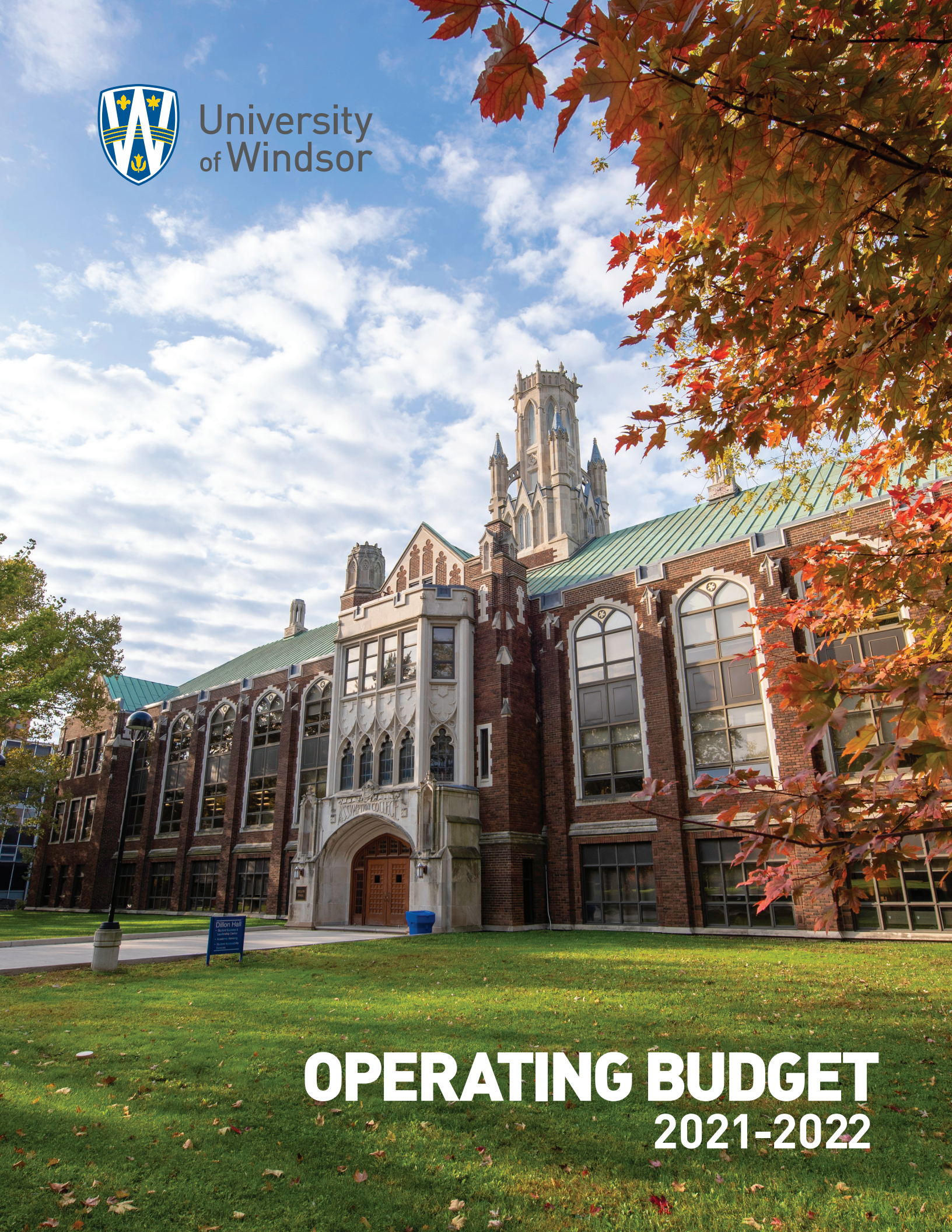




University
of Windsor



OPERATING BUDGET 2021-2022

To the University of Windsor Campus Community,

The past year has been a challenging one for our entire community as we have faced the uncertainties of COVID-19. I continue to be inspired by the resilience of our faculty, staff, and students, who have worked hard to adapt to these circumstances by pressing forward and finding innovative ways to stay connected and together.

As the 2021/22 University of Windsor Operating Budget is released, most of our faculty and staff continue to work remotely and students are learning through different modes of program delivery, as the health and safety of our community continues to be our number one priority. Yet, there is light at the end of the tunnel. We can look with optimism to the future and to the return to on-campus life and activities soon.

We can also be confident that our 2021/22 budget positions us for success as we emerge from this difficult time. It strikes a balance between prudence and progression, allowing us to remain responsibly sustainable, but with the opportunity to build on our strengths and encourage meaningful, strategic growth.

The 2021/22 budget is balanced and reflects continued fiscal prudence by including investments in reserve funds to further protect the institution from the unexpected. Part of this sound financial planning includes an \$8 million enrolment contingency fund to better prepare us as we continue to understand the impacts of COVID-19 on enrolment.

The budget also advances our focus on the future by reinforcing our strategic directions with an investment of \$4 million in new strategic priorities. These funds will help enhance our efforts in Equity, Diversity and Inclusion and the Student Experience, among others.

COVID-19 has also impacted our broader community and our University will be more important now than ever in helping to support the recovery of the local economic. Our 2021/22 budget recognizes our impact as an economic driver in Windsor-Essex, by continuing to support diversification efforts and helping to ensure safe, vibrant, and healthy communities.

We will also continue to contribute to the quality of life and cultural vibrancy of our region and build on our commitment to overall academic excellence and groundbreaking research at our outstanding institution.

We have faced the unexpected and came together to respond: for these exceptional efforts, we can all be proud. We have much to look forward to and our 2021/22 Operating Budget is the first step in preparing for a fresh start full of prosperity.

Robert Gordon, PhD
President and Vice-Chancellor

2021/22 Operating Budget

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I. THE UWINDSOR ACTIVITY BASED BUDGET MODEL

In early 2020, the University's budget model (the Enrolment Centered Model or ECM) was reviewed by a variety of campus stakeholders. The campus community expressed a desire to complete the transition to a full activity-based budgeting (ABB) model to be launched in fiscal 2021/22. The previous ECM Model was a hybrid-style activity-based budget model with 100% of domestic tuition, 50% of visa tuition, and 0% of government grant flowing to the Faculties. Moving towards a traditional ABB model transitions UWindsor into a full revenue allocation model.

In recognition of the strategic opportunity that the creation of a new budget model provided, a diverse group of stakeholders formed the Budget Model Redesign Committee (BRC), and together designed the new model. The Committee was co-Chaired by the AVP Academic and AVP Finance, and included representation from each Faculty, including 6 Deans/Associate Deans. Other campus community members were involved in each of the sub-committees of the BRC to support the development of the cost pools and allocation methods.

1. MODEL VISION AND PHILOSOPHY

Vision

The UWindsor ABB Model is aligned with four main aspirations for the institution:

1. The desire to be a **comprehensive** institution
2. The desire to be **innovative**
3. The desire to be **competitive** on a local and global scale
4. The desire for our culture to be **research intensive**

Model Philosophy

The UWindsor ABB Model's philosophy has four pillars:

1. A **long-term view**, and incentivize long term enrolment planning, stability and strategic growth where it makes sense.
2. Fair, consistently applied and fully **transparent**.
3. Flexibility for the Deans to **make their own financial plans**, with progress against individual plans incentivized.
4. Support the **core academic and research mission** and align activities with **institutional strategy**.

The design of the model aligns with this philosophy.

2. ACTIVITY BASED BUDGETING IN PRACTICE

The UWindsor ABB Model follows the general principle that revenue-generating departments within the institutions be identified as 'revenue centres', meaning all revenues flow to them, and all expenses of the institution are allocated to them. A simple way to contemplate how the model logic works for the revenue centres, being the 8 academic Faculties, is to consider as a mathematical formula:

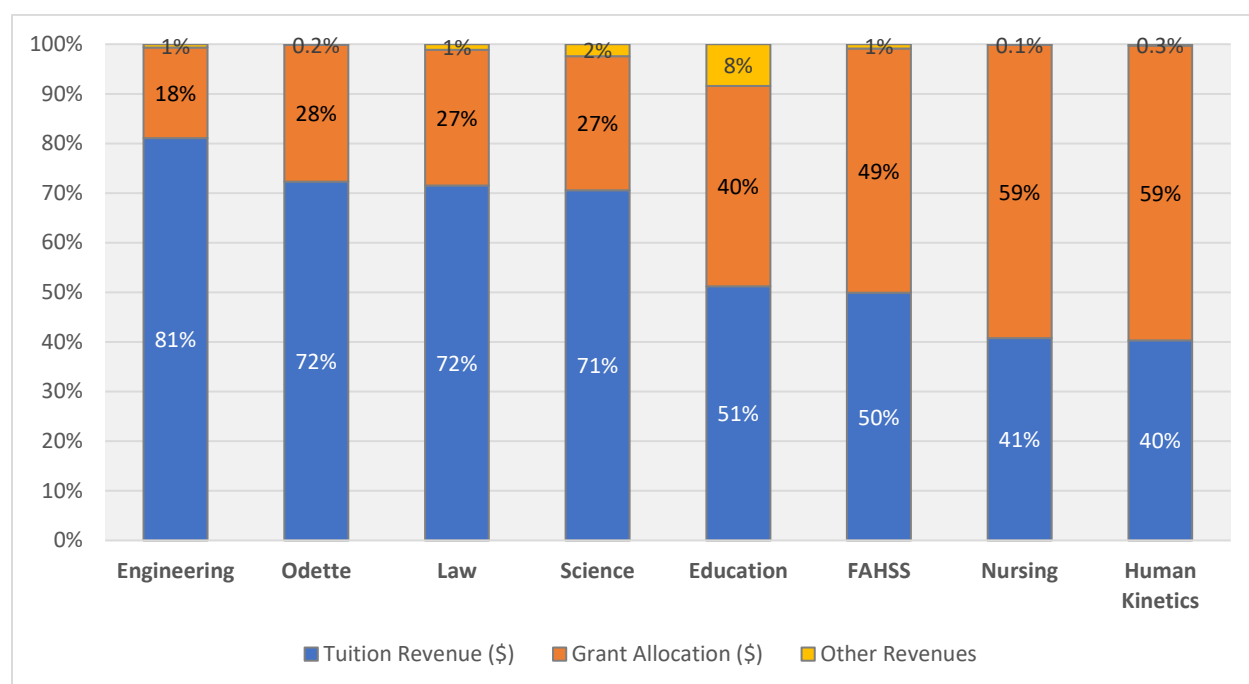
Image 1: Simple mathematical illustration of the UWindsor ABB Model's Principles

$$\text{Net Position of the Faculty} = \text{Revenues Earned} - \text{Direct and Allocated Expenses}$$

Revenues earned under the UWindsor ABB Model include tuition fees earned by the Faculty, a proportionate share of the provincial operating grant, revenues earned from other revenue centres (for example, when a Faculty performs service teaching for another Faculty's students), as well as any other direct revenues earned. The UWindsor ABB Model also includes an allocation of indirect research revenues earned by the Faculties, based on the amount of external research revenue activity occurring within the unit.

The UWindsor ABB Model reveals differences between the Faculties in terms of the way they generate revenue. The following graph illustrates the percentage of total revenue allocated to the Faculties. The Faculties on the left side of the graph tend to have higher tuition rates (domestic and visa), and except for the Faculty of Law, have a higher concentration of international students. The Faculties on the right side of the graph are generally less diversified, and more focused on domestic students. The Faculty of Education has a significant Continuing Education program (Additional Qualification courses as well as International Baccalaureate teacher training offerings) which explains the significant Other Revenue stream noted.

