

OCAD University
2015/16 Operating Budget

APPROVED

OCAD University
2015/16 Operating Budget
Summary
(000s)

OCAD University Unrestricted Operations

| | 2014/15 Budget | 2014/15 Estimated Actual | 2015/16 Budget | % Increase (Decrease) of Est. Actual |
|---|---------------------------|---|---------------------------|---|
| A) OPERATING | | | | |
| Revenue (Schedule 1) | 60,632 | 58,170 | 61,139 | 5.2 |
| Expenditures (Schedule 2) | (60,059) | (59,055) | (60,189) | 1.9 |
| Contingency (Note 16) | (1,150) | - | (1,150) | |
| Surplus (deficit) prior to extraordinary allocations | (577) | (885) | (200) | |
| B) EXTRAORDINARY ALLOCATIONS | | | | |
| Capital Expenditure Allocation (Note 15) | (800) | (800) | (800) | |
| Surplus (deficit for the year after extraordinary allocations) | (1,377) | (1,685) | (1,000) | |
| C) UNRESTRICTED NET ASSETS | | | | |
| Unrestricted accumulated Surplus(Deficit) beginning of the year | 2,685 | 2,685 | 1,000 | |
| Unrestricted accumulated Surplus (Deficit) end of year | 1,308 | 1,000 | 0 | |

The following table reflects the new continuity schedule of the internally restricted funding from recently concluded 230/240 Richmond Street transaction.

**230/240 Richmond Street Joint Venture Restricted Operations (See Schedule 3
and Note 17)**

| | 2014/15 Estimated Actual | 2015/16 Budget |
|--|---|---------------------------|
| Revenues (Schedule 3) | 3,531 | 452 |
| Expenditures(Schedule 3) | - | 2,451 |
| Surplus(deficit for the year) | 3,531 | (1,999) |
| Restricted Accumulated Surplus beginning of the year | - | 3,531 |
| Restricted Accumulated Surplus end of the year | 3,531 | 1,532 |

OCAD University
2015/16 Operating Budget
Schedule of Revenues
(000s)

| | 2014/15 Budget | 2014/15 Estimated Actual | 2015/16 Budget | % Increase (Decrease) of Est. Actual |
|---|-------------------|--------------------------------|-------------------|--|
| Government Grants (Note 1) | | | | |
| Operating | 17,903 | 18,143 | 18,013 | (0.1) |
| Performance Fund | 89 | 54 | 89 | 64.8 |
| Enrolment Growth Fund | 1,806 | 986 | 926 | (6.1) |
| Accessibility Fund for Students with Disabilities | 230 | 293 | 293 | - |
| Quality Investment Fund | 913 | 908 | 913 | 0.6 |
| Graduate Studies | 1,997 | 1,960 | 2,093 | 6.8 |
| Aboriginal Visual Culture-Growth Initiatives | 212 | 264 | 264 | - |
| Digital Futures Differentiation grant | 2,000 | 2,000 | 2,000 | - |
| Other Grants | 96 | 96 | 96 | - |
| Total Grants | 25,246 | 24,704 | 24,687 | (0.1) |
| | | | | |
| Tuition Fees (Note 2) | | | | |
| Undergraduate | 27,532 | 26,823 | 27,545 | 2.7 |
| Graduate Studies | 2,393 | 2,753 | 2,685 | (2.5) |
| Total Tuition Fees | 29,925 | 29,576 | 30,230 | 2.2 |
| | | | | |
| Miscellaneous Fees (Note 3) | | | | |
| Admission Rebate/ Fees | 315 | 310 | 312 | 0.6 |
| Class Fees | 480 | 481 | 476 | (0.1) |
| Production Materials Fees | 170 | 162 | 168 | 3.7 |
| User Fees | 442 | 390 | 442 | 13.3 |
| Student Service Support Fees | 1,257 | 1,284 | 1,444 | 12.5 |
| Academic Print Services | 289 | 289 | 286 | (0.1) |
| Academic Equipment & New Technology Fee | 122 | 116 | 116 | - |
| Total Miscellaneous Fees | 3,075 | 3,032 | 3,244 | 7.0 |
| | | | | |
| Investment Income (Note 4) | 104 | 104 | 104 | - |
| | | | | |
| Rental Income (Note 5) | 462 | (866) | 256 | |
| | | | | |
| Donations/Sponsorships (Note 6) | 650 | 650 | 1,000 | 53.8 |
| | | | | |
| Other Income (Note 7) | 1,170 | 970 | 1,618 | 66.8 |
| | | | | |
| Total Revenues | 60,632 | 58,170 | 61,139 | 5.1 |

