

Thinking Forward...
Taking Action
2011/12 Operating Budget

THINKING FORWARD... TAKING ACTION
2011/12 OPERATING BUDGET

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I. 2011/12, FINAL YEAR OF THE MULTI-YEAR STRATEGY

When the University of Windsor launched its strategic plan, *Thinking Forward ...Taking Action*, in May of 2010, it identified goals and objectives that would guide the institution to the achievement of its mission of enabling people to make a better world through education, scholarship, research and engagement. The operating budget is the primary tool in the management of the University and in enabling it to fulfill its mission and achieve its academic goals. The budget presented herein supports the strategic plan of the institution and the resources required to ensure success of the plan.

In November 2008, the Board approved a multi-year strategy to present a balanced budget for fiscal 2011/12 in an effort to better align our financial activities with the strategic plan. This multi-year approach allowed the institution to address its financial challenges while trying to minimize any sudden and negative impact on academic and service delivery. The key focus of this multi-year strategy has been to preserve support for students and to protect quality in the classroom to ensure the long term strength of the institution.

The University has been diligent in the planning and implementation of balancing of its operating budget by 2011/12. Systematic steps have been taken following the approval of the multi-year strategy:

Year One

The *approved 2009/10 Operating Budget* was the first year of the new 3-year strategy. The University realigned 4% of its base budget equalling \$8.0m. An operating shortfall of \$4.8m was left to resolve in 2010/11. In that year, the Strategic Priority Fund was established. This fund would serve as a key tool in the reallocation of the base budget in support of strategic priorities. The fund originally established at \$500,000 has grown annually with a base budget of \$2.3m available in the 2011/12 operating budget for investment in strategic initiatives. While 2009/10 was the first year of the new three-year fiscal strategy, it came on the heels of the 2008/09 operating budget realignment by \$10.25m.

In addition, a commitment was made to protect scholarships and bursary support, and support of graduate and teaching assistantships, from realignment through the three-year period.

Year Two

The *approved 2010/11 Operating Budget*, the second year of the 3-year strategy, saw a change in the realignment approach. In order to preserve as best as possible the academic programs of the institution, the realignment targets no longer followed an across-the-board approach. The \$7.8m reduction in base budget was accomplished through a blended realignment of 3.8% for 2010/11; a 3.25% realignment target for all Faculty budgets and a 5% realignment target for all other areas of the institution. An operating shortfall of \$1.9m was left to resolve in 2011/12, the final year of the multi-year strategy. In each year, the operating shortfall was funded on a one-time basis to ensure that the University would not be faced with a cumulative shortfall at the end of the multi-year strategy.

I. 2011/12, FINAL YEAR OF THE MULTI-YEAR STRATEGY (CONT'D)

Year Three

Planning for the *2011/12 Operating Budget*, the final year of the multi-year strategy, began in Summer 2010. Last August, the President announced to the campus that planning should commence immediately for a 2% realignment of the base budget. This planned realignment target would produce a balanced budget for the 2011/12 fiscal year. Adjustments would be made to this preliminary target based on Fall 2010 enrolment results and the outcome of a new budget model being developed for the University.

Activity Based Budgeting

A key event during 2010/11 was the development of a new budget model for the University. Led by the Provost, the institution embarked on a new budget model that would align base budgets with activities within Faculties. This new budget model, called Activity Based Budgeting (ABB), would illustrate the relationship between revenue generated in each of the Faculties, based on their undergraduate and graduate enrolments and research, and the respective Faculty's base budget. ABB would be refined over time and would form the foundation for how budgets would be considered going forward. Due to the cost structure of the Faculties, with over 90% of their base budgets invested in people, full implementation of ABB would need to be accomplished over a number of years. Budget realignment targets and/or investments would be informed by the outcome of this model. For the 2011/12 realignment targets, an adjustment was made to each Faculty's realignment target based on the results of this exercise.

Following the positive enrolment results in Fall 2010 and the outcome of round one of ABB, final realignment targets in support of operations were announced in November 2010. The original 2% realignment was reduced by 1% due to positive Fall 2010 enrolment activity for all areas of campus. Faculty realignments were reduced a further 0 – 1% based on their respective outcome of ABB. Final 2011/12 realignment targets for Faculty budgets are in the range of 0% - 1%. Realignment targets for all other areas of the campus were 1% which represents the highest realignment target in any one Faculty. The total realignment to be achieved in support of operations was approximately \$2.0m.

Pension Contributions

The last significant event to be considered in the planning for the 2011/12 operating budget and the achievement of a balanced budget was the impact of increasing pension contributions on the budget. The University is the sponsor of two pension plans for its employees, the Faculty and Certain Employees Plan, and the Employees' Plan. As a result of the global financial crisis which began in Fall 2008, significant decreases in the market value of the Pension assets occurred in addition to the increase in the present value of pension obligations. The next mandatory actuarial valuation to be filed for both plans is as of July 1, 2011. These valuations will determine the level of contributions required to fund the pension obligations of the plans.

I. 2011/12, FINAL YEAR OF THE MULTI-YEAR STRATEGY (CONT'D)

The University has been working with its Actuary to assess the possible financial impact of these valuations. A number of scenarios have been developed based on varying investment rates of return of the plans and the discount rate, which values the pension obligations. In developing a budget strategy, the University focussed on a scenario that was neither overly optimistic nor overly pessimistic. These scenarios reveal significant increases in pension contributions for both plans.

Deferral for one year of special payments to fund pension plan shortfalls has provided the University and plan members time to prepare for the full financial commitment that will be required. Based on the scenario the University is planning to, the University could be required to increase its contributions in 2011/12 by \$2.6m for the Faculty Plan and by \$.2m for the Employee Plan. Further 2011/12 budget realignments would be required to fund the additional pension contributions to balance the budget. As a result, Faculty budgets were further realigned by 1.5% to address the requirements of the Faculty Plan and all other areas were realigned a further .25% - .75% depending on their representation in each of the plans. Pension contributions continue to represent an increasing percentage of the operating budget as detailed further in this report. Based on the required pension contributions and the base budget available for pension plan contributions, the total realignment to address 2011/12 pension contributions totalled \$2.3m.

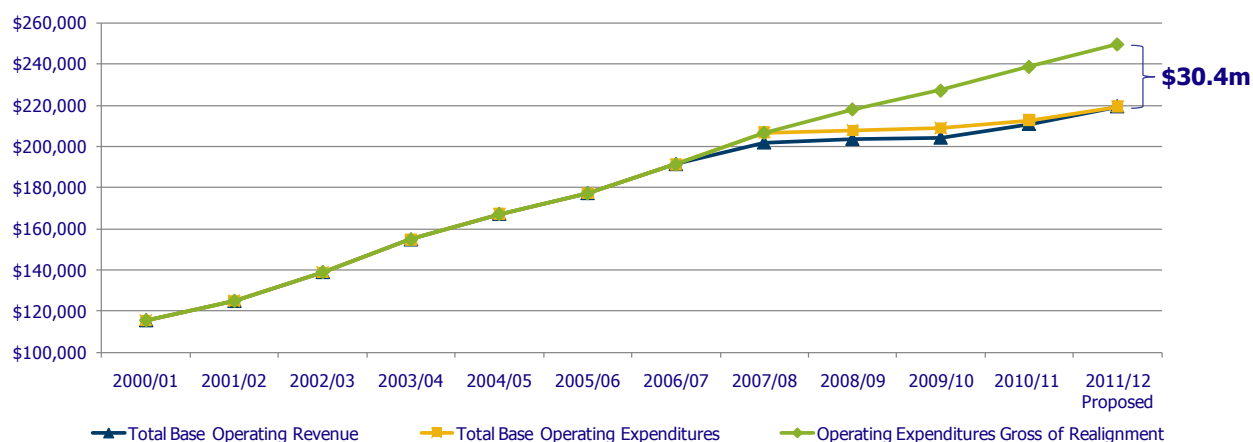
The President issued a campus communication in November 2010 detailing the financial pressures that the institution will be facing as a result of the upcoming pension plan actuarial valuations and the realignment targets that were expected (www.uwindsor.ca/president). A consistent effort during the multi-year strategy has been to continually inform the campus of ongoing developments. There have been numerous communications, presentations, and dialogues held with members of the campus community. Meetings were held with respective governing Faculty councils of each Faculty and other Administrative leaders across campus where the President and others attended these meetings to provide a venue for communication and discussion. In addition, the President held a campus town hall meeting in November 2010 and made the presentation available on his website.

A Balanced 2011/12 Budget

When considering operations and pension commitments, the total realignment for 2011/12 totals \$4.3m. This budget proposal fully addresses the required realignment to achieve a balanced budget and meet the institution's commitment to fulfilling the three-year strategy.

