12 strategic resource planning template and meeting format include:

- Planning for collaborative efforts (inter-unit or partnerships with external agencies);
- Individual unit presentations to the President's executive team in a "cluster/group" setting as determined by the Provost;
- Preparation and presentation of a joint statement of collaboration from each academic "cluster/group";
- Inclusion of major administrative units in the budget presentations to the President's executive team;
- An invitation to Deans and Directors of academic units, Heads of Colleges and Heads of designated major administrative units to attend any or all of the budget presentations;
- Circulation of unit strategic resource planning submissions on a confidential basis to Deans and Directors of academic units, Heads of Colleges and Heads of designated major administrative units;
- Integrated planning for all fund types (operating, capital, trust and endowment, research and special funds); and
- Preparation of a plan to accommodate a potential basic operating budget reductions of 3% (was 5% for 2010/11 planning).

Resource allocations decisions will be based on the following criteria and will be assessed using the information provided in the strategic resource planning submissions and presentations:

- Alignment of proposed activities with the University Strategic Planning Framework Priorities;
- Evidence of novel/new academic and administrative collaborations;
- Enrolment trends;
- Degree to which proposed initiatives are reasonable and achievable;
- Extent to which the resource plan presents a realistic response to the budget directive;
- Evidence of new revenue generating activities;
- Degree to which OARs and ROSE initiatives will realize financial savings;
- Relative comparative data;
- Health or sustainability of unit budgets; and
- Overall quality of submission and adherence to template requirements.

The President and Vice-Presidents met in February/March, 2011 with Deans and Directors of academic units and the major administrative units in the cluster/group setting to review and discuss the unit submissions as well as the cluster collaborations.

A. President's Budget Advisory Committee

The President's Budget Advisory Committee (BAC) refers to a committee whose composition, as currently structured was approved by the Board of Governors. It has the following members:

- President, Chair
- four Vice-Presidents or designates, Academic and Administrative Vice-Presidents to act as Vice Chair as required
- University Secretary
- six faculty members from the Senate Planning and Priorities Committee, including the Chair
- two support staff members
- Chair of the Board of Governors' Finance, Administration and Human Resources Committee
- President of UMSU or designate
- President of the Graduate Students' Association or designate

- Assessor from the University of Manitoba Faculty Association
- Vice-Provost (Programs and Planning) – Resource Person
- University Budget Officer – Resource Person
- Executive Assistant to the President – Resource Person

The terms of reference for the Budget Advisory Committee are:

- The Budget Advisory Committee is advisory to the President.
- The Committee shall meet at the call of the President.
- The Committee shall provide advice on the priorities for allocation of funds to meet the University's strategic objectives; and
- To review the annual budget that is recommended to the Board of Governors.

The first meeting of the BAC was held in early February 2011 at which details of the budget process were reviewed and discussed. Copies of the Strategic Resource Planning submissions have been shared with the BAC to assist them in fulfilling their role of advising on the University's Operating Budget and related resource allocation issues. Unit data templates have been also compiled and provided to the BAC.

In April 2011, the President and Vice-Presidents will present to the BAC on pressures and opportunities in each portfolio. Following receipt of feedback from the BAC and notification by the Province on the 2011-12 operating grant following the Provincial Budget on April 12, 2011, a draft budget including recommendations for changes to tuition fees and unit operating budget allocations will be presented to the BAC.

A formal recommendation on the 2011-12 operating budget will be submitted to the Finance, Administration and Human Resources Committee and the Board of Governors at the May, 2011 meetings.

B. Approval Process

In an effort to increase transparency and improve awareness and understanding of all Fund Types, the 2011/12 General Operating Budget and the financial plans for Research and Special Funds, Trust and Endowment Funds, and the Capital Fund will be presented for approval. The operating budget and financial plans for all other fund types which will be submitted for Board of Governor's approval will be based on information available at the time.

C. Quarterly Board Reporting

As part of the Provincial Government Summary Budgeting and Reporting process, the University of Manitoba is required to provide quarterly updates on actual results for the year. Based on this quarterly reporting requirement, this will also be reported to the Board. It will also be comprised of all funds instead of just the operating fund. The reporting will focus on actual results for the quarters compared to the prior year and anticipated full year results.

8. Discussion and Trends of Various Fund Types

In preparation for the approval at the May meeting of the Board of Governors, a more detailed description of the various fund types and trend information is provided below.

A. General Funds

i. General Operating Fund

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, net investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes. All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund.

The General Operating Fund is managed through the operating budget approved by the Board of Governors. The approved operating budget is based on the best estimate of revenues and expenses known at the time. During the year, however, new sources of operating revenue may be identified or revenues that were anticipated may not materialize. For revenue that is unit specific, the operating budget will be "adjusted" to allow units to spend new sources of revenue or to remove budget from the units which did not realize their expected revenues.

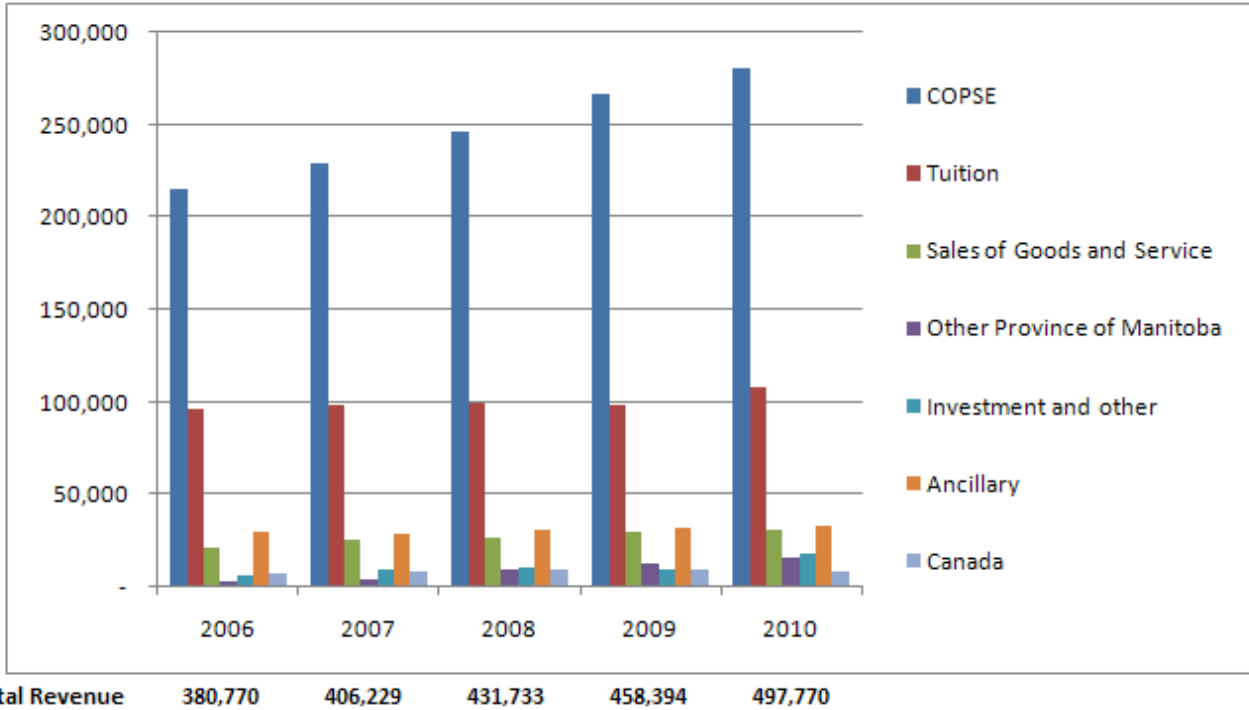
When the budget is established, funds are set up in operating reserves for transfer to units as required throughout the year to cover various cost increases (salary increases, negotiated travel and expense allocations, V.P. emergency funds, removal allowances, etc.).

As referenced in the section on interfund transfers, in the absence of capital funding, units may fund renovations or purchase items of a capital nature (for example, library acquisitions, equipment, furnishings etc.) from the Operating Fund. These items are not recorded as expenditures in the operating fund as per GAAP, they are recorded in the capital asset fund. Debt servicing costs funded from the operating budget and amortization of capital assets are also recorded in the capital asset fund.

In the absence of sufficient student financial support, operating funds are earmarked to support scholarships, bursaries and emergency student loans. An estimate of the projected interfund transfers from general operating to the Trust Fund for student financial support will be reflected in the consolidated budget.

Graph 3 below summarizes the operating fund revenue over the last five years.

GRAPH 3 - Operating Fund Revenue over the last five years (in thousands):



A 5 year statement of general operating revenue and expenditures by function and type is attached as Appendix 2.

Table 1 details the percentage of the total operating budget received from various sources over 5 years.

Table 1 Percentage of Operating Budget from Various Revenue Sources

	2006	2007	2008	2009	2010
Revenue:					
Council on Post-Secondary Education	61%	61%	61%	63%	60%
Tuition and Related Fees	27%	26%	25%	23%	23%
Sales of Goods and Services	6%	7%	7%	7%	7%
Other Province of Manitoba	1%	1%	2%	3%	4%
Investment & Other Revenue	2%	2%	3%	2%	4%
Government of Canada	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%

Table 2 details the percentage of the operating budget spent on various functions. Although operating revenues in total have increased as per Graph 3, there has been minimal shifting of resources from function to function. The actuarially determined pension and employee future benefits expenses (included in “Other”) resulted in a minor shift in the percentages. Without these expenses, the percentage for Instruction would have been 65% in 08/09 and 09/10.