Schedule 2

**OCAD University
2015/16 Operating Budget
Schedule of Expenditures
(000s)**

| | 2014/15 Budget | 2014/15 Estimated Actual | 2015/16 Budget | % Increase (Decrease) of Est. Actual |
|---|-------------------|--------------------------------|-------------------|---|
| Academic Compensation (Note 8) | 26,844 | 26,360 | 27,822 | 5.5 |
| Academic Administration Compensation (Note 9) | 7,504 | 7,451 | 7,461 | .1 |
| Non-Academic Compensation (Note 10) | 11,144 | 10,627 | 11,368 | 7.0 |
| Total Compensation | 45,492 | 44,438 | 46,651 | 5.0 |
| Non-Compensation (Note 11) | 12,121 | 11,799 | 11,097 | (5.9) |
| Restructuring/Retirement Incentive Plan (Note 12) | 100 | 476 | 100 | (79.0) |
| Student Assistance Fund (Note 13) | 1,304 | 1,300 | 1,299 | - |
| Debt Service Costs (Note 14) | 1,042 | 1,042 | 1,042 | - |
| Total Expenditures | 60,059 | 59,055 | 60,189 | 1.9 |

Schedule 3

**OCAD University
230/240 Richmond Street Joint Venture
Operations (000's)**

| | 2014/15 Estimated Actual | 2015/16 Budget |
|--|--------------------------------|-------------------|
| Revenues | | |
| Amortization of Gain on Sale of 50% of 230/240 Richmond Street | 3,531 | 132 |
| Investment Income | - | 320 |
| Cash Inflows from Joint Venture ⁽¹⁾ | - | - |
| Total Revenues | 3,531 | 452 |
| Expenditures | | |
| Lease Payments | | 1,554 |
| Debt Interest Payments ⁽²⁾ | - | 897 |
| Total Expenditures | - | 2,451 |
| Surplus (Deficit) for the year | 3,531 | (1,999) |
| Restricted Surplus (Deficit), Beginning of the year | - | 3,531 |
| Restricted Surplus (Deficit), End of the year | 3,531 | 1,532 |

- (1) Cash inflows from the Joint Venture are projected to be received upon 230/240 Richmond Street being fully tenanted and stabilized in 2017.
- (2) Debt interest payments were funded in 2014/15 prior to the Joint Venture transaction by lease payments from tenants.

OCAD University
2015/16 Operating Budget
Background Notes and Assumptions

Revenues (Schedule 1)

1. Government Grants

- a) **Base Grant**
The Provincial Government announced in the March 2012 Budget reduction in grant funding equivalent to 1.3% in 13/14 and 2.3% in 14/15. Provincial grants will also be reduced by the equivalent of \$750 per FTE for new international students and \$75 per FTE for all international students beginning in 2013/14. Provincial grants in 2015/16 will be flat lined at 2014/15 levels.
- b) The Performance Fund is allocated to universities based on each institution's ranking within each of the performance measure areas (i.e. employment six months after graduation, employment two years after graduation, and graduation/completion rate). Institutions that fall into system average ranges receive funding based on their share of overall system undergraduate basic income units (BIUs).
- c) The Enrolment Growth Fund (funding for year-over-year change in domestic enrolment over 11/12 levels) is based on the provincial government's commitment to OCADU per the preliminary strategic mandate agreement between the University and MTCU to fund new undergraduate enrolment growth in 15/16 at 100 cents on the dollar (full funding). OCAD U's domestic enrolment is projected to decrease by 33 FTEs over 14/15 levels due to lower than projected first year intake in 2014/15 flowing through to upper years in 2015/16.
- d) The Accessibility Fund for Students with Disabilities for 15/16 is estimated at 14/15 levels.
- e) In May 2005, the provincial budget announced multi-year allocations of operating funding over the 05/06 base year. An element of the multi-year plan was towards a Quality Investment Fund.
- f) Grant revenues for graduate programs are based on \$12,680 per domestic student FTE. The University as part of the Strategic Mandate Agreement with the MTCU which among other measures contemplates full funding of 177 FTE's for 2015/16 (an increase of 20 FTE's over 2014/15).
- g) The Aboriginal Visual Culture grant is an annual commitment towards implementation of a new curriculum program.
- h) The Ministry has provided OCAD U with a permanent \$2M differentiation grant to implement OCAD U's Digital Futures Initiative.
- i) Other grant revenue will be received from successful grant applications from Federal & Provincial ministry, a past example is the Productivity & Innovation Fund.

