Representing Faculty, Librarians, Veterinarians & College Professors

ANALYSIS OF UNIVERSITY FINANCES

3/18/2020

Are the Administration's financial decisions best serving the University's mission?

The UGFA Financial Advisory Committee presents an analysis of the University's audited Financial Statements from 2019 contextualized in terms of prior years.

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STRONG FINANCIAL HEALTH: THE STRUCTURAL SURPLUS CONTINUES…

Another NET SURPLUS of $47M in 2019.	**The average yearly net surplus in the past six years is $67M.**

Generated from public money, this surplus is not spent on its intended use—the primary missions of teaching and research/scholarship of which UGFA members are the guardians—with the Administration instead embracing an incredible structural surplus that they regularly refer to as a "net income," and even implementing a financial indicator that requires a sizeable structural surplus. This private-industry approach is presumably motivated by the armada of corporate financial managers that has established outposts at seemingly every level of the institution.

Total UGFA salaries remained a stable percentage of total revenues and total expenses, but staff may well be another story (see below).

ENORMOUS "RESERVES" IN INTERNALLY RESTRICTED FUNDS CONTINUE

Internally restricted funds shrank a touch to a remarkable $277M, accounting for 12.4% of the $2.2B in total assets of the University. Over $200M of this money consists of

- $97M of unspent "carry-forward," including a ridiculous $10M in Open Learning;
- $81M of "reserves" with no real specified purpose, up $5M from 2018; and
- $23M of money set aside for possible pension plan contributions.

Revenues increased meaningfully, in part due to increasing student numbers heavily over the years, while faculty numbers stayed comparatively flat. The money was "reserved," and faculty faced spirit-breaking workload and work/life balance issues.

ALARMING STAFF-TO-UGFA-MEMBER RATIO

Both Administration and UGFA-obtained numbers show that there are three Staff employees for every UGFA member, that the staff-to-UGFA-member ratio is 3:1, compared to a 2:1 ratio at our UPP partners, for example, yet UGFA members experience no relief from an incredible and always increasing amount of downloaded administrative work. Besides the implications on total salaries, we also see the Administration's priorities: Deans' Offices growing larger than many departments, an ever-increasing financial-manager-to-faculty ratio, and more!

INTRODUCTION

This document presents the UGFA Financial Advisory Committee's analysis of the University's audited financial statements, running from 2014 to 2019. As in past analyses, when suitable, we include additional information obtained from other sources.

Readers seeking information back to 2006 are referred to our earlier analyses.

Besides giving some clear insight into the financial health of the institution and the inferred priorities of the Administration, the report also suggests an answer to the question of whether the financial decisions of the Administration are best serving the University's mission.

Are the financial decisions of the Administration best serving the University's mission?

Analyses in This Report

We look at four key parts of the past years' financial statements, one per section: the

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Cash Flows
4. Statement of Changes in Net Assets

Colour Legend for all Tables

BROWN	Numbers that should attract your attention
GREEN	Numbers from previous reports that have changed
ORANGE	Interesting percentages

In each section, we present

i. a table of numbers from the statements, sometimes also with information from additional sources, with some metrics, ratios, or percentages that highlight trends, and
ii. a brief written analysis of the table and surrounding factors.

As always, the UGFA believes that it is important to connect this financial analysis to the University's primary missions, teaching and research/scholarship. UGFA members are the guardians of these twin missions.

All of the financial statements are presented as at April 30 of the ending year, the last day of the University's fiscal year. Those numbers become the input values for the subsequent year's financial statement. If something goes wrong (investment income not realized, government legislation, etc.), these input numbers may change by the time the next statement is produced. Any changes to past numbers are colored **green** in this report.

Our regular reminder: in our analysis the label "Internally Restricted" refers to the money that the Administration identifies as such in its financial statements. This money is not in general (if at all) allocated with specified payment, contribution, or transfer plans. That is, at any moment, this money can be transferred back into the Operating Fund and used for any other purpose, including the primary missions of the University. One might argue that the size of these numbers should *increase* by including essentially all of the Ancillary Enterprises Fund or that this fund should receive separate intense scrutiny.

Following the sections on the four financial statements, we present a section with

- a Financial Scorecard that looks at factors and trends that could indicate severe financial issues, including the existence of a structural deficit; and
- a summary and conclusions.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

This statement presents assets and liabilities, reporting that

Assets – Liabilities = Net Assets

Assets are broken into two types:

- current, which are usually consumed in one year, and
- long-term, which are used in operations for many years.

Liabilities are similarly broken into two types:

- current, which are usually payable in one year, and
- long-term, which are obligations due beyond one year.

Large amounts of long-term liabilities increase the financial risk of the University, which is why the Administration expresses concerns about pensions and benefits, not just mortgages.

The numbers going back to 2014 are presented in Table 2, at the end of this section. As a percentage of total assets, we see:

	In 2014-2018	*In 2019*
Cash (& short-term investments)	Between 13% and 17%	At 11%
Capital assets	Between 56% and 60%	At 56%
Short-term liabilities	Between 12% and 13%	At 13%
Long-term liabilities	Between 10% and 13%	At 9%
Internally Restricted money	Between 14% and 16%	At 12%

In the past year, total assets of the University grew by another incredible $122M. We write "another" since in the two years prior, total assets grew by $100M and $185M, respectively. Indeed, the average growth in total assets in the six years we are examining is $101M/year, due to one year with "only" $10M growth.

Readers may remember that the $185M growth in total assets is a record amount for the University and that this growth led to total assets crossing the $2B amount for the first time. We have never looked back and are already $238M beyond that magical threshold just two years later.

This year also marks a new record achievement: for the first time in history, total investments ("Net Assets") of the University have crossed the $1B mark!

To understand how this number breaks down, we have to parse the seemingly simple equation in the centre of Figure 2:

Total Investments = Capital Assets Investments + Endowment Investments – "Unrestricted" Deficit + Internally Restricted

Each term in the equation raises complications. The value of "Capital Assets investments" is less than the value of "Capital Assets" because the Administration subtracts all of the money that will be spent due to current Capital Assets: (i) all yearly payments required to repay all borrowed money, with current borrowing requiring that payments be made until 2028, and (ii) the unamortized amount of donations and grants that

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are restricted to the purchase of capital assets. Then they add the value of the Endowment Funds, both externally restricted and internally restricted. Next, they subtract what they call the "Unrestricted Deficit," which is the projected value of employee future benefits. The financial statements always talk about remeasurements of this unicorn, often with immense swings in value. This year, "EFB remeasurements resulted in an increase of $56.5M to net assets as the result of investment returns on pension plan assets greater than expected per actuarial assumptions." Lastly, they add in the set-aside Internally Restricted funds.

Despite any uncertainty one might have in the precise value of Net Assets, we suggest that instead of celebrating one should be rather shocked that the Net Assets (or Total Investments) of the University are more than twice its yearly operating budget, while the University runs with not-for-profit accounting principles.

It is interesting to consider the link between the growth in total assets and the growth in Capital Assets (i.e. the value of land and buildings). Last year, the two were essentially in lock step, both growing by roughly $100M. This year, Capital Assets grew by "just" $40M. Yes, the remaining $82M growth in total assets is due mostly to two other factors. The first is growth by $52M in the value of long-term investments, which comes in part from shifting $25M from short-term investments.

As we have mentioned in other reports, when the Administration shifts a significant amount of money into long-term investments, we should extract the clear signal that there are no plans to spend this money in the near future on the twin missions of the University.

