TO: Business Board

SPONSOR: Cheryl Misak, Vice-President and Provost

CONTACT INFO: (416) 978-2819, sally.garner@utoronto.ca

DATE: February 19 for meeting on March 4, 2013

AGENDA ITEM: **2**

ITEM IDENTIFICATION

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

JURISDICTIONAL INFORMATION

The annual *Budget Report and Long Range Budget Guidelines* is considered by the Business Board for concurrence with the recommendation to the Academic Board that the *Budget Report and Long Range Budget Guidelines* be approved. As outlined in the terms of reference, concurrence would indicate that the Business Board is satisfied that the proposed budget is financially responsible.

OTHER ACTION TAKEN

The *Budget Report 2013-14 and Long Range Budget Guidelines 2013-14 to 2017-18* was approved by Planning & Budget Committee on February 27, 2013 and will be presented to Academic Board on March 21, 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. The University plans for a balanced budget each year of the planning period.

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.

Deans continue 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 shared-service portfolios have also risen to the challenge, seeking efficiencies and collaborations wherever possible. Enrolment remains very strong and the University continues on its upward trajectory of attracting excellent domestic and international students. The value of post-secondary education remains high and the University of Toronto is actively pursuing a leadership role in the Province's next phase of enrolment expansion.

Like almost every other Canadian and US public sector institution that sponsors a defined benefit pension plan, the University is facing a pension deficit. Both the overall economic and financial climate and the regulatory landscape continue to be very uncertain with respect to pensions. Interest rates continue to be at historic lows, affecting investment returns and risk taking, and making it much more difficult to achieve investment returns. This is reflected in the pension results to July 1, 2012, which have worsened slightly even though significant contributions have been made into the pension plans. Stage 1 of the Province's solvency relief process spans a three-year period from July 1, 2011 to July 1, 2014 during which there would be a solvency funding exemption, subject to various tests. One of these tests is the provision of 'going concern' special payments that at least cover interest on the solvency deficit. 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. At the end of Stage 1, our plan will be assessed to determine whether sufficient progress in meeting the sustainability commitments has been made.

FINANCIAL AND/OR PLANNING IMPLICATIONS

Despite the context of ongoing uncertainty and cost-constraint, the University projects 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. The plans call for a balanced budget in each of the five years. Projected growth in revenue stems primarily from planned increases in both domestic and international enrolments, carefully planned across our three campuses and many faculties.

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. Expenditure allocations are proposed within these competing constraints.

Total expenditures are projected to increase by 6.7% from $1,801 million in 2012-13 to $1,921 million in 2013-14. Investments in important strategic initiatives will continue to be funded across academic and service divisions. A cost containment of $1.7 million (1%) will be applied to the service divisions in 2013-14.

RECOMMENDATION

Be It Recommended to the Governing Council

> THAT the Business Board concur with the prospective recommendation of the Academic Board
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> THAT the *Budget Report, 2013-14* be approved, and
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> THAT the *Long Range Budget Guidelines 2013-14 to 2017-18* be approved in principle.