



TO: University Affairs Board

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AGENDA ITEM: 3

ITEM IDENTIFICATION:

2010-11 Operating Plans for Service Ancillaries

JURISDICTIONAL INFORMATION:

Each year the University Affairs Board approves operating plans for service ancillaries. The plans 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 have 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.

Due to the global economic downturn and a couple of one-time-only events, Service ancillaries are forecasting a net loss of \$4.5 million before transfers and subsidies at April 30, 2010 on projected revenues of \$94.2 million. The two one-time-only events are the \$2.0 million cost of repairing the Ontario Institute for Studies in Education (OISE/UT) parking garage and the \$0.9 million cost of installing a curtain wall system over the hundreds of windows at Graduate House.

In addition, the building expansion on all three campuses to increase residence spaces several years ago has put a strain on the financial viability of new residence operations. Minimal down payments for new residence buildings resulted in substantial borrowings

and in turn large annual interest costs. This is one of the main reasons why certain ancillaries are not breaking even.

Business plans adopted several years ago when new construction was approved, permitted annual deficits for five years and cumulative deficits for eight years as a necessary element of allowing that expansion to proceed. 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.

The long-range plan shows an improvement in the net loss position from a \$0.4 million loss in 2010-11 to a net income of \$5.7 million in 2014-15 mainly due to a \$6.4 million improvement in the financial position of Residence and Conferences. Parking Services and Food and Beverage Services are anticipating an improvement of \$0.2 million and \$0.4 million respectively from 2010-11 to 2014-15.

Collectively, service ancillaries are projecting revenues of \$97.8 million and expenses of \$98.2 million, for a net loss of \$0.4 million (See Schedule I), made up of the following:

| | |
|--------------------------|-------------|
| Residences & Conferences | (\$1.006 M) |
| Food and Beverage | \$0.616 M |
| Parking | (\$0.002 M) |
| Hart House | (\$0.016 M) |
| | (\$0.408 M) |

Rate increases vary between ancillaries (see Schedule VI).

These budgets and rates provided for approval for 2010-11, are reasonable on a one year basis given the challenges facing the ancillaries, with the understanding that there will be continuing work over 2010-11, and probably well beyond, to address the various issues.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The anticipation of each ancillary in achieving the objectives of the long-range budget guidelines are summarized on page 54.

RECOMMENDATION:

It is recommended that the University Affairs Board approves the 2010-11 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.