



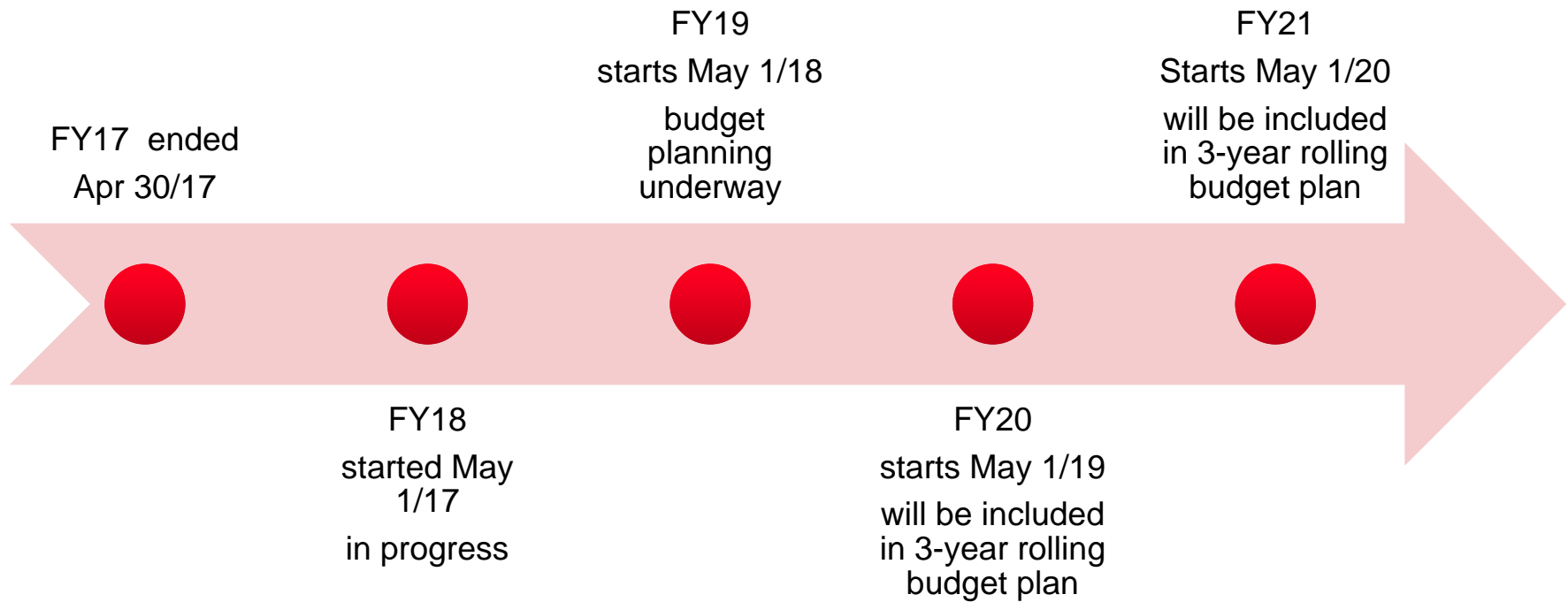
Budget Context for Planning

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January 25, 2018

Outline

1. Timeline and Context for Budget Planning
2. 2016-17 Year End Results by Division
3. Budget Plan 2017-18
4. Update on Key Budget Assumptions
 - SMA2: Impact of Funding Formula Changes
 - Updated Enrolment Plans
 - Tuition Fee Framework
 - Capital Market Updates
 - Pension Solvency Contributions
 - Summary of Major Budget Risk factors
5. Consultation Process for 2018-19 Budget Plan
6. SHARP Budget Model Review

Budget Cycles



Context for Budget Planning

- York moved to SHARP Budget Model effective May 1, 2017.
- In May/June 2017 the Board approved the Budget Plan for 2017-18 (FY18).
- The Budget Plan presented a three year plan covering the period 2017-18 to 2019-20.
- No approval was requested for the outer years as significant amendments were anticipated pending finalization of SMA2 and Funding Formula Changes, and revision of enrolment plans to fit SMA2 corridor.
- SMA2 Funding Formula Changes places funding for domestic enrolments into a corridor system that provides no grant funding for domestic enrolments beyond the 2016-17 level.
- Budgets for new Markham Centre Campus are not incorporated into 2017-18 Budget Plan. Budget impacts are anticipated to begin in outer years of next rolling budget.
- Inviting questions that should inform upcoming consultations on 2018-19 Budget Plan.

