

UNIVERSITY OF TORONTO
THE GOVERNING COUNCIL

REPORT NUMBER 130 OF THE PLANNING AND BUDGET COMMITTEE

February 25, 2009

To the Academic Board,
University of Toronto

Your Committee reports that it held a meeting on Wednesday, February 25, 2009 at 4:10 p.m. in the Council Chamber, Simcoe Hall, at which the following were present:

Professor Avrum Gotlieb (Chair)
Professor Wendy Rotenberg (Vice-Chair)
Professor Cheryl Misak, Vice-President and
Provost
Ms Catherine J. Riggall, Vice-President, Business
Affairs
Professor Safwat Zaky
Professor Denise Belsham
Mr. Ryan Matthew Campbell
Mr. P.C. Choo
Professor Joseph Desloges
Professor Meric Gertler
Professor Gregory Jump
Professor Ronald H. Kluger
Dr. Chris Koenig-Woodyard
Professor David Mock
Professor Romin Tafarodi
Dr. Sarita Verma

Non-voting Assessors:

Ms Sheila Brown, Chief Financial Officer
Ms Elizabeth Sisam, Assistant Vice-President,
Campus and Facilities Planning

Secretariat:

Ms Alison Webb, Secretary

Regrets:

Professor Gabriele D'Eleuterio
Mr. Ken Davy
Ms Shirley Hoy
Dr. Young M. Kim
Mr. Tim Reid
Mr. Stephen Smith

In Attendance:

Mr. Olivier Sorin, Member of the Governing Council
Ms Sheree Drummond, Assistant Provost
Professor Rob Baker, Acting Vice-Dean, Graduate Education and Research, Faculty of Arts and
Science
Professor Stephen Johnson, Director, Graduate Centre for the Study of Drama
Professor David Klausner, Vice Dean, Interdisciplinary Affairs – Faculty of Arts and Science
Mr. Neil Dobbs, Deputy Secretary of the Governing Council
Ms Helen Lasthiotakis, Director, Policy and Planning
Mr. Henry Mulhall, Assistant Secretary of the Governing Council

ITEMS 4, 5 AND 6 ARE RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL. ALL
OTHER ITEMS ARE REPORTED FOR INFORMATION.

1. Reports of the Previous Meetings (January 21, 2009 and February 4, 2009)

Report Number 128 of the meeting of January 21, 2009 and Report Number 129 of the special meeting of February 4, 2009, were approved.

2. Business Arising from the Reports of the Previous Meetings

There was no business arising from the minutes of the previous meetings.

3. Senior Assessor's Report

Professor Misak advised that the University was still waiting to hear about the outcome of the Provincial infrastructure allocation designated for universities and colleges. She noted that the University's package of proposals had primarily focused on new buildings and retrofits in the area of science and technology, which are the areas of focus in the recent Federal budget.

Professor Misak responded to a number of recent queries regarding the types of cost control measures that had been adopted by divisions in confronting the current difficult economic times. She noted that cost containment measures had ranged from modest to significant, with the most significant being the postponement of faculty searches. While a hiring freeze had not been imposed, a number of divisions had decided to postpone searches for the time being. Vacant staff positions were also not being filled in a number of areas. Every attempt was being made to not lose existing people. More modest measures were also being implemented in every Faculty and included such things as the cancellation of holiday celebrations and speaking engagements; and decreased travel budgets.

In response to a member's earlier suggestion that there should be a consensus of best practices shared amongst divisions, the Provost advised that this was an excellent idea that had been acted upon. A large, successful meeting of the divisional financial officers had recently taken place, and information on best practices had been shared at that time. Also, a Resources Committee had been formed and now met monthly to discuss ways to cross-communicate and share information

4. Graduate Centre for Study of Drama: Disestablishment in the School of Graduate Studies and Establishment in the Faculty of Arts and Science

The Chair introduced Professor David Klausner, Vice Dean, Interdisciplinary Affairs for the Faculty of Arts and Science, and Professor Stephen Johnson, Director, Graduate Centre for the Study of Drama.

