

2011-12 Budget Report and Long Range Budget Guidelines 2011-12 to 2015-16

Academic Board

March 17, 2011



Governing Council Policy

- GC policy provides for long-range budget planning using a rolling-window
- Committed to a balanced budget each year, except in extraordinary circumstances
- Accumulated deficit to be repaid over a five-year period



Fiscal Context

- Funding for higher education flat and decreasing across many jurisdictions
- Regulated provincial tuition framework continues
- Enrolment demand remains strong at UofT
- Pension challenges: like almost every other Canadian and US public sector institution with Defined Benefit pension plan



Overview

- Balanced budget **at the institutional level** for 2011-12
- Continue to pay down accumulated deficit on schedule
- \$108.6M new revenue over last year (\$10.4M UF)
- Continuing uncertainty on compensation settlements in new regulated provincial environment
- Funding of key institutional priorities

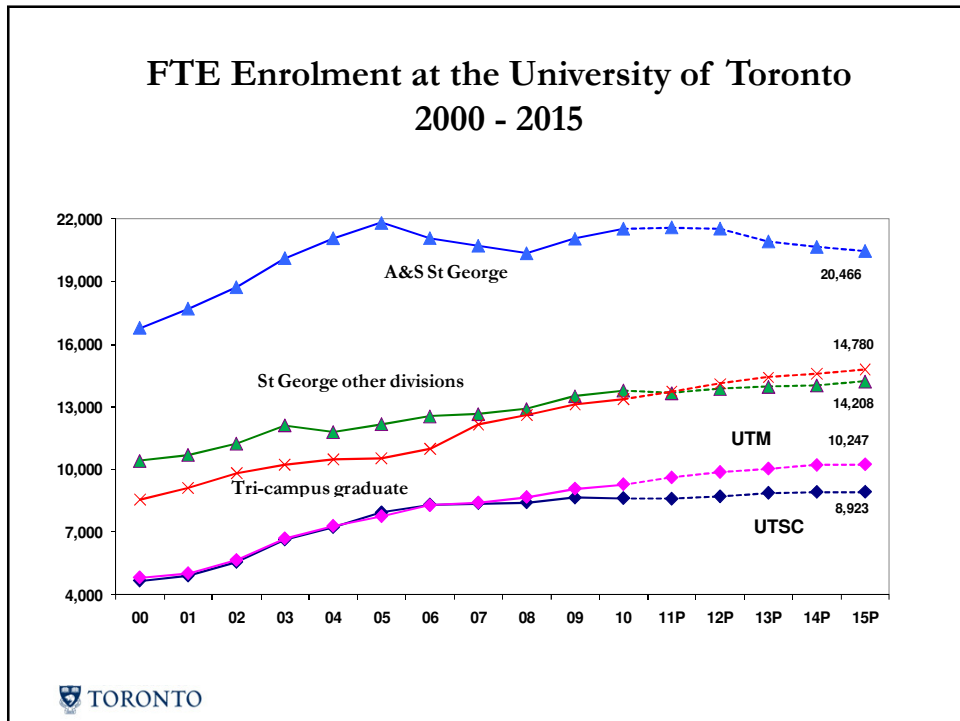
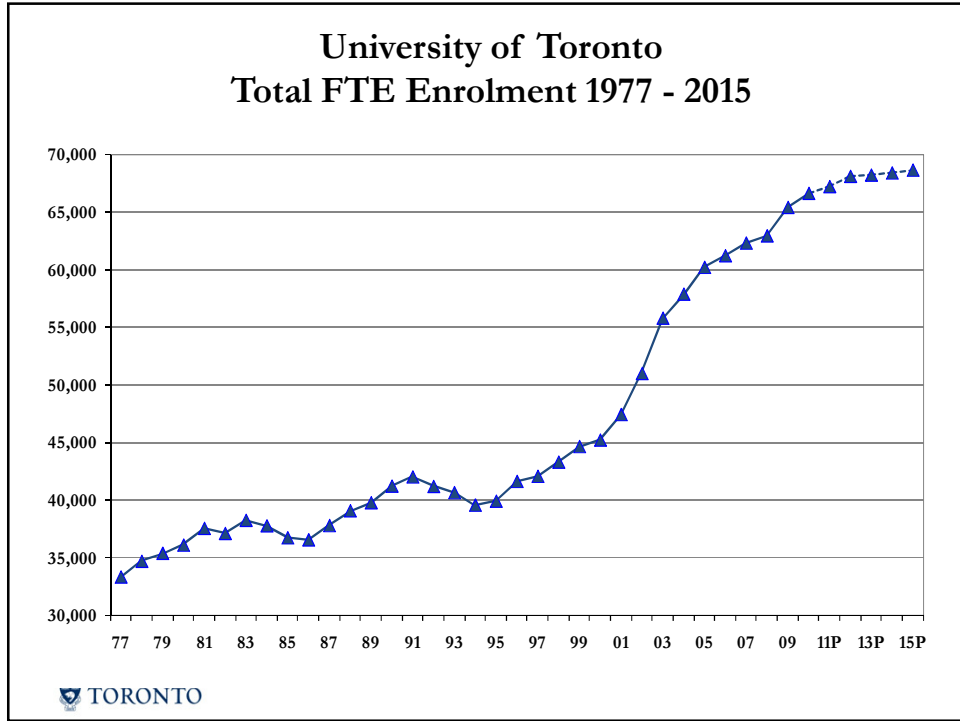