Chart 1: Allocated Revenues across the Faculties (Budget 2021/22)



The UWindsor ABB Model incorporates a 'created rate' for domestic undergraduate tuition, which provides a 3% tuition premia to all Faculties who are charging the base rate of tuition (primarily FAHSS and Nursing) to equalize tuition rate differentiation over the past five years of tuition rate frameworks.

Direct expenses include those expenditures controlled by the Dean of each Faculty, including faculty and staff salaries, wages and benefits, GA/TA costs, discretionary budgets, and other costs incurred to maintain academic programming and institutionally funded research activities.

Allocated expenses have two main components:

1. The Faculty's share of **shared-service costs**. For example, the Faculty of Science, which occupies approximately 20% of the academic and research space on campus would be allocated 20% of the cost of utilities each year. For simplicity, the shared-service costs have been grouped into 8 Cost Pools (Cost Pools are explained in *Section IV. Operating Expenditures*), with each Cost Pool allocated according to a different driver (i.e., square footage, share of FTE students, share of Faculty/Staff headcount).
2. The Faculty's contribution to the **University Fund**. The University Fund provides funds for strategic priority funds and centrally held contingencies (together referred to as the "base contribution to the University Fund"). The Fund also supports Faculties who are in negative net positions (direct and allocated expenses exceed revenue). A Faculty's base contribution to the University Fund approximates 2.75% of revenues. Those Faculties who are in a positive net position (revenues exceed direct and allocated expenses) also contribute to support those Faculties in a negative position.

After working through the formula above, all Faculties will either be in a **positive net position** or a **negative net position** (sometimes referred to as a 'subventive' position). The UWindsor ABB model performs this calculation annually.

Each Faculty, regardless of their net position, will be required to develop a **Faculty Financial Sustainability Plan (FFSP)** that will include, but not be limited to, the following main categories for their Faculty:

1. Identification of financial challenges facing the Faculty including previously unaddressed realignments, accumulated debt to the institution and negative net positions under the UWindsor ABB model.
2. Enrolment Planning for all categories of students, including risk mitigation and diversification strategies
3. Other Revenue opportunities
4. Planning for faculty and staff positions
5. Strategic initiatives
6. Long term capital planning
7. Additional requests customized for each Faculty

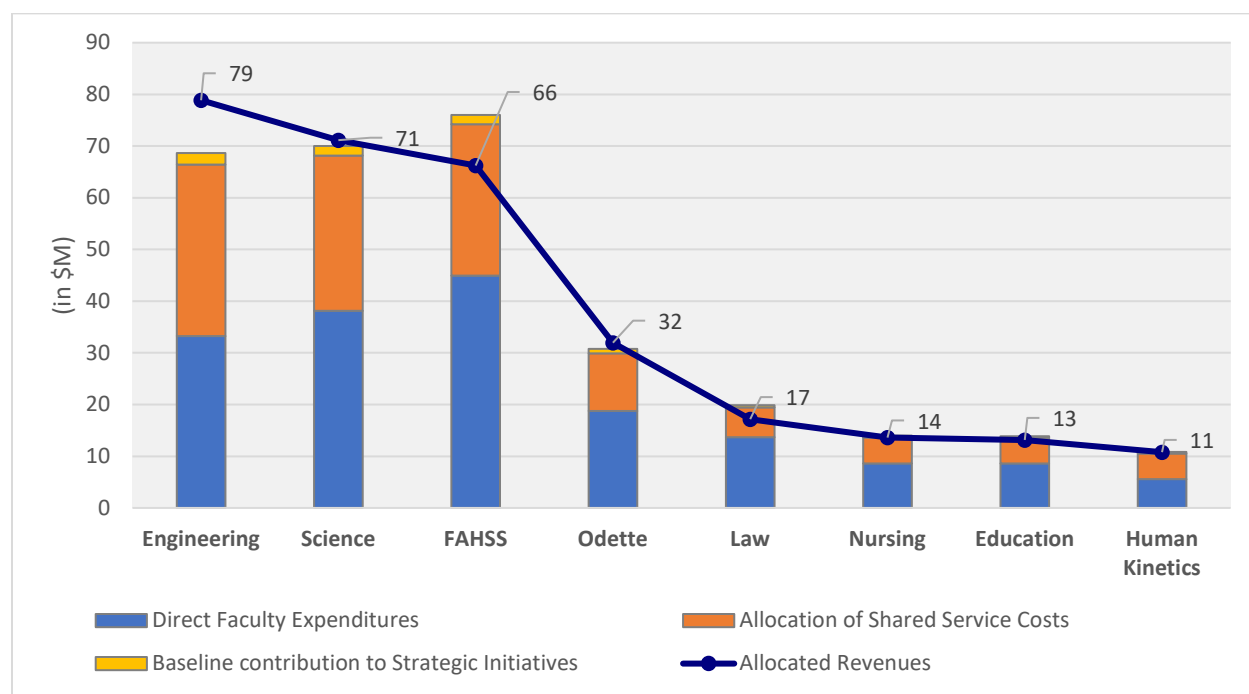
The FFSP's will be reviewed and approved by the Provost Budget Committee (PBC) and will form the foundation of all decision making related to budget approvals and allocations.

The institution's philosophy is that no negative budget position be considered truly permanent, rather Faculties should be striving to ensure that they are consistently showing progress towards a neutral or predetermined net position. As noted above, UWindsor is a comprehensive university, hence it is expected that certain Faculties will be in net negative positions with other Faculties financially supporting them on a regular basis.

3. FACULTY POSITIONS UNDER THE UWINDSOR ABB MODEL FOR 2021/22

For 2021/22, the UWindsor ABB Model has produced a result where three Faculties are in net positive positions, one Faculty is neutral, and four Faculties are in net negative positions. Please note, the Faculty of Graduate Studies and the University's Research Enterprise are both considered administrative units (cost centres) under the UWindsor ABB Model therefore not included in this chart.

Chart 2: UWindsor ABB Model results for 2021/22 (before contributions for negative Faculty balancing)



Discussions have commenced with Deans on the results of the UWindsor ABB Model, the FFSP's, and strategies to be employed during 2021/22 that will contribute towards their long-term financial sustainability plans, especially those in a negative position.

4. UWINDSOR ABB MODEL TRANSITION PLANNING

The implementation of the new UWindsor ABB Model is anticipated to take approximately five years. This five-year time horizon does not reflect the number of years required for all Faculties to reach a neutral or positive position under the model.

Transitional activities to take place over the five-year horizon include, but are not limited to:

- Design, draft and approve the FFSP's, and establish an annual cadence for updates
- Transition of the research institutes (GLIER, Cross Border Institute, IDIR and WE-Spark) from cost centres to be consolidated into their home Faculties (revenue centres), and transition of the final two revenue centres (Centre for English Language Development and Executive Education) out of breakeven and towards payment of overheads to the University Fund

- Implementation of a full model governance and continuous improvement support structure
- The development of service level agreements between the revenue centres and the shared service units
- Activation of all strategic funds planned and contemplated as part of the University Fund

5. TRAINING, COMMUNICATION AND MODEL IMPLEMENTATION

Administration is launching a full training program for academic and administrative leaders on the UWindsor ABB Model, including a suite of tools using existing software to support planning by all areas. Successful training and communication of the new model will take place over the next two years.

II. BUDGETING ENROLMENT

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

1. MANAGING ENROLMENT WITHIN THE FACULTIES

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

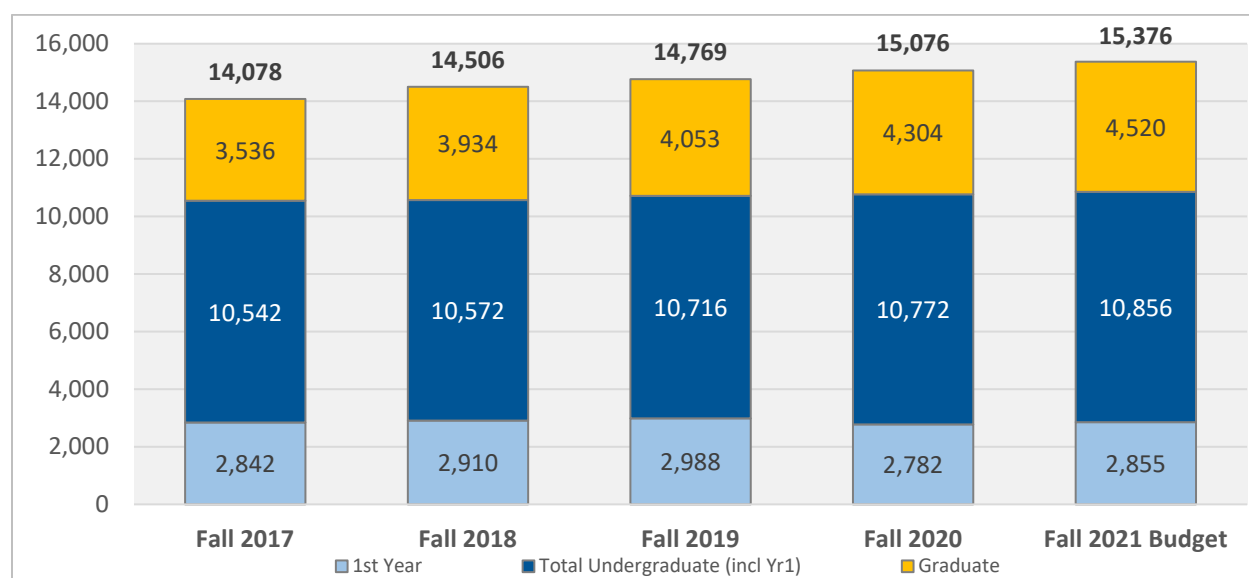
There has been a shift over the past several years towards graduate international students and away from undergraduate domestic students as a percentage of the total student population at UWindsor. This shift can be attributed to the continuing growth in international student enrolment in cohort-based Masters programs in Engineering, Science and Business. As a result, these three Faculties have positioned themselves with highly diversified student populations, while other Faculties have tended to recruit primarily domestic students and have not yet been able to fully engage the international marketplace.

Under the UWindsor ABB Model, Faculties receive a share of the Provincial Operating Grant proportionate to their domestic student enrolment, which we anticipate will motivate Faculties to grow domestically, both at the undergraduate and graduate levels.

2. ENROLMENT PROJECTIONS

UWindsor's total full-time enrolment is budgeted at 15,376 in Fall 2021. The totals for undergraduate and graduate students were 10,856 and 4,520, respectively, which represents a 2% increase over Fall 2020 levels. It is anticipated that 24% of the overall UWindsor student body will be comprised of international students in Fall 2021.