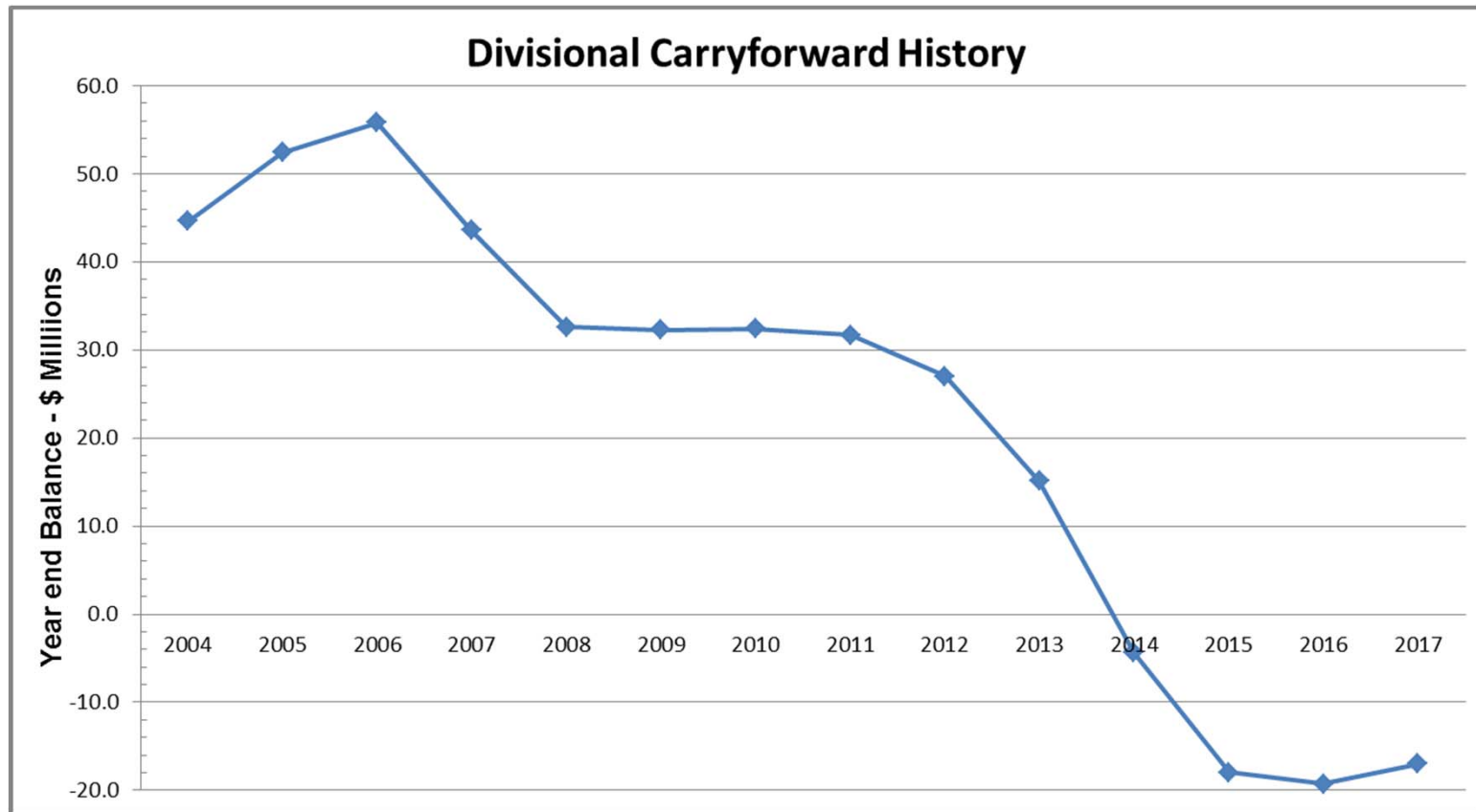
Divisional Year End Results 2016-2017

Division	Opening Cumulative Position	Approved Budget In-year Surplus (Deficit)	Actual In-Year Surplus (Deficit)	Variance to Approved Budget Surplus (Deficit)	Actual Ending Cumulative Position
President's	1.9	0.7	0.0	(0.6)	2.0
VP Advancement	3.2	(0.2)	1.1	1.3	4.3
VP Academic					
Arts, Media, Performance & Design	(14.0)	(1.8)	(1.7)	0.1	(15.7)
Education	4.7	(1.2)	(0.7)	0.5	4.0
Environmental Studies	(1.7)	(0.7)	(1.3)	(0.6)	(3.0)
Glendon	(8.5)	(0.6)	(0.5)	0.1	(8.9)
Graduate Studies	3.6	(1.4)	(0.5)	0.9	3.1
Health	0.8	(1.2)	(0.6)	0.6	0.2
Liberal Arts & Professional Studies	(48.2)	(4.3)	(4.5)	(0.2)	(52.8)
Lassonde School of Engineering	(9.9)	(2.0)	(0.6)	1.4	(10.5)
Osgoode Hall Law School	7.9	2.4	3.9	1.5	11.7
Schulich School of Business	(11.2)	0.2	1.1	0.9	(10.1)
Science	(3.0)	(0.8)	0.1	0.9	(3.0)
Libraries	0.9	(1.2)	0.1	1.3	1.0
Total Faculties	(78.7)	(12.5)	(5.2)	7.3	(83.9)
VPA&P	34.7	3.6	3.2	(0.4)	38.0
Vice Provost Students	6.8	(1.9)	1.0	2.9	7.8
Divisional Contingency	0.0	(6.0)	0.0	6.0	0.0
VP Academic Total	(37.2)	(16.8)	(1.0)	15.8	(38.2)
VP Finance & Administration	11.7	(2.2)	0.4	2.6	12.1
VP Research	2.3	(0.6)	0.6	1.2	2.9
Total All Divisions	(18.0)	(19.2)	1.1	20.2	(16.9)