I. 2011/12, FINAL YEAR OF THE MULTI-YEAR STRATEGY (CONT'D)

The following graph illustrates the University's base budget (\$000s) during the multi-year strategy and the total cumulative amount of \$30.4m that has been realigned to meet the goal of a balanced budget:



The graph emphasizes the structural challenge when comparing the total base operating revenue and the base operating expenditures, gross of realignment. If the University had not commenced its multi-year fiscal realignment strategy, the gap between revenue and expenditures would now be \$30.4m. This amount would have resulted in a compounding cumulative deficit for the University and would significantly impact the financial viability of the institution in the short and long term.

The 2011/12 Operating Budget is balanced as illustrated in Appendix A of this document. The achievement of a balanced budget has been extremely challenging in a period of growing enrolment. The provision of quality academic, student and administrative services has been strained. The structural challenge of expenditures increasing at a rate greater than revenue has not been fully resolved. The ultimate resolution of this structural challenge is dependent on growth of enrolment-driven revenues (government grant and tuition revenue), in addition to ensuring that cost increases do not outpace revenue growth. As evidenced in the Strategic Plan, with its focus on the undergraduate and graduate experience, the University recognizes that the student is the foundation of the institution and the provision of an exceptional experience, in and out of the classroom, is its primary focus.

As will be detailed later in this proposal, strategic investments in the student experience will support the strategic priority of the institution which should contribute to financial stability.

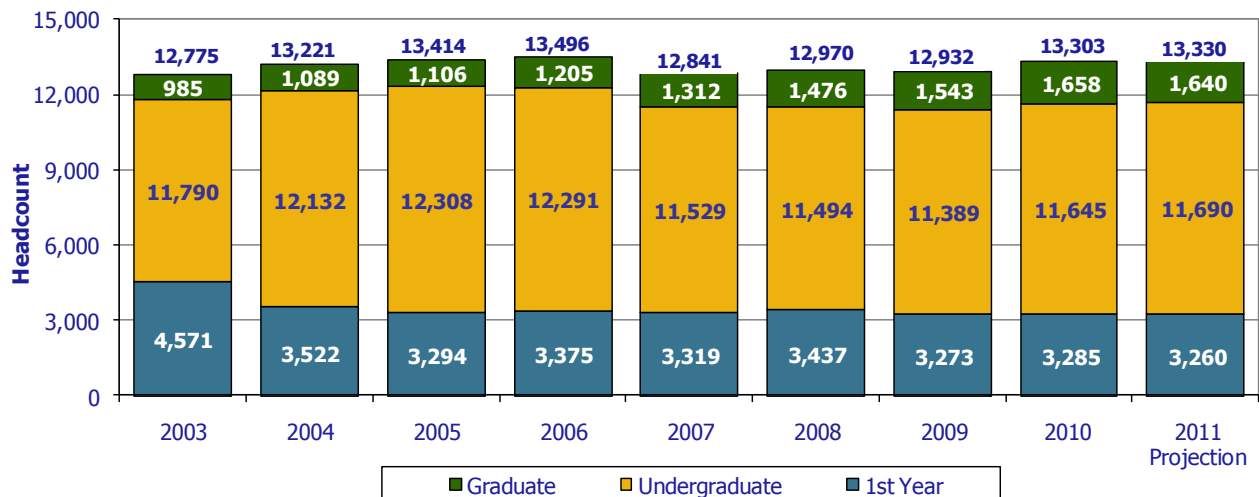
II. STUDENTS AT THE UNIVERSITY OF WINDSOR

Core to the mission and strategic priority of the institution is the student experience, both at the undergraduate and graduate level. Providing an environment that promotes an exceptional student experience is paramount. The quality of instruction, the positive interactions with faculty and staff, and supportive student services will all lead to a student body that will have pride in their institution during their time on campus and for the many years to follow.

1. ENROLMENT: THE FOUNDATION FOR ALL ACTIVITY ON CAMPUS

For Fall 2011, the University is projecting to have approximately 400 additional full time undergraduate and graduate students over Fall 2009, when the multi-year fiscal strategy was approved. This growth has been a result of the development of new academic programs, improvements in recruitment and retention, and attention to the student experience.

The projected total full-time undergraduate and graduate enrolment for Fall 2011 is 13,330. The following graph provides a summary of Fall full-time enrolment headcount, including both an eight-year history and projected enrolments for Fall 2011:



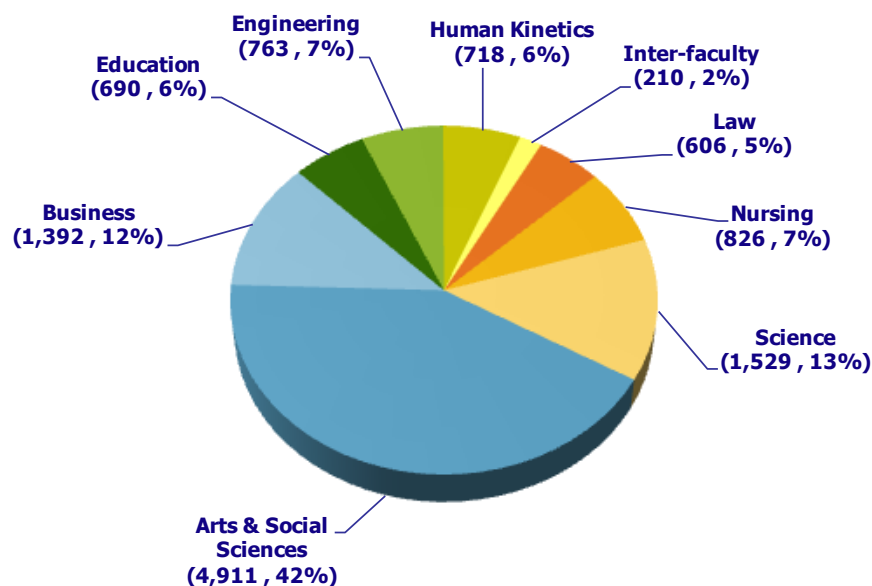
In addition to projected Fall 2011 full-time enrolment of 13,330, part-time undergraduate and graduate student projections total 2,472 and 128 respectively.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

(i) UNDERGRADUATE STUDENTS

Total full-time undergraduate enrolment is projected to be 11,690 students in Fall 2011. This represents an increase of 45 students over Fall 2010. Undergraduate enrolment is the financial foundation of the institution, and consistent, sustainable growth of these numbers will ensure a strong base for academic and fiscal realities.

The following graph illustrates the distribution of the Fall 2010 enrolment of 11,645 undergraduate students by Faculty:



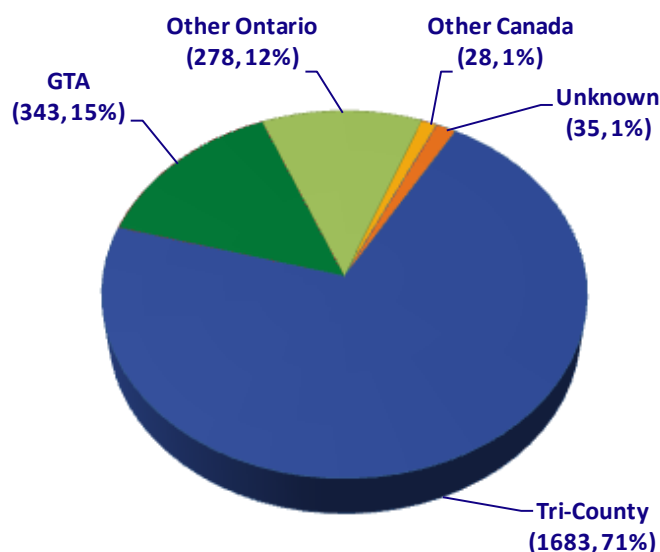
The strategic direction for the institution is continued growth of undergraduate student numbers, as long as it can be done without loss of quality. This growth will be achieved in a number of ways. The development of academic programs that meet the needs of students must be continual. Improvement in the recruitment efforts on campus has also taken on a heightened effort. New marketing campaigns, recruitment approaches, and increased visibility for the institution should result in higher interest and demand for the University. In addition, a greater focus on the overall student experience will be important for strengthening retention rates.

The Provost has recently reorganized the institution's admissions and recruiting operations to support this key priority. The University has established a three year secondment for an Assistant Provost, Admissions and Recruiting to focus on a complete re-examination and retooling of the University's approach to recruitment and retention. This sharpened focus will provide more enrolment directed activities in marketing and communication.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

For the Fall 2011 application process, the University has experienced a 4% increase over Fall 2010 in first choice applications from students entering directly from an Ontario secondary school, known as 101's. The provincial system has only experienced an increase of 2.1%. Improvements in the reputation and the marketing of the University in the Greater Toronto Area (GTA) will be key to attracting more first year students. For Fall 2010, approximately 71% of our students coming directly from secondary school were from the Tri-County region. While this intake is very important, recruitment strategies are in place to increase the percentage of students coming from outside of this region.