FIGURE 1: TOTAL INVESTMENTS SURPASS $1-BILLION

The other significant factor is a $50M increase in "Defined Benefit Assets," which is the benefit obligation minus the fair value of assets; this number registers a gain when the actuarial (i.e. expected) value of the assets is less than the realized value. The Professional Plan, the pension plan of UGFA members until July 1, 2021, showed a whopping $59M increase in the value of investments in the plan valuation as at October 1, 2018, which along with additional elements, notably changes to the actuarial basis of the valuation (generating a $74M increase) and $40M in special payments, means that the going concern valuation of the plan swung from a $100M shortfall to a $70M surplus. We need to be cautious when considering all of these numbers. The actuarial valuation that will matter is the one that occurs prior to the transfer of the assets to the University Pension Plan (UPP), and the parameters of that valuation may well be different than those used in the 2018 or 2016 valuation of the Professional Plan and will not be chosen by the Administration. What we see here is that the wiggling of some actuarial parameters can produce an amazing swing.

It is worth repeating that we should not view the drop by almost 10% in the level of cash and short-term investments as indicating financial trouble for the University. On the contrary, the value of this money is still over 10% of the total assets of the University, and the real message is that the Administration has no plans to spend this money.

The increase in Short-Term Liabilities is due to a $26M increase in "Deferred Contributions," which "represent unspent externally-restricted grants, donations and investment income for research and other specific purposes."

[Due to] changes to the actuarial basis of the valuation and $40M in special payments, [the] going concern valuation of the [Professional Plan] swung from a $100M shortfall to a $70M surplus.

Long-Term Debt/Liabilities went down for the second year in a row, sitting $10M below the six-year average of $215M. This debt is due to borrowing. It is nice to see it decrease because there is a ripple effect, with the associated interest payments decreasing a bit, too.

Our standard reminder: the Internally Restricted money is declared restricted by the Administration, placed in a fund with a name that may suggest a possible eventual use for the money, unless the Administration spends the money or shifts it to another fund. The money is not in general (if at all) allocated with specified payment, contribution, or transfer plans. At any moment, the money can be transferred back into the (Unrestricted) Operating Fund and used for any other purpose, perhaps even a purpose related to the primary missions of the University.

Table 1 shows the evolution of the three Internally Restricted "reserves" that we have historically followed closely. The Division Reserves dipped by 4% to $97M, still an enormous figure. This money is the carry-forward of all of the units of the University, that is, the accumulated money allocated to them that went

FUND NAME	2016	2017		2018		2019	
Division Reserves	$83M	$96M	+16%	$101M	+5%	$97M	-4%
Central Operating Reserves	$69M	$75M	+10%	$76M	+1%	$81M	+7%
Employee Benefits Reserves	$72M	$65M	-10%	$48M	-25%	$23M	-52%

TABLE 1: INTERNALLY RESTRICTED FUNDS

unspent, and the decrease is due to a one-time levy placed on all units to help balance the budget last year. Here, it is important to understand that "unit" does not mean "academic department." No breakdown by unit is provided in the audited financial statements. But we can find numbers in the unaudited, and, hence, perhaps not trustworthy, budget.

A few budget Town Halls ago, when the Division Reserves were a paltry $70M or so, when pressed by questions, the Provost made a blustery promise to "claw back" these reserves to her Central Operating Reserves. Remember, each year the Deans get their new budget allocation, spend money, and then typically come out of the year with overall increased reserves: they cannot spend their money fast enough!

First, we dig back to the prior year's budget to find the amount of the levy placed on every unit, with the levy described as being based on the total budget of the unit. It is worth mentioning that the levy values appearing in the budget add to $5.8M, but, in the end, the realized decrease in the Division Reserves was $4M. Also of great concern from our perspective is that the Deanly spending that does occur typically has little to do with the twin missions of the University, often instead focused on yet more Deans' Office staff. (We will talk a little bit more about staff in the next section.) In the seemingly rare cases when the money is used for an UGFA member hire, the focus of that hire is most often based on what the Administration decides is strategic or desirable. The UGFA hears increasingly from members about a need for what we will call "discipline maintenance" hires, positions that solidify a department's ability to offer its core courses and programs. Apparently, such hiring is not strategic.

As usual when looking at the budget, the numbers become curious upon investigation, and, as always, we have to be on guard because these numbers can be nonsensical. For example, looking at last year's budget, we find that the levies from the COA and CEPS are $120K and $643K, respectively, the lowest and highest numbers for colleges. A separate table reports the "net" budgets of these colleges as $27M and $37M respectively, with several other colleges having a smaller net budget than COA. So, we can conclude that the levies are not based on "net" budget. Perhaps "net" budget is dramatically different from "total" budget, but we do not know. The more fascinating observation is that the levy from Open Learning and Educational Support is $1.03M, almost as much as the two largest college levies combined, while the net budget in Open Learning that year is reported at a comparatively meagre $3.46M. What is going on?

A year later, the college budgets all grow a little bit, and the combined carry-forward reported there is $48M. Remember that these numbers are unaudited, but the top three college carry-forwards are reported to be in OAC, OVC, and CBS, at $13.2M, $8.7M, and $5.6M, respectively. COA lies at the bottom, with $1.3M. Keep in mind that, according to the budget, there is an almost equal amount of money carried forward outside of the colleges. The most amazing data point is Open Learning, perhaps explaining the large levy mentioned earlier: Open Learning has a $10M carry-forward, while the "net" budget for the year is

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shifted down to $2.6M. Yes, rather ridiculously, Open Learning is carrying-forward roughly four times its yearly budget!

We have commented in the past that the Provost faces a potential rebellion by Deans if she does meaningfully "claw back" their carry-forwards to her Central Reserves, and she would in that case also face the eyesore of having a rather damning balance in her Central Reserves. Nonetheless, why do many millions of dollars sit in carry-forwards in Open Learning, Computing & Communications Services, Student Services, Physical Resources, and other non-Deanly places? How is this stockpiled cash in any way serving the teaching and scholarship missions of the University?

Indeed, on the Open Learning front, a double insult is added to the injury of the $10M stockpile! This outfit is involved in organizing the yearly "Teaching & Learning Innovations" conference and, with that $10M sitting in the back room, Insult #1 is that any University of Guelph faculty members interested in the conference are assigned a registration fee of $195. Insult #2 is that these faculty members are told that they should apparently be glad that their College will "subsidize" the fee, so that a faculty member "only" has to pay a $100 fee.

The Administration talks a lot about caring about teaching, rather offensively referring to "regaining the podium," and often only for "innovation." A couple of years ago, they formed a 16-person committee to generate the University's "Teaching and Learning Plan," without even one faculty member on the committee. As with the nature of faculty positions that are approved for advertising and hiring, the Administration just does not care about what faculty members want or think, even when it comes to the teaching and scholarship

The Administration talks a lot about caring about teaching, rather offensively referring to "regaining the podium," and often only for "innovation." A couple of years ago, they formed a 16-person committee to generate the University's "Teaching and Learning Plan," without even one faculty member on the committee[, an] utter lack of collegial governance. When it comes to teaching, the plain reality is that the Administration is interested in monetizing teaching in all ways. This includes the idea of charging a registration fee to University of Guelph faculty members for the TLI conference, or the notion they proposed at bargaining that faculty members they select should be forced to create e-Learning courses that the University can try to sell.

missions for which we are the guardians. The utter lack of collegial governance links to our financial discussion not just because the Administration makes decisions that quite arguably do not serve the twin missions of the University, but also because they make decisions that pervert those missions. When it comes to teaching, the plain reality is that the Administration is interested in monetizing teaching in all ways. This includes the idea of charging a registration fee to University of Guelph faculty members for the TLI conference, or the notion they proposed at bargaining that faculty members they select should be forced to create e-Learning courses that the University can try to sell. Although it falls outside of the scope of this financial analysis, in the face of such pressure to monetize your teaching, you really must consider and exercise both your intellectual property rights and your academic freedom rights, as captured in our Collective Agreement.