Table 2 Operating Expenditures by Function as a Percentage of Total Expenditures

	2006	2007	2008	2009	2010
Expense by Function:					
Instruction	65%	65%	65%	64%	62%
Plant Maintenance	10%	11%	10%	10%	10%
Administration	7%	7%	7%	8%	7%
Student Affairs	5%	5%	5%	5%	5%
Other Academic Support	6%	5%	5%	5%	5%
Libraries	4%	4%	4%	4%	4%
Scholarships, Bursaries, Prizes and Awards	1%	1%	1%	2%	2%
Other	2%	0%	2%	2%	6%
Total	100%	100%	100%	100%	100%

For comparison purposes, Table 3, extracted from the 2008-09 CAUBO Report – Financial Information of Canadian Universities and Colleges, provides a summary of the percentage of the total operating budget spent on various functions for select Canadian universities.

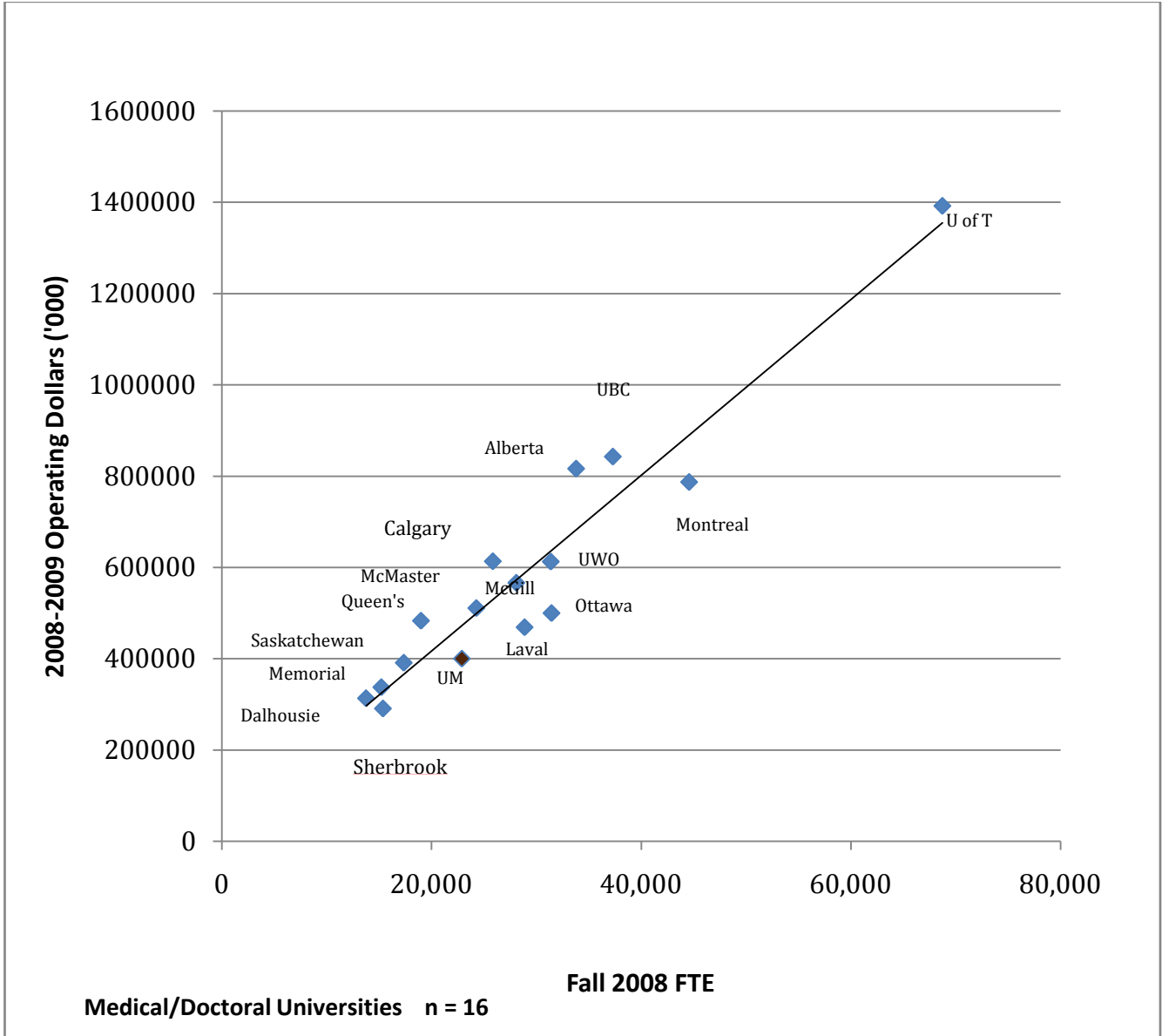
Table 3 General Operating Expenditures by Function by University

Functions	%							
	Instruction and non sponsored research	Non-Credit Instruction	Library	Computing/communications	Admin. and general	Student services	Physical plant	External Relations
Provinces/Universities								
Memorial	47.6%	3.7%	5.8%	3.6%	15.0%	6.2%	15.8%	2.2%
Dalhousie	60.0%	2.6%	4.5%	3.9%	6.7%	10.1%	9.8%	2.4%
McGill	53.9%	1.8%	6.1%	4.5%	13.3%	6.1%	10.9%	3.5%
McMaster	62.5%	1.7%	3.4%	3.2%	8.6%	9.1%	10.1%	1.4%
Western Ontario	61.5%	2.6%	4.2%	1.9%	5.5%	11.1%	11.4%	1.9%
Toronto	54.5%	4.0%	7.5%	1.5%	8.1%	11.9%	10.6%	1.8%
Brandon	61.1%	1.6%	5.6%	3.3%	11.8%	6.9%	8.6%	1.2%
Winnipeg	44.6%	11.6%	4.2%	4.4%	15.2%	7.3%	8.7%	3.9%
Manitoba	62.7%	2.2%	6.3%	4.0%	6.3%	6.9%	10.2%	1.4%
Regina	50.2%	4.3%	6.0%	4.5%	10.6%	8.7%	14.1%	1.7%
Saskatchewan	54.4%	5.1%	5.7%	5.1%	11.4%	6.4%	10.6%	1.4%
Alberta	55.3%	1.9%	5.2%	5.3%	11.4%	6.5%	12.0%	2.4%
Calgary	50.9%	2.8%	5.0%	5.5%	7.0%	11.0%	16.0%	1.7%
Simon Fraser	57.8%	4.6%	5.4%	5.1%	7.3%	11.8%	7.1%	0.9%
British Columbia	58.8%	2.1%	3.6%	3.4%	8.7%	7.0%	14.5%	2.0%

Source: 2008-09 CAUBO Report – Financial Information of Canadian Universities and Colleges

Although the University of Manitoba seems to be in the middle of the pack with respect to the percentage of the operating budget spent on various functions, the following regression analysis (Chart 4) plotting operating budget against FTE students indicates that the University of Manitoba is underfunded relative to other medical doctoral universities by about \$70M.

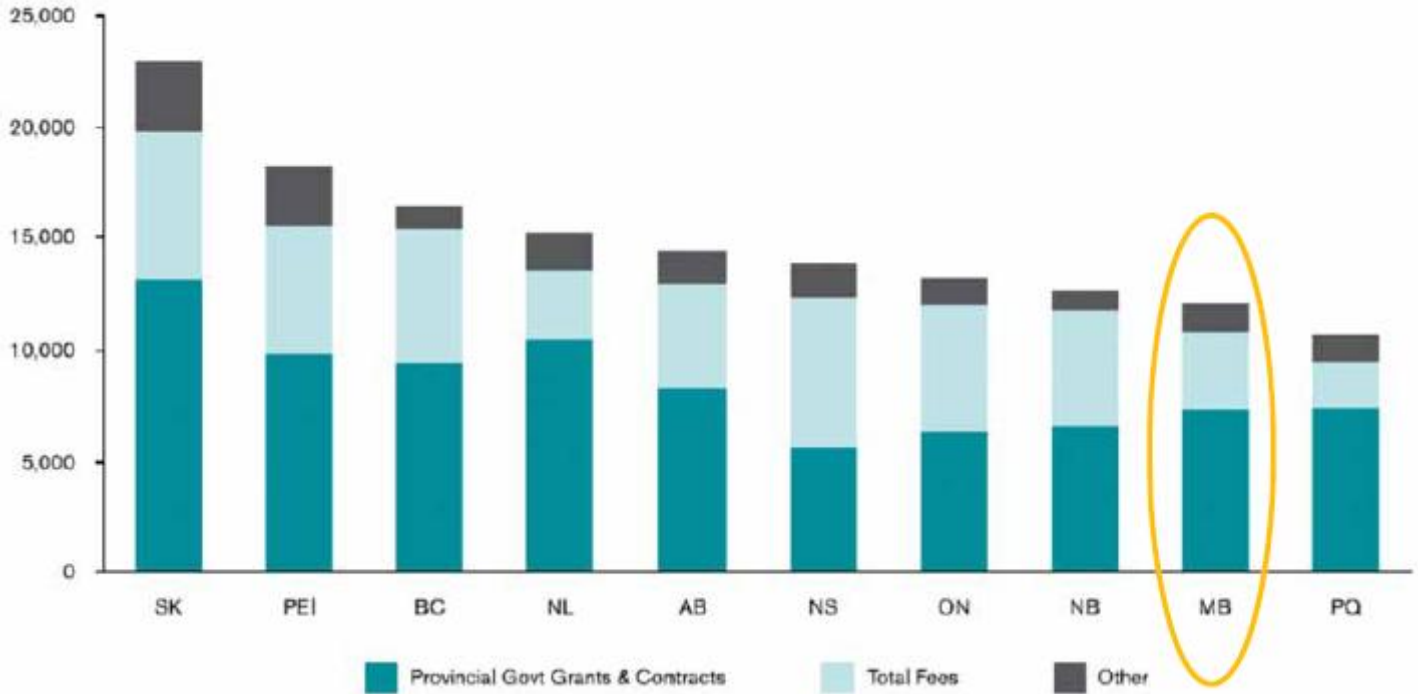
Graph 4 Funding of Medical/Doctoral Universities 2008/09



Graph 5 prepared by the Academia Group based on CAUBO Financial Information of Universities and Colleges 2005-06 shows that Manitoba is second lowest in the country when comparing general operating income per university enrolment.

