



AGENDA ITEM:

2020/21 Budget

RECOMMENDED RESOLUTION:

That the Board of Governors approve:

- A consolidated budget for the year ending March 31, 2021 that includes:
 - total revenues of \$904,583,000
 - total expenses of \$922,851,000 and
 - a balanced general operating budget of \$674,627,000.

CONTEXT AND BACKGROUND:

The 2020/21 budget has been developed in a context of significant change and uncertainty. While every fiscal year's budget is based on a set of assumptions, information, and decisions at a point in time, the budget for the 2020/21 fiscal year has been brought forward during a time of unprecedented underlying uncertainty. As the pandemic, related events and decisions unfold in the coming weeks and months, financial projections will be updated and measures will continue to be implemented to manage and mitigate the financial impacts where feasible.

On April 15th, the Province directed all post-secondary institutions to identify all non-essential, discretionary expenses so that the funding may be repurposed to support COVID response efforts. The Provincial government also asked the University to participate in an exercise designed to rationalize public sector staffing levels for the time period May 1 – August 31, noting that this timeframe was subject to change. The workforce adjustments, expenditure reductions, and anticipated net revenue pressures resulting from COVID-19 are not included in the proposed budget presented in this submission. That is, the measures and projections reported to the Province in the University's response are over-and-above what has been budgeted and reflected in this submission. We anticipate that the expenditure reductions will be offset by a reduction in the provincial operating grant and will therefore have no impact to our bottom line.

2020/21 BUDGET PLANNING

The budget planning process occurs alongside unit planning, reflecting unit and university-wide strategic priorities and operational requirements. The 2020/21 budget planning process began in the spring and early summer of 2019 with the development and communication of preliminary planning parameters:

- Provincial operating grant unchanged from 2019/20;
- Tuition fee increase of 3.75%; and
- Static enrolment, consistent with recent years' trends.

The provincial operating grant and tuition fee increase assumptions were in line with direction provided by the Province for development and submission of the 2020/21 Estimates.

Over the summer months, central support units developed their budgets based on direction that budgets should remain unchanged from 2019/20 levels, and these budget submissions were discussed by the Central Unit Allocations Committee (CUAC) in early fall.

As part of the budget development process, meetings were also held with the President's Budget Advisory Committee (BAC), as well as Deans and Directors, including discussion of a preliminary operating budget.

Alongside the budget planning process, tuition and fees were reviewed. Proposals developed for the 2020/21 academic year are detailed in the Tuition Fee submission to the Board of Governors that accompanies this budget submission.

At late stages of the budget planning process, it became evident that the original planning assumptions were no longer relevant due to the developing scale of the pandemic and its potential financial implications. While too soon to forecast enrolment with any degree of certainty, budget projections and allocations to units were revised to reflect a 40% reduction in Summer tuition revenue (assuming 60% of courses will move online) and a 2% reduction in Fall/Winter tuition revenue driven by enrolment factors. Although these assumptions may seem overly optimistic, more pessimistic alternate assumptions result in significant swings in unit budgets. The chosen approach will require very active ongoing monitoring, including adjustments to unit budgets in-year as more information is known and projections can be revised with greater certainty.

The final allocations to academic units as represented in this budget also reflect tuition fee proposals for 2020/21, a provincial operating grant reduction of 1%, implications of minor changes to the budget model, and reductions to central support unit budgets.

Given the fiscal constraints and uncertainties driven by the pandemic, central support unit budgets were generally reduced by approximately 1% as compared to 2019/20, with a more significant \$2 million reduction to the budget allocated to deferred maintenance (from \$10 million to \$8 million), in order to mitigate the immediate impacts to academic units of the projected revenue reductions.

Other revisions to operating revenue projections focused on investment income and International College of Manitoba (ICM) royalties. It is anticipated that, similar to tuition fee revenue, sales and ancillary revenues will likely decrease lower than current budget projections dependent on a number of factors over the coming months.