2. Tuition Fees and Enrolment

Included in tuition fees are full-time, part-time and summer student fees.

- a) The provincial government announced at the end of March 2013 a four year domestic tuition framework with an overall cap on tuition increases of 3% per year. Maximum allowable increases for Arts & Science undergraduate programs is 3%. International student tuition fees continue to be deregulated. The Board of Governors approved a base tuition increase of 3% plus \$750 per head for all new international students to offset the International Student Recovery Grant reduction and \$75 per FTE to offset reductions in the grant to fund the University municipal tax levy. The tuition fee rate increases (as approved by the Board in February 2015) contained in the 15/16 budget is summarized in the table below:

- b) Tuition Fees for 1st Year Undergraduate Full-Time Students (10 half-credits):

| | 2014/15 | 2015/16 | Difference |
|---------------|---------|---------|------------|
| Domestic | 5,989 | 6,165 | 176 |
| International | 18,880 | 19,446 | 566 |

Tuition Fees for Upper Year Undergraduate Full-Time Students (10 half-credits):

| | 2014/15 | 2015/16 | Difference |
|---------------|---------|---------|------------|
| Domestic | 5,815 | 5,990 | 175 |
| International | 18,130 | 18,673 | 543 |

- c) Projected Enrolment (FTEs): Undergraduate

| | 2013/14 Actual | 2014/15 Actual | 2015/16 Budget |
|---------------------|-------------------|-------------------|-------------------|
| Domestic | | | |
| Summer | 266 | 272 | 271 |
| Fall/Winter | 3,382 | 3,296 | 3,263 |
| Total Domestic | 3,648 | 3,568 | 3,534 |
| International | | | |
| Summer | 20 | 27 | 27 |
| Fall/Winter | 277 | 302 | 301 |
| Total International | 297 | 329 | 328 |
| Total | 3,945 | 3,897 | 3,862 |

Intake required to achieve undergraduate projections:

| | 2013/14 | 2014/15 | 2015/16 |
|--------------|--------------|------------|--------------|
| Design | 618 | 573 | 670 |
| Art | 467 | 368 | 333 |
| DFI | 30 | 21 | 33 |
| INVC | 5 | 6 | 3 |
| BA | - | 22 | 17 |
| Total | 1,120 | 990 | 1,056 |

- d) Projected Enrolment: Graduate

| | 2013/14 Actual | 2014/15 Actual | 2015/16 Budget |
|------------|-------------------|-------------------|-------------------|
| Eligible | 161.2 | 155.4 | 177.0 |
| Ineligible | 43.6 | 58.8 | 33.4 |
| FTEs | 204.8 | 214.2 | 210.4 |

Note: Overall graduate student enrollment is achieving expectations, however, the extent to which domestic graduate FTE enrollment is less than a budget assumption of 177 FTE will affect the University's revenue assumptions. This is because of the associated government grant provided for each domestic graduate FTE that will not be received if domestic graduate FTEs are less than projected. Further confirmation of Graduate enrollments will be available at the end of June, 2015, but recently updated and current indications are that there will be a shortfall of 38 FTE in domestic graduate student FTEs, leading to a possible revenue shortfall from budget projections of approximately \$450,000. Interim measures to address this would rely on contingency reserves, and additional remedial action will be take shape as overall enrollment and revenue projections become clearer.

3. Miscellaneous Fees

Included in Miscellaneous Fees are Ontario University Application Centre fee rebates, and other admission fees, class fees, user fees (e.g. late payment fees, instalment fees, petition fees, etc.), an Academic Equipment and New Technology fee, Production Materials fees and Student Support fees (e.g. literacy, laptop program, Health & Wellness, Career Centre, Orientation fees, etc.). In general revenues from miscellaneous fees are projected to increase over 14/15 due to projected increases in the Health & Wellness ancillary fee approved under the MTCU regulated Ancillary Fee Protocol.