2011-12 Operating Budget Overview

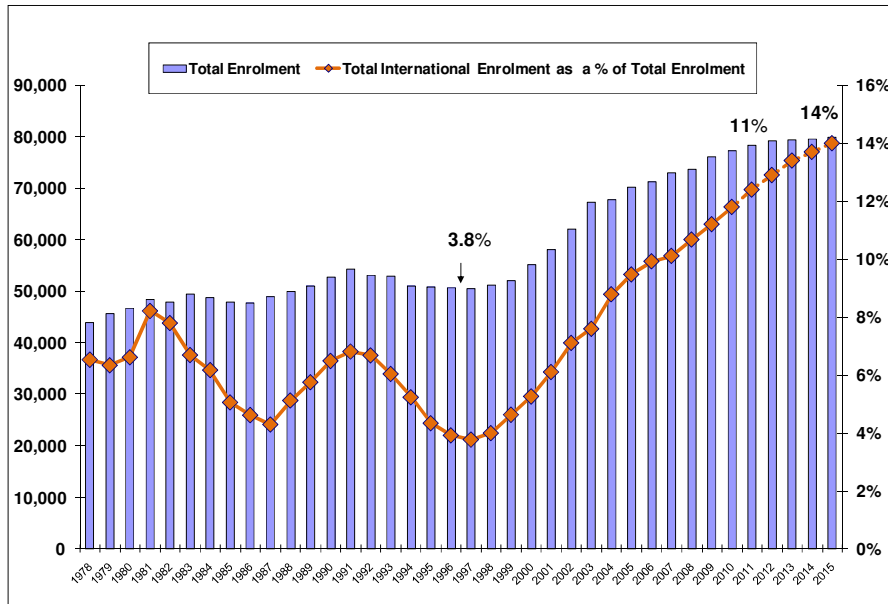
Revenue/expense category	\$M	% of total revenue	% of revenue excl. divisional revenue
Operating grants and tuition	1,316	78%	89%
Other general revenue	168	10%	11%
General university revenue	1,484		100%
Divisional revenues	204	12%	
Total revenue	1,688	100%	
Centrally-funded student aid	98	6%	
University-wide costs	425	25%	
Academic divisions	1,165	69%	
Total expense	1,688	100%	

Enrolment

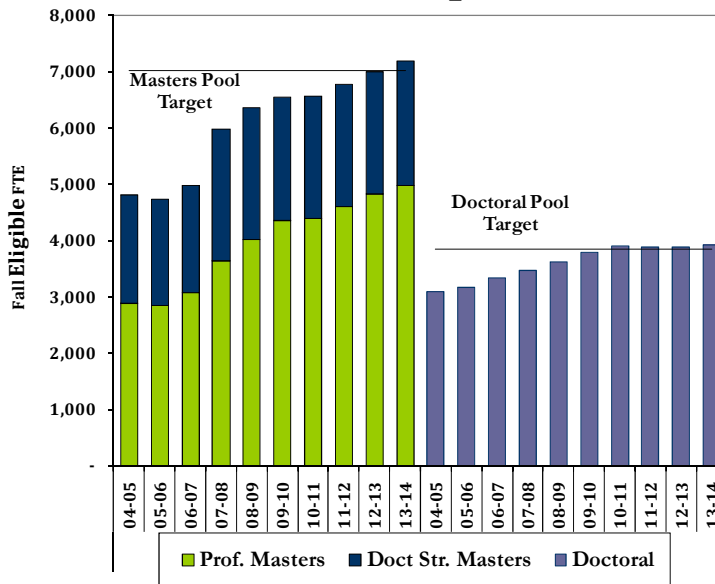
- **Total UofT** → Planned growth of 2500 students by 2015-16 to 81,000 (69,000 FTE)
- **St George A&S** → Decrease of 1200 full time students
- **UTM and UTSC** → additional growth planned but dependent on space capacity
- **Graduate expansion** → continues to 2013-14
- **MTCU caps** on domestic graduate and UG spaces
- **International** enrolment planned to increase across many divisions