Chart 3: Enrolment Retrospective Fall 2017 to Fall 2021

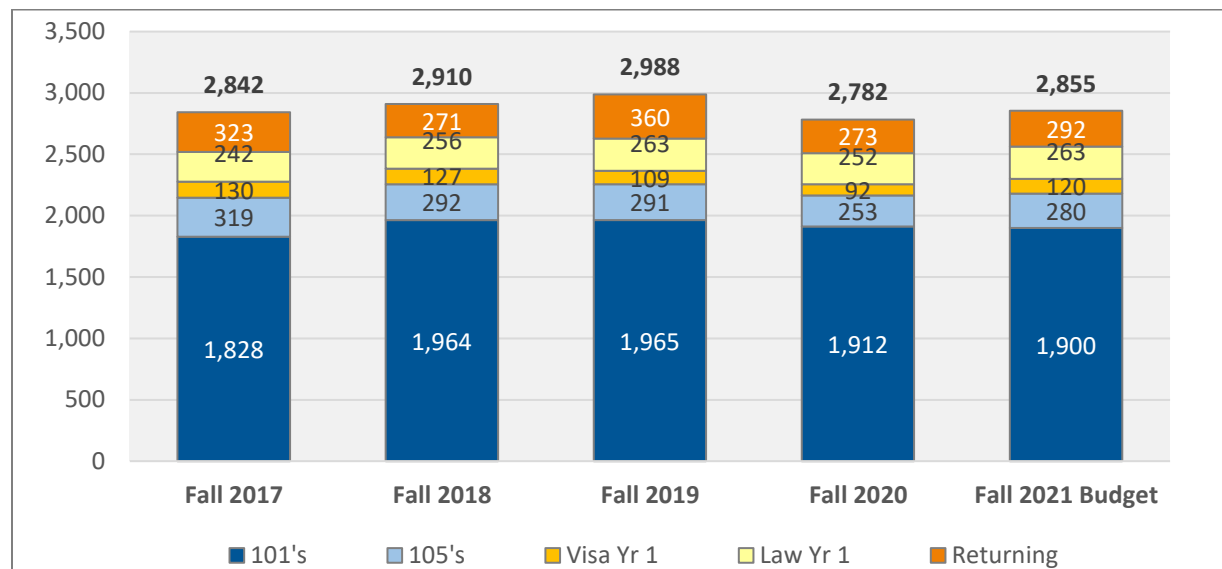


i) Undergraduate Students

First-year enrolment is a critical driver of total undergraduate student enrolment. An increase in first-year enrolment has long-lasting effects, as these students continue their studies through the remainder of their 3- or 4-year undergraduate programs.

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

Chart 4: First Year Undergraduate Enrolment



The Faculty of Education has an intake counted as part of the fourth-year undergraduate number for students in the Consecutive Education program. The budgeted intake for Fall 2021 for Consecutive Education students is 260 (232 in Fall 2020).

ii) Graduate Students

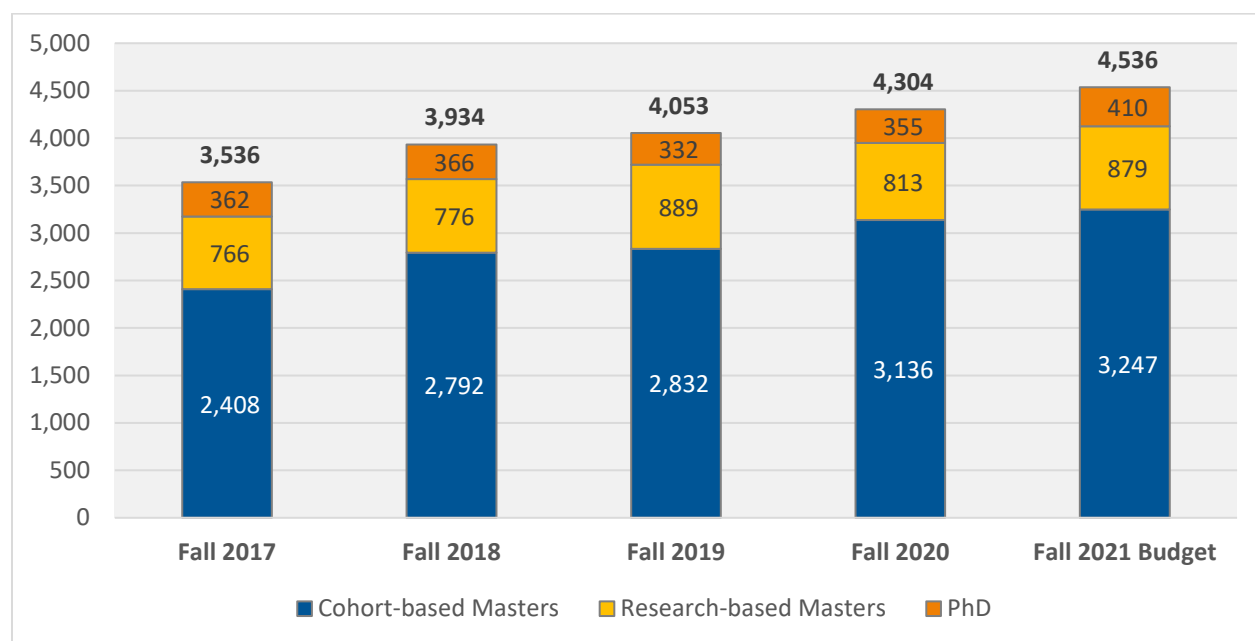
Total full-time graduate student enrolment headcount is budgeted for 4,520 for Fall 2021. This number includes 4,110 Masters and 410 PhD students.

While the pace of UWindsor's international cohort-based Masters program growth was stalled in 2020/21 due to the impacts of the COVID-19 pandemic, the budget for 2021/22 contemplates a modest increase in enrolment of 5% over the prior year. Demand for UWindsor cohort-based Masters programs remain strong; the most significant risk to this student group continues to be external factors including international student visa processing times and travel restrictions.

Domestic enrolment at the graduate level is modest, with one-third of graduate students hailing from Canada. Most domestic students are enrolled in research-based graduate programs, as well as the Master

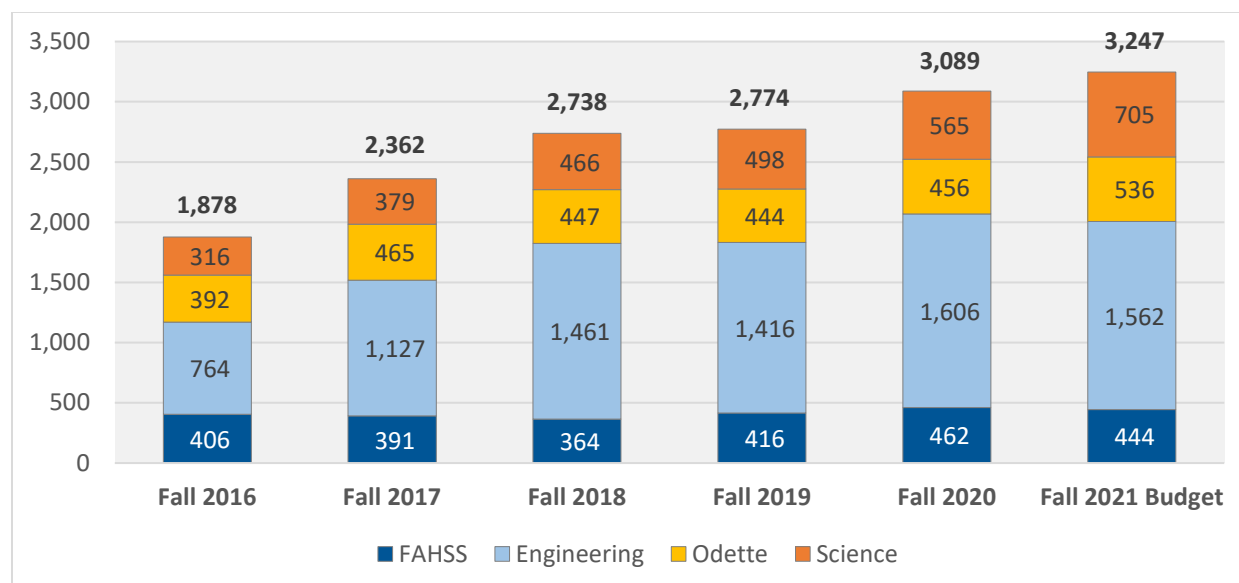
of Social Work (FAHSS), MBA (Odette) and the Master of Engineering Management (Odette/Engineering) programs.

Chart 5: Graduate Enrolment



The cohort-based Masters programs continue to enjoy significant demand both from new applicants as well as students who have delayed their academic start at UWindsor due to the COVID-19 pandemic in 2020/21. The most significant cohort-based Masters program continues to be the Master of Engineering program, with budgeted enrolment of 1,562 for Fall 2021. This program represents 35% of UWindsor's overall graduate enrolment.

Chart 6: Cohort-Based Masters Enrolment by Faculty

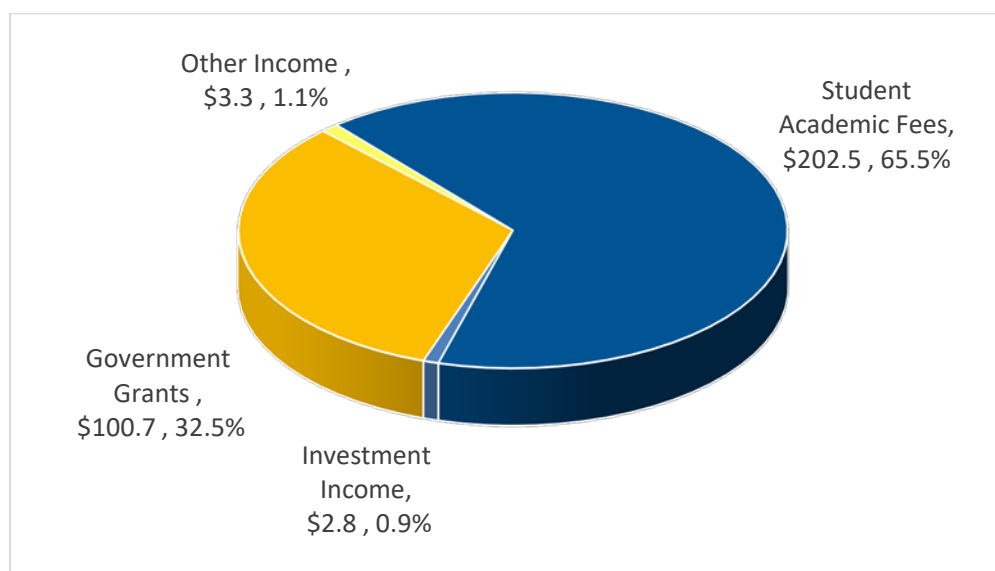


III. OPERATING REVENUE

Operating revenue for 2021/22 is budgeted at \$309.3M, an increase of \$3.6M (1.2%) over the preliminary pre-COVID budget from last year (see *Appendix A* for further details). An increase of 1.2% further illustrates the structural challenges universities face when considering the increase in expenses well in excess of this percentage.

The chart below provides a breakdown of the four major categories of UWindsor's operating revenue:

Chart 7: 2021/22 Operating Revenue (in \$M)



1. STUDENT ACADEMIC FEES

In January 2019, MCU announced a two-year tuition fee framework that included a 10% reduction of all domestic student fee rates effective for the 2019/20 academic year and a freeze at the 2019/20 rates for the 2020/21 academic year.

MCU has not yet delivered the new tuition fee framework as at the date of this 2021/22 Operating Budget. The assumption embedded in this budget, based on the best information available at this time, is that domestic tuition rates will be frozen once again in 2021/22. Lobbying efforts continue with MCU to support post-secondary institutions by providing reasonable increases to regulated tuition rates.

The COVID-19 pandemic has also had a marked effect on student enrolment with many international students during the last academic year deferring their admission due to visa processing times, travel availability and other external factors. This deferral further impedes tuition fee expectations as the flow through from 2020/21 cohort-based Masters programs are expected to be less than normal levels.

