

**UNIVERSITY OF GUELPH**

**OMAF Agreement - 2004/2005 Budget**

For Presentation to the  
Board of Governors  
October 7, 2004

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**OMAF Agreement – 2004/2005 Budget**

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**A. The OMAF Agreement: Background**

**History:** Since its formation in 1964, the University of Guelph has had an agreement (the Agreement) with the Ontario Ministry of Agriculture and Food (OMAF) to provide agricultural-related research and diploma education services in the province of Ontario. This Agreement, which is unique in the Ontario university system is a significant share (16% or approximately \$75.3 million in fiscal 2004) of total University revenues and funds, approximately 100 faculty FTE's (Full Time Equivalents), and 460 staff FTE's working at a variety of locations across Ontario. The Agreement also provides operating, equipment and infrastructure costs including University main campus infrastructure costs of approximately \$6.6 million. Significant provincially-owned facilities operated by the University under the Agreement include: 3 campuses of the Ontario Agricultural College at Alfred and Kemptville located near Ottawa, and Ridgeway in south-western Ontario, a major laboratory testing facility located in Guelph and agricultural research stations located across Ontario. The Agreement also provides funding for both provincial agricultural diploma education which includes 875 students enrolled in the Associate Diploma in Agriculture program and the Veterinary Clinical Education Program (VCEP) which supports the clinical education of veterinary students. In May 2002 the OMAF/U of G Agreement was renewed for another five-year term ending March 2007.

**Funding:** Total 2003/2004 OMAF revenues which increased to \$75.3 million (\$73.7 million in fiscal 2003) are derived from three major sources: \$50.5 million in OMAF provincial funding, \$2.3 million in diploma tuition and \$22.5 million in revenues earned from operations of programs and facilities under the Agreement. These revenues consist of items such as the sale of goods and services such as laboratory services, continuing education and professional certification tuition and the sale of farm products. With provincial funding support having been at a constant \$50.5 million since fiscal 2001, any cost increases including coverage of general cost increases such as salaries and benefits or new program investments have been funded by a combination of increases in non-provincial revenues or program reductions. While non-provincial funding has grown substantially over the past several years to help offset cost increases (non-provincial revenues now form 33% of total funding compared to 22% in fiscal 2000), program restructuring and reductions were unavoidable in order to keep the contract in balance. This restructuring has been reflected in the past several years' budgets and continues to form the major context for OMAF budget planning (Refer to section below on Budget Context).

**Reporting and Restrictions:** Agreement funds are managed by University college/departments as specific program allocations approved jointly by the University and OMAF. All revenues received are restricted under the terms of the Agreement and are reported separately within the University's Operating Budget. Any unspent funds or deficits in a fiscal year are restricted within the Agreement and are carried forward in total to the next fiscal year. Each year, the OMAF budget is presented to the University's Board of Governors after details on the overall level of provincial support and program priorities are confirmed and key budget assumptions have been reviewed with OMAF.

**B. 2004/2005 Budget Context:**

During the summer of 2002 the OMAF Agreement budget contained a \$6.181 million projected structural budgetary deficit. In response, the University began a three-step plan, in consultation with OMAF, to transform management of the Agreement consisting of actions to:

1. Carry out a consultation with industry around rationalization of programs.
2. Close or downsize some facilities that were supporting low priority programs.
3. Develop a more business-like approach for cost recovery throughout most of the activities within the contract.

Steps one and two began in the 2002/2003 fiscal year, and continued during 2003/2004. By the start of fiscal 2004/2005, most (~95%) of the \$6.181 million of the structural deficit had been eliminated from the contract. The remainder consisted of costs primarily associated with technical staff positions awaiting redeployment to non-OMAF funded activities on campus. The accumulated

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net costs associated with the \$6.181 million downsizing resulted in a one-time deficit of \$2.995 million at the end of fiscal 2003/2004 (referred to as Transition costs).

Beginning in the 2003/04 fiscal year it was recognized that it would be critically important to find a more permanent strategy for dealing with cost increases such as negotiated settlements with staff. These were \$1.39 million in 2003/2004, and they were met through a combination of base (\$1.055 million) and one time (\$0.335 million) savings, with the one time savings now carrying forward to the 2004/2005 fiscal year as a renewing challenge. In 2004/2005, there are an additional \$1.34 million of personnel cost increases, bringing the total estimate for inflationary costs to \$1.675 million in 2004/2005. This annual inflationary increase will recur in years to come unless action is taken. Step three, therefore, of the original plan is to develop and implement a business plan for revenue generation to cover incremental inflationary costs and to institute appropriate charges (for costs) for all users of the research infrastructure. The implementation of this plan will start in the 2004/05 fiscal year. In summary, the 2004/2005 budget has been prepared in the context of the following actions:

1. A key operating objective of the University's OMAF restructuring plan is the implementation of a **full cost recovery model** for activities under the Agreement. The Laboratory Services Division has already been allocated on-going responsibility to identify sufficient external revenues to cover its share of incremental costs (\$0.48 million in fiscal 2004/2005). Moving to full cost recovery for all of the research activities, including research stations across the province, is the next implementation stage for the cost recovery model. The plan is to identify alternative sources of funding to support infrastructure costs. Researchers have been very successful at bringing in other sources of research funding to the University. Some of this research activity relies upon OMAF-supported staff and infrastructure, but to date we have not had a mechanism to distribute the costs of this infrastructure over both OMAF and non-OMAF funds coming into the University. It is critical that the implementation of a system of full-cost recovery begin in fiscal 2004/2005. To date progress has been achieved in developing a pricing system for certain services e.g., animal and research station resources. Additional technical support resources have been identified for allocation to non-OMAF funding sources and plans have been developed for the recovery of non-OMAF revenues during fiscal 2004/2005.
2. There is a strategic need to allocate more **Agreement dollars to OMAF competitive research projects**. Shifting support of faculty at the University from the OMAF contract and directing the released funds to new competitive research projects has been identified as one option toward this goal. The University will have to determine the number and timing of faculty to be moved from the OMAF contract to the University's MTCU Operating Budget however it is recognized that transferred faculty will be expected to have a regular teaching load within the University. In the 04/05 year, it is proposed to transfer \$1 million of primarily faculty costs to MTCU. (This assumption has been factored into the University's 2004/2005 MTCU Preliminary Operating Budget.) Funds released from the transfer of responsibility for these faculty costs will be used to initiate new projects within the Agreement to encourage multi-disciplinary innovative approaches to research and maximize opportunities to lever other funding sources.
3. The University will **recover transition costs** from future revenues earned within the contract in accordance with the Agreement. It is proposed to freeze the transition costs at fiscal 2003/2004 year-end balance currently projected to be \$2.995 million and start repayments at a minimum of \$0.250 million for fiscal 2004/2005. Payments will be accelerated as the full cost recovery model is implemented during fiscal 2004/2005 and beyond.

### **C. Major Budget Assumptions for fiscal 2004/2005:**

Table A summarizes the results of the major planning assumptions for the 2004/2005 Agreement budget. The total budget challenge is estimated at \$3.245 million (about 4.4% of the total budget). This target includes a provision of \$0.250 million to be allocated towards repayment of the accumulated unfunded transition costs, reducing the balance to \$2.745 million. Section D (below) summarizes the major budget planning assumptions used to develop the 2004/2005 OMAF budget.

In developing solutions to address the \$3.245 million, units were asked to focus on both increased revenues and funds earned from implementation of full cost recovery for research infrastructure. *(These recoveries are reflected in the Agreement budget as cost-recovery "Interfund transfers". They are available funds held in University faculty research account funds outside the Agreement budget that can be used to support related research infrastructure costs).* An important first task for the implementation of cost-recoveries from other funds is the identification of OMAF-funded technical staff and infrastructure costs that are appropriately chargeable to other funds. An initial review of all positions and key infrastructure costs was completed for 2004/2005 and efforts will continue to develop more accurate pricing and allocation of the University's total (including OMAF funded) research infrastructure costs.

Cost savings were also identified to assist in meeting the overall budget target, however, while most of these savings did involve personnel costs, they did not involve any involuntary terminations of staff. *(Between March and May 2004, the University opened an early retirement and resignation "window", referred to as the VERR program, for staff and faculty which assisted in identifying certain savings towards the budget target. Costs of this program are to be repaid over three years from MTCU Operating Budget savings. OMAF-funded positions were eligible for this program.)*

#### **Cost Increases:**

Under the current arrangement, the Agreement budget is responsible for covering cost increases for mainly staff (non faculty) salaries and benefits. *(Note: Agreement financial support for faculty costs is recorded as an annual fixed i.e., no exposure to salary or benefit cost increases, charge of \$7.915 million.)* It is estimated that the costs of salary and benefit increases for staff supported by the Agreement will be \$1.34 million in the 2004/2005 fiscal year. Overall, it is proposed to cover these cost increases mainly from new sources of revenues and cost-recoveries.

#### **Covering the Cost Increases:**

This budget contains plans submitted by each major unit to assist in meeting the overall balanced budget objective. In those plans, units have been encouraged to raise funds from external research, increased enrolments or other sources. Units are expected to build on their research and teaching infrastructure capacities to generate additional revenues to support operations. With this objective, units have targeted \$1.080 million in new revenues or about 30% of the total budget target (over \$3.245 million), for fiscal 2004/2005.

In addition to new revenues, a key solution for meeting the challenge of cost-increases involves the introduction of cost-recovery for research infrastructure for all programs (refer to Section B. action 1.). Toward this goal departments will identify new support for existing program structural costs of \$0.880 million. These funds will be found from mainly non-OMAF research sources (e.g., most faculty have several sources of research funding, OMAF being only one of those sources). It is proposed to allocate some of those funds to support OMAF research infrastructure costs).