From the unit-fiefdom perspective, of course, since the Central Reserves actually grew by $5M, there was no need for a levy at all! And, strikingly, the Employee Benefits Reserve shrank in half, from $48M down to $23M, a clear indication that all of the money once earmarked for solvency payments does not need to go that route given the commitment that UGFA and other employee groups made to the UPP.

We tend to pay less attention to the Capital Reserves, but, as an additional remark, we mention that money was moved to this and other reserves, so that the total amount of Internally Restricted funds only decreased by $12M.

Please do not get excited about the first noticeable decrease in Internally Restricted funds in years. This set-aside money still has value equal to 12.4% of Total Assets and more than half of the operating budget figure that the Provost uses. Put another way, for example, if half of the set-aside money was shifted back to the Operating fund, the budget pool would increase by 25%. The point is that the first question you should have when the yearly budget is presented to you is the starting value of money available to the budget!

Long-time readers will recall that the "reserves" used to be named differently, with names that masked the supposed allocation of the money. For this reason, we mention the arrival of a new "Reserve" fund, simply called "Other" that sits at just under $1M. What's it for? Well, "Other!"

Our view remains that an observer who sees where and how the Administration allocates and spends money should be able to draw the unequivocal conclusion that the institution is focused on its academic missions, first and foremost, that investments and reserved money are prudently and reasonably allocated. Yet, in the six-year period 2014-2019, the Division Reserves have enjoyed on average 15% growth per year, the Central Reserves have enjoyed a 7% growth per year, and the total Internally Restricted money has grown by 6% per year.

Remember that the University claims to run under not-for-profit accounting principles, while labeling any surplus as "net income." Any excess of revenues over expenses is a surplus that could have, perhaps even should have, been spent on the teaching and scholarship missions of the University.

The Division Reserves could be used now to hire a meaningful number of new UGFA members, even balancing the Administration's fascination for "strategic" hiring with UGFA members' desire for a meaningful amount of "discipline maintenance" hiring. We have yet to see that sort of hiring plan come forward. Fortunately, the hard-fought-for Letter of Understanding from January 14, 2019, on growth hiring of permanent UGFA members by July 1, 2023, ensures at least some attention to this sad situation. But we truly deserve much more!

TABLE 2. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2014	2015	2016	2017	2018	2019
Total Assets	1,731,426	1,817,362	1,831,274	2,015,056	2,115,211	2,238,029
year-to-year % change	**6.64**	**4.96**	**0.77**	**10.04**	**4.97**	**5.81**
Cash (& short-term investments)	280,397	283,268	216,168	255,113	266,254	240,914
year-to-year % change	9.70	1.02	-23.69	1.02	4.37	-9.52
cash/total assets	**16.19**	**15.59**	**11.80**	**12.66**	**12.59**	**10.76**
Capital Assets	1,036,900	1,052,451	1,086,067	1,123,477	1,212,862	1,253,172
year-to-year % change	0.93	1.50	3.19	3.44	7.96	3.32
(capital assets)/(total assets)	**59.89**	**57.91**	**59.31**	**55.75**	**57.34**	**55.99**
Short-Term Debt (Current Liabilities)	218,945	210,698	235,138	251,862	275,112	301,168
year-to-year % change	89.03	-3.77	11.60	7.11	9.23	9.47
(short-term debt) /(total assets)	**12.65**	**11.59**	**12.84**	**12.50**	**13.01**	**13.46**
Long-Term Debt (Long-Term Liabilities)	224,144	213,284	201,450	229,560	217,264	205,021
year-to-year % change	3.89	-4.85	-5.55	13.95	-5.36	-5.64
(long-term debt) /(total assets)	**12.95**	**11.74**	**11.00**	**11.39**	**10.27**	**9.16**
Internally Restricted	**262,305**	**260,101**	**261,622**	**320,792**	**288,620**	**276,882**
year-to-year % change	26.54	-0.84	0.58	22.62	-10.03	-4.07
(internally restricted) /(total assets)	**15.15**	**14.31**	**14.29**	**15.92**	**13.64**	**12.37**

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ANALYSIS OF THE STATEMENT OF OPERATIONS

The statement of operations reports all revenues, all expenses, and their difference (the surplus or deficit).

Key revenue items are government grants (MTCU, and Ministry of Agriculture, Food, and Rural Affairs) and student tuition. Key expense items are salaries, benefits, and interest (on debt).

At the end of this section, Table 4 presents the numbers.

Ideally, we hope to see increases or at least stability for each of the revenue items. We find the following.

	In 2014-2018	*In 2019*
Tuition	Yearly increases, averaging 7.2% per year, 23-27% of revenue	Increased by 4.8%, 27% of revenue
Transfer Grants	Marginal yearly increases, averaging 2.4% per year, 33-35% of revenue (2016 outlier: 8.2% increase)	Increased by 0.6%, 32% of revenue
Total Revenue	Yearly increases, averaging 3.5% per year	Increased by 4.9%
Salaries	Yearly increases, averaging 3.5% per year, 49% of expenses	Increased by 6.6%, 47% of revenue and 50% of expenses
Benefits	Stable at 5-6% of revenue or expenses	6% of revenue or expenses
Total Expenses	0.35% decrease in 2014; 3-6% increase 2015-2018; averaging 3.4% increase per year	Increased by 6.4%

In 2019, Total Revenues grew by 5%, due to a combination of increase tuition revenue and strong investment returns. Total Expenses grew by 6.4%, with half of that leap due to an increase in total salaries at the University. Revenues still exceeded expenses by $46M. So, with reference to Table 3, the first big news item is that the Administration has now maintained a surplus all the way back to 2013, with the average yearly surplus in the six-year period 2014-2019 being a jaw dropping $67M. Long-time readers will remember how the previous Administration moaned about a structural deficit after two years of expenses exceeding revenues, but any hope one might have of similar Administration concern about this structural surplus is clearly misplaced. Yet, should there not be grave concern at the fact that the

STATEMENT YEAR	SURPLUS (= REVENUES - EXPENSES)
2019	$46M
2018	$62M
2017	$90M
2016	$60M
2015	$66M
2014	$80M

TABLE 3: THE SHAMEFUL STRUCTURAL SURPLUS OF THE UNIVERSITY OF GUELPH

Should there not be grave concern that the Administration prefers not to spend this [surplus] money on the missions of the University?

Administration prefers not to spend this money on the missions of the University?

In 2019, total University salaries jumped $25M, hitting $406M, increasing by a fraction of a percentage point as a percentage of Total Revenues or Total Expenses.

The audited statements give no breakdown of total salaries by employee group, but the document always includes supplementary information which gives a bit of insight (and that we have to be guarded about trusting). We are given values for "Full-time Faculty (as of October 1st)" and "Faculty and Staff (Budgeted Positions)," but do not know for certain what these numbers are counting. For example, where are Librarians, Vets, Adjectived Deans (Assistant, Associate), Deans, and other Administration members counted, and what is the impact of the adjectives "Full-time" and "Budgeted?" In any case, from 2018 to 2019, the number of "Full-time Faculty (as of October 1st)" is reported to have grown from 789 to 823, or 4.3%, while "Faculty and Staff (Budgeted Positions)" grew from 3,032 to 3,122, or 3.3%. Things get messier, as when we look at the prior year's Audited Financial Statements, the supplementary information reported then (and in earlier years) listed "Faculty (Budgeted Positions)." By the differing values of their own data, this is a different quantity, reported as 836 in in 2018, compared to the 789 mentioned earlier.