Professor Zaky informed members that this was another example of the on-going migration of centres from the School of Graduate Studies to faculties where there existed good synergies. The Centre for Study of Drama was one of the very successful centres at the University, and was very connected to the Faculty of Arts and Science. This move would further enhance the existing relationship. There had been broad consultation on the move, and the faculty, staff and students supported the proposal to transfer the Centre to the Faculty of Arts and Science. The Tri-Campus Task Force on Academic Programs in Drama, Theatre and Performance also supported the recommendation. All budgets and related matters would be transferred. The only administrative change would be that the Centre would now report to the Dean of the Faculty of Arts and Science.

4. Graduate Centre for Study of Drama: Disestablishment in the School of Graduate Studies and Establishment in the Faculty of Arts and Science (cont'd)

On motion duly moved, seconded, and carried

YOUR COMMITTEE RECOMMENDS

THAT [the Graduate Centre for Study of Drama be disestablished as an academic unit in the School of Graduate Studies and reestablished as an extra-departmental unit A \(EDU:A\)¹ within the Faculty of Arts and Science](#), effective May 1, 2009.

5. Proposal for a Master of Global Affairs (M.G.A.)

The Chair introduced Professor Rob Baker, Acting Vice-Dean, Graduate Education and Research, Faculty of Arts and Science.

Professor Zaky advised that the proposal was for the establishment of a Master of Global Affairs (M.G.A.), sponsored by the School of International Studies at the Munk Centre. The Committee on International Studies at the University of Toronto had recommended that the current collaborative Master's of Arts in International Relations program be reconfigured as a stand-alone professional Master's degree, and that further steps be taken to integrate graduate students into the School. The M.G.A. would replace the existing collaborative program, which would eventually be disestablished once all enrolled students had graduated. The proposal for the closure of the collaborative program would be brought forward at a future time.

Professor Zaky informed members that the M.G.A. was expected to admit approximately forty students per year, and the program was projected to attract sufficient funding annually to cover all its expenses after three years. The proposed tuition for the program was \$15,000, subject to Ministry's approval. The Planning and Budget office had reviewed the budget for the proposed program. The resources necessary to offer the M.G.A. were to be provided by a combination of funding from tuition and BIU revenue generated by student enrolment. Projected revenue was \$2.2 million from tuition, and \$800,000 from the operating grant. The School of International Studies had also received a grant of \$25 million from the Provincial government to renovate or build new premises to accommodate this and other programs offered by the School.

In response to a question, Dean Gertler advised that the School of International Studies, and the Faculty of Arts and Science, had committed to provide all necessary resources for the M.G.A. program. He also advised that this was a much fuller, tailor made, and stand-alone degree program than the existing program that required students be admitted to both the collaborative program, and a degree program in one of the collaborating departments. Following successful completion of the current program requirements, students received a Master's degree in their home department, with a transcript notation indicating completion of the Collaborative Program in International Relations.

Professor Baker advised that students had been asking for a more applied degree in this field for some time. The M.G.A. would address that need, and provide students with professional knowledge and skills. It would incorporate all three areas of focus which included global economy and markets, global governance, and global civil society, setting it apart from other programs that focused on just one of the three.

¹ An (EDU:A) has a well established and defined area of scholarship as a focus. The unit has attained a critical mass of interdisciplinary scholarship at the University that allows for a unit to engage in the appointment of teaching staff, admission of students to a program of graduate or undergraduate study, and engage in interdisciplinary research. The creation of an EDU:A must be approved by Governing Council.

5. Proposal for a Master of Global Affairs (M.G.A.) (cont'd)

The program would consist of four semesters of course work, and a mandatory summer international internship, to help build the students' understanding of the environment of global policy making, and prepare them for employment. Members were advised that students would be paid for the internship, and approximately fifty percent of the necessary placements had already been arranged with various institutions, including international government agencies.

