

2026-27 Capital Budget

A. The Nature of University Capital Expenditures

The Capital Budget for 2026-27 sets out Western's planned capital spending in the context of the proposed Long-Range Space Plan, as outlined in Table 13 of the Operating Budget. The various elements of capital spending are grouped into nine categories as shown in Table 14.

Category 1 shows all new construction, while categories 2 to 7 show renovations to existing space. Category 1 expenditures are usually funded from general University funds, the major exceptions being projects funded all or in part from external research grants, private funds, government, student contributions, and Housing construction – the latter being funded from the Housing budget. Categories 2 to 5 are funded primarily from general University funds and government, while category 6 is funded from Housing operations, and category 7 is funded by the Ancillary Unit undertaking the work. Categories 8 and 9 involve carrying costs and loan repayments, other expenditures such as purchases of land and buildings, and transfers from the Capital Budget for other purposes. Planned capital expenditures for 2026-27 total \$329.5 million.

Categories 2 to 5 involve **Maintenance, Modernization, and Infrastructure (MMI)** and are eligible to receive funds from the annual MMI transfer from the Operating Budget to the Capital Budget. These types of expenditures are directed at the modification of existing space and the renewal and expansion of the utilities and infrastructure of the University.

In planning future expenditures on MMI, it is useful to consider the Current Replacement Value (CRV) of our campus capital assets, which generally have increased because of rising construction and renovation costs over the last decade. As shown in *Figure E*, our buildings and infrastructure have a CRV of approximately \$5,202 million (as at February 20, 2026).

Figure E
CURRENT REPLACEMENT VALUE (BUILDINGS AND INFRASTRUCTURE)

| | Western University | CRV (\$M) | Square Metres | Major Buildings |
|---|---------------------------------|-----------|------------------|--------------------|
| 1 | Major Non-Residential Buildings | 3,222 | 599,081 | 80 |
| 2 | Utilities and Infrastructure | 253 | | |
| 3 | Subtotal, Eligible for MMI | 3,475 | 599,081 | 80 |
| 4 | Housing | 1,310 | 278,522 | 15 |
| 5 | Other Ancillary Buildings | 417 | 71,983 | 11 |
| 6 | Total | 5,202 | 949,586 | 106 |

The University has approximately 599,000 gross square metres spread amongst eighty major non-residential buildings. The non-residential buildings, including utilities and infrastructure, are the physical assets generally eligible for MMI expenditures.

The University also has approximately 279,000 square metres of Housing space in twelve major undergraduate residences, three major apartment buildings, and numerous smaller buildings for graduate students in Platt's Lane Estates. Other than Housing, there are many buildings which are operated largely or entirely as ancillaries: Western Student Recreation Centre, Thompson Recreation and Athletic Centre, Alumni Stadium, Boundary Layer Wind Tunnel, Western Day Care, the Spencer Hotel & Conference Centre, and facilities at the Research Parks.

With this background in mind, we describe the nine categories of University capital expenditures:

1. **New Construction.** This category includes projects which create new buildings, including housing, additions to existing buildings, and other new facilities such as parking structures or lots, power plants and athletic fields.
2. **Major Building Renovations.** This category involves major maintenance and renovation expenditures on non-residential building projects, with project timelines of more than one year.
3. **Utilities and Infrastructure Projects.** This category involves projects with values greater than \$10,000 directed at the upgrading and new installation of utilities and other infrastructure, including boilers and chillers, electrical, transportation, water and sewer distribution systems, and sustainability and energy conservation initiatives like deep energy retrofits.
4. **Modernization of Instructional and Research Facilities.** This category includes the renewal and modernization of classrooms, laboratories, libraries, and other space used for instruction and research, as well as upgrades to information technology. These expenditures are critical to maintaining Western's reputation as a leader in the quality of teaching and research. These projects are sometimes funded by the units themselves with operating or research funds.
5. **General Maintenance and Modernization Projects.** This category consists of a wide variety of maintenance and modernization projects which are not included in categories 2 to 4. Such projects include roof replacement, interior and exterior painting, road, bridge, sidewalk repair, walkway and pedestrian improvements, and general maintenance of structures and systems.
6. **Housing Renovations.** This category includes all maintenance and modernization expenditures on University residences and apartment buildings but excludes new construction (category 1). Maintenance and modernization expenditures, projected to be \$17.8 million in 2026-27, are funded from Housing revenues, which has always set aside adequate funds to manage long-term maintenance.
7. **Ancillary Projects.** This category includes capital expenditure on Ancillaries other than Housing, including Hospitality Services, the Book Store, Parking Services, student fee-funded units, self-funded support units, and self-funded research units. These units pay a charge to the University for the space they occupy.