The following graph illustrates the origin of first year students in Fall 2010:



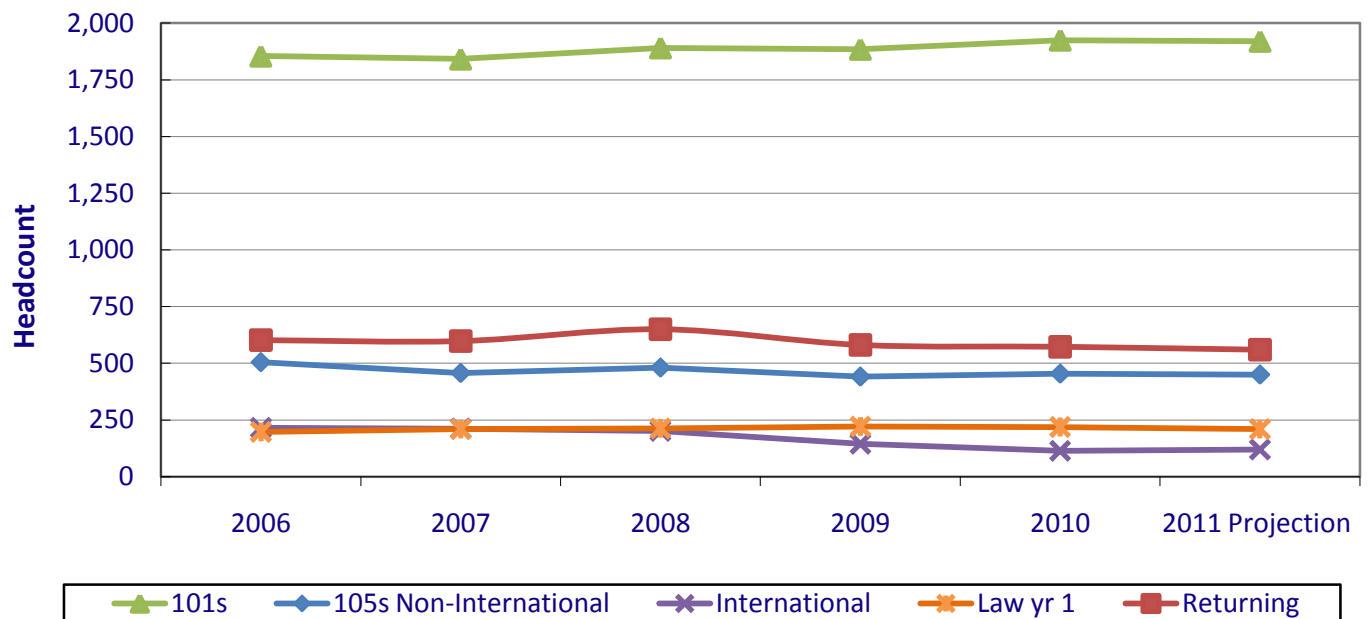
There have been concerted efforts in the current recruitment cycle to increase the visibility and awareness of the University. The Public Affairs and Communications Department has taken a two-pronged approach to have a greater presence in the GTA.

First, when designing the spring marketing plan, special attention was made to target Toronto suburbs that had shown signs of growth based on application trends identified by the Liaison office. Newspaper and interior bus card advertisements have been purchased in Scarborough and Mississauga to encourage prospective students to “Think UWindsor” and confirm their letter of acceptance by the deadline in early June. Ads have been purchased in the Globe and Mail’s national edition to celebrate the University’s recent Canadian Interuniversity Sport (CIS) wins, to promote our Centre for Engineering Innovation (CEI) building, and to highlight research efforts. The University also has an online web presence with the National Post.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

Second, a greater focus has been placed on building relationships with reporters in the GTA to increase the amount of earned media in that market. The University has taken advantage of public relation connections in Toronto to promote UWindsor stories and distribute campus experts list to targeted reporters. GTA-specific marketing plans also include organizing media events in the Toronto Alumni Office and maximizing the value of faculty and staff visits to the area to set up media interviews on research topics and other points of special interest.

The following graph shows a trend of the University's first year enrolment by category of student. Total first year enrolment for Fall 2011 is budgeted at 3,260.



In addition to an increase in the applications from Ontario secondary school students (101s), there is a 14% increase in "105" student applications which represent students transferring in from another post-secondary school or who are not entering in directly from an Ontario high school. This increase in 105's is expected to grow with the anticipated increase of transfer students supported by credit transfer initiatives. The credit transfer initiative is a priority for the Provincial Government as announced as part of their Spring 2010 Open Ontario Budget.

While there are positive indications that the Fall 2011 enrolment targets for 101s and 105s will be achieved, if not surpassed, the projected first-year total enrolment of 3,260 is maintained. Included in the Fall 2011 first-year enrolment projection is a reduction of 80 international undergraduate students when compared to the Fall 2010 projection. With all enrolment forecasts, the approach taken has been cautious, and efforts will be continuing throughout the spring and summer months to confirm as many enrolments as possible.

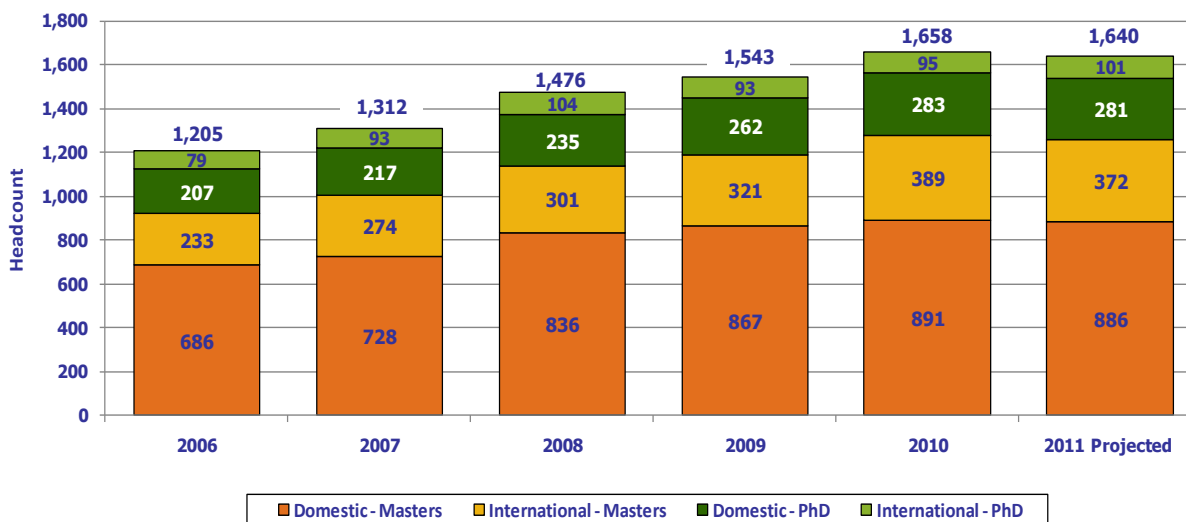
II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

(ii) Graduate Students

Total full-time graduate enrolment is projected to be 1,640 students in Fall 2011 (Masters–1,258; PhD-382). The University has experienced significant growth of graduate students since 2006. With the Provincial financial incentive to support the growth of domestic graduate students, growth of this group has been an area of focus. The University received a commitment from the Provincial government to fund 191 Masters' students and 29 PhD students. The University has surpassed its PhD allotment and is poised to achieve its full allotment of Master spaces in Fall 2011. These spaces will be fully funded by the Ministry via the Graduate Expansion grant included in this budget. This grant assumes that all available spaces will be filled. New and/or enhanced graduate programs offered both on and off campus have contributed to the success in the growth of domestic graduate students. The Masters of Social Work program has been a key factor in the University realizing this growth.

In addition to the growth of domestic graduate students, the University has experienced significant growth of its international graduate students from 2006 to this current year. This growth has been primarily achieved by the successful development and delivery of course-based Masters programs in Engineering (Masters of Engineering) and Business (Masters of Management).

The following chart illustrates the growth of graduate students since Fall 2006. Projected full-time graduate enrolment for Fall 2011 is 1,640.