Concern was expressed with the plethora of degree names at this, and other, institutions, and whether there would be sufficient recognition for this designation. In response, Professor Klausner advised that within the field, the term Global Affairs, was now considered to be a more forward-looking and comprehensive term than was International Relations, which focused solely on the relationships among nation-states. While currently there were only a very few degrees available with the Global Affairs designation, it was evident that the field was moving in that direction.

A member expressed concern that the abbreviation of M.G.A., could be misinterpreted, as it sounds similar to other degree abbreviations (e.g. M.B.A.). He suggested that the degree should perhaps instead be referred to as an "M. Global Affairs".

On motion duly moved, seconded, and carried

YOUR COMMITTEE CONCURS

THAT [the proposal to establish the Master of Global Affairs \(M.G.A.\)](#) within the Faculty of Arts and Science, be approved, effective September, 2010.

6. Long Range Budget Guidelines, 2009-10 to 2013-14 and Budget Report for 2009-10

Professor Misak advised that given the evolving economic circumstances, the budget process had been an interesting and difficult one this year. On the revenue side, government grants were essentially flat, with increases coming only from enrolment growth. Modest increases in tuition would be offset by the losses in endowment and investment revenue in the coming years. On the cost side, an extraordinary increase was necessary in order to meet endowment commitments. As much of the endowment supported items that were at the heart of the University's mission, such as endowed chairs and student aid, the budget process had worked to ensure that these were, on the whole, maintained. This had meant however, that cuts were required elsewhere.

Professor Zaky set the context for the Budget. Governing Council policy had changed in the previous year to allow for long-range budget planning using a rolling window. The University was committed to presenting a balanced budget each year, except in extraordinary circumstances. The budget had been balanced in the previous two years, but given the current extraordinary economic climate, a short-term deficit could not be avoided for 2009-10. He provided the following highlights from the *2009-10 Budget Report*.

REVENUE

Revenues, excluding divisional revenue, would remain essentially flat in 2009-10, with a projected increase of only \$0.5 million. Increases in grant revenue of \$11 million, and tuition revenue of \$39.9 million, would be offset by losses in endowment and investment income. The portion of the endowment payout that flowed through the operating budget to support endowed chairs and student awards would result in a decrease in total revenue of \$39.8 million in 2009-10.

6. Long Range Budget Guidelines, 2009-10 to 2013-14 and Budget Report for 2009-10 (cont'd)

Enrolment

Undergraduate enrolment was projected to increase by 500 FTEs over the planning period of 2009-10 to 2013-14. Small reductions were anticipated in Arts and Science and Engineering on the St. George campus; Scarborough enrolment was expected to remain flat; and, enrolment on the Mississauga campus was expected to increase. It was assumed that the Ministry would continue to discount funding for undergraduate enrolment increases over 2004-05 by 15% for the next two years. This was accounted for in the budget as a revenue contingency of \$4.6 million in 2009-10 and \$4.7 million in 2010-11. Undergraduate incremental revenue in 2009-10 totaled \$43 million, \$17 million of which was from international enrolment.

Graduate expansion would continue until 2013-14, with a focus on domestic over international enrolment. The Ministry of Training, Colleges and Universities (MTCU) allocations of expansion spaces and funding had been received after preparation of the Budget document. The University had been allocated close to what it had asked for, however, some adjustment of enrolment plans would be required.

Increased government funding per Basic Income Unit (BIU) continued to be a struggle. In 1991-92, funding per BIU was \$4,500. If funding had been adjusted to remain in balance with increases in the Consumer Price Index (CPI), it would today be \$6,000 per BIU. Instead however, it was barely \$4,500. This 27% shortfall was of major concern.

Tuition

Domestic tuition would increase by an average of 4.31% in 2009-10. The current multi-year tuition policy was assumed to continue for the coming years, in the absence of a new government framework beyond 2009-10. The average increase in tuition fees for international students was approximately 5.9%. A significant portion of these tuition increases was set aside for student aid, based on the estimate required to meet the accessibility commitment.

