

2010-11 Budget Report and Long Range Budget Guidelines 2010-11 to 2014-15

Academic Board
March 23, 2010



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 (last year \$45M planned deficit due to endowment payout cancellation)
- Accumulated deficit to be repaid over a five-year period

Overview

- Balanced budget **at the institutional level** for 2010-11
- Ongoing and pressing challenges; variability across divisions
- Effective decrease in per student funding
- High level of uncertainty: economy, government funding, tuition framework
- Partial recovery of endowment (LTCAP) and investment (EFIP) income
- Funding of key institutional priorities
- University Fund allocations ~ \$9M
- Responsible and cautious budget approach

Fiscal Context

- Funding for higher education decreasing across all jurisdictions
- Provincial deficit \$25B – budget at end of March, Throne Speech signals expansion
- Federal deficit \$56B, Budget 2010 provided some new funds to federal granting councils and postdoctoral fellowships, protects transfers to provinces
- Enrolment demand remains strong at UofT

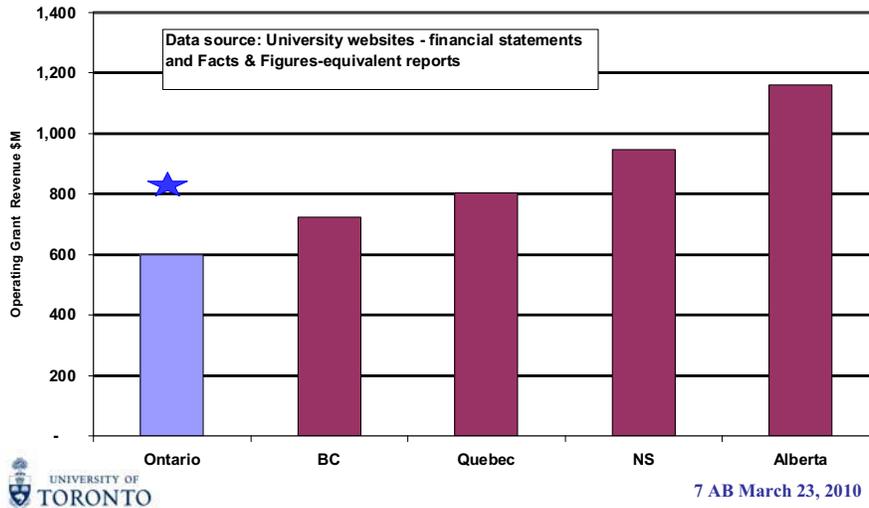
Revenue

- Grants: no increase in per student funding, in fact a shortfall of 37% relative to 1992-93 (adjusted for CPI)
- Tuition framework has expired: continued restrictions
- Endowment projection based on \$7.00 per unit payout however still significant recovery ahead
- Federal funding: CRCs declining, IDC flat, no new funds in student aid
- Practical effect of tuition and grant constraints is continued cost containments

Government Operating Grants

- Minor increase in quality funds of \$7M
- Modest increase over the 5-year period resulting from graduate growth
- System-wide shortfall for undergraduate funding > \$100M
- Significant risk of discounted UG funding: \$16M in each of next 2 years for UofT

**Government Operating Grants:
If UofT were in another province
(using one G13 university in each province as a proxy)**



Tuition (domestic and international)

(\$M relative to 2009-10)	2010-11
Increase due to volume and previous tuition fee decisions	37.4
Increase due to proposed tuition fee decisions	28.4
Sub-total	65.8
Allocation to university-wide student aid	(5.0)
Reimbursement of doctoral stream tuition	(6.6)
Net increase in tuition revenue	54.2

Endowment

- University just beginning to recover from impact of severe endowment losses and payout cancellation (\$62M)
- Divisions dug deeply into expendable and carryforward funds
- Draw-down of \$17.8M on deficit fund
- Endowment has begun to recover (Jan 31, 2010 +10.26%) from a loss of 29.4% in 2008
- Budget assumes \$7.00/unit payout in 2010-11 (payout announced on March 5 at \$7.26 per unit)