Graph 5

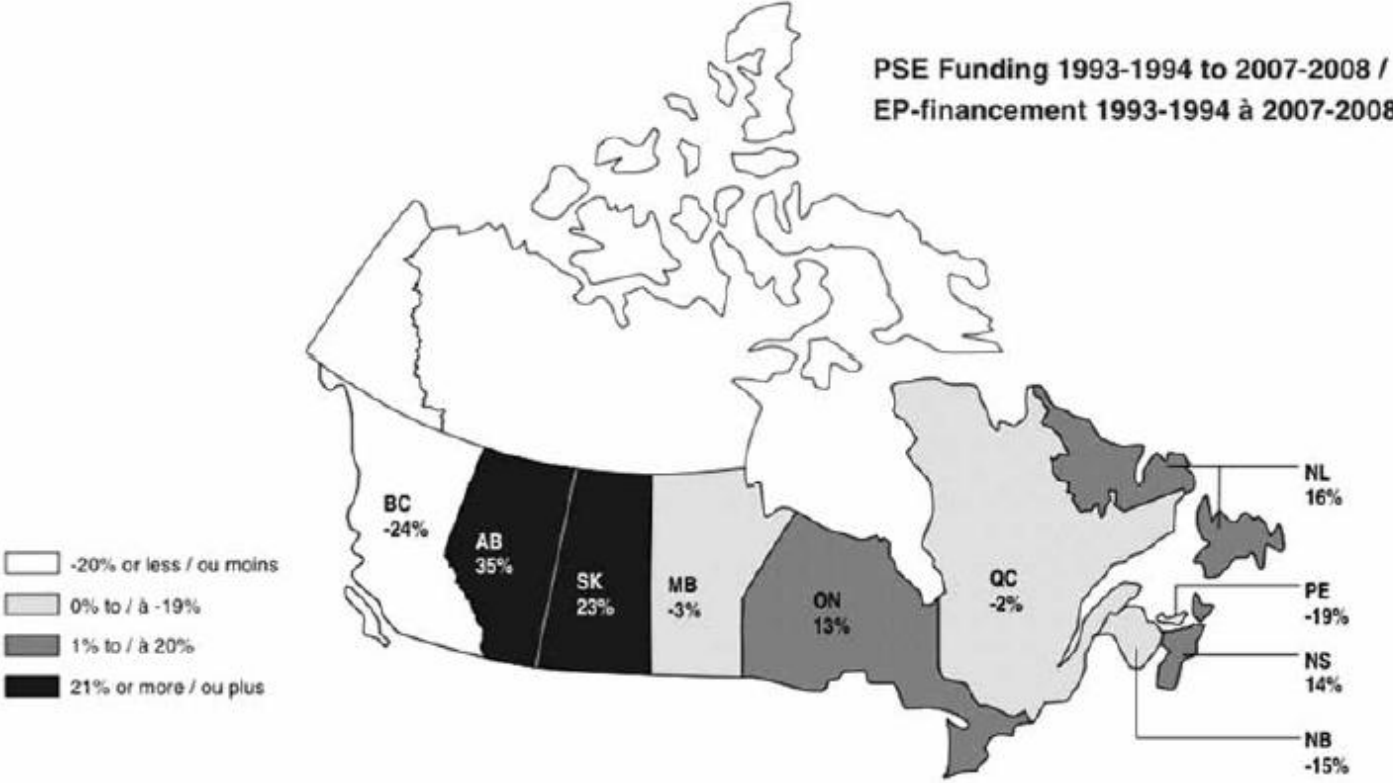
General Operating Income per University Enrolment* for Ontario and Other Provinces by Source of Income, 2005-06



Financial Data Source: CAUBO reports, Financial Information of Universities and Colleges, 2005-06
 Enrolment Data Source: Statistics Canada, the Daily, University Enrolment 2005-06, February 7, 2008

Map 1 included in the CAUT Almanac of Post-Secondary Education in Canada indicates that provincial government funding per FTE student enrolment declined by 3% between 1993/94 and 2007/08 compared to an increase in Saskatchewan of 23%. BC experienced the largest decline of -24%.

Map 1 – Percentage Change in Provincial Government Funding for PST per FTE Student Enrolment (2007)



Source: Statistics Canada

Table 4 below summarizes the net expenditures per full time equivalent student by faculty over a 5 year period. This table is evidence of the significantly higher costs of delivering professional programs.

Table 4 Net Expenditures per FFTE Student by Faculty

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Agricultural & Food Sciences	22,848	21,875	24,096	24,052	22,586
Architecture	10,988	11,944	10,698	11,102	11,317
Art, School of	7,465	7,768	8,876	10,676	10,879
Arts	5,274	5,966	6,197	6,824	6,847
Business, Asper School of	8,578	9,236	9,191	9,836	10,354
Dentistry	47,277	47,933	48,296	54,153	48,277
Education	8,491	8,075	8,442	9,596	9,395
Engineering	11,552	13,734	13,691	15,821	16,239
Environment, Earth, and Resources, Clayton H. Riddell - Faculty of	9,273	10,664	10,034	12,370	11,101
Human Ecology	6,755	6,281	6,710	7,601	9,800
Kinesiology and Recreation Management	7,960	7,270	7,876	8,051	7,754
Law	15,121	13,377	14,306	14,863	15,078
Medicine	35,108	33,112	37,172	41,733	49,976
Music, Marcel A. Desautels	17,940	19,787	16,144	18,601	19,160
Nursing	9,297	10,274	9,571	10,975	11,101
Pharmacy	13,692	15,329	17,263	19,832	21,281
Science	5,997	6,391	7,002	7,451	7,473
Social Work	10,390	11,693	12,451	13,591	12,806
University Average	9,726	10,400	10,941	12,189	12,548

Table 5 below summarizes the net expenditures per full time equivalent student by faculty over a 5 year period indexed to 2005-2006. This table clearly demonstrates the significant increase in costs with respect to the delivery of the majority of our programs. Increased costs can be attributed to accreditation requirements, increased experiential program components, technological advancements, rising laboratory costs (chemicals, updated equipment) etc.

Table 5 Net expenditures per full time equivalent student indexed to 2005-061,2

	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010
Agricultural & Food Sciences	100	96	105	105	99
Architecture	100	109	97	101	103
Art, School of	100	104	119	143	146
Arts	100	113	117	129	130
Business, Asper School of	100	108	107	115	121
Dentistry	100	101	102	115	102
Education	100	95	99	113	111
Engineering	100	119	119	137	141
Environment, Earth, and Resources, Clayton H. Riddell - Faculty of	100	115	108	133	120
Human Ecology	100	93	99	113	145
Kinesiology and Recreation Management	100	91	99	101	97
Law	100	88	95	98	100
Medicine	100	94	106	119	142
Music, Marcel A. Desautels	100	110	90	104	107
Nursing	100	111	103	118	119
Pharmacy	100	112	126	145	155
Science	100	107	117	124	125
Social Work	100	113	120	131	123
University Average	100	107	113	125	129

Table 6 - Average Undergraduate University Tuition by Province

Tuition revenues are the second largest source of operating funding for the University. As a result of the Provincially imposed tuition freeze which was lifted in 2009/10, the fees have increased only 10.6% since 2001/02 while the fees in Western provinces and Canada as a whole have increased by substantially higher percentages.

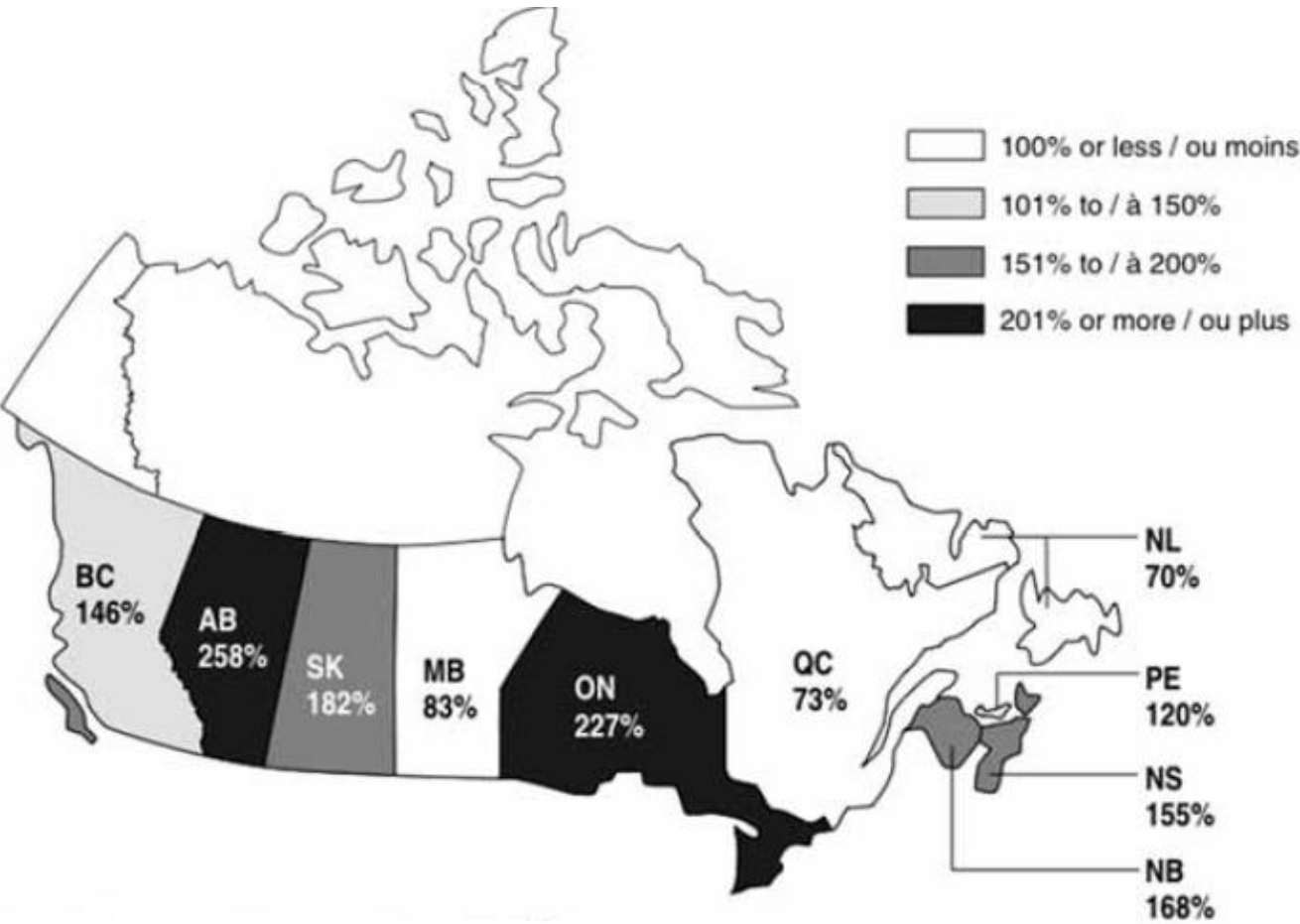
	\$			% change	
	2001/2002	2009/2010	2010/2011	2001/2002 to 2010/2011	2009/2010 to 2010/2011
Canada	3,577	4,942	5,138	43.6	4.0
British Columbia	2,527	4,706	4,802	90.0	2.0
Saskatchewan	3,879	5,173	5,431	40.0	5.0
Alberta	4,030	5,240	5,318	32.0	1.5
Manitoba	3,243	3,408	3,588	10.6	5.3

