UNIVERSITY OF TORONTO

OFFICE OF THE GOVERNING COUNCIL

FOR RECOMMENDATION **PUBLIC** **OPEN SESSION**

TO:	Academic Board
SPONSOR: **CONTACT INFO:**	Professor Trevor Young, Vice-President & Provost provost@utoronto.ca
PRESENTER: **CONTACT INFO:**	Professor Trevor Young, Vice-President & Provost provost@utoronto.ca
DATE:	February 16, 2024 for February 26, 2024
AGENDA ITEM:	3

ITEM IDENTIFICATION:

Budget Report 2024-25 and Long-Range Budget Guidelines 2024-25 to 2028-29

JURISDICTIONAL INFORMATION:

Excerpt from the Terms of Reference for the Planning and Budget Committee:

4.3.2. The annual budget is considered by the Committee for recommendation to the Academic Board. [Once the budget is recommended by the Academic Board, the concurrence of the Business Board is sought in regard to fiscal soundness before it is forwarded to the Governing Council.]

Pursuant to Section 5.3 the annual operating budget and long-range budget guidelines come forward to Academic Board for recommendation to the Governing Council.

GOVERNANCE PATH:

1. Planning and Budget Committee [for recommendation] (February 26, 2024)
2. UTM Campus Council [for information] (March 4, 2024)
3. UTSC Campus Council [for information] (March 5, 2024)
4. **Academic Board [for recommendation] (March 7, 2024)**
5. Business Board [for concurrence with the recommendation of the Academic Board] (March 13, 2024)
6. Executive Committee [for endorsement and forwarding] (March 26, 2024)
7. Governing Council [for approval] (April 4, 2024)

PREVIOUS ACTION TAKEN:

The Budget Report 2023-24 and Long-Range Budget Guidelines 2023-24 to 2027-28 were approved by the Governing Council at its March 30, 2023 meeting.

HIGHLIGHTS:

The University continues to be in strong financial shape, although we are facing some pressures related to the recent significant compensation increases and continued constraints – and some uncertainty – on our primary sources of operating revenues. The 2024-25 operating budget is balanced with $3.52 billion in planned revenue – a 4.9% increase over 2023-24 – balanced against an equal $3.52 billion in planned spending and provisions for future priorities. A significant portion of revenue growth is from strong returns on our short- and medium-term investments which are expected to be significantly higher than in recent years. Excluding this one-time increase, revenue growth is about 3% across all other sources of revenue.

In Fall 2023, the Government released the recommendations of their Blue-Ribbon Panel (BRP) which included increases to domestic fees, a 10% increase to operating grants, future enrolment growth funding, and special consideration for the University of Toronto on tuition. The Government has not yet formally responded to these recommendations.

Unfortunately, it appears that the Government will extend the freeze to domestic Ontario resident tuition fees for a fifth year to 2024-25 (in place since the 10% cut in 2019-20), although, they have signaled that they will support institutions. The Budget assumes continuation of the freeze and a $15 million increase to operating grants to offset the financial impact relative to the 3% increase that had been planned for next year. Tuition for non-Ontario residents in undergraduate programs will increase by 5%, consistent with the frameworks in place since 2021-22, and tuition for incoming students into our Master of Arts, Master of Science, and MSc in Applied Computing will increase by 7.5% as approved under the Government's sector-wide anomaly adjustment program for tuition that is significantly below comparable programs. These plans will be revisited, if necessary, when the Government announces the tuition framework for 2024-25.

In January 2024, the Federal Government announced a two-year reduction in the number of available international student permits including a potential 50% decrease in permits for Ontario's postsecondary education sector. The focus of this policy change is not on the University of Toronto which has responsibly and gradually increased our international enrolment over many years, in-line with our strategic plans and accompanied by transparent recruitment and admissions processes and robust student supports. However, it remains unclear how the Province will operationalize this new policy and there is some risk to our intake plans for 2024-25. We are actively working with all levels of government to ensure that the allocation of permits recognizes institutions like U of T and addresses the problem where the challenges lie.

Operating revenues are derived primarily (87%) from tuition, other student fees, and provincial operating grants, all of which are tied to enrolment. Divisional enrolment plans will add about 2,500 domestic undergraduate spaces over the next five years including the funded nursing, medicine, and SAMIH expansions. The University also continues to see strong demand from international students and is planning for growth of about 1,200 international FTEs over the planning period. With these plans, international enrolment will be maintained at about 31% of total undergraduates from a diverse set of countries across the world. Other sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, and sales of services.

Total spending for student aid is projected at $380 million for 2024-25 across undergraduate and graduate scholarship and bursary programs. About $65 million of this will come from the endowment payout with the remainder set aside from operating funds.

The operating budget reflects the aspirations and service plans in academic and shared-service divisions. Academic divisional plans include hiring of tenure and teaching stream faculty, enhancement of student services, increased experiential learning, work-integrated learning, and research opportunities, development of new academic programs, provisions for capital projects, and additional financial support for students. Additional investments into shared services include funding for addressing deferred maintenance, information security programs, rollout of the new student advising system and an improved transfer credit system, development of new administrative systems to reduce processing times and effort, and funding to sustain our library services and collections.

Looking ahead, we are anticipating revenue growth to slow to around 3% per year over the five-year plan, reflecting slowing enrolment growth and continued constraints on tuition and operating grants.

Given the ongoing uncertainty around our main sources of operating revenues, the University must remain restrained in our allocation of resources, while ensuring we maintain standards of excellence in teaching, research, and the student experience. Expenditure allocations are proposed within these competing constraints and priorities. Decisions on the allocation of resources across the institution take into consideration a balance between the rates of expenditure increase in the administrative divisions vs. the academic divisions.

FINANCIAL IMPLICATIONS:

The Long-Range Budget Guidelines plan for a balanced budget in each of the five years. The University continues to demonstrate an outstanding ability to cope with financial challenges by developing strategic and creative multi-year budget plans, which maintain and enhance academic priorities while minimizing the impact of the economic volatility on the student experience and on the research strength of the University. Leaders of academic and shared service portfolios continue to rise to the challenge, seeking efficiencies and collaborations wherever possible. Enrolment demand remains strong and the University continues to attract excellent domestic and international students.

RECOMMENDATION:

Be It Recommended:

THAT the Budget Report 2024-25 be approved and

THAT the Long-Range Budget Guidelines 2024-25 to 2028-29 be approved in principle.

DOCUMENTATION PROVIDED:

Budget Report 2024-25 and Long-Range Budget Guidelines 2024-25 to 2028-29

Budget Report 2024-25

and Long-Range Budget Guidelines 2024-25 to 2028-29

February 16, 2024

Planning & Budget Office

UNIVERSITY OF TORONTO

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Introduction

This report introduces the proposed Long-Range Budget Guidelines for the five-year period 2024-25 to 2028-29, including the detailed annual operating budget for fiscal year 2024-25. The proposed operating budget is balanced at the institutional level in each year of the planning period[1].

The Budget Report 2024-25 describes the current strategic context and fiscal environment in which the University operates and highlights key assumptions that underlie the long-range projections of revenues and expenses.

Budget plans are shaped by the University of Toronto's academic priorities as articulated in the University's Three Priorities – internationalization, engagement with the city-region and reimagining undergraduate education – the Towards 2030 academic plan, and the Provost's priorities. These priorities have been the focus of activities such as increased support for international experience; investments in experiential learning opportunities and program innovations; incorporating equity, diversity, and inclusion principles into all aspects of university life and operations; supporting student success and well-being through investments in mental health services, curricular and co-curricular programming to help students become graduates who will make significant impacts on their communities and the world; new spaces for teaching, learning and research; and cross-disciplinary research to address local and global challenges in areas such as public health and infectious diseases, personalized medicine, technology and society, and data sciences. Further, these priorities provide institutional context for divisional academic planning, which in turn leads to investment in specific initiatives and activities throughout the University.

This budget represents the culmination of many months of planning and the decisions of academic and administrative units across all three campuses. Through the annual budget planning process, academic divisions participate in detailed reviews of revenues and expenses and make decisions locally. Decisions are rolled up for review and approval, informed by relevant economic factors, risk assessments, collective agreements, provincial and University policies, and then approved by administration and governance. The University's budget model and planning processes are described in more detail in Appendix A.

Executive Summary: Budget 2024-25

The University of Toronto continues to be in a strong financial position with a balanced budget of $3.52 billion for 2024-25, representing a 4.9% increase over the prior year's budget. However, with enrolment growth slowing and limits on domestic and international fees, the University is heading into a new planning environment of lower revenue growth compared to the past decade. Strong returns on our short-term investments are driving a significant amount of the revenue growth in 2024-25; without this, annual growth is about 3.0% next year. Annual growth on total operating revenue is anticipated to slow to less than 3% by the end of the 5-year planning period. This comes at a time of increasing pressures on expenses.

Absorbing the cost of extraordinary post-Bill 124 compensation increases is a dominating factor in the 2024-25 budget. In 2023, the Arbitrator awarded a 7% increase for faculty and librarians on top of the 1% already negotiated under the then-active Bill 124 wage restraint legislation, retroactive to 2022. This extraordinary increase was subsequently added to the agreement with USW and to other administrative staff, and is expected to impact other agreements. The total impact of this is anticipated to be about $125 million on top of existing plans and has required redirecting of resources from other priorities to cover. This is leading to some difficult decisions as divisions work to fund their highest priorities. It also reinforces the need to maximize the effectiveness of our services and make the most of the resources we have.

The University continues to attract excellent domestic and international students. Enrolment-related revenues, including student fees and operating grants, represent 87% of our operating budget and are projected to increase by 3.2% to $3.05 billion in 2024-25. This reflects modest changes to domestic enrolment from funded expansions in nursing, medicine, and the Scarborough Academy of Medicine & Integrated Health (SAMIH), increased international intake consistent with Fall 2023 targets, and a 2.1% average increase in international tuition fees.

[1] It is important to note that the operating budget is prepared on a cash basis, in contrast to the accrual basis of the audited financial statements. Also, the operating budget is only one, albeit the largest (approximately 75% of total revenues), of the four funds included in the financial statements; the three others are the restricted fund, capital fund and ancillary operations fund.

Figure 1

The Budget

The Four Fund Groups of the University

In Fall 2023, the Government released the recommendations of their Blue-Ribbon Panel which included increasing domestic fees by 5% for undergraduate programs and 8% for professional, a 10% increase to operating grants, future enrolment growth funding, and special consideration for the University of Toronto on tuition. The Government has not yet responded to these recommendations as of the writing of this report.

Unfortunately, it appears that the Government will extend the domestic tuition freeze for a fifth year to 2024-25, although, they have also indicated that they will support colleges and universities. As a result, the 2024-25 Budget assumes increased operating grant funding to offset the financial impact of the extension of the freeze. Consistent with the Frameworks in place since 2021-22, the University is planning on a 5% increase to Non-Ontario Resident domestic tuition in undergraduate programs in 2024-25.

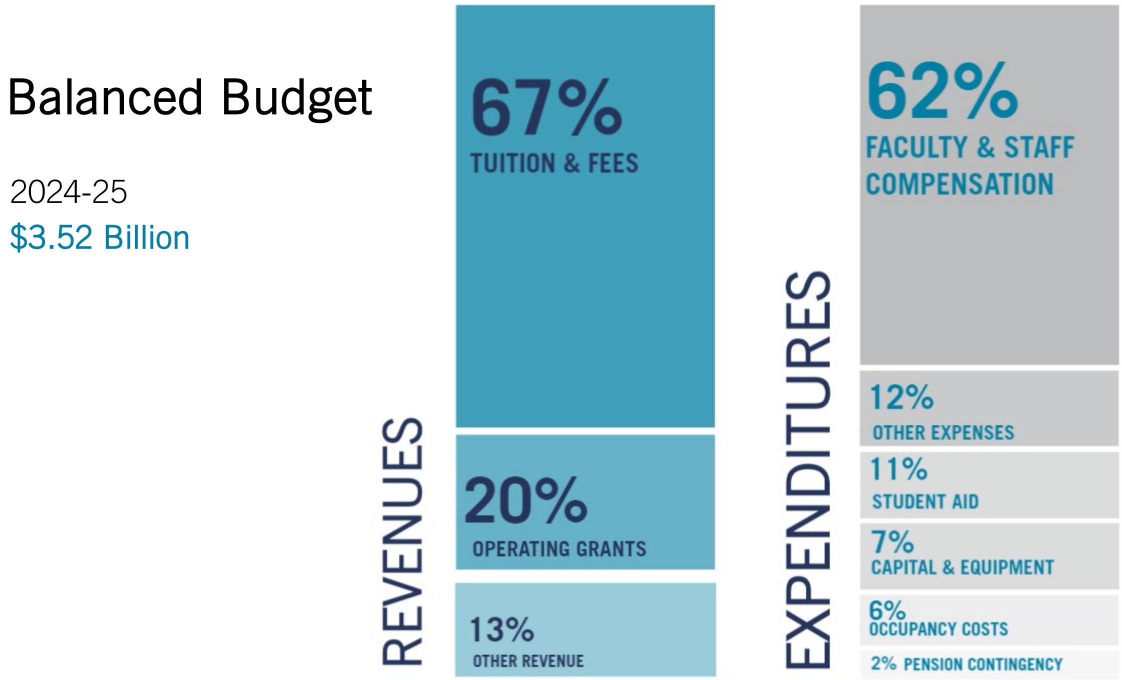
Divisional enrolment plans will add about 2,500 domestic undergraduate spaces over the next five years including the separately funded nursing, medicine, and SAMIH expansions. The University also continues to see strong demand from international students and is planning for growth of about 1,200 international FTEs over the planning period. With these plans, international enrolment will be maintained at about 31% of total undergraduates from a diverse set of countries across the world.

In January 2024, the Federal Government announced new caps on international student permits which will reduce the total number of new permits issued by 35%, and potentially by 50% in Ontario. Provincial governments have been tasked with allocating their share of new permits across postsecondary institutions. While the focus of this Federal policy change is not on universities, it is unclear how the Province will operationalize the new policy and if the new limits will impact the University's ability to recruit highly qualified international students. The 2024-25 Budget plan assumes an incoming class of about 6,000 international students into our direct-entry undergraduate programs, about 670 more than in Fall 2023 but consistent with plans for that year. If intake is capped at our Fall 2023 intake, the risk to the University's plans is about $40 million in 2024-25 and compounds annually if intake remains capped in future years. We are cautiously optimistic that the impact on U of T will be minimized, but there is a risk that this could result in a more fundamental change to our planning for the future.

Recruitment efforts continue to be focused on ensuring that the international student body more closely reflects the University's wide range of global partnerships. Fall 2023 continued our progress in diversifying intakes with students from 140 countries and less than half from any single source. To support these efforts, direct-entry undergraduate divisions continue to invest in additional merit-based scholarships for international students from diverse global regions, earmarking 6% of international undergraduate tuition revenue towards this goal.

Assisting divisions with absorbing compensation increases is a significant University Fund (UF) priority this year. UF has also been allocated to support priorities such as classroom technology upgrades, collaboration on graduate funding and other divisional initiatives, Institutional Strategic Initiatives, core institutional research facilities, supporting inclusive interdivisional research networks, and support for the Committee on the Environment, Climate Change, and Sustainability.

Figure 2



Budget priorities in academic divisions include managing compensation costs; hiring of tenure and teaching stream faculty; enhancing graduate funding; new technological tools and training to enhance program quality and supports for learners; enhancing student recruitment and services; capital investments in teaching and research infrastructure; and expanding experiential learning opportunities, among others.

Investments in shared services are prioritizing additional funding for our critical information security programs and to address deferred maintenance, supporting further rollout of our new student advising system and other student registrarial systems, and covering inflation on the University's world-class library collections. A new travel and expense system will be implemented that should lead to significant savings in administrative time that can be redirected towards higher priorities. Additional staffing will add capacity in the Community Safety Office, meet our obligations under the "Anti-Pass the Harasser" program, and support health and safety committees.

Looking beyond 2024-25, compensation increases are planned to return to pre-Bill 124 levels. Consistent with the plan presented last year, the pension risk contingency budget will be reduced to $65 million in 2025-26 and ultimately to $50 million by the end of the planning period.

1 The Financial Planning Landscape

The overall planning environment for the University considers many internal and external factors such as enrolment demand, collective agreements, Provincial funding policy and tuition fee frameworks, Federal funding for research, ancillary operations, and opportunities for non-traditional sources of revenue.

Enrolment Planning

Approximately 87% of the University's operating revenue is related to enrolment through student fees and operating grants. Demand for the University's programs continues to be very strong with overall enrolment growing to 99,794 undergraduate and graduate students taking 88,652 FTEs of course activity in Fall 2023, a 2,355 FTE increase over the previous year.

We continue to see strong domestic and international applicant pools to our direct-entry undergraduate programs, with growth of 3.3% in the incoming class to 16,361 in Fall 2023, although (2.3%) below the plan for this year which had assumed a bit more growth. Domestic intake was 269 above target which offset a (657) negative variance on international intake – although, both domestic and international intake increased over last year. In 2023-24, we have also seen an increase in retention rates of continuing students, which resulted in higher upper-year enrolment than expected based on historical rates. This very positive result means that overall undergraduate domestic and international enrolment slightly exceeded the budget plan by a combined 1.1%.

On January 22, 2024, the Federal Government announced a two-year framework to cap new international student permits to the number expiring each year, which will result in an estimated 35% reduction in new permits nationally and a 50% reduction for Ontario because of a new distribution framework linked to population. Permits for graduate studies are exempted from the cap. These changes are focused on addressing abuses in the system by particular actors and are not intended to adversely impact universities such as the University of Toronto. We are working with all levels of government to ensure that the allocation of permits recognizes institutions like U of T (which uphold rigorous and transparent recruitment and admissions processes, and offer robust student supports) and addresses the problem where the challenges lie.