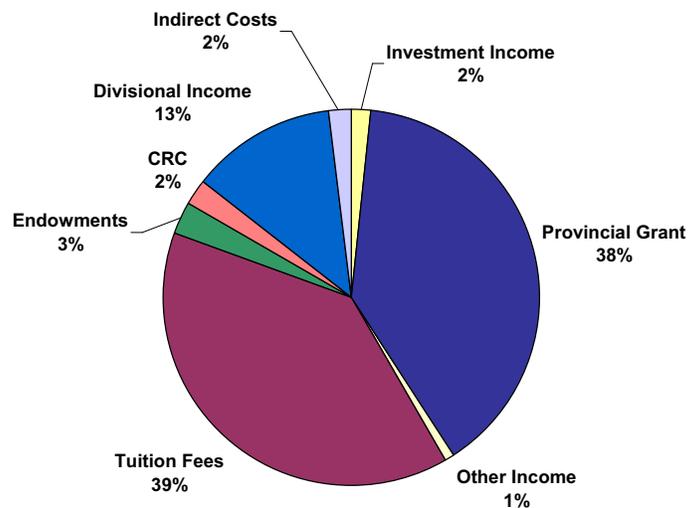
Other Revenue

- Loss of 12 CRC chairs over last few years (\$1.7M), plus effective value reduced by >20% since 2000
 - Investment income (EFIP) recovering
 - Federal granting councils IDC rate flat at <20% (\$21M)
 - Actual cost is > 50% ; operating budget absorbs approximately \$30M
- *** Without change in funding formula each additional research \$ places added pressure on operating budget**

Revenue Summary: 2-year view

Revenue Source	2010-11 increment over 2008-09 (\$M)	average annual %
Grants	22.5	1.9%
Tuition	105.7	10.4%
Endowment	(4.1)	(4.5%)
Other	0.7	0.3%
Total revenue	124.8	5.0%

2010-11 Sources of Operating Revenue



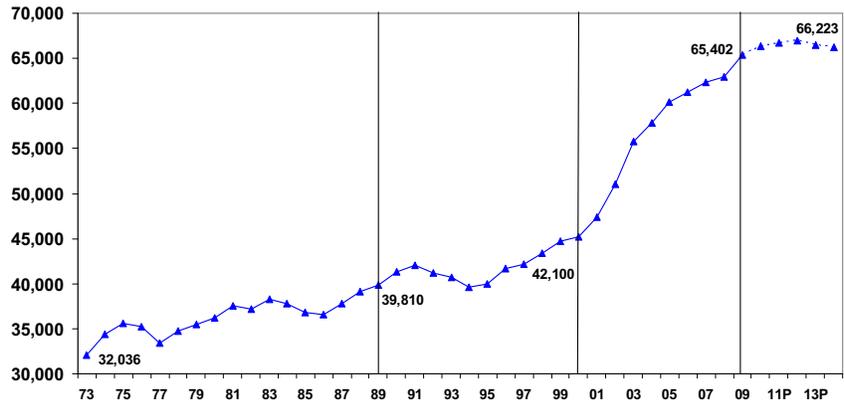
Undergraduate Enrolment

- Plan for slight overall decrease by 2014-15, some growth still at UTM
- Discounted funding for UG growth over 2004-05 estimated at \$16.3M in 2010-11 and \$16.6M in 2011-12
- International enrolment planned to increase but associated risks and costs
- As intern'l enrolment increases additional funds set aside to support intern'l student services