In fact, if the University of Manitoba charged the same fees as the University of Saskatchewan, it would generate \$38 Million in additional operating revenues.

Source: Statistics Canada, *The Daily*, September 16, 2010 and September 1, 2006

Other comparison of fee increases follows in Map 2 prepared by CAUT using Statistics Canada data. Between 1991/92 and 2009/10 tuition fees in Manitoba have increased only 83% compared to 227% in Ontario, 182% in Saskatchewan, 258% in Alberta and 146% in B.C.

Map 2 – Average Undergraduate Tuition fee Increases 1991-1992 to 2009-2010



Source: Statistics Canada

ii. **Specific Provisions Fund**

The University annually sets aside funding in Provisions for specific purposes. The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds. These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carry-over, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers in the Consolidated Statement of Operations and Changes in Fund Balances.

Specific Provisions Fund Balance as at March 31, 2010

Ancillary Furniture and Equipment	\$ 3,987,920
Computer Equipment Replacement	2,498,983
Unit Specific Projects (Carry-Over)	46,945,389
Fiscal Stabilization	3,200,000
Parking Lot Improvements	2,610,851
Special Funding Arrangements	5,177,560
Special Projects & Initiatives	16,403,113
Vehicle and Other Equipment Replacement	903,994
Workers' Compensation Self Insurance	806,200
Total	\$ 82,534,010

The largest provision is the carry-over provision at \$46.9 million, which represents the amount set aside to honour outstanding commitments from the 2009-2010 fiscal year. However, the amount of carry-over allocation has grown to \$53,916,309, which represents funds that were not spent by faculties, schools and administrative units in the year in which they were allocated (or earned in the case of income). Because some of those unspent funds have been used for other priorities or to balance the budget, we currently have funds set aside to provide 87.0% of our outstanding commitments.

In accordance with University Policy, those unspent funds are set up in a carry-over provision account and are allocated to the units for spending in the following year. Of the total \$53.9 million carry-over allocated, \$44.0 million or 81.6% of the funds is allocated to academic units, \$5.2 million or 9.7% is allocated to research development/support, and \$4.7 million or 8.6% is allocated to administrative/support units. The specific purposes for which the funds are designated are detailed in the report below. Although most of the headings are self explanatory, footnotes have been provided where necessary to provide further clarity, including examples of the purpose for which the funds are designated.

2009-2010 Carryover Allocation By Purpose (allocated in 2011 fiscal year)

*	Category	Total Carryover Allocation
1	Unit Basic Operating Budgets	\$ 1,970,473
2	Library Acquisitions	133,171
3	IST Equipment funds	966,152
4	Grad Student Support: UMGF, Top-Ups	577,189
5	Targeted Tuition: Field Trips, Co-op, etc.	1,075,199
6	Physical Plant Projects	592,957
7	Other Alloc /Proj-Spec Arrangements	565,568
8	Targeted COPSE Specific Programs	938,778
9	Targeted COPSE ACCESS	1,768,959
10	Targeted Federal Projects	401,861
11	Targeted Provincial Projects	8,861,854
12	Targeted Industry Projects	101,538
13	Targeted Misc Foundations Assoc Projects	255,057
14	Research Funds: Start-Up, Matching, etc.	5,637,697
15	Student group activity, surcharges and initiatives	678,771
16	Trust and Endowment Transfers to Operating	4,306,028
17	University Research Grants Program	2,531,662
18	Overhead Revenues	2,254,577
19	Research Development Fund Competition	1,190,272
20	English Language Centre Tuition	251,871
21	VP Academic Funding Competitions	993,959
22	Pooled & Individual Travel & Expense Funds	2,530,494
23	Income Funded Projects	14,064,143
24	Gifts for Operating	1,268,079
Grand Total		\$ 53,916,309

*Notes

- 7** Other Alloc /Proj-Spec Arrangements
UTS Innovative Program Development, EHSO Cyclotron Decommissioning, Physical Plant Emergency Funds, Employment Equity Awards
- 8** Targeted COPSE Specific Programs
Student Services (*Hearing Impaired Student - Sign Language*), Engineering (*Internationally-Educated Engineers*), Disability Services (*System Restructuring Envelope*), (*Interprofessional Education for Collaborative Patient-Centred Practice*)
- 9** Targeted COPSE ACCESS
Engineering, Nursing, Extended Education (*Special Pre-Medical Studies Program, Professional Health Program*), Social Work (*Northern Bachelor & Inner-City Social Work Programs*)
- 10** Targeted Federal Projects
Physician Assistant Program (*Clinical Rotations for PA Students*), Preventive Dental Science (*Sioux Lookout Hygiene Services*), Geological Sciences (*Geology Initiative/Survey*)
- 11** Targeted Provincial Projects
– Manitoba Health supporting: *Emergency Medicine, Patient Referral System, Physician Assistant Program, RT Program, Managing Growth Program, MED IT Costs, UGME Accreditation, Northern/Remote Program, Biochem & Med Genetics, Pediatric Residency Program*
– Manitoba Student Aid supporting Manitoba Provincial Scholarships - *Graduate Studies Student Financial Support Program*
- 13** Targeted Misc Foundations Assoc Projects
– Johnson & Johnson supporting *Centre for Oral Systemic Health*
– Winnipeg Regional Health Authority supporting *Neil John Maclean Health Sciences Library*
– City of Winnipeg supporting *Aboriginal Mentor Children's Program*
- 16** Trust and Endowment Transfers to Operating
– Student Services (Asper, Science), Library Acquisitions, other faculty endowments (Asper, Engineering, Libraries, Science)
- 21** VP Academic Funding Competitions
– Faculty Share International College of Manitoba Agreements (Arts, Science, University 1, Environment)

– Academic Enhancement Awards: Medicine (*Disadvantaged Children*), Science (*Research Manager Support*), Environment (*Trans-Media Laboratory*), Law (*Human Rights Planning*)

23 Income Funded Projects

– Dentistry Undergraduate Clinic Income, Community Health Sciences, Bison SALC, Plant Science seed royalty revenue & equipment rental income, internal and external cost recoveries

24 Gifts for Operating

Architecture:	Canadian Masonry Research Institute supporting <i>Partner's Program</i>
Asper:	RBC, WCB, IBM, Great West Life supporting <i>Aboriginal Business Education</i> Various individual donors supporting operating expenditures
Dentistry:	Various individual donors supporting <i>Children's Dental Program and Virtual Simulate-Digital Curriculum</i> Children's Variety supporting <i>Centre for Community Oral Health</i>
Environment:	Various individual donors supporting <i>Geological Sci Centenary Project</i>
Human Ecology:	Assembly of Manitoba Chiefs supporting <i>Aboriginal Wellness Program</i>
Medicine:	Murphy Foundation supporting CMS system handheld devices
Pharmacy:	Canada Safeway and Wyeth Consumer Healthcare supporting operating expenditures
Student Life	
Programming:	Various donors for El Salvador / Bangladesh Learning Trips

There are several other provisions accounts that have been set up and earmarked for specific purposes. These include:

- **\$4.0 Ancillary furniture and equipment replacement** is generated by the operating results in Ancillaries. They are expected to be self-sustaining and as a result can save from one year to spend in the next, consistent with the way carryover works for units that generate external income.
- **\$2.5 IST computer equipment replacement** also includes telephone equipment and the emergency notification system.
- **\$3.2 fiscal stabilization** has been set aside by the Board and is probably too low. This would most likely be used to resolve a problem that couldn't be foreseen and was out of our control.
- **\$2.6 parking lot improvements** is similar to carryover in that Parking Services is able to save from one year to make repairs and improvements in a following year.
- **\$5.2 special funding arrangements** includes provisions for special projects like matching funding for the Knowledge Infrastructure Program, a provision which was created to allow a baseline reduction in the utilities budget – basically a cold winter provision, and other items of a one-time nature.
- **\$16.4 special projects** include amounts that typically have a unique source and associated use. For example, the largest item in this category is amounts generated from a soft drink supplier in exchange for an exclusive contract and is used in support of student scholarships. It also includes amounts previously set aside and continuing to be used for development of systems like Aurora Student and VIP.
- **\$0.9 vehicle and equipment replacement** has been established by Faculties and units to support replacement of specific equipment, for example Dentistry equipment, Engineering's Scanning Electron Microscope Facility, and equipment used by Physical Plant.
- **\$0.8 WCB self-insurance.** The University recently moved back into the WCB program with individuals now being covered by this provincial program instead of being insured by the University directly. A condition of WCB to accepting the University back into the pool is that an amount equivalent to the "run out" costs of old claims be held in a separate account and be separately identified in our financial reporting.