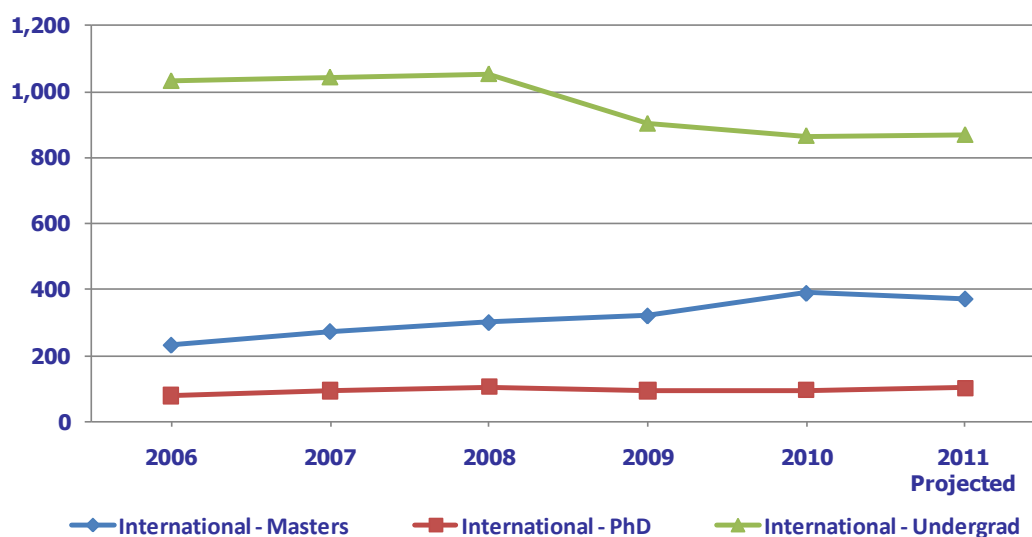
II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

(iii) INTERNATIONAL STUDENTS

International engagement is a key priority for the institution as articulated in the strategic plan. The announcement of a Vice Provost, International and Students gives evidence of the institution's financial support to ensure that this strategic priority is met. Based on the overall strategic plan, the Vice Provost is currently developing a plan for internationalization for the campus. This plan addresses internationalization at the University in its broader sense, including recruitment, engagement, exchange opportunities, etc. An International Advisory Committee, with cross-campus representation, will develop action plans to ensure the strategic plan is achieved in a timely manner.

The University has been very successful in its level of international enrolment over the past decade. International full time enrolment has increased by over 430 full-time students since Fall 2002 and represents 8% of undergraduate enrolment and 29% of graduate enrolment for Fall 2011. International tuition fees represent approximately 25% of tuition fee revenue for the institution.

The following graph illustrates the trend of international enrolment over the last 5 years.



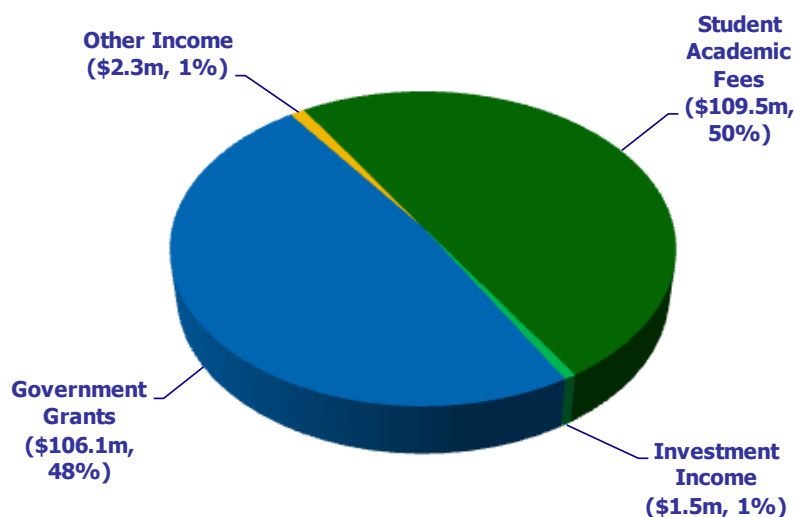
While the level of international graduate students has increased over the last few years, the institution is challenged with the competition and risks it faces with respect to international undergraduate students. This issue is discussed later in this budget document specific to international undergraduate tuition fee strategies.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

2. OPERATING REVENUE

As noted above, enrolment is the basis of the institution's mission and financial stability. 98% of the operating revenue of the institution is directly impacted by enrolment through student academic fees and government grants.

The 2011/12 Operating Revenue for the institution totals \$219.4m comprised of the following four categories of revenue, an increase of \$8.5m over 2010/11:



Undergraduate and graduate enrolment provides the foundation for financial support of all operating expenditures of the institution. Effective enrolment management is required to ensure that enrolment levels provide for the required fiscal support to sustain the institution. At the same time, the University must take care not to overly compromise our competitive advantage of providing one of the best faculty/staff ratios in the province. During 2011/12, a formal enrolment management program will be developed and implemented to set targets, at both the undergraduate and graduate level for each Faculty. Existing enrolment trends, application levels, capacity issues and opportunities for new programs will be considered when setting of Faculty targets which will also inform Activity Based Budgeting. The University needs to ensure that there is a clear strategic direction for the growth of enrolment under each category. As will be noted in the discussion that follows on Government Grants, enrolment management must also address the level of eligible and ineligible students needed for grant purposes.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

(i) STUDENT ACADEMIC & OTHER FEES

Student academic fees total \$109.5m for 2011/12, an increase of \$8.5m over 2010/11. These fees continue to represent a greater percentage of operating revenue as government grant growth is not achieved. Student academic fees are informed by both the enrolment projections outlined above and student tuition fees.

Tuition Framework

In the Spring 2010 Provincial Budget, the Ministry announced the tuition framework that established domestic tuition fees for 2010/11 & 2011/12. The following framework applies for domestic undergraduate and graduate fees for 2011/12:

- 4.5% for most first year undergraduate domestic programs
- 8% for first year domestic graduate and selected professional undergraduate programs (Engineering, Business, Law & Computer Science)
- 4% for second, third, and fourth year domestic students (continuing) in all programs
- No more than 5% overall increase per year (Domestic Undergraduate and Graduate)
- International tuition remains unregulated

At the Board meeting on April 26th, 2011 the Board of Governors approved the maximum increases allowed by the Ministry for domestic undergraduate students. While the maximum allowable increase for graduate students is 8%, an increase of 4.5% was approved due to market competition. An increase of 4% was approved for all continuing domestic undergraduate and graduate students. As part of the Ministry's tuition fee framework, institutions are required to allocate 10% of the incremental revenue generated by the tuition fee increase to support student financial aid. The 2011/12 operating budget includes an additional \$500,000 to address this requirement as outlined on page 17 of this document.

International Tuition

International tuition fees are not regulated by the Ministry as institutions do not receive government grants for international enrolment. These students are considered ineligible for government grant purposes. The University has been challenged in the recent years with the recruitment of international undergraduate students as evidenced by the enrolment level in the above graph on page 12. There are a number of forces, primarily external, that have resulted in the reduction in enrolment levels. One of the government's signature initiatives in their 2010 Budget was the goal of increasing international enrolment by 50%. Many institutions across the province have established similar institutional goals to meet the Province's target. The competition for international students is increasing as institutions in many countries try to gain access to this market. Other factors negatively impacting recruitment include the Canadian currency and existing recruitment agreements with external agencies. The University has taken a strategic direction in the establishment of international tuition fees for 2011/12 which should assist in achieving the projected international enrolment for Fall 2011 of 120 first-year international full-time students. The projected international undergraduate enrolment for Fall 2011 is 80 students less than the projected enrolment of 200 in Fall 2010 (actual Fall 2010 – 114 students).

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

A comprehensive tuition fee review was conducted to address the recruitment challenges outlined above. This review, which included the competitiveness of global markets, enrolment targets in light of the 2009/10 and 2010/11 experience, the University's relative position with fees across the province, financial aid offered to international students, and specific issues for certain academic programs, assisted in formulating the tuition fee proposal for international students. Varying increases were proposed for first year undergraduate international tuition, with a 4% increase for continuing students.

Ancillary Fees

Other compulsory ancillary fees, approved by the Compulsory Ancillary Fee Board, and other cost recovery fees were also approved by the Board of Governors in April 2011 along with Residence and Meal Plan Fees for 2011/12.

While Parking Services is an Ancillary Service, outside of the University operating budget, parking fee increases in the range of 3% - 5% are proposed for 2011/12. Parking Services had previously established a three to four-year plan to move parking permit fees at the University to the median level of permit fee costs for Ontario universities. While 2011/12 is the third year of this multi-year plan, increases proposed herein represent amounts less than the required increases to meet the fee strategy. Administration considered the current economic climate and has adjusted the increases accordingly. The plan to bring parking fees to the provincial median will resume in 2012/13.

The proposed 2011/12 parking fees (before taxes) for faculty/staff are as follows: (i) Remote Lots: Annual parking cost of \$423.60, annual increase of \$12.32; (ii) Core Lots: Annual parking cost of \$521.04, annual increase of \$20.02; (c) Premium Lots: Annual parking cost of \$542.04, annual increase of \$26.07. The proposed rate for 2011/12 for faculty/staff continues to be well below the median rate for parking at other Ontario universities. The above proposed rates will come into effect on July 1, 2011.

