

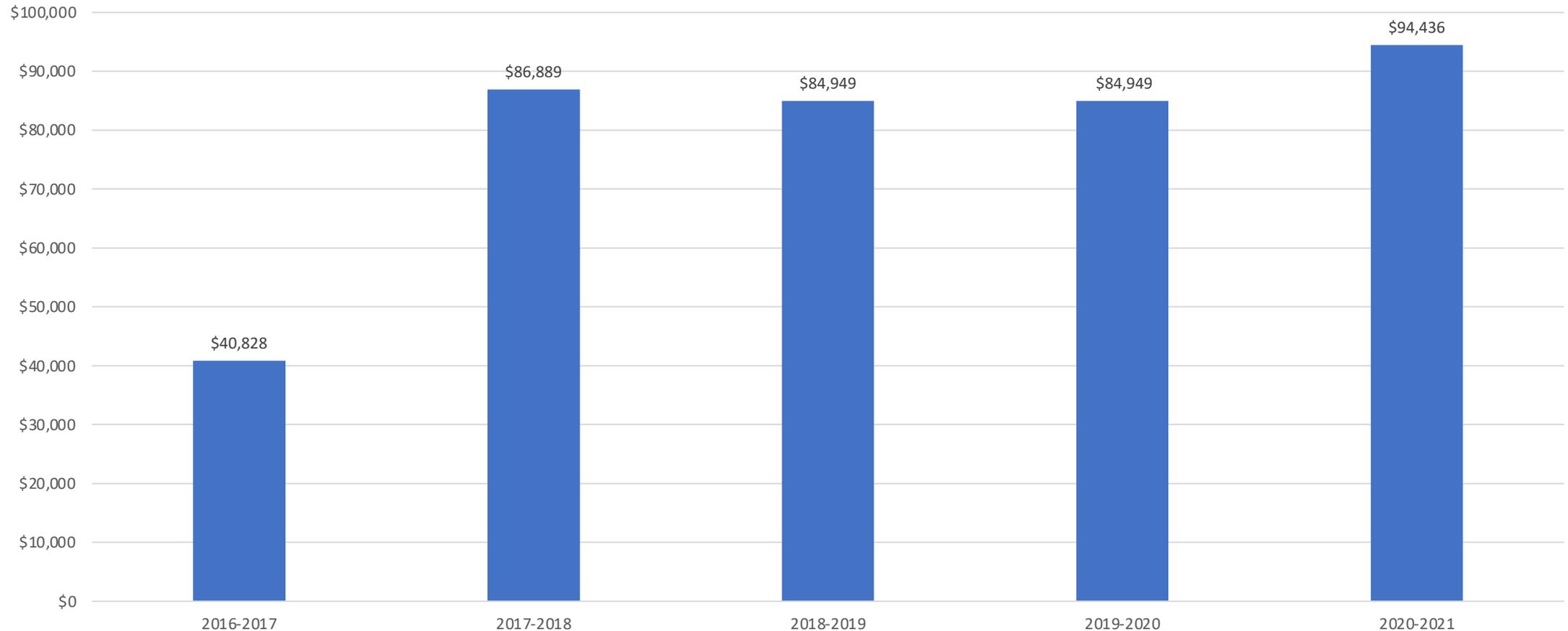
How uOttawa Misleads its Community on Matters of Financial Health:

And what you can do about it

Constant Message of Financial Crisis

- Annually, the university releases its “[Budget Book](#)” in which it notes the precarious financial position that the university finds itself in, and the measures that the community is going to have to take in order to address these challenges.
 - APUO’s July 2022 Bulletin outlines the measures that were introduced in 2015, 2016 (three separate initiatives), 2017 and 2020-2021 to “permanently reduce core budgets”, “reduce spending” and “mitigate financial risks”.
 - It should be noted that at no time did they actually say “The Sky is Falling”.
- In actual fact, as indicated in the university’s own audited financial statements, they had average surpluses of just under \$80m a year, before transfers to other accounts for one-time costs such as Capital projects.

Operating Surplus before Inter-fund Transfers 2016-2021 (in thousands of dollars)



Note: The university stopped reporting on the operating surplus before transfers to other funds in 2021, and therefore we do not have a comparable number of the 2021-2022 financial year.

The Operating Account

- The Operating Account is where the university keeps track of its day-to-day revenues and expenses and is separate from Investments (including the Endowment), Capital Account (the property, buildings and other assets) and those funds that are held in trust for research and other purposes.
- Surplus/Losses in the Operating Account provide a good sense of the underlying ability of university to fund its activities.
- The university runs very large Operating Surpluses, especially when viewed before transfers are made to other funds, such as the Capital Account, which is used to pay for construction projects.

How can they claim Financial Peril?