CONSOLIDATED BUDGET

In December 2017, the provincial government informed all universities that the institutions were required to convert to full Public Sector Accounting Standards (PSAS) (that is, discontinue use of PSAS 4200) effective April 1, 2019. Work has been underway over the past two years to analyze and convert the University of Manitoba's accounting policies to align with the provincial directive.

The 2019/20 year-end consolidated financial statements will reflect this transition for the first time. However, the 2020/21 budget is the first consolidated, full PSAS budget presented for the Board's approval.

Attachment 1: 2020/21 Consolidated Statement of Operations Budget

This attachment shows the proposed consolidated budget for 2020/21, with comparative 2019/20 budget information. Note: 2019/20 budget has not been fully re-stated for PSAS impacts; restatement is limited to the revenue and expense categorization and overall format.

Revenues are categorized by source (tuition, donations, provincial government, etc.). Expenses are categorized by function (instruction, research, etc.). This presentation is consistent with the full PSAS requirements and what will be reported in the annual financial statements.

The consolidated budget reflects revenues of \$904.6 million, expenses totaling \$922.9 million, and endowment revenues of \$14.7 million. Within this consolidated budget, the general operating budget (which is discussed in further detail below) is balanced, consistent with the University's historical policy and practice.

Consolidated revenues are anticipated to be \$14.9 million greater than those reflected in the 2019/20 budget. The majority of the year-over-year difference is due to the accounting standard transition, specifically newly recognizing provincial grant revenue for principal and interest repayment on capital loans and the revenues from UM's consolidated entities (Partners for Health and Development in Africa [PHDA] and TRIUMF), for a total of \$12.7 million. Other factors increasing revenue year-over-year include the projected \$2.7 million increase in tuition revenue (described in greater detail below), as well as projected increases in federal and provincial grants for research-related capital projects. Offsetting factors include a 1% reduction in the provincial operating grant and one-time capital funding received in 2019/20 from the federal government for the Churchill Marine Observatory project.

Consolidated expenses are budgeted to increase \$39.7 million as compared to 2019/20 budget. One of the most impactful factors is a projected increase of \$12 million in sponsored research spending including research grants received in prior years and anticipated to be spent in 2020/21. In addition, budgeted spending for the Manitoba Scholarship and Bursary Initiative is increasing by \$7.5 million. Consistent with the projected increase in revenues, expenses are also budgeted to increase for the addition of UM's consolidated entities (PHDA and TRIUMF) as required under PSAS and to reflect the interest on capital loans, for a total of \$12.7 million. Amortization is budgeted to increase \$4.7 million. Other net increases associated with normal salary and benefits requirements and other operating expense increases are largely mitigated by reprioritization within existing operating budgets, as is described in further detail in the operating budget discussion below.

The net result of the revenues and expenses as budgeted is a consolidated projection of \$(18.3) million before endowment revenues.

This projected net result is in large part related to the changes in accounting standards, which have highlighted the timing mis-match between revenues recognized and expenses incurred at the same time that the University is experiencing decreased one-time revenues for capital projects, increases in amortization from those capital projects, decreases in new sponsored research revenues, and decreased operating grant revenues from government and other sources. While the general operating budget is balanced even under these constraints, the university cannot mitigate the timing pressures in research and capital by further re-directing operating funding to produce a balanced consolidated result.

Endowment Fund

On Attachment 1, projected Endowment fund revenues are identified separately, as is required based on the newly adopted PSAS. The Endowment Fund consists of resources that have been gifted or bequeathed to the University under the condition that they be held in perpetuity to support the future of the University. Revenues received in the Endowment fund are invested in the University Investment Trust and Specific Trusts. The income earned from this investment is either reinvested to provide financial security for future beneficiaries, or used to support various undertakings by the University in accordance with a spending policy approved by the Board of Governors.

GENERAL OPERATING BUDGET

General operating revenues are received for purposes that support the University's academic, administrative and operational costs. The overall operating budget will decrease by \$0.7 million or 0.1% in 2020/21 as compared to 2019/20 general operating budget.