Statement of Operations and Changes – Fiscal 2016-17

	<u>\$ million</u>	
FY 2017 Revenue over Expenses before transfers to restricted funds		36.0
Less: Funds restricted and not available for other purposes		
Ancillary Operations deferred maintenance reserves	8.0	
Sinking Fund Contributions for debentures	3.0	
UIT Technology Investments	3.0	
Unspent Internal Research Accounts/Collective Agreement Commitments	3.0	
Capital Renovations Projects in Progress	<u>5.0</u>	<u>22.0</u>
One Time Positive Budget Variances - Committed for IIRP Investments		<u>14.0</u>

University Carry Forward Positions - 2004 to 2017

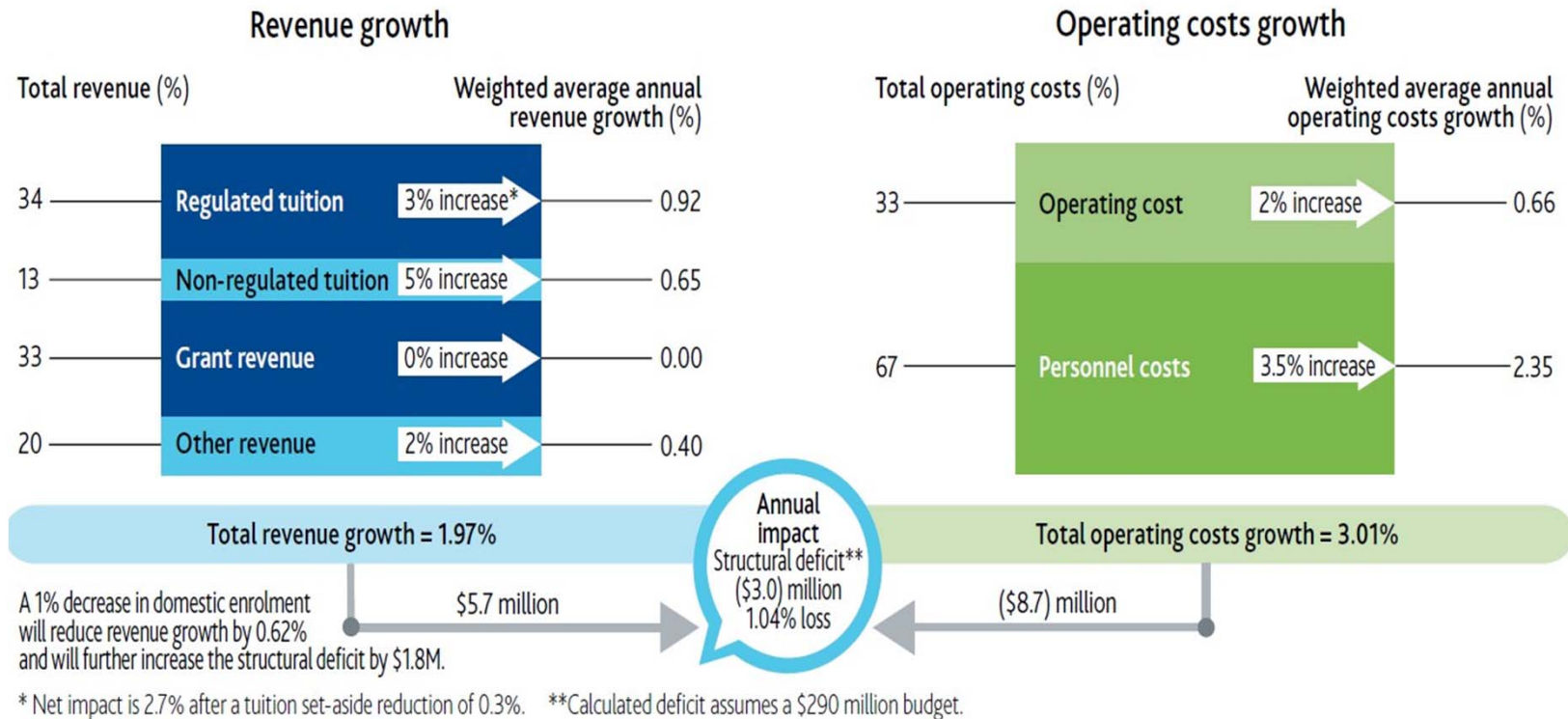


Operating Budget Plan Summary – 2017-18 to 2019-20 (\$ millions)