With the exception of Fiscal Stabilization, the provisions are established because there is either a legal/contractual obligation (for example faculty travel allocations and targeted funding) or a

commitment made to a specific purpose or unit (for example faculty equipment replacement, utilities cold weather provision and WCB self-insurance).

While the provisions are not discretionary, changing circumstances could change the need for the provision. For example, once we are no longer required to fund WCB “run-out” costs of old claims, the need for the WCB provision would correspondingly change. However, our current assessment is that the provisions are not adequate to meet the commitments, most notably in the area of carryover. Fiscal Stabilization was previously established as a protection against unforeseen circumstances, but is considered minimal at less than 1% of the operating budget.

B. Restricted Funds

The Restricted Funds are managed with the objective to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided.

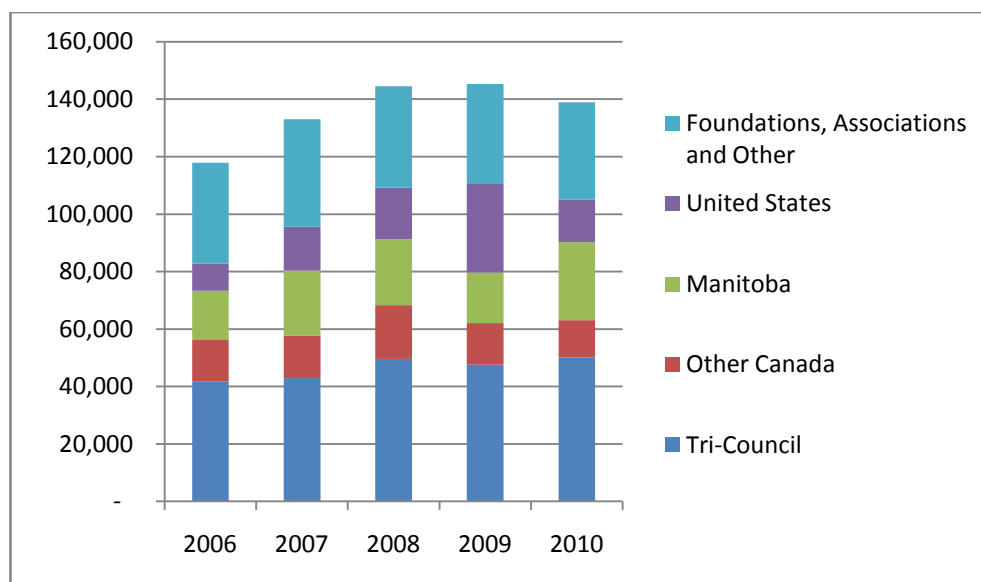
i. Research and Special Funds

The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Research and Special Funds include external grants and contracts from a variety of federal and provincial granting agencies, industry and non-governmental organizations provided specifically for research, research infrastructure, and special activities. Funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Funds received in any given year for research may not all be spent in the year received therefore the research revenues include funds carried forward from the prior year. Any unspent research funds as at March 31, 2011 will be carried forward to the following fiscal year.

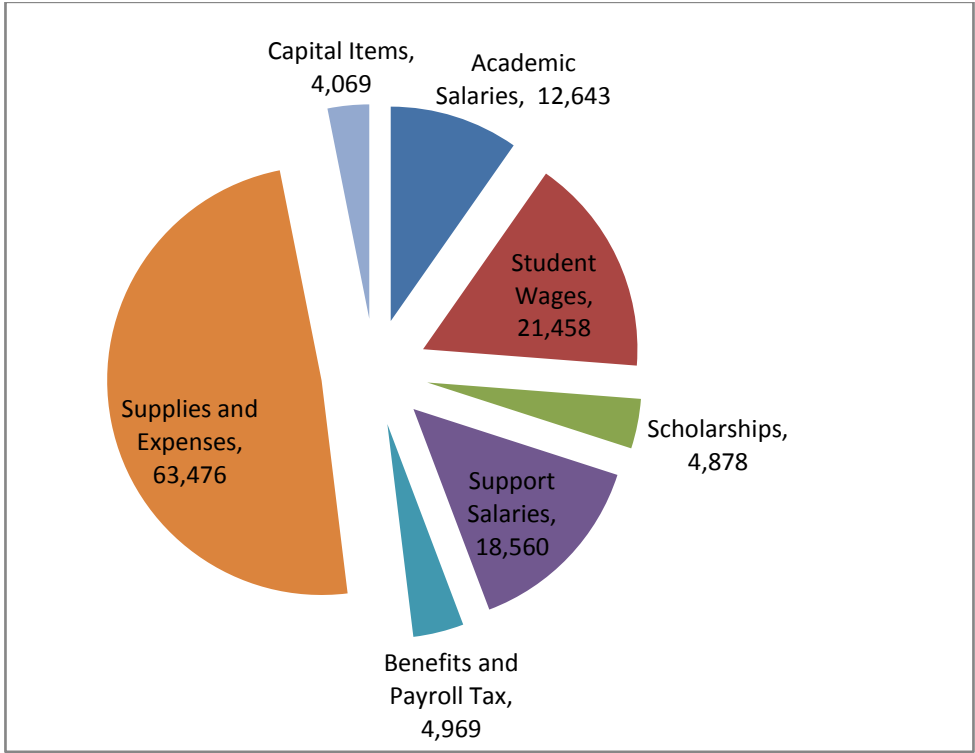
Graph 6 illustrates the change in research revenues over 5 years by source. Total Research revenues have increased by 17.8% in 5 years although they declined slightly since 2009.

GRAPH 6 – Research Revenue over the last five years (\$000)

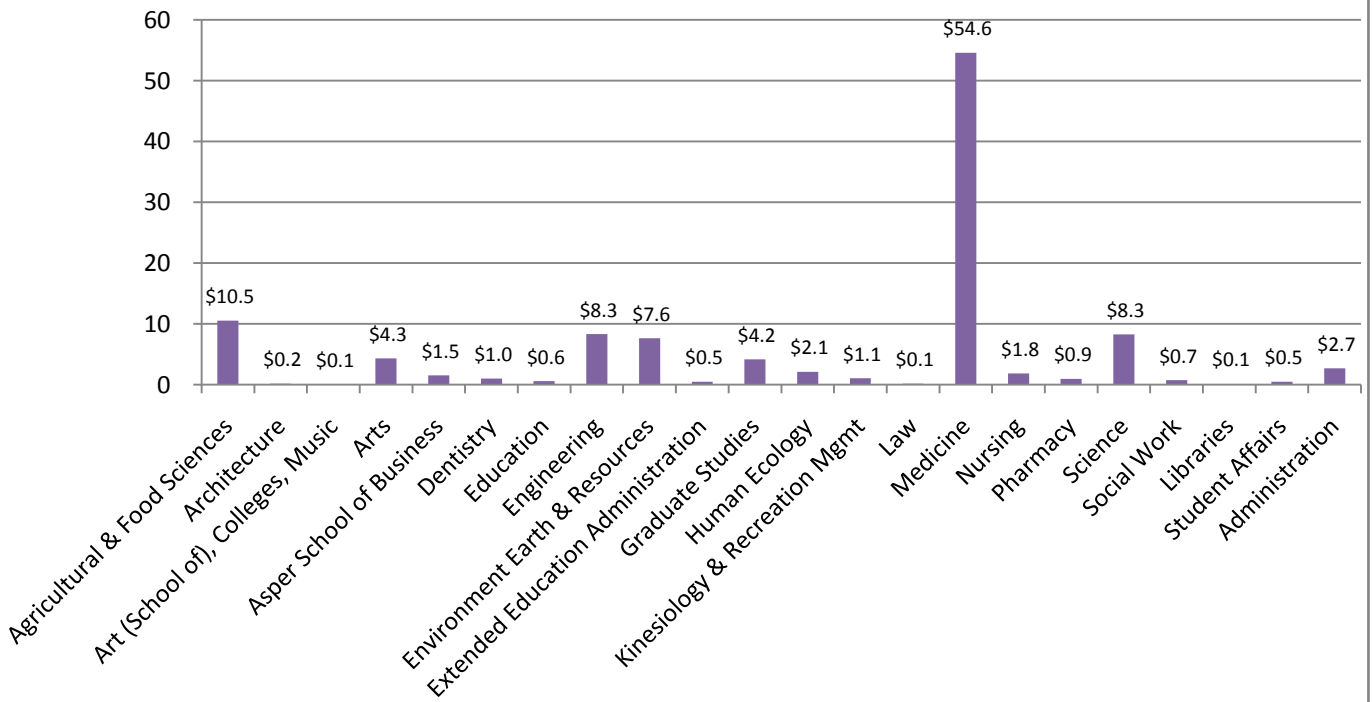


The purpose for which the research revenues were spent in 2009/10 is detailed in the following chart and the level of spending by faculty/support units is detailed on Graph 7.