4. Investment Income

Investment income is derived from Ontario Savings Bonds and savings account bank interest.

5. Rental Income

In 2014/15 Rental income was comprised of income from 205 Richmond Street, 74/76 McCaul (Aboveground Art Supplies) and 230/240 Richmond Street. The major tenant's lease in 230/240 Richmond St expired December 31, 2014 and the building remained without tenants pending the Joint Venture negotiations leading to loss of rental income the remainder of the fiscal year and a negative budget variance for 2014/15. In the 2015/16 budget, rental income is income received from the tenants at 205 Richmond Street and Aboveground Art Supplies. 230/240 Richmond Street Joint Venture operations are included in Internally Restricted Operations (see Schedule 3).

6. Donations/Sponsorships

Included in this area are unrestricted and restricted external donations/sponsorships toward university operating funds paid out from endowment funds and long-term restricted funds. Also included are externally restricted and unrestricted donations/sponsorships from the upcoming philanthropy campaign. The contributions to the operating fund have increased by 53% over the prior year due to pledges from the campaign. These donations/sponsorships do not include donations associated with scholarships, bursaries and gifts-in-kind.

7. Other Income

Included in this area are revenues from Continuing Studies, business development initiatives, the Grange Bistro, sale of supplies in the Academic Computer Centre, facility rentals, library membership fees, fines, book sales, ATM rebates, revenues from the 317c computer and book store and Research overhead. Other income is projected to increase over 14/15 primarily due to increased net revenues from Continuing Studies and additional entrepreneurial activities.

Expenditures (Schedule 2)

8. Academic Compensation

Includes salaries, benefits and professional development for faculty, technicians, teaching assistants, class assistants, markers, and staff in the Library, Visual Resources, Academic Computer Centre, Lap Top Program, Graduate Studies and Fabrication Studios.

| | |
|---|---------------|
| 2014/15 Budget | 26,844 |
| Progression-Through-The-Ranks (PTR)/Faculty merit pay/benefits | 407 |
| Teaching load reduction/ATB increase/Professional Development per the OCADFA collective agreement | 1,124 |
| Academic Support | 20 |
| Allowance for cancelled courses tied to low enrolment | (300) |
| Voluntary Retirement Incentive Program (net) | 69 |
| Provision for course release due to the teaching load reduction | (265) |
| Other salary adjustments | (77) |
| 2015/16 Academic Compensation Budget | 27,822 |

9. Academic Administration Compensation

Includes salaries, benefits and professional development for Deans, Assistant and Associate Deans, Program Chairs, Faculty Support Staff, Studio Manager, CIADE, Professional Gallery, Centre for Advising & Campus Life and Office of the Vice-President, Academic.

| | |
|---|--------------|
| 2014/15 Budget | 7,504 |
| Progression-Through-The-Ranks (PTR) & Benefit Premiums, ATB | 166 |
| Administrative Leave | (237) |
| Strategic Initiatives | 150 |
| Other salary adjustments | (122) |
| 2015/16 Academic Administration Compensation Budget | 7,461 |

10. Non-Academic Compensation

Includes salaries, benefits and professional development for administrative staff in: Registrar's Office, Student Affairs, Finance, Human Resources, University Relations, Development and Alumni Relations, Marketing & Communications, Facilities Planning & Management, Diversity & Equity, IT Services, Risk Management, Campus Services & Security, Admissions & Recruitment, Offices of the President and Vice-President, Finance & Administration.

| | |
|---|---------------|
| 2014/15 Budget | 11,144 |
| Progression-Through-The-Ranks (PTR)/benefit costs, ATB | 353 |
| Project Chroma decommissioning | 146 |
| Administrative efficiencies | (140) |
| Amortization of Project Chroma Staffing | (400) |
| Health & Wellness staffing (funded by ancillary fee revenues) | 265 |
| 2015/16 Non-Academic Compensation Budget | 11,368 |

11. Non-Compensation

Includes all university non-compensation expenditures, i.e. physical plant maintenance, class supplies, travel, memberships, visiting lecturers, office supplies, printing, program development, publications, marketing, legal and audit fees, utilities, insurance, overtime, temporary help etc., plus compensation for models and student monitors.