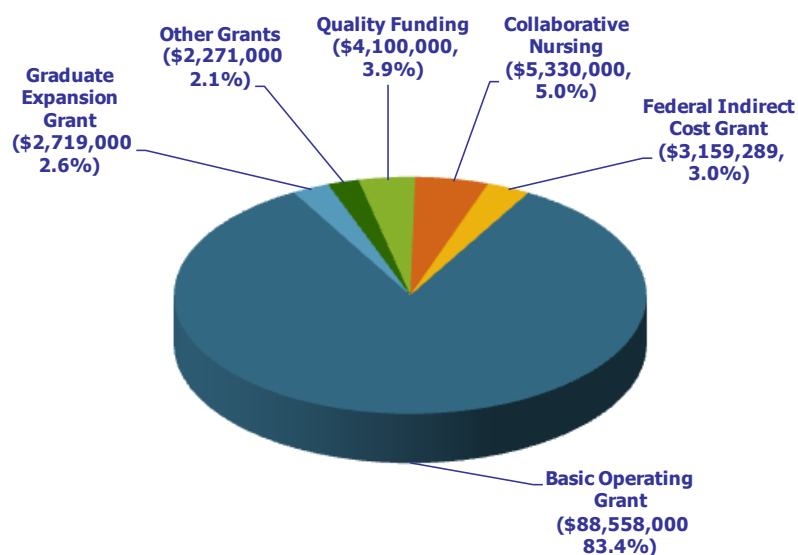
The proposed 2011/12 parking fees for students are increasing 3%. The parking fee rates (before taxes) are as follow: (i) 8 month pass: Annual parking cost of \$261.04, annual increase of \$7.94 and (ii) 12 month pass: Annual parking cost of \$312.84, annual increase of \$9.30.

(ii) Provincial Government Grants

Provincial Government Grants total \$103m for 2011/12, a decrease of \$462,000 over 2010/11. With provincial grants representing 48% of the institution's revenue, this decrease in government grant has a significant financial impact on the institution. As discussed in prior years, there are a number of structural issues that the University is facing that impact on its financial position. Our inability to garner incremental government grants has had a negative impact on operations. Provincial government grants are directly related to levels of enrolment, both actual eligible enrolments and an institution's share of the overall provincial system.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

Following is a summary of the 2011/12 Provincial Government Grants totalling \$103m in support of operations:



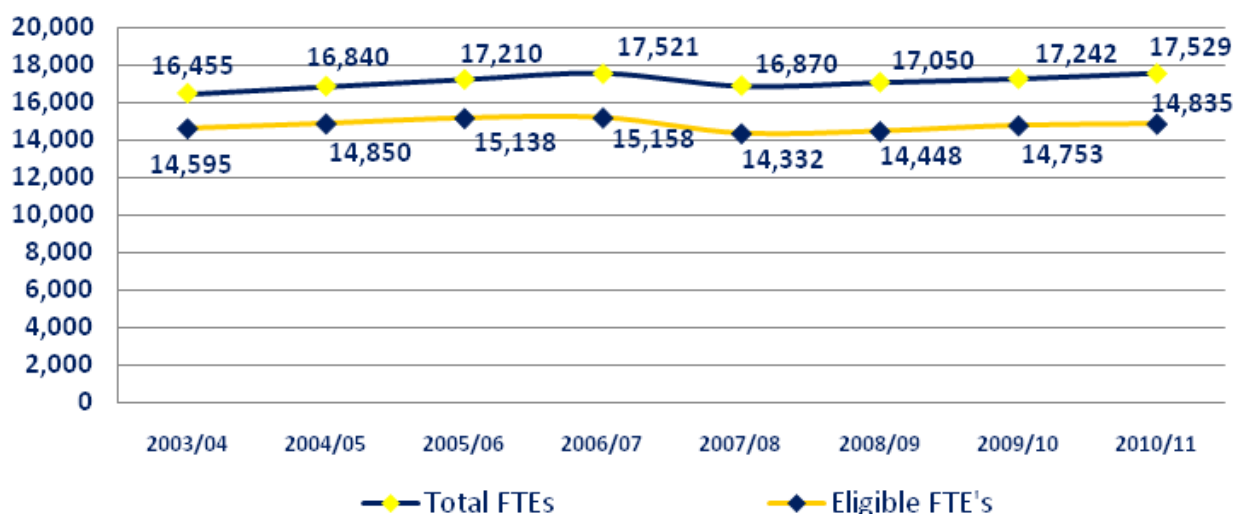
In the Province's Spring 2011 Budget, the Ministry invested further in the post-secondary sector by providing funding for an additional 60,000 spaces by 2015/16. The University sector's share of this growth is 41,000 spaces. Undergraduate growth funding will be distributed in 2011/12 to universities who grow beyond their 2010/11 enrolment levels. The University has been operating at an enrolment level below to which it is currently being funded. While this position has not impacted the provincial grant, the Ministry has confirmed that there will be no additional funding for growth of undergraduate students until the University reaches the minimum level of its corridor funding. This funding position clearly reinforces the need to increase *eligible* undergraduate enrolment (domestic students) to a level where the University can receive growth funding. This funding is available to institutions for growth over 2010/11 enrolment levels.

The University's inability to access incremental provincial monies that have been available over the last few years for growth of domestic undergraduate students is being addressed. This budget proposal includes significant investments in new programs and the student experience which reinforces the institution's priority to support the growth, recruitment, retention and satisfaction levels of undergraduate and graduate students. The University must reach an enrolment level that will enable it to participate in Provincial growth monies available.

The following chart illustrates the history of the University's total and eligible full-time equivalents since the double cohort. Total full-time equivalents have grown by 3.9% since Fall 2007 with eligible full-time equivalents growing at a lesser rate of 3.5%.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

History of the University's total and eligible full-time equivalents since the double cohort:



Full time equivalents are determined by looking at a student's course load for the full fiscal year and comparing that load to the full course load for the program and year the student is in. Based on the current situation, *eligible* full-time equivalents need to increase by approximately 400 to reach the minimum corridor floor that will trigger undergraduate growth funding.

The negative impact of not accessing this undergraduate growth money has a compounding effect as certain provincial grants are distributed to universities based on their share of the system. As institutions in the GTA grow, the University's share of the system continues to decrease. For example, the Quality Grant that approximates \$4.2m is a grant distributed based on system share. The 2011/12 budget for this grant has been decreased by \$772,000 as the University's share of the provincial system has decreased in 2010/11 to 3.4% from 3.9% in 2007/08.

Another grant that is directly affected by enrolment is the Nursing Collaborative Grant. This special Nursing envelope, based on enrolment, funds the Collaborative Nursing programs with St. Clair College and Lambton College. Budgeted operating revenue includes a total grant of \$5.33m for this envelope, an increase of \$630,000 over 2010/11.

As part of the Spring 2010 Provincial Budget, the Ministry announced that there would be a reduction in the Education Expansion envelope for the system of \$7.5m over two years, representing the reduction of 1,000 spaces across Ontario. The University has been informed by the Ministry that there will be a reduction of 60 spaces for Education students over 2 years. While the final funding announcement has not been made, the 2011/12 Education Expansion grant has been reduced by \$324,000 based on information received to date. A further reduction of approximately \$162,000 is anticipated for 2012/13.

II. STUDENTS AT THE UNIVERSITY OF WINDSOR (CONT'D)

As evidenced above, University enrolment management at all levels is key to the financial stability of the institution. Providing an exceptional student experience through the delivery of quality academic programs, strong student services, and a welcoming environment is needed. As part of the 2011/12 Strategic Priority Fund, significant investments have been proposed that will enhance the student experience. For a strong financial base, which will allow for quality academic, research, and service programs, enrolment needs to be at the forefront of the planning.

3. STRATEGIC INVESTMENTS IN SUPPORT OF THE STUDENT EXPERIENCE

Strategic Priority Fund investments have been made in support of the priority of enhancing the student experience and increasing enrolment through recruitment and retention. Investments in this area are critical in addressing the long-term financial stability of the institution.

Strategic Priority Fund base and/or one-time investments of approximately \$1.5m have been proposed in the following areas:

1. Development of new academic programs and/or curriculum enhancement
2. Investment in On-line Learning Infrastructure Services to improve student retention
3. Improvements to the campus and recruitment activities

The structure for many of these investments is to provide Faculties with one-time funds to seed initiatives that will have positive revenue implications. These funds will assist Faculties in the development of programs and/or services that will be sustainable in the long term through revenue generation, *i.e.*, enrolment growth. Details of individual projects proposed are included on www.uwindsor.ca/spf.