The Federal Government continues to face significant challenges in timely processing of student permit applications given the large increase in volumes across the country in recent years. This past year, the University along with Universities Canada and other peer universities has worked with Immigration, Refugees & Citizenship Canada (IRCC) to develop a new Recognized Institution Framework that will create a new, separate pathway for student permit processing for "recognized" institutions. We expect this to significantly improve the experience for our students and reduce time to approval when it is implemented.

Many divisions continued to experience some softening in graduate intakes again this year with overall graduate enrolment coming in (2.8%) below plan, although still within our funded enrolment corridor. Fall 2023 graduate enrolment across all years of study was 20,424 FTEs, essentially unchanged from 2022.

Summer enrolment activity continues to be higher than pre-pandemic levels, although not at the level of the peak in 2020 in the early stages of the pandemic. Students have shown continued interest in taking courses across all three terms which allows for a broader set of offerings through the summer session, reduced pressure on courses through the Fall/Winter, and more activity on campuses over the summer.

Geopolitical issues continue to present some risk to our international enrolment plans. We are seeing some impact from the recent tensions in the Canada-India relationship on demand with applications from that country for Fall 2024 down by about 41% compared to last year. Applicants from China are also down about 7% as of February. This volatility demonstrates why the University's diversification strategy to build and increase connections with a broader range of international countries is so important.

Post-Bill 124 Compensation Decisions

The impact of post-Bill 124 compensation decisions is a dominating factor in this year's budget plan.

The November 9, 2022 decision by the Ontario Superior Court of Justice to strike down the Government's "Protecting a Sustainable Public Sector for Future Generations Act, 2019", commonly known as Bill 124, has had a significant impact on Ontario broader public sector compensation over the past year. This decision removed the "no-catch up" restrictions in the Act which, when combined with high inflation rates, has led to large top-ups to the already negotiated Bill 124 1% increases such as:

+6.5% over three years for OPSEU employees with public colleges

+6.25% over two years for Ontario Power Workers

+6.25% retro over two years for Ontario Hospital Paramedical Employees

While the University does not have any reopener clauses in its agreements, the final year of the Bill 124 period agreement with our Faculty & Librarians (2022) was in arbitration when the Court made its decision. As a result, negotiation resumed on this final year and the Arbitrator ultimately awarded a 7% increase in addition to the 1% already negotiated. This 7% special increase was subsequently included in the 2023 agreement with USW and other administrative staff. The University is anticipating that this special increase will ultimately cost about $125 million above what was planned for this year.

In response, divisions have had to review their hiring plans, contingencies, capital plans, and other priorities. It will take several years for divisions to fully absorb this extraordinary increase in base costs, which will limit funding available for other priorities.

Blue-Ribbon Panel

In March 2023, the Ontario Government announced the creation of a new Blue-Ribbon Panel (BRP) to provide advice to the Ministry of College & Universities on how to help keep the postsecondary education sector financially strong and focused on providing the best student experience possible. The Panel published their final report in November 2023[2] with a number of key recommendations that could have a significant impact on the University's budget, including:

- Unfreeze domestic tuition with a 5% increase to undergraduate programs and 8% for professional programs. Future increases linked to CPI.
- Immediate 10% increase in operating grant funding and then linked to CPI.
- Fungibility between undergraduate and graduate spaces within the enrolment corridor.
- Consider funding enrolment growth to meet demand.
- A note from the Panel's Chair to deregulate tuition at the University of Toronto in recognition of its pre-eminence and long-standing commitment to access.

As of the writing of this report, the Government has not yet formally responded to the BRP's recommendations. However, they have signaled that the domestic tuition freeze will be extended for another year and they are considering operating grant support for colleges and universities. As noted later in this report, the Budget assumes continuation of the domestic tuition freeze to 2024-25 and increased operating grants to offset the financial impact.

The BRP's recommended 10% increase would represent about $65 million in additional critical revenue to the University. As we wait for the Government to respond to this recommendation, the budget plan does not assume additional operating grant revenue beyond the amount to offset the domestic tuition freeze. If the Ontario Budget includes an increase, the additional revenue would be allocated to divisions through the University's budget model to support their highest priorities.

[2] Blue-Ribbon Panel on Postsecondary Education Financial Sustainability, November 2023

https://files.ontario.ca/mcu-ensuring-financial-sustainability-for-ontarios-postsecondary-sector-en-2023-11-14.pdf

Provincial Government and the Strategic Mandate Agreement

The Ontario post-secondary education system operates under a differentiation policy framework that is operationalized through a series of bilateral Strategic Mandate Agreements. These agreements specify the role of each university in the system and how each will build on institutional strengths to drive system-wide objectives and government priorities.

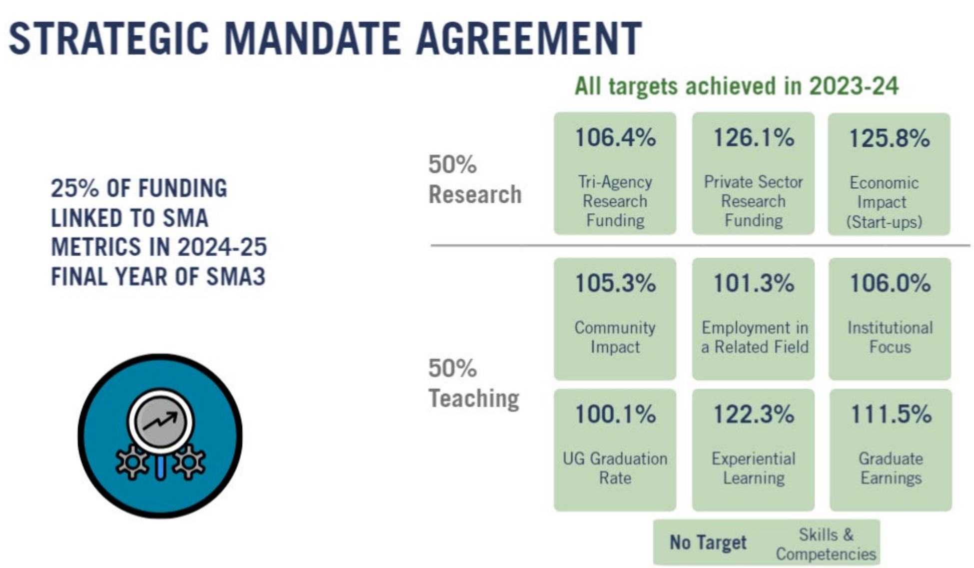
The University's third Strategic Mandate Agreement with the Province (SMA3)[3] came into effect on April 1, 2020 and covers the period 2020-2025. With the implementation of SMA3, the Government is shifting a significant portion of existing operating grant revenue to a differentiation envelope that will be linked to performance metrics. Over the five years, the Differentiation Envelope portion of funding will increase from 25 per cent of total Provincial operating grants (6% of total revenue) in 2020-21 to 60 per cent of operating grants (12% of total revenue) in 2024-25.

Under the SMA3 performance-based funding formula, each university is measured against its own past performance, not against other institutions. As Canada's leading research-intensive university, performance-based funding allows the University to benchmark its strengths in areas such as innovation, research funding, and graduate employment, and have funding reflect its achievements in these areas. The Province has defined ten performance metrics for funding purposes and the University has allocated its performance-based funding envelope across these metrics, with an option to adjust each year in response to changing priorities.

In recognition of the potential impact of the COVID-19 pandemic on metrics, the Government suspended activation of the performance-based funding framework for the first three years of the SMA3 period and has reduced the amount of funding that will be linked to performance metrics. In 2023-24, the framework was activated with 10% of funding linked to the metrics. This will increase to 25% in 2024-25. The University exceeded all of its metrics targets in the first four years of the SMA3 evaluation period and does not anticipate any reductions to funding in the future.

The SMA3 also sets out a multi-year enrolment plan. In response to Ontario's changing demographics, the University and the Province have agreed to hold constant the level of domestic undergraduate enrolment at the University of Toronto over the period of the agreement. The University will be eligible for full enrolment funding provided it maintains a five-year average enrolment within ±3% of its target. This excludes separately funded enrolment expansions in nursing and the Scarborough Academy of Medicine & Integrated Health discussed later in this document.

Figure 3: SMA3 Metrics Performance, Year 4 (2023-24)



[3] Strategic Mandate Agreement 2020-2025: University of Toronto and the Ministry of Colleges and Universities https://www.utoronto.ca/about-u-of-t/reports-and-accountability

Nursing Expansion & Clinical Funding

Nursing education continues to be a priority area for the Government, which has funded additional spaces at colleges and universities since 2021. Under this program, the University received 55 additional spaces for our undergraduate BScN program in Fall 2024 entry (31% increase in intake over 2020). Given the continuing high demand for nursing graduates in the health care sector, the University is anticipating that this expansion will continue over the planning period.

In addition, in 2022-23, the Government committed $124.7 million over three years to significantly increase funding for nursing clinical operations at colleges and universities. Under this initiative, the University's allocation for nursing clinical funding has roughly tripled to $1.1 million per year, which will help with operating costs for running these programs. We are hopeful that the Government will continue funding at this level beyond the initial three-year commitment. And the University continues to advocate for increased clinical funding in other program areas, in particular dentistry, where the essential in-house clinics require significant subsidies from other operating revenues.

Scarborough Academy of Medicine & Integrated Health (SAMIH) and Additional Medical Expansion

In May 2022, the Government announced new expansion funding for the Scarborough Academy of Medicine and Integrated Health (SAMIH) that will be located at the University of Toronto Scarborough (UTSC) campus. SAMIH will be a collaboration between UTSC, the Temerty Faculty of Medicine, the Lawrence S. Bloomberg Faculty of Nursing, and the Leslie Dan Faculty of Pharmacy. It will serve as a hub for undergraduate health education and health professional training.

In 2023, the Government announced a further expansion of some medical programs. In total, between the two expansions, the University will receive growth funding for:

- 44 MD spaces
- 55 postgraduate resident spaces
- 26 physician assistant spaces
- 40 MSc physical therapy spaces
- 300 graduates from undergraduate programs in life sciences at UTSC

In addition, 30 MN Nurse Practitioner spaces will be delivered through SAMIH.

SAMIH will be supported through a partnership with The Scarborough Health Network, Lakeridge Health, Ontario Shores Centre for Mental Health Science and Michael Garron Hospital. Community-based agencies and health care facilities such as Family Health Teams and Community Health Centres will also be important collaborators.

Funding Support for Mental Health

In 2023-24, the Government continued its on-going $10.5 million annual funding for mental health services at colleges and universities – from which the University received $365k. This funding supports campus-based mental health services, access to the Good2Talk helpline for professional counselling, information, and mental health referrals for post-secondary students, and the development of new partnerships and mental health resources to build a connected and comprehensive mental health system in Ontario.

However, the Government repositioned the $5 million in additional funding provided in 2022-23 into a two-year, project-based program for 2023-24 and 2024-25. The University has submitted a proposal for funding but has not received the results as of the writing of this report.

Framework for Domestic Tuition Fees

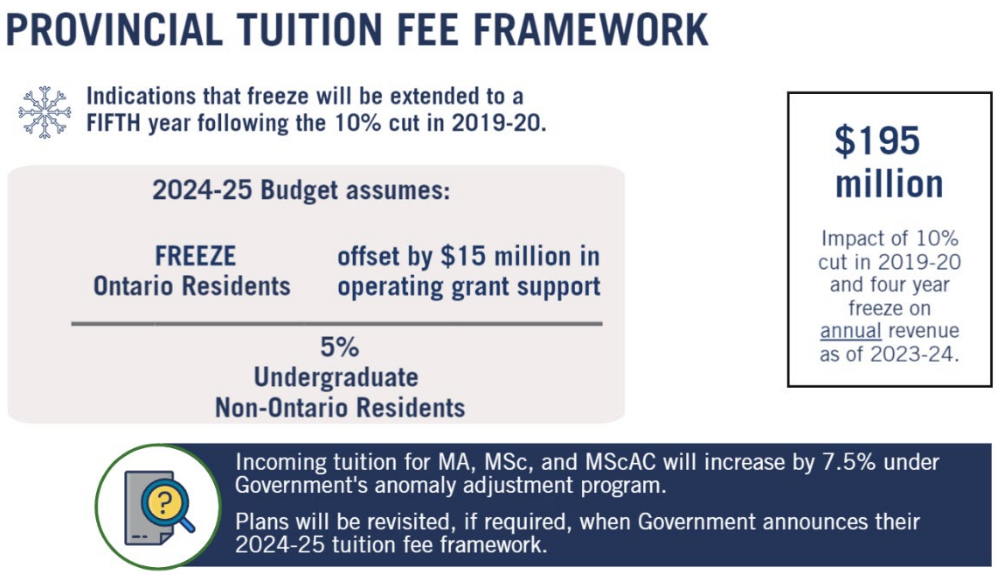
Changes to domestic tuition fees in publicly funded programs at Ontario colleges and universities are subject to frameworks provided by the Provincial Government. Under these frameworks, the Government sets limits on increases to fees (and in some cases, requires reductions or freezes) and retains the option to reduce operating grant funding to institutions that contravene the framework. The frameworks only apply to tuition for students for which the Government provides operating grant funding, so do not apply to majority of international students, non-publicly funded programs such as Executive MBA, and continuing education programs.

In 2019-20, the Ontario government announced a 10 per cent cut to domestic tuition fees and has subsequently frozen fees at these levels for four years to 2023-24. Tuition paid by international students was unaffected. The cumulative impact of the 10% cut and four-year freeze is a $195 million reduction in annual operating revenue to the University as of 2023-24 compared to the 3% average framework in place prior to 2019-20.

Unfortunately, it appears that the Government will again extend the domestic tuition freeze for a fifth year to 2024-25, resulting in a $15 million impact to the University's plans for next year that assumed a modest 3% increase to Ontario resident tuition. In their public statements, the Government has also indicated that they will support colleges and universities through the freeze. As a result, the 2024-25 Budget assumes increased operating grant funding of $15 million to offset the financial impact of the extension of the freeze. Consistent with the Frameworks in place since 2021-22, the University is planning on a 5% increase to Non-Ontario Resident domestic tuition in undergraduate programs in 2024-25.

We will revisit these plans, if necessary, when the Government formally announces its framework for 2024-25.

Figure 4: 2024-25 Domestic Tuition Fees



Federal Funding

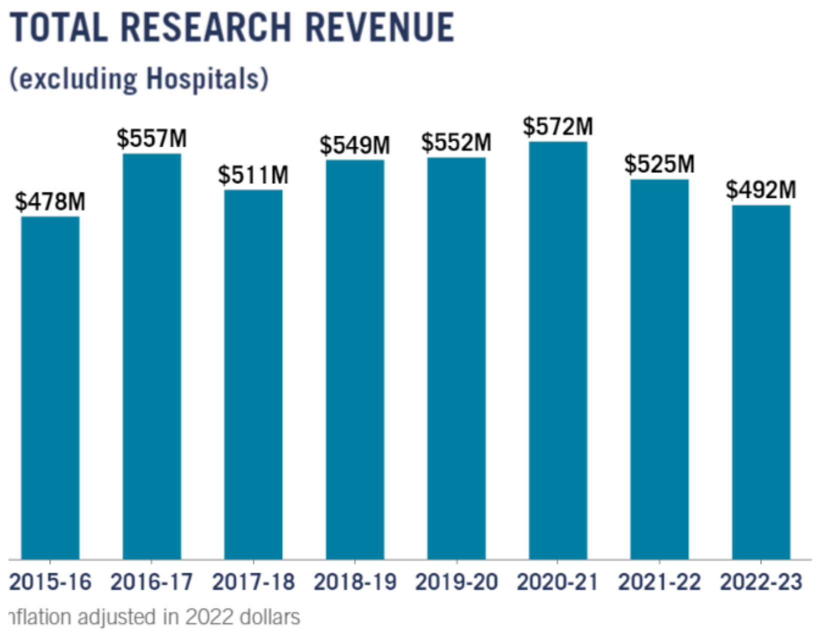
Funding from the Federal Government is provided to universities primarily to support investigator-driven research and is not generally part of the University's operating budget. However, federal funding interacts with the University's operating budget in three important areas: Canada Research Chairs, funding for the indirect costs of research, and graduate student support.

The Canada Research Chairs (CRC) program introduced in 2000-01 contributes to salary and research support for outstanding university researchers on a competitive basis. Research chairs are awarded to each university based on its share of eligible tri-agency research funding (the Canadian Institutes of Health Research - CIHR, the Natural Sciences and Engineering Research Council Canada - NSERC, and the Social Sciences and Humanities Research Council of Canada - SSHRC. The University of Toronto has the country's largest allocation of CRCs, with 342 Chairs spread across three campuses and fourteen fully affiliated hospitals (the next largest university allocation of CRCs is 110). Given that Chairholder salary is an eligible and common budget element, these Chairs make an important contribution to the University's operating budget. They also have a significant impact on the University's ability to recruit and retain outstanding scholars. However, since the CRC program was introduced, inflation has reduced the effective value of Chair funding by over 53%. An appropriate adjustment to the value of these awards is long overdue.

Most research sponsored by NSERC, SSHRC and CIHR funding programs generates funding to support indirect costs from the federal Research Support Fund (RSF) and the Incremental Project Grant (IPG). The University of Toronto's effective rate of federal indirect costs recovered from these programs has averaged around 20% over the last decade, relative to the University's average indirect cost rate of 59%. While this investment is welcome, a doubling of the Federal RSF rate would bring the University somewhat closer to the rate of indirect cost funding among research- intensive institutions in the Association of American Universities (AAU). This would have a significant impact by allowing research-intensive divisions to close the gap on their structural deficits. Without a change in the funding formula, each additional dollar of research funding places a higher burden on the University's operating funds.