Provincial Grant Revenue

In follow-up to the provincial budget, the Province communicated a \$3.5 million (1%) reduction in the University's operating grant and no change to the ACCESS grant for 2020/21. Unlike prior years, these funding commitments have not yet been confirmed in a formal letter.

Based on the above-noted communication from government in March, the budget currently reflects provincial operating grants of \$345.7 million. This accounts for 51% of the University's operating fund revenues in 2020/21, decreasing slightly from 52% in 2019/20.

Tuition Revenue

Budgeted tuition revenue of \$195.2 million represents an increase of approximately \$2.7 million as compared to the 2019/20 budget, and includes the impacts of projected enrolment decreases (40% Summer term and 2% Fall/Winter terms) and an average 3.75% tuition fee increase, which is well within the provincially legislated maximum allowable rate of CPI + 5%.

The average tuition fee increase of 3.75% includes (i) a proposed variable rate increase on undergraduate tuition, with an average increase of 3.75% (ii) a 3.75% increase on graduate tuition and an increase to the graduate continuing fee; (iii) a 3.75% increase to university-wide fees and a proposed restructuring of lab fees; and (iv) the previously approved across-the-board 3.75% increase for 2020 Summer Term. These tuition fee proposals are described in greater detail in an accompanying tuition fee submission.

Other Revenue

Operating revenue from other sources, such as Ancillary services, sales of goods and services, other government grants, investment income and miscellaneous income is projected to remain virtually unchanged from the 2019/20 budget. While the budget projections include year-over-year reductions in investment income and royalties from the International College of Manitoba related to the pandemic, Sales and Ancillary revenues have not been reduced in the budget. Depending on how the university's operations are impacted by COVID-19 as events unfold in the coming months, the university's income activities will also be impacted.

Attachment 2: 2020/21 General Operating Budget

Attachment 2 illustrates the 2020/21 general operating budget through the lens of the budget model, including the strategic allocations described in the pages that follow below.

The budget model allocates tuition and grant revenues to academic units based on pre-determined drivers. These revenues support the direct expenses of academic units as well as the allocated net expenses of central support units. A portion of the allocated revenue is contributed to the university fund based on the participation rate (tax), which remains at 17.75% for 2020/21.

In Attachment 2, unit revenues reflect tuition and grant revenue allocated within the budget model as well as revenues budgeted directly by the units themselves. Expenses and net fund transfers budgeted by units include salaries, benefits and other operating expenses, as well as net transfers necessary to support both operating and non-operating expenses, such as debt repayment, capital projects, scholarships and bursaries, staff benefits, and research projects.

The central support cost allocations reflect the allocation of the net expenses of central support units to the academic units.

Even though general operating revenues are projected to decrease 0.1% as compared to 2019/20 budget, academic units' net operating budgets as a whole are increasing. Within this, some academic units' budgets are increasing, while others are decreasing; this variation is largely a result of the impacts of the budget model's calculated impacts as well as strategic subvention adjustments for 2020/21. At the same time, most central support cost pool budgets have decreased in order to mitigate the budgetary pressure on academic units.

Measures to manage budgetary reductions, or limited budgetary increases – such as deferring filling of vacant positions; re-prioritization of spending to most critical areas; and reducing the 2020/21 deferred maintenance budget allocation – were not anticipated to result in layoffs; however, as was noted at the beginning of this submission, this budget does not incorporate further action that is anticipated to be required in response to additional revenue deterioration, direction from government, or other pressures.

The final component of the operating budget, the university fund also reflects the impacts of the projected revenue assumptions and budgetary measures taken to manage within the fiscal constraints, specifically with reduced strategic investment in university priority areas.

2020/21 University Fund

The contribution to the university fund by academic units is calculated as 17.75% of allocated tuition and grant revenues, totaling \$89.2 million for 2020/21. The remaining contributions totaling \$19.9 million are comprised of investment income, International College of Manitoba royalty revenues, Ancillary Services contribution, and the funds remaining from the prior year's contingency/strategic reserve. The total funding available in 2020/21 is \$109.1 million, as compared to \$112.1 million in 2019/20.