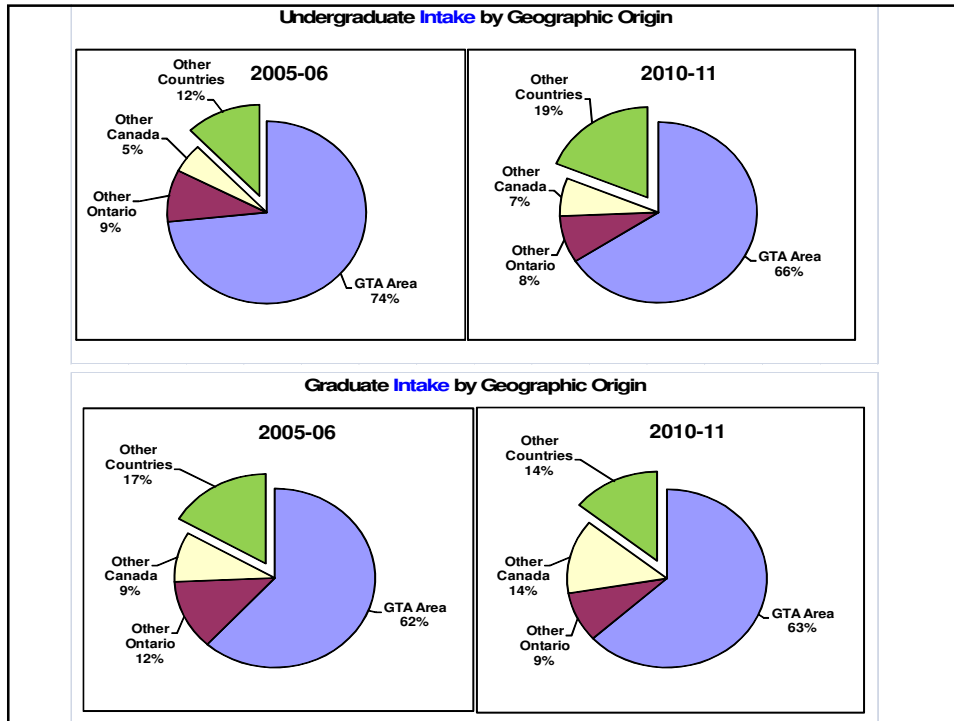


International Enrolment as a Proportion of Total Enrolment



Graduate Expansion





2011-12 New Revenue

Revenue category	2011-12 \$M
Operating Grants	31.7
Tuition – tuition and enrolment volume	66.0
Other (endowment, investment and application fees)	10.9
Total	108.6

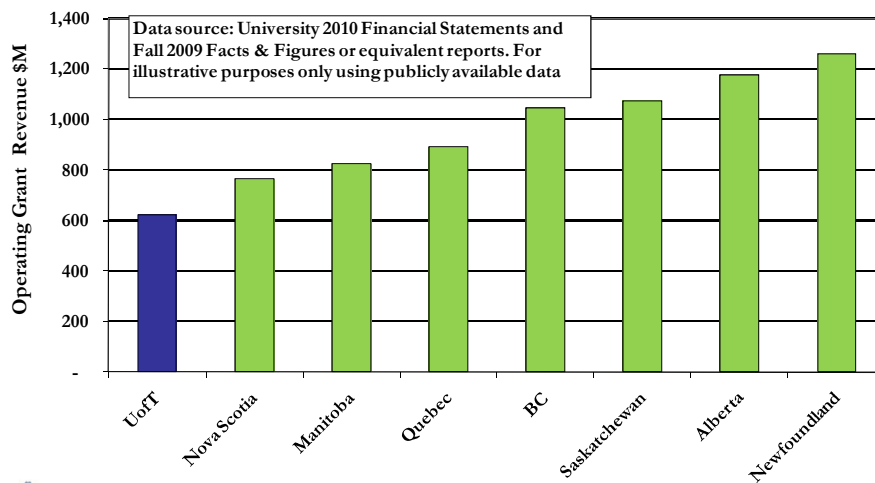
Critical need to increase government support for per-student funding and student aid

Government Operating Grants

- Full per-student funding for UG and (most) graduate students for current plan
- Need for more undergraduate & graduate spaces
- Increase in funding over the 5-year period resulting primarily from masters growth , some growth at UTM and UTSC (total \$11M)
- Increased per-student funding for MD (\$11M) and PGME (\$1.5M) students next year



**Government Operating Grants:
if UofT were in another province
(using one university in each province as a proxy)**



Incremental Tuition Revenue 2011-12 over prior year (\$M)