The Federal government supports graduate students by providing fellowships on a competitive basis. Although these funds do not flow through the University's budget, they provide indirect budget relief to the academic divisions by freeing up funds that would otherwise have to be used for graduate student support. Similarly, the Provincial Government provides support through Ontario Graduate Scholarships and the QEII Graduate Scholarships in Science and Technology. However, neither federal nor provincial government support for graduate students has kept pace with the rapid growth in graduate enrolment, placing a higher demand on faculty member research grants and the operating budget.

Figure 5: Research Revenue



Ancillary Services

Ancillary services across all three campuses make important contributions to the student and campus experience through residences, food operations, parking, and other services for student, faculty, and staff. These self-funding units rely on on-campus activity and faced significant financial challenges during the pandemic.

The University's 2021-22 budget plan included up to $50 million of deficit spending room for ancillary operations to provide flexibility for multi-year plans to recover from the financial impacts of the pandemic. Ancillary units are expected to eliminate any deficits over a five-year period. Ancillary operations are making significant progress in their recovery from the financial challenges incurred during the pandemic and are ahead of their five-year plans. Residences are back to full occupancy; however, Transportation and Food Services are continuing to adjust to the new post-pandemic environment of expanded hybrid work options that is translating to lower on-campus activity in some areas.

Deficit spending has been allowed only where it is necessary to do so, after considering cost containment strategies, levels of reserves, and funding for critical infrastructure projects. The University continues to work with ancillary units impacted by reduced on-campus activity to assess their financial health and may provide support from operating reserves to assist with annual deficit reductions in cases where further cost containment would jeopardize the unit's ongoing sustainability or critical infrastructure renewal. The University continues to present a balanced operating budget, and any subsidies to ancillary units will be provided from existing operating reserves.

Alternative Funding Sources

The University faces increasing financial pressure as a result of constrained provincial tuition and enrolment frameworks and real value decreases in provincial operating grants. The University's commitment to being an internationally significant research university requires creative solutions to fund its mission and aspirations.

In 2019, the final report of the Alternative Funding Sources Advisory Group[4] articulated several potential sources of revenue-generation that take advantage of some of the University's key strengths: its capacity to create and disseminate knowledge, its real estate holdings and physical infrastructure, and its significant financial capital. One example of actions undertaken following the report was the establishment of The Advisory Group on Lifelong Learning Opportunities established by the Provost. The group's June 2021 report[5] includes recommendations to enhance and expand the University's lifelong learning offerings through initiatives such as a Lifelong Learning Community of Practice and micro-credentials.

The University has seized another such opportunity with the adoption of the Four Corners Strategy, which will leverage the University's real estate assets to deliver amenities to support the academic mission and simultaneously grow revenue from sources other than enrolment. The Four Corners Strategy sets an ambitious goal of generating $50 million in operating funding per year by 2033 through the development of roughly 3.5 million square feet of new space devoted to campus services, amenities, office, and retail spaces. The funding will be invested directly in the research and teaching mission, likely through a targeted Strategic Fund.

Current projects in various stages of planning, design, and construction include the Oak House residence at Spadina and Sussex scheduled to open in 2024-25, a new residence on Harbord in development, the Site 1 Gateway project at Bloor and Spadina with faculty, staff and student family housing, and the Schwartz Reisman Innovation Campus (SRIC) East.

Figure 6

[4] Report of the Alternative Funding Sources Advisory Group, April 2019. https://www.provost.utoronto.ca/committees/budget-model-review/alternative-funding-sources-advisory-group/

[5] Report of the Advisory Group on Lifelong Learning Opportunities. https://www.provost.utoronto.ca/wp-content/uploads/sites/155/2021/06/Lifelong-Learning-Report_FINAL.pdf

2 Budget Overview

Budget Assumptions: Enrolment and Revenue

Operating revenues are derived primarily (87%) from tuition, other student fees, and provincial operating grants, all of which are tied to enrolment. Non-enrolment driven sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, and sale of services. The University projects growth in total operating revenue of $164 million in 2024-25 (4.9% over 2023-24) to total revenue of $3.52 billion, and total growth of $577 million over the planning period.

Enrolment

The 2024-25 Budget assumes an increase in undergraduate direct-entry intake of 906 students (5.5%) over Fall 2023 actuals, including 236 domestic and 670 international. Domestic growth primarily reflects the start of the SAMIH undergraduate expansion while international targets are roughly unchanged from Fall 2023 plans. Overall, undergraduate FTE enrolment is planned to increase by about 1,300 FTEs or 1.9%.

We are seeing some softening in the international student market with a 7% decline in applicants as of February vs. last year. Several Canadian peer universities report seeing similar trends. Divisions will be actively engaging with prospective students to maximize yields and limit melt over the summer and are optimistic that plans can still be met from the slightly smaller pool. Domestic applications, on the other hand, are very strong so far this cycle with a 5% increase in applicants as of February.

Under the SMA3 plan, domestic undergraduate enrolment will be maintained within the ±3% flexibility of the fixed provincial funding envelope, excluding the targeted expansion programs in nursing, medicine, and SAMIH that will be funded separately. Including the expansion plans, domestic enrolment is projected to increase by about 2,500 FTEs over the next five years. Divisional plans also include growth of about 1,200 FTE international undergraduate students over the planning period, including growth on all three campuses. These plans will maintain international enrolment at about 31% of total undergraduates. A high-level summary of enrolment plans is shown in Tables 1 and 2.

The University was successful in achieving its graduate enrolment targets and claimed all available funding from the Province during the period of the second Strategic Mandate Agreement (2017-2020). There is demand for another 700 master's spaces and 900 doctoral student spaces above and beyond those approved in SMA2. Funding for these spaces remains a point of advocacy in negotiations with the Province, but there is no commitment of additional funded graduate spaces in the third Strategic Mandate Agreement covering the period 2020-2025. In the meantime, academic divisions are endeavouring to work within this limitation.

Table 1: Enrolment (Full-time Equivalent) by Domestic-International Mix, 2023-24 and Planned to 2028-29

	2023-24	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P
UG Domestic	46,988	48,198	48,637	49,144	49,408	49,450
UG International	21,240	21,335	21,605	21,938	22,315	22,424
% International	31.1%	30.7%	30.8%	30.9%	31.1%	31.2%
Grad Domestic	14,723	15,145	15,736	16,054	16,317	16,519
Grad International	5,702	5,815	5,860	5,902	5,976	6,020
% International	27.9%	27.7%	27.1%	26.9%	26.8%	26.7%
Total FTE	**88,652**	**90,493**	**91,837**	**93,037**	**94,016**	**94,412**

Table 2: Enrolment (Full-time Equivalents) by Degree Type, 2023-24 and Planned to 2028-29

	2023-24	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P
UG St. George	43,149	43,483	43,599	43,705	43,772	43,824
UG UTM	13,460	13,684	13,598	13,768	13,675	13,662
UG UTSC	11,619	12,366	13,045	13,609	14,276	14,388
Total Undergraduate	**68,228**	**69,533**	**70,242**	**71,082**	**71,723**	**71,874**
% Undergraduate	77.0%	76.8%	76.5%	76.4%	76.3%	76.1%
Profess. Master’s	9,698	10,248	10,677	10,858	10,993	11,097
Doc. Str. Master’s	2,674	2,730	2,851	2,932	2,983	2,999
Doctoral	8,052	7,982	8,068	8,165	8,317	8,443
Total Graduate	**20,424**	**20,960**	**21,595**	**21,955**	**22,293**	**22,538**
% Graduate	23.0%	23.2%	23.5%	23.6%	23.7%	23.9%
Total FTE	**88,652**	**90,493**	**91,837**	**93,037**	**94,016**	**94,412**

Enrolment tables include enrolment in conjoint programs with the Toronto School of Theology (TST) but exclude enrolment in non-conjoint TST programs.

Additional details and discussion of future enrolment plans are contained in the 2023-24 Enrolment Report.

Operating Grants

Operating grants currently comprise 20% of the University's operating budget, the lowest proportion of government funding for any publicly funded university in the country. Details of operating grants are included in Appendix B, Schedule 2. In line with the Province's direction on funding as part of the third Strategic Mandate Agreement (SMA3), base operating grant revenue will remain unchanged over the planning period, with a shift in the balance between enrolment-based and differentiation-based funding envelopes. As of 2023-24, a portion of the differentiation envelope has been linked to the new performance framework based on the SMA3 metrics; however, this will not increase the amount of funding available. Rather, it introduces a new accountability mechanism for existing funds. Under the Province's current plan, 25% of total operating grant funding will be linked to the performance metrics in 2024-25, an increase over the 10% in 2023-24. Given the University of Toronto's strong performance, the long-range budget guidelines assume retention of all performance-based funding throughout the planning period.

2024-25 is the last year of the SMA3 period and discussions have not yet started on the next SMA. As a result, the long-range budget guidelines do not make any assumptions for funding changes beyond those articulated in the SMA3. As well, as the Government has not yet responded to the Blue Ribbon Panel recommendation for increased operating grant funding, the current long-range plan does not assume any inflationary increases.

The budget assumes the following for provincial operating grants:

- Base operating grants will remain stable at approximately $660 million annually, but the balance will shift between enrolment-based funding and the differentiation envelope in 2024-25 as per the SMA3 plan. The balance between funds will remain constant at this level for the remaining years of the plan.
- The Province will provide $15 million in on-going operating grant support to offset the impact of the extension of the domestic tuition freeze.
- The Province will continue to reduce operating grants by $750 per international undergraduate and master's student under the International Student Recovery deduction.
- The Government will continue to fund the nursing enrolment expansion program over the planning period ($1 million in 2024-25 and growing to $1.3 million on top of base funding).
- Funding for the SAMIH and medical enrolment expansions will rollout as planned, growing from $5.5 million in 2024-25 to $25.8 million in 2028-29 on top of base funding.

Student Fees

A breakdown of fee revenue, including tuition, ancillary, continuing education, and executive education fees is included in Appendix B, Schedule 2. It is important to note that tuition revenue increases are a result of both increased tuition fees and changes in enrolment levels.

As noted earlier, unfortunately, it appears that the Government will extend the freeze to domestic Ontario resident tuition fees for another year to 2024-25. The Budget assumes continuation of the freeze and a $15 million increase to operating grants to offset the financial impact relative to the modest 3% increase that had been planned for next year. Tuition for non-Ontario residents in undergraduate programs will increase by 5%, consistent with the frameworks in place since 2021-22. These plans will be revisited, if necessary, when the Government announces its framework for 2024-25.

In 2023-24, the Government approved anomaly adjustments to tuition fees across the Province that are significantly below the sector average for comparable programs. Under this initiative, anomaly increases were approved for our research stream Master of Arts and Master of Science programs as well as our Master of Science in Applied Computing. Special increases of up to 7.5% annually are approved to close the gap. Tuition for 2023-24 was increased by 3%, consistent with the University's plans, and the 2024-25 fees for incoming students will increase by 7.5%.

Tuition fees for international students are set at a level that takes into consideration the full cost of providing a program and with reference to fees at peer Canadian and US universities. Undergraduate international fees in direct-entry arts & science programs will increase by 2% in 2024-25 while fee increases in other programs vary according to their local factors. Overall, the average tuition increase for international students will be 2.1% across all undergraduate and graduate programs. Details on proposed tuition fee increases program by program can be found in the 2024-25 Tuition Fee Report, which is presented to Governing Council for approval along with this report.

In addition to publicly-funded programs, most divisions also offer continuing and/or executive education programs. Fees in these types of programs are not regulated by the Province. Examples include language, creative writing, and professional development programs in the School of Continuing Studies, and executive education programs in many professional Faculties. Ancillary and incidental fee revenue results from non-tuition related fees covered under the Ministry's framework. This includes fees in categories such as: student services, health services, athletics, Hart House, constituent college fees, student society fees, cost recovery fees, and administrative user fees and fines.

Canada Research Chairs and Indirect Costs of Research

The University's allocation of 342 Canada Research Chairs includes additional chairs resulting from the Federal Budget 2018's investment in the program. These additional chairs were phased in over a period of three fiscal years to 2021-22 and have been instrumental in boosting the University's representation of the four federally designated groups (women, visible minorities, persons with a disability, and Indigenous Peoples) among our CRC holders. The long-range budget guidelines assume an allocation of 342 Canada Research Chairs (both campus-based and hospital-based) in each year of the planning period.

The budget assumes a recovery from the Federal Government's indirect cost of research funding programs of $25 million in 2024-25, with no increase in the effective rate of indirect costs support.

Revenue from indirect costs on private sector-sponsored and other research funding agreements, and on funds awarded through the Ontario Ministry of Research and Innovation (MRI), is projected to increase to $19 million in 2024-25 (from $17 million planned for 2023-24). The University's Guideline on Full Cost Recovery in Research[6] sets the minimum level at the nationally accepted 40 percent unless the research sponsor has a different published rate. The Division of the Vice-President Research, Innovation, and Strategic Initiatives works closely with academic divisions to ensure awareness of this guideline given the direct impact on their operating budgets from this revenue source.

As part of the SMA3 funding framework changes, the provincial Research Overheads Infrastructure Envelope (ROIE) was frozen and rolled into the University's Differentiation Envelope. However, as the ROIE supports indirect costs of research, the University continues to track and internally allocate this revenue separately from the remainder of the performance-based funding. For the purposes of the internal allocations, the ROIE is assumed to remain constant at $12 million annually, the value of the grant prior to the funding framework changes.

The $114 million Medicine by Design initiative funded under the Canada First Research Excellence Fund (CFREF) included $14 million for on-campus indirect costs over a seven-year period. The recovery amount varies annually based on the timing of direct expenditures in the Medicine by Design program and is anticipated be about $0.8 million in 2024-25.

In 2023, the University was awarded a $200 million grant under CFREF to revolutionize the speed and impact of scientific discovery through its Acceleration Consortium. This is the largest Federal research grant ever awarded to a Canadian university and will come with both direct research grants and funding to support indirect costs of research. The indirect costs revenue has not yet been factored into the long-range plan.

Investments and Other Income

The University of Toronto has many generous friends and benefactors, who have contributed total endowments in excess of $3.267 billion (fair value at April 30, 2023). Endowment income is highly targeted and the portion that is included in the operating budget is directed to student aid and to the support of endowed chairs and represents a modest but important part of the University's total operating revenue, 2.5% in 2024-25. It is important to note that endowment revenue for research and academic program support is not reflected in the operating budget. The Long-Range Budget Guidelines build in a conservative assumption of growth in endowments, which is updated each year as gifts are received.

Endowed funds are managed in a unitized investment pool, called the Long-Term Capital Appreciation Pool (LTCAP). Each individual endowment account holds units in LTCAP that reflect the number of dollars contributed and the unit value on the dates of contribution.

By policy, payouts from the University's endowed funds range from 3% to 5% of the market value of the relevant assets, with a target of 4%. To ensure that endowments will provide the same level of economic support to future generations as they do today, the University does not spend everything earned through the investment of funds in years when investment returns are high. In those years, the University sets aside and reinvests any amounts earned in excess of the spending allocation. This provides protection against inflation and builds up a reserve, which is expected to be used to fund spending in years when investment markets are poor. As of April 30, 2023, the endowment held a reserve of $354 million in cumulative preservation of capital above inflation. When investment income is insufficient to cover the amount allocated for spending, or when endowed funds experience a loss, the shortfall draws down this reserve.

Investment markets have experienced considerable volatility over the last year due to the war in the Ukraine, conflict in the Middle East, persistently high inflation, and a higher interest rate environment. Investment returns from May to November 2023 were approximately 4.3%, which is below the target return of 4% plus CPI. However, given the current inflationary environment and strong position of the reserve for preservation of capital, the University is planning to increase the endowment payout to $9.97 per unit this year. This represents a 4% increase over the April 2023 payout and is equal to 4% of the five-year average market value of the endowment. If investment returns remain unchanged for the rest of the year, the combined impact of inflation and the endowment payout would decrease the reserve for preservation of capital to approximately $221 million.

For 2024-25, the projected payout rate would result in $65 million for student aid and $24 million for endowed chairs which is reflected in the operating budget. The actual payout rate per unit will be determined and announced in March 2024. With the current level of volatility in

[6] https://research.utoronto.ca/media/108

investment markets, the payout rate is assumed to remain steady for the remaining four years of the planning period.

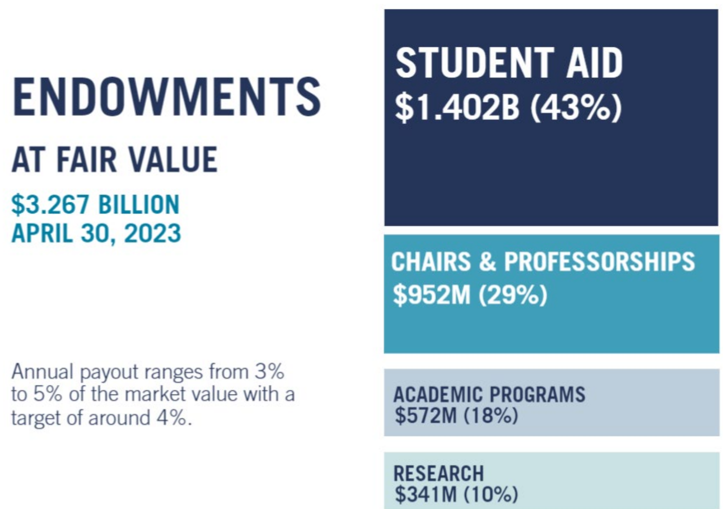
The University also receives investment income from short-term, medium-term, and long-term investments of the Expendable Funds Investment Pool (EFIP). The short-term and medium-term investments are primarily managed by the University of Toronto Asset Management Corporation (UTAM), while the long-term investments represent funds used for the University's internal loan program. Principal and interest on internal loans are mainly paid by divisions, the interest portion of which is included in the investment income budget. Investment income makes up a small but important portion of total operating revenue (3.3%) and fluctuates with market conditions.