		provisional	
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Operating Revenues			
Government Operating Grants	\$ 309.6	\$ 311.7	\$ 316.6
Student Fees	584.7	633.8	683.6
Grants and Student Fees Subtotal	894.2	945.5	1,000.1
Funding from Donations, Endowments, & Trusts	8.0	6.9	6.9
Investment Income	8.6	8.5	8.5
Other Recoveries	48.3	45.7	45.9
Total Operating Revenues	<u>\$ 959.1</u>	<u>\$ 1,006.6</u>	<u>\$ 1,061.5</u>
Total Expenditures			
Salaries and Wages	\$ 541.8	\$ 559.4	\$ 581.7
Employee Benefits	148.7	152.6	158.1
Operating Costs	138.8	152.0	153.1
Taxes and Utilities	26.2	28.7	28.9
Scholarship and Bursary	73.7	72.9	74.1
Interest on Long-Term Debt	20.8	21.0	21.1
Transfers to Research, Ancillary, and Capital Funds	25.9	24.3	24.9
Total Expenditures	<u>\$ 976.0</u>	<u>\$ 1,010.9</u>	<u>\$ 1,041.9</u>
In Year Surplus (Deficit)	(16.9)	(4.2)	19.6
Opening Accumulated Surplus (Deficit)	(16.9)	(33.8)	(38.3)
Closing Accumulated Surplus (Deficit)	<u>\$ (33.8)</u>	<u>\$ (38.0)</u>	<u>\$ (18.4)</u>

*Note: Total government grant funding 2016-17 was \$309.9M

Fiscal Constraint in Ontario PSE System - Example



Source: Bonnie Patterson, Special Advisor to MAESD on Strategic Mandate Agreements with Universities, March 2017

Key Budget Assumptions

- SMA2 Funding Formula Change Implications
- Enrolments
- Tuition Fees
- Capital Market Performance
- Pension Contribution – Special Payments

SMA2 Funding Formula Change Implications

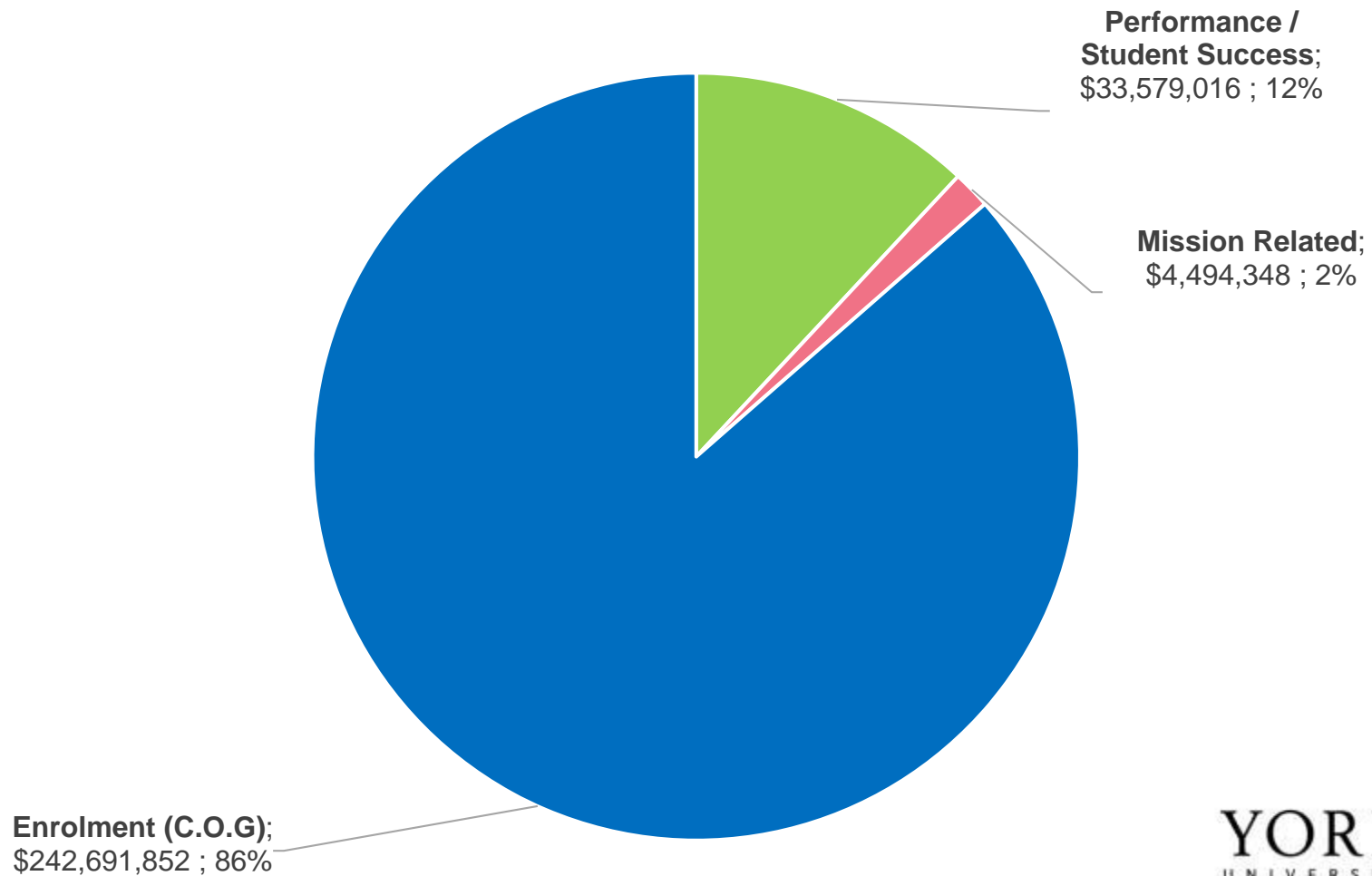
University Funding Formula – Conceptual Model (for Sector)

