translate into an increase of approximately $2 million in operating revenue.

Salaries make up 70% of the operating budget. The cost of general salary increases, career progression increases, and changes in benefits costs mean that salary costs at UWinnipeg are projected to go up by approximately $4 million in the coming year — before any additions to staffing levels.

Simply put: UWinnipeg will have to find or generate another $2 million in operating revenue or expenditure reductions for 2014-2015 compared to this year. Unless the operating grant is increased or restrictions on fee revenue are loosened, this pattern will continue and the annual budget gap will continue to grow. In order to meet the salary increase demands the University has traditionally attempted to reduce non-salary expenditures. This pattern has persisted for many years. The result is that non-salary expenses have been reduced from 33% of the budget in 1999-2000 to 27% in 2011-2012. Non-Salary expenses cannot continue to be reduced indefinitely.

UWinnipeg posted deficits of $750,000 in 2011-2012 and $2.2 million in 2012-2013 due to increased defined benefit pension costs. The 2013-2014 budget also included a $2 million deficit related to increased pension costs. The University has had to borrow money to fund these deficits.

Historical Imbalance

Recently released data from the Canadian Association of University Business Officers (CAUBO)u uh-<sw2]TJ -19—5q$TD 0 Tiey1109-2000 7nsg 0 1 bei.rs (Cf(d9sd406gmrs (02 T

Expenditure per full time equivalent student (FTE) is a useful method to determine the relative funding of Universities. A higher expenditure per student means a university is spending more resources relative to the number of students they teach. For example, Brandon University has a relatively high expenditure per student, compared to other smaller universities (Figure 3).

Similarly the University of Manitoba spends more per student than the average of universities with over 20,000 FTEs (Figure 4).

Meanwhile, UWinnipeg has the lowest expenditure per student among universities with 5,000 to 10,000 FTEs (Figure 5) — $810/student less than the next closest insitution. Multiplied by the UWinnipeg's student population, that amounts to about $6.5 million (6% of the University's operating budget).

Compared to this group's average, UWinnipeg expends $3,600 less per student. In other words, UWinnipeg spends $28.5 million per year (27%) less than the average of its peers to educate the same number of students.

Looking at all Canadian universities, one finds that UWinnipeg's per-student expenditure is ahead of only three insitutions (Figure 6). These three institutions include:

• Royal Roads, which is not a traditional university. Itoperates on a very different model focused on distance education and professional programs and does not have the same level

Based on these comparisons, it is fair to say that UWinnipeg is the most cost-effective university in the country.

Pension Challenge

The funding situation makes it more difficult for UWinnipeg to deal with unexpected financial challenges, the most recent of which is related to our Defined Benefits Pension plan. It is anticipated that, similar to last year, the University will be required to make an additional $2 million contribution to the Defined Benefits plan. The payment will be sourced by redirecting existing operating funds and from a provincial loan to be repaid over 40 years. The increased pension costs relate to factors outside the University's control, including investment losses due to the 2008 economic downturn, recent changes to provincial pension legislation, and revised actuarial assumptions about the lifespan of members. The University continues to examine how it can meet the increased demands on our resources related to the Defined Benefit Pension plan this year, as well as explore options to stabilize the funding requirements of the plan over the long term.

It is worth noting that UWinnipeg is unique among Manitoba universities for having introduced a Defined Contributions Pension plan in 2000, which is provided to eligible employees hired since that time. The Defined Contributions Pension plan is not linked to the current funding pressures associated with the University's Defined Benefits Pension plan.

We are required, by law, to present a balanced budget. The University has received permission in the past two years to run a deficit related to additional defined benefit pension expenses, but these deficits were required to be funded through loans which must be repaid through the operating fund. This is not a sustainable solution.

Addressing Challenges – Lean Operations and Diversified Revenues

It is worth noting that UWinnipeg is not alone in facing difficult budget decisions. Universities across Canada face similar funding challenges and many are in much more dire positions, necessitating even deeper cuts to academic programs and administrative services.

UWinnipeg administration continues to work with the provincial government to address these funding issues, but the Province is dealing with financial challenges of its own. The Province of Manitoba ran a deficit of $1 billion in 2011-2012, about half of which was due to flood related expenses, and a deficit of $580 million in 2012-2013. It is budgeting a loss of $518 million for 2013-2014.

Our funding situation, combined with the fact that salary costs increase faster than revenue, puts constant pressure on the University to streamline operations. It also puts an increased onus on our institution to diversify its sources of funding. This diversification is accomplished in part by examining the way in which we deliver our current undergraduate and graduate programs. These programs represent the vast majority of the revenues and expenditures of the University, so we must seek more efficient ways to utilize our existing human resource capacities and physical space.

Lean Operations - Making Do With Less

Faced with fiscal pressures, UWinnipeg has taken action to cut costs and enhance revenues. Since 2007, these efforts have brought in over $8 million (7%) in annual budgetary savings and new revenues:

- Increased vacancy management (leaving some positions vacant and prioritizing staffing, a practice introduced in 2008) resulted in $4.4 million of savings in 2012-2013;

- Through capital renewal, UWinnipeg shed leases worth $1.2 million-plus annually since 2008;

- Annual cuts and/or freezes to minor capital and non-salary budgets saved over $600,000 in 2012-2013;

Encouraging staff and administration to participate in a voluntary days without pay program;

Salaries of senior administration have been frozen or reduced in three of the past four years; and

An administrative reorganization in the summer of 2012 will result in $700,000 in annual savings by 2014-2015 achieved through the elimination of Vice-President and Associate Vice-President, Dean and other senior positions.