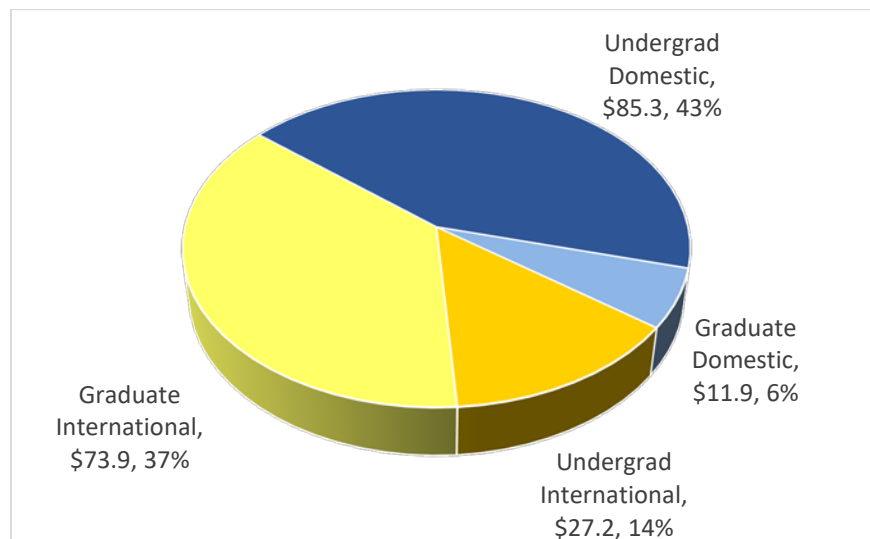
Tuition Fees

Total institutional Tuition Fee Revenue is budgeted at \$198.3M; down slightly compared to the preliminary 2020/21 pre-COVID-19 tuition fee budget of \$200.3M but up significantly against the 2020/21 Board-approved budget of \$178.9M.

The chart below provides the details of the tuition fee budget broken into the major student categories. 2021/22 marks the first year that UWindsor is budgeting more than half (51%) of all tuition fees to come from international students. This is the direct result of MCU student access policy and the tuition framework restricting the amount of tuition Universities can collect from domestic students.

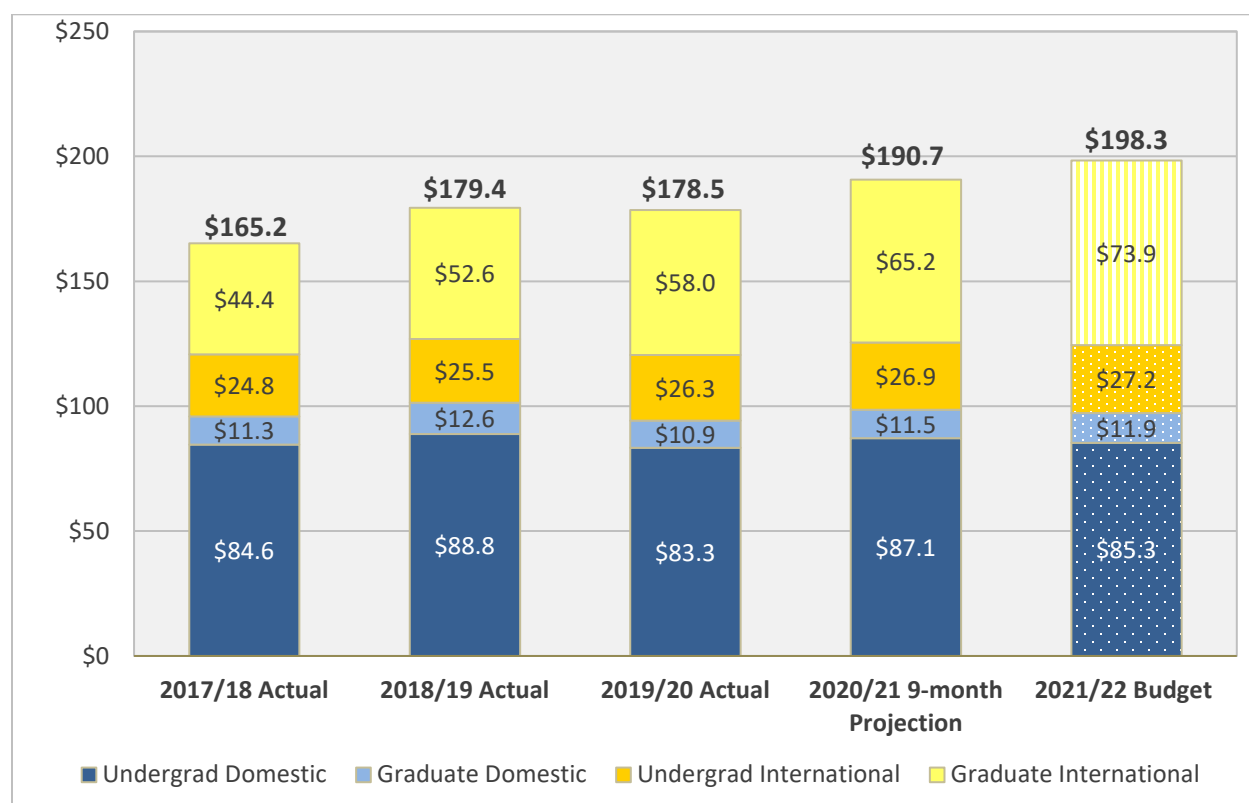
UWindsor recognizes some risk in relying so heavily on international student tuition; the Enrolment Contingency Reserve (ECR) offsets some of this risk in these uncertain times. Faculties are also more actively engaging in growing domestic student enrolment through strategies including academic program restructuring, curriculum and program development, and creating new pathways for domestic students to enter undergraduate streams (for example, from College).

Chart 8: Tuition Fee Revenue Budget by Category (in \$M)



The following graph further illustrates the increasing reliance on cohort-based international graduate student tuition fees:

Chart 9: 5-year Historical Comparison of Tuition Fees by Category (in \$M)



The UWindsor Tuition Guarantee for International Students

Introduced in 2021/22, the International Tuition Guarantee (ITG) provides international students at all levels of study (undergraduate and graduate) with a commitment from UWindsor of the tuition rate they will pay from their first term of study until their final term of study, assuming their degree takes the typical number of terms to complete. The ITG strategy will provide students with the information to take control of their financial future during their entire degree at UWindsor, eliminating any unknowns about future tuition rate changes.

The tuition revenue included in the 2021/22 Operating Budget reflects a freeze of tuition rates for upper-year international students aligned with the first year of the ITG.

Tuition by Faculty

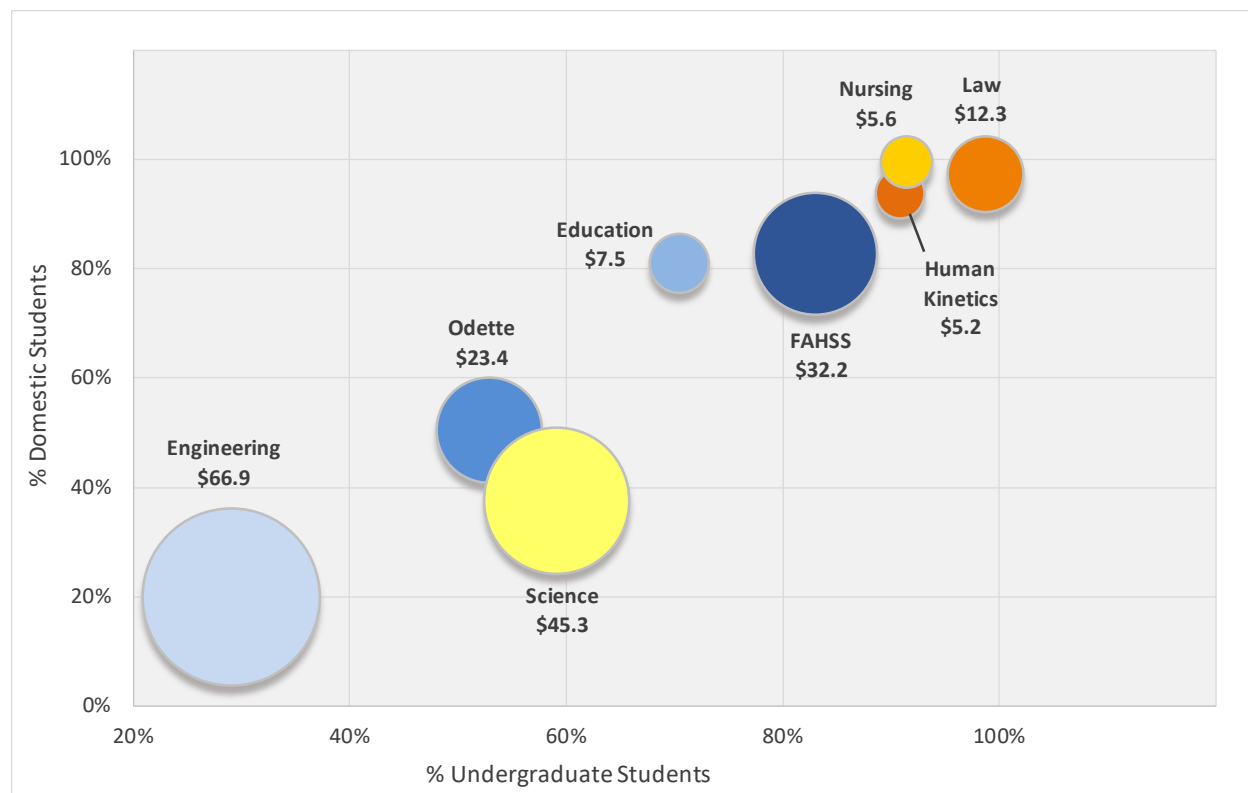
When examining tuition revenue by Faculty, we observe that there are two distinct groupings of Faculties on campus: 1) those with significant levels of international student fee revenues and 2) those that rely primarily on undergraduate domestic student enrolment revenues.

The Faculties of Engineering, Science and the Odette School of Business generate a significant amount of their tuition fee revenue from international students. The Faculties of Education, Human Kinetics, Nursing, and Arts, Humanities & Social Sciences rely heavily on domestic tuition revenues and receive only

a small portion of their tuition fees from international students. The Faculty of Law relies almost entirely on domestic tuition fees.

The following diagram graphically depicts these two groupings of Faculties and their relative sizes according to their respective 2021/22 tuition fee budgets.