Core Operating Grant (enrolment-based)	Differentiation Envelope	Special Purpose Grants
Basic Operating Grant \$2.43B	Competitive Portion	Women's Campus Safety \$0.7M
Undergraduate Accessibility Grant \$202M	Existing Key Performance Indicators \$23.2M	French Language Flow-Through Grants (7 Grants) \$14M
Graduate Expansion Grant \$98.6M	Existing Quality Grants \$131M	Mental Health Strategy \$1.5M
Graduate Expansion Grant – Funding for International PhDs \$2.88M	Existing Institution- Specific Grants \$6.9M	Disability Supports (4 Grants) \$22.1M
Medical Expansion (4 Grants) \$97.7M	Funds From BOG Adjustments - Funding Equity - \$188M	First Generation Grants (3 Grants) \$6.5M
Midwifery \$3.21M	Research Overheads Infrastructure Envelope \$27.8M *	Indigenous Student Supports (4 Grants) \$10.9M
Nursing (2 Grants) \$23.6M	Mission-Related Portion	Institution-Specific (Restricted Use) (5 Grants) \$31.7M
Teachers Education(2 Grants) \$55.1M	French Language and Bilingualism (2 Grants) \$44M	Grant in lieu of Municipal Tax \$29.3M
	Northern Ontario Grant \$33.6M	Credit Transfer \$5.88M
		International Strategy \$0.77M
		Trillium Scholarship \$8.0M
		Grants for Clinical Programs (3 Grants) \$10.2M
		Teachers Ed Phase-In & Collaborative (2 Grants) \$5.9M
		Other Time-Limited \$3.2M