Non-Compensation expenditures are projected to decrease \$1,024,000 over 2014/15. Major increases offset by major decreases are as follow:

| | |
|--|------------|
| Utilities/condominium fees(113 and 49/51 McCaul and Learning Zone) | 78 |
| Security & Cleaning (expanded scope) | 50 |
| Gallery Expansion | 37 |
| Total Major Increases: | 165 |

Major decreases are as follows:

| | |
|--|--------------|
| Expansion of lap top program | 49 |
| 25% Freeze on Discretionary Expense pending Fall enrolment results | 461 |
| Executive Recruitment (consulting and advertising services) | 150 |
| Amortization of capital expenditures | 500 |
| Total Major Decreases | 1,160 |

12. Restructuring/Retirement

Funding is set aside for restructuring payments and grievance settlements.

13. Student Assistance Fund

The Ministry has introduced a “new student access guarantee” policy which requires the university to finance any direct educational costs above what is provided through government assistance programs (unmet need). Existing government/OCADU assistance programs in addition to the student assistance fund are University/College Bursary Funds, Ministry OSAP and other bursary funding programs (Ontario Trust for Student Support). Preliminary indications are that existing OCADU tuition set-aside funds (\$1,299,000) will fulfill the student access guarantee unmet need.

14. Long-term Debt-Service Costs

This cost is the interest on long-term debt (from financing for the SuperBuild project and for partial financing of the acquisition of 205 Richmond St. W. (purchased September 2007)). Interest costs are projected to decrease in 15/16 over 14/15 due to the decline in debt principal.

15. Capital Expenditures (funded from the operating budget)

| | 14/15 Est. Actual | 15/16 Budget |
|--------------|--------------------------|---------------------|
| Total | 800 | 800 |

In 2015/16 the allocation from the operating budget to capital expenditures will be targeted towards specific renovations pertaining to the repurposing of 115 McCaul towards an experiential learning centre, repurposing of 49/51 McCaul and the re-location of staff in 115 McCaul to vacated space in 230/240 Richmond and 49/51 McCaul. Furniture, Fixtures and Equipment (FF&E) expenditures will be financed within a unit's

operating budget. Units may finance FF&E through transfer of existing non-compensation budgets and up to \$75K/\$25K of Academic/Non-Academic Compensation savings from unfilled positions. Not included in the above are Capital Projects that are externally funded through donations or government grants (ie MTCU's annual Facilities Renewal allocation of \$300K).

16. Contingency

The provision for contingency is consistent with the previous year of \$1,150,000 (see Budget Summary) and addresses unexpected revenue shortfalls/expenditure pressures from enrolment fluctuations, deferred maintenance, weather related costs and other occurrences.

17. 230/240 Richmond Street Joint Venture (see Schedule 3)

OCADU began negotiations of a Joint Venture relationship with a partner after a RFEI in the summer of 2014. The final approval of the Joint Venture partnership was approved by the Board of Governors in May 2015 with final contract negotiations completed May 29, 2015. The transaction involved a sale of 50% of 230/240 Richmond Street and a long term lease back of 60,000 square feet in 230 Richmond Street to the University. The swap related debt related to the initial acquisition of 230/240 Richmond Street will remain on the balance sheet of the University with principal payments to be funded by the net proceeds of sale of 50% of 230/240 Richmond Street. The University will be examining whether it is economically feasible to "break the swap" and pay off the debt using the proceeds of sale. The major tenant's lease at 230/240 Richmond expired December 31, 2014 resulting in loss of rental income during the remainder of the fiscal year leading to unbudgeted additional costs in 2014/15 (see Schedule 1- Rental Income). As part of the Joint Venture Sale agreement, OCADU will receive 50% of net revenues from the property and will also incur annual lease payments for the rental of 60,000 square feet at 230 Richmond Street and interest expenditures related to debt obligations from the initial acquisition until the debt is discharged. The initial financing of the lease payments and interest expenditures will come from the amortized gain on sale of 230/240 Richmond Street and interest income from the proceeds of partial sale of the building. Future contributions will come from the cash flow of the Joint Venture in 2017 after 230/240 Richmond Street is fully tenanted and stabilized.