Additional funds of \$0.285 million have been identified in 2004/2005 from a variety of smaller cost saving initiatives including VERR position savings. Finally, \$1.0 million in savings was realized by reducing support for faculty positions. (These costs were effectively transferred to the MTCU Operating budget and were provided for in the Preliminary MTCU Operating budget approved by the Board of Governors in April, 2004. Refer to Section B. action 2.)

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**Transition Costs \*:**

Given the size and complexity of the 2002/2003 restructuring, \$4.285 million in one-time transition costs were incurred, of which \$1.290 million were covered from additional one-time revenues and savings in that year leaving a net cost of \$2.995 million at the end of fiscal 2003/2004. Revenues were generated from the net proceeds of livestock sales and interest earned on Agreement advances. No further transition costs related to these reductions will be incurred.

It is proposed to repay the accumulated transition costs as quickly as possible, but no later than the end of fiscal 2007. Repayments will be found within the Agreement from annual savings or net revenues. In fiscal 2004/2005 it is proposed to repay at least \$0.250 million of these accumulated costs.

*(\* Transition costs were incurred mainly because of the time it takes to realize savings. For example, departments filed plans to eliminate positions. However, because a position which had been targeted for cancellation could not be eliminated until part way through a fiscal year (it may have been occupied and therefore the funds were committed until the position was vacated), the full impact of related savings were not realized in that fiscal year. In this case funds were provided on a one time basis effectively funding the position from the beginning of the fiscal year until it was deleted. Additional transition costs were incurred for the costs of closing or moving facilities or activities and the costs of employee terminations/retirements/relocations.)*

<b>Opening Net Accumulated Transition Costs</b> (from fiscal 2003/2004)	(2.995)
<b>Less: Increased revenues for repayment of Transition Costs</b>	
These are specific revenues identified mainly from centrally managed accounts such as interest earned on the Agreement cash flow and the sale of livestock.	0.250
<b>Ending Net Accumulated Transition Costs</b>	
It is proposed to repay the accumulated transition costs as quickly as possible from annual savings or net revenues no later than the end of fiscal 2007 (maximum of three years).	(2.745)

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**D. Summary of 2004/2005 OMAF Budget Assumptions:**

The summary of the major changes (**incremental to base budget**) proposed for Agreement Budget are presented in the table below. The end result is \$0.250 million net revenues projected for the 2004/2005 fiscal year to reduce the net accumulated Transition Costs to \$2.745 million.

<b>D.1</b>	<b>Opening Deficit and Core Commitments (the budget “Problem”)</b>	<b>\$ millions</b>
<b>D.1.1</b>	<b>Opening Base Budget Deficit:</b> The first step in the budget process each year is to review the prior year's budget and remove any “one-time” budget adjustments. This results in what is referred to as the base budget. The difference between total base revenues and expenses becomes the starting point for the budget planning process. For fiscal 2004/2005 the starting base budget position was a \$0.655 million deficit (It is important to note that this is NOT an actual deficit however unless addressed it could result in a deficit at the end of the fiscal year). The 2004/2005 Base Budget Deficit consisted of outstanding 2002/2003 base reductions of \$0.320 million and prior year personnel cost increases of \$0.335 million. Both of these items were covered by one-time solutions in previous years.	(0.655)
<b>D.1.2</b>	<b>Salary and Benefit Cost Increases:</b> Increases related to Agreement personnel costs (Salaries and Benefits) of \$1.340 million are estimated for the 2004/2005 fiscal year. The assumptions used in this estimate are consistent with the assumptions used in all of the University's general budget planning and contain provision for increases for all University employee groups charged to the Agreement.	(1.340)
<b>D.1.3</b>	<b>Estimated 2004/2005 Transition Repayment:</b> The costs of completing the major 2002/2003 restructuring of the Agreement (\$6.181 million in cost re-allocations) totalled \$4.285 million to the end of 2003/2004. These costs were all one-time and will be covered over several years from Agreement revenues. To date, \$1.290 million has been repaid with an additional \$0.250 million designated for 2004/2005 (refer to section C below). It is planned to accelerate repayments as revenues and cost recoveries become available.	(0.250)
<b>D.1.4</b>	<b>Create funds for new competitive research projects:</b> These funds will be used to initiate new projects within the Agreement to encourage mutli-disciplinary innovative approaches to research and maximize opportunities to lever other funding sources. The source of funds for this initiative will be reduced support for faculty positions (refer to D.8 below).	(1.000)
<b>D.1.5</b>	<b>Total Opening Deficit and Core Commitments</b>	<b>(3.245)</b>

