

University of Toronto 2008-09 Budget Report and Long-Range Budget Guidelines 2008-09 to 2012-13

**Planning and Budget Committee
27 February, 2008**

Overview

- New Budget Model
- Planning Cycle
- Fiscal Context
- 2008-09 Budget and LRBG
- Advocacy
- Conclusion

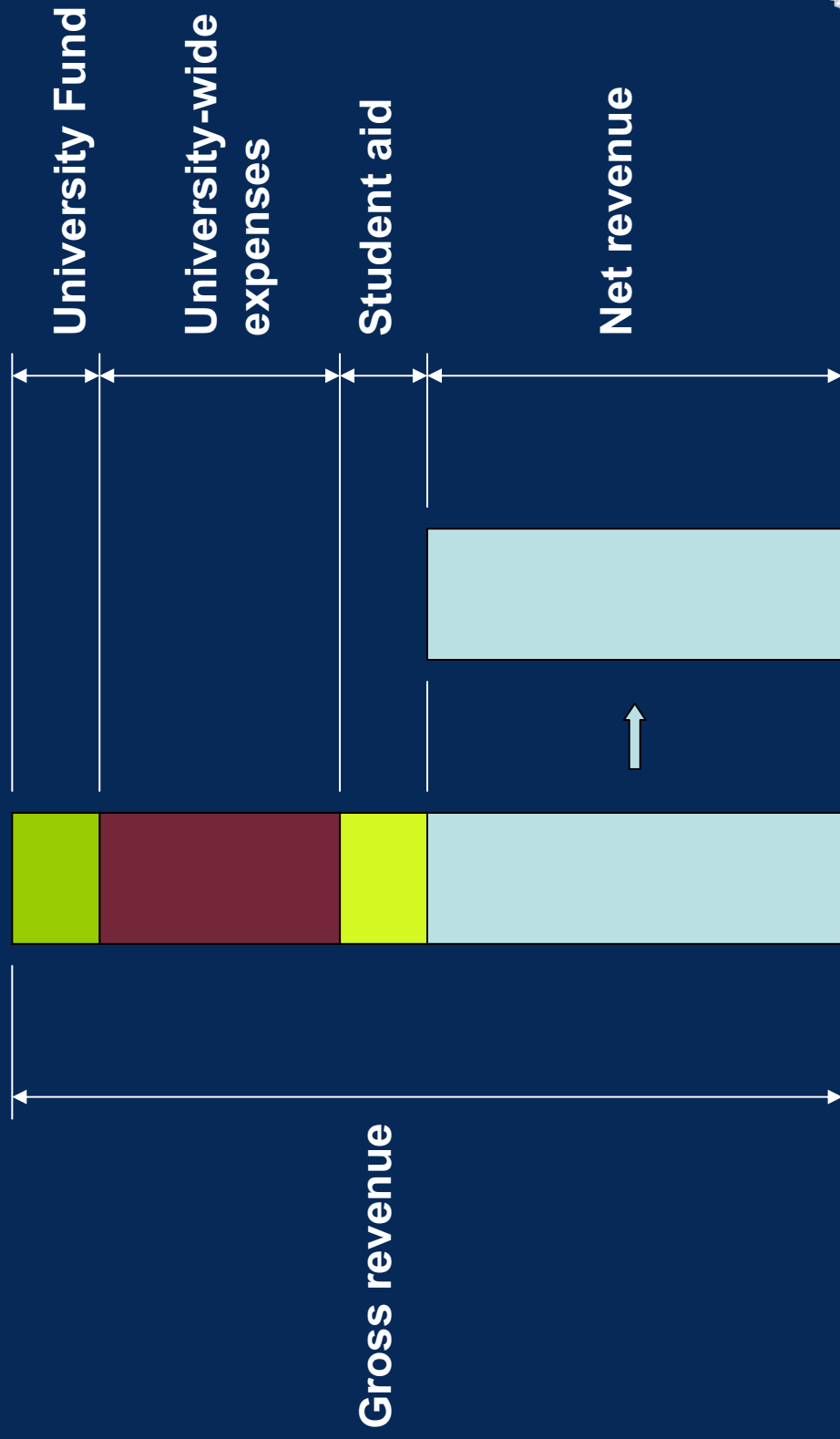


New Budget Model: Objectives

- Academic priorities should drive budgetary allocations
- Ensure best alignment between resources and academic priorities
- Increase transparency
- Provide incentives to increase revenues and control expenses
- Increase dialogue on budget matters



New Budget Model



Transition to the New Model

- Objective: Transition process maintained historical integrity
- 2006-07 budget was recast using the language of the new model
- ———▶ Shadow Budget
- University Fund allocation gave each division exactly the same funding it received in the actual 2006-07 budget



Academic Budget Review

- Each division prepares a multi-year plan for review by the Provost and advisory committee
- Review informs allocations from the UF and other special funds
- Review guides approvals of faculty complement plans, enrolment plans and surplus/deficit



Administrative Budget Review

- President established Budget Planning and Priorities Committee
- Service units prepare multi-year strategic and budget plans
- Review aims to ensure alignment between services, academic needs, budgets



Fixed-Cycle Approach

- We have been using a fixed, six-year planning cycle
- Fixed-cycle approach is somewhat inflexible
- Tended to introduce deficits in the early years
- Under the new budget model, the University needs to look several years forward to properly assess the financial circumstances



Proposed Rolling Window

- Propose to start a rolling five-year budget cycle
- Balanced budget in each of the next five years
- Accumulated deficit to be fully paid down through OTO (in-year) payments



Surplus / Deficit Management

- **Old policy** → required to exit each planning period with a balanced budget and an accumulated surplus or deficit not exceeding 1.5% of gross revenue
- **Proposal** → require accumulated deficit be reduced to **zero** by the end of any five-year planning period
- This means that the average annual surplus/deficit over the five years of the planning period must be zero or positive