Chart 10: Diversified and Non-diversified Faculties (in \$M)



Enrolment Contingency Reserve (ECR)

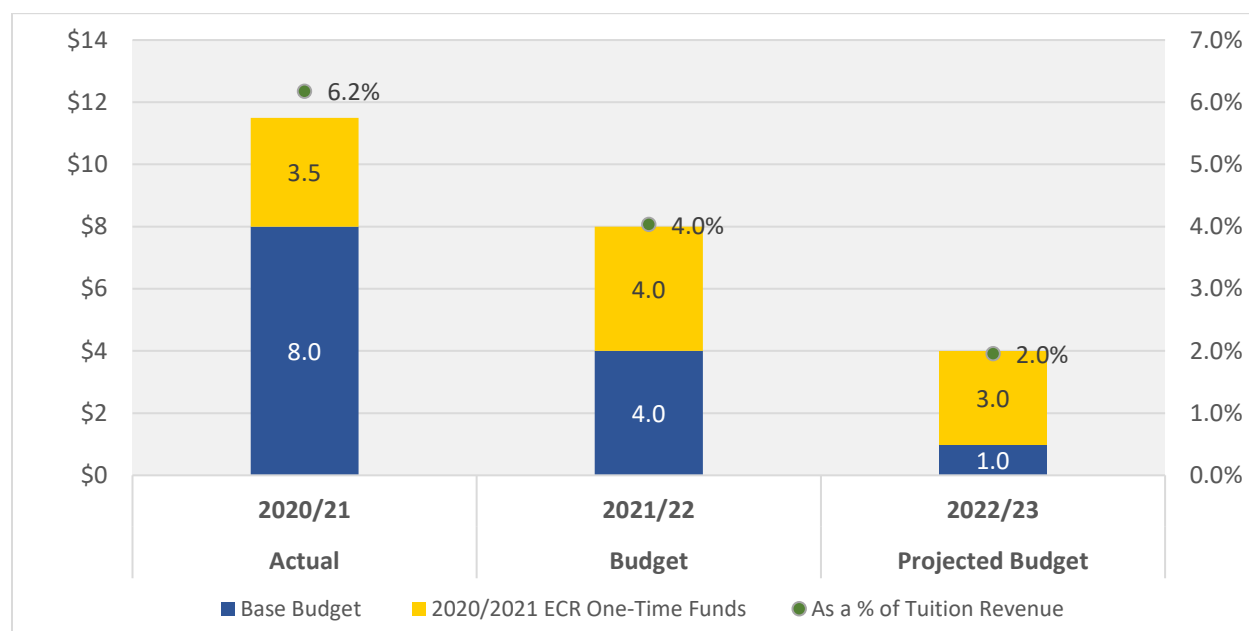
Critical to our risk management strategy in the 2020/21 Operating Budget was the inclusion of a \$8M base budget for the ECR. The ECR was established to protect the institution against unexpected and unbudgeted changes in both domestic and international enrolment in-year resulting from the COVID-19 pandemic. The ECR was topped up at the 3-month budget review in 2020/21 with an additional \$3.5M in one-time funds, offering protection for over 6% of budgeted tuition revenue. During 2020/21, use of the ECR was not required due to positive variances in enrolment over the budget, primarily in the Spring/Summer 2020 term.

Although the impact of the COVID-19 pandemic remains difficult to predict, a continuation of the ECR is prudent for 2021/22 to ensure that the institution is financially protected and risk of achieving the budgeted enrolment levels is mitigated.

The Operating Budget 2021/22 includes a \$4M base budget for the ECR. An additional \$4M in one-time funds generated from the 2020/21 ECR have been earmarked to allow for total protection of \$8M (\$4M base plus \$4M one-time), or 4% of tuition revenue, in 2021/22.

The following chart outlines the planned multi-year utilization of the ECR strategy as risks surrounding the COVID-19 pandemic subside. The one-time funds available from the 2020/21 ECR (\$11.5M) will be utilized effectively to maintain the ECR strategy in 2021/22 and 2022/23.

Chart 11: Enrolment Contingency Reserve Strategy (in \$M)



Student Incidental Fees

The compulsory student incidental fees tracked within the UWindsor Operating Budget include items such as Student Centre Fees, Late Payment Fees, Student Health Fees, Co-op Fees, and Athletics & Recreation Services Fees and are budgeted at \$8.2M, representing a \$760,000 adjustment to account for expected enrolment and rate changes over last year. Revenue generated against these areas is either specifically designated in support of relevant expenditures or directed to non-academic units for costs associated with supporting academic programs.

2. GOVERNMENT OPERATING GRANTS

Core Operating Grant

The Core Operating Grant (COG) is governed by an enrolment corridor in which the University receives a base level of funding by maintaining eligible enrolment within +/- 3% of the corridor midpoint. First established in 2016/17, the University's corridor midpoint has grown from 26,337.32 Weighted Grant Units (WGUs) to 27,046.24 WGUs in 2020/21. This change reflects the roll-in of WGUs associated with the growth of Education and Graduate enrolments relative to target.

In the 2019 Ontario budget, the government announced that the next round of Strategic Mandate Agreements (SMA3) would see a substantial portion of funding tied to performance by way of 10 metrics. This would be accomplished using existing levels of funding and reallocating from the Core Operating Grant into the newly renamed Performance grant (previously referred to as the Differentiation envelope).

Initially 25% of funding will be linked to performance, increasing to 60% by 2024/25 at 'steady state' where all metrics have been developed and activated. This will be achieved by moving the appropriate amount of funds from the Core Operating Grant to the Performance grant. As funding is moved from COG to the Performance fund, the amount per WGU will decline.

The metrics and the associated funding would be phased in over five years as per Table 1 below:

Table 1: SMA3 Funding Transition

| | 2020/21 Year 1 | 2021/22 Year 2 | 2022/23 Year 3 | 2023/24 Year 4 | 2024/25 Year 5 |
|---------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Metrics Activated | 6 | 9 | 10 | 10 | 10 |
| Performance Funding | 25% | 35% | 45% | 55% | 60% |

Performance Grant

During SMA3, the UWindsor annual allocation of performance-based funding has been calculated by MCU in accordance with the university funding model and Ontario's Performance-based Funding Technical Manual. UWindsor's allocations will not be impacted by previous year performance and will follow a graduated activation plan as outlined in Table 1 above and based on 10 metrics that align with the following government priorities:

- Skills and job outcomes (6 metrics)
- Economic and community impacts (4 metrics)

The university assigns each metric a weighting, within MCU parameters, which determines the amount of funding associated. Any changes in funding will be calculated for the year and applied to the grant paid in the following year.

COVID-19 Delays Implementation of SMA3

On April 8, 2020, MCU communicated their intention of defer the deadline for signing SMA3 agreements, originally set for March 31, 2020, to August 28, 2020, to allow institutions to focus resources to addressing the COVID-19 outbreak. Given the uncertainty regarding the potential future impacts of the COVID-19 pandemic on the SMA3 metrics, the Ministry agreed to delay the planned activation of performance-based funding adjustments for the first two years of SMA3 (i.e. 2020/21 and 2021/22).

This delay, combined with the fact that adjustments to institutional transfer payments resulting from annual performance against SMA3 metrics are applied in the subsequent fiscal year, means UWindsor's transfer payments will not be impacted based on metric performance until year 4 of SMA3 (i.e. 2023/24).

Special Purpose Grants

Special purpose grants are grants provided to address government and system-wide priorities, including a Municipal Tax Grant, the Clinical Nursing Grant, and Grants for students with disabilities.

The 2021/22 budget for Special Purpose grants totals approximately \$1.8M and includes the following:

- 1) Funding for Students with Disabilities - \$408,000;
- 2) Municipal Tax grant - \$827,000;
- 3) Clinical Nursing grant - \$427,000; and
- 4) Mental Health Services - \$100,000.

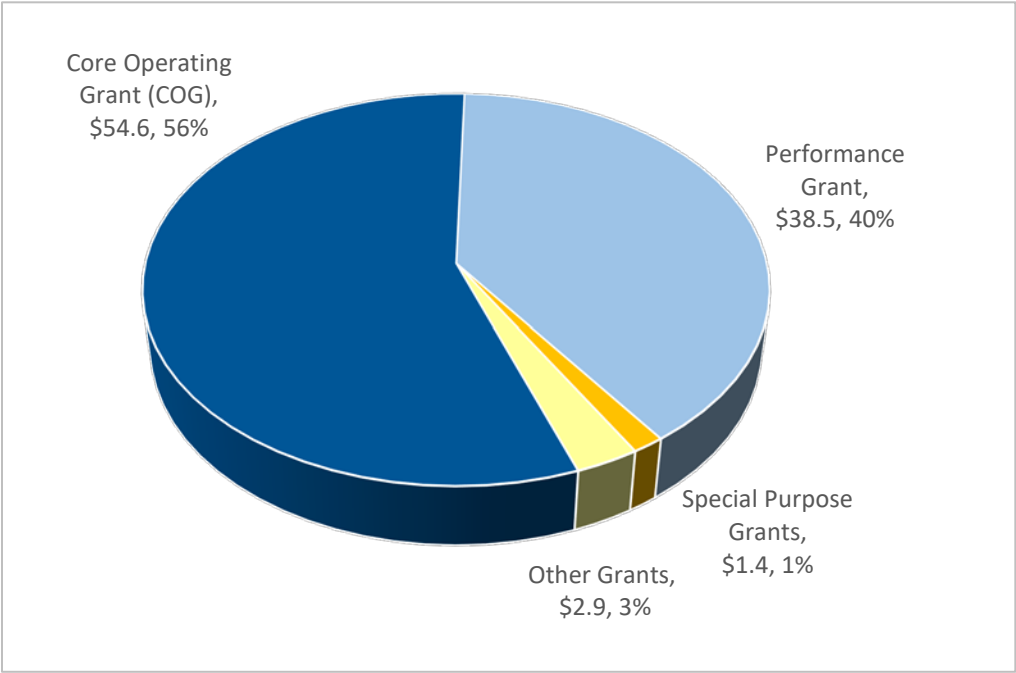
Other Grants

In addition to the above grants, UWindsor has budgeted \$5.3M for the Collaborative Nursing Grant. This separate envelope supports a Collaborative Nursing program offered jointly with St. Clair and Lambton Colleges and is paid through our college partner. This grant is budgeted based on prior year enrolment levels.

The International Student Recovery (ISR) effectively reduces the COG by \$750.00 for each international undergraduate and Master's student enrolled at the institution (PhDs are excluded) and is budgeted at \$2.8M for 2021/22.

Chart 12 below provides a breakdown by category of the Provincial Operating grants budgeted for UWindsor in 2021/22 with details provided in *Appendix B*.

Chart 12: 2021/22 Provincial Operating Grants (in \$M)



3. OTHER SOURCES OF OPERATING REVENUE

Investment Income

The 2021/22 Operating Budget includes \$2.8M for revenue raised through the investment of working capital funds. The investment income budget has been increased \$310,000 as a result of new working capital funds available from the Series C debenture (\$330,000) and increases based on 5-year historical performance review (\$430,000), net against a slight reduction in budget for interest charged for internal loans used to fund renovations and other capital projects (-\$450,000).

Other Operating Revenue

Other miscellaneous sources of operating revenue, including application fees, are budgeted at \$3.3M in 2021/22. The institution remains focused on the development and implementation of alternative revenue strategies to provide further stable cash flows to the operating budget.

