



University of Toronto

OFFICE OF THE VICE-PRESIDENT AND PROVOST

Appendix "A" to Report Number
102 of the Planning and Budget
Committee (March 8, 2005)

TO: Planning and Budget Committee

SPONSOR: Vivek Goel, Vice-President and Provost

CONTACT INFO: Safwat Zaky, Vice-Provost, Planning & Budget
(416) 978-7116, safwat.zaky@utoronto.ca

DATE: February 25, 2005 for meeting on March 8, 2005

AGENDA ITEM: 5

ITEM IDENTIFICATION:

- Budget Report for 2005-06.

JURISDICTIONAL INFORMATION:

Excerpt from the terms of reference for the Planning and Budget Committee:

4.3.2. *The annual budget is considered by the Committee for recommendation to the Academic Board.. [Once the budget is recommended by the Academic Board, the concurrence of the Business Board is sought in regard to fiscal soundness before it is forwarded to Council.]*

OTHER ACTION TAKEN:

N/A

HIGHLIGHTS:

This is the second budget report in the 2004-10 budget cycle. The original plans for that cycle were documented in the Long-Range Budget Guidelines issued March 2004. The 2005-06 report starts by providing an update for the Guidelines based on the latest revenue and expense information, followed by divisional budget details and the Contractual Obligations and Policy Commitments (COPC) list of items. The COPC list and the budget assumptions are not being brought forward as separate items and instead have been incorporated into the overall budget report.

Budget projections for the remaining five years of the budget cycle changed very little from those prepared a year ago. There are small reductions in Government grants resulting from a small drop in projected enrolments after the double cohort. The resulting drop in revenue is expected to be offset by revenues from other sources. Expense increase continues to be dominated by compensation costs, including pension deficit amortization, together with utility costs, debt service charges, and student aid.

The 2005-06 Budget Report makes no assumptions regarding increases in Government funding as a result of the Rae review, except for those that were previously anticipated. These include

tuition freeze compensation, funding for enrolment growth under the Accessibility program, and new funding at least at the level originally planned for the Quality Assurance Fund.

The 2004-05 Guidelines projected the need for budget reductions of 2%, 5%, 2%, 2%, and 3% in fiscal years 2005 to 2010. No changes to this schedule are proposed. However the one-time only reductions originally scheduled for the last three years of the cycle have been reduced from a total of 6.7% to 3%. Without these reductions, the annual deficit would rise to \$82M and the accumulated deficit to \$288M by 2009-10. With these controls on expenses the University will exit the budget period in 2009-10 within the parameters approved by Governing Council.

The COPC list includes non-discretionary expenditures that are a result of commitments based on University policy, contractual agreements, and statutory obligations. For example, they include the library book acquisitions fund because it is University Policy to maintain the library collection at world-class level. Utility costs are included as the institution has no control over energy price fluctuations. Also, government regulations dictate expenditures on health and safety. Overall, COPC expenses are projected to increase by \$11.7M.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

Total revenue is projected to increase from \$1083M in 2004-05 to \$1195 in 2005-06. At the same time, expenditures are expected to increase from \$1107M to \$1168M, after applying a base budget reduction of \$11.4M. This is equivalent to a 2% reduction on a relevant base of \$568M. As a result, the in-year deficit is projected to be \$16.7M and the accumulated deficit will rise to \$55.3M, or 4.7% of gross revenue. The planned expense reductions will reduce the accumulated deficit to \$18.4M, or 1.5%, by 2009-10, as required by Governing Council guidelines for long-range budget planning.

RECOMMENDATION:

The Planning and Budget Committee recommends to the Academic Board:

THAT the “Budget Report for 2005-06” dated March 8, 2005, including the revisions to the long-range budget assumptions and the Contractual Obligation and Policy Commitments list, be approved.