The investment income projection is based on assumptions of cash balances, revenue and expenditure rates, divisional reserve balances, planned transfers of operating funds to capital funds, cash donations, research revenue forecasts, and investment return rates. Rates of return on short-term investments have risen over the last year. The short-term rate of return is assumed to be 3.20% in 2024-25. For the outer years, short term rates are assumed to remain at an average rate of 2.60%. The medium-term rate of return is expected to rise to 3.40% in 2024-25 and then stabilize at 3.02% for the remainder of the planning period.

Investment income from the EFIP is projected to increase significantly due to improvement in the performance of the pool's investments. The 2024-25 Budget assumes $114 million in revenue from this source, a 125% increase over the 2023-24 budget. Growth from this one source accounts for nearly 40% of the projected operating revenue growth in 2024-25. Excluding investment income, growth on all other sources of operating revenue is projected to be 3.0% next year.

The University is also planning on other income of $164 million in 2024-25 from sources such as application fee revenue, service charges on overdue accounts, and revenue collected directly by divisions for general sales and services.

Figure 7



Budget Assumptions: Expenditures

Commensurate with revenue increases, total expenditure plans are projected to increase by 4.9% from $3.36 billion in 2023-24 to $3.52 billion in 2024-25. Rates of growth vary significantly by division so the allocation of resources must be carefully considered to ensure standards of excellence in teaching, research and the student experience are maintained across the University. Academic divisions are responsible for their own increases in expenses, including the cost of compensation increases, and they will implement internal cost containment measures according to their individual circumstances. It is also important to note that these plans include provisions for future spending on major capital projects and other priorities as well as current capital projects that are not expensed in the Operating Fund.

Expenditure projections overall and by division are included in the budget schedules in Appendix B.

Compensation

Approximately 64%[7] of operating budget expenditures fund salaries and benefits, including 2% of expenditures for the pension risk contingency. Increases in compensation expenses are due to negotiated increases for existing employees; the hiring of additional faculty and staff needed to support growth in student enrolment, expansion of student services, and research activity; and increases in the cost of some benefits.

As noted earlier, following the Ontario Superior Court's November 2022 decision to strike down the Government's *Protecting a Sustainable Public Sector for Future Generations Act, 2019 (Bill 124)* (commonly known as Bill 124), the arbitrator awarded a 7% retroactive increase to Faculty and Librarians effective July 2022, in addition to the 1% negotiated under the then-active Bill 124. This 7% special increase has since been applied to USW and other administrative staff as part of a total 9% increase for these groups in 2023-24.

These extraordinary increases are having a significant impact on compensation costs and out-pace revenue growth for most divisions, impacting other priorities. The 2024-25 plan assumes compensation costs will increase to $2.25 billion, a $154 million increase over the 2023-24 plan. This includes a $164 million increase in anticipated salary and benefit costs (for both the extraordinary increase in 2023-24 and a provision for 2024-25 increases), offset by the planned $10 million reduction in the pension risk contingency budget.

Academic divisional budgets must cover the full cost of compensation increases. Shared-service divisions receive funding to cover compensation increases as part of the University-Wide Cost allocations. Budgets for all divisions have been constructed based on the following assumptions:

- Compensation increases for all University employees are assumed to be as per negotiated agreements. The University will be engaged in collective bargaining with a number of unions, as well as the Faculty Association, to renew agreements as noted in Table 3. Compensation terms for future agreements will not be known until bargaining is completed.
- In the case where there is no agreement in place, divisions plan for compensation increases within the context of the University's structural deficit. If compensation increases result in an overall cost greater than planned by a division, the division will be required to reallocate resources or to implement cost containment measures. The same framework applies to planning for compensation increases for shared service divisions.
- The standard benefit rate (SBR) will remain at 24.5% for appointed staff and 10.25% for non-appointed staff in 2024-25. This internal rate is used to fund legislated and negotiated benefits.

[7] Note that this percentage is calculated on the cash basis (which is the basis upon which the operating budget is prepared); the financial statements are prepared on the accrual basis and, in that case, compensation makes up about 70% of operating expenditures, including the accrual of expenditures for employee future benefits.

Figure 8

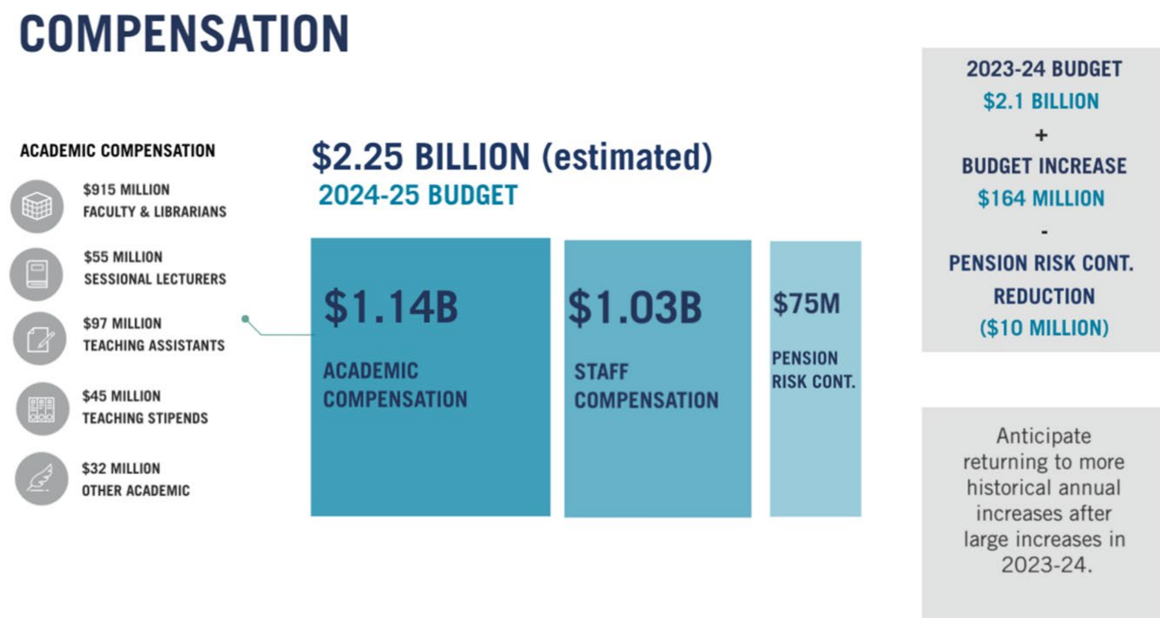


Table 3: Collective Agreement Expiry Dates

Agreement	Expiry
University of Toronto Faculty Association	Jun 2023
USW 1998: Administrative and Technical Staff	Jun 2026
USW 1998: College Residence Dons	Dec 2024
CUPE 3902U1: TAs, Course Instructors	Dec 2023
CUPE 3902U3: Sessional Instructors	Aug 2024
CUPE 3902U5: Postdoctoral Fellows	Dec 2022
CUPE 3092U6: New College IFP Instructors	Dec 2024
CUPE 3902U7: Graduate Assistants at OISE	Aug 2024
CUPE 3261: Service Workers	Jun 2023
CUPE 3261: 89 Chestnut	Dec 2023
CUPE 1230: Library Workers	Jun 2023
IATSE 58: Stage Employees at Hart House	Aug 2021
CUPE 2484: Day Care Workers	Jun 2023
OPSEU 519: Campus Police	Jun 2023
OPSEU 578: Research Officers & Assistants at OISE	Jun 2023
CAW 27: Carpenters	Apr 2022
Unifor 2003: Engineers	Apr 2024
IBEW 353: Electricians	Apr 2021
IBEW 353: Locksmiths	Apr 2021
IBEW 353: Machinists	Apr 2021
SMWIA 30: Sheet Metal Workers	Apr 2021
UA 46: Plumbers	May 2021

Pension Risk Contingency Budget

On January 1, 2020, the university administrations, faculty associations, unions, and non-represented staff at the University of Toronto, the University of Guelph, and Queen's University formally established a jointly sponsored pension plan to cover employees and retirees in the existing plans at all three universities. The assets and liabilities of the former University of Toronto Pension Plan (RPP) were transferred to the new University Pension Plan Ontario (UPP) on July 1, 2021, the effective date of the commencement of accrual of the benefits and contributions under the UPP.

The UPP Funding Policy dictates that for the first 10 years following the conversion date, participating universities remain responsible for any gains and losses that arise related to transferred-in assets and past service liabilities. Over the subsequent 10-year period, responsibility for any further gains or losses will be shifted gradually toward 50/50 risk sharing between employers and employees. Deficits may arise due to lower-than-expected investment returns and other experience losses, or changes to actuarial assumptions that impact the valuation of past service liabilities. Such deficits would require the University to make additional special payments to the UPP over a 15-year period.

The operating budget includes a pension special payment budget that will be gradually reduced, but not eliminated, as a contingency against this pension special payment risk. The annual pension special payment contingency budget will be reduced from $85.4 million to $75.4 million in 2024-25 and continue declining to $50 million by 2026-27. This will generate a pension risk reserve of $405 million for one-time lump sum transfers by 2028-29, and an ongoing base budget of $50 million to fund additional annual special payments if required.

Academic Expense Budgets

This budget line includes the majority of the funds that are managed by the academic divisions. Under the University of Toronto budget model, each division receives an expense budget equal to the net revenue generated by the division, plus an allocation from the University Fund (see Appendix A for a description of the University of Toronto budget model). Future unspecified allocations to academic divisions from the University Fund are included on the University Fund budget line.

Academic divisional plans include hiring of tenure and teaching stream faculty, enhancement of student services and financial aid, funding of compensation increases, introductions of new academic programs, allocations for capital projects including renovations and upgrades of laboratory and office space, principal and interest payments for divisions holding mortgages, and funding for research stream and professional master's graduate students. Further discussion of strategic budget priorities in the academic divisions is included later in this report.

University Fund

The University Fund (UF) is the non-formulaic portion of an academic division's budget, intended to provide funding in accordance with the University's institutional academic priorities. Each year the Provost allocates a portion of incremental unrestricted operating revenue to divisions, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews.

The total amount available for allocation in 2024-25 is $28.6 million, including $19.5 million from incremental revenue and $9.1 million of prior year one-time-only funds that are available for re-allocation. The Provost is projected to have about $53 million available for allocation through the University Fund over the remaining years of the 5-year plan. A detailed discussion of strategic priorities funded through the University Fund is included later in this report.

University-wide and Campus Costs

Shared service divisions play a vital role in providing faculty, students, and academic administrators with physical, technological, and human resources in support of teaching and research. For budget purposes, the shared services are organized into 13 portfolios, providing service across all three campuses. The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. Some services, including caretaking, maintenance, and student services, are administered at the campus level. Support service costs at the UTM and UTSC campuses are defined in a manner parallel to the costs required to administer campus-level services at St. George.

The Federated Block Grant reimburses the Federated Universities for the provision of registrarial and library services, and the cost of space. These payments are calculated based on a methodology outlined in the Operating Agreements. The agreements have expired and discussions are underway on a new framework. As discussions continue, the budget assumes the terms of the old agreements will continue.

University-wide and campus costs in 2024-25 will total $796 million, excluding the pension risk contingency budget described above. Occupancy costs, including utilities, maintenance, caretaking, and deferred maintenance make up the single largest university-wide cost category, totaling $245 million across all three campuses for 2024-25. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space. Current projections indicate that the existing budget for utilities on the St. George campus can accommodate costs in 2024-25. However, the long-range plan assumes utilities costs will increase over the planning period.

Library costs are the second largest category at $130 million for 2024-25, including budgets for centrally funded libraries and libraries at UTM and UTSC. The budget includes the cost of collections, space and administrative and librarian services.

Operating budgets for remaining shared service portfolios total $270 million for 2024-25, including funding for compensation increases, net of a 1.5% across-the-board cost containment measure of $5 million.

In addition to the cost of these shared services, university-wide cost budgets are established for institution-wide non-discretionary expenditures such as banking, audit, insurance and legal fees, municipal taxes, collective bargaining commitments, and licensing fees for institutional IT systems. These costs are projected to be $77 million in 2024-25.

University-wide expenses also include $54 million in special initiative funds held by Vice-Presidents for distribution to academic divisions throughout the year, such as the International Fund, the Major Research Project Management Fund, the Cross-Divisional Research Initiatives Fund, the Provost's Matching Fund, the Instructional Technology Fund, and the new Strategic Priorities Fund which is funded from a portion of the savings from the pension contingency budget reductions.

Flow-through revenue to other institutions

Several university programs include joint activities with other institutions. This expense category captures those portions of university revenue that flow to collaborating institutions including:

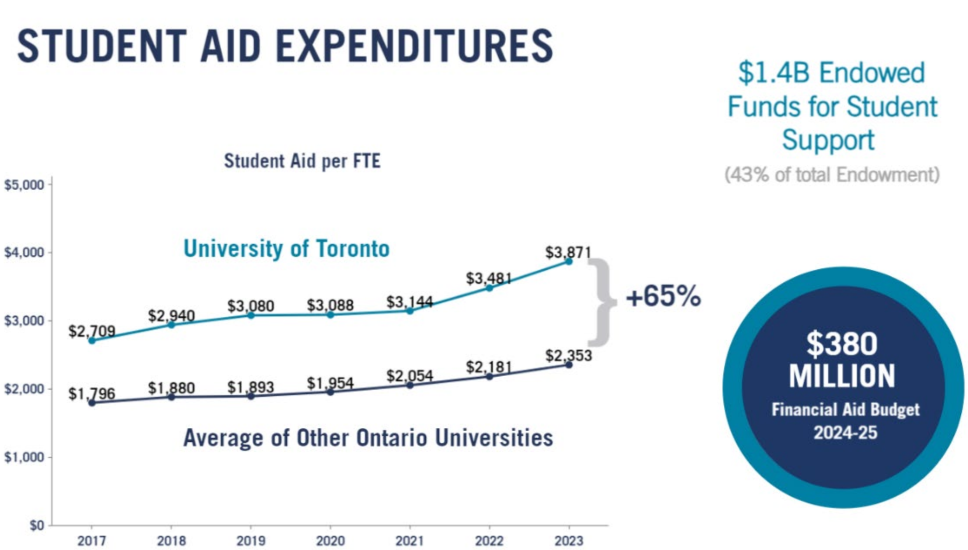
- Canada Research Chair revenue flowing to partner hospitals
- Provincial grant revenue flowing to the Toronto School of Theology
- Grant and tuition revenue flowing to the Michener Institute, Sheridan College, and Centennial College with which the University offers joint programs

Student Aid Expenditures

A breakdown of the proposed student aid budget plan for 2024-25 to 2028-29 is shown in Appendix B, Schedule 3. Total spending is projected at $380 million for 2024-25. Note that this amount excludes external funding and internal employment income for doctoral stream graduate students. The majority of student aid is derived from operating funds, with about $65 million funded from the University's endowments, and $10 million from provincial scholarship grants. The funds are managed through both centralized programs as well as divisional programs.

A comprehensive view of the University's financial aid and graduate student funding programs is provided in the Annual Report on Student Financial Support 2022-23. A discussion of the relationship between tuition fees and student financial assistance is also included later in this report.

Figure 9: Student Aid Expenditures



Planned Statement of Operations

As described in Figure 1, the University manages revenues and expenses across four funds: Operating, Ancillary, Restricted, and Capital. This report focuses almost exclusively on the Operating Fund where the majority of the University's operating revenues and expenses are recorded and outlines a balanced cash-based operating budget. At year-end, the University's annual Financial Report will summarize actual results across all four funds and will include various adjustments required under not-for-profit accounting standards. Schedule 6 provides a projection of the consolidated statement of operations for 2024-25 using the same assumptions outlined in the operating budget and is presented in a layout consistent with Canadian accounting standards for not-for-profit organizations.

Operating Fund

The operating fund includes teaching and administrative activities supported mainly by government operating grants, student fees, short term investment income, and sales of supplies and services.

The University's standard practice is to present an operating budget that is balanced on a cash basis. What this means in practice is that the overall operating expense budget, including provisions for capital spending and funds to be set aside for future spending, matches forecasted operating revenues for the year. This is a conservative approach that ensures that the University has the cash assets to support both its current year and planned future expenditures.

However, under Not-for-Profit accounting rules, funds spent on capital projects are not recorded as in-year direct expenditures but instead, are amortized over the expected life of the asset – 40 years in the case of buildings. Similarly, funds set aside in reserves for future priorities are not recorded as expenditures in the current fiscal year, nor is the funding reserved for the pension risk contingency. The 2024-25 Operating Budget assumes the following:

- $101 million will be spent on capital projects from current year revenues.
- $70 million of current year revenues will be spent on items that will be capitalized (e.g. equipment, furniture, etc.).
- $60 million will be set aside for future major capital projects.
- $10 million will be set aside in reserves for other priorities.
- $75 million will be set aside in a pension risk contingency reserve and will not be expensed in 2024-25.

In addition, the accounting treatment of debt service costs differs between the operating budget and the annual financial statements. The operating budget includes a provision for all principal and interest payments on mortgages, including those issued from both external sources and from the University's expendable funds. The consolidated statement of operations includes only the interest expense on long-term external debt. When these accounting adjustments are considered, the University is projecting a net income of $300 million in the Operating Fund for 2024-25.