- The university is under no legal obligation to be honest or accurate in their forward-looking budget documents, though some caution is understandable when making projections.
 - Morally, one would expect them to attempt to paint an accurate picture of the university's financial situation.
 - One would also hope that the Board of Governor's would take issue with such constantly inaccurate Budgets being presented (if we only knew what went on in their "in-camera" sessions...).
- When the university is legally obliged to tell the truth, and have their figures scrutinized by independent third-party accounting firms, they quietly announce substantial surpluses.
 - Beware of the university's "Review of financial results" which attempt to "contextualize" the university's finances in a way that they cannot do in the Audited Financial Statements (reading a good history on the history and role of propaganda may help you to understand why the administration prepares these separate documents).
 - The past two years, however, they have realized small Consolidated Losses (before accounting for the change in the value of investments), representing 0.7%, and 0.3% of Revenues for 2021 and 2022 respectively.

Consolidated Surplus/Deficits after Transfers at uOttawa 2016-2022 (in thousands of dollars)



Note: Operating Income reported without the impact of unrealized gains (losses) on market value of investments

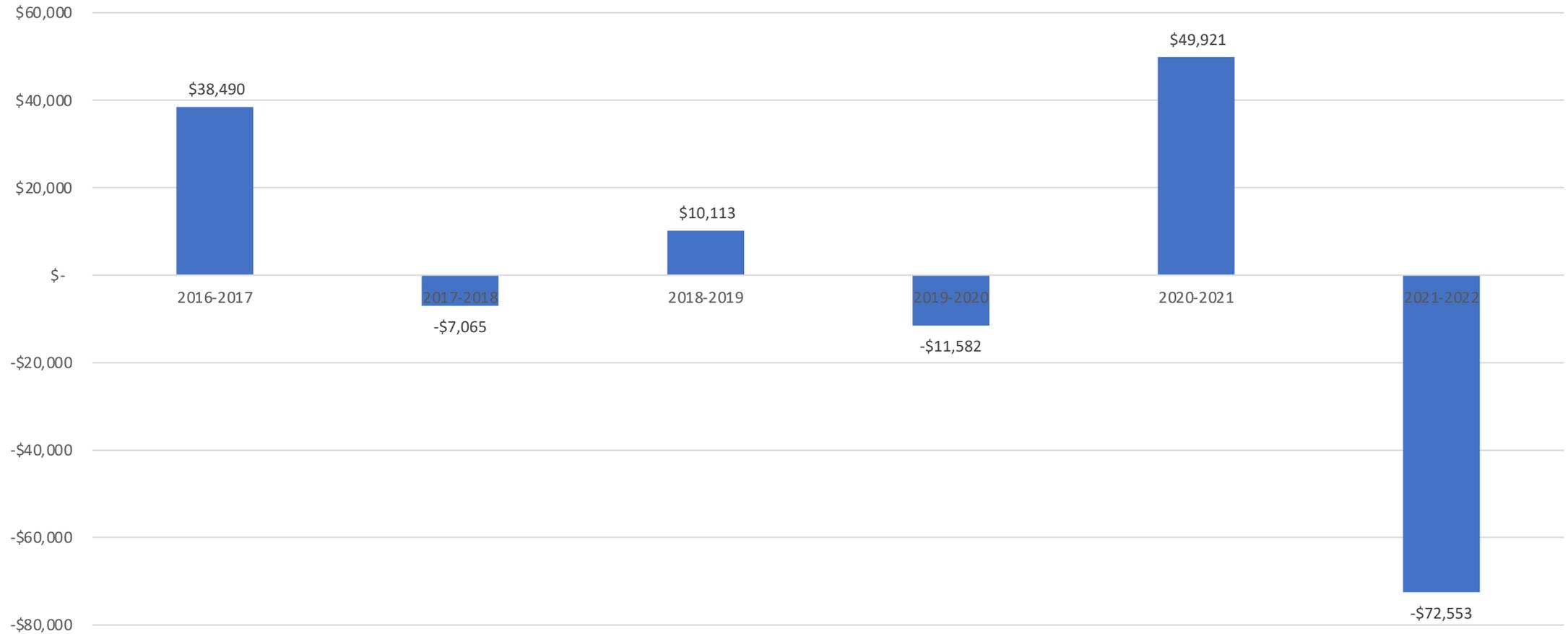
What's the Difference?

- The Operating Surpluses before Inter-Fund Transfers do not include what the university is spending on Capital projects (mostly constructing buildings), amongst a few other items.
 - In 2021-2022 (year ending April 30th), uOttawa spent about \$66m on construction projects, up from just under \$8m in 2020-2021 (during the height of the COVID pandemic).

