

## Budget for 2002-03 and Long Range Budget Projection: 1998-99 to 2003-04

*Academic Board  
April 11, 2002*



### Major Revenue Assumptions

- Investment revenue reduced and losses amortized over 3 years.
- Tuition revenue for the majority of students capped at 2% increase by MTCU.
- Zero increase in grants for general inflationary purposes in 2002-03 and two percent increase in 2003-04.
- Full average funding for enrollment growth in undergraduate programs.
- MTCU imposed cap on graduate enrollment growth funding.

### Major Revenue Assumptions

- Additional \$3.2 million in grant/fee revenue.
- Enrollment intake is assumed, for all practical purposes, to be held at 2001-02 levels. (Applications for admission are up by over 20 percent!)
- Federal budget provided for \$14.6 million in indirect cost recovery of Federally funded research.

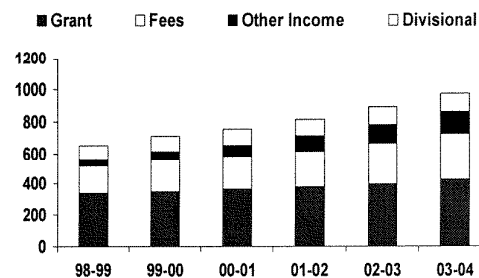
### Proposed Operating Budget for 2002-03

INCOME (\$millions)	01-02	02-03	Change
Provincial Operating Grants	373.8	391.2	17.4
Tuition Fees	237.5	272.6	35.1
Endowment Income	34.1	34.6	0.5
Canada Research Chairs	14.2	21.0	6.8
Overhead on Federal Research		14.6	14.6
Stewardship & Investment Management Fees	6.9	7.3	0.4
Investment Income	20.4	13.7	(6.7)
Other Income	21.7	22.7	1.0
Divisional Income	104.1	109.6	5.5
<b>TOTAL INCOME</b>	<b>812.7</b>	<b>887.3</b>	<b>74.6</b>

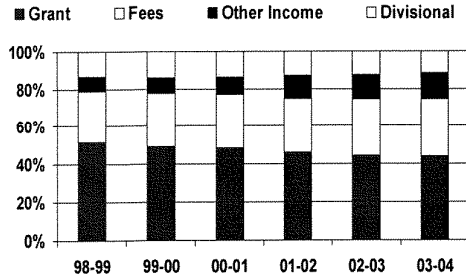
### Projection of Operating Revenue

	98-99	99-00	00-01	01-02	02-03	03-04
Provincial Operating Grants	336.2	346.2	363.2	373.8	391.2	424.3
Tuition Fees	177.5	205.3	218.8	237.5	272.6	298.6
Total Other Sources	136.6	156.0	170.9	201.4	223.5	245.4
<b>Total Operating Revenue</b>	<b>650.3</b>	<b>707.5</b>	<b>752.9</b>	<b>812.7</b>	<b>887.3</b>	<b>968.3</b>

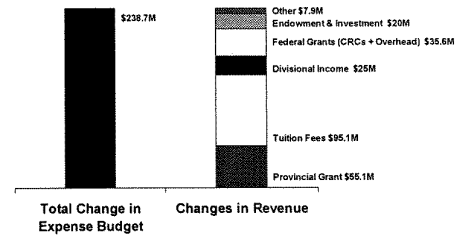
### Projection of Operating Revenue: All Sources



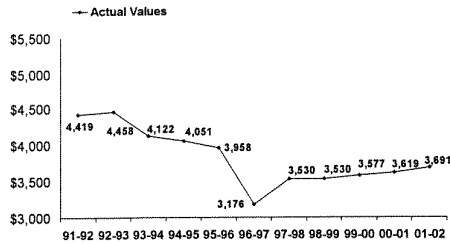
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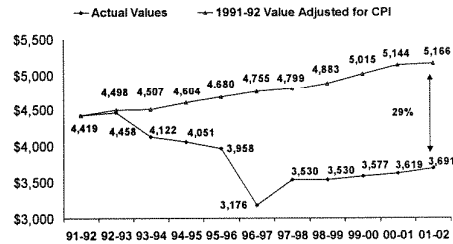
### Changes in Revenue Between 1998-99 and 2002-03



### Basic Operating Grants Per BIU (Excluding Targeted Envelopes)



### Basic Operating Grants Per BIU (Excluding Targeted Envelopes)



### Major Cost Drivers

- Library acquisitions fund requires \$4.2 million contingency to compensate for weak Canadian dollar.
- Legal fees are increasing steadily.
- Utilities costs are unpredictable, e.g. 40% increase in natural gas rates in 2001-02 and 33% increase in hydro rates for 2002-03.
- Employer health care costs continue to increase at up to \$5 million per annum.
- Compensation increase costs assumed to be 3%.