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<b>D.2</b>	<b>Revenues, cost savings and cost recovery transfers (Solutions to the budget problems)</b>	\$ millions
<b>D.2.1</b>	<b>Increased Unit Budget Revenues:</b> These are increases in revenues earned from a variety of functional areas for services such as laboratory testing and education and research contract services.	1.080
<b>D.2.2</b>	<b>Cost Savings:</b> Expenses have been decreased in OVC \$0.060 million and OAC \$0.225 million to provide for expected cost increases. Savings will be realized primarily in the personnel category. Savings identified to date will be realized through the University's Voluntary Early Retirement/Resignation (VERR) program or the closing of vacant positions.	0.285
<b>D.2.3</b>	<b>Cost Recovery Transfer:</b> Plans have been prepared to charge other research (non-operating fund) projects for a share of research infrastructure (mainly technical staff and associated costs). These funds are mainly unrestricted research dollars held by faculty in the departments using identified infrastructure for research activities.	0.880
<b>D.2.4</b>	<b>Reduced Faculty and Service Cost Support:</b> As part of the objective to create more competitive funds for research within the OMAF contract, the University and OMAF have agreed to reduce the contribution for faculty costs by \$1 million. In accordance with the agreement the \$1 million reduction has been prorated between the faculty contribution (\$0.810 million) and the central support costs contribution (\$0.190 Million). This is in the same proportion that direct costs are to central support costs at the Guelph locations (approximately 23.5%).	1.000
<b>D.2.5</b>	<b>Total solutions including revenues, cost savings and cost recovery transfers:</b>	<b>3.245</b>

*\* It should be noted that the 2004/2005 Budget includes departmental carry-forward funds remaining at the end of the previous fiscal year, 2003/2004. (Carry-forwards are departmental unspent funds or net revenues over annual budget targets remaining at fiscal year end committed for open purchases orders, capital equipment, multi-year projects or helping meet future years' departmental budget targets.) The 2004/2005 Budget determines the total approved expenses/revenue limits for units, however, it is normal to expect departments to under spend in any year. Any funds remaining for carry-forward purposes in fiscal 2004/2005 will be determined at the end of the fiscal year in April 2005.*

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**E. 2004/2005 OMAF Budget – Description of Charts and Tables:**

**Chart A: Agreement: Total Expense\* Budget by Location**

Chart A compares the OMAF expense budget by major location incorporating the budget assumptions as presented.

**Chart B: Agreement: Diploma Program Enrolments by Location**

Chart B compares the OMAF diploma student enrolment by location over a time series 2001/2002 actual to 2004/2005 Budget.

**Chart C: Agreement: Revenue by Major Category 2001/2002 to 2004/2005**

Chart C compares the OMAF revenues in each major category over a four year period including the 2004/2005 budget.

**Chart D: Agreement: Expenses by Major Category 2001/2002 to 2004/2005**

Chart D compares the OMAF expense budget by major category incorporating the budget assumptions as presented.

**Table A: OMAF Budget, By Unit and Major Expense category**

Table A shows the 2004/2005 OMAF Budget incorporating all budget assumptions, by major category of expense and organizational group.

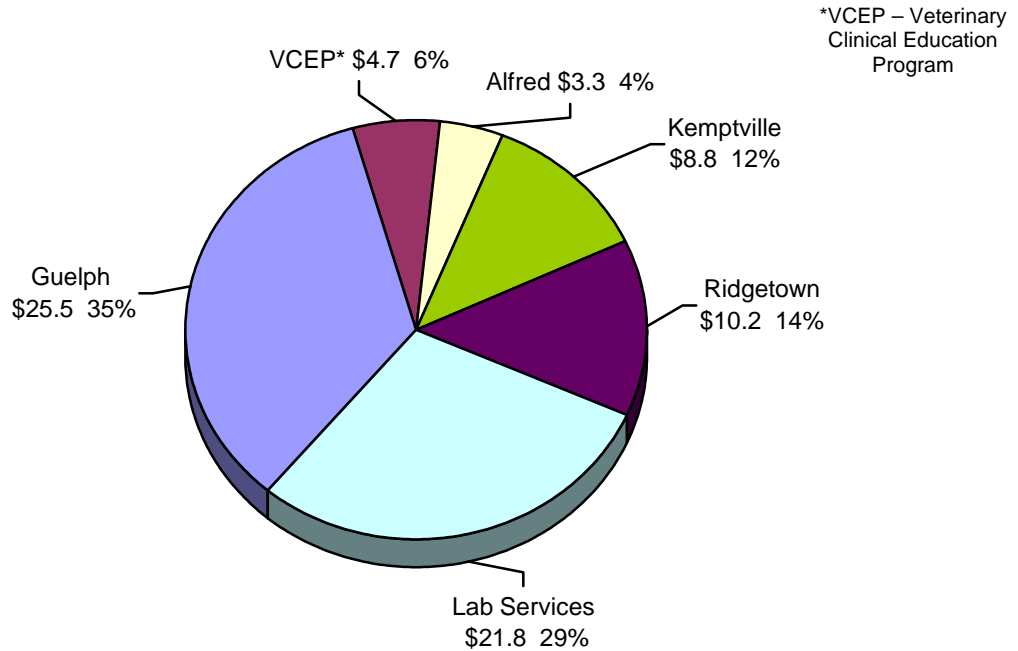
**Table B: OMAF Budget, By Type - for the Years 2001/2002 to 2004/2005**

Table B presents the 2001/2002, 2001/2002 and 2003/2004 actual results by revenue and expense type compared with the 2004/2005 budget, using the assumptions contained in the narrative.