Ancillary Operations

Ancillary operations include operations that provide residences, residential housing, food and beverage services, conference services, parking/transportation services, Hart House, real estate services and U of T Press. All ancillary assets, liabilities, net assets, revenues, and expenses are recorded in this fund.

Residence operations have fully rebounded to pre-pandemic occupancy levels of close to 100% and are projecting strong results for 2024-25. Food services and parking/transportation, however, are still facing some challenges as on-campus activity continues to be depressed, in particular on the St. George campus.

Collectively across all units, ancillary operations are projecting a $26 million net income for next year.

Restricted Funds

Restricted funds include donations (including endowments), research grants and contracts. Each donation, usually supported by an agreement between the University and the donor, or a collection of small donations with similar purpose, is recorded in its own fund, and managed according to agreed upon terms and conditions. Each research grant or contract is recorded in its own fund and managed in accordance with the terms and conditions required by the sponsor of the funds. There are several thousand individual restricted funds.

Restricted grants and expendable donations are recorded as revenue only when spent, while unrestricted grants and expendable donations are recorded when received. Endowed donations are not recorded as revenue – they are added directly to the balance sheet and only the annual payout is recognized as revenue as it is made available for spending.

Given the thousands of restricted accounts, the University does not prepare a detailed forecast of Restricted Funds beyond the annual payout for student aid and endowed chairs that is reflected in the Operating Budget. The projection of $687 million revenue and $672 million expense included in Schedule 6 reflects a roll-forward of the current-year forecast of revenue and expenses in Restricted Funds.

Capital

The capital fund includes all capital assets – land, land improvements, buildings, furnishings, computers, etc. - except for those of the ancillary operations. Contributions to the University for capital assets other than ancillaries are recorded in this fund. This fund also holds the vast majority of the University's debt and in turn lends it out for capital construction and other projects to departments or operations that have the responsibility to repay the loan.

Capital fund revenues are projected to be $96 million and expenses at $204 million, for a net loss of ($108) million in 2024-25. Revenues include an amount equal to the amortization of capital assets that were financed by grants and donations, while expenses include the amortization of capital assets.

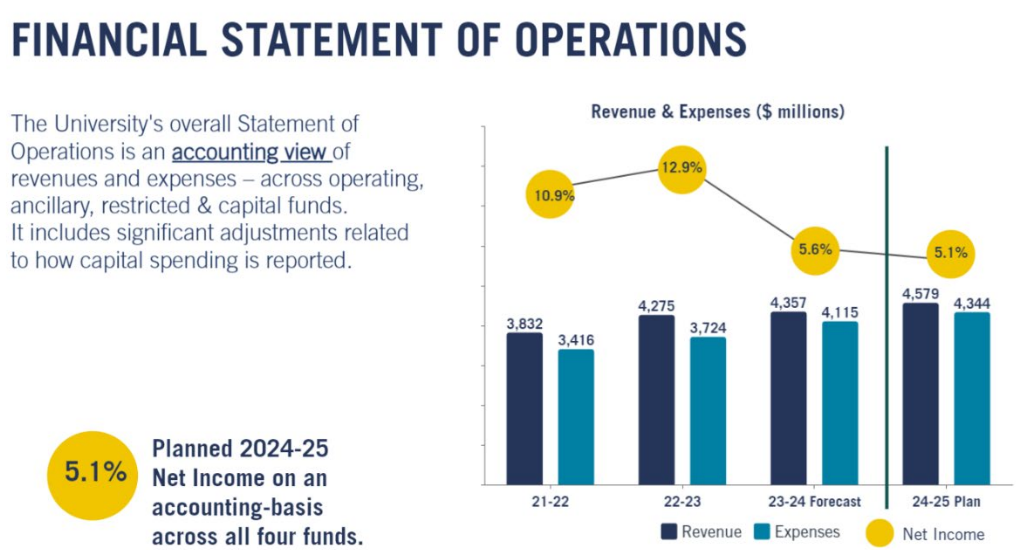
The reason for annual net losses in the capital fund is that a significant share of the revenue funding the amortization of capital assets and funding capital projects is recorded as revenue in the operating fund and transferred to the capital fund as an interfund transfer, and therefore is not reported in revenues of the capital fund.

Overall Net Income

On this basis, the University is projecting a net income of $234 million or 5.1% in 2024-25 across the four funds. However, it is important to note that this is an accounting view of the University's finances which defers recognition of revenues and expenses over the useful life of the underlying assets. While this is important for monitoring long-term financial sustainability, it should be seen as a complementary perspective to the operating budget, which reflects the way in which the University plans to allocate cash received in the coming year toward both short-term and long-term commitments.

The operating fund spending plans reflect the institutional and divisional priorities for the coming year which include substantial investments into capital projects to address deferred maintenance across all three campuses, renew smaller spaces, and fund construction of major capital projects such as SAMIH, Lash Miller expansion, EngX at 88 College, Sam Ibrahim instructional centre at UTSC, and the Phase IX residence at UTM. The accounting treatment of these long-term commitments, as well as funds reserved for the pension risk contingency, are the primary drivers of the projected net income for next year.

Figure 10: Planned Statement of Operations



3 Students: Affordability, Access & Outcomes

Tuition fees at the University of Toronto are determined in accordance with the University's Tuition Fee Policy, the Statement of Commitment Regarding International Students, and the Provincial Government's Tuition Fee Framework.

Tuition Fees and Financial Assistance

Undergraduate and graduate students at the University of Toronto have access to a wide range of financial supports through the University in addition to those available through government loan and grant programs like the Ontario Student Assistance Program (OSAP). Some are based on need, and others on measures of merit, such as academic achievement or leadership. There are supports for international and Canadian students as well as dedicated supports for students with disabilities.

The University of Toronto is independently committed to financial aid and is guided by the 1998 Governing Council Policy on Student Financial Support, which will continue to drive funding for need-based student aid for domestic students.

The policy sets out the principle that domestic students should have access to the resources that will enable them to meet their financial needs, as determined through the same methodology used by the Ontario Student Assistance Program (OSAP), with appropriate modifications as determined by the Vice-Provost, Strategic Enrolment Management and the University Registrar, in consultation with the academic divisions of the University. The Province's Student Access Guarantee (SAG) requires institutions to provide non-repayable aid to assist domestic, OSAP-eligible students in direct-entry undergraduate programs with expenses related to tuition, books and supplies not covered by OSAP. The University's commitment goes above and beyond these requirements and also provides aid for living expenses.

The University's primary mechanism for providing need-based aid to OSAP-eligible, direct-entry, domestic undergraduate students is the University of Toronto Advance Planning for Students (UTAPS) program, which supported more than 15,000 students in 2022-23. Need-based aid for domestic students in second-entry and professional master's programs is administered in divisionally-run programs, allowing for a more individualized and nuanced approach to providing assistance. Divisional programs are supported where necessary by access to an institutionally negotiated line of credit.

University practice in recent years has been to link the change in the UTAPS budget to the domestic fee framework. Given the extension of the freeze on domestic tuition, the budget provision for UTAPS will remain unchanged at $41 million, which is then topped up by about $2 million in funding from restricted accounts including the Boundless Promise Program. While UTAPS is the primary program to meet student financial needs, the University provides additional funding outside of UTAPS to support students facing unexpected financial challenges.

In 2023-24, the University made significant changes to the UTAPS program to make it more responsive to student needs and less impacted by changes in the Government's OSAP need assessment policies. These changes give the University greater flexibility to grant financial support earlier and to consider more accurate living costs for the GTA in need calculations.

The combination of university and provincial student financial aid programs enhances access to the University's excellent education opportunities for a wide array of students. For example, students who receive OSAP typically only pay a fraction of the posted tuition and fees with the average undergraduate having a *net tuition* (after OSAP and University grants are factored in) of 18% in 2022-23. This figure has fallen from 47% in 2016-17 because of short-term government policy changes and emergency COVID-19 supports but is expected to return to higher levels as these policies wind down.

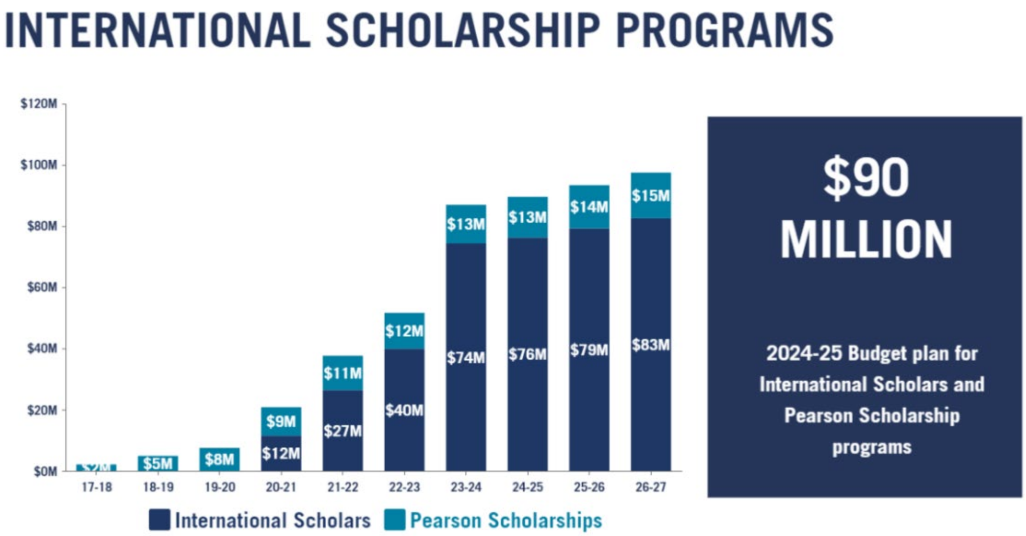
Graduate students receive support from several sources. Some of this is reported as part of student aid expenses in the operating budget and some comes from other sources, such as research stipends, external awards, and employment income from positions as teaching assistants. In total, University of Toronto graduate students received $392 million in funding support in 2022-23.

Additional information on the University's student aid programs and OSAP can be found in the 2022-23 Student Financial Aid Report.

Tuition fees for international students are set at a level that takes into consideration the full cost of providing a program, and with reference to fees at peer Canadian and US universities. The average tuition increase for international undergraduate students is 2.1% in 2024-25 and varies slightly each year thereafter according to divisional plans.

The large direct-entry undergraduate divisions have committed to a significant investment in merit-based scholarships for international students from diverse global regions. Divisions are earmarking 6% of total international undergraduate tuition revenue to support International Scholars awards to reduce the cost for top international applicants from around the world. Each division has designed its own awards program based on diverse criteria including merit, financial need, priority regions for diversification, and intended program of study. The 2024-25 Budget sets aside $90 million for the International Scholars program and the full-ride Pearson Scholarship program for exceptional international students.

Figure 11: International Undergraduate Scholarships



We recognize that an education at the University of Toronto is a significant investment of time and resources and it has very strong outcomes for our students. The skills that students develop during their time at the University play an important role in labour-market outcomes, and their contributions to the economic and social fabric of Canada and the world. According to the prestigious *Times Higher Education* magazine, University of Toronto graduates are among the world's most desirable employees – ranked 1st among North American public universities and 12th place globally. In addition, results from a 2017 Alumni Impact Survey reveal that University of Toronto alumni help generate economic wealth and prosperity, are respected community volunteers and mentors, and are prolific creators of academic and creative works. Alumni active in the labour force enjoy a 97.6% employment rate, with a higher percentage of alumni participating in the knowledge-intensive economy compared to the national average, particularly in the educational, legal, health and government sectors.

Figure 12: Rankings

4 Priority Investments

The University continues to face increasing financial pressure as a result of constrained provincial tuition and enrolment frameworks and frozen provincial base operating grant funding as well as extraordinary post-Bill 124 compensation costs. Within this context of fiscal restraint, revenue growth in 2024-25 will be used to cover inflationary costs, improve academic programming and delivery, address aging infrastructure, and invest in services and supports for students that will enhance their experience and success at the University.

University Fund

As noted earlier, the University Fund (UF) is the non-formulaic portion of an academic division's budget, intended to provide funding in accordance with the University's institutional academic priorities. Each year, the Provost allocates a portion of incremental operating revenue, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews. In 2024-25, the total amount available for allocation is $28.6 million; including $19.5 million from incremental revenue and $9.1 million of prior year one-time only funds that are available for re-allocation. The Provost has made allocations across four categories:

Student Success ($3.3 million)

- $1.6 million in multi-year OTO (One-Time-Only) funding for classroom technology upgrades and renewal across the three campuses.
- $0.5 million in multi-year funding to support divisional projects on innovating academic programs and delivery.
- $1.0 million to support interdivisional collaboration on increasing graduate funding packages.
- $0.2 million to support student start-ups under the OnRamp program.

Research & Innovation ($8.1 million)

- $1.5 million OTO funding support for divisional research grant officers.
- $3.3 million OTO support for the University's collaborative Institutional Strategic Initiatives to bridge to future on-going revenue models.
- $3 million OTO to renew institutional core facilities and increase access for researchers across all divisions.
- $0.3 million OTO to increase funding in the Major Research Project Management Fund which supports researchers in accessing prestigious Federal and US research grant programs.

Building Inclusive Cities & Societies ($1.7 million)

- $1 million in continued support for the University's inclusive interdivisional research networks striving to eliminate systemic barriers, celebrate excellence, provide mentorship and a collaborative community, and advance the research discoveries and innovations of their members on the global stage.
- $0.7 million in multi-year OTO funding to support the important work of the Committee on the Environment, Climate Change, and Sustainability.

Investing in Divisional Priorities ($15.5 million)

- $10.4 million in support to divisions for their priorities as they manage the extraordinary increases in compensation costs.
- $5.1 million to support divisional initiatives that enhance the University's priorities in teaching and research excellence.

Priorities in Academic Divisions

Within the envelope of new funding available, academic divisions have identified many priorities for new and ongoing investment:

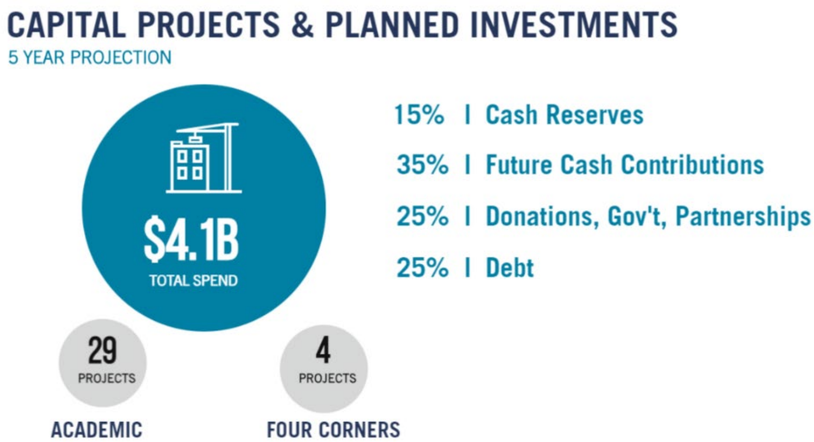
- New faculty hiring is a priority across many divisions to maintain the high quality of the academic and research mission, expand diversity, and build new programs in emerging areas. Because of the extraordinary increase in compensation costs, however, divisions have had to scale back or defer their planned hires. As such, divisional plans include adding approximately 30 incremental faculty positions in 2024-25, most of which are associated with health science program enrolment growth and the filling of new endowed positions. Some of these may be delayed as divisions manage inflationary and other pressures on expenses within constrained revenues.
- Divisions are investing in programs to help students address the rising cost of living in Toronto and remain globally competitive for top academic and research talent. This includes prioritizing enhancements to graduate student funding packages, in addition to support for needs-based undergraduate student aid programs, matching funds for philanthropic student aid gifts, and awards and bursaries to support international diversification.
- Divisions continue to enhance their academic programming to reflect faculty-driven pedagogical innovation and changing student interests. This includes innovative online-by-design course development, flexible delivery models, exploring the role of AI in the classroom, enhanced opportunities for experiential learning, and additional academic programming in areas like data science, machine learning, global leadership, and life sciences.
- Advancing access and opportunities to students from diverse backgrounds is a key priority of academic divisions, which are investing in new targeted student outreach programs, dedicated application review pathways, financial supports, academic advising systems, learning spaces, and mental wellness programs. Many divisions are also investing in supports for incoming students, including summer academies that help refresh their high school math, science, or language learning.
- A new Bachelor of Computer Science degree is in development to further distinguish graduates in this area.

Shared Service Portfolios

Investments in shared services are focused on the highest priority services for students, faculty, and staff. Funding to cover the extraordinary post-Bill 124 compensation increases dominates the allocations to shared services for 2024-25 and we continue to prioritize investments to address deferred maintenance and information security risks. This has impacted the available funding for other discretionary initiatives, which are reduced relative to past years. Funding priorities include:

- A $4 million increase in funding to address the deferred maintenance liability and renewal of aging utilities infrastructure on the St. George campus.
- Increased investment University's SecureTogether information security programs to mitigate risks facing the University's systems.
- Funding to support the further rollout of the new Student Advising System to all direct-entry divisions as well as new systems to manage transfer credit, absence declaration processes, and undergraduate admissions.
- Development of a new travel and expense claim system which will lead to significant savings in administrative time that can be redirected towards higher priorities.
- Additional staffing to add capacity to the Community Safety Office, to meet the University's obligations under the "Anti-Pass the Harasser" program, support Joint Health & Safety Committees, and add capacity for cases in the Office of Appeals, Discipline and Faculty Grievances.
- Funding for inflationary pressures on electronic library acquisitions.
- Brand marketing initiatives to help the University tell our story, and staffing to support financial modernization initiatives to improve services.