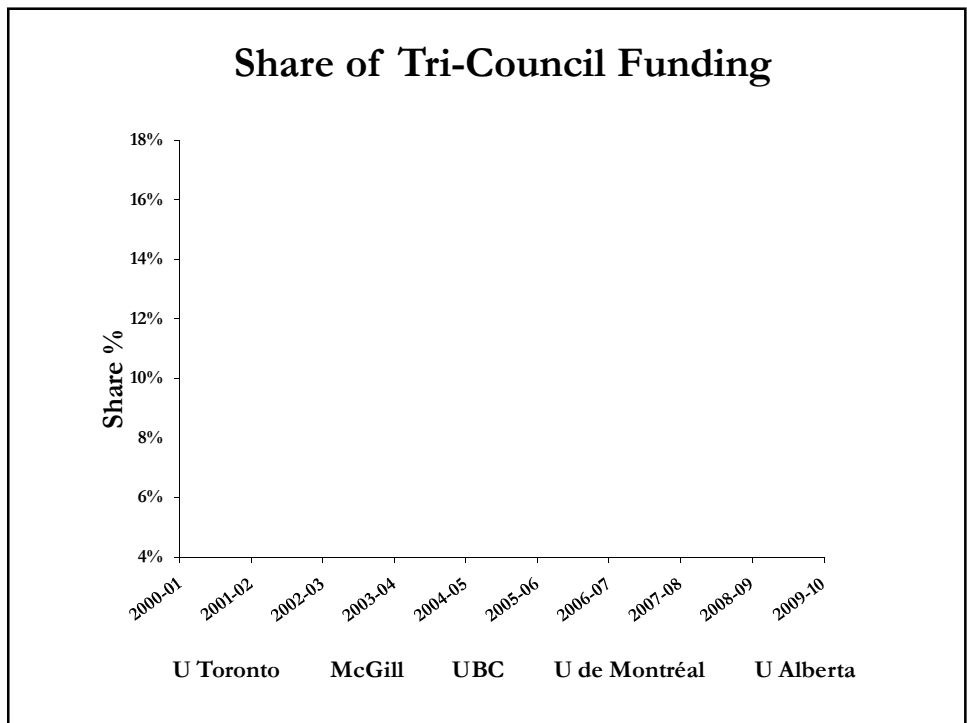
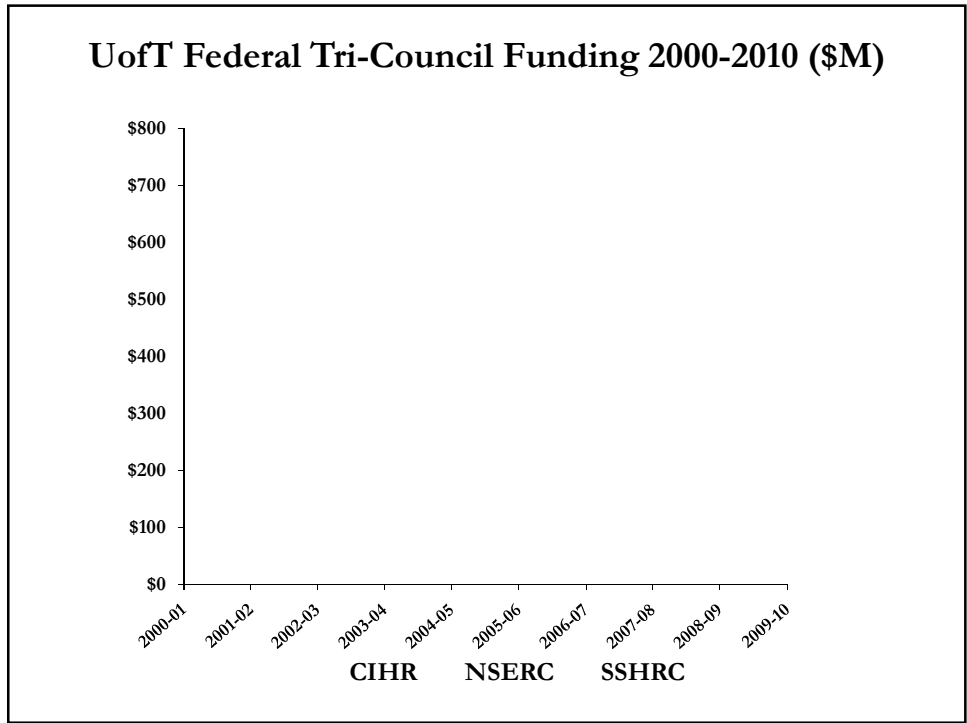
Domestic tuition changes	\$20
International tuition changes	\$33
Enrolment increase and flow-through	\$13
Total Increase	\$66

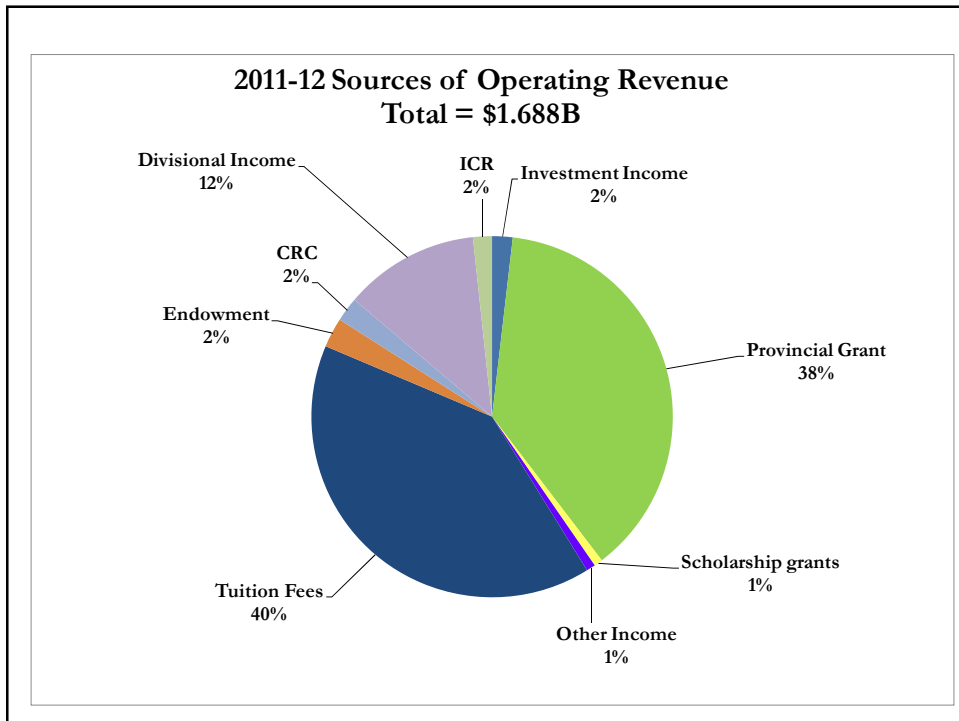
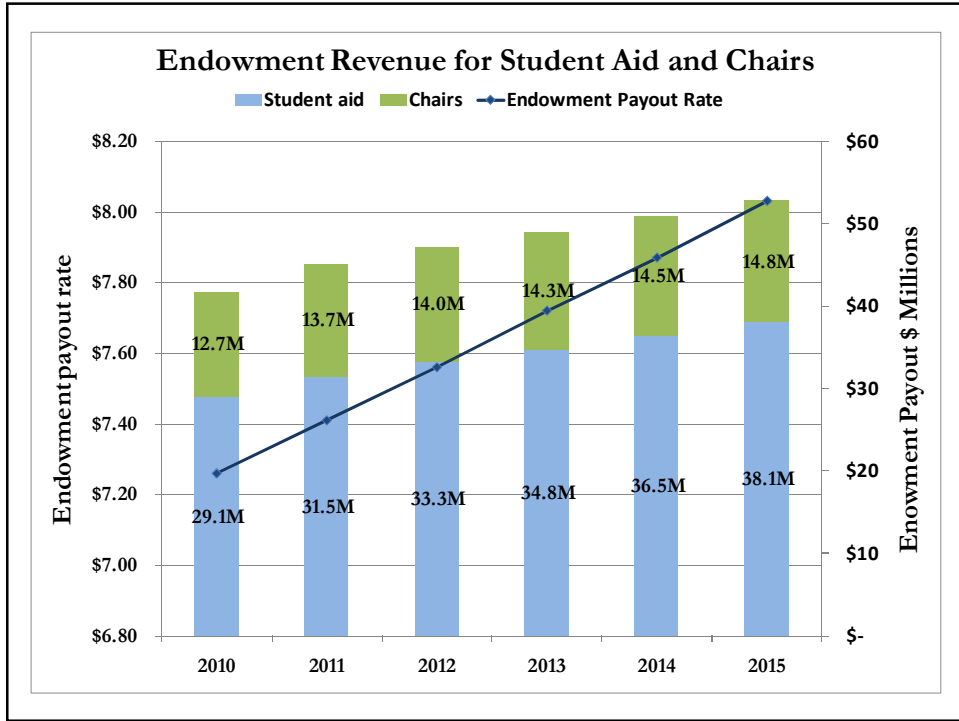