Nonetheless, one potentially useful thing we can extract from this table comes from wondering whether

Staff ≈ "Faculty and Staff (Budgeted Positions)" – "Full-time Faculty (as of October 1st)"

Again, we cannot be certain where some of the employee classes mentioned above land in the Administration's counting, and we actually have to be guarded about trusting the counting in general. But it seems like we can conclude that the Administration is telling us that in 2019 there were 823 "Full-time Faculty (October 1st)" and 2,299 "Staff (Budgeted Positions)," giving us a candidate staff-to-faculty ratio of 2.8:1.

Interestingly enough, thanks to our involvement in the UPP, we have a separate trustworthy count from the end of 2019 of pension plan members represented by UGFA and those in all other employee groups at the University (that is what we call Staff of the University: all other employees). Just in case it needs to be said, Adjectived Deans and Deans are counted as Staff, and these truthful UPP numbers only include employees who are in a University of Guelph pension plan. The UGFA number is 822, which may make you think that, wow, that is essentially the Administration's number, but we are counting Librarians and Vets, while they were counting other bodies in the place of those UGFA members! On the other hand, the

The [University of Guelph] staff-to-UGFA ratio is 3.1:1, close to the 2.8:1 ratio we estimated from the Administration's numbers.

Staff number is 2,575, a fair bit higher than the 2,299 we roughly suggested above. The result is that, based on the count of pension plan members, the staff-to-UGFA ratio is 3.1:1, close to the 2.8:1 ratio we estimated from the Administration's numbers. For comparison purposes, the corresponding ratio at Queen's and Toronto is 2.2:1 and 2.0:1, respectively.

Yes, UGFA members per capita have one whole extra staff person each compared to our UPP partners. Put another way, getting the Guelph ratio to be in line with these partners would require increasing the UGFA member complement by 50%. With regard to our discussion of total salaries, the consequence of our observation is that total salaries at Guelph are comparatively skewed by this Staff heaviness. Earlier this year, the UGFA raised the UPP membership numbers with the Provost's Office, noting the ratios we have reported here. The response was great surprise and a proud claim of being "lean." We note here that their own employee numbers reported in the audited statements, even with the fuzziness arising from not being sure of what and how they are counting, give a ratio that lies close to what we calculate based on the UPP numbers.

The perception we hear from so many UGFA members about frequent and plentiful staff hiring may well be reality. Dean's Offices now have multiple Communications Officers, with different adjectives in their job titles. The entire University is increasingly being run by an armada of financial managers who make decisions driven exclusively by a corporate, will-this-make-money measurement—collegial governance be damned. Senior Administrators hire consultants for everything: from reviewing and advising on the structure of non-academic units to coaching problematic or challenged Administrators on how best to interact with others in the workplace. Although it is not the focus of our financial analysis, ask yourself whether the significantly higher staff-to-faculty ratio brings with it the reward of you having a lighter administrative workload.

The Administration has regularly generated tuition revenue increases in at least three ways. First, each year the tuition fee increases for in-program students. Second, in every year except 2015, the number of students has increased. And third, the Administration has shifted the demographic makeup of the student body to include a higher percentage of international students and students in professional programs. Figure 2 presents a graph from the audited statements. The surrounding text reads, "Graduate Enrolment increased by 67 FTEs, which was 2.5% higher than 2018. Undergraduate enrolment was relatively flat, increasing by 130 FTEs or 0.6%, with the slight amount of growth coming from international students." When you look at the figure, do not be too confused by the fact that the graph omits the 2018 numbers! Going back to last year's audited statements, we find undergraduate enrolments were 19,909 and graduate enrolments were 2,684, in agreement with what the quoted text implies. The seemingly slight increases that they refer to in the quoted text translated into an $11M increase in tuition revenue.

The entire University is increasingly being run by an armada of financial managers who make decisions driven exclusively by a corporate, will-this-make-money measurement—collegial governance be damned. Senior Administrators hire consultants for everything: from reviewing and advising on the structure of non-academic units to coaching problematic or challenged Administrators on how best to interact with others in the workplace.

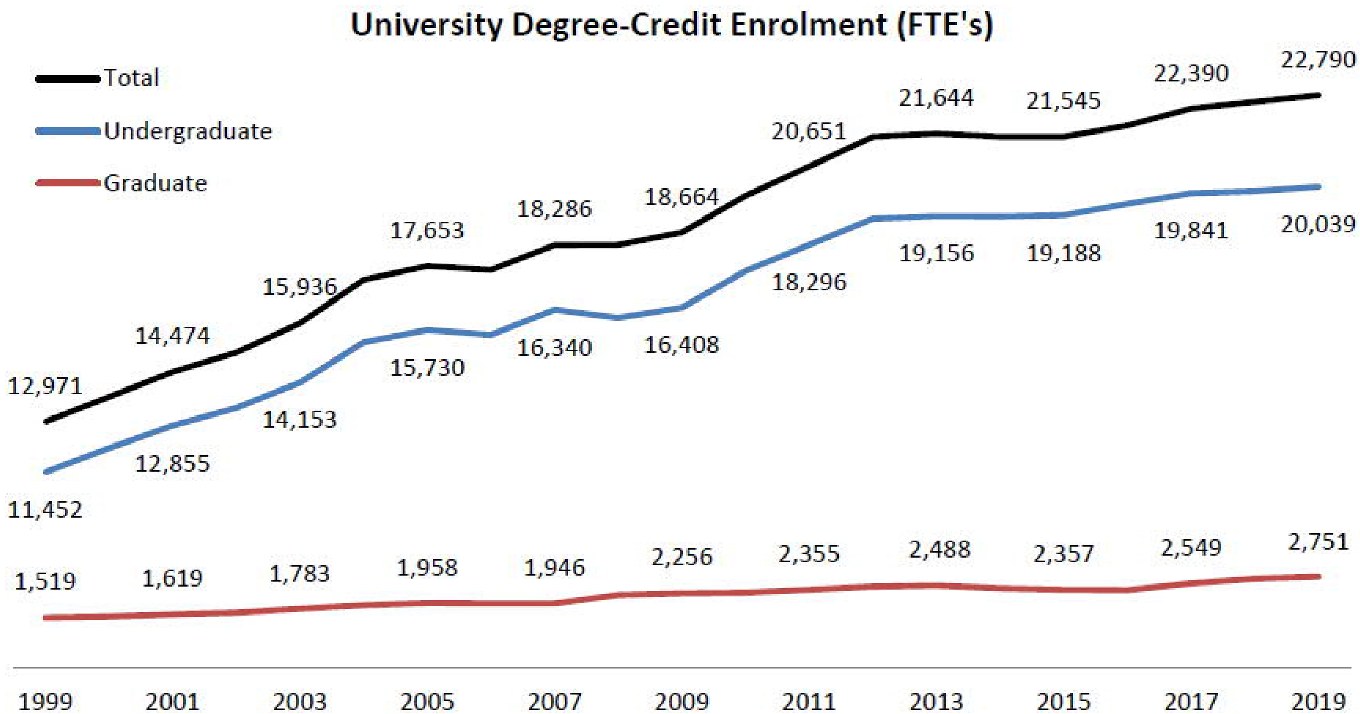

FIGURE 2: STUDENT NUMBERS

Tuition revenue has increased on average by 7.2% per year over the six-year period, translating into a $10.5M/year increase in revenue. Of course, the government caps domestic tuition increases at much less than this rate, which illustrates the impact of a substantial increase in the number of students. In addition, though, we all remember the bleating from all university administrations when the government cut tuition by 10% in 2019. Despite all of the apocalyptic language, our Administration managed to rake in an additional $11M in tuition revenue.