Other investments have been included in support of enhanced student experiences. The recent approval to proceed with the renovation of the second floor of Laurier Hall in the amount of \$1.6m, which will serve as the new International Student Centre, will contribute to an increase in student satisfaction. These new facilities, coupled with growing student support programs, will help to enhance internationalization on campus and support students.

In addition, the University has increased its base commitment to financial aid support offered to students by \$660,000 to meet the Ministry requirement related to tuition fee increases and to fund the University match component of the Ontario Trillium Scholarship. As part of the Ministry's introduction of the Ontario Trillium Scholarships to support international doctoral students, the University has invested an additional \$160,000 to provide the required institution's match (2/3 government; 1/3 institution). These scholarships will provide \$40,000, renewal for 4 years, to eligible international PhD students.

In addition to the above investments and strategic direction in support of students through the Operating Fund, Ancillary Services has developed its own Strategic Plan and in doing so, has adopted the University's mission, vision and values which guide the Ancillary operations,

decision making and investments. All planning and marketing initiatives for 2011/12 will be aligned with the priorities outlined in the University's Strategic Plan and will focus on the student experience.

III. RESEARCH AT THE UNIVERSITY OF WINDSOR

Another key priority for the institution is the creation of a research-intensive university where innovation and creativity thrive. Competition for external funding, encouragement of internal and external collaboration, and liaisons with industry all form part of a research-intensive university.

The total research revenue for the institution approximates \$25m annually. Revenues and expenditures in support of research are accounted for outside of the operating budget of the institution. Included in the operating budget is the Federal Indirect Cost Grant received in support of overhead expenditures incurred by the institution (see below). Faculties and Administration incur operating costs in support of research within their respective budgets.

The Office of the V.P., Research is currently in the process of developing a Strategic Research Plan for the institution; a collaborative process engaging the campus and external community. The Plan is scheduled for approval by Senate in October 2011.

Historically, research at Canadian universities in Canada has focused on "basic", or curiosity-driven, research. In recent years, there has been a growing interest in applied research with both Federal and Provincial levels of government strongly supporting commercialization. A key strategic initiative for the campus is the establishment of a regional, collaborative project, named for planning purposes as the "Regional Cluster Concept (RCC)".

The RCC will connect businesses with highly skilled talent and resources to better enable the regional economy to be competitive, innovative and prosperous. To support our strategic priority of building the region through partnerships, the University will provide the space to improve synergies among the activities of business, regional economic development organizations, academic research, innovation institutions and government. This collaborative centre will be located in the combined space of the Odette building, the Industrial Courtyard in the Centre for Engineering Innovation and within the proposed Innovation Centre to be housed in the proposed Integrated Parking/ Innovation Centre complex. This latter project is scheduled for consideration by the Board of Governors in Summer/Fall 2011.

The RCC also aligns with the University's strategic priorities of providing an exceptional undergraduate and graduate student experience, and also engaging and building the community through partnerships. Students will have new opportunities to experience the integration of academic, research and industry. The University will be submitting a Fed Dev application for financial support for the establishment and transitional costs associated with the start-up of the RCC. In the long term, a self-sustaining financial model will be required for the RCC.

III. RESEARCH AT THE UNIVERSITY OF WINDSOR (CONT'D)

1. FEDERAL INDIRECT COST GRANT

The Federal government supports research through annual grants that offset a portion of the University budget used in support of research overhead costs. The formula applied for the allocation of grant monies under this program is based on the three-year average funding each institution has received from any of the three federal granting agencies (NSERC, SSHRC, and CIHR) in the years 2008/09, 2009/10 and 2010/11.

The total Federal Indirect Costs Program budget will be \$322.4m million in fiscal year 2011/12. Windsor's share of this funding for 2011/12 has been confirmed at \$3.16m, a slight decrease of \$49,480 over 2009/10.

2. STRATEGIC INVESTMENTS IN SUPPORT OF RESEARCH

As discussed above, the establishment of the RCC will support the long term vision of further integration of academia and industry. A knowledge-based environment will contribute to the economic development and growth of this region. In support of Governments' perspective on research as discussed above and in an effort to encourage commercialization of research, the University will provide multi-year funding through the Strategic Priority Fund that will focus on commercialization and Intellectual Property for University researchers. Total funding for a position to support commercialization has been approved in the amount of \$256,000 over the next three years. This position will be an integral service provider in the Office of Research Services and will support RCC activities.

IV. FACULTY & STAFF AT THE UNIVERSITY OF WINDSOR

1. FACULTY & STAFF

The success of the University's strategic plan rests with its people. Each individual in the University community contributes in their own way. The campus community is diverse in that it represents individuals with wide ranging contributions who collectively ensure the successful achievement of the institution's priorities. The University's mission of enabling people to make a better world through education, scholarship, research and engagement would not be achieved without the work of faculty and staff.

2. SALARY COSTS

The largest investment in the University operating budget is faculty, staff and student salary, wage and benefit costs. These costs total \$171m and represent 79% of the total operating budget.

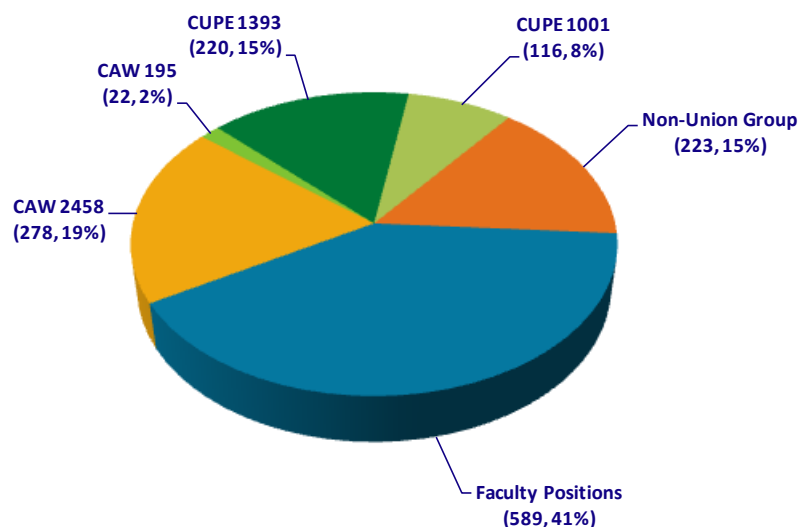
The University operates with 8 bargaining units and a non-union group. The following bargaining groups are organized at the University:

1. Faculty Association – *Faculty, librarians, ancillary academic staff and sessional instructors*
2. CAW Local 195 – *Campus Community Police & Parking*
3. CAW Local 2458 Full Time – *Office & Clerical Staff*
4. CAW Local 2458 Part Time – *Office & Clerical Staff*
5. CAW Local 2458 Engineers – *Stationary Engineers*
6. CUPE Local 1001 – *Full & Part Time Food Services, Housekeeping & Grounds*
7. CUPE Local 1393 – *Technical staff, trades, and professional staff*
8. CUPE Local 4580 – *Graduate and Teaching Assistants*

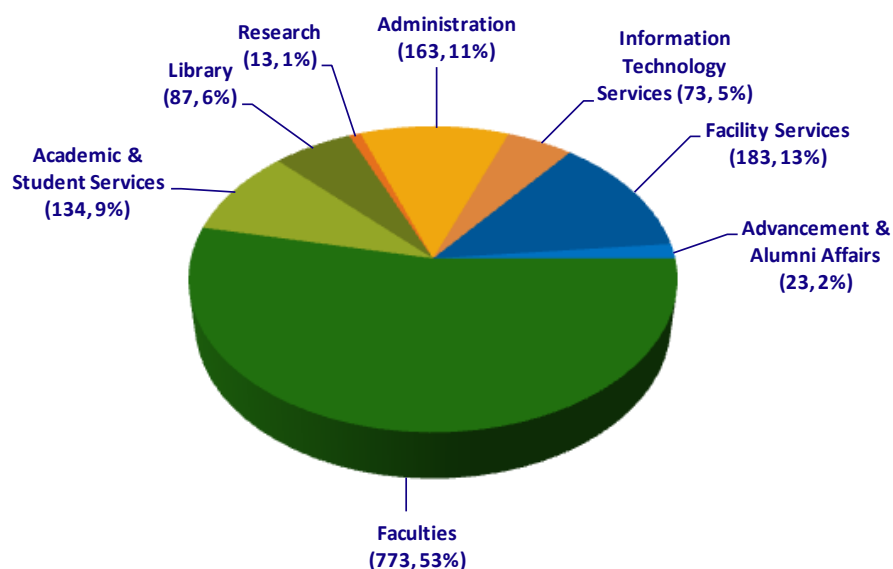
The collective agreements of all of the above staff groups expired during calendar 2010. At the time of writing this document, settlements had been reached with all four CAW groups and CUPE 4580. Discussions continue with the CUPE 1001 and CUPE 1393 groups where collective agreements are outstanding. The Faculty Association agreement will expire on June 30th, 2011.