The 2020/21 university fund is presented in Attachment 3, including both contributions and planned strategic allocations.

Attachment 3: 2020/21 University Fund

The university fund becomes a source of available funds to reallocate to areas of critical need and to invest in the University's strategic priorities, including subvention of, or subsidizing, academic units. Attachment 3 and the paragraphs that follow outline the strategic priorities and commitments that will be supported through allocations from the university fund in 2020/21, and how these allocations align with the University's strategic plan.

The majority of the university fund, \$92.8 million, is returned to faculties in the form of subvention. As a percentage of the funds available, subvention represents approximately 85% of the university fund, which is virtually unchanged from subvention's proportionate allocation in 2019/20. Subvention can be aligned with all of the University's strategic priorities, but certainly supports the strategic goal of maintaining and sufficiently supporting an appropriate range of liberal arts, science and professional programs for Manitoba's research university as part of the *Inspiring Minds through innovative and quality teaching* priority.

In light of the current financial situation, strategic allocations will be weighed alongside other budgetary reductions that may be required. Planning thus far has identified the following priorities:

- Existing multi-year commitments as part of the *Driving Discovery and Insight through excellence in research, scholarly work and other creative activities* priority:
 - National Centre for Truth and Reconciliation (\$900 thousand)
 - Research initiatives (\$1 million)
- The budget also continues a multi-year commitment to network switch replacement (\$500 thousand) and provides an allocation (\$300 thousand) for server renewal and enhancement benefitting students and faculty. Both of these allocations align with the strategic goal to provide information technology systems that support the needs of students, staff and faculty within our *Building Community that creates an outstanding learning and working environment* priority.
- The University has a strategic goal to increase student, staff and faculty satisfaction with the learning and work environment. As part of this work, the 2020/21 budget allocates \$350 thousand to compete the pilot Sexual Violence Resource Centre and other enhanced supports. An additional

\$300 thousand is allocated to support student counselling, increasing the counselling and related resources available to students.

- That same strategic goal to increase student, staff and faculty satisfaction with the learning and work environment has, as one of its supporting actions, enhancing common spaces, amenities and services to better meet the needs of the university community. To that end, the 2020/21 budget includes an allocation of \$700 thousand that will continue to support learning space renewal and enhancement, with a focus on various informal learning spaces used by students.
- Even with the proposed tuition fee increases, the University of Manitoba remains one of the most affordable options for post secondary study in Canada. However, cost can be a barrier for some students at the best of times. The 2020/21 budget strengthens the University's commitment to students by allocating an additional \$600 thousand to student assistance, to be targeted to areas of highest need including both undergraduate and graduate students, as well as specific supports for international and Indigenous students.
- Aging critical infrastructure has long been a concern at the university. Over the past few years, Fort Garry Campus has experienced increased electrical outages, disrupting classes and exams and increasing risk to research and equipment. The university has been working with Manitoba Hydro on a multi-year plan to re-locate and re-distribute service for the campus and surrounding community. An allocation of \$1 million is being made to support this critical work.
- Faculty and staff have been asked to make many adjustments in response to the COVID-19, including the shift to remote and online course delivery. Impacts are expected to continue through the summer term, which will be delivered remotely, and into the fall term. The 2020/21 budget includes \$600 thousand to support pandemic response and relief, with particular focus on distance and online teaching and learning as well as student financial supports.
- Lastly, \$10 million has been allocated as a contingency this year, with consideration of the uncertainties and financial implications to emerge in the coming months. While this represents approximately 1.5% of operating revenues, it is recognized that this will not be adequate to address substantial changes in assumptions and that further in-year measures will be required as more information is known.

