

Budget for 2003-04 and Budget Information for 1998-99 to 2003-04

*Planning and Budget Committee
March 26, 2003*



Budget Context

- **End of 6 year planning period; requirement that accumulative deficit be no more than \$14.7M and operating budget balanced.**
- **Accumulative deficit of \$20.3M projected in 02-03 Budget Report for end of 02-03, adjusted to \$22.4M with actual year end result for 01-02.**
- **Deficit for 02-03 is currently projected at \$34.1M a further increase of \$11.7M.**

Budget Context

Unrealised Revenue in 02-03

- 1% Inflation adjustment on operating grant funding, \$3.2M.
- Reduced investment return on EFIP, \$3.1M after amortization.
- Overhead on Contract Research, \$5M

Increased Expense in 02-03

- ? Utility Costs, \$1.4M.
- ? Asbestos removal, \$0.8M.

Budget Context

Revised Revenue and Expense assumptions for 03-04

- Amortization of investment losses, \$4.4M increase.
- Resumed contributions to pension plan and reduction in redirection of pension contribution savings, \$18.8M.
- Elimination of inflation adjustment of 2% on government operating grant, \$6.4M.
- Elimination of increase from 20% to 30% in indirect costs of Federal research, \$6.2M.

Major Revenue Assumptions

- **Zero increase in grants for general inflationary purposes in 2003-04.**
- **Tuition fee revenue from the majority of students capped at 2% increase by MTCU.**
- **Investment revenue reduced by a further \$2.4 million and past losses amortized over 5 years.**
- **Full average funding for enrollment growth in undergraduate programs.**
- **MTCU imposed cap on graduate enrollment growth funding.**

Major Revenue Assumptions

- **Additional \$17.1 million in grant/fee revenue over previously budgeted.**
- **Indirect cost recovery of Federally funded research projected at \$15.8 million.**
- **Endowment pay-out reduced to 4.2% of November 02 market value, (from \$9.10 to \$6.60 per unit).**
- **\$2.5 million provision to assist in transition to lower pay-out.**

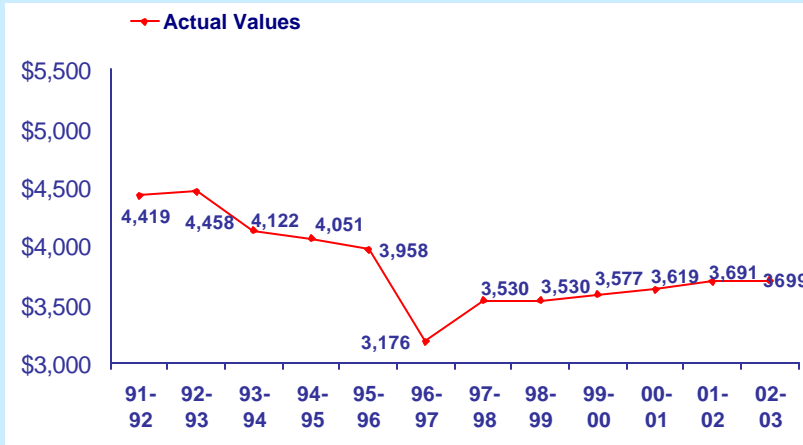
Proposed Operating Budget for 2003-04

| INCOME (\$millions) | 02-03 | 03-04 | Change |
|------------------------------------------|--------------|--------------|-------------|
| Provincial Operating Grants | 391.2 | 412.9 | 21.7 |
| Tuition Fees | 272.6 | 320.2 | 47.6 |
| Endowment Income | 34.6 | 28.7 | (5.9) |
| Canada Research Chairs | 21.0 | 29.3 | 8.3 |
| Overhead on Federal Research | 14.6 | 15.8 | 1.2 |
| Stewardship & Investment Management Fees | 7.3 | 7.6 | 0.3 |
| Investment Income | 13.7 | 11.3 | (2.4) |
| Other Income | 22.7 | 27.4 | 4.7 |
| Divisional Income | 109.6 | 124.4 | 14.8 |
| TOTAL INCOME | 887.3 | 977.6 | 90.3 |

