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.

Long Range Budget Guidelines 2013-14 to 2017-18

and Budget Report 2013-14

15 February 2013

Budget 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.

Ontario has introduced draft legislation that, if passed, will restrain compensation for public sector employees. In a July 2012 letter to broader public sector employes, then Minister of Finance Duncan set out the government's expectation that renewal bargaining agreements should be for a minimum term of two years with no increase to compensation. In September of 2012, the Government then announced the possibiltiy of additional legislation (Protecting Public Services Act) but the legislature was prorogued without that legislation being tabled. The University has multi-year settlements in place for most employee groups, including faculty and unionized administrative staff, as well as many other smaller groups. The impact of any legislation in this domain will be significant for the University's budget.

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. 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. 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.

The $2 billion Boundless Campaign was launched in November 2011. To date almost $1.4 billion has been raised and divisional activities are well underway to continue to raise funds for student aid, endowed chairs, capital projects, and other important initiatives.

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. Projected growth in revenue stems primarily from planned increases in both domestic and international enrolments, carefully planned across our three campuses and many faculties. Hence, this increased revenue comes with increased costs. Provincial per-student funding remains flat over the coming year and will on the whole remain constant despite enrolment growth, as a result of provincial claw-backs. 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. The provincial tuition framework allows for modest annual increases on domestic tuition of no more than 5% on average; the actual average increase at the University of Toronto over the past six years under the framework has been approximately 4.3% when measured on a gross basis. When increases in student financial aid are taken into consideration, net tuition increases average about 3%.

The concept of "net tuition" is an important one. Net tuition is defined as the tuition paid by a student after deducting non-repayable bursaries provided by the provincial government and the University. It does not take into account student loans. Universities and the provincial government provide significant amounts of student financial support to reduce the sticker price of tuition and to ensure that academically qualified students have the resources they need to attend university. Over the past two years the University of Toronto has completed a study of the impact of student financial support on the tuition rates actually paid by our students. The result of the analysis yields important insights into the true cost of accessing higher education at the University of Toronto. Some of the key findings for 2011-12 include:

- 45% of UofT undergraduate students received support through OSAP;
- Of these, 38% received additional support from the University of Toronto;
- When OSAP, University bursaries and the new Ontario Tuition Grant are taken into consideration, net tuition for the OSAP-eligible population of students is 48%.

Overall expenditure plans continue to assume that the University will be granted Stage 2 pension solvency relief and pension special payments will increase to $97 million per year by 2015-16. Allocations to shared-services are cautious, yet recognize the importance of continued investment, and in some cases enhancement, in vital services. The University plans for an overall balanced budget in 2013-14, and in each of the following years. The institutional accumulated deficit was fully paid in 2012-13. Divisional deficits arising from the cancellation of the 2009 endowment payout will be fully paid in 2014-15. This is a prudent budget which builds on cautiously ambitious strategic planning across all divisions.

Fiscal Context

The Economic Climate

Unsettled economic conditions around the world continue to present significant financial challenges. Canada has weathered the turbulence better than many other economies, but we are in no way insulated from economic conditions and disruptions elsewhere. Recent Bank of Canada projections indicate the slowdown in the Canadian economy in the second half of 2012 was more pronounced than anticipated and economic activity is expected to be more restrained than originally forecast.

The Provincial Government is in transition, with a change in Premier and the possibility of a provincial election. The $12 billion provincial deficit will need to be addressed. Interest rates have remained at historically low levels, weakening investment returns and persisting as a factor that sharply increases the calculated deficit in our pension plan and reduces earning on short term investments. These circumstances contribute to the challenges and uncertainties the University faces in preparing a fiscally responsible budget, while protecting our academic mission.

Pension

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. The market deficit for the three plans combined has increased from 27% of assets at July 1, 2011 (just over $1 billion) to 30% of assets at July 1, 2012 (almost $1.2 billion), due primarily to actual nominal investment returns of 0.9% being lower than the target investment return. 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. If the assessment is positive, then the University is eligible to enter Stage 2 of the process. Under Stage 2, the solvency deficit can be amortized over 10 years, that is, from July 1, 2014 to June 30, 2024. If we fail to enter Stage 2, we will be required to fund the solvency deficit over 5 years. Advocacy efforts are ongoing across the university sector to seek alternative mechanisms for funding pension deficits.

The planned strategy for dealing with the pension deficit, which assumes acceptance to Stage 2 of the Ontario Government's temporary solvency funding relief programme, includes lump sum payments, annual special payments and non-cash letters of credit, increasing from $27.2 million per annum in 2010-11 to $97.2 million by 2015-16, via a series of base budget increases.