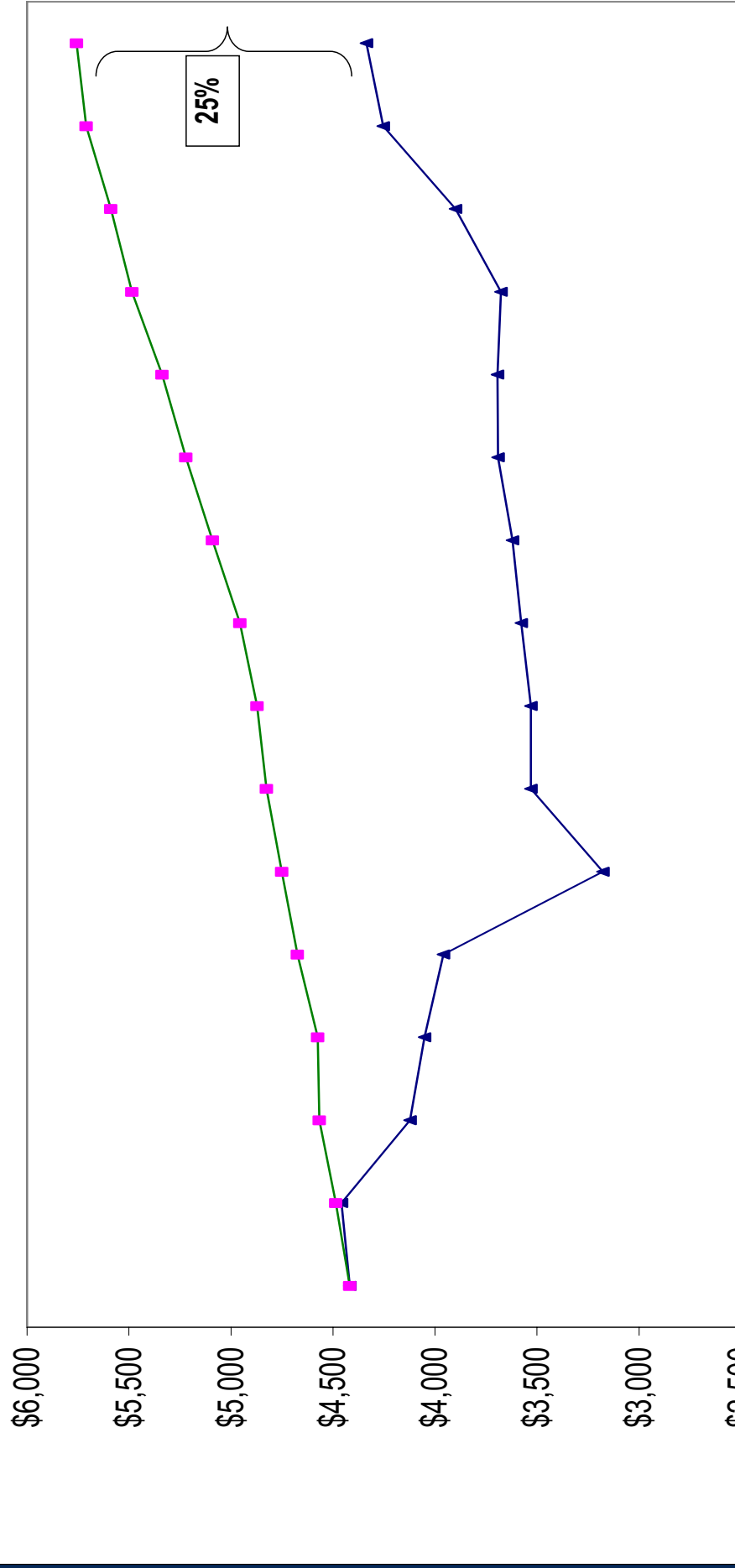
End-of-Year Variances

- Actual revenues and expenses may differ from the projections in the budget
- According to the provisions of the new budget model and under normal circumstances, end-of-year variances are attributed to the divisions according to their shares— thus would not add to accumulated deficit
- In exceptional circumstances, as part of the subsequent year’s budget the University may absorb large variances over several years, while maintaining the commitment to no accumulated deficit at the end of the planning cycle