Figure 13: 5-Year Capital Plan



Capital Projects

The University continues to have ambitious plans for new and renewed capital infrastructure across our three campuses with $4.1 billion in future capital projects in various stages of planning. This is in addition to major projects currently under construction such as the Lash Miller expansion, Academic Wood Tower, and Oak House Residence on the St. George campus; and the Sam Ibrahim instructional centre and SAMIH at UTSC.

Examples of future academic capital projects in planning include the James and Louise Temerty Building on the site of the current MSB West Wing, a new commerce building, and redevelopment of the 215 Huron site on the St. George campus; "F2" site at UTM; and a literature, arts, media and performance building at UTSC. Divisions will provide a significant portion of the funds for these buildings from their operating reserves and Principals and Deans continue to strive for support from donors and Government partners toward these important projects, with the objective of limiting the amount of long-term debt required. Rapid inflation on construction costs in recent years has increased the cost of many projects and requires an on-going careful review of priorities and timing of planned projects. This is discussed further in the section on Risk.

Inter-fund Transfers

Within the approved budget process, the Provost has discretion to make allocations from operating funds to cover costs in ancillary or restricted funds where those expenditures support academic initiatives. In keeping with the Policy on Inter-fund Transfers, decisions for the commitment of operating funds for ancillary or restricted fund purposes do not need further approval when they are approved within the annual budget process.

The University has had significant success in seeking external donations to enhance academic initiatives by establishing matching programs to create endowments and other trust funds. To meet these commitments, some divisions have earmarked ongoing operating funds within their budgeting process. Others have sought to use operating funds to establish or augment endowments as the most effective way to implement an initiative. The 2024-25 budget and long-range guidelines assume that the University will continue to use operating budget allocations for these matching opportunities as they arise.

In recognition of the anticipated need for increased fundraising matching under the Defy Gravity campaign, in 2022-23 the University established an institutional reserve fund to hold divisional operating reserves intended for future matching. Transfers to this institutional reserve are approved by the Provost through the budget process and will improve the University's ability to manage and report on operating reserves.

Ancillary operations provide important services that contribute to the quality of the student experience and campus life. The University is working with ancillary units that were hit particularly hard by the pandemic and may provide support from operating reserves to assist with their deficits in cases where cost containment would jeopardize the unit's ongoing sustainability or critical infrastructure renewal.

In addition to the purposes noted above, the Provost is authorized to transfer operating funds to ancillary or restricted funds up to $2 million per instance during the year, based on requests from the budget authority for those sources.

5 Risk

The Economic and Political Climate

Factors such as the economic recovery from the COVID-19 pandemic, supply-chain constraints, and geopolitical conflicts are continuing to contribute to elevated inflation that is impacting the University's purchase of some goods and services. In response to persistent high inflation in 2022, the Bank of Canada aggressively increased their target overnight rate from 0.25% in January 2022 to 5.0% in September 2023. This has contributed to a moderation in annual inflation on the Consumer Price Index (CPI) for Canada which was 3.4% in December 2023[8], down from more than 5% throughout 2022. Although, this still remains significantly higher than the Bank's 2% target.

In January, 2024 the Bank of Canada[9] reported that inflation is easing across a growing range of goods and services across the world and is expected to remain close to 3% over the first half of 2024 before easing gradually to 2% in 2025.

According to the Ontario Fall Economic Statement released in November 2023[10], the Provincial Government is projecting a deficit of $5.6 billion for 2023-24, higher than the $1.3 billion deficit planned in their 2023 Budget, and is forecasting a similar deficit next year before balancing the budget in 2025-26. Given the Province's deficit position, the University anticipates that spending restraint will continue to impose pressure on the post-secondary education system. Although, as operating grant funding makes up only 19% of the University's operating budget, the impact of this risk is less than at other universities in Ontario.

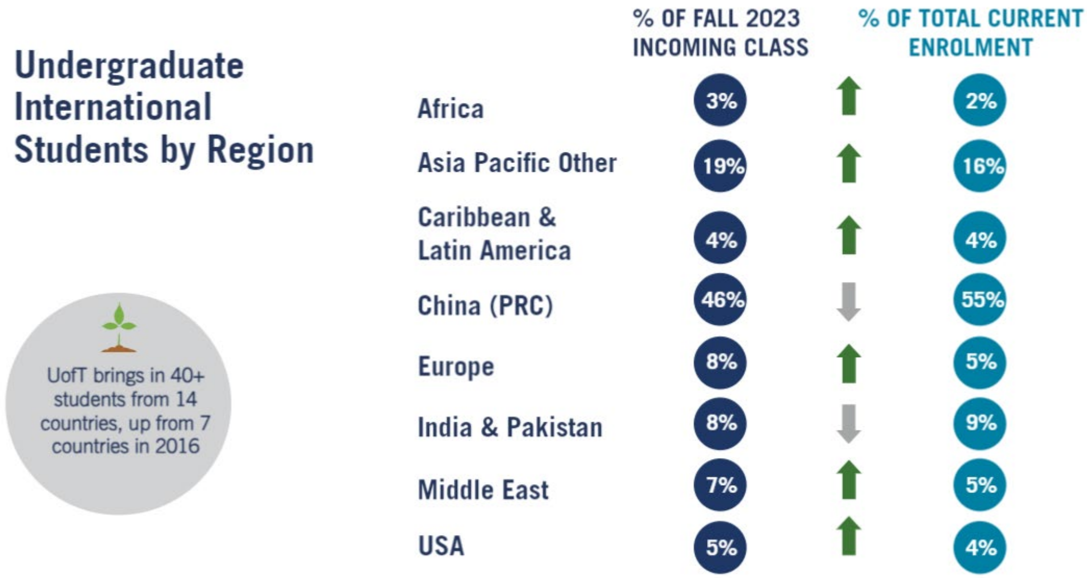
Figure 14: Inflation

[8] Statistics Canada. Table 18-10-0004-11 Consumer Price Index, by geography, monthly, percentage change, not seasonally adjusted, provinces, Canada https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000411

[9] Bank of Canada January 2024 Monetary Policy Report https://www.bankofcanada.ca/wp-content/uploads/2024/01/mpr-2024-01-24.pdf

[10] 2023 Economic Outlook and Fiscal Review https://budget.ontario.ca/2023/fallstatement/index.html

Figure 15: International Intake



International Recruitment and Student Permits

The University benefits from the presence of top students from across the globe. These international students bring diversity of experiences and perspectives to the classroom and to our research programs and help to connect the University with the world. International students currently make up 31.1% of the undergraduate population on average across all programs with slightly higher rates in direct-entry programs and lower rates in second entry professional programs. The percentage of international students at the University of Toronto is in line with other U15 peer universities, and below that of many research-intensive universities in the UK and Australia.

We have had tremendous success in recruiting exceptional students from China, and we will continue to build on this success where we have deep and long-standing connections. But we also want ensure that the diversity of our global partnerships is reflected on our campuses. We are committed to diversifying the regional and socioeconomic backgrounds of our student body through active recruitment in diverse global regions; development of partnerships and scholarship programs with governments, charities, and schools around the world; and the significant investment in the International Scholars program. The Fall 2023 incoming class of undergraduate students came from 141 countries, with less than half from any single source for the second year in a row.

The Federal Government's new two-year framework to limit international undergraduate student permits represents a risk to the University's ability to recruit exceptional students from around the world. Our 2024-25 Budget plan includes growth of approximately 670 international students into our direct-entry programs, consistent with Fall 2023 targets. **If intake is capped at Fall 2023 levels, it represents a $40 million risk to our plan in 2024-25 and would compound in future years if the cap continues.** This impact would be even higher if the University is required to reduce intake below Fall 2023.

Implementation of institutional allocations rests with the Provincial Government and details are not yet available as of the writing of this report. The University is working to ensure that the allocation of permits recognizes the strength of the University and is focused on addressing the problem where the challenges lie.

We are cautiously optimistic that the impact on U of T will be minimized, but there is a risk that this could result in a more fundamental change to our planning for the future. A significant immediate concern is the new element of uncertainty introduced in the middle of the application cycle for Fall 2024. It is critical that new permit application processes are finalized and implemented as fast as possible so admitted students do not face any additional barriers in coming to Canada to start their studies.

Figure 16: Student Housing

Student Housing

Surveys and other data collections show that over 55% of our students live at home and commute to one of our three campuses. For other students who are moving to the GTA and/or wish to live closer to campus, the availability of student residence spaces is becoming an increasingly important factor in their decision to attend U of T; especially in light of the increasing costs of private housing in Toronto and Mississauga. This is driving higher demand for residence spaces and putting pressure on our first-year residence guarantee.

The University currently has 10,500 residence spaces for its student community, including 9,400 undergraduate residence spaces across the three campuses and our Federated Universities, and another 1,100 spaces in Grad House and Student Family Housing. This includes 750 spaces at UTSC's new Harmony Commons that opened in Fall 2023. Another 1,250 spaces will be added over the next few years with the Oak House residence currently under construction at Spadina and Sussex (500 spaces), Lawson Centre at Trinity College under construction (350), and a new residence planned at UTM (400).

The University is also looking at creative options to leverage our locations and recently completed the purchase of a 20% leasehold interest in the CampusOne residence on College St. This has added direct access to its 890 spaces at a fraction of the cost to build this capacity from scratch. We will continue to look for similar opportunities to partner with the private sector to increase our inventory of residence spaces for students.

Costs of Capital Construction

Construction activity in Toronto continues to be at very high levels with about 50% of the tower cranes across 14 major North American cities located in the city[11]. Cost of construction has risen accordingly with Statistics Canada reporting a 35% increase in the Non-Residential Building Construction Index for Toronto since Q1 2021[12]. Elevated construction costs will continue to put pressure on capital plans and timing of major projects. In response, the University has delayed and even outright cancelled some planned major capital projects.

However, there are some positive signs on the horizon. Increases in interest rates in 2023 are contributing to a slowing of new project starts and leading to renewed interest from contractors for institutional projects. As well, while annual inflation on the Non-Residential Building Construction Price Index still outpaces general CPI inflation, it has slowed to 6.6% in Q3 2023, down significantly from the 15% inflation seen through 2022.

As with any capital project, there are always risks of construction delays and cost overruns caused by unforeseen conditions during construction, labour and material shortages, international trade disputes, city permit delays, and the complexity of working with heritage buildings. The University Planning, Design, and Construction team seeks to mitigate these risks by building market escalation costs, construction schedule assessment, contingency funds, and exploring alternative project delivery mechanisms into future capital project plans. However, estimates of future construction costs are highly variable and depend on the specific functional program, building design, site, and market conditions in place at the time the project is tendered to market. As costs increase, the University may re-prioritize projects and adjust timelines, making judicious use of reserves and debt capacity.

[11] RLB Crane Index North America, Q3 2023. https://www.rlb.com/americas/insight/rlb-crane-index-north-america-q3-2023/

[12] Statistics Canada. Table 18-10-0135-02 Building construction price indexes, percentage change, quarterly, Institutional Buildings, Toronto https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810013502

Deferred Maintenance

As noted in the *Annual Report on Deferred Maintenance*, presented to Business Board for information January 31, 2024, the University's total deferred maintenance liability on academic and administrative buildings presently stands at $1.193 billion. Each year, new building audit data provide updated information on the condition of university facilities. During the annual audit, deficiencies are prioritized based on the urgency with which they have to be addressed. Based on the most recent audit information, 32% ($380 million) of the University's deferred maintenance liability relates to Priority One deficiencies.

The 2024-25 operating budget sets aside approximately $35.7 million for deferred maintenance across all three campuses – a $4 million increase over 2023-24 – which is augmented by funds available to through the provincial Facilities Renewal Program (FRP) program. In 2022-23, the Province increased the University's FRP allocation by about $1 million, however, it reduced this by about $0.5 million in 2023-24 and has signalled another reduction in 2024-25. This would bring the funding down to about $10.2 million, where it was before the increase. Major capital projects also indirectly address deferred maintenance costs through the renewal of buildings.

Pension

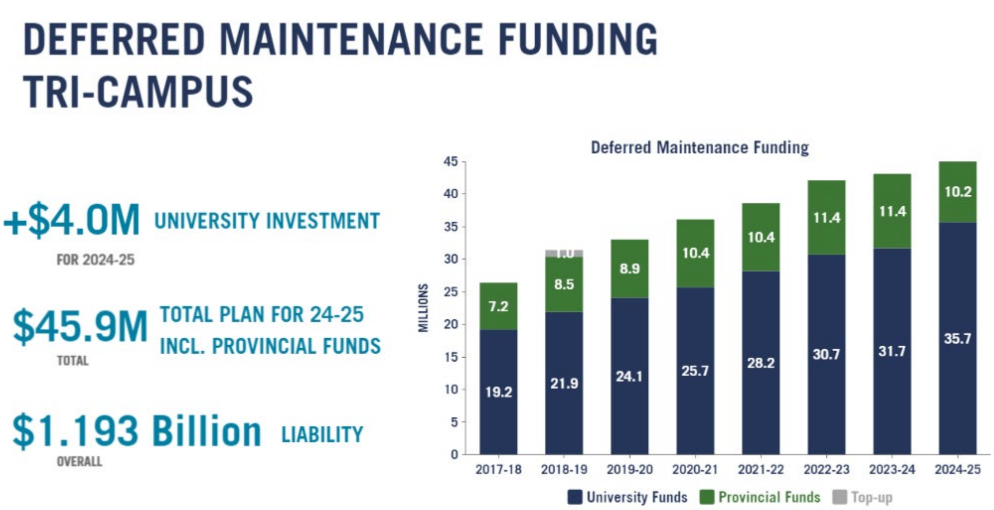
Both the overall economic and financial climate continue to be uncertain with respect to pensions. Investment markets continue to experience significant volatility. The recent period of hyper-inflation and benefit indexation makes existing and future pension payments more expensive. The UPP is subject to provincial pension funding rules for jointly sponsored plans. Although there is no requirement to fund the plan on a solvency basis, any going concern deficits must be funded over 15 years.

As of the July 1, 2021 conversion date, the UPP had a market value funding excess of $1.079 billion, of which $792 million was related to the University of Toronto's past service obligations. During the recent period of market volatility, the Plan has experienced a deterioration in funded status, primarily due to investment losses in 2022, as well as a reduction in the plan discount rate from 5.60% to 5.45% and inflationary impacts on current and future pension obligations. As of January 1, 2023, the market value deficit of the University of Toronto's pre-conversion service obligation within the UPP was approximately ($375 million).

The UPP has adopted asset smoothing effective January 1, 2023. Asset smoothing is a strategy permitted by the regulator and used by all of Ontario's JSPPs to smooth volatility of market gains and losses. This allows the UPP to smooth the recognition of 2022 investment losses over a five-year period. As of January 1, 2023, the UPP reported an actuarial surplus of $267 million on a smoothed asset basis and, therefore, no regulatory special payments are required at this time.

Consistent with the University of Toronto's longstanding practice regarding pension deficit management, the University has nonetheless made a voluntary special payment of $60 million to the UPP in 2023-24 from the pension risk contingency budget established for this purpose. The payment has been applied against the market value of University's pre-conversion service obligation and will be reflected in the next actuarial valuation as of January 1, 2024.The UPP filed its January 1, 2023 actuarial valuation, and will not be required to file another valuation until January 1, 2026. In the interim, as a contingency against pension special payment risk, the University will continue to hold a pension risk contingency budget of $75.4 million in 2024-25, declining to $50 million by 2026-27. This will generate a pension risk reserve of $405 million for further one-time lump sum transfers, and an ongoing base budget of $50 million to fund additional annual special payments if required.

Figure 17: Deferred Maintenance



The Structural Budget Challenge and Operating Reserves

The University of Toronto has experienced significant growth over the last decade. Since 2013, the University has added about 10,300 undergraduate student spaces (+18%) and about 5,300 graduate student spaces (+35%). International student enrolment has increased from 16% to 30% of total enrolment. The operating budget has increased by about 75% over the ten-year period. This extended period of growth has also driven significant increases in costs for new faculty, staff, services, student support, capital construction, and infrastructure improvements.

Enrolment growth will slow over the planning period as program intakes stabilize and larger incoming cohorts flow through to all years of study. Given the significant share of revenue related to enrolment activity, this slowing will have a direct impact on revenue growth with a projected 4.9% increase in 2024-25, reducing to less than 3% annually by the end of the planning period. Revenue growth in 2024-25 is anticipated to be a more modest 3% when the exceptionally positive investment returns anticipated for next year are excluded. With inflationary pressures on compensation and purchase of goods and services, the University's average inflation rate is likely to outpace revenue growth and lead to a structural budget deficit challenge.

The University is actively pursuing strategies that align with the academic mission and close this potential future gap. On the revenue side, the University is exploring opportunities to diversify revenue sources through innovative new undergraduate, graduate and life-long learning programs, development of real estate assets, building the endowment and increasing expendable gifts, and advocacy with the Federal Government to increase the indirect costs of research rate to at least 40%. At the Provincial level, we continue to advocate for implementation of the recommendations of the Blue-Ribbon Panel. On the expense side, the University continues to be vigilant in looking for appropriate ways of reducing our expenses while maintaining the quality of our academic and research programs and the student experience. For example, our efforts in working with publishers have reduced inflationary pressures on library acquisitions, renewal of heating, ventilation and lighting controls in recent years have reduced utilities costs, and university-wide license agreements have reduced costs for critical IT tools across divisions. The new travel and expense system in development is also expected to free up administrative time that can be redirected to higher priorities.

The University's budget model places responsibility for revenues, expenses, and the cost of capital infrastructure in the hands of the academic divisions. This encourages multi-year planning and has led to an increase in the reserves set aside for future spending on capital projects and operating contingencies to deal with possible future uncertainties. As revenue targets have been achieved over the last several years, divisions have built up reserves and applied contingency funds to one-time investments such as capital projects, faculty start-up funds, and endowment matching opportunities.