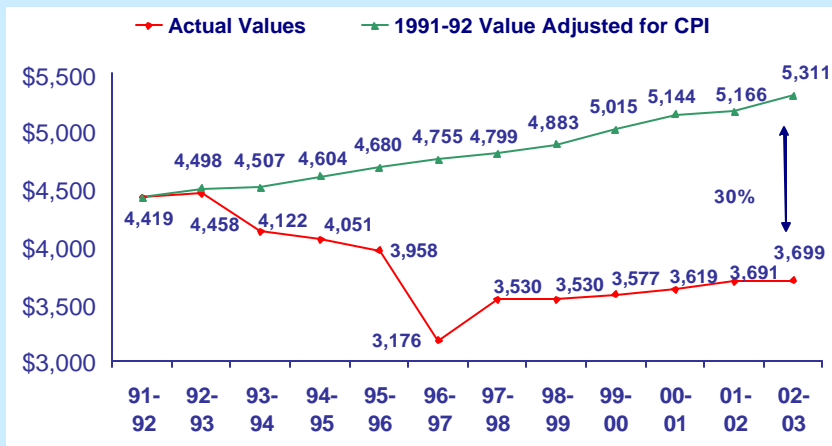
Projection of Operating Revenue

| | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 |
|-------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Provincial Operating Grants | 336.2 | 346.2 | 363.2 | 373.8 | 391.2 | 412.9 |
| Tuition Fees | 177.5 | 205.3 | 218.8 | 237.5 | 272.6 | 320.2 |
| Total Other Sources | 136.6 | 156.0 | 170.9 | 201.4 | 223.5 | 244.5 |
| Total Operating Revenue | 650.3 | 707.5 | 752.9 | 812.7 | 887.3 | 977.6 |
| Total Enrolment (U/G and Grad FTE) | 42,241 | 43,400 | 43,813 | 45,887 | 49,607 | 52,301 |

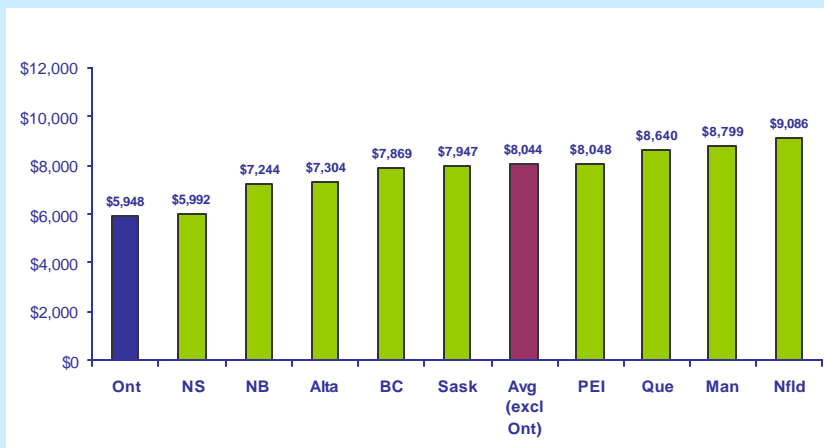
Basic Operating Grants Per BIU (Excluding Targeted Envelopes)



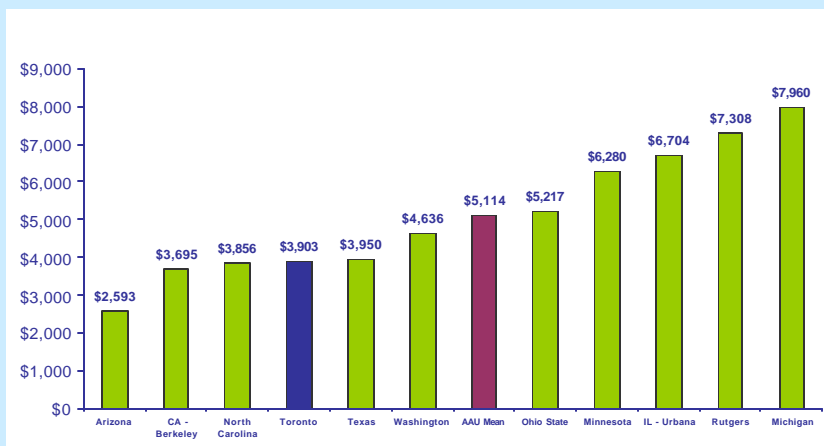
Basic Operating Grants Per BIU (Excluding Targeted Envelopes)