Looking at the yearly student growth in Figure 2 should make you wonder about the incredibly disappointing lack of meaningful growth in the UGFA member complement. Given the transient nature of the Senior Administration, maybe it is not so surprising that they adopt such a short-sighted viewpoint. They are more interested in planning their next gig than increasing the number of UGFA members in parallel with the student increases. They have no interest in ensuring our welfare, workload reasonableness, and work/life balance.

Grant funding has stayed level in challenging times. On average, each faculty member deals with far more students than they did 6 years ago, yet grants remain at more or less the same percentage of total

The entire University is increasingly being run by an armada of financial managers who make decisions driven exclusively by a corporate, will-this-make-money measurement—collegial governance be damned. Although it is not the focus of our financial analysis, ask yourself whether the significantly higher staff-to-faculty ratio brings with it the reward of you having a lighter administrative workload.

revenues. This is a testament to the commitment and professionalism of our faculty, but the downside is illustrated in our collective measure of workload and work/life balance issues: there is a breaking point.

Benefits remain a stable percentage of total revenues and total expenses. It will be interesting to see how or if the accounting of employee future benefits changes once the UPP goes live in 2021.

TABLE 4: ANALYSIS OF THE STATEMENT OF OPERATIONS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2014	2015	2016	2017	2018	2018
Revenues						
Total Revenues	745,233	759,374	767,352	818,314	825,353	865,909
year-to-year % change	3.81	1.90	2.97	6.64	0.86	4.91
Government Grants						
MTCU/MAESD	183,331	178,990	197,400	201,420	204,251	204,398
Min Agriculture, Food, Rural Affairs	64,038	69,602	70,295	71,104	74,182	75,699
Total	247,369	248,592	267,695	272,524	278,433	280,097
year-to-year % change	1.33	0.49	8.22	1.80	2.17	0.60
(govt grants)/(total revenues)	**33.19**	**32.74**	**34.89**	**33.30**	**33.74**	**32.35**
Student Tuition	170,037	177,127	198,632	214,523	222,658	233,3128
year-to-year % change	5.87	4.17	16.82	8.00	3.79	4.78
(student tuition)/(total revenues)	**22.82**	**23.33**	**25.89**	**26.22**	**26.98**	**26.94**
Expenses						
Total Expenses	669,881	689,048	707,763	731,424	769,861	819,162
year-to-year % change	-0.34	2,86	2.72	3.34	5.26	6.40
Salaries	330,391	334,009	345,341	360,127	381,018	406,027
year-to-year % change	-0.35	1.10	3.39	4.28	5.80	6.56
salaries/(total revenues)	**44.33**	**43.98**	**45.00**	**44.01**	**46.16**	**46.89**
salaries/(total expenses)	**49.32**	**48.47**	**48.79**	**49.24**	**49.49**	**49.57**
Benefits	39,608	40,788	44,077	45,915	49,119	52,545
year-to-year % change	-1.55	2.98	8.06	4.17	6.98	6.97
benefits/(total revenue)	**5.31**	**5.37**	**5.74**	**5.61**	**5.95**	**6.07**
benefits/(total expenses)	**5.91**	**5.92**	**6.23**	**6.28**	**6.38**	**6.41**
Interest Cost	12,431	12,206	11,618	11,707	11,595	11,079
year-to-year % change	2.59	-1.81	-4.82	0.77	-0.96	-4.45
(interest cost)/(total revenues)	**1.67**	**1.61**	**1.51**	**1.43**	**1.40**	**1.28**
(interest cost)/(total expenses)	**1.86**	**1.77**	**1.64**	**1.60**	**1.51**	**1.35**
Adjustments						
Unrealized Gain/Loss or Interest Rate Swap	4,584	-3,431	595	2,892	6,557	-279
Surplus or Deficit						
All Funds Combined	79,936	66,535	60,184	89,782	62,049	46,468
year-to-year % change	93.35	-16.76	-9.55	49.18	-30.89	-25.11
(surplus or deficit)/(total revenues)	**10.73**	**8.76**	**8.09**	**10.97**	**7.52**	**5.37**

ANALYSIS OF THE STATEMENT OF CASH FLOWS

This statement shows that

(starting cash) – (ending cash) = sum of cash provided or used by operations, financing, and investing.

The key items are cash flows from operations, increase/decrease in investments, and purchase/sale of capital assets.

The University should have a positive cash flow from operations to avoid risk. Otherwise, the University must be borrowing money to operate, which is risky behavior, particularly if it is a multi-year pattern.

At the end of this section, Table 5 presents the data.

Cash flows from operations in 2019 were $74M, a 25% drop from the past three years, but still huge. The average of cash flows over the six-year period is $91M per year.

In 2019, new investments amounted to $18M, or 2% of Total Revenues.

Although 2018 was the record year for spending money on capital assets, 2019 saw the second-highest level of such spending in the six-year period, at an amazing $89M, a little more than 10% of Total Revenues. During the six-year period, the Administration spent an average of $81M per year on capital assets, for a total of $489M.

The audited statements make short shrift of the capital spending, simply saying that it "included the continuation of several major building projects as well as the start of new projects that will be completed over the next several years." Clear as day. A bit more insight comes from the details of two tables.

2019 saw the second-highest level of such spending in the six-year period, at an amazing $89M, a little more than 10% of Total Revenues. During the six-year period, the Administration spent an average of $81M per year on capital assets, for a total of $489M.

It is reported that "SIF" spending was $14.2M. That's the Strategic Investment Fund spending; the University received $26.2M from the government for six projects:

- A bio-carbon innovation and commercialization centre;
- A biosafety level 2 production animal research isolation unit;
- A food innovation centre;
- Expansions and renovations of the library;
- Renewal and renovations of the MacNaughton Building; and
- Renovations to the Reynolds Building.

In the previous audited statements, the estimated total spending on these projects was $66.6M, with $47.7M spent up to 2018. The current statements report that total cost is now $69.1M, with total spending at $67.6M. In other words, very close to $20M was spend in 2019 to almost finish up these projects; another $1.5M still has to be spent.

The remaining $69M in capital spending is split into $39M on buildings and $20M on equipment and facilities. Some other big capital projects are

- the OVC Master Plan, spending $10M in 2019 (plus $13M over the prior two years) on a project now slated to cost $34.2M;
- the relocation of the Turfgrass Institute, costing $1.2M in 2019 (plus $3.3M in the prior two years) on a project with an $18.3M price tag (revising from $15M last year);
- The ImprovLab Theatre & MacKinnon Building renovation, costing $1.6M in 2019, with a total cost of $20.3M, with $2M for ImprovLab coming from CFI;
- the greenhouse gas campus retrofit, costing $9.5M in 2019, completed, and following on the heels of having spent $26.2M on the energy retrofit project in the prior three years;
- the Former VMI Building, costing $1.2M on a project with a $13.3M; and
- the Powell Building renovations, costing $4.3M in 2019 (plus $8M last year)Student Housing South Residence Exterior Rehabilitation, costing $4.7M in 2018.