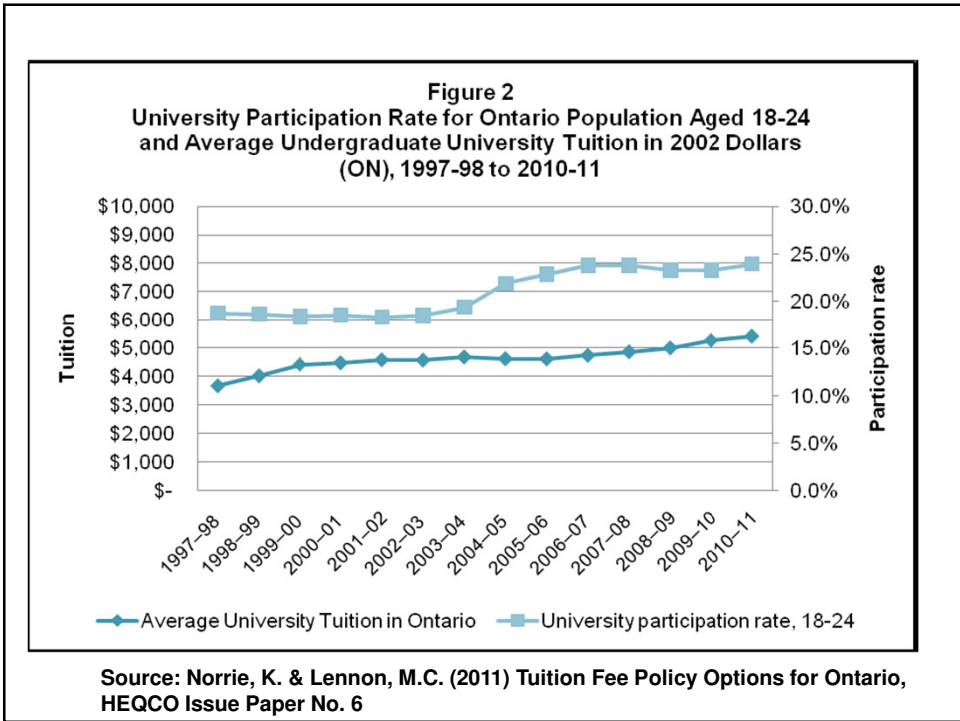
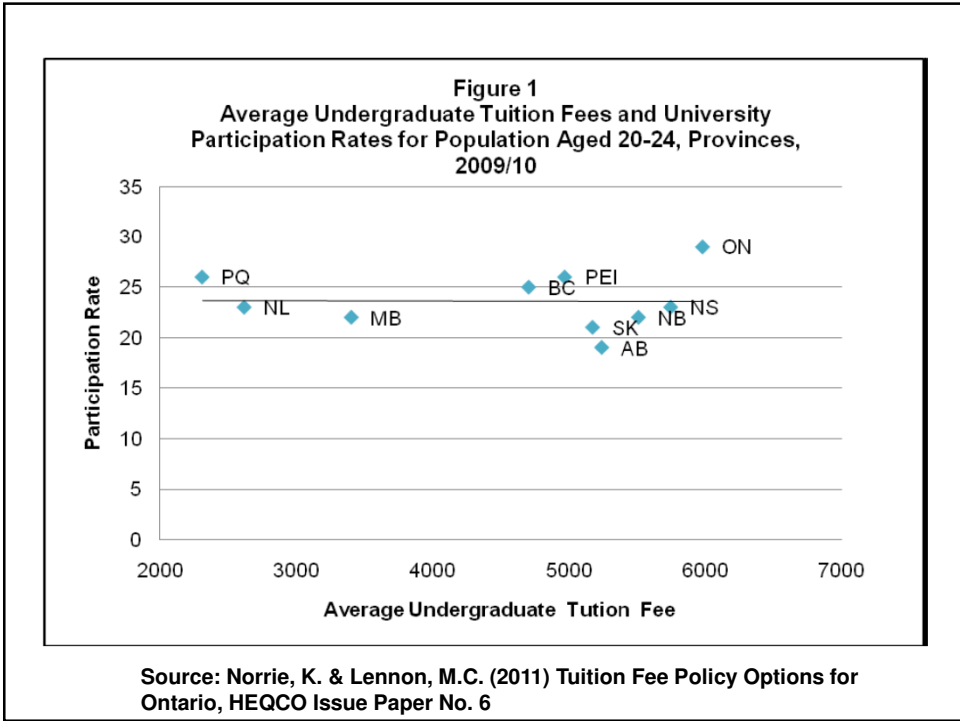
Other Revenue