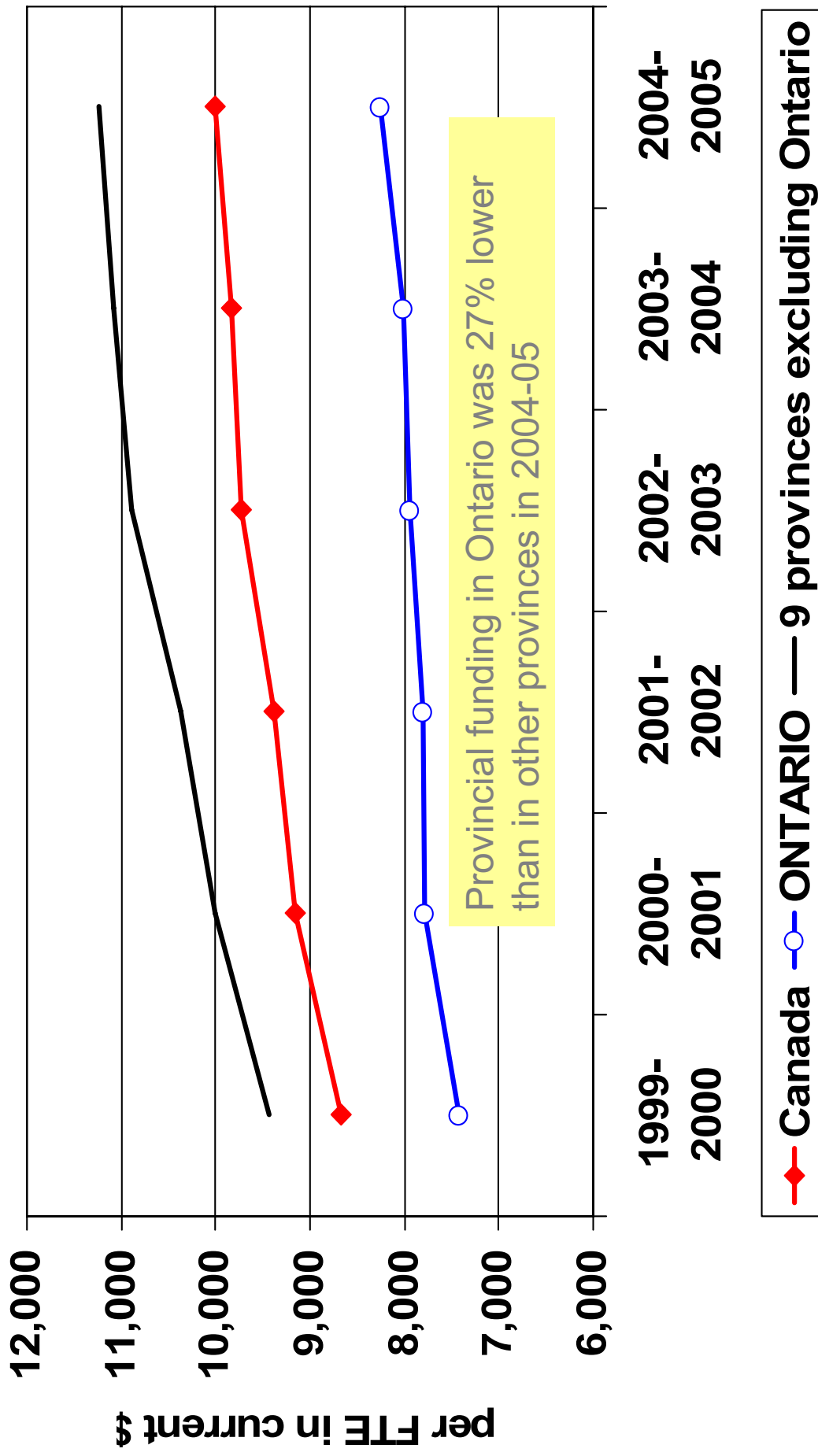


Funding Per BIU

Government Operating Funding per BIU Adjusted For Inflation



Government Funding Gap: Canada



Understanding our budget situation

- Increase in revenue less than growth in expense
 - Salaries and benefits
 - Occupancy and infrastructure costs
 - Regulatory, accountability and statutory requirements
- This has been partially masked by
 - Enrolment growth
 - Deficit budgets
 - New sources of revenue



Understanding our budget situation

- New model makes costs more transparent
- Divisions are more directly exposed to fluctuations in revenues and expenses
- Impact is not the same across the board



2008-09 Budget and Long Range Budget Guidelines

2008-09 Budget

- No increases announced on government funding, and none assumed
- Prudent assumptions on costs and spending
- Expense containment is still necessary
- Large differences among divisions