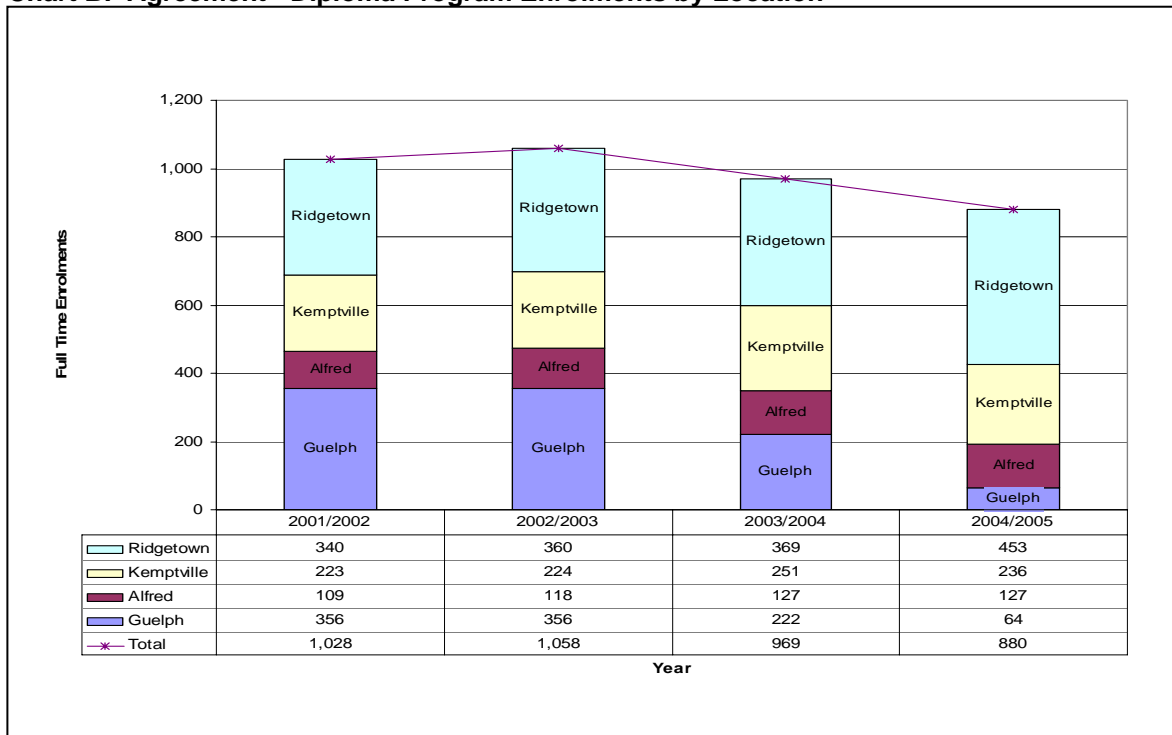


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**Chart A: Agreement: Total 2004/2005 Expense Budget by Location: Total \$74.3 Million**



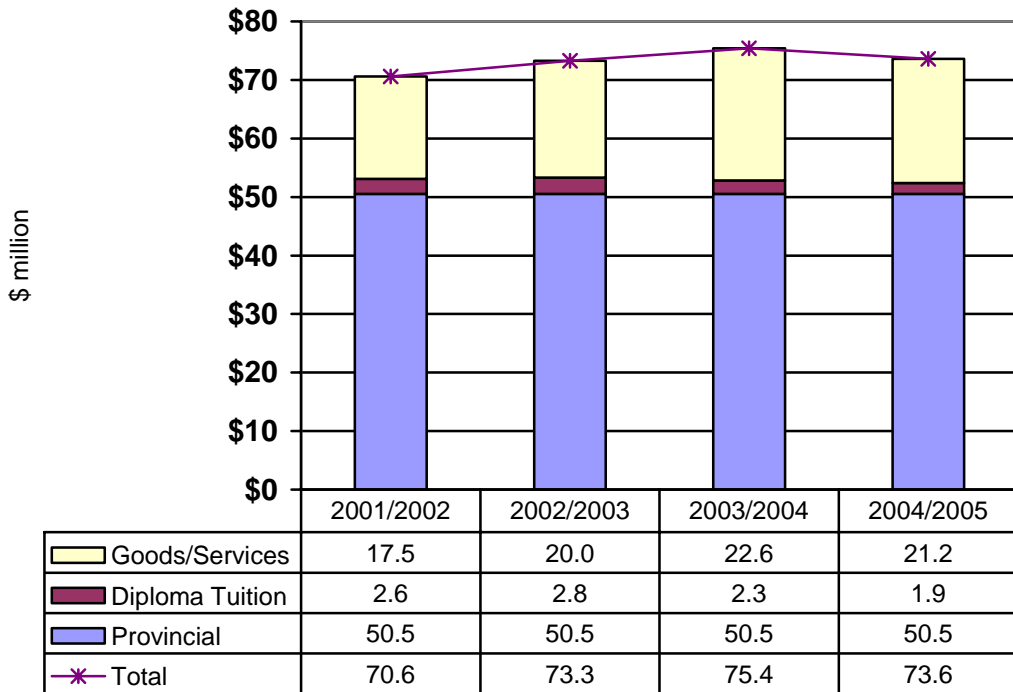
**Chart B: Agreement - Diploma Program Enrolments by Location**