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- 8. Carrying Costs and Debt Repayments.** This category consists of principal repayments and interest on debt for capital projects.
- 9. Other Capital Expenditures.** This category includes asset acquisitions and other miscellaneous expenditures. It has been an established principle in Western's Campus Development Strategy that the University pursue, as appropriate, the purchase of land contiguous to University property as land becomes available. Western will continue to seek to protect the Regional Facilities zoning around the main campus and to buy land near our campus when it comes up for sale. The University will also look to acquire strategic physical assets.

Table 14 includes Line A through M, additional information that is relevant to understanding the capital budget funding and financing, and maintenance expense metrics. Line A shows total sources of funding for the Capital Budget, including use of debt; line B, sources of funds less expenditure; line C, the accumulated capital reserve at year-end; and line D, capital debt outstanding at year-end. Details of these items are shown in Tables 16 and 18. Changes in the capital reserve (line C) result from funding less expenditure (line B). Thus for 2024-25, line B shows a net source of \$10.8 million, the difference between funding of \$180.8 million and expenditure of \$169.9 million. In years where the expenditure exceeds sources of funding, the reserve is drawn upon as planned, as is forecasted in the 2025-26 budget for (\$49.5 million).

Line E shows the replacement value of non-residential buildings and utilities and infrastructure, the assets eligible for MMI spending, while line F shows the ratio of the annual MMI expenditure to the replacement value. For example, in 2024-25, MMI expenditures were \$43.9 million, while the estimated replacement value of non-residential buildings, utilities, and infrastructure was \$3,649 million. The ratio of the two is 1.2% (line F), representing the contribution of maintenance, modernization and infrastructure expenditure to the replacement value of the buildings and infrastructure. Modernization and infrastructure expenditure is included as these projects often result in major renovation and infrastructure upgrades that relieve deferred maintenance expense.

Line G of Table 14 shows the annual transfer from the Operating Budget to the Capital Budget for Maintenance, Modernization, and Infrastructure (the MMI transfer). The annual transfer is \$16.0 million in 2024-25; a funding commitment that has established Western as a leader among Canadian universities in maintaining its facilities and dealing with deferred maintenance.

Line H of Table 14 shows the ratio of the annual MMI transfer to total MMI expenditures; for example, in 2024-25, the transfer was \$16.0 million, and expenditures were \$43.9 million, so the ratio is 36.5%. This ratio represents how much of the annual MMI expenditure is funded by annual transfers from the Operating Budget. This ratio will fluctuate with the level of MMI expenditure each year. Other sources of funding for MMI expenditures can include the annual capital Facilities Renewal Program grant from the Province, special Provincial grants, additional one-time allocations from the University's Operating Budget, one-time allocations from the Province, fundraising, and borrowing.

Line J contains an estimate of maintenance spending, defined narrowly as spending required to restore aging facilities up to their condition when originally built. Whenever Western undertakes a major maintenance project, there is also modernization of the facility, and whenever we carry out a major modernization project, there is generally some maintenance expenditure; it is thus difficult to separate the two. Line J is calculated on the assumption that 2/3 of the expenditures in categories 2, 3, and 5 involve maintenance (the remaining 1/3 is modernization), while 1/3 of the expenditures in category 4

involve maintenance (the remaining 2/3 is modernization). While the ratio of maintenance to modernization varies by project and year, these rates are reasonable long-term averages.

The value of estimated maintenance expenditure (line J) in 2024-25 is \$26.8 million, or 0.7% (line K) of the replacement value in that year. An industry target for this ratio is 2.0%; if buildings last an average of 50 years, then average maintenance spending should be 2.0% of replacement value. When the actual ratio is consistently lower than 2.0%, deferred maintenance accumulates, which is the case at Western and most Canadian universities. In years with significant renovations, accumulated deferred maintenance declines.

Major capital projects are outlined in Table 15. The projects reflect the Long-Range Space Plan and are assigned to one of the nine capital expenditure categories. Where possible, the year and month of the start and end of the project(s) are shown.