Divisional operating reserves are normally expected to fall in the range of 5% to 10% of the division's total operating expense budget, excluding those reserves earmarked for contributions to specific capital projects and research initiatives. The University is working closely with divisions to ensure that operating reserves are managed within this guideline and resources are fully utilized to meet divisional and institutional priorities.

Summary

The University continues to be in a strong position as we emerge from the pandemic, but we are heading into new planning environment of slowing revenue growth and elevated pressures on expenses from inflation and on compensation as we exit the Bill 124 moderation period.

Demand for our programs continues to be strong with deep domestic and international undergraduate applicant pools. Over the next five years, the University will add about 2,500 additional domestic undergraduate spaces, primarily through the funded nursing, medicine, and SAMIH expansions. International undergraduate enrolment will increase by about 1,200 over the next five years, maintaining the share at about the current 31%.

The Government has indicated that it will extend the freeze on domestic Ontario resident tuition fees for a fifth year to 2024-25. However, the Province has also said that they will support colleges and universities so the Budget assumes increased operating grant funding to offset the financial impact of the continuation of the freeze. Non-Ontario resident tuition in undergraduate programs will increase by 5% consistent with the frameworks in place since 2021-22. The long-range plan assumes a return to 3% annual increases on Ontario resident domestic tuition beyond 2024-25.

Tuition fees for international students are set at a level that takes into consideration the full cost of providing a program and with reference to fees at peer Canadian and US universities. The average tuition increase for international students across all undergraduate and graduate programs will be 2.1% in 2024-24, including a 2% increase to fees in the direct-entry undergraduate arts & science programs.

Revenue growth in 2024-25 will be used to meet compensation and inflationary pressures, improve services and supports for students, and invest in the infrastructure that is critical to supporting teaching, research, and the University community. Academic divisions plan to hire additional tenure and teaching stream faculty; enhance student services; expand experiential learning opportunities; and invest in new and renewal of teaching and research spaces.

Investments in shared services prioritize funding to address deferred maintenance and information security risks, services for students and faculty, administrative systems to improve the effectiveness of services, and support for the University's world-class library system. University Fund allocations will support divisions as they manage extraordinary compensation pressures, invest in classroom technology, support Institutional Strategic Initiatives and core institutional research facilities, support the enhancement of graduate funding packages, and other priorities.

Ancillary operations are recovering faster than anticipated from the impacts during the pandemic. Residences are back to full occupancy although food and transportation services continue to have a longer path to recovery as on-campus activity increases.

The Federal Government's January 2024 decision to cap the number of international study permits is a risk to the University's international enrolment plans, and thus, the operating budget assumptions in the long-range plan. These changes are focused on addressing abuses in the system by particular actors and are not intended to adversely impact universities such as the University of Toronto. We are working with all levels of government to ensure that the allocation of permits recognizes institutions like U of T (which uphold rigorous and transparent recruitment and admissions processes, and offer robust student supports) and addresses the problem where the challenges lie.

Appendices

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Appendix A: The U of T Planning & Budget Framework

Budget Framework

The budget planning cycle is based on a five-year rolling window. Budget assumptions used in the Long-Range Budget Guidelines are updated each year, and new assumptions are prepared for one additional year. Revised revenue and expense projections are then prepared for the new cycle based on these assumptions.

Governing Council guidelines for deficit control were revised in 2008 as a result of the change from a fixed to a rolling-window planning cycle. According to these guidelines, the University should strive to plan a balanced budget in every year of the cycle. In addition, any outstanding accumulated deficit from previous years should be reduced to zero by the end of the five-year planning period. An in-year deficit may be allowed in some years to facilitate planning, recognizing that fluctuations often occur in enrolments, government grants, investment income, etc. The deficit or surplus in the University's integrated budget is a result of the aggregated plans of individual divisions. A planned deficit may also be necessary in exceptional circumstances. Planned budgetary deficits should also be repaid over five years.

The Planning Process

The budget-setting process at the University of Toronto is very much a bottom-up process, whereby Deans and their teams in academic divisions and departments, and Principals and their leadership teams at UTM and UTSC, look at their own revenue and expense budgets and make decisions locally. Decisions are rolled up for review and approval, informed by relevant economic factors, risk assessments, collective agreements, provincial and University policies and then approved by administration and governance.

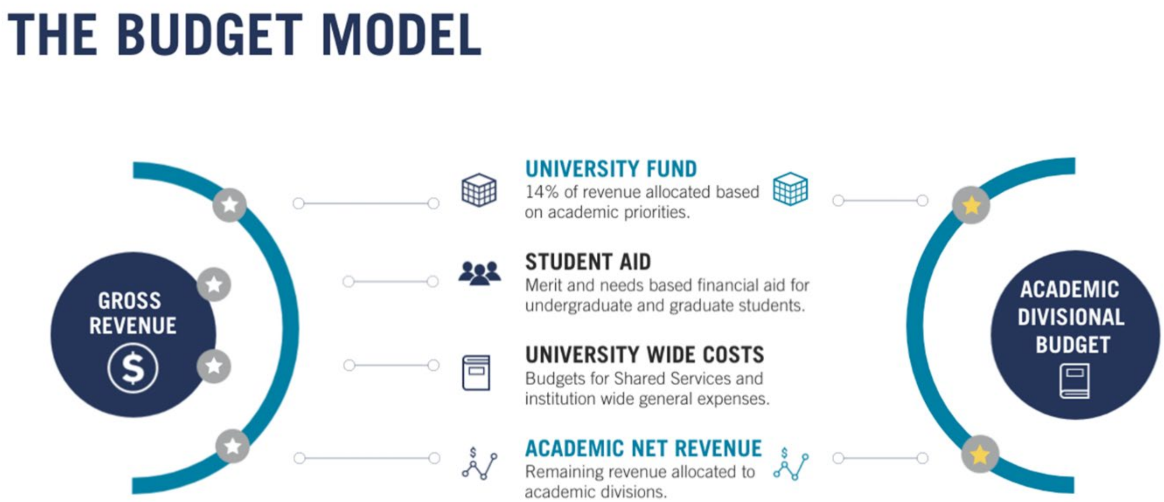
An essential and major part of the annual budget process is the formal process for budgetary reviews for campuses, academic divisions, and shared-service divisions. Two review processes are conducted annually, one for shared-services and the associated university-wide costs, and the other for UTM, UTSC, and the academic divisions.

Each shared-service division prepares multi-year budget plans for its operations. These plans are reviewed by the President, who takes advice from the Divisional Advisory Committee (DAC), which includes the Principals at UTM and UTSC, and representative deans of Faculties. The purpose of the review is two-fold: first, the review ensures that any proposed changes in services are aligned with the needs and priorities of the academic enterprise; second, the review establishes spending priorities, considers the alignment of services between those provided institutionally and those provided in the divisions, and ensures that all possible cost efficiencies have been examined.

The annual academic budget reviews (ABRs) take place throughout the Fall term. Each academic division submits a multi-year budget plan to the Provost based on its academic plans. Revenue projections are based on enrolment plans, new program offerings, continuing education activities, advancement outcomes, and other sources of revenue available to divisions. Expense projections take into account factors such as cost increases, changes in faculty and staff complement, student financial support, capital plans, etc. These plans are discussed in individual review meetings with a Provostial committee that includes the Provost, Vice Provosts, and senior staff in the Planning & Budget Office. The reviews inform approvals of enrolment targets, academic appointments, allocations from the University Fund, and approval of the allocation of operating reserves for capital plans and matching priorities.

The review process, whether for academic or shared service divisions, amounts to a high level of engagement in the budget process by Deans, the Principals at UTM and UTSC, and members of the senior administration. As a result, budgetary allocations are informed not only by the overall budget situation of the University but also by the circumstances of individual divisions and by their academic priorities. Cost containment measures, which may be necessary because

Figure 16



of constraints on revenue, are applied by each campus and academic division based on its own circumstances. The involvement of members of the senior administration leads to a deeper understanding of the nature of the University's expenses, how services can be best delivered, and where and how savings may be realized.

The University's Budget Model

The operating budget allocation process is a primary tool for the implementation of the University's academic plans and priorities. The University adopted the University of Toronto Budget Model in 2007-08 with three basic objectives:

- to provide a high degree of transparency, enabling all levels of university administration and governance to have a clear understanding of university revenues and expenses;
- to introduce broadly-based incentives to strengthen the financial health of the University by increasing revenues and containing expenses; and
- to encourage a higher level of engagement of all senior levels of administration in budget planning for academic divisions and in recommending priorities and budgetary allocations for shared infrastructure.

The model introduced a methodology for attributing revenues and the costs of shared infrastructure to all divisions. A major portion of the budget allocated to an academic division is based on a formulaic revenue sharing model, in which each division receives a share of the operating revenues generated by its activities, less a contribution to the University's shared expenses.

The process of attributing revenues and costs to campuses and divisions has been designed to minimize administrative overhead. For example, transaction accounting is <u>not</u> used to attribute the cost of services. Instead, revenues and costs are attributed using readily available and verifiable indicators that provide a reasonable basis for the distribution of revenue or a suitable measure of the extent to which a division has access to a particular resource or service. These measures are referred to as revenue drivers and cost drivers, respectively. They include indicators such as the number of students, number of faculty & staff, occupancy of usable space, research applications, etc.

A division's revenue-based budget allocation includes a share of revenues from its programs, student enrolments, advancement activities through the endowment payout, and research activities through funding from indirect costs of research. Divisions benefit as their activities increase revenue and when, in cooperation with shared service units, they are able to make more efficient use of shared resources.

The remainder of a division's budget is an allocation from the University Fund, which is currently set at 14% of the University's general operating revenues (excluding recoveries from restricted funds). Allocations from the University Fund are entirely non-formulaic and based on institutional and divisional academic priorities. This allows the University to recognize differences in the cost of delivering various programs, and support initiatives where revenues and costs are not aligned. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of external entities.

Appendix B:
Budget 2024-25 Financial Schedules

Schedule 1: Projection of Operating Revenues and Expenses ($ millions) **2024-25 to 2028-29**

Projection of Operating Revenues	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Student Fees	2,292.0	2,363.9	2,454.5	2,552.3	2,651.2	2,733.5
Prov. Gov't Grants for General Operations	661.4	685.2	692.5	698.3	702.7	705.0
Subtotal: Grants and Student Fees	**2,953.4**	**3,049.2**	**3,146.9**	**3,250.6**	**3,353.8**	**3,438.6**
Investment Income: Endowments	83.9	89.5	92.1	93.8	95.9	97.5
Investment Income: Other	50.7	114.4	119.5	121.5	125.1	121.0
Sales, Services & Sundry Income	165.8	164.1	166.6	169.3	172.3	175.3
Subtotal: Operating Revenue	**3,253.7**	**3,417.2**	**3,525.1**	**3,635.2**	**3,747.1**	**3,832.3**
Recovery from Canada Research Chair Grants	47.1	47.1	47.1	47.1	47.1	47.1
Recovery of Institutional Costs of Research	57.0	57.4	53.7	53.3	53.2	53.1
Total: Operating Revenues and Recoveries	**3,357.9**	**3,521.7**	**3,626.0**	**3,735.7**	**3,847.4**	**3,932.5**

Projection of Operating Expenses	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Shared Service and Campus Costs	744.3	778.7	806.3	833.1	856.8	877.5
Pension Contingency Funding	85.4	75.4	65.4	50.0	50.0	50.0
Strategic Fund	15.0	17.5	25.0	32.7	32.7	32.7
U-W costs offset by shared services income	151.2	159.5	162.6	165.7	169.0	172.3
Sub-total, University-wide Costs	**995.9**	**1,031.1**	**1,059.3**	**1,081.5**	**1,108.5**	**1,132.5**
Academic Expense Budgets (Excl St. Aid)	1,956.7	2,060.8	2,133.6	2,212.9	2,289.1	2,347.1
Student Aid Expenditures	364.9	380.2	389.2	397.2	405.4	412.1
University Fund (unallocated portion)	9.7	19.5	13.8	14.2	14.3	10.6
Flow-through to Other Institutions	30.8	30.1	30.1	30.0	30.1	30.2
Total: Operating Expenses	**3,357.9**	**3,521.7**	**3,626.0**	**3,735.7**	**3,847.4**	**3,932.5**

Schedule 2: Details of Operating Grants and Student Fees ($ millions) **2024-25 to 2028-29**

Prov. Gov't. Grants for General Operations	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Enrolment Based Funding	273.1	235.7	235.7	235.7	235.7	235.7
Differentiation Envelope	382.1	422.4	422.4	422.4	422.4	422.4
Tuition Freeze Support	-	15.4	15.4	15.4	15.4	15.4
Enrolment Expansion Funding	1.0	6.5	13.9	20.0	24.7	27.2
Clinical Education	4.7	4.6	4.6	4.6	4.6	4.6
Ontario Graduate Scholarships	10.3	10.3	10.3	10.3	10.3	10.3
Ontario Trillium Scholarships	-	-	-	-	-	-
Municipal Tax Grant	4.9	5.0	5.1	5.2	5.2	5.3
International Student Recovery	(18.3)	(18.3)	(18.6)	(18.9)	(19.3)	(19.4)
Accessibility for Students with Disabilities	3.5	3.7	3.7	3.7	3.7	3.7
Total, Gov't Grants for General Operations	**661.4**	**685.2**	**692.5**	**698.3**	**702.7**	**705.0**

Student Fees	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
For-Credit Tuition Fees	2,052.6	2,100.9	2,186.1	2,278.4	2,371.6	2,448.2
Continuing / Exec.Ed Tuition & Ancillary Fees	239.4	263.0	268.4	273.9	279.5	285.3
Total, Student Fees	**2,292.0**	**2,363.9**	**2,454.5**	**2,552.3**	**2,651.2**	**2,733.5**

Schedule 3: Details of University Wide Costs & Student Aid ($ millions) **2024-25 to 2028-29**

University-Wide Costs	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Occupancy	242.3	245.2	252.8	261.9	270.1	279.2
Information Technology	56.1	63.4	66.2	69.7	72.9	74.6
University Management	43.2	47.8	50.2	53.0	54.8	56.1
Financial Management	14.8	16.3	17.2	17.7	18.1	18.5
Human Resources	25.4	28.7	29.6	30.2	30.9	31.5
University Advancement	35.7	40.6	42.2	43.5	45.8	47.2
Central Library	124.6	130.5	133.4	136.9	140.2	143.2
Research Administration	38.7	41.7	44.0	45.1	46.2	47.3
Registrarial & Student Services	62.9	73.2	76.3	78.6	80.7	82.7
University-wide Academic	30.4	32.0	32.0	32.7	32.7	32.7
University-wide General	52.1	40.6	43.4	44.3	44.4	44.2
Federated Block Grant	18.1	18.6	19.0	19.5	20.0	20.5
Sub-total	**744.3**	**778.7**	**806.3**	**833.1**	**856.8**	**877.5**
Pension Risk Contingency	85.4	75.4	65.4	50.0	50.0	50.0
Strategic Priorities Fund	15.0	17.5	25.0	32.7	32.7	32.7
U-W costs offset by shared services income	151.2	159.5	162.6	165.7	169.0	172.3
Total University Wide Costs	**995.9**	**1,031.1**	**1,059.3**	**1,081.5**	**1,108.5**	**1,132.5**

Student Aid Expenditures	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
UofT Adv. Planning for Students (UTAPS)	40.5	40.8	42.0	43.2	44.4	45.7
Other Need-based Aid (incl. Employment Progs)	10.5	11.5	12.0	12.3	12.6	12.6
Scholarships	18.3	19.1	20.0	21.0	22.0	23.0
Student Aid from Endowments	35.0	37.3	37.2	38.1	39.2	40.1
International Scholars	74.4	76.3	79.3	82.6	85.7	88.0
Subtotal, Undergraduate	**178.8**	**185.1**	**190.5**	**197.2**	**203.9**	**209.3**
Provincial Scholarship Grants	10.5	10.4	10.4	10.4	10.4	10.4
Student Aid from Endowments	26.6	28.4	31.2	31.9	32.9	33.6
Student Aid Matching Funds	1.0	1.0	1.0	1.1	1.1	1.1
SGS Graduate Fellowships	2.0	2.0	2.0	2.0	2.0	2.0
Doctoral Completion Awards	4.2	4.2	4.2	4.2	4.2	4.2
Subtotal, Graduate	**44.3**	**46.1**	**48.9**	**49.6**	**50.6**	**51.3**
Subtotal, Central Student Aid	**223.2**	**231.2**	**239.3**	**246.8**	**254.4**	**260.7**
Student Aid in Academic Divisions	141.7	149.0	149.9	150.4	151.0	151.4
Total, Student Aid Expense	**364.9**	**380.2**	**389.2**	**397.2**	**405.4**	**412.1**