Enrolment

Enrolment is the primary driver of operating revenue, generating 87% of total university operating revenues. The University has carefully managed enrolment growth, spreading it across the three campuses and most faculties. The corresponding increase in revenue has helped mitigate the impact of the stagnation of growth in provincial per-student grant funding relative to inflation. But increased enrolments have exacerbated pressure on faculty-student ratios and on student space. Indeed, growth has been halted in some quarters of the University, due to these pressures and to the view that ideal sizes have been reached and at times exceeded.

The provincial government has announced funding for 60,000 new spaces in colleges and universities. This includes 6,000 graduate and 35,000 undergraduate spaces for the university sector. To date, the Ministry has announced allocation details for only 600 of the 6,000 graduate spaces. Specific details on allocation of the remaining 5,400 seats to individual universities are not yet available. The University intends to further expand graduate enrolment, consistent with its long term planning framework, *Towards 2030*, and the Strategic Mandate Agreement, submitted to the Ministry of Training, Colleges and Universities (MTCU) in the fall of 2012. Feedback from the Ministry on the Strategic Mandate Agreement is expected shortly.

With respect to undergraduate students, the University has been able to attract very high quality students. Entering averages are carefully monitored year over year and are getting stronger. Early application statistics for this year indicate that the University remains on this trajectory in both applicant numbers and quality.

Our plans call for most of the undergraduate growth to be on the Mississauga and Scarborough campuses as called for in the University's *Towards 2030* plan. This growth will be accompanied by extensive capital investment on both campuses. The Faculty of Arts and Science will reduce undergraduate enrolment by approximately 600 students over the next five years. The Daniels Faculty of Architecture and Landscape Design accepted its first direct-entry undergraduate cohort in Fall 2012 and domestic and international demand has proven to be strong; the Faculty plans to expand the undergraduate program significantly over the next four years. Slight undergraduate increases are also planned in the faculties of Music and Kinesiology and Physical Education.

Enrolment plans, upon which revenue projections are based for the five-year period, are summarized in the table below.

	2012-13A	2013-14P	2014-15P	2015-16P	2016-17P	2017-18P
UG Domestic FTE	48,380	48,989	49,665	50,203	50,498	50,708
UG International FTE	8,167	8,635	9,120	9,520	9,771	9,957
Grad Domestic FTE	12,326	12,850	13,604	14,172	14,637	14,896
Grad Inter. FTE	2,172	2,192	2,242	2,329	2,424	2,484
Total FTE	71,045	72,666	74,631	76,224	77,330	78,045

Provincial Grant

The provincial grant has, in the past, represented the largest portion of the University's revenue. Government operating funding per student, even when we include quality funds introduced in the last decade, has decreased in real terms by over 40% relative to 20 years ago. Per-student funding in Ontario trails behind all other provinces and this shortfall is damaging and dangerous to some of Canada's finest universities. The drop in the provincial grant has dramatically altered the size and composition of the University of Toronto operating budget. This trend continues in 2013-14 with government grants expected to represent 34% of total operating revenue in 2013-14, declining to 29% by 2017-18.

Tuition Fees and Student Assistance

Tuition fees at the University of Toronto are determined in accordance with the University's Tuition Fee Policy, the Statement of Commitment Regarding International Students and the Provincial Government's Tuition Framework. A provincial framework for tuition and student aid has been in place for the last seven years (2006-07 through to 2012-13) and will expire April 30, 2013. Over this period, domestic tuition fees were regulated and increases were allowed, subject to accessibility guarantees. The University of Toronto has each year exceeded these accessibility guarantees. Under the Tuition Framework, tuition fees for entering students in Arts and Science and selected other undergraduate programs may increase by a maximum of 4.5%. Tuition fees for entering students in graduate and high-cost professional programs may be increased by a maximum of 8%. Increases in tuition fees for continuing students in any program may not exceed 4%. Overall, the average increase in tuition for all students in any institution may not exceed 5%. The projected average for gross tuition fee increases at the University of Toronto in 2013-14 is 4.30%. The average increase for tuition, net of student aid, is approximately 3%. As noted above the distinction between gross tuition, the sticker price, and net tuition, the amount paid by students after receiving bursary support, is an important one. On average, students receiving OSAP at the University of Toronto pay only 48% of the sticker price. For example, a student charged an annual tuition fee of $5,800 would actually pay $2,784.

It is important to note that tuition revenue increases are a result of both increased tuition fees and higher enrolments.