RESOURCE REQUIREMENTS:

Alongside this document, a separate submission requests the Board's approval of tuition and course fees to continue to support achieving the University's mission and priorities. The budget projects a revenue increase of approximately \$2.7 million related to the proposed tuition and course fees as compared to the 2019/20 budget. This includes the impacts of projected enrolment decreases and a proposed variable rate tuition increases described in greater detail in the accompanying tuition fee submission.

In addition to tuition, the budget as presented relies on the provincial operating grant, income from various revenue generating activities, donations, and dedicated grant funding in support of research and other specific University activities.

CONNECTION TO THE UNIVERSITY PLANNING FRAMEWORK:

Budget planning occurs in the context of *Taking Our Place: The University of Manitoba Strategic Plan 2015 – 2020*, and the significant majority of the budget supports the ongoing work of units in fulfilling the University's mandate and strategic priorities. Through the 2020/21 planning and budget development process, the specific allocations described above were identified as requiring additional support to further key strategic priorities.

IMPLICATIONS:

The 2020/21 consolidated budget is presented to the Board for consideration and approval, reflecting:

- total revenues of \$904,583,000
- total expenses of \$922,851,000 and
- a balanced general operating budget of \$674,627,000.

Given the evolving global and local COVID-19 circumstances, there is a high probability that assumptions on which the budget is based will need to be updated in the coming months. As projections are revised, in-year budget updates may be required. Expenditure management and other measures will need to be implemented throughout the year to ensure that the institution is able to manage within reduced 2020/21 operating revenues, should this ultimately unfold.

ALTERNATIVES:

In light of ongoing cost pressures, reductions in provincial funding and other external factors and uncertainties, multiple scenarios were considered. There is a wide range of possible financial implications that could develop as a result of the pandemic. Given evolving circumstances at late stages of budget development, the proposed budget represents the recommended balance of investment in strategic priorities, support to faculties and schools, known cost pressures, and overall financial uncertainty.

CONSULTATION:

The 2020/21 planning and budget development process involved consultation with academic, ancillary and central unit leaders and support staff. The process included meetings with the Vice-Presidents, the CUAC, the BAC, and the Deans and Directors, which, along with analysis, review and information on the institutional financial position from the Financial Planning Office and Financial Services, form the basis of this submission.

ROUTING TO THE BOARD OF GOVERNORS:

<u>Reviewed</u>	<u>Recommended</u>	<u>By</u>	<u>Title</u>	<u>Date</u>
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Giselle Martel	Executive Director, Financial Planning & Budgeting	May 4, 2020
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Vice-President (Administration)	May 4, 2020
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	David J. Bernard	President and Vice-Chancellor	May 4, 2020
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Finance, Admin., & HR		May 5, 2020
<input type="checkbox"/>	<input type="checkbox"/>			

SUBMISSION PREPARED BY: Mark Walc, University Budget Officer

ATTACHMENTS:

- Attachment 1 – 2020/21 Consolidated Statement of Operations Budget
- Attachment 2 – 2020/21 General Operating Budget
- Attachment 3 – 2020/21 University Fund

Attachment 1**UNIVERSITY OF MANITOBA**
Consolidated Statement of Operations Budget
For the year ending March 31, 2021
(in thousands of dollars)

	2021	2020
Revenue		
Provincial Grants	\$ 421,025	\$ 413,726
Tuition and Related Fees	195,230	192,493
Federal and Other Government Grants	88,600	85,878
Non-Government Grants	60,813	58,540
Investment Income	41,838	37,702
Ancillary Services	40,227	39,207
Sales of Goods and Services	34,376	32,686
Other Income	11,612	13,092
Donations	10,862	16,398
	904,583	889,722
Expense		
Instruction	394,943	390,426
Sponsored Research	130,960	119,000
Facilities	121,167	110,628
Special Purpose and Trust	65,726	61,667
Administration	38,537	39,864
Academic and Research Support	35,953	29,617
Libraries	33,544	32,931
Student Services	32,009	32,088
Information Technology	30,439	28,912
Ancillary Services	25,924	25,387
External Relations	13,650	12,665
	922,851	883,185
	(18,268)	6,537
Endowed Donations	14,681	13,700
Annual Surplus (Deficit)	\$ (3,587)	\$ 20,237