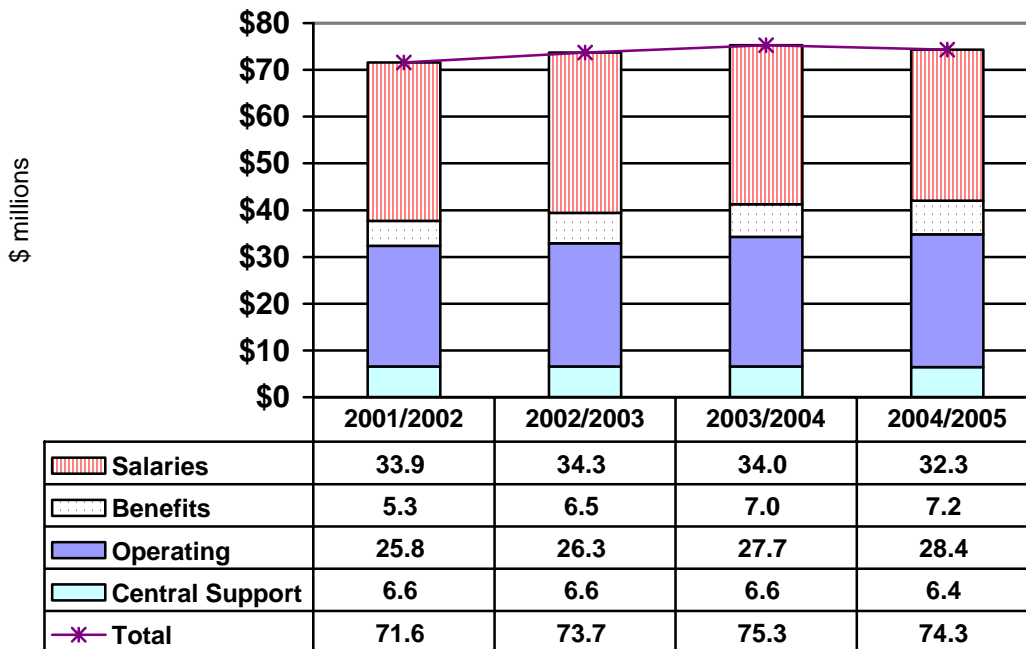
Note: With the exception of a program in turf management which has a total projected enrolment of 64 students, all diploma programs at the Guelph campus were phased out at the end of fiscal 2003/2004. (September 2002 was the year of the last intake for most diploma programs on the Guelph campus.)

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**Chart C: Agreement: Revenue by Major Category 2001/2002 to 2004/2005**



**Chart D: Agreement: Expenses by Major Category 2001/2002 to 2004/2005**



**University of Guelph  
2004/2005 OMAF Budget  
By Unit and Major Expense Category**

**Table A  
(in \$ Thousands)**

	(A) Total Salaries	(B) Total Benefits	(C) = (A)+(B) Total Personnel	(D) Faculty Pool Costs	(E) Operating	(F) Dept Cost Recovery	(G) = (C)+(D)+(E)+(F) Total Expenses	(H) Revenues	(I) = (G)+(H) Net Annual Budget
<b><u>Institutional Revenues</u></b>									
Provincial Funding								50,500	50,500
<b>Total Institutional Revenues</b>								<b>50,500</b>	<b>50,500</b>
<b><u>Institutional Expenses</u></b>									
<b><u>Teaching Units</u></b>									
College of Biological Sciences	0	0	0	188	196		384		384
College of Social and Applied Human Sciences	0	0	0	129	114		243		243
Ontario Agricultural College #1	16,164	3,594	19,758	4,731	8,849	(518)	32,820	#2 (11,301)	21,519
Ontario Veterinary College - VCEP	1,809	418	2,227	1,400	1,073		4,700		4,700
Ontario Veterinary College - Other	708	162	870	1,290	364		2,524		2,524
College of Physical and Engineering Sciences	164	37	201	177	76		454		454
<b>Total Teaching Units</b>	<b>18,845</b>	<b>4,211</b>	<b>23,056</b>	<b>7,915</b>	<b>10,672</b>	<b>(518)</b>	<b>41,125</b>	<b>(11,301)</b>	<b>29,824</b>
<b><u>Academic Services</u></b>									
Guelph Research Stations & Services	3,719	796	4,515		1,720		6,235	(740)	5,495
Exigency & LRF	0	0	0		475		475	(725)	(250)
Lab Services Division	9,714	2,221	11,935		11,689	(1,790)	21,834	(10,393)	11,441
Central Support Costs	0	0	0		6,410		6,410		6,410
<b>Total Academic Services</b>	<b>13,433</b>	<b>3,017</b>	<b>16,450</b>	<b>0</b>	<b>20,294</b>	<b>(1,790)</b>	<b>34,954</b>	<b>(11,858)</b>	<b>23,096</b>
<b>Total Expenses</b>	<b>32,278</b>	<b>7,228</b>	<b>39,506</b>	<b>7,915</b>	<b>30,966</b>	<b>(2,308)</b>	<b>76,079</b>	<b>(23,159)</b>	<b>52,920</b>
New Initiatives					1,000		1,000		1,000
Accumulated Transition Costs					(2,745)		(2,745)		(2,745)
<b>Total Expenses</b>	<b>32,278</b>	<b>7,228</b>	<b>39,506</b>	<b>7,915</b>	<b>29,221</b>	<b>(2,308)</b>	<b>74,334</b>	<b>(23,159)</b>	<b>51,175</b>
Carryforward from Prior Years					(675)		(675)		(675)
<b>Net Annual Budget</b>	<b>32,278</b>	<b>7,228</b>	<b>39,506</b>	<b>7,915</b>	<b>#3 28,546</b>	<b>(2,308)</b>	<b>73,659</b>	<b>(73,659)</b>	<b>-</b>