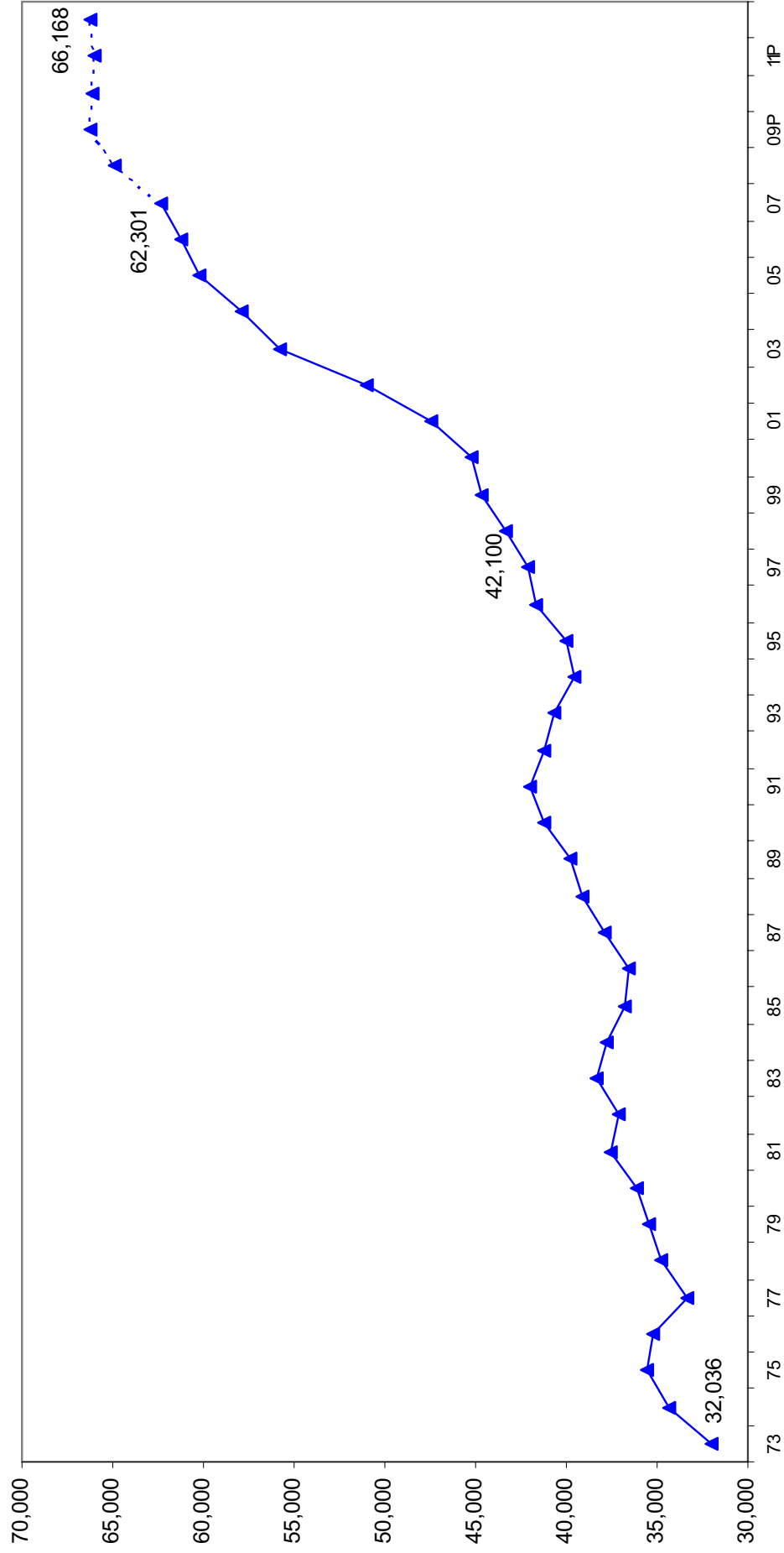
Revenue

- Enrolment is the primary revenue driver
- We are entering a period of steady enrolment:
 - Steady UG enrolment
 - Decrease domestic 1000 FTE
 - Increase international 1200 FTE
 - Graduate expansion as per divisional plans