Chart 1 - Gross Research Expenditures 2009-10 by type (\$000):



**Graph 7 - Research Fund Expenditures by Faculty/Unit
2009-2010
Total \$111.8 M**

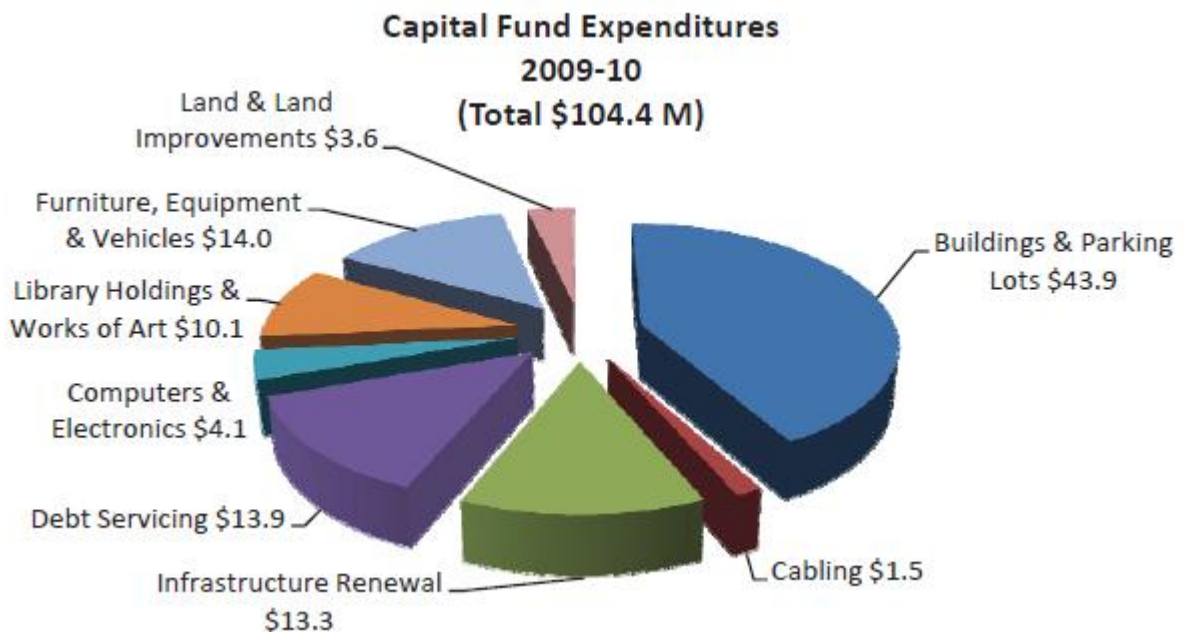


ii. Capital Asset Fund

The Capital Asset Fund consists of restricted contributions from external parties for the purpose of acquiring capital assets and/or making debt repayments. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets. The expenditures related to the construction of buildings or purchase of equipment are not recorded as an expense in the statement of operations but are recorded as an asset on the University's balance sheet. Since the contributions are recorded as revenue and the capital expenditures are recorded as an asset, the Capital Fund will typically report a surplus, unless the current year amortization and interest expense exceeds current year contributions. When a faculty/unit purchases a capital item (eg equipment, computers, etc), the expenditure is reported as an Interfund Transfer out of the Fund (Operating or Research) that paid for the item with an offsetting Interfund Transfer into the Capital Fund.

Chart 2 illustrates the expenditures made in 2009/10 for capital purposes.

Chart 2 -



Deferred Maintenance

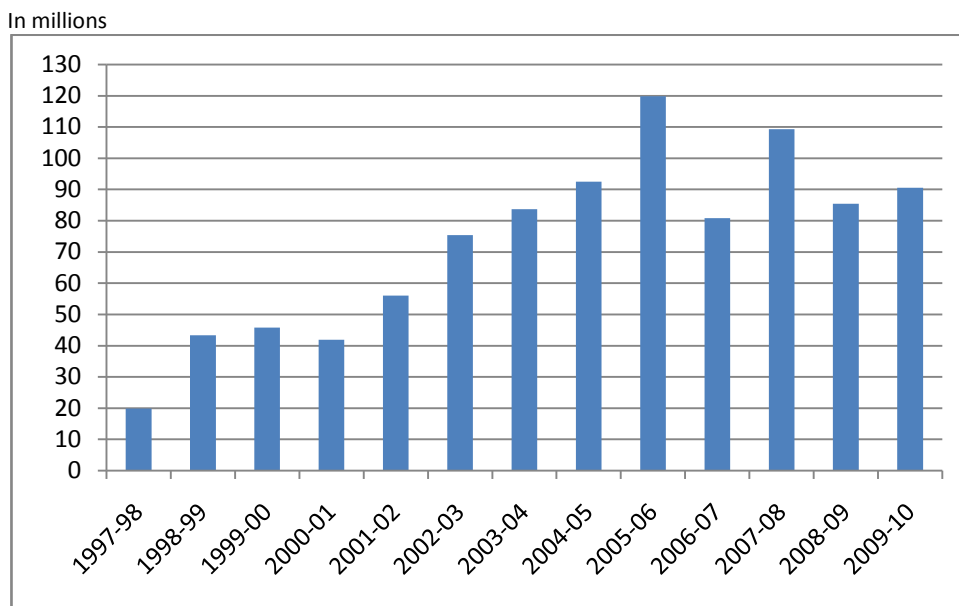
Deferred maintenance is the accumulated backlog of infrastructure maintenance that has been deferred generally due to lack of sufficient funds. Included in the chart above as infrastructure renewal are the expenditures made for deferred maintenance and capital renewal. The 2011/12 estimate of the deferred maintenance backlog was \$317.92 Million. The following factors have contributed to this backlog:

- aging buildings – 72% of campus is over 36 years old
- average lifecycle of buildings is 30 years
- 55% of campus requires extensive/expensive building component renewal eg. roof replacements, building envelope upgrades, HVAC upgrades, etc.
- limited funding for infrastructure renewal

The Association of Physical Plant Administrators (APPA) recommends as a benchmark that 1.5-3% of current infrastructure replacement value be spent annually to prevent further accumulation of deferred maintenance. Current replacement value of University of Manitoba buildings and infrastructure is \$2.5 Billion. A 1.5% annual reinvestment represents \$37.5 Million. The Province has typically provided infrastructure renewal funding of \$2-3 Million annually although following an analysis of the deferred maintenance projects at the universities, in 08/09 COPSE provided a two-year allocation of \$28,242,100 to address the pressing deferred maintenance requirements. The allocation was directed at addressing deferred maintenance projects in the following categories: Asbestos/Mold Abatement, Building Envelope Restoration, Storm and Sanitary Sewer Replacement, Electrical Distribution Upgrades, Window Replacement, Roof Replacements, Domestic Water Back-flow Prevention Devices, Fire Safety Compliance (including Duff Roblin sprinkler system and fire alarm upgrade).

Graph 8 illustrates the annual expenditure made for capital purposes since 1997/98. The significant growth in expenditures is largely a result of the success of the Building on Strengths Capital Campaign, increased Provincial Infrastructure grants, debt financing and federal grants, e.g. KIP and CFI.

GRAPH 8 - Capital Expenditures 1997-98 to 2009-2010 Excluding Debt Servicing



A Capital Plan for 2011/12 will be brought forward in May and will include COPSE capital allocations, confirmed provincial or federal monies, transfers from specific provisions and an estimate of inter-fund transfers from operating for capitalized expenditures and/or planned projects to be funded from operating.

iii. Trust and Endowment Funds

The endowment fund is a permanent fund established to support specific purposes at the University of Manitoba, and it operates as a large pooled fund that supports research, operating expenses, capital projects, athletics, libraries, and of course, a large part of the endowment is directed toward student support by way of scholarships, bursaries, and prizes. Each individual endowed account is pooled for investment purposes and tracked with unit accounting, similar to a mutual fund. The unitized pool is referred to as the University Investment Trust (“UIT”), and the use of a pooled fund concept ensures new gifts purchase units and receive a pro-rata share of

earnings, while existing account holders maintain their equitable ownership in the pool. The pooled fund concept also allows all endowment account holders to take advantage of the diversification benefits available to large institutional investors like the University of Manitoba

The endowment grows through gifts from generous donors, and through investment returns. The endowment is a key contributor to ensuring the University is successful in achieving its goals and objectives. From 2000 to 2010, the endowment has grown from \$144 million to \$301 million. On top of that, there are trust and endowment funds outside of the UIT that also support various activities. Due to liquidity requirements or donor restrictions, these funds are invested in cash equivalent and fixed income instruments. The value of these funds, called the Specific Trusts, was \$37 million at the end of 2010.

Chart 3 details the donor pledges in 2009-2010 by type of gift. Of the pledges totaling \$30.3 M, only \$1.3 M was unrestricted. Chart 4 indicates the sources of the pledges received in 2009-2010.