IV. FACULTY & STAFF AT THE UNIVERSITY OF WINDSOR (CONT'D)

The following graph illustrates the full-time equivalent positions in the 2011/12 operating budget, in each of the above groups:



The following pie chart illustrates the distribution across the campus of the budgeted full-time equivalent positions:



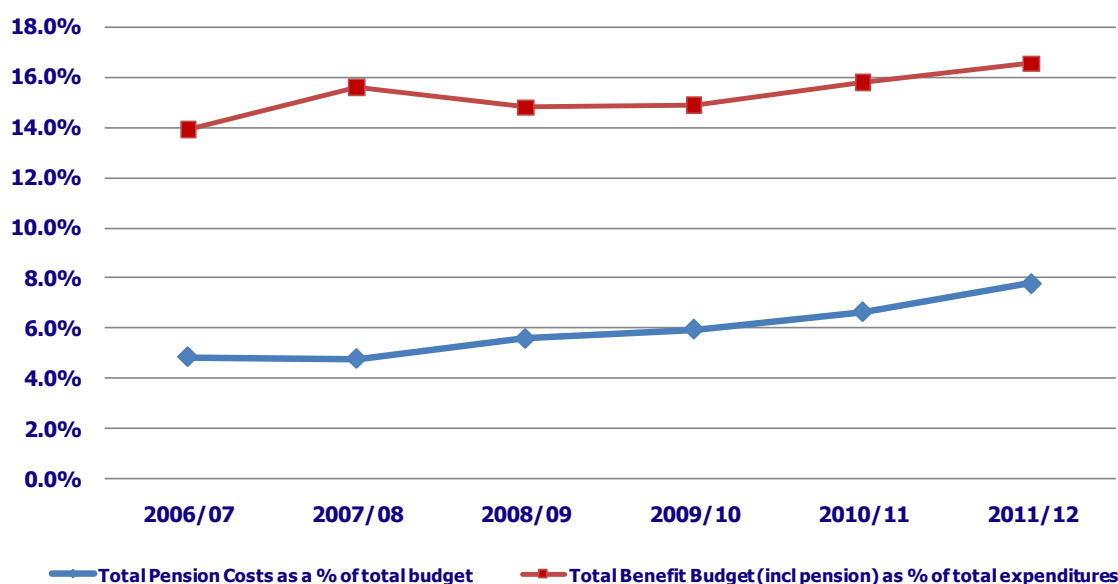
3. PENSIONS COSTS

The University has two pension plans to provide post-retirement support to our faculty and staff. The University has a Faculty Pension Plan and an Employees' Plan. Over the last year, there has been significant communication on the financial status of both plans and the pending actuarial valuations as of July 1, 2011. A full account of the financial status of the plans was communicated to the campus via the President's update # 11 issued in November 2010. (www.uwindsor.ca/president).

IV. FACULTY & STAFF AT THE UNIVERSITY OF WINDSOR (CONT'D)

Since the issuance of that communication, there has been no new information and the University continues to plan based on these scenarios. The University, the Plan Sponsor, is mandated to file actuarial valuations on both of these plans every three years. The next mandatory filing is as of July 1, 2011. The final assessment of the impact the required contributions will have on the operating budget is pending the completion of these actuarial valuations. The level of special payments required to either fully repay a solvency deficit within five years and or a going concern deficit within fifteen years, along with required interest payments, will be determined as part of these valuations. Under provincial legislation, Pension Plans are allowed a one year deferral of any increases in special payments required to address the solvency and/or going concern shortfall. The one year deferral allows additional time for the employer and members to plan for the impact of increases in contributions. As noted later in this section, the additional special payments required will have a significant impact on the University's 2012/13 operating budget.

The University's contributions to the pension plans represent a significant expense of the annual operating budget. The following graph illustrates the percentage of the operating budget in support of total benefits and of pension costs. The 2011/12 base budget in support of pension contributions has increased by 78% since 2006/07. As noted in the graph, total benefit costs, which include pension costs, now represent 17% of the operating budget.



(i) THE EMPLOYEES' PLAN

The Employees' Plan is fully cost-shared between the University and the plan members. Employees are currently contributing between 6.4% and 9.2% of their wages or salaries, depending on their earning level, and the University matches this contribution. In recent years the plan has had neither a solvency nor a going concern deficit, based on the last mandatory filing that was done as of July 1, 2008. Given the actuarial projections based on the July 1, 2011

IV. FACULTY & STAFF AT THE UNIVERSITY OF WINDSOR (CONT'D)

valuations, the University is planning for a solvency deficit of \$12m and a going concern deficit of \$22m in this plan. Special payments will be required to fund these deficits in addition to regular contributions. The total additional payments commencing July 1, 2012 that will be required to address the deficits will be approximately \$2.6M per year, of which \$2.2M is for a going concern deficit and \$0.4M is for a solvency deficit.

(ii) THE FACULTY PLAN

The Faculty Plan is a hybrid plan comprised of two components. The first component is the *money purchase plan*, which is fully cost-shared between plan members and the University. The current contribution is 6% of faculty salaries for both the employer and employees. The other component is the *minimum guaranteed benefit*, which represents the amount paid to ensure pensions are at a defined benefit level prescribed in the pension plan. The minimum guarantee benefit is not cost-shared, and is fully paid by the University. Due to the significant downturn in market returns resulting in the reduction in the money purchase plan component, pensions paid under the minimum guaranteed benefit are increasing.

The last actuarial valuation as of July 1, 2008 reported that the plan did not have a solvency deficit but had a \$23m going concern deficit. The University has been making special annual payments to fund this deficit in the amount of \$2.6m. Based on actuarial projections completed to date for the July 1, 2011 valuation, the plan continues to show no solvency deficit, but will see a tripling of the going concern deficit, increasing from \$23m to \$70m. This will necessitate a \$5.2m increase to the \$2.6m currently being paid annually in special payments to fund the going concern deficit, bringing it to \$7.8m annually.

(iii) SUMMARY OF PENSION PLAN COSTS

The cost of the two University pension plans continues to increase and by 2012/13, after taking advantage of the one year deferral that is available, will have risen by over \$9m, and represent 10% of the University's total operating budget. The Employees' Plan pension costs will have risen from about 6% of the direct wages and salaries paid to about 12%, and the Faculty Plan pension costs will have risen from about 15% to 23% of direct salaries. Discussed later in this document, Section VI, strategies to address this significant increase in pension cost for 2012/13 and beyond are being developed.

4. STRATEGIC INVESTMENTS

The University's biggest asset is its people. In addition to increases in the 2011/12 operating budget for faculty, staff, and student salary, wages and benefit costs, the Strategic Priority Fund has committed investments that will further enable its people to excel in education, scholarship, research and engagement activities.

V. CAPITAL AT THE UNIVERSITY OF WINDSOR

The University has made significant investments in capital over the many years of its operation. The campus is spread over 127 acres and University-owned assets total 2.1m gross square feet. In addition, some University operations are housed in leased premises. While the campus grew significantly in the 1960's, major investments in capital were also made in support of the double cohort period commencing in Fall 2003. Recent capital investments include the Toldo Health Education Centre, Alumni Hall Residence, Jackman Dramatic Art Centre, Schulich School of Medicine building, numerous classroom upgrades, infrastructure, and the approval/implementation of the \$17m Deferred Maintenance Strategy.

1. STRATEGIC INVESTMENTS

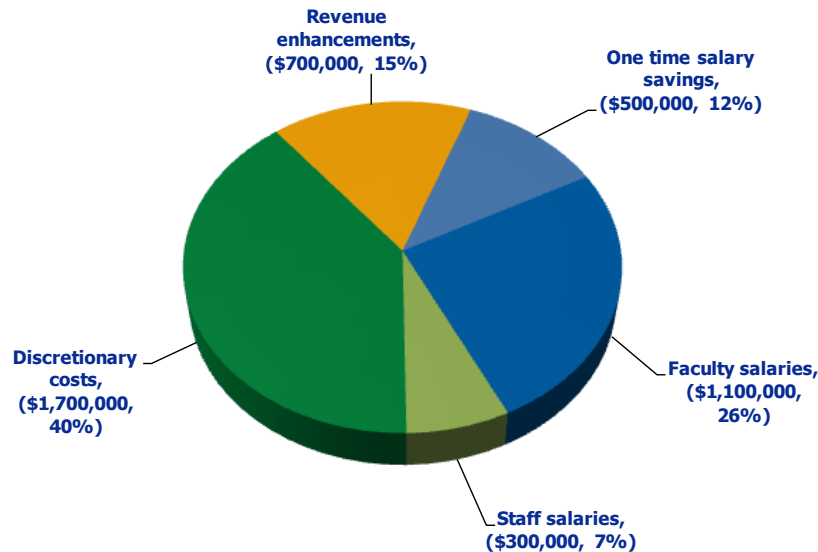
The University continues to plan and address the space requirements of the campus in order to accommodate student and staff needs. The largest single investment in capital the University has made in its history can be seen in the current construction of the Centre for Engineering Innovation, a 300,000 square foot building that will integrate learning, research and industry. Other capital investments underway include the development of a feasibility study of an Integrated Parking/Innovation Centre on the corner of Wyandotte and California. This facility being considered will include up to 1,000 parking spaces and a minimum of 30,000 square feet of space that will provide space for an Innovation Centre and complementary student services. The recent approval of the 2nd Floor Laurier renovation will address much needed international student space. Other renovations planned for this Summer include classroom upgrades, landscape enhancements, and further work on the exterior of Dillon Hall. Another project that will be brought forward to the Board for consideration is the Medical Education Building, 3rd Floor project.