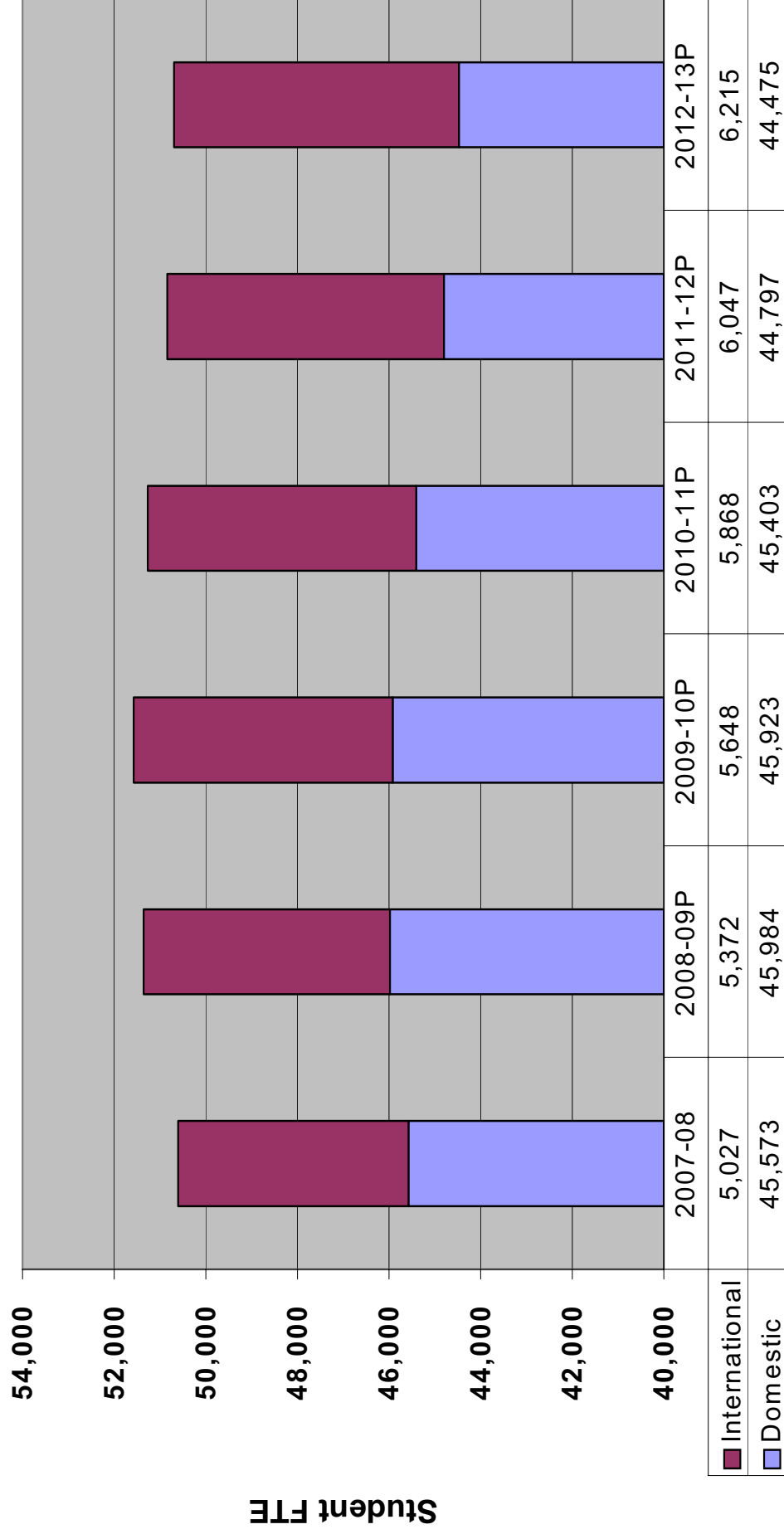
Total Enrolment

FTE Enrolment at the University of Toronto
1973-74 to 2012-13



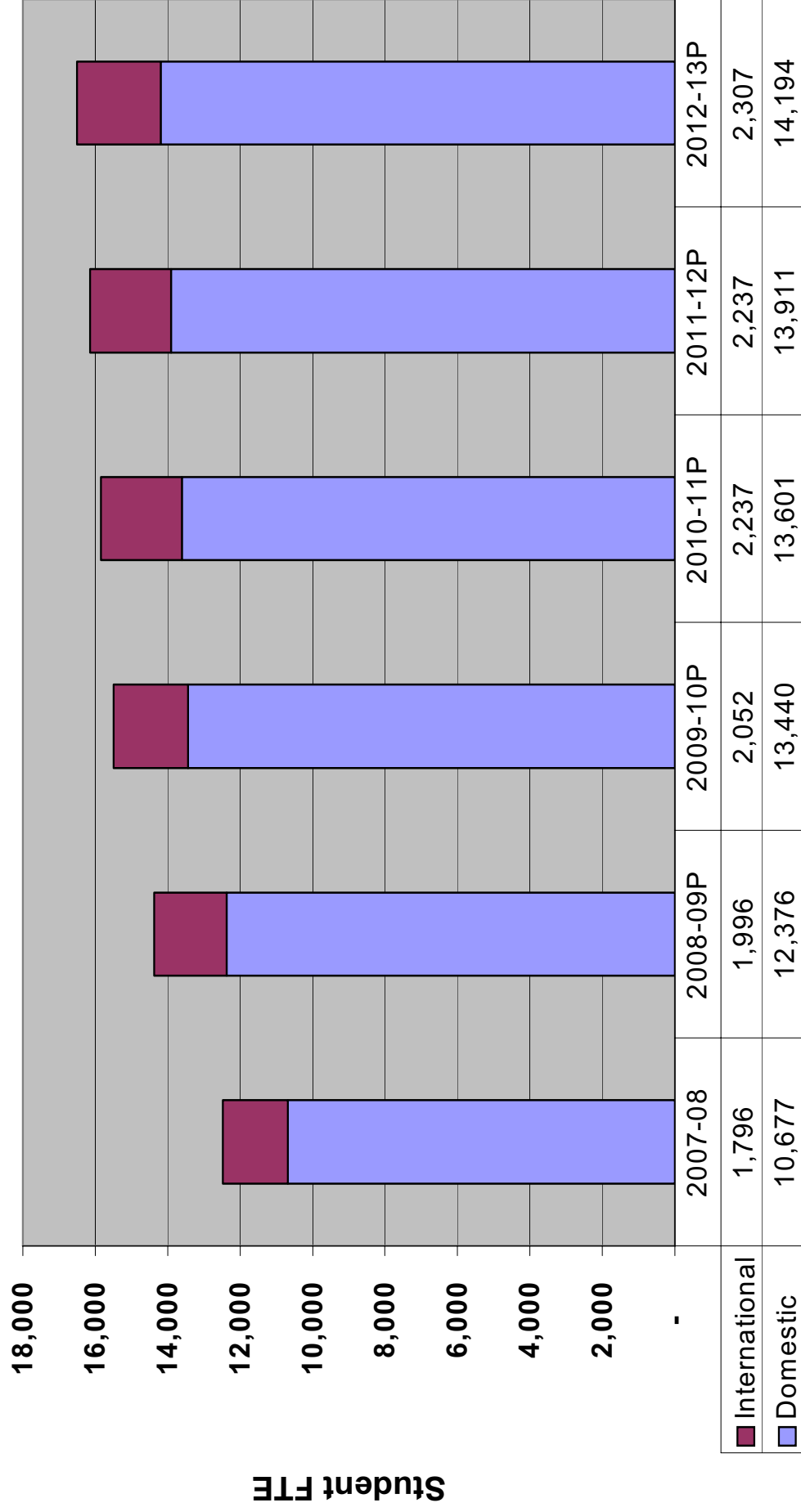
Enrolment — Undergraduate

Domestic & International Enrolments



Enrolment — Graduate

Domestic & International Enrolments



Assumptions - Revenue

- Government operating grants
 - No assumptions for additional quality funding
 - Discounted funding for UG enrolment in 2008-09 estimated at \$4M
 - Full funding for graduate expansion according to divisional plans to 2012-13



Assumptions - Revenue

- Tuition
 - Increases according to latest schedule
 - Average domestic increase 4.27%
 - Average international increase 6.6%
 - Set-aside for student aid based on estimate to meet accessibility commitment



Assumptions - Revenue

- Reduction in CRC program – 11 chairs
- Federal Indirect Cost of Research at current level
- Changes to provincial IDC projections to reflect new policy
- Divisional income estimated based on last year's actuals