Remember that the Administration took out a $40M loan in 2016 for the Mitchell Athletics Building, but has not taken out any loans since. That is, the spending listed above all comes out of Operating, the SIF funding, CFI funding, and the transfer of money out of the Internally Restricted pots. More in the next section!

TABLE 5. ANALYSIS OF STATEMENT OF CASH FLOWS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2014	2015	2016	2017	2018	2019
Total Revenues	745,233	759,374	767,352	818,314	825,353	865,909
Cash Flows From Operations	83,975	66,659	**106,685**	**114,891**	**102,097**	**74,151**
year-to-year % change	50.87	-20.62	60.05	7.69	-11.14	-27.37
(cash from operations)/(total revenues)	**11.27**	**8.78**	**13.90**	**14.04**	**12.37**	**8.56**
Increase or Decrease of Investments	21,391	40,893	127,135	169,769	22,056	17,828
year-to-year % change	-40.35	91.17	210.90	33.53	-87.01	-19.17
increase/(total revenues)	**2.87**	**5.39**	**16.57**	**20.75**	**2.67**	**2.06**
Purchase or Sale of Capital Assets	**49,082**	**58,077**	**75,563**	**82,123**	**135,210**	**88,533**
year-to-year % change	**-27.50**	**18.33**	**30.11**	**8.68**	**64.64**	**-34.52**
purchase/(total revenues)	**6.59**	**7.65**	**9.85**	**10.04**	**10.04**	**10.22**
Cash Supplied By Borrowing	**30,697**	**10,282**	**4,655**	**59,595**	**43,791**	**34,064**
year-to-year % change	**-52.95**	**-66.50**	**-54.73**	**1180.24**	**-26.52**	**-22.21**
borrowing/(total revenues)	**4.12**	**1.35**	**0.61**	**7.28**	**5.31**	**3.93**

ANALYSIS OF THE STATEMENT OF CHANGES IN NET ASSETS

This statement shows the changes in the net asset balances of each Fund and the transfers between the Funds. For each Fund,

Net Assets at beginning of year	+	(surplus or deficit)	+	(interfund transfer)	=	Net Assets at end of year

If we sum up all of the interfund transfers, we get $0, since this is just moving money around a fixed number of Funds, not adding or removing money from the system.

Over time, we have become particularly interested in transfers into and the size of the Internally Restricted funds, and we must repeat the following statement from past updates.

> *It is worth reminding readers that the distinction between the (Unrestricted) Operating Fund and the five Internally Restricted Funds is artificial from our perspective. All of these funds contain money that could be directed towards the teaching and scholarship missions of the University. Money set aside for other purposes should have clear payment or contribution plans attached in order to justify the amounts. Instead, we have now seen these set aside amounts grow from year to year for at least the past handful of years, while UGFA members work their hardest to deliver on the University's teaching and research missions, sub-optimally supported, amidst morale, workload, and health issues. The Senior Administration may say that the Board of Governors has mandated the creation of these Internally Restricted Funds, but we can't distinguish between the Senior Administration and the BoG in this regard: we can only monitor their combined actions. Remember that in the tale of the University Guelph, involving UGFA members, the Senior Administration, and the BoG, by and large UGFA members form the only set of actors committed to the University of Guelph for a career-long period. We are the guardians of the University's twin missions and also of the University itself.*

At the end of this section, Table 6 presents the data.

In 2018, after a decade of stockpiling Internally Restricted money, the Administration for the first time transferred a sizeable amount of money, $32M, out of those pots into the (Unrestricted) Operating Fund. In 2019, they transferred an additional $12M in the same way. Before you get too excited, remember that they grew the Internally Restricted money to a massive $320M, occasionally spending out of those pots and transferring more into them, so, in the past two years, they have transferred less than 15% of this money back into the Operating Fund. And, of course, this transfer does not mean that the money ends up being spent on the teaching and scholarship missions of the University. Indeed, we see that the $52M total transfers out of the Operating Fund plus the $12M taken from Internally Restricted essentially equals the $63M that was moved into the Capital Fund.

A number of years ago, one of the Internally Restricted pots was mischievously named "Equipment, Supplies, and Contingency," growing to a whopping $123M in 2015. The bulk of the money in this fund was earmarked in the footnotes of the audited statements of the time for faculty renewal, including possible retirement-incentivizing buyouts and hiring. The potential that this huge fund might attract negative government or other attention likely played a role in the reallocation of all of the Internally Restricted into the current Reserves structure (see the 2016 Financial Analysis for an illustration of the recasting of all of this money).

The fallout of that reallocation process was that this contingency fund was split and relabelled as the Division Reserves and the Central Operating Reserves. We have regularly documented the trajectory of these two Reserves because they hold the great amount of money that was originally intended to be used to hire more UGFA members.

We mention the historical intention for this money because we need to stress that the transfers of Internally Restricted money into Operating in the past two years are solely to pay for capital projects. This year, the money was transferred out of the Employee Benefit Reserves, presumably since the Administration is confident it will not have to make solvency payments thanks to the conversion of the University of Guelph pension plans to the UPP in 2021.

Understanding all of the preceding information should really make UGFA members expect that the Administration will announce a meaningful and significant UGFA member renewal and growth plan. When the UGFA bargained the UPP consent package in late 2018 and early 2019, it was strikingly clear that the Administration did not want to agree to bargained language on growth hiring. Eventually, we obtained the LOU requiring complement growth by 40 permanent UGFA members. UGFA Members should have the reasonable expectation for much more than this, and we all must keep our eyes on the Internally Restricted funds!

The Operating Fund has generated a surplus every year since 2006, except for 2012 due to changes in accounting principles.

The Capital Fund reached a peak deficit of $28M this year. This fund is always in deficit, and money is transferred into the fund continuously. The reality is that Senior Administrators looking for their next gig seem to like to have a portfolio that shows they build buildings: you can take impressive photos of new buildings with creative architectural features, but how do you take a picture of "faculty renewal" or "faculty growth?" Student enrolments grew by one-third over time, with faculty numbers flatlined, and faculty members struggling with workload and work/life balance issues. But the "right thing to do" does not really matter, even when substantial resources are present and were even intended for meaningful hiring. The goal is to build buildings, and, perhaps, virtue signal on appropriate contemporary issues without real commitment.

The cumulative transfer out of the Operating Fund since 2006 reached $797M in 2019. In 2019, 70% of the money generated through operations was shifted out of the (Unrestricted) Operating Fund into other funds.

The reality is that Senior Administrators looking for their next gig seem to like to have a portfolio that shows they build buildings. Student enrolments grew by one-third over time, with faculty numbers flatlined, and faculty members struggling with workload and work/life balance issues. But the "right thing to do" does not really matter, even when substantial resources are present and were even intended for meaningful hiring.

In Table 6, we have highlighted in red the significant shifting of money for capital expenditures. We remind the reader that brown numbers should attract your attention, and orange numbers are interesting percentages.