The list in Table 15 presents a variety of capital projects supporting academic, student and research spaces, utilities and infrastructure improvements. With new construction projects, Western continues to utilize its limited developable land in the core campus, often by using existing parking lots. This increases the pressure on available parking, and we continue to plan for construction of additional parking structures at the periphery of campus. The Campus Development Strategy, scheduled for consultation with the campus community this spring, will help guide the future planning for development of campus, including the necessary infrastructure and transportation gateways to support a growing campus footprint.

B. Sources of Funding and Capital Expenditures in 2026-27

Table 16 displays sources of funding for budgeted capital expenditures with estimates of comparative data for 2025-26. There are six major sources of funding: 1) Government grants; 2) Western's Operating Budget; 3) One-time funds from Internally Restricted Net Assets; 4) Fundraising; 5) Borrowing; and 6) Other sources.

The University must carefully balance its available resources for use in capital expenditure. For example, projects financed by debt require an ultimate funding source, and one-time funding from Internally Restricted Net Assets, such as allocations from the Major Strategic Opportunities Fund, must be used strategically since they can be exhausted.

Table 17 shows expenditures in categories 1 and 2 for 2025-26 (estimates as of March 6, 2026) and 2026-27 (current proposals).

In alignment with the priorities of Western's Strategic Plan, the University is continuing our capital plan in support of "growth and impact". We closely monitor construction market conditions and have been adjusting our capital plan and related timing of projects accordingly.

Table 14
CAPITAL BUDGET SUMMARY, 2022-23 TO 2026-27
(\$000)

| Category | Purpose | Actual 2022-23 | Actual 2023-24 | Actual 2024-25 | Projected 2025-26 | Budget 2026-27 |
|----------|---|-------------------|-------------------|-------------------|----------------------|-------------------|
| | New Construction | | | | | |
| 1 | New Construction (Table 17, line 15) | 35,439 | 34,712 | 51,059 | 136,071 | 227,174 |
| | | | | | | |
| | Maintenance, Modernization, and Infrastructure (MMI) | | | | | |
| 2 | Major Building Renovations (Table 17, line 24) | 11,321 | 5,608 | 12,079 | 21,249 | 15,800 |
| 3 | Utilities and Infrastructure Projects | 6,673 | 10,178 | 11,444 | 24,764 | 29,571 |
| 4 | Modernization of Instructional and Research Facilities | 10,682 | 12,053 | 7,308 | 10,272 | 9,236 |
| 5 | General Maintenance and Modernization Projects | 14,076 | 11,736 | 13,019 | 11,798 | 21,839 |
| | Sub-Total MMI | 42,751 | 39,576 | 43,851 | 68,083 | 76,446 |
| | Other | | | | | |
| 6 | Housing Renovations | 6,514 | 3,972 | 7,024 | 13,775 | 17,760 |
| 7 | Ancillary Projects | 2,261 | 1,637 | 2,543 | 2,949 | 7,171 |
| 8 | Carrying Costs and Debt Repayments | 904 | 839 | 821 | 800 | 700 |
| 9 | Other Capital Expenditures | 6,072 | 4,965 | 64,652 | 18,469 | 222 |
| | Sub-Total Other | 15,751 | 11,413 | 75,040 | 35,993 | 25,853 |
| | | | | | | |
| | Total Expenditures | 93,941 | 85,701 | 169,950 | 240,147 | 329,473 |

| Line | | Actual 2022-23 | Actual 2023-24 | Actual 2024-25 | Projected 2025-26 | Budget 2026-27 |
|------|---|-------------------|-------------------|-------------------|----------------------|-------------------|
| | Sources of Funding, Reserves, and Debt | | | | | |
| A | Total Sources of Funding, Including Debt (Table 16) | 117,561 | 150,839 | 180,795 | 190,692 | 228,200 |
| B | Sources of Funding less Expenditures | 23,620 | 65,139 | 10,845 | -49,455 | -101,273 |
| C | Capital Reserve, Year End (Table 18) | 207,687 | 272,825 | 283,670 | 234,215 | 132,942 |
| D | Capital Debt Outstanding, Year End (Table 18) | 320,623 | 312,246 | 303,581 | 294,560 | 290,000 |
| | | | | | | |
| E | Replacement Value of Non-Residential Buildings, Utilities & Infrastructure, \$M | 2,414 | 3,024 | 3,649 | 3,475 | 3,642 |
| F | MMI Expenditures/Replacement Value | 1.8% | 1.3% | 1.2% | 2.0% | 2.1% |
| G | Annual MMI transfer from Operating to Capital Budget | 15,500 | 15,500 | 16,000 | 16,000 | 16,000 |
| H | MMI transfer/MMI Expenditures | 36.3% | 39.2% | 36.5% | 23.5% | 20.9% |
| J | Estimate of Maintenance Expenditure | 24,940 | 22,366 | 26,798 | 41,965 | 47,885 |
| K | Maintenance Expenditure/Replacement Value | 1.0% | 0.7% | 0.7% | 1.2% | 1.3% |
| | | | | | | |
| L | Number of Major Buildings | 99 | 99 | 106 | 106 | 106 |
| M | Total Gross Square Meters (000's) | 905 | 905 | 950 | 950 | 978 |