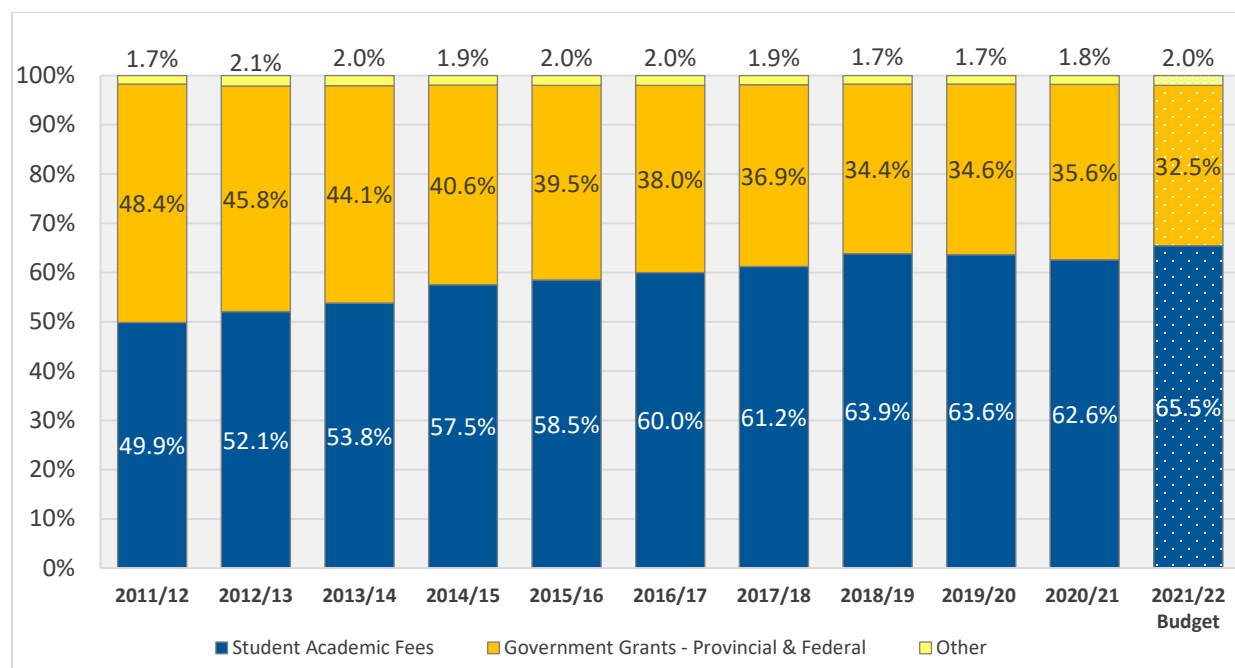
4. UNDERSTANDING THE IMPACT OF PROVINCIAL POLICY AND FUNDING ON UWINDSOR

UWindsor is reliant on financial support from the Province of Ontario via MCU by way of the Operating Grant and other strategic grant-funded initiatives aligned with the priority of the government. These grants comprise approximately 33% of our overall operating revenues.

The MCU Tuition and Ancillary Fee Framework dictates the maximum domestic tuition rates that can be assessed to students at institutions, ultimately impacting another 31% of the University's operating revenues.

Finally, government policy on student access to post-secondary education, including the Ontario Student Assistance Program (OSAP) impacts a material number of our domestic students, and lack of funding to this program by the government impacts domestic student enrolment.

Chart 13: UWindsor's Shifting Operating Revenue Pattern



The above chart depicts UWindsor's shift towards institutional reliance on increasing tuition fees – especially international student tuition fees – as government operating grants remained flat but that proportion of total operating revenue declined (now forming only 32.5% of the operating budget). This trend temporarily paused in 2019/20 when domestic tuition rates were reduced by 10%. It is worth noting that this pattern is consistent with the experience at most other Ontario universities over the same period. As illustrated, the share of funding of institutions being student academic fees: government grant was 1:1 in 2011/12 moving to 2:1 in 2021/22. This shift in the sharing of funding is a result of minimal increases (or decreases) in provincial government funding, coupled with minimal increases in regulated tuition rates and a significant decrease of 10% in 2019/20 that has impacted tuition revenue for many years.

The above shift in revenue sources is the foundation of the structural financial challenges being experienced by institutions. UWindsor, Council of Ontario Universities (COU) and Universities Canada continue to engage with all levels of government to advocate for stable funding for our sector, and fair and equitable access to post-secondary education for our students.

IV. OPERATING EXPENDITURES

The 2021/22 operating budget includes a two-year strategy to return to a balanced base budget after the impact of the COVID-19 pandemic. Base operating expenditures (including Investment and Reserve Funds) amount to \$312.9M, or \$3.63M over base operating revenues. This is a \$7.2M (2.4%) increase from the 2021/22 preliminary pre-COVID-19 base budget.

Under the UWindsor ABB Model, all operating units – Faculty and Administrative Shared Services Units – are responsible for their full cost of operations, including all cost increases resulting from negotiated wage and benefit changes.

The largest single component of the institutional budget, comprising approximately 77.5% of all budgeted expenditures, is the cost of salaries, wages and benefits for faculty and staff.

Faculty & Staff Salaries, Wages & Benefits

UWindsor operates with eight bargaining units and a non-union group, including:

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

The benefit cost to the institution, which amount to approximately 21.3% of budgeted salaries and wages, can be classified into three main areas:

- i) Legislated Benefits
- ii) Negotiated Benefits
- iii) Pension Contributions

Of these three areas, contributions to the University's two pension plans – 1) the Employees' Plan, and 2) the Faculty Plan – which provide post-retirement support to faculty and staff, are budgeted at approximately 10.0% of salaries and wages. Legislated benefit contributions are budgeted at 6.5% and negotiated benefit contributions at 4.8% of budgeted salaries and wages.

Pension Plan Costs

Due to the significant pension plan contribution costs, planning for these required contributions is ongoing. The Financial Services Regulatory Authority of Ontario requires actuarial valuations to be

completed at least every three years. The actuarial valuations completed for each pension plan dictate contribution levels required by the members of the Plans and UWindsor.

Pension valuations were filed for both the Employees' Plan and the Faculty Plan as of January 1, 2020. The next mandatory valuation date will be January 1, 2023 for both plans, although a valuation for either plan could be made before that date.

The *Employees' Plan* is fully cost-shared between UWindsor and the Plan members. As of the January 1, 2020 valuation, the Employees' Plan showed a going concern surplus of \$21.8 Million, and a small solvency deficit of \$21.6 Million (a 93% solvency ratio). Current Ontario Pension Legislation does not require special payments to fund solvency deficits unless the solvency ratio is below 85%, thus the Employees' Plan is not required to make any special payments at this time. The contributions to the Plan are shared evenly between the members and the University, with each group contributing a blended rate of 7.2% (an increase over the previous valuation by 0.1%). This represents an annual expense for the operating budget of approximately \$3.9M.

The *Faculty Plan* is a hybrid plan comprised of two components: 1) a Money Purchase Plan component (MPP); and 2) the Minimum Guaranteed Benefit (MGB). Contributions to the MPP component for the Faculty Plan is currently 9% of pensionable earnings for plan members and 6% for UWindsor, subject to Income Tax Act annual contribution limits. UWindsor is solely responsible for funding the MGB liability, of 6.3% of earnings (a decrease over the previous valuation by 0.3%) which represents the amount paid to ensure pensions are at a defined benefit level as prescribed in the Plan. In total, University contributions (before special payments) represents an annual expense for the operating budget of approximately \$11.7M.

As of the January 1, 2020 valuation the Faculty Plan showed a going concern deficit of \$23.1M, and a solvency surplus of \$81.8M (a 188% solvency ratio). This is the first valuation filed by the Faculty Plan under the new provincial rules announced in 2018.

Pension Stabilization Reserve

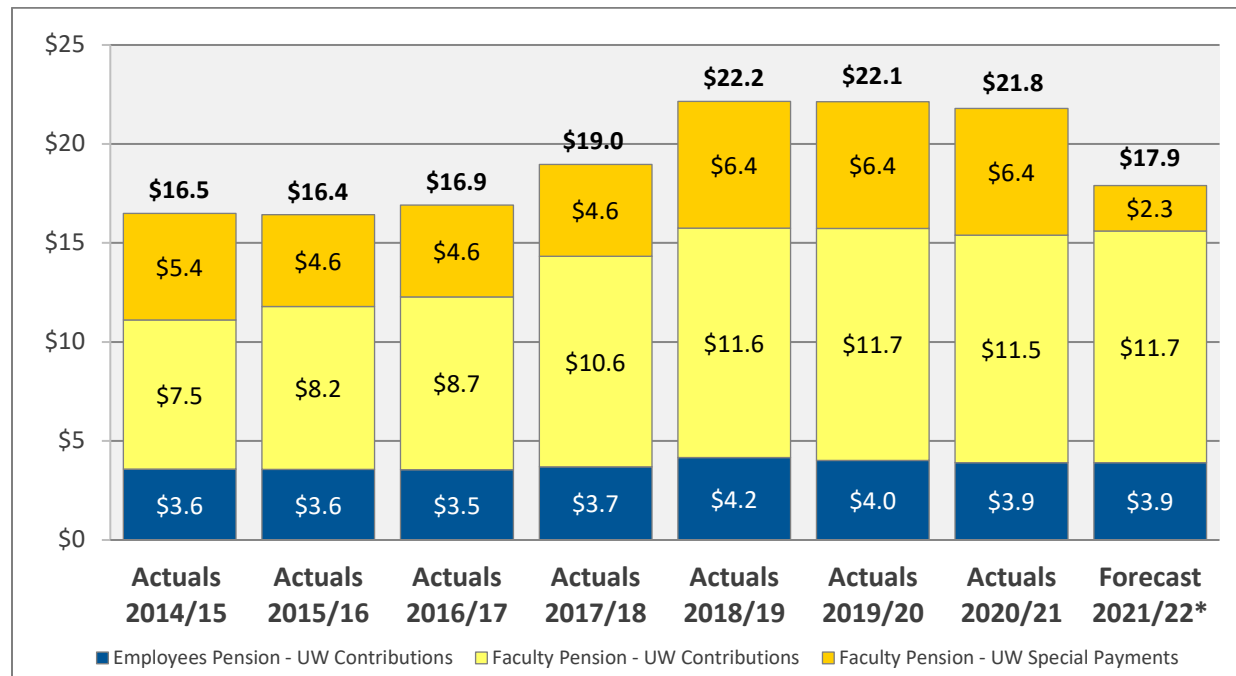
As the Faculty Plan is in a going concern deficit position, special payments are required to be paid by the University. The impact on the Operating Budget for 2021/22 of those special payments will be \$2.3M.

The results of the valuation filed January 1, 2020 had a positive impact on the special payment for the Faculty Plan as a result of a reduced going concern deficit position. As we have seen over time, the special payment amount can fluctuate materially whenever a valuation is filed. Thus, while savings will be available for up to the three years this valuation is in place, the future costs associated with special payments are currently unknown and will fluctuate based on a variety of external factors such as long-term interest rates.

The 2021/22 Operating Budget includes a \$1.5M base budget allocation to a Pension Stabilization Reserve. The objective is to ensure that within two years, the institution has sufficient base budget to be able to manage up to a doubling of special payments for the Faculty Plan or a material increase of contributions for the Employees' Plan at the next valuation date. This strategy creates stability within the base budget

for the coming years, while ensuring that we are prepared for a potential material adverse change in the contribution amounts at the next valuation date (January 1, 2023).