During 2011/12 it is anticipated that there will be significant strategic decisions made regarding the University's capital direction that will guide its capital plan for years to come. The development of new space and the reconfiguration and adaptation of existing space will all be key in successfully achieving the University's strategic plan in support of its students, staff and community.

VI. 2011/12 OPERATING BUDGET – IN SUMMARY

1. 2011/12 BUDGET REALIGNMENTS

As noted earlier in the document, the total budget realignment required to balance the 2011/12 operating budget is \$4.3m. The following chart illustrates the categories of budget realignments that were developed to address the realignment targets:



Revenue enhancement realignment proposals total \$700,000 and include Ancillary contributions, increase in investment income, and an increase in contributions from entrepreneurial academic programs.

Faculty Salaries & Benefit realignment proposals total \$1.1m and represent base budget reduction from savings generated through the replacement of retiring/departing senior faculty with junior faculty, the elimination or holding of vacant positions, and the reduction of limited term positions.

Staff Salaries & Benefits realignment proposals total \$300,000 and represent reduction in positions, full-time positions being converted to part-time positions, and non-replacement of retirements and vacancies.

One-time salary savings realignment proposals total \$500,000 and represent base budget realignment amounts that are tied to future retirements of faculty and staff. These base amounts are funded with one-time monies during the fiscal year. Faculty and administrative areas have been granted flexibility in addressing their base realignments with one-time savings. Cost structures of areas have deemed this flexibility necessary to implement the base realignments.

VI. 2011/12 OPERATING BUDGET – IN SUMMARY (CONT'D)

Discretionary cost realignment proposals total \$1.7m and represent salary costs related to sessional spending, overtime, casual wages, etc. Other discretionary cost savings include supplies, travel, repairs, etc. Levels of discretionary budgets have been reduced through the multiple years of realignment. In an effort to minimize the impact on people, discretionary budgets have been used to address realignment targets. Included in this category is the elimination of \$500,000 in the base budget that previously supported the Graduate Growth Incentive Program that expired in 2010/11. The balance of the fund that was available has been redirected to support a new Graduate student/program initiative in the amount of \$1.0m.

2. STRATEGIC PRIORITY FUND ALLOCATIONS

The Strategic Priority Fund (SPF) was originally established in fiscal 2009/10 for the purpose of reallocating the operating budget to support the strategic priorities of the institution. In 2009/10, the SPF was established at \$500,000. Due to the timing of the announcement, the SPF in that year was directed to student support. In 2010/11, the base budget for the SPF increased to \$1.0m. Submissions were received from across the campus, and an allocation of \$227,800 in base and \$743,200 in one-time support was approved as part of the budget. For 2011/12, a further investment of \$1.5m was made which provided \$2.27m available as base monies in support of strategic initiatives. As noted throughout this document, investments (base and one-time) have been made from this fund to support the University strategic plan. The SPF is a key tool that will support academic areas in achieving the strategic plan that will provide for the long-term stability of the institution.

In the current SPF proposal, base budget allocations totalling \$233,750 and one-time allocations totalling \$1.4m have been included. These investments primarily represent seed monies to provide for the development and/or implementation of strategic initiatives. As noted in the document, the priority for the allocation of the 2011/12 SPF has been to provide for an exceptional student experience with a further focus on recruitment and retention efforts. As noted below, planning for the 2012/13 operating budget will include the parameters and process for future SPF investments. The full listing of approved initiatives has been listed on www.uwindsor.ca/spf.

3. PROPOSED 2011/12 OPERATING BUDGET

The proposed 2011/12 operating budget includes total operating revenue of \$219.4m and total operating expenditures of \$219.4m, including a base budget of \$2.272m for the Strategic Priority Fund. As per Appendix A, a balanced operating budget for 2011/12 is proposed in line with the Board mandate approved in November 2008. The accomplishment of this significant task has been achieved through the efforts of the entire campus working together to ensure the long term viability of the institution.

VII. LOOKING FORWARD TO 2012/13 AND BEYOND

The proposed 2011/12 operating budget represents a balanced position as mandated by the Board in November 2008. While the University has experienced increasing enrolment during the multi-year time frame, budget realignments have occurred in all areas of the campus. The campus has been creative in developing realignment proposals that have had the least disruption to the delivery of quality academic and administrative services. Nevertheless, it must be acknowledged that we have had to make many compromises.

Looking forward to 2012/13 and beyond, there remain structural challenges to address, manage and resolve. One of the most significant challenges that will require continued attention is the University's ability to increase enrolment in strategic areas that will trigger additional government grants. In addition, ensuring that increases in expenditures do not surpass increases in revenue will require continual monitoring. The continued support of the Strategic Priority Fund must be maintained. This fund allows for the operating budget to be directed to strategic priorities of the institution. The seed money that has been allocated to the Faculties in support of enrolment growth, recruitment and retention initiatives are key to the long term viability of the institution.

The most significant challenge in 2012/13 is the financial status of the University Pension Plans and the contribution levels required to address the pension obligations that will be defined in the upcoming actuarial valuations as of July 1, 2011. As discussed earlier, a preliminary assessment of the financial projection as of July 1, 2011 shows a required increase of \$6.5m in pension contributions. The one year deferral of increases in special payments has assisted the University in planning and preparing for this increase. The University will begin planning for the 2012/13 fiscal year immediately following the approval of the 2011/12 operating budget. Planning will include the establishment of enrolment targets, salary and benefit cost projections, impact of other cost increases, and the refinement of Activity Based Budgeting. Planning will also begin on the Strategic Priority Fund parameters and process for 2012/13.

Due to the magnitude of the increase in pension contributions, separate realignment targets for operations and pension commitments will continue to be set. A multi-year pension realignment strategy may need to be considered. The *Positioning Fund*, used in the past to bridge the budget strategy, currently has \$2.417m as of April 30, 2011, and will not be drawn down in 2011/12. The use of this fund to smooth budget realignments required for pension contribution increases may need to be considered. Administration will commence planning and development of various budget strategies for the Board's consideration. The Fall 2011 enrolment will again be a key consideration in the development of budget strategies going forward.

APPENDIX A: 2011/12 OPERATING BUDGET

	2011/12 PROPOSED BASE BUDGET	2010/11 APPROVED BUDGET	\$ INCREASE (DECREASE) OVER 2010/11
	(\$000s)	(\$000s)	(\$000s)
BASE OPERATING REVENUE			
Student Academic Fees	\$109,459	\$100,948	\$8,511
Government Grants - Provincial	102,978	103,440	(462)
Government Grants - Federal	\$3,159	3,167	(8)
Investment Income	\$1,500	1,000	500
Other	\$2,322	2,322	-
TOTAL OPERATING REVENUE	\$ 219,418	\$ 210,877	\$ 8,541
EXPENDITURE OF FUNDS			
Faculties	\$ 127,464	\$123,261	\$4,203
Academic & Student Services	11,875	12,163	(288)
Library	11,711	11,808	(97)
Scholarships	11,763	11,103	660
Administration	21,510	21,180	330
Information Technology Services	8,853	8,750	103
Facility Services	21,081	20,524	557
Advancement & Alumni Affairs	2,024	2,047	(23)
Debt & Insurance	5,485	5,485	-
Academic & Ancillary Services Overhead	(4,620)	(4,545)	(75)
TOTAL EXPENDITURES BEFORE STRATEGIC PRIORITY FUND	\$ 217,146	\$ 211,776	\$ 5,370
Strategic Priority Fund	\$ 2,272	\$ 1,000	\$1,272
NET OPERATING SURPLUS (DEFICIT)	\$ 0	\$ (1,899)	\$ 1,899