### Major Cost Drivers

#### University Infrastructure Investment Fund (UIIF)

- UIIF is under extraordinary pressure.
- \$30 million in new borrowing for UIIF in each of 2001-02, 2002-03, and 2003-04, which covers existing commitments only.
- Annual principal and interest charge to the operating budget is approximately \$8.5 million by 2003-04.

### Major Cost Drivers Graduate Student Aid Increases

	\$ Millions
2000-01	2.8
2001-02	2.2
2002-03	5.1
2003-04	2.8
	<u>\$12.8</u>

Guaranteed funding packages for doctoral stream students will be fully implemented by September 2003.

### Major Cost Drivers Graduate Student Aid Endowment

- New \$13 million endowment established using unrestricted donations matched by OSOTF.
- Previous strategy of using increased investment revenue to create matching funds will not be possible through 2003-04 due to market losses on investment.
- Vice-Provost, Students will report annually on graduate student aid.

### Proposed Operating Budget for 2002-03

EXPENSE (\$millions)	01-02	02-03	Change
Total Academic Expense	522.8	572.5	49.7
Academic Services	57.1	60.3	3.2
Administration	60.7	63.1	2.4
Student Assistance	75.6	83.7	8.1
Campus & Student Services	13.1	13.9	0.8
Maintenance and Services	34.0	38.2	4.2
Utilities	29.6	35.9	6.3
General University Expense	13.8	13.0	(0.8)
Salary Increase Provision	16.6	23.7	7.1
<b>TOTAL EXPENSE</b>	<b>823.3</b>	<b>904.3</b>	<b>81.0</b>

### Projected Operating Budget, 1998-99 to 2003-04

	98-99	99-00	00-01	01-02	02-03	03-04
Projected Expenditure	665.6	708.2	758.3	823.2	917.9	972.1
Budget Reduction					(13.6)	(8.0)
Expenditure Budget after Reduction	665.6	708.2	758.3	823.2	904.3	964.1
Operating Revenue	650.2	707.5	752.9	812.7	887.3	968.3
Preliminary Surplus/(Deficit)	(\$15.4)	(\$0.8)	(\$5.4)	(\$10.4)	(\$17.0)	\$4.2

### Long Range Budget Projection

	98-99	99-00	00-01	01-02	02-03	03-04
Operating Deficit	(15.1)	(0.8)	(5.4)	(10.4)	(17.0)	4.2
Pension Savings		16.8	17.7	18.6	19.8	21.2
Transitional Funds		(2.5)	(3.6)	(1.8)		
Matching Reqs.						(14.0)
Investment Losses				(9.0)	(7.2)	(5.6)
UIIF		(14.3)	(14.1)	(14.8)		
OTO Deficit Control	2.2	1.2	2.4	13.5		
Surplus/(Deficit)	(12.9)	0.4	(3.0)	(3.9)	(4.4)	5.8

### Long Range Budget Projection

	98-99	99-00	00-01	01-02	02-03	03-04
Surplus/(Deficit)	(12.9)	0.4	(3.0)	(3.9)	(4.4)	5.8
Adjustment of Budget to Forecast Actual		5.2	0.7	(2.4)	(1.3)	
Deficit, Start of Yr.	1.4	(6.3)	(5.3)	(10.7)	(16.0)	(20.3)
Deficit, End of Yr.	(6.3)	(5.3)	(10.7)	(16.0)	(20.3)	(14.5)
Maximum Deficit Permissible	(9.4)	(10.1)	(11.3)	(12.2)	(13.3)	(14.5)

### Summary: Fiscal Prudence

- Risk on revenue projections limited to \$3.2 million assumption concerning improvement in grant/fee revenue.
- Expenditures are realistically but conservatively projected.
- Annual surplus in 2003-04.
- Accumulated deficit to be contained within policy limits.

### Net Increases to Divisional Budgets

- Graduate student aid to be added permanently to divisional budgets.
- Enrollment growth funding.
- Continued growth in Canada Research Chairs program.
- APF allocations are being accelerated.
- 25% share of Federal indirect cost recovery grants.
- 2.75% reduction necessary to fund cost increases.
- No one-time-only clawbacks anticipated.

### Net Increases to Divisional Budgets

Compensation Increases	20.7
Enrolment Growth Fund	20.0
Graduate Student Aid	5.1
Canada Research Chairs	6.9
Academic & Admin Priority Funds	16.8
Overhead from Federal Grants	3.7
Rotman School RCM	9.4
<b>Total Increase to Divisional Budgets</b>	<b>\$82.6</b>
Less: Reallocation Reduction	(6.7)
New Reduction	(13.6)
<b>Net Increase to Divisional Budgets</b>	<b>\$62.3</b>