TABLE 6. ANALYSIS OF STATEMENT OF CHANGES IN NET ASSETS (DOLLAR VALUES IN THOUSANDS OF DOLLARS)

as at April 30	2014	2015	2016	2017	2018	2019
Surplus or Deficit Operations						
Cash Flows From Operations	83,975	66,659	106,685	114,891	102,097	74,151
Unrestricted Fund	99,436	86,777	81,043	112,105	87,088	74,302
Internally Restricted Fund						
Capital Assets	-19,500	-20,242	-20,859	-22,323	-25,039	-27,834
Total	79,936	66,535	60,184	89,782	62,049	46,468
Interfund Transfers						
unrestricted to internally restricted	57,907	0	2,083	59,170	0	0
internally restricted to unrestricted	0	2,204	0	0	**32,172**	**11,738**
unrestricted to capital fund	22,354	**52,506**	**76,007**	24,427	**96,365**	**63,414**
total transfers out of unrestricted per year	**80,261**	**50,302**	**78,090**	**83,597**	**64,197**	**51,676**
cumulative transfers out of unrestricted	**469,093**	**519,395**	**597,485**	**681,082**	**745,275**	**796,951**
(total transfers out of unrestricted per year) /(cash from operating activities)	**95.58**	**75.46**	**73.20**	**72.76**	**62,87**	**69,69**
(total transfers out of unrestricted per year) /(surplus or deficit in unrestricted fund)	**100.41**	**75.60**	**129.75**	**93.11**	**103.46**	**111,21**

FINANCIAL SCORECARD

In this section, we list a set of financial factors and associated trends that would indicate financial difficulty for the institution. In a situation where many of the trends are exhibited, we might be able to identify the existence of a structural deficit; when the great majority of the trends are not exhibited, we may reasonably conclude that no structural deficit exists. We present the list of factors, the associated undesirable trends, and the actual trends of the University, in the form of a scorecard. In the rightmost column of the scorecard, we indicated with ✓ the good trends, with × the potential worrisome trends, and with ? any unclear items.

	Undesirable trend…	*Trend at UoG since 2014*	
Revenues	Decreasing	Increasing average increase per year = 3.5% increase every year, 4.9% increase in 2019	✓
Expenses	Increasing	Increasing average increase per year = 3.4% average increase is less than average increase in Revenues	?
Surplus/Deficit	Consistent deficits	Structural surplus! Average yearly surplus = $67M	✓
Cash Balance	Decreasing	Stable average increase per year = 1.3% substantial decreases in 2016 and 2019, but still exceeding $200M, averaging 13% of Assets	✓
Total Assets	Decreasing	Increasing average increase per year = 5.5% well over $2B	✓
Capital Assets	Decreasing	Increasing average increase per year = 3.4%, $36M	✓
Short-Term Debt	Increasing	Stable accounting change in 2014 four stable years since 2016	✓
Long-Term Debt	Increasing	Decreasing accounting change in 2014 decreasing for three years	✓
Internally Restricted Fund	Decreasing	Massive, Recent Minor Decrease average increase per year = 5.8% minor decreases in 2018-2019	✓
Cash Flow From Operations	Negative amount	Stable huge amount average of $91M per year	✓
Cash Supplied From Borrowing	Increasing amount	Decreasing decreasing after big increase in 2017	✓
Cash used to Buy Capital Assets	Minimal amount	Large amount	×
Surplus/Deficit in			
Unrestricted Fund	Consistent deficit	Consistent large surplus	✓
Internally Restricted	Consistent deficit	No deficit	✓
Capital Fund	Consistent deficit	Consistent deficit	×
Endowment Fund	Consistent deficit	No deficit	✓
Transfer of Cash Between Funds	Consistent transfers to same funds	Consistent transfers from Unrestricted to Internally Restricted to Capital Fund	×

Reviewing the results of the scorecard, we conclude that there is no structural deficit at the University of Guelph. After six years of tremendous surpluses, incredible levels of set-aside Internally Restricted money generating record levels of investments, and the consistency of such results and activity, we conclude that there is a large ***structural surplus***.

Since 2017, the Audited Statements include a section presenting some metrics to measure "fiscal strength" and debt of the University. The information is presented in Table 7. The table is a bit of a dog's breakfast this year, as numerous different types of changes were made! Similar to the tables that drive our analysis, these metrics monitor certain ratios over time, with a difference being that target or expected ratios are declared.

The first two rows of Table 7 study the Primary Reserve Ratio, which looks at "expendable net assets generated by operations" and total expenses. Given these numbers for the year, their ratio suggests what fraction of a year's expenses is covered by "expendable net assets." In prior audited statements, the ratios were given with a target ratio of 0.4 declared (see the blue row 2 in the table). This translates to 0.4×(12 months)=4.8 months. In 2019, the Administration decided to map the target to days; without saying so, they kept the target ratio of 0.4, since 0.4×(365 days)=146 days, the declared target in the current audited statements. The problem we have is that multiplying the ratios provided in the past (in blue row 2) by 365 does not give the day values in row 1! Indeed, the values in 2015 and 2016 have switched order, with a higher ratio in 2015 in blue row 2 and a higher day count in 2016 in row 1. In any case, a question should be asked about the target ratio of 0.4: in what apocalyptic situation does the University need to able to run for 40% of a year based on its reserves only?

Row 3 of the table presents a growth ratio for Net Assets, in some sense a target investment return of 5%. For some reason, after generally exceeding the target and then exactly meeting it in 2018, they have dropped this tracking of this ratio. You will remember this quantity (Net Assets = Total Investments) from our discussion of the Statement of Financial Position. It leaves the Administration's indicator list in the year it crosses the $1B threshold!

The new ratio that appears (row 4) is the Net Income/Loss Ratio. The name is frustrating and we will instead call it the Surplus/Revenues Ratio. This is a measurement of how much incoming money the Administration decided not to spend. Amazingly, they openly set a target ratio of 5%, meaning that their target is to have a structural surplus, presented here as 5% of revenues being stockpiled year after year! With Total Revenues well over $800M, this target means that the Administration desires to have a yearly surplus of over $40M! (Comparing the values to Table 4, which presents the raw numbers from the audited statements as well, we don't understand why these ratios differ from those in the final row of our table.)

Row 5 presents the deleted Net Operating Revenues Ratio, which was the Surplus/Expenses Ratio. Strangely, this ratio was replaced in Row 6 by a ratio with the same name, now described as being Cash

[The Surplus/Revenues Ratio] is a measurement of how much incoming money the Administration decided not to spend. Amazingly, they openly set a target ratio of 5%, meaning that their target is to have a structural surplus, presented here as 5% of revenues being stockpiled year after year! With Total Revenues well over $800M, this target mean that the Administration desires to have a yearly surplus of over $40M!

Flows over Revenues. For some reason, they target 4% of Revenues to be moved around into other funds, and, as we know from our earlier discussions, they well exceed this target every year.

Row 7 presents the Viability Ratio, which is "expendable net assets" over external debt. The ratio has grown consistently to almost three times the target of 0.65. Note that blue row 8 presents the numbers from last year, with all values changed this year. Why? In any case, this is what is called a "wind-up" ratio: if the University closed, could the "expendable" net assets pay off the external debt? The answer is yes, indeed, almost three times. We would conclude that this means that some of the investment assets could be directed to the teaching and scholarship missions of the University. Instead, the Administration uses this ratio to determine that it can engage in more borrowing (which makes the ratio decrease)!

The final four ratios are all related to debt. The Interest Burden Ratio values were all revised this year. It is hard not to feel the corporatization of the University when reviewing these metrics.

Well beyond the use of the phrase "net income," there are indicators here that make sense in the corporate environment of private industry, but no sense at all for a University. At the risk of repeating ourselves, the University runs under not-for-profit accounting principles, and our view remains that it should be focused on serving the public through its teaching and scholarship missions.

