



University of Toronto

(OFFICE OF THE PROVOST)

TO: University Affairs Board

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AGENDA ITEM: 3

ITEM IDENTIFICATION:

2008-09 Operating Plans for Service Ancillaries

JURISDICTIONAL INFORMATION:

Each year the Board approves operating plans for service ancillaries, which describe the services and programs to be offered, within the financial parameters set by the University's operating budget and financial policies set by the Business Board. The plans include each ancillary's annual operating budget, and describe changes to programs and levels of service, categories of users, accessibility, and compulsory or optional fees.

PREVIOUS ACTION TAKEN:

A variety of reviews and consultations has occurred. Draft plans for each ancillary have been reviewed by the Financial Services Department, whose report has been considered by the Service Ancillary Review Group (SARG). Three members of the University Affairs Board are members of SARG.

HIGHLIGHTS:

The services provided by residences, conference services, food and beverage services, parking and Hart House are important contributors to the student experience and to the experience of faculty and staff at the University. The growth in student enrolments has posed a challenge for the provision of services by these operations.

The building expansion to increase residence spaces has put a strain on the financial viability of many residence operations. Minimal equity down payments for new residence buildings resulted in major borrowings and in turn in large annual financing costs. Business plans, adopted several years ago when new construction was approved, permitted annual deficits for 5 years and cumulative deficits for 8 years as a necessary element of allowing that expansion to proceed. This represents the largest single reason why certain ancillaries are not breaking even.

Subsidies were provided from the University's operating budget and from within existing ancillary operations on the expectation that over time each operation would return to break even and would be able to operate without continued subsidy..

The long-range plan shows some of the service ancillaries are in good shape, and several are expected to return to break-even levels in a reasonable length of time. Efforts are continuing to address the financial difficulties faced by New College residence, Woodsworth residence, 89 Chestnut and Hart House.

Collectively, service ancillaries are projecting revenues of \$89.7 million and expenses of \$93.8 million, for a net loss of \$4.1 million (See Schedule I), made up of the following:

Residences & Conferences	(\$5.0 M)
Food and Beverage	\$0.4 M
Parking	<u>\$0.5 M</u>
	(\$4.1 M)

Rate increases are variable (see Schedule VI).

These budgets and rates are recommended for approval for 2008-09 as being reasonable on a one year basis given the challenges facing the ancillaries, with the understanding that there will be continuing work over 2008-09, and probably well beyond, to address the various issues.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The degree to which each ancillary anticipates achieving the objectives of the long-range budget guidelines are summarized on page 36.

RECOMMENDATION:

It is recommended that the University Affairs Board approve the 2008-09 operating plans and budgets for Service Ancillaries, as summarized in Schedule I; the service ancillary capital budgets as summarized in Schedule V, and the rates and fees in Schedule VI.