



# University of Toronto

OFFICE OF THE VICE-PRESIDENT AND PROVOST

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TO: Business Board

SPONSOR: Vivek Goel, Vice-President and Provost

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DATE: March 17, 2005 for meeting on April 4, 2005

AGENDA ITEM: 4

## ITEM IDENTIFICATION:

### **Budget Report for 2005-06**

## JURISDICTIONAL INFORMATION:

The annual Budget Report is considered by the Business Board for concurrence with the recommendation of the Academic Board that the Budget Report be approved. As outlined in the terms of reference, such concurrence would indicate that the Business Board is satisfied that the proposed budget is financially responsible.

## OTHER ACTION TAKEN:

The Budget Report has been approved by the Planning and Budget Committee

## HIGHLIGHTS:

The Budget Report for 2005-06, including an update of the Long-Range Budget Guidelines for the period 2004-10, is attached. The report, which was approved by the Planning and Budget Committee in its March 8<sup>th</sup> meeting, provides a summary of the financial assumptions, the projected revenues and the proposed expense budget. It also provides a summary of allocations to Divisions and to the Contractual Obligations and Policy Commitments (COPC) list of items, as well as allocations from special income envelopes and the Enrolment Growth Fund. The budget schedules for all divisions are given in the Appendix.

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 \$1152 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 Business Board concur with the recommendation:

THAT the "Budget Report for 2005-06" dated March 8, 2005, be approved.