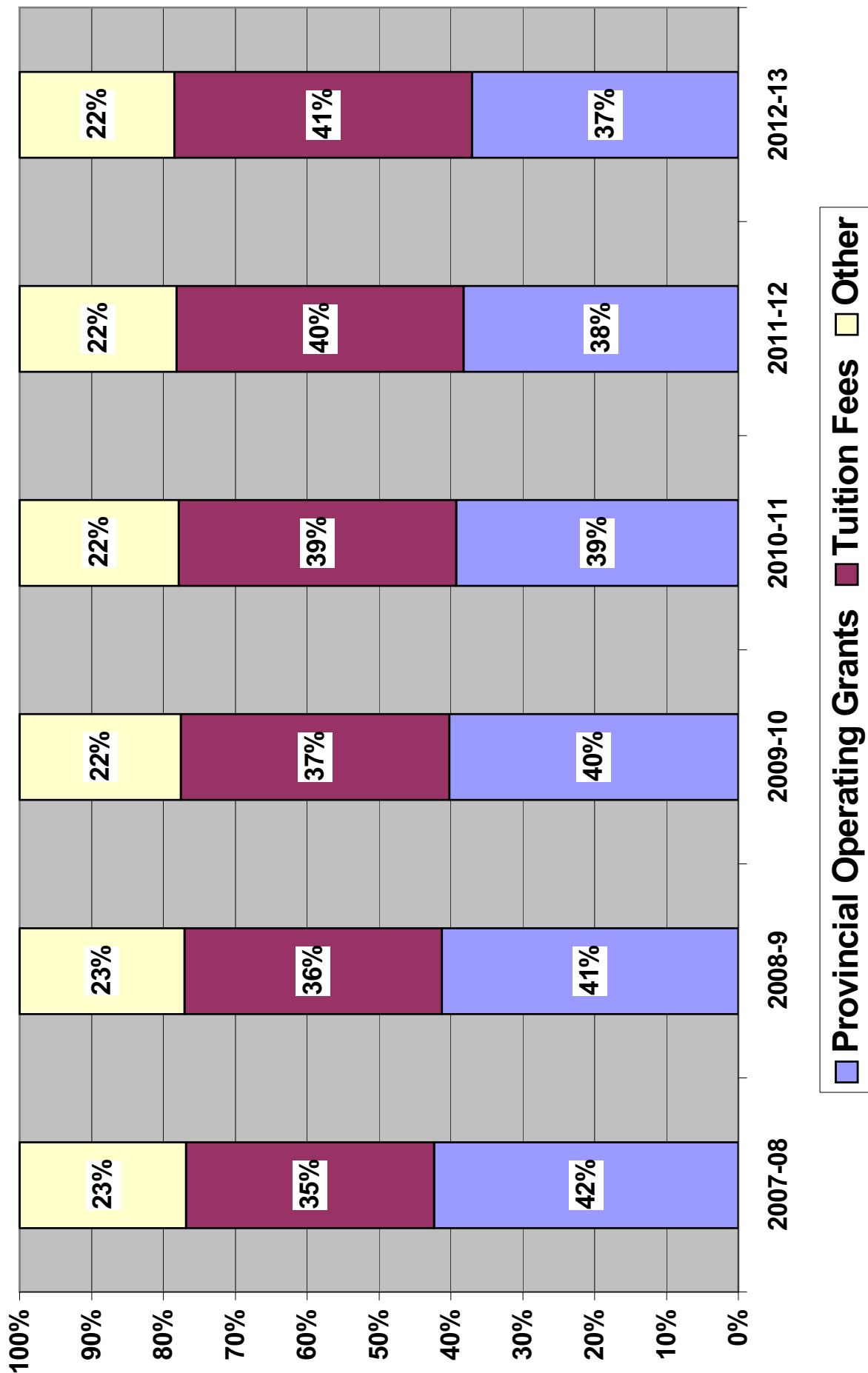


Incremental Revenue over 2007-08

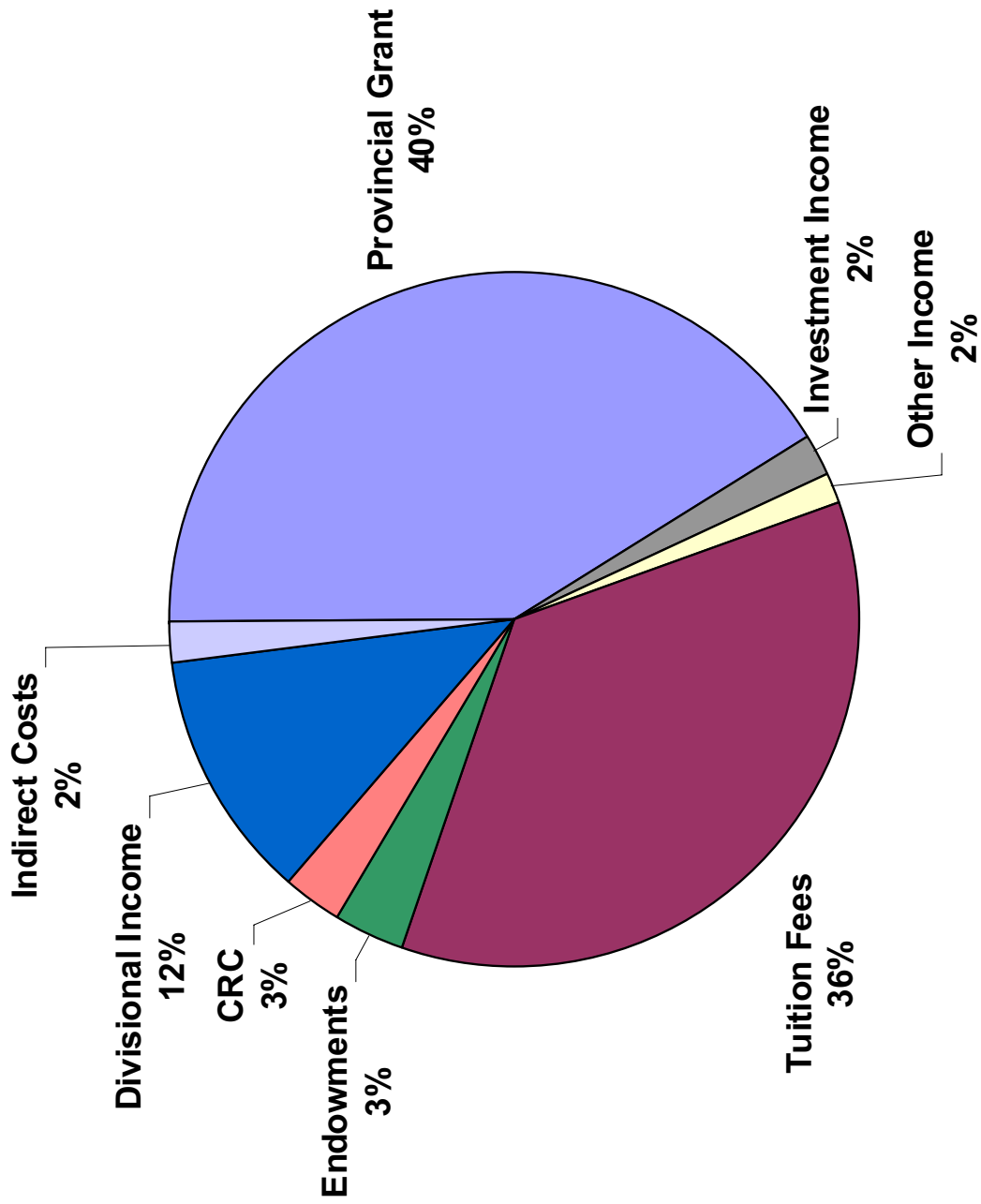
	2008-09 (\$M)	To 2012-13 (\$M)
Incremental revenue	70	289
Portion subject to UF	68	200
Incremental UF	6.8	20