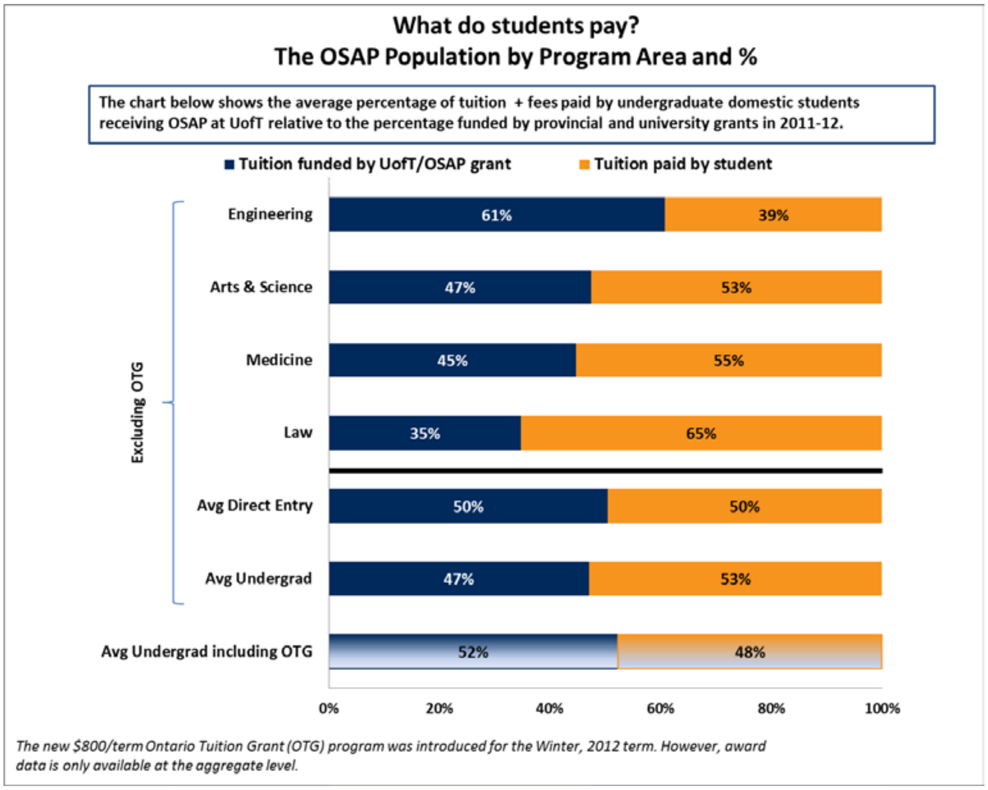
In the absence of a new framework the University will assume a continuation of the parameters mandated in the old framework.

The tuition framework was accompanied by a Student Access Guarantee (SAG.) The SAG requires universities to provide sufficient financial aid to every OSAP-eligible student to cover expenses directly related to his or her program, including books, tuition and mandatory fees, which are not fully met by OSAP.

The University of Toronto is independently committed to student aid and is guided by the 1998 Governing Council policy on accessibility, which predates the government's framework, and will continue to drive our funding for needs-based student aid. The policy contains the following Statement of Principle:

"No student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means."

At the University of Toronto approximately 45% of students receive support from the provincial needs-based assistance program (OSAP). Within that population many students also receive funding from the University's needs-based aid program (UTAPS). In addition, many students benefitted last year from the new provincial Ontario Tuition Grant program. When taking all of these grant and bursary programs (not loans) into consideration, the portion of total tuition paid by OSAP-eligible students, on average in 2011-12 was 48% of the posted rate. The combination of these robust student financial aid programs greatly enhances access to the University's excellent education opportunities for a wide array of students. The following chart provides more information from this analysis.



Federal Funding

Funding from the federal government is provided to universities primarily to support research and is not generally part of the University's operating budget. However, it interacts with the University's operating budget in three important areas: Canada Research Chairs, the institutional cost of research, and graduate student support.

The Canada Research Chairs program introduced in 2000-01 provides salary and research support for outstanding university researchers on a competitive basis. Research chairs are awarded to each university based on its share of research funding by the federal granting councils. The recent decline in the number of CRC chairs at the University is projected to reverse over the next few years as we increase our share in tri-council funding competitions. Since the CRC program was introduced, inflation has reduced the effective value of Chair funding by over 20%. An appropriate adjustment to Chair funding is long overdue.

Funds received from the federal granting councils must be used exclusively to cover the direct costs of research, such as personnel and supplies. The less direct, but equally necessary, expenses incurred as a result of research activity are very significant and are borne by the universities' operating budgets. At the University of Toronto, they have been estimated to be well in excess of 50% of direct expenditures on research.