- **CRC chairs:** project decrease of 5 chairs from 247 to 242, back up to 248 by end of planning period
- **Investment income:** this is interest earned on EFIP: rate of return 2.63% this year, 3.22% next year
- **Federal Institutional Cost of Research (ICR):** rate at 18% and falling (\$19.6M) → Actual cost of ICR > 50% ; operating budget absorbs \$30M









Expense

- Careful controls on spending despite new revenues
- Base and OTO cost containments continue:
 - 3% base across central divisions
 - % varies across academic divisions
 - OTO cost containment continues to pay down old institutional deficit (\$21.5M remains)
- Some investments planned for key institutional priorities



Pension Problem

- Estimated solvency deficit ~ \$1billion
- Based on certain conditions/metrics, government may approve plan to amortize over 15 years
- **IF** member contributions do not increase, unlikely to receive government approval for extended amortization period
- **RESULT:** ~\$200M/yr pension special payments



Pension Proposed Strategies

- Multi-pronged strategy
 - Increase special payment budget
 - Borrow: internally from EFIP and/or externally
 - Sell or lease assets
 - Issue letters of credit
- Strategy must include increased employee contributions for current service costs; these contributions are not used to fund the pension deficit but rather to ensure a sustainable plan for the future

New Pension Special Payment (over and above existing \$27.2M)

2011-12	\$30M
2012-13	\$20M
2013-14	\$10M
Total new	\$60M

Full payment:
 $\$27.2M + \$60M =$
 $\$87.2M$ per year to
 2029

Alternative scenario 1: no government approval → ~ \$200M per year for 5 years

Alternative scenario 2: interest rates increase, markets rise → special payment <\$60M

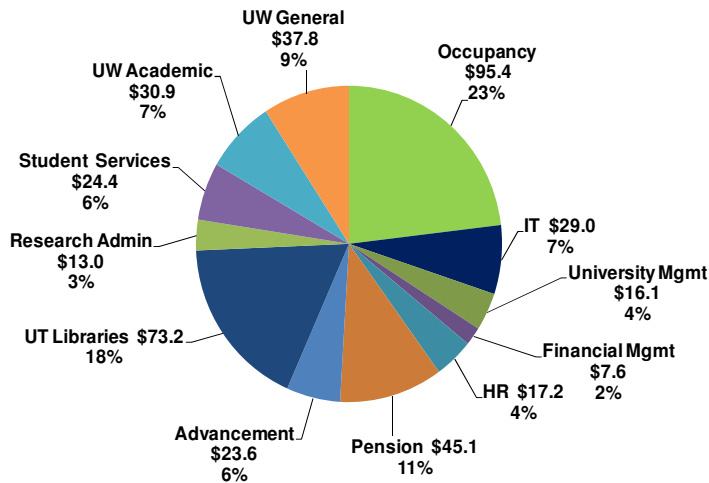
Investment in Shared Infrastructure (\$M)

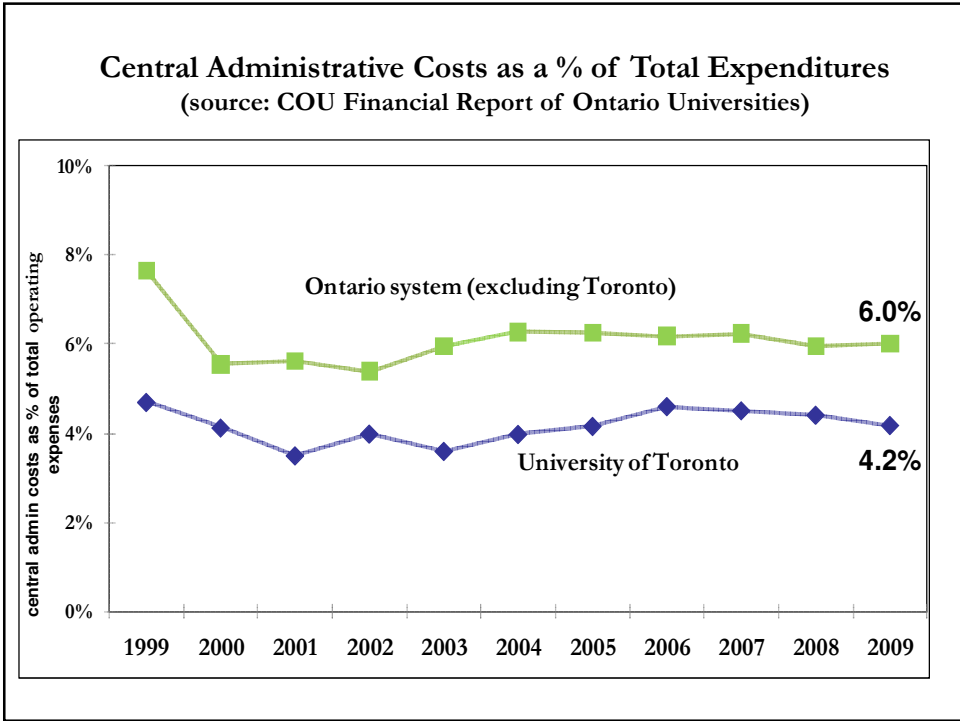
NGSIS, Blackboard, Wireless	7.1
Caretaking, maintenance	2.2
Advancement (campaign)	4.7
Research Services	2.5
Financial Services	0.2
Recruitment & marketing fund	1.0
Library	1.2
Total *	18.9