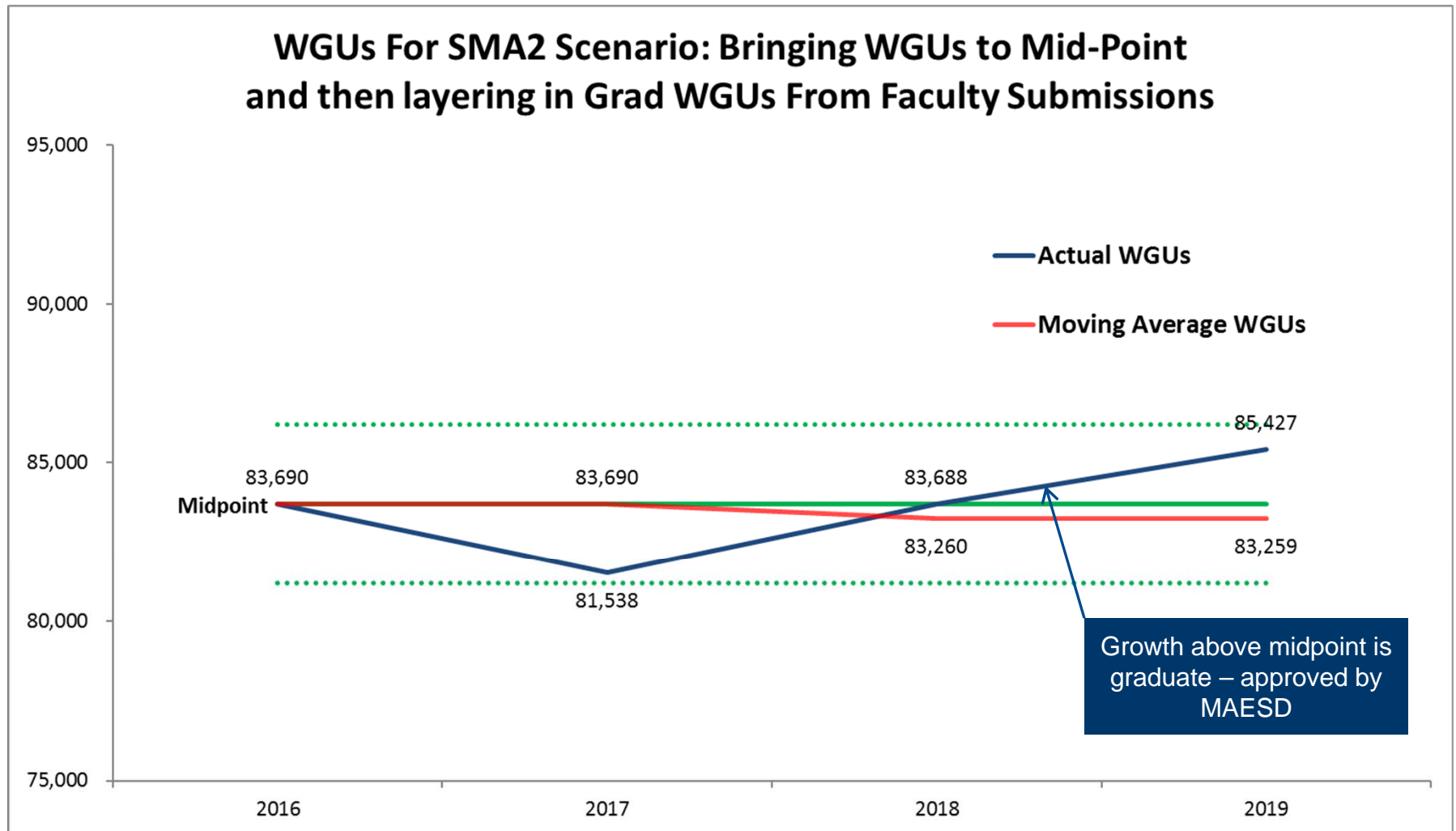
* ROIE – Classification is TBD based on SMA talks

Source: Bonnie Patterson presentation, March 2017

Moving to Enrolment and Performance Based Funding – York University



SMA2 Eligible Enrolment Corridor



Note*: “WGU” = Weighted Grant Unit (replaces previous Basic Income Unit or “BIU”)

Source: York University Office of Institutional Planning and Analysis (OIPA)



New Funding Formula and its Impact on SHARP

- As of May 1, 2017 York's grant funding consists of:
- Enrolment Related Funding – substantially identical to the current grant funds (small variance BIU's vs WGU's)
- Performance Funding – Based on Performance Metrics and is at risk in SMA3 (starting 2020-21). There are 5 categories of Performance Metrics addressing:
 - Student Experience
 - Innovation in Teaching and Learning Experience
 - Access and Equity
 - Research Excellence and Impact
 - Innovation, Economic Development and Community Engagement
- Mission Related Funding – No Change (important but small)

New Funding Formula and its Implications on SHARP

- Under SHARP Principles revenue is allocated to Faculties based on how the revenue is earned and in a formula as close as possible to how the University receives it
- To meet SHARP Principles, the University must now align its grant revenue in accordance with the new Funding Formula
- Currently both Enrolment and Performance funding are distributed to Faculties based on proportionate enrolments
- Performance funding distribution needs to support quality improvement and performance on SMA2 metrics (funding is at risk)