CHART 3

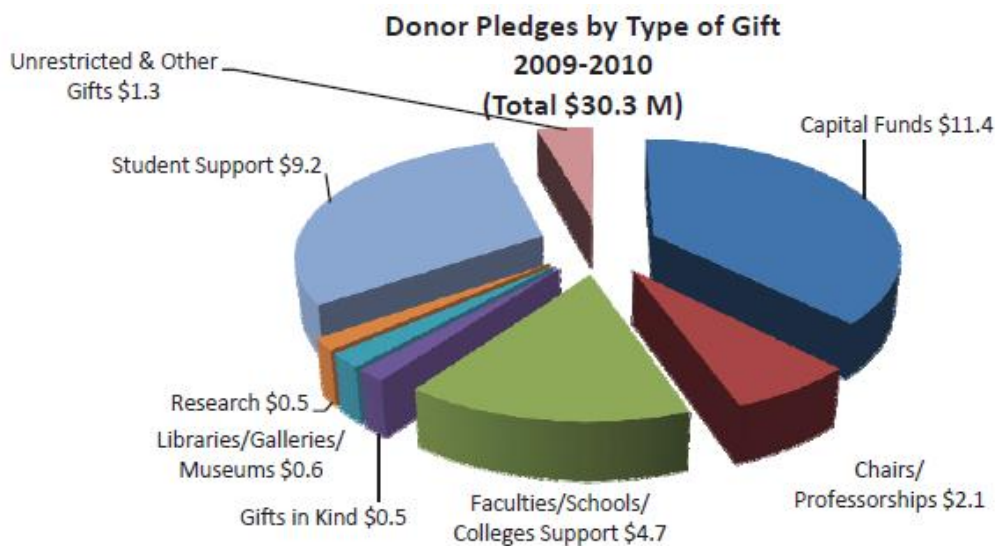


CHART 4

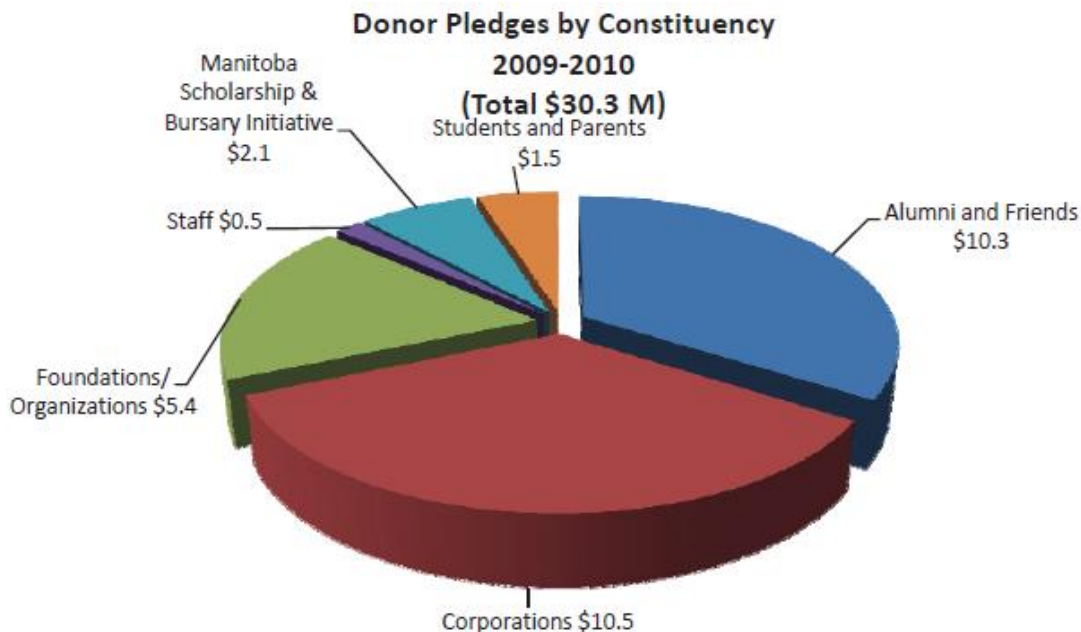
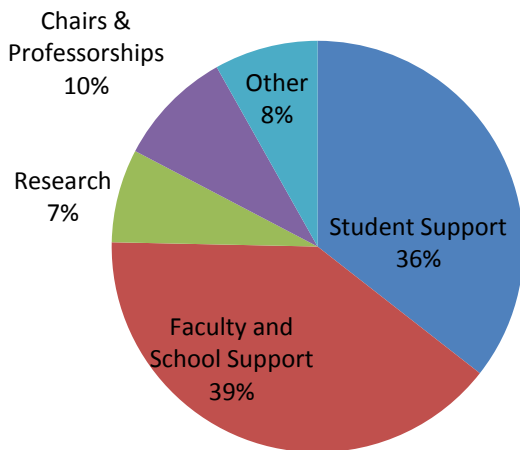


CHART 5

Endowment Fund Support by Purpose

Endowment Support



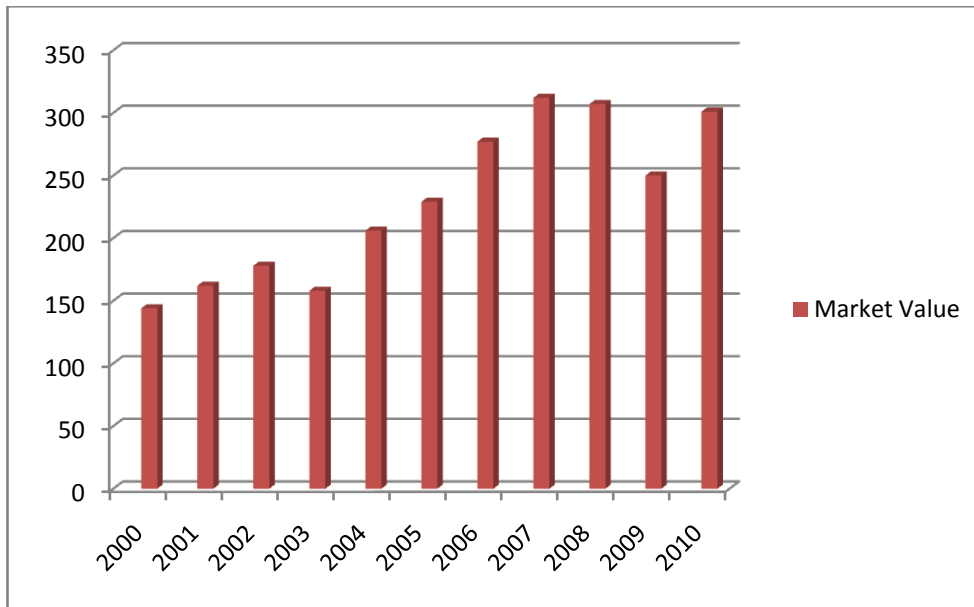
The endowment is managed by the Trust Investment Committee (“the Committee”), which has general authority over the investment of the assets of the endowment. Members of the Committee are appointed under the authority of the Board of Governors, and are accountable to the Board through the Finance, Administration, and Human Resources Committee. The Committee establishes guidelines for investing assets, and is responsible for hiring and reviewing investment managers. This includes establishing the investment mandates for each asset class and the review of performance for each mandate, as well as the overall portfolio, to ensure that the goals and objectives of the endowment are being achieved.

The revenues of the Trust and Endowment funds include net investment income earned on the investments in the UIT and Specific Trusts, plus new donations received. The expenses are transfers of allocations to various faculties and units, as well as all awards paid directly to students. As it is not anticipated that all funds available from Trust and Endowment will be spent by units, the amount included in the general operating budget as an interfund transfer will be based on actual transfer request by units. The amount of spending available in 2010/2011 from the endowment fund was over \$14 million, and new gifts to the UIT totaled \$12 million. Chart 5 above indicates the purpose for which the endowment funds are allocated.

Graph 8 illustrates the growth in the endowment fund, which in 2009 was the 8th largest endowment fund among Canadian Universities, according to CAUBO (the 2010 national rankings have yet to be released). The total value of Trust and Endowment funds as at March 31, 2010 was \$301 million in the UIT (noted below) and a further \$37 million in Specific Trusts, for a combined total of \$338 million. As at the end of February 2011, the value of the UIT was \$334 million with an additional \$42 million in Specific Trusts, for a total of \$376 million.

GRAPH 8

Endowment (UIT Only) Market Value 2000 – 2010 (in millions)



9. Summary

As detailed above, the University of Manitoba budget is large and complex with revenues and expenditures recorded in three major fund categories. The Operating fund is the largest with 2009-10 revenues of \$497.8 Million, an increase of 30.7% over 5 years (see appendix 3). Research and Special funds have decreased to \$138.9 Million (from \$145.3 Million in 2008-09), an increase of 17.9% over the same 5 year period while trust and endowment revenues have increased from \$40.6 Million in 2005-06 to \$66.0 Million in 2009-10, an increase of 62.6%.

In May, 2011 the Board of Governors will be asked to approve an Operating Budget for 2011-2012 and Financial Plans for Research and Special Funds, Trust and Endowment Funds as well as the 2011-12 Capital Plan.

In striking the recommended budgets and financial plans for 2011-2012, the Executive Team will be guided by the Strategic Planning Framework and advice provided by the President's Budget Advisory Committee. A balanced budget will be presented for approval.

Appendix 1 All Funds Revenues and Expenses – 5 year summary

(in thousands)

Revenues - All Funds	2006	2007	2008	2009	2010
Operating Fund Revenue	380,770	406,229	431,733	458,394	497,770
Research and Special Fund Revenue	117,843	133,028	144,554	145,324	138,904
Trust and Endowment Fund Revenue	40,641	26,945	11,119	(34,246)	65,988
Capital Fund Revenue	39,379	33,957	32,572	34,991	52,215
Staff Benefits Fund Revenue	4,857	3,417	1,915	(4,429)	6,727
Total Revenues	583,490	603,576	621,893	600,034	761,604
Expenses - All Funds	2006	2007	2008	2009	2010
Academic	318,066	334,498	345,794	370,357	386,643
Amortization of Capital Assets	33,437	37,919	41,079	43,675	45,668
Plant Maintenance	32,282	37,355	37,550	38,892	43,131
Other	11,692	5,244	11,563	11,941	35,046
Administration	25,903	27,212	29,387	32,345	33,342
Ancillary Services	25,814	25,157	26,045	27,797	29,038
Scholarships, Bursaries, Prizes and Awards	12,113	12,423	19,167	24,117	23,952
Student Affairs	16,908	17,558	18,741	20,399	21,566
Other Academic Support	19,531	18,461	18,134	20,273	20,418
Libraries	14,206	15,053	15,534	16,506	17,102
Interest	5,925	9,839	9,976	11,988	6,927
Total Expenses	515,877	540,719	572,970	618,290	662,833
Net Increase (Decrease) to All Fund Balances	67,613	62,857	48,923	(18,256)	98,771

Appendix 2 General Operating Fund Revenues and Expenses – 5 year detail statement

(in thousands)