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

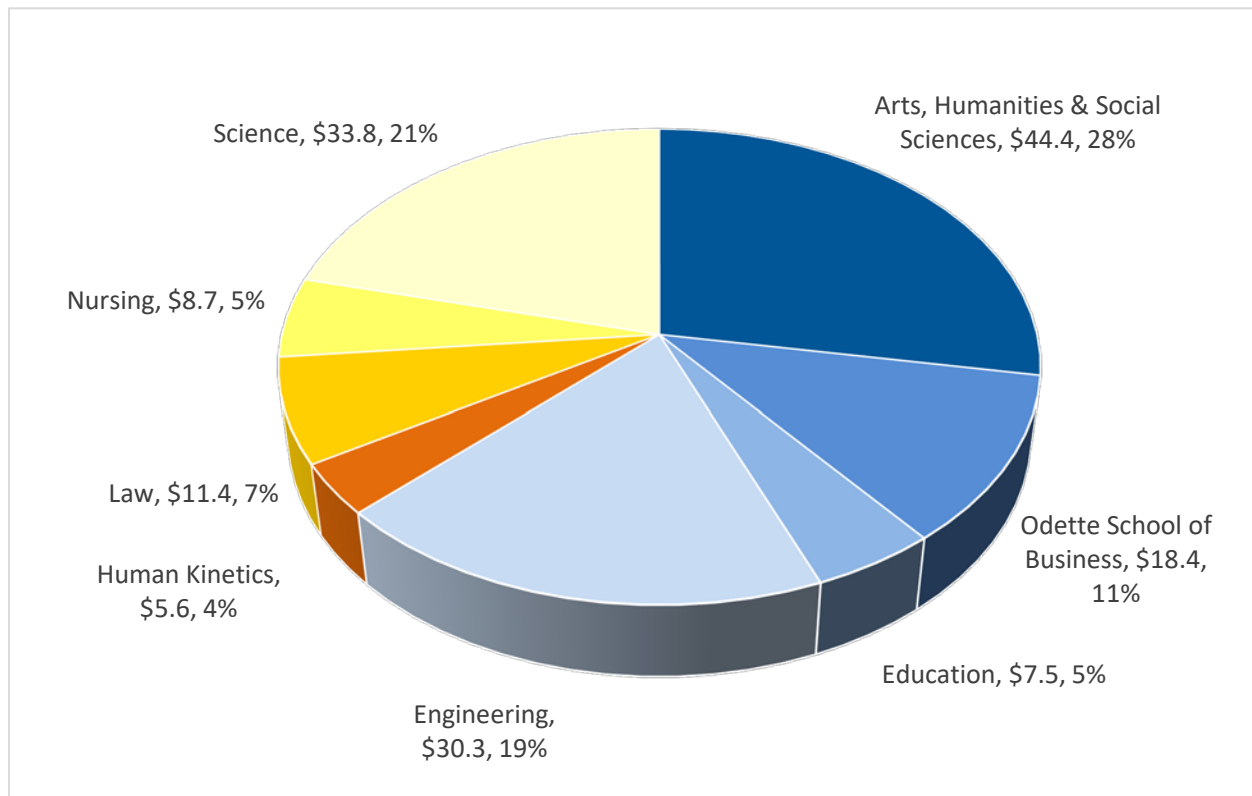


Direct Costs of Academic Delivery

Salaries, wages and benefits for faculty and staff working within Faculty units comprise approximately 91.5% of the direct faculty expenditure budgets. The 2021/22 Operating Budget also includes a \$10.8M base budget in support of graduate and undergraduate teaching assistantships and a further \$7.2M for other discretionary expenses.

These expenditure budgets, net against \$1.7M of direct faculty miscellaneous revenues and historical outstanding realignment obligations from the legacy budget models, provide \$158.7M in total base budget for the direct cost of academic delivery to the eight Faculty units. The following chart provides a breakdown of this direct Faculty expenditure budget by Faculty.

Chart 15: Base Expenditure Budgets by Faculty (in \$M)



As explained in *Section IV. Operating Expenditures* above, under the new UWindsor ABB Model, Faculties will continue to see their base expenditure budgets adjusted – invested in or realigned – based on their net positive or negative budget position after all direct and allocated revenues generated by each Faculty are compared to their direct and allocated expenditures, and contributions to the University Fund from each Faculty.

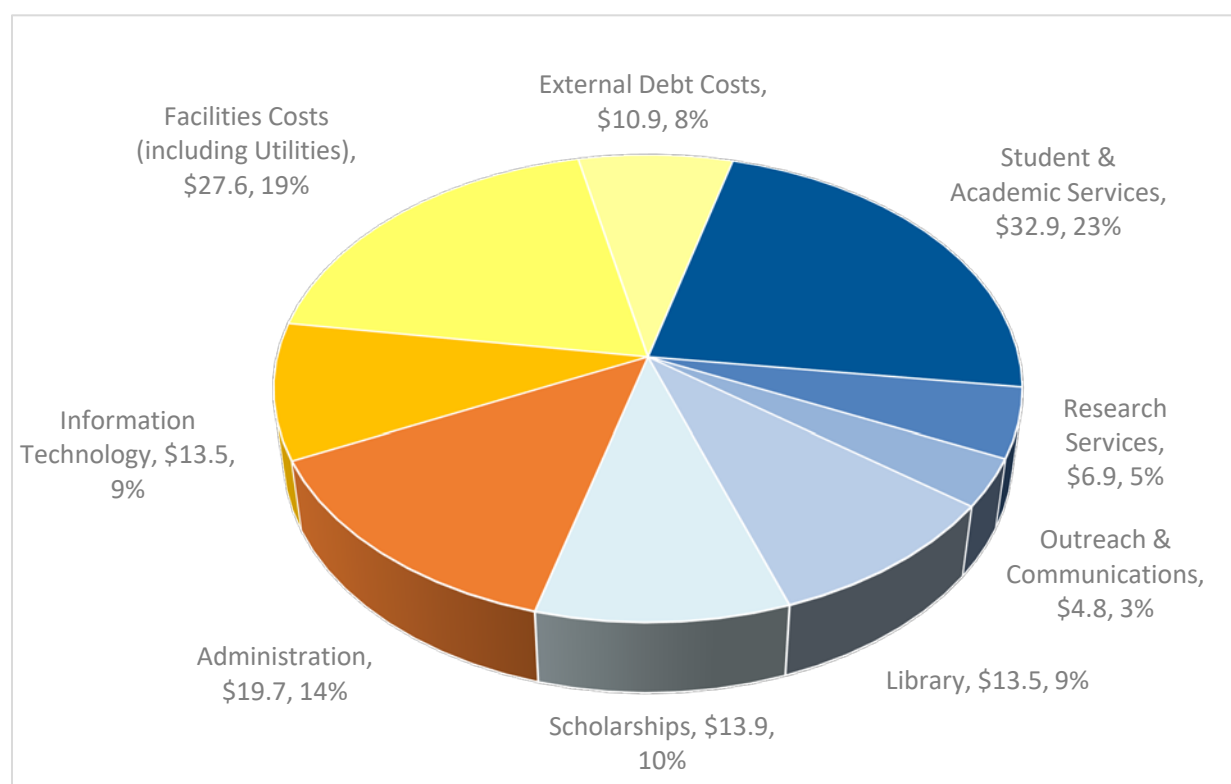
Shared Service Costs

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

- 1) costs directly linked to supporting the student experience; and
- 2) costs indirectly linked that provide the infrastructure from which services can be provided.

Within the first category are costs related to Academic & Student Support, the Library, Outreach and Communications and Scholarships. The second category includes the costs of Facilities (including Utilities), Information Technology Services, Administration and Debt Financing. The chart below provides a breakdown of the funding for all non-Faculty units in the 2021/22 budget:

Chart 16: Non-Faculty Costs (in \$M)



In order to address the base deficit in 2021/22, all shared service departments (non-Faculty budgets) are required to realign their budgets by an amount equivalent to 0.5% of their salary and benefit budget. This will generate approximately \$400K in base savings across the institution.

Significant investments into base budgets of the shared services areas in the 2021/22 Operating Budget include:

- \$2.3M to fund the interest costs and repayment plan for the Series C debenture offering
- \$1.3M investment in international recruiting efforts and student enrolment management plans
- \$0.8M in funding for External activities including marketing and communications
- \$0.8M investment in student service areas including student disability services and compulsory ancillary fee-funded areas (i.e., Athletics and Recreation Services, Experiential Learning)
- \$0.6M to support ongoing investment in IT system license and maintenance fees

Shared Service Costs: Pooling Costs for the Purpose of Allocation under UWindsor ABB Model

For the purpose of the new UWindsor ABB Model, the shared service cost units have been grouped into eight “cost pools” for allocation to the Faculties under appropriate cost drivers. This does not represent a re-organization of University functions or reporting structure, rather provides a framework for grouping similar costs for allocation and review by the Faculties only. The chart below provides an overview of the cost pools that various central service cost units have been assigned to and the cost drivers used to allocate these costs to the Faculties.

Table 2: Service Cost Pools and Cost Drivers

| Cost Pool | Cost Driver | Support Service Units Included |
|--|--|---|
| Financial Costs | 50% Tuition & Operating Grant 50% Direct Operating Budget | Debt costs; Finance Department |
| Central Administrative Costs | Campus FTEs (Student + Faculty + Staff) | Office of the President, Provost, and VP Finance & Operations; Institutional Support services; Other Central Costs |
| Occupancy Costs | Net Assignable Square Meters | Utilities; Facility Services Department |
| Operating Scholarship Costs | 70% Actual Scholarship Usage 30% Student FTEs | All Operating Budget-funded scholarships and bursaries awarded |
| Campus Community Support Costs | Campus FTEs* (*with slight adjustments for the Leddy Library) | Office of the VP, Human Resources; Campus Police; Centre for Teaching & Learning/Open Learning; Information Technology; Leddy Library |
| Student Experience Costs | Student FTEs | Student & Academic Services; Student Experience; Athletics & Recreation Services; Faculty of Graduate Studies |
| Pre-/Post Student Development Costs | 50% Student Offers 50% Student Registrations | Enrolment Management; Admissions & Registrations; Marketing; Advancement and Alumni |
| Research Support Costs | 55% External Research Revenue 35% Research Applications 10% Tenured Faculty Counts | Office of the VP Research & Innovation; Research Services; Research Finance |

The allocation of support service costs to the Faculties will create a new type of fiscal relationship between the service providers and the Faculties. Service level agreements will be developed for each service unit that will assist in justifying changes to resource levels in the future.

Ancillary Areas

The COVID-19 pandemic has created extreme challenges for the ancillary areas on campus including Food Services, Residence Services, the Bookstore and Parking. The budgets of these ancillary operations are not included in UWindsor's Operating Budget. Ancillary fees and the operating budgets of ancillaries will be presented to the Board of Governors for review and approval in April.

V. STRATEGIC INVESTMENT & RESERVE FUNDS

An important component of the planning of long-term financial sustainability for any organization is that resources are allocated in support of institutional strategic initiatives and the establishment of funds required to mitigate institutional risk. The 2021/22 operating budget includes strategic investment funds and the introduction of new reserve funds to mitigate risks and uncertainties.

The table below provides an overview of the 2021/22 Strategic Investment Fund and Reserve Funds:

Table 3: 2021/22 Strategic Investment & Reserve Fund (in \$000s)

| Strategic Investment/Reserve Fund | 2021/22 Base Budget |
|---|---------------------|
| Strategic Investment Fund | \$4,000 |
| Deferred Maintenance Fund | 1,335 |
| Pension Stabilization Reserve | 1,500 |
| Energy Sustainability Reserve | 1,500 |
| Research Stimulus Fund | 500 |
| Strategic Research Activity Fund | 400 |
| Total Strategic Investment & Reserve Funds | \$9,235 |

Strategic Investment Fund

The 2021/22 operating budget includes a \$4M base budget for investments aligned with institutional strategic priorities, including:

- Equity, Diversity & Inclusion
- Outreach & Community
- Research & Innovation
- Student Experience
- Health & Safety
- Sustainability & Accountability

Examples of projects or initiatives planned under certain of the focus area include:

Equity, Diversity and Inclusion

- Launch of the 12 Black Scholars initiative, to be implemented over the next several fiscal years
- Further campus-wide training and learning initiatives for faculty, staff and students
- Improved support for indigenous students including Aboriginal Education Centre supports and Indigenous outreach coordination

Student Experience

- Expansion of supports available to international students through the International Student Centre, including additional advising and transitional supports

- Growth of the footprint of the Experiential Learning office in the Joyce Entrepreneurship Centre, including investment in spaces for employer and candidate interview sessions

Health and Safety

- Continued investment in the campus's physical and technical infrastructure, including investment in Hi-Flex learning equipment for classrooms, to ensure a safe return to campus environment for Fall 2021 and beyond

Deferred Maintenance Fund

Ongoing improvements and maintenance of existing buildings is of utmost importance as properly maintained facilities reflect the pride of the institution. The 2021/22 budget includes \$1.335M to address deferred maintenance on campus.