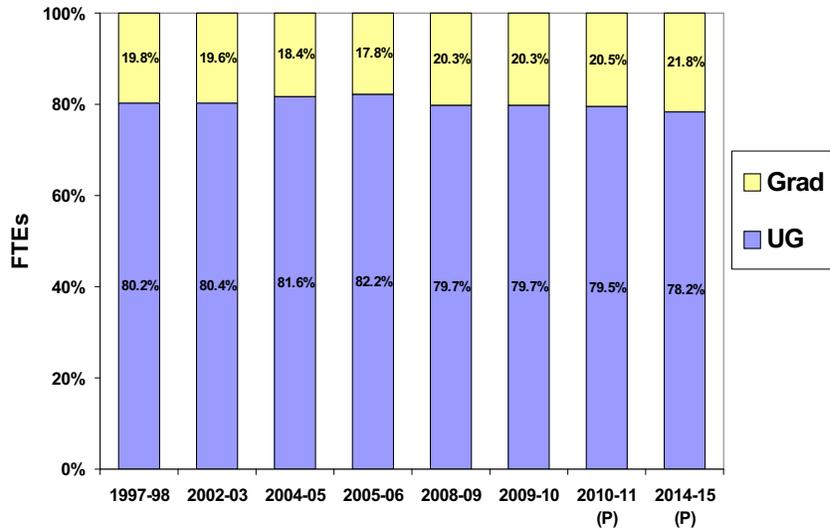
Graduate Enrolment

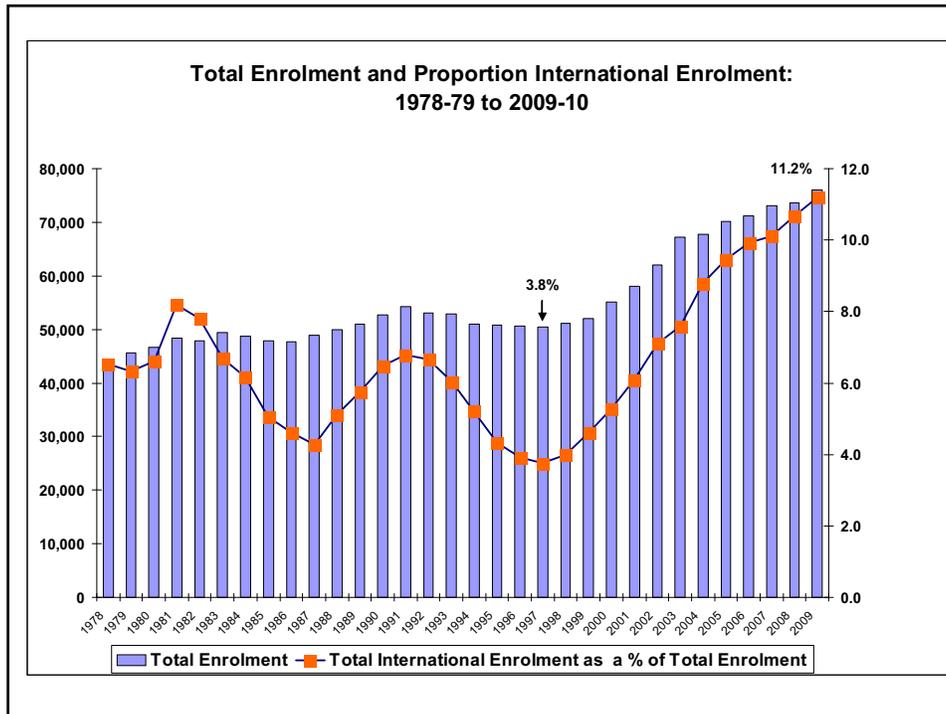
- Graduate Expansion continues to 2013-14
- Enrolment and revenue plans revised to reflect latest targets and take advantage of flexibility and timing: must stay on track
- Enormous pressure for more Masters spaces (>1500 demand)
- Government support for student funding has not kept pace with growth (zero growth in OGS)

**UG and Grad FTE Enrolment at the University of Toronto
1973-74 to 2014-15**



Enrolment Balance 1997-98 to 2014-15





Expense

- Careful controls on spending and contingency planning remain necessary
- Base and OTO cost containments continue: 2% base across central divisions,
- **Base and OTO costs containments vary across academic divisions**
- Pressure on student faculty ratios
- Some investments planned for key institutional priorities