Endowment Loss

The total endowment payout was slated to be \$62 million in 2009, \$46 million of which would have flowed through the operating budget to support endowed chairs and student aid. The remaining \$16 million would normally have remained in restricted funds to support research and departmental expenses. The potential impact of the endowment loss on the operating budget was \$12 million in 2008-09 related to endowed chairs, and \$34 million in 2009-10 related to student aid.

Other Revenue Assumptions

- Investment income from the Expendable Funds Investment Pool (EFIP) in 2009-10 remained at the 2008-09 forecasted level of \$13 million. It was assumed that these levels would gradually return to normal levels, of approximately \$32 million, by 2013-14.
- The Federal Government had signaled that Canada Research Chairs may be reduced by up to six chairs in the future. There was no reduction in the 2009-10 Budget. However, a reduction of \$0.9 million would be phased in over three years starting in 2010-11.
- Divisional income had been adjusted to reflect the prior year's actual, increasing by two percent per year.
- The institutional cost of research continued at current levels of twenty percent.

6. Long Range Budget Guidelines, 2009-10 to 2013-14 and Budget Report for 2009-10 (cont'd)

For 2009-10, the Provincial grant remained the largest source of operating revenue at 41%, followed by tuition fees at 38%. The percentage of total revenue coming from the Provincial operating grants was however estimated to decrease during the period to only 35% by 2013-14. Other revenue was projected to remain fairly constant at 21% to 22% of total revenue over the next five years.

EXPENSES

For 2009-10 total expenditures were projected to increase by 4.7% to \$1,483 million. As part of the new budget process, all university-wide funding allocations were subject to review by the President's Budget Planning and Priorities Committee (BPP). The BPP included divisional leaders and the Chair of the Planning and Budget Committee as an observer. Due to the current economic and budget situation, there was limited new funding available for the coming year. As a result, the funding requests contained in the detailed, long-range plans submitted to the BPP from the divisions, had been very constrained. It had however still been difficult to meet all of the needs, and the BPP had made recommendations for the highest-priority allocations.

Non-Discretionary Expenses

There were significant commitments and obligations that had to be met in 2009-10. These non-discretionary expenses totaled \$9.8 million and included: USW job evaluation and adjustment fund costs (\$3 million); utilities (\$3.6 million); legal expenses (\$1 million); and, city water backflow prevention (0.8 million).

Student Aid 2009-10

The University remained committed to its policy on student financial support and to the Provincial Government's student access guarantee. As a result of the cancellation of the endowment payout, expenditures on student aid were estimated to decrease by \$5 million in 2009-10. It was also anticipated that there would be a higher demand for needs-based student aid this year due to the economic climate. Funds would be re-directed from carry-forwards and new expendable donations to meet increased demand. All needs-based student aid commitments would be fully supported in 2009-10, and the majority of other forms of student awards would also continue.

Allocation to Shared Expenses

Allocations to shared expenses approved by the BPP for 2009-10 totaled \$16.3 million, and existing compensation increases were \$5 million. Of this \$21.3 million, \$6.3 million was to be funded from carry forwards, and the President's office discretionary fund. The balance of \$15 million was however more than could be funded from the operating budget and therefore a cost containment of \$4.5 million (3%) was applied to administrative divisions. Net shared services therefore totaled \$10.5 million. The allocation to central funds was reduced by \$11 million, resulting in a net change of -\$0.5 million.

Funding for Academic Divisions

Academic divisions had significant financial challenges and the budget strategy had ensured that as much revenue as possible remained in their hands. For 2009-10 the net revenue to academic divisions increased by \$6.2 million over 2008-09, and would continue to improve over the next five years. However, the estimated divisional costs for 2009-10 increased by \$61 million over 2008-09. The overall shortfall in the academic divisions was \$54.8 million and could not be cut out of divisional budgets. A deficit plan was therefore required.