**Notes:**

- #1 Ontario Agriculture College includes major college and research locations in Alfred, Kemptville and Ridgetown.
- #2 OAC Revenue includes Guelph campus (\$174), Alfred (\$1,301), Kemptville (\$4,635) and Ridgetown (\$5,191); estimates for major categories include Diploma Enrolments (\$1,938), Continuing Education (\$4,805) and Sales of Goods and Services (\$4,558).
- #3 This presentation includes Interfund transfers of non-OMAF funds of \$0.880 million for research infrastructure costs netted in the "Operating" expense line under column E.

**Definitions:**

- Dept Cost Recovery" are non-cash transfers based on inter-departmental services provided for laboratory and other services.
- "Revenues" in department revenues are external cash charges for services provided through either the sale of goods and services to third parties; contracted services; or diploma and continuing education enrolments.
- "Central Support Costs" are the transfers to the MTCU budget in support of infrastructure provided to the OMAF agreement.
- "Carryforward from Prior Years" are funds generated by cost savings or net revenues in a fiscal year allocated for spending in the following fiscal year.
- Net Annual Budget" is the total of departmental expenses less departmental cost recoveries and revenues for each major unit. Net budget is the total allocation amount with which budget managers are controlled and measured at the end of each fiscal year. Any surplus or deficit at year-end within policy limits is credited to or charged against the unit as a "Carryforward" in the following year's budget.

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2004/2005 OMAF Budget - Gross Expenses  
(in \$ Thousands)

**By Type**  
**Table B**

	<u>2001/2002</u>		<u>2002/2003</u>		<u>2003/2004</u>		<u>2004/2005</u>		Notes
	<u>Actual</u>	% Chg	<u>Actual</u>	% Chg	<u>Actual</u>	% Chg	<u>Budget</u>	% Chg	
<b><u>Revenue</u></b>									
Provincial Funding	50,500	0.0%	50,500	0.0%	50,500	0.0%	50,500	0.0%	#1
Diploma Tuition Fees	2,631	-2.0%	2,805	6.6%	2,346	-16.4%	1,938	-17.4%	#2
Sales of Goods and Services	17,471	17.6%	19,963	14.3%	22,557	13.0%	21,221	-5.9%	#3
<b>Total OMAF Revenue</b>	<b>70,602</b>	<b>3.8%</b>	<b>73,268</b>	<b>3.8%</b>	<b>75,403</b>	<b>2.9%</b>	<b>73,659</b>	<b>-2.3%</b>	
<b><u>Expenses</u></b>									
Established Faculty	2,505	-67.9%	2,731	9.0%	1,835	-32.8%	433	-76.4%	#4
Other Established Staff	22,395	-1.3%	21,759	-2.8%	21,184	-2.6%	21,884	3.3%	
<b>Total Established Staff</b>	<b>24,900</b>	<b>-18.4%</b>	<b>24,490</b>	<b>-1.6%</b>	<b>23,019</b>	<b>-6.0%</b>	<b>22,317</b>	<b>-3.0%</b>	
Total Temporary Staff	8,966	0.9%	9,895	10.4%	11,044	11.6%	9,961	-9.8%	#3
Benefits	6,815	-12.1%	7,044	3.4%	7,046	0.0%	7,228	2.6%	
<b>Total Personnel</b>	<b>40,681</b>	<b>-13.7%</b>	<b>41,429</b>	<b>1.8%</b>	<b>41,109</b>	<b>-0.8%</b>	<b>39,506</b>	<b>-3.9%</b>	
Net Operating Costs	21,919	17.1%	20,517	-6.4%	21,376	4.2%	24,986	16.9%	#5
<b>Gross Direct Expenses</b>	<b>62,600</b>	<b>-5.0%</b>	<b>61,946</b>	<b>-1.0%</b>	<b>62,485</b>	<b>0.9%</b>	<b>64,492</b>	<b>3.2%</b>	
Central Support Costs	6,600	0.0%	6,600	0.0%	6,600	0.0%	6,410	-2.9%	#5
Faculty Pool Costs	6,350		6,350	0.0%	7,210	13.5%	7,915	9.8%	#4, #5
Pension & One Time Savings	(3,270)		(500)						#6
Interfund Transfers	(606)		(720)		(991)		(1,738)		#7
Accumulated Transition Costs							(2,745)		#8
<b>Savings, Transfers and Transition Costs</b>	<b>9,074</b>		<b>11,730</b>		<b>12,819</b>		<b>9,842</b>		
<b>Total Expenses</b>	<b>71,674</b>	<b>14.5%</b>	<b>73,676</b>	<b>2.8%</b>	<b>75,304</b>	<b>2.2%</b>	<b>74,334</b>	<b>-1.3%</b>	
<b>Annual Net Income(Expense)</b>	<b>(1,072)</b>		<b>(408)</b>		<b>99</b>		<b>(675)</b>		
add: Carryforward from Prior Year	2,056		984		576		675		#9
OMAF Funds Unspent	984		576		675		0		
less: Carryforward to Following Year	984		576		675				
<b>Net Income(Expense)</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>		