Breakdown of Total Revenue



2008-09 Sources of Operating Revenue



Assumptions — University Wide Expenses

- All university-wide funding allocations subject to review by the President’s Budget Planning and Priorities Committee (BPP)
- A few allocations made based on top priorities
- Overall growth in University-wide expenses constrained to be less than growth in revenues



Significant UW Expense Increases: 2008-09

- Utility infrastructure reserve (\$1.3M)
- Caretaking and maintenance (\$2.4M)
- Library acquisitions (\$1M)
- Compensation increases – U-W service areas (\$4.3M)



Assumptions — Expense

- Compensation:
 - Budget provides funding for administrative divisions since they do not share in revenue increases
 - Amount based on current settlements,
 - Otherwise, on inflation
- Cost containment is applied for UW divisions to constrain expense growth to same level as overall revenue growth

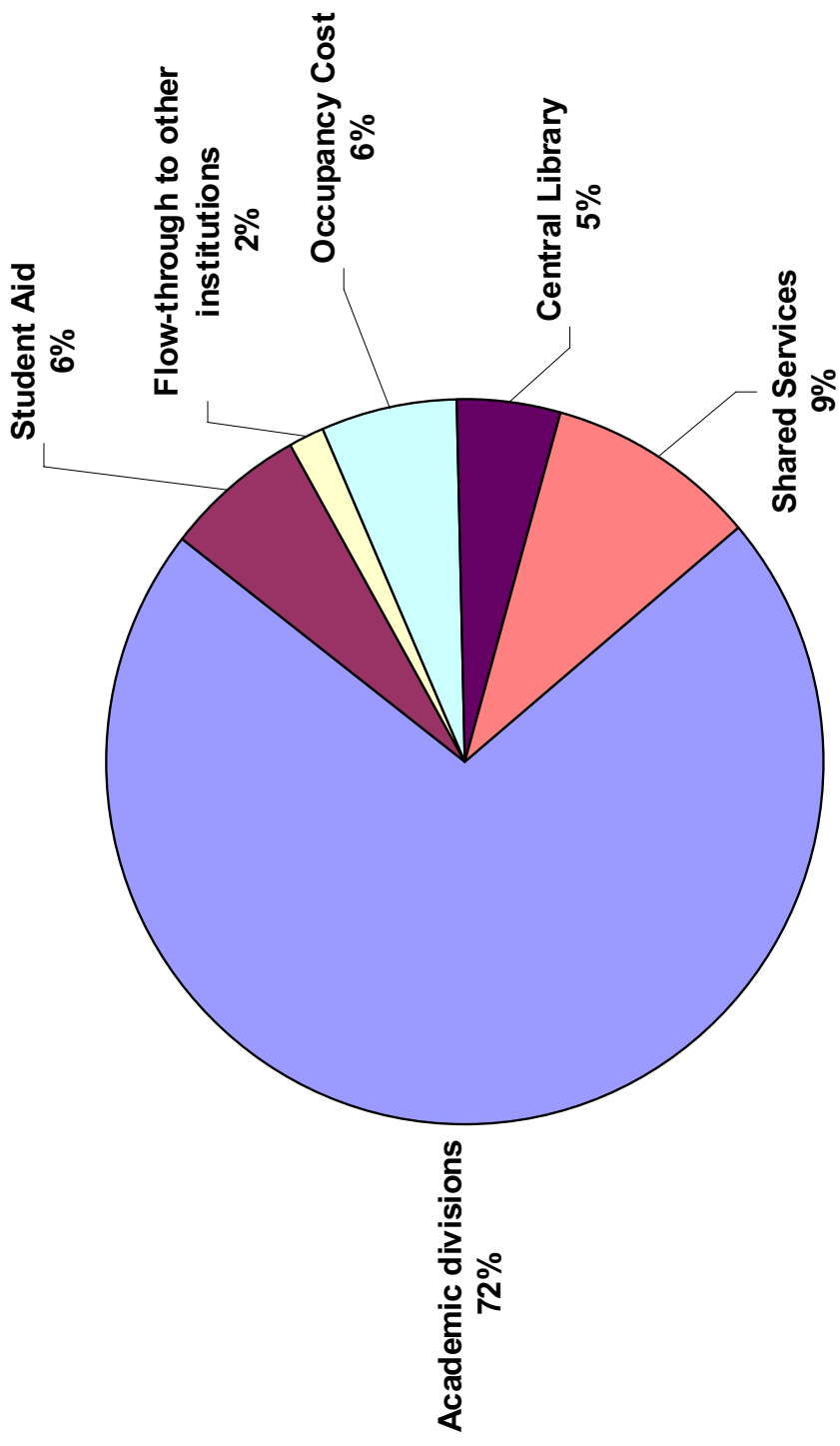


U-W Expense Breakdown (\$M)