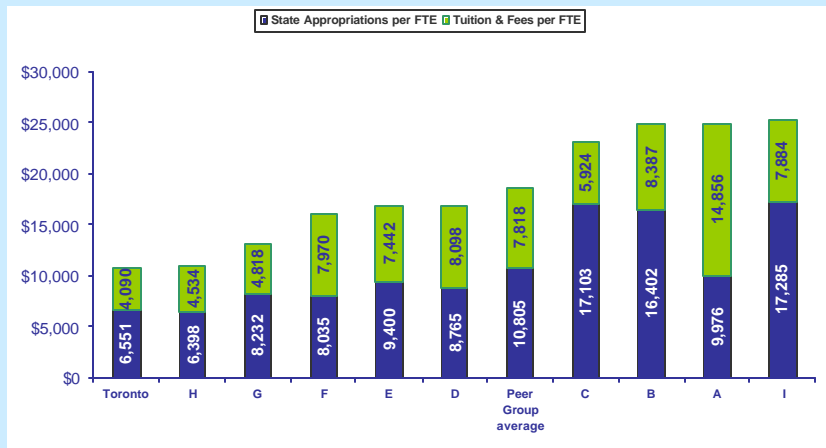
Provincial University Operating Grants Per FTE Student, 2001-02



Undergraduate Arts & Science Tuition and Fees, 2002-03 U of T vs. AAU Peer Institutions



State Appropriations Plus Fees per FTE Student, 2001-02 U of T vs. AAU Peer Institutions (US Funds)



AAU Peers include the following: Arizona, UC Berkeley, Michigan, Minnesota, North Carolina, Ohio State, Rutgers, Texas and Washington.

Major Cost Drivers

- **Library acquisitions fund requires \$4.5 million contingency to compensate for weak Canadian dollar.**
- **Compensation increase costs assumed to be 3%.**
- **Resumption of current service payments to the regular pension plan.**
- **Amortization of investment losses over 5 years.**

Major Cost Drivers

Capital Budget

- Capital Budget evolves from the University Infrastructure Investment Fund (UIIF).
- Encompasses all approved academic, non-academic and endowed capital infrastructure.
- Debt service charge to the operating budget is \$11.7 million in 2003-04, subsumes \$8.9 million of annual principal and interest charges on borrowing to fund the UIIF and the University's contribution to MARS.

Major Cost Drivers

Graduate Student Aid Increases

| | <u>\$ Millions</u> |
|---------|--------------------|
| 2000-01 | 2.8 |
| 2001-02 | 2.2 |
| 2002-03 | 5.1 |
| 2003-04 | <u>2.8</u> |
| | <u>\$12.8</u> |

Guaranteed funding packages for doctoral stream students will be fully implemented by September 2003.

Proposed Operating Budget for 2003-04

| EXPENSE (\$millions) | 02-03 | 03-04 | Change |
|----------------------------|--------------|--------------|-------------|
| Total Academic Expense | 570.2 | 626.7 | 56.5 |
| Academic Services | 60.7 | 62.1 | 1.3 |
| Administration | 63.0 | 65.9 | 2.9 |
| Student Assistance | 84.3 | 89.7 | 5.5 |
| Campus & Student Services | 14.9 | 16.2 | 1.3 |
| Maintenance and Services | 38.1 | 38.6 | 0.5 |
| Utilities | 35.9 | 36.3 | 0.4 |
| General University Expense | 37.2 | 42.1 | 4.9 |
| TOTAL EXPENSE | 904.3 | 977.6 | 73.3 |