**University of Guelph**  
**2004/2005 OMAF Budget - Gross Expenses**  
**(in \$ Thousands)**

*Notes for Table B*

**Notes**

- #1 For the 2004/2005 fiscal year, the agreement revenue remains fixed at the annual amount of \$50.5 million (the same level since 2000/2001).
- #2 The phase-out of the Agriculture and Horticulture diploma programs at the Guelph campus has resulted in a net drop in diploma enrolment over two years of approximately 200 students (see chart B) which is reflected by the corresponding decrease in diploma tuition fee revenue.
- #3 Significant goods and services revenue growth has been recorded including approximately \$4.0 million in fees in the Labs Services Division since 2001/2002. This includes a large contract related to the Plum Pox virus program. For 2004/2005, this project is unlikely to continue at the same level. This activity was staffed by increased temporary staff and student positions in the Labs Services division.
- #4 The faculty positions charged directly to the OMAF agreement in 2002/2003 represented approximately 30 ftes (12 VCEP, 14 research outside of the Guelph campus and 4 in Diploma teaching at Guelph). In 2003/2004, approximately 12 ftes of faculty in the Plant Agriculture locations joined the Guelph campus Research Faculty Pool and the Guelph Diploma program started to be phased out. For 2004/2005, the 12 ftes in VCEP were moved to a separate faculty pool in OVC at Guelph, leaving approximately 5 ftes of faculty positions as direct charges to the OMAF agreement, located at the Ridgeway and Kemptville locations.
- #5 Operating costs in 2004/2005 includes \$1 million in additional funds to be made available as research operating awards in the Food and Environment programs. This \$1 million was released from the Research Faculty Pool funds (with a proportional amount from Central Support Costs) via a \$1 million reduction in support for faculty positions. In addition, the 2004/2005 Operating budget includes a significant carryforward of \$2.44 million in the Labs Services Division budget designated for the replacement of analysis equipment and new space for the Animal Health Labs in the OVC redevelopment.
- #6 Pension and One-time Savings includes Pension Contribution savings which ended in 2002/2003 due to the University's requirement to resume pension plan contributions. Other savings included other infrastructure support funds and non-recurring royalty revenues.
- #7 Interfund Transfers include revenues from other funds/sources at the University used to support and supplement OMAF agreement activities. In 2004/2005, OAC is initiating the partial support of a number of research technician positions from other funds via interfund transfers to the OMAF agreement (approx. \$0.8 million). Interfund Transfers prior to 2004/2005 include an annual contribution to the Animal Health Lab by OVC (approx. \$0.5 Million) and the provision of interest earned annually on Agreement cashflow (approx. \$0.250 million in 2003/2004), along with other occasional
- #8 As of the end of 2003/2004, Accumulated Net Transition Costs of \$2.995 million were incurred during the \$6.181 million (approx. 8.5% of total costs) budget restructuring initiative started in 2002/2003. In 2004/2005, a planned minimum repayment of \$0.250 million is included in the agreement budget, reducing the balance to \$2.745 million. It is not planned to incur any more transition costs.
- #9 Unusually high unspent funds from 2000/2001 were the result of the Lab Services Division accumulating savings as part of an approved equipment replacement program to assist its capital needs. Net unspent funds in 2001/2002 were reduced by units as a result of overall spending constraints required to meet budget targets. In 2002/2003 and 2003/2004, unspent funds in units returned to more normal levels but were offset by the accumulated transition costs incurred as a result of the \$6.181 million restructuring started in 2002/2003. Although departments are unlikely to generate carryforwards at the end of fiscal 2004/2005, the 2004/2005 budget at this point assumes they will be spent as they form part of the total authorized spending level for the units.