6. Long Range Budget Guidelines, 2009-10 to 2013-14 and Budget Report for 2009-10
(cont'd)

DEFICIT PLAN

Of the overall shortfall of \$54.8 million, academic divisions were expected to find \$9.7 million of cost containment savings, which represented a one percent budget reduction. In addition, an Academic Deficit Financing Fund of \$45 million was made available for the balance of the overall shortfall. This additional funding would not be distributed automatically to all divisions. Instead, divisions would request approval for deficit financing from the Provost on a case-by-case basis, to assist in managing their endowment and investment losses. It was anticipated that not all of the \$45 million of available deficit financing would be required.

The repayment schedule for the historical accumulated deficit of \$43.9 million would continue at a rate of \$11.2 million per year. The additional divisional deficit financing of a maximum of \$45 million would be repaid at \$9 million per year, beginning in 2010-11.

Actual revenues and expenses for divisions could differ from the projections contained in the budget plan. However, end-of-year variances were attributed to the divisions, and would therefore not be add to the accumulated deficit.

Professor Zaky noted that the economic situation would remain tight for some time. However, while revenue projections were flat in the short-term, they were manageable with short-term deficit financing. The academic and administrative review process that had occurred had helped in managing revenues and costs, and in fact the University now had a better idea of its costs. Thanks to responsive planning by divisional leaders, the University was actually in a better budget position than it could have been given the economic circumstances.

In discussion the following points were clarified.

- A number of sources had contributed to the current accumulated deficit, including a pension plan deficit in 2003. The deficit had been amortized over five years with repayment at \$11.2 million dollars per year. While the current exceptional circumstances had required an increase in the deficit, the repayment plan on the existing deficit would not be affected.
- The \$45 million of additional deficit financing would be paid out of the University float. The cost of this short-term loan was the loss of interest revenue on this money that would now not be available in the Expendable Funds Investment Pool (EFIP).
- A member noted that there would be a greater requirement for student aid in the current economic climate, and that he believed it would be better to budget for an even higher deficit, in order to ensure accessibility, regardless of a student's financial means. In response, the Provost advised that the University had worked diligently to ensure that the needs based student aid budget was preserved.

Pursuant to Section 45(b) of By-Law Number 2, it was duly moved, seconded and carried that Mr. Olivier Sorin be heard.

Mr. Sorin thanked the Committee for the opportunity to speak. He expressed concern that funds were being diverted from merit based awards in order to increase funding available for needs based bursaries. He believed that merit based awards should be considered equally as important, as they provided exceptional students with the ability to focus completely on their studies. As a result, their excellence had a positive impact on the University. He asserted that all scholarships needed to be maintained, to ensure excellence was maintained.

6. Long Range Budget Guidelines, 2009-10 to 2013-14 and Budget Report for 2009-10
(cont'd)

The Provost took Mr. Sorin's point and advised that while needs based awards had been identified as the number one priority, there was no intention to remove merit based scholarships, and the bulk of them would in fact be preserved.

On motion duly moved, seconded and carried

YOUR COMMITTEE RECOMMENDS

THAT [the Budget Report, 2009-10](#), which includes the long-range budget projection for 2009-10 to 2013-14 and the budget for 2009-10, be approved.

7. Annual Enrolment Report

Members received the Enrolment Report for 2008-09, for information.

8. Capital Project: Project Planning Committee for the Medical Sciences Building (MSB) Laboratory Renovations Project

Members received, for information, the Terms of Reference and Membership for the Project Planning Committee for the Medical Sciences Building (MSB) Laboratory Renovations Project.

9. Date of the Next Meeting

The Chair reminded members that the next meeting of the Committee was scheduled for Wednesday, April 1st, 2009 at 4:10 p.m. in the Council Chamber.

10. Other Business

The meeting adjourned at 5:40 p.m.

Secretary
March 13, 2009

Chair