Performance Metrics - Challenges

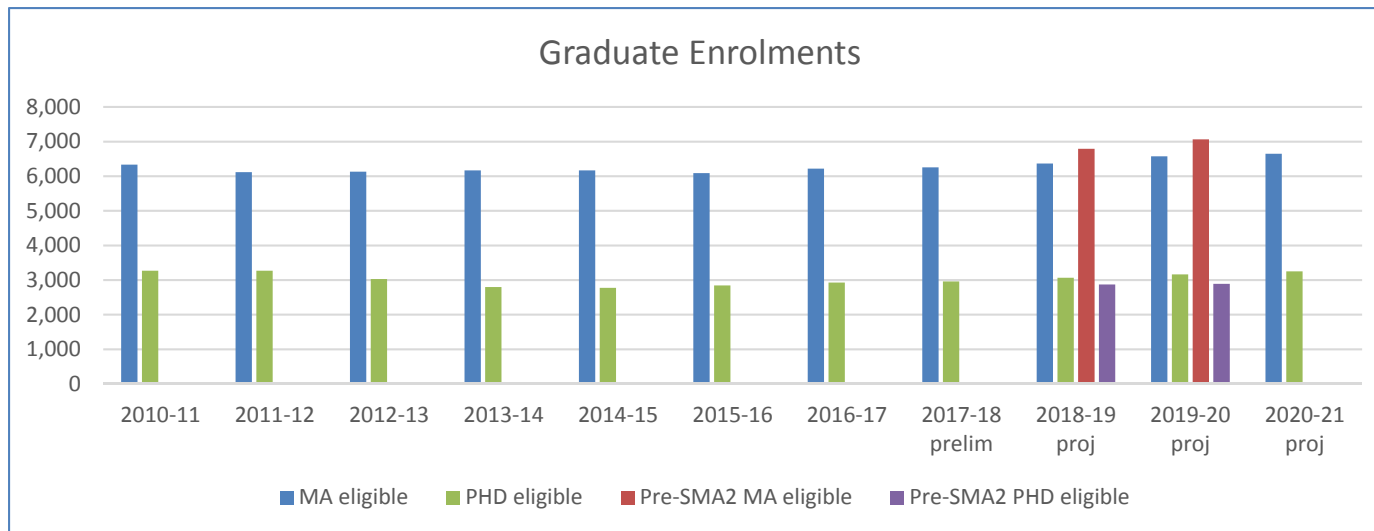
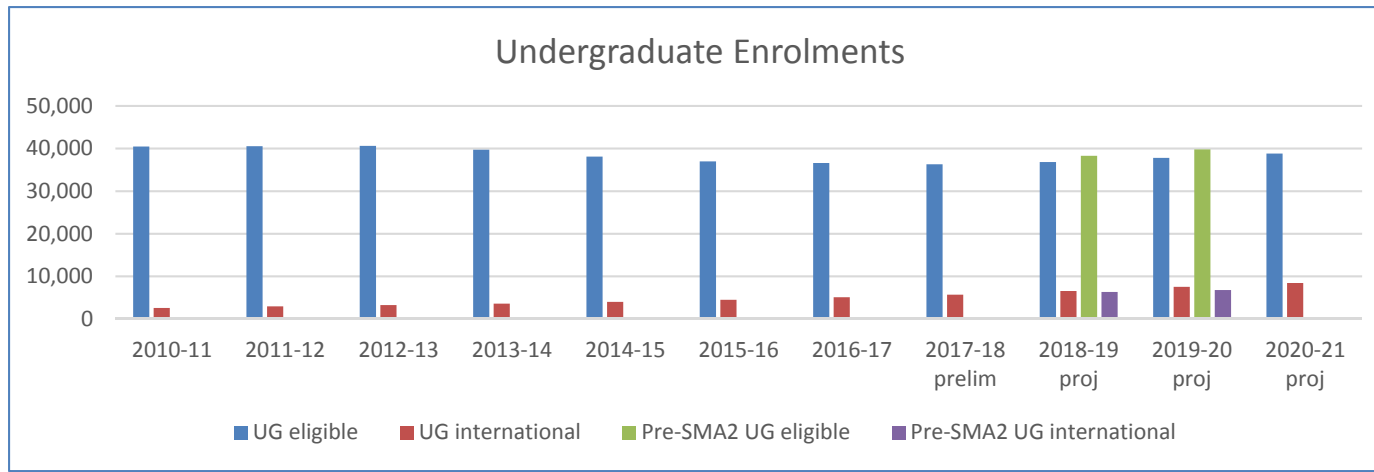
- Size of Performance Funding is \$29.2M (33.6M less 4.4M set aside to buffer shift from BIU to WGU)
- 28 different metrics
- Not all metrics are equally relevant to all Faculties
- Difficult to calculate and measure short term changes in individual metrics
- Performance metrics should be looked at more holistically
- Longer cycle for evaluating performance will facilitate budget planning in Faculties

Proposed Implementation - Performance Funding

- Data Dash Board being generated to analyze each Faculty's holistic performance on basket of metrics, with sensitivity to different starting points
- For simplification purposes initially allocate this pot of funds on a proportionate enrolment basis for 2018-19
- Faculties asked to confirm Quality Plans to advance overall performance on priorities and metrics
- Performance Funding Allocation to implement Quality Plans is negotiated with Provost and built into 2019-20 budget envelopes.
- Impact of Quality Plans on metrics is evaluated on a 2-3 year cycle, and informs future Performance Funding Allocations.
- Allocation methodology is consistent with SHARP Revenue Principle, aligned with advancement of a Faculty's Quality Plans
- Provides for stability in planning for a Faculty and will not significantly alter a Faculty budget allocation from SHARP 1 to SHARP 2