In support of our academic mission, UWinnipeg has channelled some of these cost efficiencies to bolster our faculty strength. In the 2012-2013 academic year, UWinnipeg funded the hiring of 22 faculty and sessional instructors. This is in addition to 31 faculty positions staffed in the 2011-2012 operating budget. In 2013-2014, the President and Provost and Vice-President (Academic) authorized the hiring of 25 permanent faculty members.

Diversified Revenues – Generating Income

The University is working hard to identify new revenue sources complementary to the University's strengths that can be used to subsidize our core operations. Examples include supporting commercialization of research in partnership with our Faculty members and identifying opportunities for contracting university expertise to public and private entities. The Collegiate, English Language, and Professional, Applied and Continuing Education (PACE) contributed $1.3 million to University operations in 2012-2013. Our Ancillary business units, many managed by the University of Winnipeg Community Renewal Corporation, such as Housing, Food Services and the Bookstore, also contributed over $500,000 to operations in 2012-2013. We will continue to build on these successes in this year's budget, while at the same time identifying new ways to achieve operating savings and revenue generation opportunities.

To address our financial pressures,we also need to continually attract additional sponsorship and donor dollars. For example, the University launched our new Future Fund in the fall of 2012 with the express goal of raising $15 million to support academic programs, research and innovation on campus. The Future Fund has raised over $1.6 million to date and has supported items such as the Bloomberg Terminal for use by our business faculty and students, as well as the new Chair in Co-operative Enterprises.

The University also continues to raise funds to support our students. In 2012, UWinnipeg provided $3.9 million in annual scholarships and bursaries, up from $2.6 million in 2007.

The University additionally remains committed to its Opportunity Fund, which specifically seeks to support Indigenous students, new Canadians and refugees, as well as students from inner-city neighbourhoods, through fast-track bursaries, tuition credits and the tuition waiver program. As of May 2013, the Opportunity Fund had raised $2.9 million and awarded 1,158 fast track bursaries. The Fund has supported 238 graduates to date.

It is worth pointing out that since the establishment of our Foundation in 2004-05, the University of Winnipeg's Endowment Fund has more than doubled, growing from $18 million to over $40 million (2012-13). As a result the endowment now contributes $1.2 million to the University annually. Notably, 85% percent of these endowed funds support student scholarships, awards and bursaries. The remaining endowed funds support activities such as library acquisitions, faculty research and academic programs. Between 2008-09 and 2012-13, the Foundation has also contributed an average of $1.1 million per year of non-endowed monies to the University for various student awards and assistance.

Capital and Research Budgets

Building projects are funded from the capital budget, which is separate and distinct from the operating budget. The new buildings on campus are possible only because of generous public grants and private sector donations. This funding comes with restrictions preventing its use to otherwise support operations.

We have successfully attracted more than $150 million in private and government donations to our campus, downtown, and West End communities in the past decade. New construction has added 200,000 badly needed net square feet to campus (a growth of 24%, while student enrolment and the number of faculty members has climbed more than 40%). Even with our new buildings, however, we have just 132 sq ft of space per student, placing us amongst the lowest level across Canada.

Each of the new buildings on campus has been supported by a financial plan which covers both the capital costs of construction as well as ongoing operating costs through donations, reallocation of existing expenses (i.e. turning a lease into a mortgage) or the creation of new revenues related to the building, like parking or rent from external tenants. Over the past few years we have significantly reduced expensive lease space around the city and increased campus revenues through retail and other community and commercial partnerships. The new classrooms, labs and campus amenities have improved the quality of the student experience on campus.

These initiatives have also provided a small positive financial contribution to the operations of the University. The recently announced UWinnipeg Commons housing complex and UNITED Health & RecPlex projects (accounting for an additional $67 million in on-campus capital investment) have been planned in a similar fashion, with a business plan supporting their operations projecting revenues exceeding expenses; both will make positive contributions to the University’s operating budget.

Like our capital budget, the University's research budget is largely distinct from the operating budget, except where UWinnipeg supports researchers through a variety of research and travel grants. The University has increased its support of these grants by 17% over the last five years. This increase has helped leverage additional external research grants. As a result, UWinnipeg academics are attracting significantly more research dollars to campus, up from $4.4 million to $7.1 million in the last five years. That is a 60% increase in external research funding flowing through UWinnipeg.

The cost of research is also supported indirectly by the University’s operating budget through the maintenance of facilities, provision of library and other resources and materials, and the administrative infrastructure which facilitates the hiring of research assistants, payment of expenses and reporting to funders. Less than half of these indirect costs are offset by indirect costs funding from the Federal Government. Please see for more information on indirect costs at the UWinnipeg.

The Budget Process

The University's budget process is a consultative one. The budget team meets with the Deans and departmental managers on campus as well as the Senate's Budget Advisory Committee to identify the most appropriate way to balance the budget. The senior financial team, including President and Vice-Chancellor Dr. Lloyd Axworthy, has met with faculty councils to discuss budget priorities throughout the fall.

We are focusing on increasing revenues where possible, while any budget reductions will be viewed through the lens of maintaining the quality student experience so valued at UWinnipeg.

If you have any budget related questions, please submit them to

The University will compile Frequently Asked Questions (FAQ) and answers and circulate the information to the entire campus via the staff bulletin, and we will post budget updates on our website homepage.

Decisions

The Board of Regents is responsible for reviewing and approving the operating and capital budgets for the University, usually in May or June.