



TO: Academic Board

SPONSOR: Cheryl Misak, Vice-President and Provost

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DATE: February 19 for meeting on March 4, 2013

AGENDA ITEM:

ITEM IDENTIFICATION

Budget Report 2013-14 and Long Range Budget Guidelines 2013-14 to 2017-18

ACTION

For approval.

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. [The concurrence of the Business Board is sought in regard to fiscal soundness before it is forwarded to Council.]

PREVIOUS ACTION TAKEN

Broad consultation has been held with Principals and Deans and tri-campus Vice Presidents.

A Governing Council offline information session was held on February 14, 2013.

HIGHLIGHTS

This report introduces the proposed Long Range Budget Guidelines for the five-year budget cycle 2013-14 to 2017-18, including the detailed annual budget for fiscal year 2013-14. Projections for the outer years of the cycle provide the framework in which the University's budget will be prepared for fiscal years 2015 to 2018 as foreseen at the time of preparation of this report. They are provided to facilitate planning, and will be updated as appropriate each year to reflect changes in the economic conditions and the most recent information regarding the University's revenues and expenses. It is important to note that the operating budget is prepared on a cash basis.

Economic conditions, both in Canada and in the world, continue to be challenging and uncertain. The deficit in the province of Ontario is estimated at \$12 billion and this deficit will be the background against

which funding decisions are made for the post-secondary sector. We are currently in a situation of uncertainty with regard to provincial operating grants and the provincial tuition framework.

Despite the context of ongoing uncertainty and cost-constraint, the University projects a balanced budget, with growth in total revenue of \$121 million in 2013-14 (6.7% over 2012-13) and \$584 million over the planning period. The total operating budget for 2013-14 is expected to be \$1.9 billion. Projected growth in revenue stems primarily from planned increases in both domestic and international enrolments, carefully planned across our three campuses and many faculties. Provincial operating grants remain relatively flat, and per-student funding remains the lowest in Canada. Tuition revenue will increase as a result of higher enrolments and as a result of (i) the assumed continuation of the existing provincial tuition framework for domestic students and (ii) moderate increases in international tuition fees.

Expenses in 2013-14 are also projected at \$1.9 billion in 2013-14, with outer year expense budget matching revenue projections. With the requirement to fund the pension solvency deficit, general uncertainty in government funding and renewal of the provincial tuition framework, and ongoing economic instability, we must remain cautious in our allocation of resources, while ensuring we maintain standards of excellence in teaching, research and the student experience. 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 AND/OR PLANNING IMPLICATIONS

The University continues to demonstrate an outstanding ability to cope with these 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 have risen to the challenge, seeking efficiencies and collaborations wherever possible. Despite, or perhaps because of, the continued downturn in the economy, enrolment remains very strong and the University continues on its upward trajectory of attracting excellent domestic and international students.

Like almost every other Canadian and US public sector institution that sponsors a defined benefit pension plan, the University is facing a pension deficit. The Long Range Budget Guidelines include the strategy, as approved by Business Board in May 2012, through operating fund special payments. The University was accepted into Stage 1 and the required special payments are now known and in place for the period July 1, 2011 to June 30, 2015. The University expects to be accepted to Stage 2.

The historical accumulated deficit has been fully repaid, with a final payment of \$10.3M in 2012-13. The divisional accumulated deficit, approved three years ago to manage the impact of the endowment payout cancellation, will be repaid with equal installments of \$3.6M over two more years.

RECOMMENDATION

THAT the *Budget Report 2013-14* be approved, and

THAT the *Long Range Budget Guidelines 2013-14 to 2017-18* be approved in principle.