Pension Stabilization Reserve

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

Energy Sustainability Reserve

The 2021/22 Operating Budget refines the utility budget based on historical usage trends and projected rate changes to better reflect expected 2021/22 utility costs.

When reflecting on future risks to the institution, it is important to reflect on the impacts of climate change and government regulation on energy. As an example, carbon taxes designed to reduce gas emissions could have a marked effect on energy costs at UWindsor. If government policy ever obligates publicly funded institutions adhere to a zero-carbon emission standard, operating costs could increase materially and quickly.

Considering this risk, the 2021/22 Operating Budget establishes a base Energy Sustainability Reserve of \$1.5M to mitigate the risk of any future increase in the cost of energy.

This base budget would be available for use in the short-term to fund sustainability initiatives on campus, including matching government funding for capital or repair projects, and will remain available to return to the utilities base budget if rates should increase unexpectedly. UWindsor will continue to track government policy and energy costs and adjust the reserve as required in future operating budgets.

Research Stimulus and Strategic Research Activity Funds

The Research Stimulus Fund (\$500,000) continues under the purview of the Vice-President, Research and Innovation and is allocated with the intention of building upon research strengths; enhancing future research funding, especially from the Tri-Council; and enhancing graduate training and experiential learning. The guiding principle is that research activities that will receive the highest priority for funding will be those that have the greatest potential for attracting additional funding to the University.

The new UWindsor ABB Model proposes that revenue received from the federal and provincial government in support of the indirect cost of research as well as contract overheads (other than the PI's 20% share) be pooled, and that 70% of that pool be allocated to the Faculties with 30% allocated to the Strategic Research Activities fund.

A 3-year transition plan has been developed to fund the Strategic Research Activity Fund to this 30% level (approximately \$1M). The 2021/22 budget includes a \$400,000 base budget for strategic research priority initiatives under the direction of the VP, Research and Innovation office. As the allocation to the Strategic Research Activity Fund increases over the three years, the Research Stimulus Fund is expected to decrease.

VI. BALANCING STRATEGIES

The COVID-19 pandemic has had a significant impact on the UWindsor operating budget. As previously discussed, 2020/21 international cohort-based Masters program growth stalled as students deferred their acceptance to future semesters when in-person learning would be available. The 2020/21 undergraduate intake was slightly smaller than was expected before COVID-19. The flow through of these smaller enrolments are affecting the 2021/22 fiscal year as tuition fees are budgeted lower than our expected 2020/21 pre-COVID-19 levels. Meanwhile, expenses continue to increase at their collectively bargained prescribed rates and through inflation. The combination of these pressures has resulted in a structural gap in the base operating budget for 2021/22 of \$3.63M (1% of budgeted revenues).

A multi-year strategy has been developed to balance the structural gap in the base operating budget. For 2021/22, base budget reductions have been primarily achieved by reducing the ECR base and realignment required in non-Faculty areas to arrive at the base deficit of \$3.6M.

The table below provides preliminary details of year this two-year strategy. *Section III. Operating Revenue* discusses the ECR in greater detail.

Table 4: Two-year Base Budget Balancing Strategy (in \$000s)

| Description | 2021/22 | 2022/23* |
|---|------------------|------------------|
| Preliminary Base Deficit * | (\$8,030) | (\$4,000) |
| Base Reductions: | | |
| Enrolment Contingency Reserve (ECR) | 4,000 | 3,000 |
| Realignment in Non-Faculty Areas** | 400 | 0 |
| Realignment in Faculty & Non-Faculty Areas*** | 0 | 1,000 |
| Remaining Base Budget Deficit | (3,630) | 0 |
| One-time Funding | 3,630 | 0 |
| Operating Budget Position | \$0 | \$0 |

* The 2022/23 structural deficit is our best estimate but subject to enrolment/tuition framework.

** Realignments in 2021/22 are being applied as 0.5% of shared service cost salary and benefit budgets.

*** The realignment strategy for 2022/23 will be determined in late Fall 2021.

VII. CONCLUSION

UWindsor's growth trajectory has been temporarily delayed as a result of the COVID-19 pandemic as well as restricted revenue growth due to government regulation, which has challenged our financial position. However, as a result of excellent continued fiscal prudence, the institution has prepared a balanced Operating Budget for 2021/22, supplemented by a small (1%) amount of support from reserve funds. We remain on firm footing to achieve a base balanced position in 2022/23.

Enrolment risk continues to be mitigated by the Enrolment Contingency Reserve of \$8M (\$4M in Base and \$4M in One-Time Funds) which functions as an allowance in the event that the impact of the COVID-19 pandemic on student enrolment has not yet been fully seen.

Fiscal 2021/22 is a pivotal year for the institution as we commence the implementation of the new UWindsor ABB Model. This new budget model has renewed the focus of the Deans and Faculties on enrolment growth, revenue diversification, and an accountability framework that serves as a key tool to ensure the institution's financial sustainability.

Despite the challenges of the current environment, the 2021/22 Operating Budget includes both investment in new strategic priorities and base investment in reserve funds to ensure that UWindsor is well positioned to tackle non-COVID related risks and strategic opportunities going forward.

APPENDIX A: 2021/22 OPERATING BUDGET

| | 2020/21 BASE BUDGET PRE-COVID ADJUSTMENTS | 2021/22 PROPOSED BUDGET | % OF TOTAL 2021/22 BUDGET | \$ INCREASE/ (DECREASE) OVER 2020/21 | % INCREASE/ (DECREASE) OVER 2020/21 | 2020/21 BOARD APPROVED BUDGET* |
|--|--|-------------------------------|---------------------------------|--|---|---|
| (\$000s) | | | | | | |
| OPERATING REVENUE | | | | | | |
| Student Academic Fees | \$ 207,726 | \$ 206,526 | 66.8% | \$ (1,200) | (0.6%) | \$ 186,281 |
| Less: Enrolment Contingency Reserve | (8,000) | (4,000) | (1.3%) | 4,000 | (50.0%) | (8,000) |
| Government Grant - Provincial | 97,693 | 97,372 | 31.5% | (321) | (0.3%) | 98,193 |
| Government Grant - Federal | 3,288 | 3,295 | 1.1% | 7 | 0.2% | 3,288 |
| Investment Income | 2,500 | 2,810 | 0.9% | 310 | 12.4% | 2,500 |
| Other Revenue | 2,533 | 3,303 | 1.1% | 770 | 30.4% | 2,533 |
| TOTAL OPERATING REVENUE | \$ 305,740 | \$ 309,306 | 100.0% | \$ 3,566 | 1.3% | \$ 284,795 |
| OPERATING EXPENDITURES | | | | | | |
| Faculty Expenditures | \$ 160,640 | \$ 160,073 | 51.2% | \$ (567) | (0.4%) | \$ 155,387 |
| Research Services | 6,855 | 6,907 | 2.2% | 52 | 0.8% | 6,674 |
| Outreach & Communications | 3,991 | 4,768 | 1.5% | 777 | 19.5% | 3,550 |
| Academic & Student Services | 30,170 | 32,924 | 10.5% | 2,754 | 9.1% | 27,480 |
| Library | 13,359 | 13,461 | 4.3% | 102 | 0.8% | 13,007 |
| Scholarships | 13,998 | 13,903 | 4.4% | (95) | (0.7%) | 13,628 |
| Administration | 18,885 | 19,723 | 6.3% | 838 | 4.4% | 11,900 |
| Information Technology | 13,017 | 13,469 | 4.3% | 452 | 3.5% | 12,011 |
| Facility Costs (including Utilities) | 30,390 | 27,566 | 8.8% | (2,824) | (9.3%) | 28,573 |
| External Debt Costs | 8,600 | 10,907 | 3.5% | 2,307 | 26.8% | 8,600 |
| <i>Subtotal Base Operating Expenditures</i> | <i>\$ 299,905</i> | <i>\$ 303,701</i> | <i>97.0%</i> | <i>\$ 3,796</i> | <i>1.4%</i> | <i>\$ 280,810</i> |
| STRATEGIC INVESTMENT & RESERVE FUNDS | | | | | | |
| Strategic Investment Funds | \$ 5,835 | \$ 6,235 | 2.0% | \$ 400 | 6.9% | \$ 3,985 |
| Reserve Funds | - | 3,000 | 1.0% | 3,000 | 100.0% | - |
| <i>Subtotal Strategic Investment & Reserve Funds</i> | <i>\$ 5,835</i> | <i>\$ 9,235</i> | <i>3.0%</i> | <i>\$ 3,400</i> | <i>85.3%</i> | <i>\$ 3,985</i> |
| TOTAL EXPENDITURES | \$ 305,740 | \$ 312,936 | 100.0% | \$ 7,196 | 2.6% | \$ 284,795 |
| BASE OPERATING POSITION (DEFICIT) | \$ 0 | \$ (3,630) | 0.0% | \$ (3,630) | (102.3%) | \$ 0 |
| ONE-TIME FUNDING | | 3,630 | | | | |
| BALANCED OPERATING BUDGET | | \$ 0 | | | | |

*Board-approved budget for 2020/21 (base budget adjusted one-time for COVID-19 impact).

APPENDIX B: 2021/22 PROVINCIAL GRANTS

| | 2020/21 | | 2020/21 | | |
|--------------------------------|------------------|------------------|-----------------|---------------|------------------|
| | BASE BUDGET | 2021/22 | \$ INCREASE/ | % INCREASE/ | BOARD |
| | PRE-COVID | PROPOSED | (DECREASE) | (DECREASE) | APPROVED |
| | ADJUSTMENTS | BUDGET | OVER 2020/21 | OVER 2020/21 | BUDGET* |
| (\$000s) | | | | | |
| PROVINCIAL GRANT | | | | | |
| Core Operating Grant (COG) | \$ 64,131 | \$ 54,560 | \$ (9,571) | (14.9%) | \$ 64,131 |
| Performance Grant | 29,457 | 38,518 | 9,061 | 30.8% | 29,457 |
| Sub-Total | \$ 93,588 | \$ 93,078 | \$ (510) | (0.5%) | \$ 93,588 |
| | | | | | |
| Special Purpose Grants | \$ 1,383 | \$ 1,435 | \$ 52 | 3.8% | \$ 1,383 |
| Other Provincial Grants | 5,852 | 5,659 | (193) | (3.3%) | 5,852 |
| International Student Recovery | (3,130) | (2,800) | 330 | (10.5%) | (2,630) |
| TOTAL PROVINCIAL GRANTS | \$ 97,693 | \$ 97,372 | \$ (321) | (0.3%) | \$ 98,193 |

*Board-approved budget for 2020/21 (base budget adjusted one-time for COVID-19 impact).