	2006		2007		2008		2009		2010	
Revenue:	\$	%	\$	%	\$	%	\$	%	\$	%
Council on Post-Secondary Education	215,393	61%	229,104	61%	245,972	61%	266,845	63%	281,132	60%
Tuition and Related Fees	96,462	27%	99,092	26%	99,670	25%	98,465	23%	108,397	23%
Sales of Goods and Services	21,790	6%	25,996	7%	26,403	7%	29,500	7%	31,252	7%
Other Province of Manitoba	3,626	1%	4,573	1%	9,830	2%	12,407	3%	16,519	4%
Investment & Other Revenue	6,749	2%	9,343	2%	10,183	3%	9,902	2%	18,734	4%
Government of Canada	7,184	2%	8,930	2%	9,129	2%	9,213	2%	8,940	2%
Subtotal	351,204	100%	377,038	100%	401,187	100%	426,332	100%	464,974	100%
Ancillary Services	29,566		29,191		30,546		32,062		32,796	
Total Revenue	380,770		406,229		431,733		458,394		497,770	
Expense by Function:										
Instruction	213,796	65%	223,013	65%	231,681	65%	250,464	64%	268,785	62%
Plant Maintenance	32,282	10%	37,355	11%	37,550	10%	38,892	10%	43,118	10%
Administration	23,376	7%	25,052	7%	26,295	7%	29,443	8%	30,665	7%
Student Affairs	16,908	5%	17,558	5%	18,741	5%	20,399	5%	21,460	5%
Other Academic Support	19,531	6%	18,461	5%	18,134	5%	20,273	5%	20,096	5%
Libraries	14,206	4%	15,053	4%	15,534	4%	16,506	4%	16,973	4%
Scholarships, Bursaries, Prizes and Awards	3,444	1%	3,475	1%	4,381	1%	6,935	2%	6,944	2%
General	4,013	1%	3,497	1%	4,102	1%	3,853	1%	6,300	1%
Property Taxes	868	0%	345	0%	396	0%	410	0%	408	0%
Actuarially Determined Pension Expense		0%		0%	-	0%	4,043	1%	21,268	5%
Actuarially Determined Employee Future Benefits		0%		0%	3,876	1%	410	0%	3,062	1%
Staff Benefits Contra	1,188	0%	(2,852)	(1%)	(2,415)	(1%)	(2,579)	(1%)	(4,497)	(1%)
Subtotal	329,612	100%	340,957	100%	358,275	100%	389,049	100%	434,582	100%
Ancillary Services	25,814		25,157		26,045		27,797		29,038	
Total Expense	355,426		366,114		384,320		416,846		463,620	
Net Revenue	25,344		40,115		47,413		41,548		34,150	
Transfer to/from Other Funds:										
Employee Future Benefit										
Basic	3,740		(3,997)		660		(1,209)		(4,192)	
LTD (Long Term Disability)	(155)		3,608		3,647		2,363		7,599	
PRA (Post Retirement adjustment)	(351)		(120)		(431)		(744)		(345)	
Repayment of Staff Benefits							(1,475)			
Net Change in Vacation Pay & Pension Liability	755		544		57		4,831		21,850	
Benefits Premiums Net of Employer Contributions of Staff Benefits	1,287		1,188		1,234		1,444		(222)	
Appropriation for Specific Provisions:										
Capital Asset Replacements & Improvements	(2,261)		(3,012)		(2,966)		(3,786)		(3,358)	
Unit Carryovers, Special Projects & Initiatives	(4,875)		(9,235)		(21,269)		(11,932)		(56,403)	
Fiscal Stabilization, Net	90									

	<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
Funding of Capital Asset Additions	(23,667)		(22,312)		(24,078)		(26,926)		(44,290)	
Long Term Debt Repayments	(4,327)		(4,304)		(5,682)		(4,041)		(3,665)	
Student Contributions to University Development Funds	(1,253)		(1,305)		(861)		(1,047)		(738)	
Student Contributions to Technology Fund	(3,626)		(3,343)		(3,282)		(3,242)		(2,870)	
Scholarships, Bursaries & Prizes	(1,079)		(3,432)		(3,465)		(4,436)		(4,513)	
Other Net Transfers	(22)		468		404		(13)		(70)	
Overhead Recoveries From Research	1,539		2,048		3,328		3,389		3,252	
Funding of General Operating Expenditures from:										
Trust	3,838		4,103		4,807		5,437		6,222	
Provisions	7,177		2,180		3,181		2,198		51,176	
Research					45		950		884	
Capital	1,625		531		1,142		801		811	
Unit Capital Development Assessment	(3,483)		(3,681)		(3,799)		(4,023)		(4,900)	
Funding of Research Projects					(48)		(71)		(353)	
Net Transfer to/from Other Funds	(25,048)		(40,071)		(47,376)		(41,532)		(34,125)	
Net Increase to Fund Balance	296		44		37		16		25	
Expense by Type:										
Salaries & Wages	227,887	69%	240,363	70%	248,450	69%	264,513	68%	281,830	65%
Staff Benefits	34,535	10%	35,969	11%	37,547	10%	40,570	10%	63,215	15%
Payroll Tax Levy	4,914	1%	5,179	2%	5,356	1%	5,716	1%	6,103	1%
Utilities	13,540	4%	12,627	4%	13,699	4%	13,713	4%	13,295	3%
Supplies & Expense	44,424	13%	42,553	12%	48,446	14%	57,192	15%	62,787	14%
Scholarships, Bursaries, Prizes & Awards	3,444	1%	3,921	1%	4,381	1%	6,935	2%	6,944	2%
Property Tax	868	0%	345	0%	396	0%	410	0%	408	0%
Subtotal	<u>329,612</u>	<u>100%</u>	<u>340,957</u>	<u>100%</u>	<u>358,275</u>	<u>100%</u>	<u>389,049</u>	<u>100%</u>	<u>434,582</u>	<u>100%</u>
Andillary Services:										
Salaries & Wages	4,558		4,789		4,981		5,267		5,524	
Staff Benefits	727		750		791		852		915	
Payroll Tax Levy	103		108		111		117		126	
Costs of Goods Sold	15,637		14,790		15,375		16,339		16,888	
Equipment, Alterations, etc.	505		809		814		1,073		1,242	
Utilities	1,292		1,480		1,575		1,580		1,637	
Supplies & Expense	2,991		2,431		2,399		2,568		2,706	
Subtotal	<u>25,814</u>		<u>25,157</u>		<u>26,045</u>		<u>27,797</u>		<u>29,038</u>	
Total Expense	<u>355,426</u>		<u>366,114</u>		<u>384,320</u>		<u>416,846</u>		<u>463,620</u>	

Appendix 3 All Funds Revenues and Expenses – 5 year detail statement

(in thousands)

	2006	2007	2008	2009	2010
Operating Fund Revenues					
Tuition and Related Fees	96,462	99,092	99,670	98,465	108,397
Contributions, Donations, Non-Government Grants	1,338	575	1,497	2,122	1,547
Net Investment Income	3,808	5,394	6,983	5,649	3,103
Miscellaneous Income	1,603	3,374	1,703	2,131	14,084
Government Grants:					
Council on Post-Secondary Education	215,393	229,104	245,972	266,845	281,132
Other Province of Manitoba	3,626	4,573	9,830	12,407	16,519
Government of Canada	7,184	8,930	9,129	9,213	8,940
Sales of Goods and Services	21,790	25,996	26,403	29,500	31,252
Ancillary Services	29,566	29,191	30,546	32,062	32,796
	<u>380,770</u>	<u>406,229</u>	<u>431,733</u>	<u>458,394</u>	<u>497,770</u>
Capital Fund Revenues	39,379	33,957	32,572	34,991	52,215
Research and Special Fund Revenues	117,843	133,028	144,554	145,324	138,904
Staff benefits Fund Revenues	4,857	3,417	1,915	(4,429)	6,727
Trust Fund Revenues	25,685	16,539	(5,266)	(9,782)	37,125
	<u>187,764</u>	<u>186,941</u>	<u>173,775</u>	<u>166,104</u>	<u>234,971</u>
Endowment Fund Revenues	14,956	10,406	16,385	(24,464)	28,863
	<u>583,490</u>	<u>603,576</u>	<u>621,893</u>	<u>600,034</u>	<u>761,604</u>
Operating Expenses:					
Academic	213,796	223,013	231,681	250,464	268,785
Libraries	14,206	15,053	15,534	16,506	16,973
Student Affairs	16,908	17,558	18,741	20,399	21,460
Administration	23,376	25,052	26,295	29,443	30,665
Plant Maintenance	32,282	37,355	37,550	38,892	43,118
Other Academic Support	19,531	18,461	18,134	20,273	20,096
General	4,013	3,497	4,102	3,853	6,300
Property Taxes	868	345	396	410	408
Scholarships, Bursaries, Prizes and Awards	3,444	3,475	4,381	6,935	6,944
Ancillary Services	25,814	25,157	26,045	27,797	29,038
Actuarially Determined Employee Future Benefits			3,876	410	3,062
Actuarially Determined Pension Expense			-	4,043	21,268
Staff Benefits Contra	1,188	(2,852)	(2,415)	(2,579)	(4,497)
	<u>355,426</u>	<u>366,114</u>	<u>384,320</u>	<u>416,846</u>	<u>463,620</u>
Capital Fund Expenses					
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	5,925	9,839	9,976	11,988	6,927
Amortization of Capital Assets	33,437	37,919	41,079	43,675	45,668
	<u>39,362</u>	<u>47,758</u>	<u>51,055</u>	<u>55,663</u>	<u>52,595</u>
Research Fund Expenses					
Academic	104,270	111,485	114,113	119,893	117,858
Administration	2,527	2,160	3,092	2,902	2,677
Scholarships, Bursaries, Prizes and Awards	-	-	4,912	5,117	4,878
Other	1,685	1,158	708	549	570
	<u>108,482</u>	<u>114,803</u>	<u>122,825</u>	<u>128,461</u>	<u>125,983</u>
Staff Benefits Fund Expenses	2,404	2,421	3,116	3,727	6,203
Trust Fund Expenses					
Scholarships, Bursaries, Prizes and Awards	8,669	8,948	9,874	12,065	12,130
Other	1,534	675	1,780	1,528	2,302
	<u>10,203</u>	<u>9,623</u>	<u>11,654</u>	<u>13,593</u>	<u>14,432</u>
Total Expenses	<u>515,877</u>	<u>540,719</u>	<u>572,970</u>	<u>618,290</u>	<u>662,833</u>
Net Increase to All Fund Balances	<u>67,613</u>	<u>62,857</u>	<u>48,923</u>	<u>(18,256)</u>	<u>98,771</u>