Attachment 2 - 2020/21 General Operating Budget

(in thousands of dollars)

	Revenue	Expenses and Fund Transfers	Central Support Cost Allocations	Contribution to University Fund	University Fund Allocations	Net Surplus (Deficit)
Academic Units and Ancillary Services						
Faculty of Agricultural and Food Sciences	\$ 36,460	\$ 23,227	\$ 16,087	\$ (5,984)	\$ 8,838	\$ -
Faculty of Architecture	11,007	8,656	5,112	(1,859)	4,620	-
Faculty of Arts	93,867	45,877	31,608	(16,382)	-	-
School of Art	5,660	4,988	3,434	(954)	3,716	-
I.H. Asper School of Business	41,435	21,500	12,955	(6,980)	-	-
Faculty of Education	9,997	9,579	5,889	(1,716)	7,187	-
Price Faculty of Engineering	34,254	22,626	18,836	(5,901)	13,109	-
Clayton H. Riddell Faculty of Environment, Earth and Resources	18,987	9,173	7,497	(3,293)	976	-
Extended Education Division	12,545	11,733	4,314	(344)	3,846	-
Faculty of Kinesiology and Recreation Management	22,578	20,550	8,282	(1,569)	7,823	-
Faculty of Law	8,270	6,366	3,206	(1,392)	2,694	-
Marcel A. Desautels Faculty of Music	3,338	5,464	2,836	(487)	5,449	-
Faculty of Science	94,550	40,083	38,238	(16,229)	-	-
Faculty of Social Work	12,266	8,597	5,168	(2,126)	3,625	-
Rady Faculty of Health Sciences	185,238	133,472	58,735	(23,949)	30,918	-
Ancillary Services	40,227	40,227	-	-	-	-
Total Academic Units and Ancillary Services	630,679	412,118	222,197	(89,165)	92,801	-
Central Support Cost Pools						
Academic	1,381	30,563	(27,882)	-	1,300	-
President, External and Indigenous	970	17,724	(15,854)	-	900	-
Information Technology	286	26,856	(25,770)	-	800	-
Administration	1,339	29,877	(28,538)	-	-	-
Facilities	1,961	47,541	(45,580)	-	-	-
Research	10,475	20,495	(9,020)	-	1,000	-
Student Services	5,047	25,026	(18,729)	-	1,250	-
Libraries	1,028	29,250	(28,222)	-	-	-
General University	9,786	43,388	(22,602)	-	11,000	-
Total Central Support Cost Pools	32,273	270,720	(222,197)	-	16,250	-
University Fund	11,675	(8,211)	-	(19,886)	-	-
Grand Total	\$ 674,627	\$ 674,627	\$ -	\$ (109,051)	\$ 109,051	\$ -

*Figures may not add due to rounding

Attachment 3
2020/21 University Fund
(in thousands of dollars)

<u>Funding Sources</u>	
Contribution from Academic Units	\$ 89,164
Investment Income	7,633
International College of Manitoba	4,042
Ancillary Services Overhead	2,000
Prior Year Contingency / Strategic Priorities Reserve	6,211
Total Funding Available	\$ 109,050
<u>Funding Allocations to Strategic Priorities</u>	
Subvention Allocated to Academic Units	92,800
Scholarships and Bursaries	600
Sexual Violence Support Centre	350
Student Counseling	300
Research Initiatives (year 6/7)	1,000
National Centre for Truth and Reconciliation (year 5/5)	900
Network Switch Replacement (year 5/6)	500
Server Renewal and Enhancement for Teaching, Learning and Research	300
Hydro Power Re-Servicing	1,000
Learning Spaces Renewal and Enhancement	700
Pandemic Response and Relief	600
Contingency / Strategic Priorities Reserve	10,000
Total Funding Allocated	\$ 109,050