Projected Operating Budget, 1998-99 to 2003-04

| | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 |
|------------------------------------|----------|---------|---------|----------|----------|--------|
| Projected Expenditure | 682.5 | 725.1 | 758.7 | 823.2 | 917.9 | 999.8 |
| Budget Reduction | (16.9) | (16.9) | (0.4) | (0.0) | (13.6) | (22.2) |
| Expenditure Budget after Reduction | 665.6 | 708.2 | 758.3 | 823.2 | 904.3 | 977.6 |
| Operating Revenue | 650.2 | 707.5 | 752.9 | 812.7 | 887.3 | 977.6 |
| Preliminary Surplus/(Deficit) | (\$15.4) | (\$0.8) | (\$5.4) | (\$10.4) | (\$17.0) | \$0.0 |

Long Range Budget Projection

| | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Operating Deficit | (15.1) | (0.8) | (5.4) | (10.4) | (17.0) | 0.0 |
| Pension Contribution Savings | | 16.8 | 17.7 | 18.6 | 19.8 | 21.2 |
| Transitional Funds | | (2.5) | (3.6) | (1.8) | | |
| Graduate Aid | | | | (3.0) | | |
| Pension service cost | | | | | | (18.8) |
| Redirected pension savings | | | | | | 19.7 |
| Investment Losses | | | | (9.0) | (7.2) | (10.0) |
| UIIF | | (14.3) | (14.1) | (14.8) | | |
| OTO Deficit Control | 2.2 | 1.2 | 2.4 | 13.5 | | 7.3 |
| Surplus/(Deficit) | (12.9) | 0.4 | (3.0) | (6.9) | (4.4) | 19.4 |

Long Range Budget Projection

| | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 |
|------------------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Surplus/(Deficit) | (12.9) | 0.4 | (3.0) | (6.9) | (4.4) | 19.4 |
| Adjustment of Budget to Forecast Actual | 5.2 | 0.7 | (2.4) | (0.4) | (11.6) | |
| Deficit, Start of Yr. | 1.4 | (6.3) | (5.3) | (10.7) | (18.1) | (34.0) |
| Deficit, End of Yr. | (6.3) | (5.3) | (10.7) | (18.1) | (34.0) | (14.6) |
| Maximum Deficit Permissible | (9.4) | (10.1) | (11.3) | (12.2) | (13.3) | (14.7) |

Summary: Fiscal Prudence

- **Lower risk on investment revenue projections**
- **Assume no inflation increase on government operating grants and reduced investment revenue.**
- **Expenditures are realistically but conservatively projected.**
- **Balanced budget in 2003-04.**
- **Accumulated deficit to be contained within policy limits.**

Net Changes to Divisional Budgets

- **Enrollment growth funding.**
- **Continued growth in Canada Research Chairs program.**
- **25% share of Federal indirect cost recovery grants.**
- **\$1.25 million of transitional funding to assist divisions achieve budget reductions**
- **4.45% reduction necessary to fund cost increases.**
- **1.46% OTO reduction to bring accumulative deficit in line; will only be applied if initiatives to increase revenue are not successful.**

Net Increase to Divisional Budgets

| | |
|---------------------------------------------|---------------|
| Compensation Increases | 17.4 |
| Enrolment Growth Fund | 33.5 |
| Graduate Student Aid | 2.8 |
| Canada Research Chairs | 7.5 |
| Academic & Admin Priority Funds | 8.2 |
| Overhead from Federal Grants | 0.3 |
| Rotman School RCM & OISE/UT | 5.7 |
| Total Increase to Divisional Budgets | \$75.4 |
| Less: Reallocation Reduction | (6.6) |
| New Base Reduction | (22.2) |
| New OTO Reduction | (7.3) |
| Net Increase to Divisional Budgets | \$39.3 |