Enrolment Chart

Updated Enrolment Plan



Tuition Fees

Tuition Fees

- The Provincial Government sets tuition fee guidelines that establish parameters for the charging of tuition fees for domestic students.
- The current framework provided a 3% fee increase for all Arts & Science Programs and 5% fee increase for Professional Programs – with an overall cap of 3% for the institution in total.
- The current guidelines covered a two-year period to the end of 2018-19.
- Increasing political pressure on government to restrict tuition fee increases which is significant with government decision to freeze grant revenue for the period 2017-18 to 2019-20. In addition any approved fee increases will also increase the cost of OSAP for Government.
- York's Budget Plan assumptions assume a continuation of the existing framework.

Capital Market Performance

Capital Market Performance (December 30, 2017)

Pension Fund Performance December 2017	
	Calendar YTD 12 months ended
	December
Net Rate of Return-Preliminary	11.91%
Benchmark (preliminary)	12.2%
Value Added	-0.29%

Endowment Performance to December 2017		
	Fiscal YTD 8 months December	Calendar YTD 12 months ended December
Rate of Return	1.99%	8.57%
Policy Benchmark	<u>2.62%</u>	<u>8.69%</u>
Value Added	<u>-0.63%</u>	<u>-0.12%</u>

Pension Solvency Contributions

Pension Contribution - Special Payments

- The current interest-only solvency funding framework expired in December 2016.
- The government announced a new “partial” solvency funding framework that is now in effect that requires the University to fund solvency special payments as follows:
 - Excess of: (i) amortization of 25% of solvency deficit over the remaining 7-year period plus interest on the 75% not being amortized, over (ii) going concern special payments
- Based on York’s valuation of December 31, 2016, the estimated annual special payment would increase by \$4M per year effective 2018. This has been built into the Budget Plan.
- In late November the Government released draft regulations from the Marshall report that may provide further relief in terms of special payments.

Pension Contribution – Special Payments (cont'd)

- The new regulations provide relief to plans which have a solvency ratio in excess of 85% but require the University to maintain an enhanced going concern position. York's current ratio is 95%
- The enhanced position references a Provision for Adverse Deviation (PfAD). The PfAD outlined in the regulation is 8%. The regulations for the calculations are currently being assessed for York's hybrid plan as the regulations were developed for a traditional defined benefit plan.
- The University will be following this closely and will consider filing the December 2017 valuation should the implications be advantageous.

Summary of Major Budget Risk Factors

Key Budget Planning Assumptions and Emerging Budget Risks

- Realignment of enrolment and budget plans based on SMA2
- SEM remains a priority
- Tuition Fee Framework beyond 2019
- Achieving Divisional Budget Positions
- Deferred Maintenance and capital infrastructure needs
- Impact of the new French Language University
- Potential labour relations challenges

New Budget Consultation Process

2018-19 Budget Consultation Process

- To enhance the transparency of the budget development process the President will sponsor consultation sessions to enable the broader community to provide input to a new University Budget Advisory Committee in setting priorities for budget allocation decisions
- In **February to May**, 10-12 community consultations sessions will be scheduled for Faculty Councils, Student Groups, Administrative Units, Unions, APPRC
- A new University Budget Advisory Committee (UBAC) will be established to align resources with Faculty, unit and institutional priorities through the guidance of the budget consultations, University Academic Plan and the Institutional Integrated Resource Plan.
- Membership of the UBAC will include the President, VP Academic & Provost, VP Finance & Admin, VPRI, one other VP and three Deans/Principal to serve on a rotational basis. The UBAC will be chaired by the President whom the Committee is responsible to advise.

SHARP Budget Model Review

Review of SHARP Budget Model

- The University committed to reviewing the design elements of the SHARP model based on early experience
- Design elements include revenue attribution formulas, cost drivers for shared services, formulas for calculating General University Fund contributions, BIFA's etc.
- A timeline has been developed for this review to occur.

SHARP Budget Model Review Timelines

2017 – 18	<ul style="list-style-type: none">• First Year of SHARP
2018 – 19	<ul style="list-style-type: none">• Second Year of SHARP• Start Consultation in January 2019 for issues with SHARP Design
2019 – 20	<ul style="list-style-type: none">• Develop revisions to SHARP Model design elements• Obtain Approval for revised design• Develop Transition Plan
TBD	<ul style="list-style-type: none">• Implement SHARP 3 (subject to the magnitude and impact of proposed changes to model design)