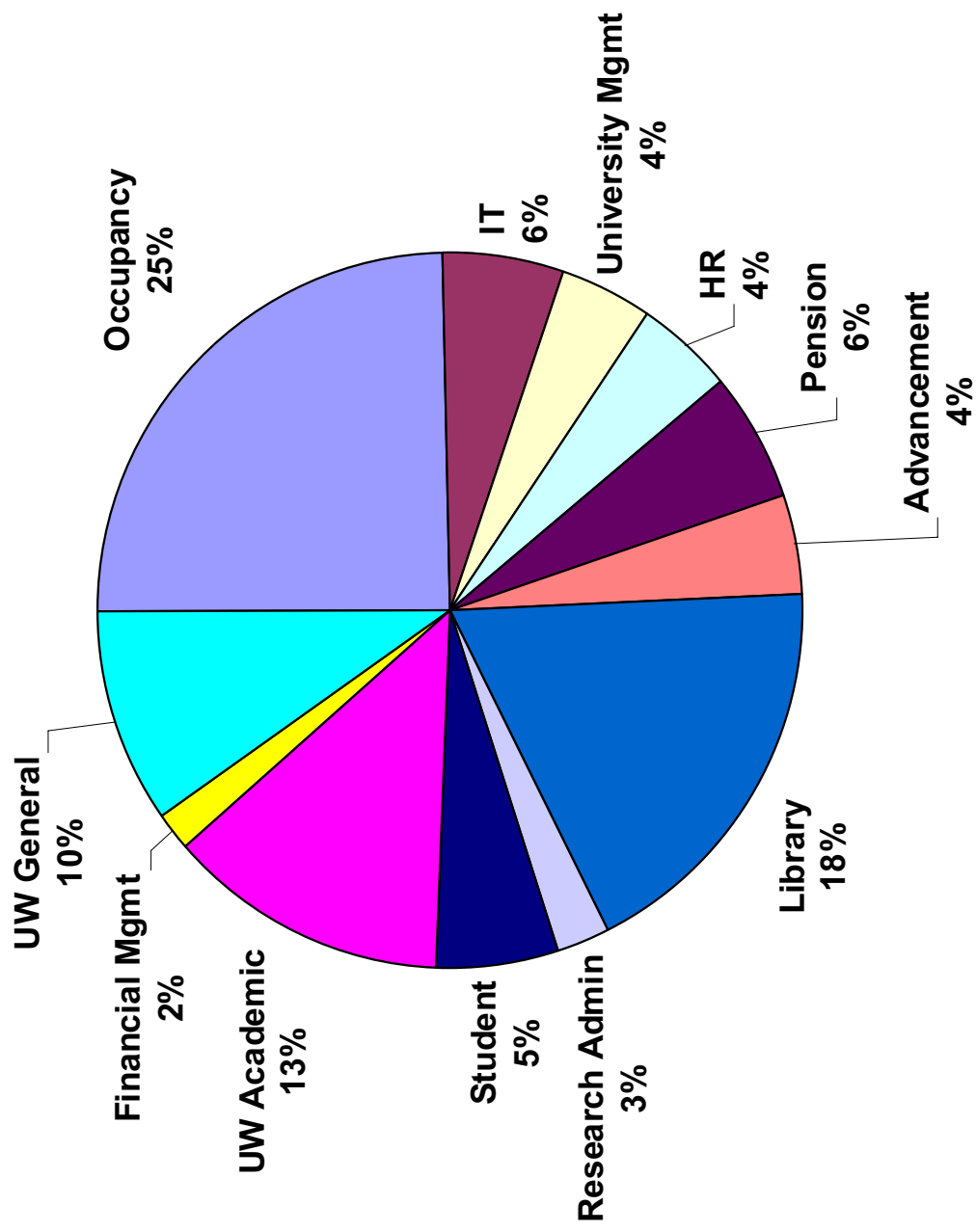
	2007-08	2008-09
Academic Funds	34.6	47.3
Shared Services/Pension	318.9	320.5
TOTAL	353.5	367.8



2008-09 Expenditures



2008-09 University-wide Costs by Cost Bin



Allocation of Resources

	% increase 2008-09 over 2007-08	Average % increase over 5 years
Revenue	5.2%	4.0%
Academic divisions & funds	5.4%	4.3%
UW Costs & admin funds	4.7%	3.4%
Student aid	5.3%	3.1%



Overview relative to 2007-08 (Schedule 4)

	2008-09	To 2012-13
Increase in revenue available to University	68.3	271.6
Increase in expense	34.4	80.8
Net revenue to academic divisions	33.9	190.8
Est. cost of compensation, graduate, capital	50.5	209.0
Expense containment required	16.6	18.1



Accumulated Deficit

	07-08	08-09	12-13
Repayment (OTO)	11.2	11.2	10.3
Accumulated deficit, end of year	55.1	43.9	0



Revenue shortfall (\$M) according to divisional plans

	08-09	09-10	10-11	11-12	12-13
Revenue shortfall	(29)	(34)	(40)	(53)	(57)
Cumulative # faculty positions reduced ¹	103	121	143	189	204
¹ assumes 50% of shortfall absorbed by faculty reductions					



Advocacy

- The University is intensifying its efforts to explain to Governments at all levels, to the students, and to the public at large:
 - The need to link access to quality
 - The need for differentiation
 - The link between high-quality education and economic and social wellbeing



Advocacy Efforts

- Enhancing per-student funding
- Graduate Scholarships
- Federal Indirect Costs
- Funding for international graduate students
- Millennium Scholarships



Communication Challenges

- Balanced budget hides internal challenges
- Over \$200M in cost containment over the last 10 years
- Rising student-faculty ratio
- Many unmet needs as evidenced during the administrative and academic reviews
- Significant uncertainty in planning



Concluding Remarks

- Rolling five-year cycle will provide better planning tool
- Revenue projections conservative
- Funding allocations for high-priority needs
- Administrative and Academic reviews highly informative
- Proposed budget framework is fiscally prudent