Category 8 does not include carrying costs and loan repayments for Residences and Apartments, Research Park and the Ivey Business School Foundation.

Line B is equal to Line A Total Sources of Funding less Total Expenses.

The change in line C from one year to the next is equal to Line B.

Line J consists of 2/3 of Category 2, 3 and 5 and 1/3 of Category 4.

Table 15
MAJOR CAPITAL PROJECTS

| | | Category | Start | End |
|----|---|----------|---------|---------|
| 1 | Projects Underway, or in Advanced Planning | | | |
| 2 | New Engineering Building | 1 | Q1 2025 | Q3 2027 |
| 3 | Undergraduate Residence -- University Drive Location | 1 | Q1 2025 | Q3 2027 |
| 4 | Renovations to Create the Donald K. Johnson Leadership Centre in Toronto (Ivey) | 2 | Q1 2025 | Q2 2026 |
| 5 | Pathogen Research Centre Facility | 1 | Q3 2025 | Q2 2027 |
| 6 | The Bioconvergence Centre -- Interdisciplinary Research & Experiential Learning Facility | 1 | tbd | tbd |
| 7 | New Facilities for Health Sciences -- to support Enrolment Expansion | 1 | tbd | tbd |
| 8 | Renewal of Facilities at the West Campus (formerly Brescia) -- including space for Brescia Museum/Archives and McIntosh Gallery | 2 | tbd | tbd |
| 9 | Replacement of University Drive Bridge | 1 | tbd | tbd |
| 10 | Modernization of Alumni Hall | 2 | tbd | tbd |
| 11 | University-wide Campus Sustainability/Energy Conservation/Infrastructure Projects (multiple stages) | 1,3&5 | Ongoing | |
| 12 | Residence Renovation Projects | 6 | Ongoing | |
| 13 | Pedestrian-friendly Campus Initiatives -- <i>Open Space Strategy</i> | 1&5 | Ongoing | |
| 14 | Projects in Various Planning Stages | | | |
| 15 | Social Sciences Centre Realignment/Expansion | 2 | tbd | tbd |
| 16 | Multi-Sport Field House -- with Parking Garage | 1 | tbd | tbd |
| 17 | Projects for Future Consideration (requires funding plan) | | | |
| 18 | Ivey Facilities Expansion | 1 | tbd | tbd |
| 19 | Western Commons -- Gathering/Collision Spaces | 1 | tbd | tbd |
| 20 | Graduate and Upper-Year Housing -- Platt's Lane East | 1 | tbd | tbd |
| 21 | Western in Downtown London | 1&2 | tbd | tbd |
| 22 | Spencer Hotel and Conference Centre Renewal | 2 | tbd | tbd |
| 23 | New Research Initiatives/Partnerships at the Research Parks | 1 | tbd | tbd |
| 24 | Multi-Level Parking Structures | 1 | tbd | tbd |
| 25 | Renewal: University Community Centre, Law Building, Spencer Engineering Building, Elborn College | 2 | tbd | tbd |
| 26 | Asset Acquisitions | 9 | tbd | tbd |

Dates may use calendar quarters as an estimate of the anticipated construction start and end periods. Projects completed in multiple phases may reference multiple end dates.