TABLE 7. FINANCIAL INDICATORS PRESENTED IN THE AUDITED FINANCIAL STATEMENTS

	Target or Objective	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
Primary Reserve Ratio How long can the University run on reserves?	Target=146 (=days of operation)		172	173	203	184	170
ABOVE VALUES REVISED FROM	Target=0.4 (=4.8 months)	0.41	0.45	0.44	0.55	0.52	
DELETED *Return on Net Assets* Change in net assets over net assets	Expected=5%	15.7%	22.5%	0.2%	20.4%	5.0%	
NEW *Net Income/Loss Ratio* Surplus over revenues (excluding restricted funds)	Expected=5%		9.21%	8.01%	10.62%	6.72%	5.40%
DELETED *Net Operating Revenues Ratio* Surplus over expenses (excluding restricted funds)	Expected=4%	11.9%	10.7%	12.2%	11.4%	10.0%	10.0%
NEW *Net Operating Revenues Ratio* Cash Flows over revenues	Expected=4%		8.78%	14.54%	14.04%	12.37%	8.56%
Viability Ratio Expendable net assets over external debt	Target=0.65		1.51	1.61	1.77	1.78	1.86
ABOVE VALUES REVISED FROM		1.16	1.38	1.47	1.67	1.73	
Debt Servicing Burden Debt payments over expenses (excluding capital asset amortization)	Objective<5.5%	5.2%	4.9%	4.6%	4.2%	4.3%	4.5%
Interest Burden Interest payments over expenses	Objective<4%		1.89%	1.81%	1.70%	1.60%	1.44%
ABOVE VALUES REVISED FROM		2.7%	2.4%	2.2%	2.0%	1.9%	
Debt Service Coverage Net income over debt service costs	Objective>1.5%	4.0%	3.8%	3.4%	4.8%	3.4%	2.9%
Debt Per Student FTE Debt over #Student FTE	Objective<$10K (Not stated; implied)	$12.4K	$11.9K	$10.2K	$11.8K	$12.5K	$12.0K

SUMMARY & CONCLUSIONS

During 2019, we see significant stability in key revenue and expense items.

Key Revenue Items

Total Revenues	Stable or increasing
Government Grants (MTCU,OMAFRA)	Stable or increasing
Tuition	Increasing

Key Expense Items

Total Expenses	Stable or increasing
Salaries	Stable or increasing
Benefits	Stable or increasing a little
Interest Costs	Stable

The University appears to be in strong financial health.

We find that:

1. The UGFA salary mass remains a stable percentage of total revenues or total expenses.

   With that said, as we have written in the past, it is long beyond time that meaningful growth hiring of UGFA members is undertaken in order to address the human cost of the structural surplus generated in large part by dramatically increasing the number of students and stockpiling the money.

   One alarming bit of information, reflected in the Administration's numbers and the UPP data, is that the University of Guelph has a very high staff-to-faculty ratio.

2. The Administration continues to place an exceptionally high priority on capital asset expenditures, with a high level spending in 2019, without any new borrowing.

   As we have written in the past, the reader may think about the individual merit of these capital purchases, perhaps in terms of their connection to the primary missions of the University, the level of consultation and collegial governance that leads to these spending decisions, and the impact of such decisions on possible other avenues of expenditure.

3. The Administration has designated $277M as Internally Restricted.

   We have seen a total of $44M come out of the Internally Restricted pots in the past two years, all of it directed to capital purchases.

   As the transition to the UPP takes shape, solvency concerns and Pension & Benefits Guarantee Fund payments get closer to evaporating, we need to keep a sharp eye on the Division Reserves and the Central Operating Reserves. These "reserves" contain in part a large sum of money that was intended for faculty hiring. UGFA members must expect the delivery of the promise attached to that earlier intention.

   Looking beyond that earlier-earmarked money, UGFA members should be concerned about the size of carry-forwards in general, their continual growth. The poster child for the ridiculousness of the situation is the $10M in carry-forward in Open Learning, almost four times its yearly budget!

APPENDIX A

In this appendix, we provide the University's mission statement and give a brief primer on University finances.

A.1 The University of Guelph's Mission

The University's Mission Statement, approved by Senate on November 21, 1995, focuses essentially upon teaching/learning and scholarship/research:

The University of Guelph is a research-intensive, learner-centred university. Its core value is the pursuit of truth. Its aim is to serve society and to enhance the quality of life through scholarship. Both in its research and in its teaching programs, the University is committed to a global perspective.

The University offers a wide range of excellent programs, both theoretical and applied, disciplinary and interdisciplinary, undergraduate and graduate, in the arts, humanities, social sciences, natural sciences, as well as professional fields. Among these, it recognizes agriculture and veterinary medicine as areas of special responsibility.

The University attracts students, faculty, and staff of the highest quality. It is animated by a spirit of free and open inquiry, collaboration, and mutual respect. It asserts the fundamental equality of all human beings and is committed to creating for all members of its community, an environment that is hospitable, safe, supportive, equitable, pleasurable, and above all, intellectually challenging.

The University of Guelph is determined to put the learner at the centre of all it does, recognizing that research and teaching are intimately linked and that learning is a life-long commitment. The University eagerly promotes collaboration among undergraduates, graduate students, faculty, staff, and alumni, as well as with our local and international community, other educational institutions, government and business.

The University of Guelph is committed to the highest standards of pedagogy, to the education and well-being of the whole person, to meeting the needs of all learners in a purposefully diverse community, to the pursuit of its articulated learning objectives, to rigorous self-assessment, and to a curriculum that fosters creativity, skill development, critical inquiry, and active learning. The University of Guelph educates students for life and work in a rapidly changing world.

The University of Guelph invites public scrutiny of the fulfillment of its mission, especially by the people of Ontario, to whom it is accountable.

A.2 Primer on University Finances

For the completeness of this document, we present with slight modifications the primer that first appeared in our January 2013 communication.

Formal reports on University finances come in two forms: audited financial statements and budgets. Both reports are prepared by the Administration, but they differ in many ways, including those captured in this table:

	Audited Financial Statement	Budget
Third-party (auditor) oversight?	Yes	No
Who decides the assumptions and definitions?	Accounting standards	The Administration
Detail?	Limited	Substantial

The key distinction reflected by these differences is that an audited *financial statement provides an accurate report* of the financial situation of the University while a *budget provides insight into the goals and priorities of the Administration*. It is the FAC's opinion that framing things like the Program Prioritization Process (PPP) or the "structural deficit" in terms of a budget deficit obscures this distinction, for example.

Accounting measurements at Universities are made by collecting financial activity into separate areas of responsibility called "funds." Each fund tracks the assets, liabilities, revenues, and expenses in a particular area, and separate budgets are prepared for each fund. The University of Guelph currently reports on five different funds: Operating, Ancillary Enterprises, Capital, Research, and Trust and Endowment. Focusing on the first two,

- The Operating Fund is used to account for the main activities of the University, and the majority of the revenues and expenses of the University flow through this fund.
- The Ancillary Enterprises Fund is used to account for activities that support the main activities of the University. Examples are the bookstore, residence, and parking.

Money in these funds may be identified as *Unrestricted, Internally Restricted,* or *Externally Restricted.*

Unrestricted funds can be spent as the Administration desires. On the other hand, Externally Restricted funds cannot in general be spent freely; for example, government or donors may put restrictions on the use of such money. Internally Restricted funds include money that is declared as restricted by the Administration. The name should not fool you: there is *no restriction of any kind* in the use of internally restricted funds. Money with this designation can be used in any way the Administration desires or they can just store or set aside cash in this way. In the past, the Administration has responded to this description of Internally Restricted funds by noting that some external restrictions apply to ancillary operations. For example, there is a requirement to segregate funds for self-funded operations, such as Hospitality and Housing.