Non-discretionary expenses

- Total non-discretionary = \$10M
- Includes:
 - USW job evaluation adjust. fund and costs \$1.5M
 - Utilities \$1.9M reduction
 - Write-off of old campaign deficit \$1M
 - Legal \$1M
 - City water backflow prevention \$750K
 - Debt service \$1.5M
 - Utilities infrastructure reserve \$1.3M

Investment in Shared-Infrastructure

Includes:

- | | |
|---------------------------|---------------|
| • Student system | \$4.9M |
| • Caretaking, maint. etc. | \$2.8M |
| • Advancement (campaign) | \$6.8M |
| • Research services | \$2.4M |
| • Financial Services | \$0.5M |
| • Library | <u>\$1.2M</u> |
| • Total | \$18.6M |

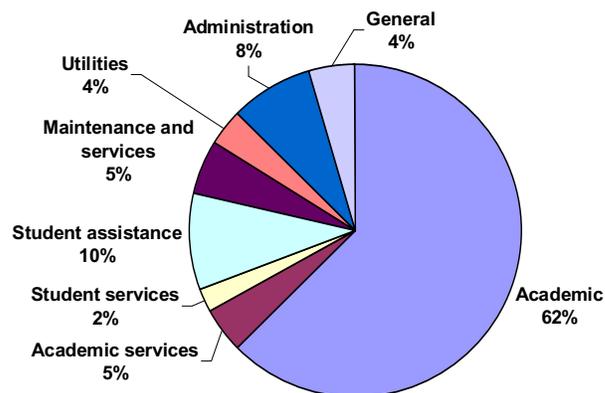
(Of above total, \$13M is OTO)

University-wide costs (Schedule 2) \$M

Budget allocations to portfolios	26
Compensation	7
Cost containment	(3)
Central funds	(4)
Net change Schedule 2	26

Increase in shared infrastructure costs & funds relative to 2009-10: 8.1%
Increase in net revenue to academic divisions relative to 2009-10: 8.3%

Net Operating Expense 2009-10 (numbers not yet available for 2010-11)



Net Revenue to Academic Divisions (Schedule 4) \$M

(\$M, relative to 2009-10)	2010-11
Revenue available to University	124
UW Expenses	(26)
Student aid	(5)
Net revenue to academic divisions	93
Estimated divisional costs	(64)
Net revenue for academic divisions	29
An estimate of annual U-W pension deficit special payment	49

Estimated Divisional Costs (Schedule 4)

Include:

- Compensation increases *
- Graduate student support
- Capital costs
- Deficit repayments (divisional and institutional)

* Estimated at 2 % total increase where settlement not in place

Accumulated Deficit Repayment (\$M)

10-11	11-12	12-13	13-14	14-15
Historical accumulated deficit — \$32.7M				
11.2	11.2	10.3		—
Divisional deficit financing — \$17.8 drawn				
3.6	3.6	3.6	3.6	3.6

Structural budget challenge

- Average annual increase in provincial operating grants*: **0%**
- Average annual increase in tuition*: **5%**
- Historical average annual increase in compensation: **5%**

* excluding volume impact

Average yr-over-yr increase in total revenue*	2.5%
Average yr-over-yr increase in total expense	4.0%
ANNUAL STRUCTURAL SHORTFALL	(1.5%)

University Deficits and Future Liabilities (\$M)

Estimated Pension Deficit	~ 1,000
Operating: accumulated deficit April 2010	36
Deferred maintenance: estimated cost	270
Ancillary operations: accumulated deficit April 2010	107
Capital fund: accumulated deficit April 2010	71
Employee future benefits: estimate at April 2010	343
vs. total annual operating revenue	
	1,570

In conclusion

- Balanced “**responsible**” budget
- Significant uncertainties in tuition, economy, government grants and negotiations
- Pension and debt liabilities are substantial
- Some investments in academic and operational priorities
- Strategic decisions matter