Table 16
CAPITAL BUDGET: SOURCES OF FUNDING
(\$000)

| | | Projected 2025-26 | Budget 2026-27 |
|----|--|------------------------------|---------------------------|
| 1 | Government Grants | | |
| 2 | MCU Annual Capital Grant (Facilities Renewal Program) | 7,814 | 7,800 |
| 3 | CFI BRIF - Pathogen Research Centre Facility | 0 | 11,010 |
| 4 | Ministry of Environment and Climate Change Canada (Decarbonization Incentive Program) | 2,885 | 2,109 |
| 5 | MCU Capital Grant (Training Equipment and Renewal Fund) | 376 | 376 |
| 6 | CFI SDRI Biotherapeutics Centre Renovation | 950 | 0 |
| 7 | Department of Natural Resources Canada (Zero Emission Vehicle Infrastructure Program) | 45 | 0 |
| 8 | Sub-Total | 12,070 | 21,295 |
| 9 | Operating Budget | | |
| 10 | Operating Budget MMI Transfer - Base | 16,000 | 16,000 |
| 11 | Operating Budget MMI Transfer - Base (Ancillaries) | 600 | 600 |
| 12 | Operating Budget - FRSF Transfer | 3,000 | 3,000 |
| 13 | Operating Budget - CRC Transfer | 808 | 744 |
| 14 | Operating Budget - New Engineering Building | 3,418 | 5,758 |
| 15 | Operating Budget - Pathogen Research Centre Facility | 6,700 | 0 |
| 16 | Sub-Total | 30,526 | 26,102 |
| 17 | Major Strategic Opportunities Funding (MSOF) and Undistributed Investment Returns | 21,576 | 10,075 |
| 18 | Fundraising | | |
| 19 | New Engineering Building | 900 | 0 |
| 20 | Sub-Total | 900 | 0 |
| 21 | Borrowing | | |
| 22 | Undergraduate Residence -- University Drive Location | 78,406 | 100,500 |
| 23 | New Engineering Building | 8,700 | 29,500 |
| 24 | Modernization of Alumni Hall | 0 | 9,300 |
| 25 | Sub-Total | 87,106 | 139,300 |
| 26 | Other | | |
| 27 | Student Contribution - Western Student Recreation Centre | 1,600 | 1,700 |
| 28 | Sports & Recreation Services - Student Contribution for Artificial Turf Playing Fields | 235 | 240 |
| 29 | Student Contribution - New Engineering Building | 236 | 236 |
| 30 | Energy Conservation Incentives (Rebates) | 300 | 300 |
| 31 | EC Damage Insurance Recovery | 493 | 0 |
| 32 | Unit Contributions | 18,926 | 4,021 |
| 33 | Projects Funded by Housing | 13,775 | 17,760 |
| 34 | Projects Funded by Ancillaries | 2,949 | 7,171 |
| 35 | Sub-Total | 38,514 | 31,428 |
| 36 | Total Sources of Funding (In-Year) | 190,692 | 228,200 |

Table 17
CAPITAL EXPENDITURES FOR NEW CONSTRUCTION AND MAJOR BUILDING RENOVATIONS
2025-26 and 2026-27
(\$000)

| | | Projected 2025-26 | Budget 2026-27 |
|----|---|------------------------------|---------------------------|
| 1 | <i>Category 1: New Construction</i> | | |
| 2 | Undergraduate Residence -- University Drive Location | 66,178 | 100,500 |
| 3 | The Bioconvergence Centre -- Interdisciplinary Research & Experiential Learning Facility | 18,846 | 40,000 |
| 4 | New Engineering Building | 34,343 | 35,460 |
| 5 | Pathogen Research Centre Facility | 6,679 | 25,938 |
| 6 | New Facilities for Health Sciences -- to support Enrolment Expansion | 1,675 | 20,000 |
| 7 | Replacement of University Drive Bridge | 502 | 3,000 |
| 8 | Multi-Sport Field House -- with Parking Garage | 318 | 2,276 |
| 9 | Health Sciences 4th Floor Addition | 3,730 | 0 |
| 10 | Western Commons -- Gathering/Collision Spaces | 1,790 | 0 |
| 11 | Ronald D. Schmeichel Building for Entrepreneurship and Innovation | 1,175 | 0 |
| 12 | Biomedical Research Facility - Phase 1 of Medical School Project | 669 | 0 |
| 13 | Building Addition to consolidate Faculty of Education Clinics | 76 | 0 |
| 14 | Graduate and Upper-Year Housing -- Platt's Lane East | 90 | 0 |
| 15 | <i>Total, Category 1</i> | <i>136,071</i> | <i>227,174</i> |
| 16 | <i>Category 2: Major Building Renovations</i> | | |
| 17 | Modernization of Alumni Hall | 1,500 | 9,200 |
| 18 | Renovations to Create the Donald K. Johnson Leadership Centre in Toronto (Ivey) | 19,371 | 5,100 |
| 19 | Renewal of Facilities at the West Campus (formerly Brescia) -- including space for Brescia Museum/Archives and McIntosh Gallery | 0 | 1,500 |
| 20 | Weldon Library Modernization | 154 | 0 |
| 21 | Fanshawe Boathouse/Rowing Centre Renewal | 103 | 0 |
| 22 | Social Sciences Centre Realignment/Expansion | 90 | 0 |
| 23 | Elborn College, Faculty of Health Sciences Expansion of Physical & Occupational Therapy | 31 | 0 |
| 24 | <i>Total, Category 2</i> | <i>21,249</i> | <i>15,800</i> |