Schedule 4: Revenue and Expense Allocations by Division ($ millions) 2024-25

	Attributed Operating Revenue	University Fund Allocation	Share of University Wide Expense	Student Aid Set-Aside	Academic Net Expense Budget
	A	B	C	D	E=A+B-C-D
Arts & Science	882,560,006	97,151,226	256,915,513	83,546,556	639,249,163
UofT Scarborough	372,224,133	28,228,032	50,526,604	31,089,186	318,836,374
UofT Mississauga	377,203,688	31,158,123	54,043,654	31,203,542	323,114,614
Dentistry	32,265,369	17,808,382	14,425,800	927,209	34,720,743
Temerty Medicine	227,593,317	42,759,248	100,046,747	19,310,861	150,994,957
Dalla Lana Public Health	34,107,217	12,906,776	14,781,248	1,494,057	30,738,688
Bloomberg Nursing	21,185,009	4,747,984	6,604,556	2,009,376	17,319,060
Leslie Dan Pharmacy	31,778,126	4,679,891	11,973,791	1,566,251	22,917,975
Kinesiology & Physical Education	21,127,610	5,193,790	7,807,662	1,775,774	16,737,963
Applied Science & Engineering	250,873,380	31,837,746	94,139,794	25,212,771	163,358,561
Daniels Architecture, Landscape & Design	33,747,366	12,184,308	12,113,927	2,753,991	31,063,756
OISE	87,174,774	19,780,937	28,850,542	2,909,454	75,195,716
Law	34,305,542	8,485,451	9,673,953	3,077,025	30,040,015
Information	26,697,090	4,315,914	7,097,826	759,020	23,156,158
Music	19,975,392	12,483,347	8,379,152	2,909,797	21,169,791
Factor-Inwentash Social Work	15,271,386	3,579,397	5,372,356	1,307,659	12,170,769
Rotman Management	125,839,892	13,724,678	31,021,439	7,549,139	100,993,992
Transitional Year Programme	743,615	2,094,382	472,971	521,479	1,843,547
School of Continuing Studies	(3,258,327)	2,889,262	2,747,733	17,130	(3,133,928)
Subtotal	**2,591,414,586**	**356,008,874**	**716,995,268**	**219,940,278**	**2,010,487,914**
Divisional Income	433,627,099	-	159,453,629	-	274,173,470
Campus Costs and Divisional Aid	-	-	154,613,649	149,047,917	(303,661,566)
Recovery from Restricted Funds	36,724,556	-	-	11,224,556	25,500,000
Uncommitted Revenues	20,557,011	-	-	-	20,557,011
University Fund	409,242,794	(356,008,874)	-	-	53,233,920
Subtotal (excl flow-through)	**3,491,566,046**	**-**	**1,031,062,546**	**380,212,751**	**2,080,290,749**
Flow-through to Other Institutions	30,144,800	-	-	-	30,144,800
Total	**3,521,710,846**	**-**	**1,031,062,546**	**380,212,751**	**2,110,435,549**

Schedule 5: Projected Divisional Net Revenue Allocations ($ millions) 2024-25 to 2028-29

Arts & Science	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	853,433,726	882,560,006	905,361,918	933,344,169	955,372,825	975,654,550
University Fund Allocation[2]	94,751,237	97,151,226	97,151,226	97,151,226	97,151,226	97,151,226
University-Wide Costs	(245,359,094)	(256,915,513)	(263,718,237)	(269,666,532)	(276,786,683)	(282,723,804)
Student Aid Expense	(82,181,639)	(83,546,556)	(86,087,774)	(88,701,268)	(90,889,750)	(93,060,528)
Net Expense Budget	**620,644,230**	**639,249,163**	**652,707,133**	**672,127,595**	**684,847,618**	**697,021,444**

UTSC	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	349,311,374	372,224,133	393,001,870	412,916,224	438,158,442	450,847,100
University Fund Allocation[2]	27,873,155	28,228,032	28,228,032	28,228,032	28,228,032	28,228,032
University-Wide Costs	(48,273,205)	(50,526,604)	(52,895,490)	(54,363,407)	(56,209,369)	(57,790,007)
Student Aid Expense	(29,657,357)	(31,089,186)	(32,897,550)	(34,476,590)	(36,607,366)	(37,835,523)
Net Expense Budget	**299,253,967**	**318,836,374**	**335,436,863**	**352,304,260**	**373,569,739**	**383,449,602**

UTM	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	350,716,173	377,203,688	388,794,683	405,174,774	417,764,422	426,743,819
University Fund Allocation[2]	30,709,352	31,158,123	31,158,123	31,158,123	31,158,123	31,158,123
University-Wide Costs	(51,719,813)	(54,043,654)	(56,062,441)	(56,420,389)	(57,745,845)	(58,182,947)
Student Aid Expense	(29,220,377)	(31,203,542)	(32,343,559)	(33,753,351)	(34,844,376)	(35,752,942)
Net Expense Budget	**300,485,335**	**323,114,614**	**331,546,806**	**346,159,156**	**356,332,324**	**363,966,053**

Dentistry	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	30,883,873	32,265,369	32,615,013	32,999,876	33,585,749	34,128,672
University Fund Allocation[2]	17,353,405	17,808,382	17,808,382	17,808,382	17,808,382	17,808,382
University-Wide Costs	(14,197,249)	(14,425,800)	(14,686,558)	(14,774,055)	(15,070,682)	(15,386,228)
Student Aid Expense	(887,366)	(927,209)	(959,572)	(977,779)	(1,002,746)	(1,020,851)
Net Expense Budget	**33,152,663**	**34,720,743**	**34,777,265**	**35,056,424**	**35,320,704**	**35,529,976**

Temerty Medicine	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	217,307,666	227,593,317	234,152,014	240,402,814	245,570,604	248,981,260
University Fund Allocation[2]	39,077,014	42,759,248	42,759,248	42,759,248	42,759,248	42,759,248
University-Wide Costs	(97,921,029)	(100,046,747)	(102,836,865)	(104,693,186)	(107,454,739)	(110,491,159)
Student Aid Expense	(18,559,334)	(19,310,861)	(19,898,965)	(20,288,172)	(20,751,019)	(21,115,479)
Net Expense Budget	**139,904,317**	**150,994,957**	**154,175,432**	**158,180,704**	**160,124,093**	**160,133,870**

[1] Revenue includes 86% of attributable general operating revenues but excludes divisional income and recoveries from restricted funds.
[2] Includes allocations up to and including 2024-25. Flatlined for outer years.

Dalla Lana Public Health	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	29,132,228	34,107,217	35,747,387	36,387,743	37,095,767	37,598,829
University Fund Allocation[2]	12,806,353	12,906,776	12,906,776	12,906,776	12,906,776	12,906,776
University-Wide Costs	(13,945,576)	(14,781,248)	(15,493,777)	(15,855,953)	(16,218,539)	(16,508,794)
Student Aid Expense	(1,419,317)	(1,494,057)	(1,512,678)	(1,530,507)	(1,543,964)	(1,545,783)
Net Expense Budget	**26,573,688**	**30,738,688**	**31,647,708**	**31,908,059**	**32,240,040**	**32,451,028**

Bloomberg Nursing	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	19,448,488	21,185,009	21,695,313	22,004,595	22,342,405	22,672,161
University Fund Allocation[2]	4,747,836	4,747,984	4,747,984	4,747,984	4,747,984	4,747,984
University-Wide Costs	(6,254,884)	(6,604,556)	(6,839,455)	(6,989,719)	(7,142,250)	(7,301,886)
Student Aid Expense	(1,929,855)	(2,009,376)	(2,105,228)	(2,148,050)	(2,199,712)	(2,240,847)
Net Expense Budget	**16,011,585**	**17,319,060**	**17,498,613**	**17,614,809**	**17,748,426**	**17,877,412**

Leslie Dan Pharmacy	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	30,758,506	31,778,126	33,271,638	34,779,730	35,873,942	36,620,173
University Fund Allocation[2]	3,836,788	4,679,891	4,679,891	4,679,891	4,679,891	4,679,891
University-Wide Costs	(11,572,281)	(11,973,791)	(12,378,351)	(12,718,434)	(13,132,100)	(13,457,971)
Student Aid Expense	(1,490,312)	(1,566,251)	(1,622,235)	(1,655,619)	(1,697,915)	(1,729,393)
Net Expense Budget	**21,532,701**	**22,917,975**	**23,950,943**	**25,085,568**	**25,723,818**	**26,112,699**

Kinesiology & Physical Education	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	19,343,312	21,127,610	22,746,285	24,878,883	25,817,179	26,557,035
University Fund Allocation[2]	5,173,279	5,193,790	5,193,790	5,193,790	5,193,790	5,193,790
University-Wide Costs	(7,153,147)	(7,807,662)	(8,222,438)	(8,826,728)	(9,179,106)	(9,314,141)
Student Aid Expense	(1,655,844)	(1,775,774)	(1,855,898)	(1,904,487)	(1,906,448)	(1,943,832)
Net Expense Budget	**15,707,600**	**16,737,963**	**17,861,739**	**19,341,458**	**19,925,415**	**20,492,852**

Applied Science & Engineering	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	237,424,994	250,873,380	254,522,304	258,866,384	263,359,209	268,688,234
University Fund Allocation[2]	31,723,650	31,837,746	31,837,746	31,837,746	31,837,746	31,837,746
University-Wide Costs	(89,921,354)	(94,139,794)	(96,896,600)	(98,280,299)	(100,283,328)	(102,225,386)
Student Aid Expense	(24,582,795)	(25,212,771)	(25,918,576)	(26,426,701)	(26,977,832)	(27,598,847)
Net Expense Budget	**154,644,495**	**163,358,561**	**163,544,873**	**165,997,129**	**167,935,794**	**170,701,747**

Daniels Architecture, Landscape & Design	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	34,144,284	33,747,366	35,539,652	37,811,996	39,987,607	41,054,739
University Fund Allocation[2]	11,304,922	12,184,308	12,184,308	12,184,308	12,184,308	12,184,308
University-Wide Costs	(11,598,187)	(12,113,927)	(12,410,549)	(12,740,058)	(13,160,929)	(13,607,222)
Student Aid Expense	(2,717,633)	(2,753,991)	(2,823,270)	(2,888,729)	(3,003,481)	(3,077,408)
Net Expense Budget	**31,133,386**	**31,063,756**	**32,490,141**	**34,367,517**	**36,007,505**	**36,554,417**

OISE	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	79,479,058	87,174,774	92,839,008	97,753,823	104,208,797	110,138,221
University Fund Allocation[2]	19,780,190	19,780,937	19,780,937	19,780,937	19,780,937	19,780,937
University-Wide Costs	(27,729,116)	(28,850,542)	(30,316,089)	(31,533,117)	(32,798,852)	(34,062,707)
Student Aid Expense	(2,874,754)	(2,909,454)	(3,036,674)	(3,116,650)	(3,206,023)	(3,271,714)
Net Expense Budget	**68,655,377**	**75,195,716**	**79,267,182**	**82,884,993**	**87,984,859**	**92,584,737**

Law	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	32,677,968	34,305,542	35,190,264	36,233,769	37,270,025	38,265,634
University Fund Allocation[2]	8,485,282	8,485,451	8,485,451	8,485,451	8,485,451	8,485,451
University-Wide Costs	(9,525,266)	(9,673,953)	(9,955,171)	(10,036,066)	(10,297,276)	(10,523,209)
Student Aid Expense	(2,784,996)	(3,077,025)	(3,199,120)	(3,281,040)	(3,378,865)	(3,452,752)
Net Expense Budget	**28,852,988**	**30,040,015**	**30,521,425**	**31,402,114**	**32,079,335**	**32,775,125**

Information	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	26,081,758	26,697,090	29,519,413	30,868,921	31,865,781	32,512,114
University Fund Allocation[2]	3,966,548	4,315,914	4,315,914	4,315,914	4,315,914	4,315,914
University-Wide Costs	(6,690,433)	(7,097,826)	(7,373,660)	(7,768,274)	(8,031,059)	(8,225,825)
Student Aid Expense	(750,277)	(759,020)	(866,074)	(917,303)	(952,562)	(966,789)
Net Expense Budget	**22,607,595**	**23,156,158**	**25,595,593**	**26,499,258**	**27,198,074**	**27,635,415**

Music	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	19,656,264	19,975,392	21,117,321	21,432,838	22,464,194	23,071,608
University Fund Allocation[2]	12,068,495	12,483,347	12,483,347	12,483,347	12,483,347	12,483,347
University-Wide Costs	(8,201,834)	(8,379,152)	(8,583,107)	(8,800,872)	(8,985,892)	(9,258,319)
Student Aid Expense	(2,755,426)	(2,909,797)	(3,001,176)	(3,059,545)	(3,152,361)	(3,220,221)
Net Expense Budget	**20,767,499**	**21,169,791**	**22,016,385**	**22,055,768**	**22,809,288**	**23,076,415**

Factor-Inwentash Social Work	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	13,769,211	15,271,386	15,608,580	15,853,884	16,144,450	16,441,007
University Fund Allocation[2]	3,169,335	3,579,397	3,579,397	3,579,397	3,579,397	3,579,397
University-Wide Costs	(5,112,934)	(5,372,356)	(5,538,709)	(5,600,085)	(5,714,905)	(5,816,391)
Student Aid Expense	(1,256,599)	(1,307,659)	(1,350,497)	(1,380,009)	(1,415,720)	(1,442,526)
Net Expense Budget	**10,569,012**	**12,170,769**	**12,298,771**	**12,453,187**	**12,593,222**	**12,761,488**

Rotman Management	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	118,199,988	125,839,892	129,725,806	132,805,897	136,431,609	139,194,489
University Fund Allocation[2]	13,387,923	13,724,678	13,724,678	13,724,678	13,724,678	13,724,678
University-Wide Costs	(30,447,413)	(31,021,439)	(31,489,429)	(32,491,350)	(33,792,033)	(34,434,491)
Student Aid Expense	(7,348,247)	(7,549,139)	(7,620,377)	(7,779,809)	(8,003,889)	(8,182,407)
Net Expense Budget	**93,792,251**	**100,993,992**	**104,340,679**	**106,259,417**	**108,360,366**	**110,302,269**

Transitional Year Programme	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	724,875	743,615	767,802	786,311	808,417	825,797
University Fund Allocation[2]	1,925,870	2,094,382	2,094,382	2,094,382	2,094,382	2,094,382
University-Wide Costs	(459,013)	(472,971)	(478,271)	(477,079)	(486,077)	(494,409)
Student Aid Expense	(505,046)	(521,479)	(540,853)	(553,841)	(569,622)	(581,853)
Net Expense Budget	**1,686,686**	**1,843,547**	**1,843,060**	**1,849,772**	**1,847,100**	**1,843,916**

School of Continuing Studies	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Attributed Revenue[1]	(3,217,815)	(3,258,327)	(3,362,313)	(3,456,211)	(3,538,753)	(3,674,630)
University Fund Allocation[2]	2,889,316	2,889,262	2,889,262	2,889,262	2,889,262	2,889,262
University-Wide Costs	(2,993,962)	(2,747,733)	(2,847,533)	(2,861,177)	(2,934,770)	(3,009,452)
Student Aid Expense	(16,469)	(17,130)	(17,816)	(18,268)	(18,812)	(19,227)
Net Expense Budget	**(3,338,930)**	**(3,133,928)**	**(3,338,400)**	**(3,446,394)**	**(3,603,073)**	**(3,814,047)**

Schedule 6: Planned Statement of Operations ($ millions) **2024-25**

Projection of Revenues	**Operating Budget**	**GAAP Adjustments**	**Operating Fund**	**Ancillary Operations**	**Capital**	**Restricted Funds**	**Anc., Capital & Restricted Funds**	**Forecasted Statement of Operations**
Student Fees	2,363.9	-	2,363.9	17.1	0.1	-	17.2	2,381.1
Gov't Grants for General Operations	742.9	-	742.9	-	-	-	-	742.9
Gov't and Other Grants for Restricted Purposes	66.8	-	66.8	-	59.7	460.8	520.5	587.3
Sales, Services & Sundry Income	144.1	-	144.1	283.9	0.1	-	284.0	428.0
Investment Income: Endowments	89.5	-	89.5	-	-	78.4	78.4	167.9
Investment Income: Other (note 1)	114.4	(31.2)	83.3	3.1	15.0	14.8	32.9	116.2
Donations	-	-	-	0.6	21.3	133.0	154.9	154.9
Total Revenues	**3,521.7**	**(31.2)**	**3,490.5**	**304.7**	**96.2**	**687.0**	**1,087.9**	**4,578.5**

Projection of Expenses	**Operating Budget**	**GAAP Adjustments**	**Operating Fund**	**Ancillary Operations**	**Capital**	**Restricted Funds**	**Anc., Capital & Restricted Funds**	**Forecasted Statement of Operations**
Salaries & Employee Benefits	2,253.9	-	2,253.9	16.2	-	309.6	325.8	2,579.7
Other Expenses (note 2)	562.8	(69.5)	493.3	45.7	5.0	223.7	274.4	767.6
Scholarships, Fellowships & Bursaries	380.2	-	380.2	-	-	46.7	46.7	426.9
Amortization of Capital Assets	-	-	-	23.6	198.9	-	222.5	222.5
Cost of Ancillary Sales and Services	-	-	-	187.6	-	-	187.6	187.6
Inter-institutional Contributions	30.1	-	30.1	-	-	91.9	91.9	122.0
Long-term debt service (note 3)	48.3	(15.7)	32.6	5.4	-	-	5.4	38.0
Total Expenses	**3,275.3**	**(85.2)**	**3,190.1**	**278.4**	**203.9**	**671.9**	**1,154.2**	**4,344.4**
Net Income before transfers	**246.4**	**54.0**	**300.4**	**26.3**	**(107.7)**	**15.1**	**(66.3)**	**234.1**
Allocations for Future Major Capital Projects	60.0	(60.0)	-					-
Capital Spending from Current Year Budget	101.0	(101.0)	-					-
Other Contributions to Reserves	10.0	(10.0)	-					-
Pension Deficit Risk Contingency	75.4	(75.4)	-					-
Net Income	**0.0**	**300.4**	**300.4**					**234.1**

Note 1: GAAP Adjustment includes eliminating income on internal loans and other accounting-related adjustments related to Investment Income.
Note 2: Other expenses include materials, supplies, services, repairs, maintenance, leases, utilities, travel, and other general expenses. GAAP adjustment relates to capitalization of spending from the operating budget on items such as furniture, equipment, etc.
Note 3: GAAP Adjustment eliminates debt service on internal EFIP loans leaving only the interest on external debt.