* of total, \$15M is OTO



University Wide Costs \$425M (Budget Report, Appendix A, Schedule 3)

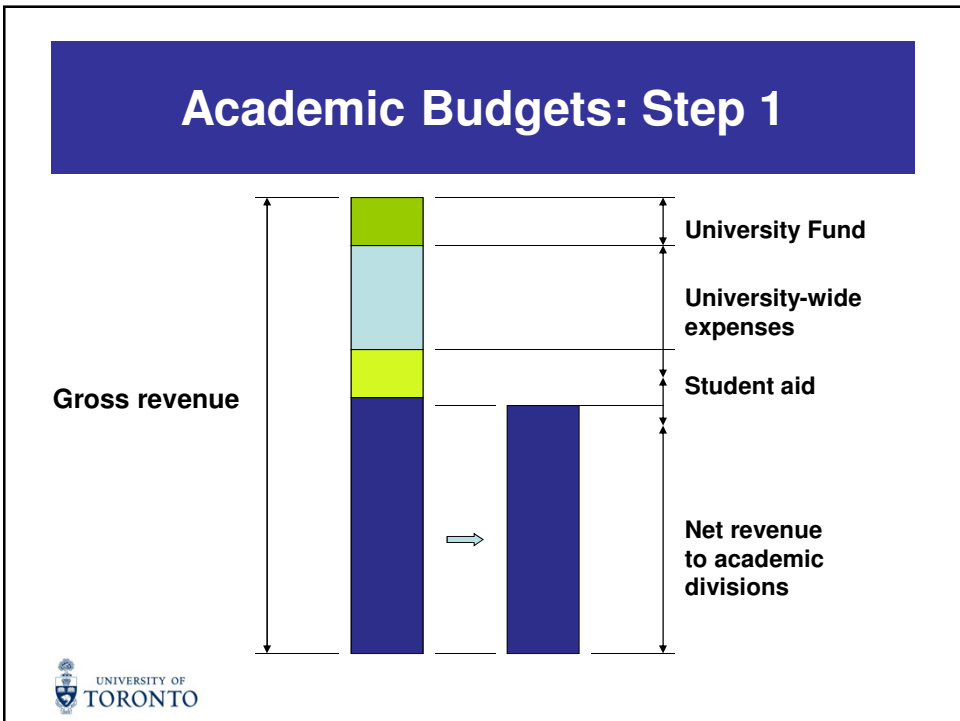





2011-12 Incremental funding for Central Student Aid (\$M)

Operating Funds	3.4
Ontario Graduate Scholarships	2.4
Student aid funded by endowments	2.5
Subtotal	8.3
One-time-only funds (carryforward and expendable donations)	4.0
Total new funds allocated to student aid	\$12.3
Total student aid funded centrally	\$98.2

Budgets for Academic Divisions



Academic Budgets: Step 2

Divisional budget consist of two parts:

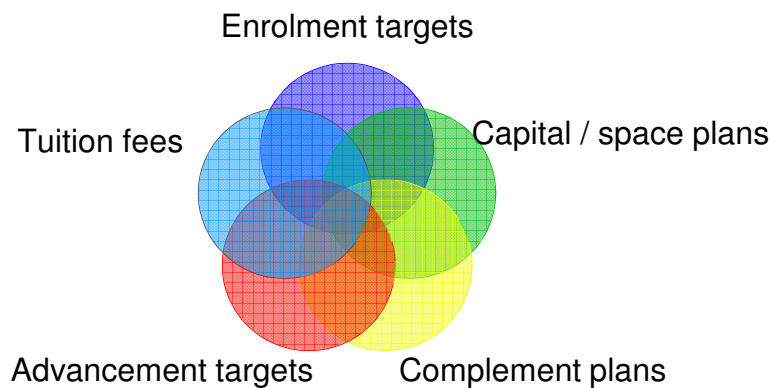
Net revenue

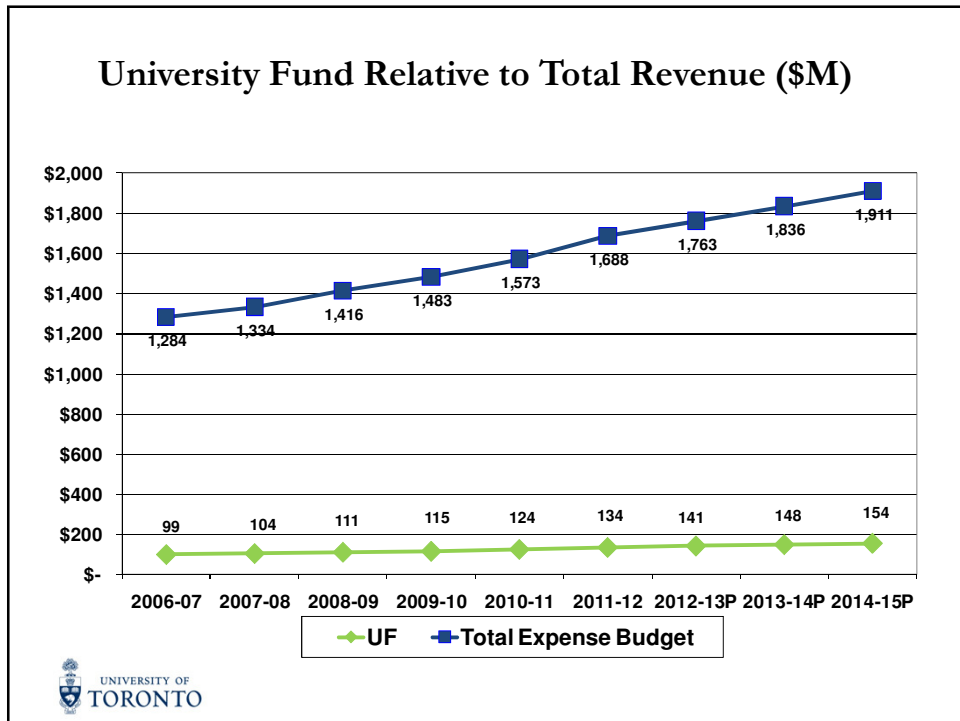
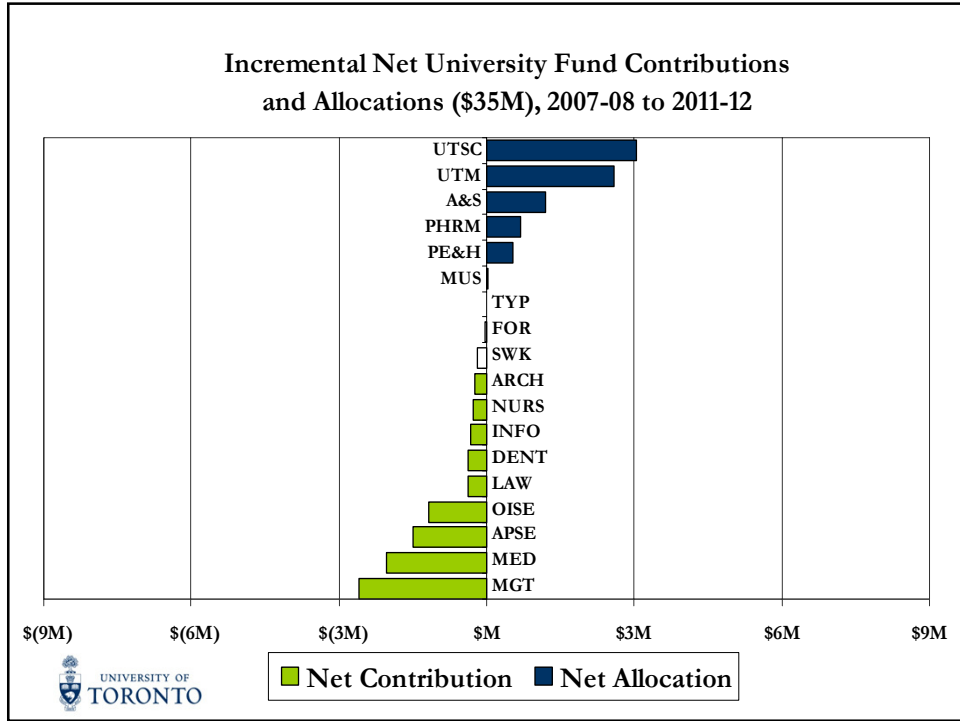
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University fund allocation

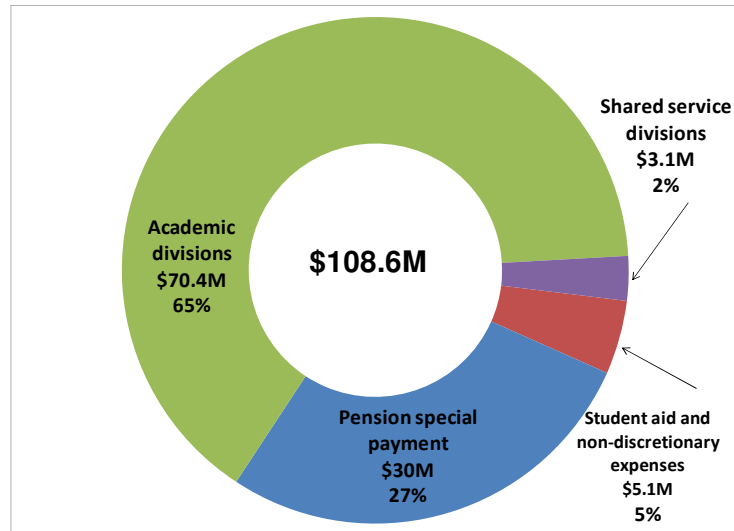


Academic Divisional Planning Process





Allocation of new revenue



Estimated Divisional Cost Pressures (Appendix A, Schedule 4)

From remaining net revenues, academic divisions must fund:

- Compensation increases *
- Graduate student support
- Capital costs
- Divisional deficit repayments

*estimated at 0% ATB for UTFA, USW, PM/C and other unions where no settlement in place, subject to upcoming negotiations

Summary

Balanced and responsible budget

Some new investments

Strategic Decisions Matter

At the institutional level

At the divisional level

At the unit level