Table 18
CAPITAL RESERVES AND DEBT AT FISCAL YEAR END
(\$000)

| | | Actual 2022-23 | Actual 2023-24 | Actual 2024-25 | Projected 2025-26 | Budget 2026-27 |
|---|-------------------------------|-------------------|-------------------|-------------------|----------------------|-------------------|
| 1 | A. Capital Reserves | | | | | |
| 2 | General Capital Fund | 56,427 | 50,586 | 47,082 | 40,180 | 18,562 |
| 3 | Designated Capital Fund | 151,260 | 222,239 | 236,588 | 194,035 | 114,380 |
| 4 | Total Capital Reserves | 207,687 | 272,825 | 283,670 | 234,215 | 132,942 |

| | | Actual 2022-23 | Actual 2023-24 | Actual 2024-25 | Projected 2025-26 | Budget 2026-27 |
|----|---|-------------------|-------------------|-------------------|----------------------|-------------------|
| 5 | B. Capital Debt | | | | | |
| 6 | New Construction, Major Renovations & Other | 0 | 0 | 0 | 8,700 | 47,500 |
| 7 | Housing | 41,061 | 31,257 | 21,155 | 89,160 | 178,900 |
| 8 | Research Park | 11,662 | 10,994 | 10,292 | 9,600 | 8,700 |
| 9 | Unused and Invested Debenture Proceeds | 267,900 | 269,995 | 272,134 | 187,100 | 54,900 |
| 10 | Total Capital Debt | 320,623 | 312,246 | 303,581 | 294,560 | 290,000 |

Line 2 includes the required \$6 million general capital reserve fund.

Line 3 includes fund balances for large capital projects.

Long-Term Financial Trends

The Operating and Capital Budgets represent Western's proposed spending in the near future; however, the University continues to operate within a long-term planning horizon. As such, there are important long-term financial trends which must be understood when evaluating these budgets. Three such financial trends are: capital reserves and debt, employee future benefits, and deferred maintenance.

A. Capital Reserves and Debt

Table 18 displays Capital Reserves and Debt for fiscal years ending April 30.

Capital Reserves are divided into two categories:

- the **General Capital Fund**, which includes funds not yet designated for specific purposes and funds designated for future projects.
- the **Designated Capital Fund**, which has been assigned to specific capital projects.

Capital Debt is divided into the following categories:

- **New Construction, Major Renovations, Infrastructure, and Other** – represents debt on projects that are largely new construction, additions to existing buildings, other new facilities, non-residential projects that involve major maintenance, and renovations to existing space. It also includes debt on purchases of property.
- **Housing** – debt required for new construction, maintenance, and modernization projects for University residences and apartment buildings.
- **Research Park** – debt incurred by the Research Park.
- **Unused and Invested Debenture Proceeds** – unused proceeds from Western's debenture issuances that have been committed and invested until specific capital projects require the funding.

Capital Debt is a resource that can help Western advance its Long-Range Space Plan and Campus Development Strategy. However, while debt is an important component in our planning, financing requires an ultimate funding source. As a result, careful consideration must be taken to balance the levels of debt and ensure repayment and service costs remain financially sustainable for Western.