The University's New "Crisis"

- In recent months, the administration has pointed, to amongst other issues, their losses in financial markets. It is true that the university recognized a loss on their investment portfolio at "Fair Market Value" but this by no means represents a financial crisis.
- The University of Ottawa invests in many different types of investments vehicles including Canadian and International: Equities, Fixed-Income, Real Estate, Infrastructure, Hedge Funds and Public Debt.
- These investments generate income which help finance the activities of the university. Separate from this, is the value of the underlying assets who's value changes constantly.
 - Think of the difference between the price of a stock and the stream of dividend payments that it can generate.
 - It's possible for an asset to provide consistent returns, while its underlying value changes dramatically.
- What the university is pointing to, is the underlying value of the investment assets that it holds. These assets depreciated in-line with movements in financial markets in the first quarter of 2022.

Change in Fair Market Value of uOttawa Investments 2016-2022 (in thousands of dollars)



The University's Investments

- Even when investments are not sold, Canadian accounting rules mandate that universities identify the change in the “fair value” of their investments as per the last day of their fiscal year (April 30th) in their audited financial statements.
- These are unrealized surpluses and losses. In reality, the “fair value” of uOttawa’s investments change on a day-to-day basis. If the financial market are up on the day that they are reported, the uOttawa will show a surplus in this area. If they are down, they will show a loss.
- The previous graphic shows the change in fair value of investments as reported on April 30th of 2016 through to 2022, respectively.

Investment Funds as Part of the University's Finances

- Investments help finance the activities of the university, but they represent a very small portion of revenues. Tuition Fees and a “Block Grant” from the provincial government are the primary sources of revenues, totally around 70% of revenues annually.
 - Student Accommodations, Research Grants and other Ancillary Activities also contribute to revenues.
- While the university expects that its investments will produce some positive returns each year, this represents less than 3% of the total revenues the university budgets to receive annually.
- Strong returns in recent years have provided the university with additional funds which have largely been used to pay for massive construction projects on campus.

How close will this year's budget be?

University of Ottawa Operating Fund ('000\$)

	Budget 2019-2020	Actual 2019-2020	Budget 2020-2021	Projected Actual 2020-2021	Budget 2021-2022
Revenue					
Tuition fees and other fees	444,707	448,468	477,423	465,058	524,447
Operating grants	319,753	323,195	320,439	320,453	319,545
Investment income	21,251	25,757	34,347	79,209	41,466
Sale of goods & services	8,995	8,991	8,181	3,672	7,193
Unrestricted donations	647	386	538	652	514
Others	12,159	16,782	11,660	8,947	11,601
Total revenue	807,512	823,579	852,588	877,991	904,766
Expenses					
Academic salaries	247,694	235,854	247,706	245,451	250,252
Support staff salaries	195,823	195,326	217,282	200,505	211,046
Student salaries	24,305	23,516	26,331	27,501	24,861
Employee benefits	99,741	90,909	109,899	100,107	102,319
Scholarships and financial aid	69,126	69,126	71,832	74,165	110,569
Library acquisitions	16,696	15,349	17,413	16,508	17,327
Cost of goods and services	34,246	33,159	36,432	40,512	35,006
Repairs, maintenance, utilities and taxes	29,447	26,051	27,229	26,311	29,167
Travel	8,482	7,727	1,797	2,198	4,964
Contractual services and professional fees	31,781	30,046	24,737	32,464	36,901
Interest and bank fees	17,105	18,970	24,940	25,183	26,342
Research and inter-institutional agreements	1,383	1,574	1,360	1,139	953
Other	20,815	17,281	15,075	17,077	18,615
Total expenses	796,644	764,887	822,033	809,121	868,322
Budget balance before Interfund transfers	10,868	58,692	30,555	68,870	36,444
Inferfund transfers	(28,307)	(31,706)	(35,536)	(38,722)	(45,867)
Budget balance	(17,439)	26,986	(4,981)	30,148	(9,423)

2019-2020:
Budget for \$17M Loss
Actual Surplus of \$27M

2020-2021:
Budget for \$5M Loss
Actual Surplus of \$30M

Why does the University do this?

- uOttawa has a strategic plan which includes spending massive amounts on capital projects, including new buildings.
 - They “Internally Restrict” funding for these projects and act as if they can’t change their strategy and spend on something else.
- Some of these may be needed but they necessarily impact the finances of the university overall, curtailing what can be spent on core academic activities.
 - Other choices are possible – such as reducing class sizes, investing in research etc.

What can we do?

- Challenge the university's narrative including those presented at the faculty and departmental levels.
 - Why is the university in a constant state of financial peril?
 - Why have previous dire warnings ended in large surpluses?
 - Why isn't the university reconsidering spending on a capital projects in-order to avoid deep cuts in core academic activities?
 - Why is the university leadership, and the leadership of other Ontario university's for that matter, not demanding greater per-student funding for higher education at a time when the province is running year-over-year [surpluses](#)?

Merci/Thank You

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