



UNIVERSITY OF TORONTO

Office of the Vice-Provost, Planning and Budget

Item 4(b)

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MEMORANDUM

March 28, 2002

To: Business Board
From: Adel Sedra, Vice President and Provost

Item Identification

Budget Report 2002/03.

Sponsor

Adel Sedra, Vice-President and Provost.

Jurisdictional Information

The Business Board considers the budget guidelines and the University's annual operating budget for fiscal responsibility and, if satisfied, concurs with the Academic Board's recommendation that the Budget Report be approved.

Background

The Budget Report serves two purposes. First it updates, utilizing the most current information available, the assumptions in the *Long Range Budget Guidelines and Projections, 1998-2004*. Second, it presents for approval the budget for each division including those budgets determined pursuant to Contractual Obligations and Policy Commitments. It also indicates the funding available in the Operating Budget Special Funds.

Highlights

The budget for 2002-03 is essentially a temporizing budget which ensures that the University will exit the current six-year planning period in compliance with the budget guidelines: that is to say, that the annual budget will be in balance by 2003-04 and that the accumulated deficit will be within policy limits. The Budget Report for 2001-02 assigned one-time-only, rather than base, budget reductions of approximately three per cent in the hope that our government funding situation would improve, but unfortunately the announcement by the federal government that they would provide indirect cost support for research activity was almost entirely offset by the lack of provision for inflationary costs by the provincial government.

Revenues have increased by \$90.1 million over previous forecasts, while expenditure requirements have grown by \$108.1 million, leaving a \$18 million annual shortfall in 2003-04. If left uncorrected,

this would result in an accumulated deficit of \$51 million as of April 30, 2004. In order to eliminate this shortfall and to contain the accumulated deficit to within policy limits requires a base budget reduction of 2.75% in 2002-03 and 1.5% in 2003-04. This strategy has eliminated the requirement for one-time-only clawbacks in each of 2002-03 and 2003-04.

Initiatives signaled in this report include;

- Graduate student aid has been increased by a further \$3.4 million, representing our best estimate of the remaining funding gap through 2003-04.
- Moving the Rotman School onto a form of Responsibility Centre Management, which entails transferring all new revenues generated in grants and fees to the School, net of a 9% marginal overhead charge.
- The distribution to the Divisions of 25% (\$3.7M in 2002-03) of revenue provided by the Federal budget for the indirect cost of research.

The 2002-03 Budget Report includes a detailed update on the assumptions on revenue and expense included in the long-range budget projections; relevant assumptions include:

- While no recognition of increased costs will be included in the Government operating grant, there will be a \$3.2 million revenue increase as a result of representations related to relaxing the cap on regulated tuition fees and/or the introduction of a special grant envelope.
- The Federal indirect cost of research will be provided in 2002-03 at the same level (\$14.6 million) as in 2001-02 and it will increase in 2003-04 to \$22 million.
- Enrolment will increase according to detailed plans and will be funded at full average costs as announced in the May 2001 Provincial Budget.
- Tuition fees are increasing according to the schedule presented to the Business Board at the same meeting as the Budget Report.
- Compensation costs, including all benefit costs, are assumed to increase at 3% in each of 2002-03 and 2003-04.
- Utilities costs are forecast to increase by an additional \$5.4 million.
- The University Infrastructure Investment Fund will be replenished by loans of \$30 million in each of 2002-03 and 2003-04 with the debt service costs of the loans included in the COPC list.

Action Sought

That the Business Board concur with the recommendation of the Academic Board that the Budget Report for 2002/03 be approved.