Western's Capital Debt consists of \$190 million and \$100 million debentures issued in 2007 and 2017, respectively. In 2013, the University also obtained a \$100 million amortizing facility, to finance a residence capital project, which will be fully repaid in October 2026. The University's debentures necessitate an annual credit rating. Standard & Poor's completed its review in February 2026, and the credit rating was re-affirmed at AA+, with a stable outlook.

The Board of Governors has approved a Capital Debt Policy that outlines the principles used in guiding the University's overall capitalization and debt management strategy. The policy requires compliance with two ratios and also utilizes monitoring ratios as part of its debt management strategy. The capital debt, as well as the policy ratios are shown in *Figure F* for the years ending April 30.

Figure F
CAPITAL DEBT and POLICY RATIOS

| | Debt (\$M) | Compliance Ratios | | Monitoring Ratios | |
|-------|------------|--|----------------------------|-------------------|---|
| | | Net Assets-to-Debt Ratio (greater than 0.5x) | Debt Burden (less than 5%) | Debt per FTE (\$) | Debt/Revenues Available for repayment (%) |
| 2022 | 328.7 | 4.2 | 2.8% | 8,907 | 30% |
| 2023 | 320.6 | 4.6 | 1.8% | 8,434 | 27% |
| 2024 | 312.2 | 5.4 | 1.7% | 7,920 | 23% |
| 2025 | 303.6 | 6.0 | 1.6% | 7,412 | 22% |
| 2026p | 294.6 | 6.2 | 1.4% | 7,256 | 21% |

The projected debt is based on Board-approved projects with allowance for other projects, which may be presented to the Board during the period under consideration.

B. Employee Future Benefits

Subject to eligibility rules set within various collective agreements, the University provides medical, dental, and life insurance benefits to eligible employees after their employment with Western ends.

The obligation for these employee future benefits is projected by actuarial valuation every three years. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the projected benefit obligations. At April 30, 2025, the University's accrued benefit liability relating to the employee future benefit plans was \$452.9 million (2024 - \$408.7 million). The annual expense for non-pension employee future benefits in 2025 was \$27.5 million (2024 - \$22.8 million).

Amongst major research universities, Western historically has one of the largest employee future benefits liabilities. *Figure G* outlines the University employee future benefits, the obligation and expense for years ending April 30.

Figure G
EMPLOYEE FUTURE BENEFITS (EFB) AS A % OF TOTAL EXPENSES

| | EFB Obligation (\$M) | EFB Expense (\$M) | Total University Expenses (\$M) | EFB Expense as % of Total |
|------|----------------------|-------------------|---------------------------------|---------------------------|
| 2021 | 565.3 | 30.1 | 1,137 | 2.6% |
| 2022 | 478.6 | 27.6 | 1,212 | 2.3% |
| 2023 | 420.7 | 23.3 | 1,323 | 1.8% |
| 2024 | 408.7 | 22.8 | 1,399 | 1.6% |
| 2025 | 452.9 | 27.5 | 1,470 | 1.9% |

C. Deferred Maintenance

Deferred Maintenance is defined as work on the maintenance of physical facilities that has been deferred on a planned or unplanned basis to a future budget cycle or postponed until funds become available. To avoid increasing the size of the deferred maintenance backlog, it is necessary to carry out replacement of facility components on an annual basis.

The estimates of deferred maintenance are different from estimates of debt or employee future benefits. There are actual contracts in place for the first two categories that allow us to make reasonable estimates. For deferred maintenance, this is not the case; therefore, we must find other ways to quantify this liability. The University uses a capital-asset management system common to the sector to assess, track, and report on the condition of facilities. The system requires that each major component of a building – roof sections, classrooms, heating, ventilation, air-conditioning systems and so on – be inspected, either entirely or on a sample basis. Data on the findings of these inspections are entered into a central database. The system uses industry-standard cost and lifecycle data to forecast the timing and costs of capital renewal projects. Cost forecasts also include soft costs and automatic renewal requirements to maintain assets.

The University, in coordination with all other Ontario universities, has completed a campus-wide facilities data review, conducted by a common vendor for the sector. This common approach has the benefit of improving consistency in estimates and in comparability across institutions. Western will continue to assess about 20% of its facilities data each year. The deferred maintenance values may fluctuate annually, driven by expected replacement timelines for key building components based on their age. Once assessments or maintenance occur, the deferred maintenance expected for replacement is reset, which can lead to volatility in deferred maintenance forecasts. In general, deferred maintenance has increased over the last decade, commensurate with Western's growth, and rising maintenance and renovations costs.

As of February 20, 2026, the Facilities Management division estimates that deferred maintenance at Western is \$502 million for non-residential buildings and \$248 million for residences. Approximately 45% of the deferred maintenance for non-residential buildings relates to mechanical and electrical requirements. Other major components include maintenance driven by code requirements and maintenance for roofs and windows.

A common measure for determining the overall condition of facilities is the ratio of deferred maintenance over Current Replacement Value (DM/CRV) of the facilities. The calculation as at February 20, 2026, is outlined in *Figure H* as follows:

Figure H
DEFERRED MAINTENANCE TO CURRENT REPLACEMENT VALUE

| | | Non-Residential Buildings | Combined Residences |
|---|---------------------------------|------------------------------|------------------------|
| 1 | Current Replacement Value (CRV) | \$3,475 million | \$1,310 million |
| 2 | Deferred Maintenance (DM) | \$502 million | \$248 million |
| 3 | DM/CRV | 14.4% | 18.9% |

The average age of Western's buildings is 40 years and 69% of our buildings were built before 1995. A ratio of 14.4% (Deferred Maintenance/Current Replacement Value) for non-residential buildings indicates a significant need for maintenance funding.

Western residences are funded through rents which cover maintenance; the University manages its residence deferred maintenance over the long-term. As new residences are constructed, the ratio will decline, and new spaces provide opportunities for major renovations to proceed. In 2026, a significant number of residence building components have had lifecycles triggers (such as carpets, flooring, etc.), which has led to a sharp increase in expected deferred maintenance. Housing has always been good stewards of the residences, and typically these deferred maintenance spikes are representative of the time between the lifecycle trigger and physical inspection/assessment as opposed to a growing deferred maintenance challenge. Over the long-term, deferred maintenance in the residence system has averaged around 8.5% indicating the assets are well-maintained.

If the average component of a large building lasts 50 years, then on average, maintenance spending should be 2.0% of replacement value. This level of spending is a standard target in the industry. When the actual ratio is consistently less than 2.0%, as has been the case at most Canadian universities, the volume of deferred maintenance will grow. Failure to adequately address deferred maintenance results in substandard facilities and could result in the failure of critical systems. Based on the Current Replacement Value of our facilities at \$3,475 million, spending on major maintenance for campus buildings at 2.0% should be in the range of \$70 million annually.

As explained at the start of the Capital Budget, the annual maintenance transfer is used for Maintenance, Modernization, and Infrastructure (MMI). The Administration is sometimes asked by faculty and staff if the MMI transfer is too large. As lines G and E in Table 14 show, the ratio of the MMI transfer to the Current Replacement Value of our non-residential buildings, utilities, and infrastructure has been below 1% in recent years (*Figure I*).

Figure I
MMI TRANSFER TO CRV RATIO 2022-23 to 2026-27

| | | Actual 2022-23 | Actual 2023-24 | Actual 2024-25 | Projected 2025-26 | Budget 2026-27 |
|---|-----------|-------------------|-------------------|-------------------|----------------------|-------------------|
| 1 | MMI (\$M) | 15.5 | 15.5 | 16.0 | 16.0 | 16.0 |
| 2 | CRV (\$M) | 2,414 | 3,024 | 3,649 | 3,475 | 3,642 |
| 3 | Ratio | 0.64% | 0.51% | 0.44% | 0.46% | 0.44% |

Thus, the MMI transfer from the Operating to the Capital Budget is less than a quarter of the 2.0% required to keep deferred maintenance from growing. Over the long term, if Western does not sustain funding for deferred maintenance, the backlog of deferred maintenance will affect campus. Growth in the MMI transfer is essential to maintaining a safe and reliable campus infrastructure, which supports modern research and teaching, and sustains faculty, staff, and student morale well into the future.

Line J of Table 14 presents an estimate of maintenance spending from all sources, with maintenance defined as spending required to bring aging facilities up to their condition when originally built. The last time the ratio of this estimate to Current Replacement Value was above 2.0% was 2010-11. A projected ratio of 1.3% for 2026-27 will be higher than in recent years, but below the 2.0% target.

Additional funding, from provincial and federal sources, continues to be required to catch up and maintain the 2.0% target over the long term. Achieving the 2.0% target over time is required to sustain the condition of Western's facilities.