As a long-standing subject of government advocacy, universities have been requesting that the federal government recognize the full cost of research in its research funding policy, with a 40% rate as a minimum target for the indirect costs. The government started to provide institutional costs of research (ICR) funding in 2001-02, with an effective rate for the University of Toronto now at 17.5%. This is currently contributing about $21 million to the University's operating budget, which continues to be considerably short of the actual institutional cost of research, and of what sister institutions in the U.S., U.K. and Europe receive. There has been no signal from the government that they will address this long-standing issue of alleviating the financial burden of the hidden costs of conducting research. A doubling of the federal ICR rate to over $40 million would put us somewhat closer to our competitors and would have a significant impact on allowing the research intensive divisions to close the gap on their structural deficits. Without a change in the funding formula, each additional dollar of research funding places a higher burden on the University's operating funds.

The federal government supports graduate students by providing fellowships on a competitive basis. Although these funds do not flow through the University's budget, they provide indirect budget relief to the academic divisions by freeing up funds that would otherwise have to be used for graduate student support. The support for graduate students has not kept pace with the rapid growth in graduate enrolment.

Compensation

Approximately 75% of operating budget expenditures fund salaries and benefits. Compensation expense increases are due both to negotiated salary increases for employee groups and to the additional number of faculty and staff needed to support the growth in students and research activity.

In 2010 the Provincial Government announced Bill 16, the Public Sector Compensation Restraint to Protect Public Services Act, 2010. The legislation required compensation restraint, for a two year period, ending March 31, 2012 for specified broader public sector employees who do not bargain collectively. At the University this group included Professional/Managerial, Confidentials and Advancement staff. Subsequent to the expiry of the Public Sector Compensation Restraint to Protect the Public Services Act, 2010, as part of the government's June 2012 Budget Bill, new compensation restraint measures were enacted in Part II.1 of the Broader Public Sector Accountability Act for "designated executives" of specified broader public sector employers, including universities (President, Vice-Presidents, Vice Provosts, Principals, Deans, Assistant Vice Presidents plus a number of senior Professional staff). In a July 2012 letter to broader public sector employes, then Minister of Finance Duncan set out the government's expectation that renewal bargaining agreements should be for a minimum term of two years with no increase to compensation. In September of 2012, the Government then announced the possibiltiy of additional legislation (Protecting Public Services Act) but the legislature was prorogued without that legislation being tabled.

There could be further compensation restraint legislation this spring. In the meantime, the University's budget assumes that already negotiated increases will be implemented.

Ensuring the long term sustainability of the pension plan continues to be a significant issue. The University has been successful in requiring employee groups to assume increased employee pension contribution, meeting the Government's solvency relief requirements. However, continued low interest rates are resulting in a continued and growing deficit.

Other Future Liabilities

The University has many future liabilities, not currently funded directly through the operating budget.

Deferred maintenance across the three campuses is estimated at $484 million ($410 at the St. George campus). The operating budget sets aside approximately $13 million annually (growing to $17.5 million in a few years) for deferred maintenance at St. George. Additional funds are set aside at UTM and UTSC. This funding, in addition to any provincial Facilities Renewal Program (FRP) funds, attempts to at least sustain the current conditions of the buildings and minimize the chance of unforeseen major expenditures.

The ancillary operations' cumulative deficit is projected to be $78 million at April 30, 2013. The ancillary operations deficit is primarily due to the internal financing of capital projects, which has the impact of increasing both the University's overall deficit and the investment in capital assets. Multi-year plans are in place and are managed carefully by divisions and a review committee. All ancillary services are required to put in place a plan to eliminate deficits over a reasonable time horizon; most are well on their way toward this objective.

The capital fund cumulative deficit is projected to be $51 million at April 30, 2012. The capital fund deficit is also primarily due to the internal financing of capital projects, which has the impact of increasing both the University's overall deficit and the investment in capital assets. Divisional plans include realistic multi-year strategies to repay internal loans.

The Budget Process

The Planning Process

This budget represents the culmination of many months of planning and the decisions of many academic and administrative units. An essential and major part of the annual budget process is the process for budgetary reviews for both academic and service divisions. Two review processes are conducted annually, one for shared-infrastructure and the associated university-wide costs, and the other for the academic divisions.

Each shared-infrastructure division prepares multi-year budget plans for its units. These plans are reviewed by the President, who takes advice from the Divisional Advisory Committee, which includes the Vice-Presidents at UTM and UTSC, and representative deans of faculties. The purpose of the review is two-fold. First, the review ensures that any proposed changes in service are aligned with the needs and priorities of the academic enterprise. Second, the review establishes spending priorities and ensures that all possible cost reductions have been examined.

The annual academic division budget reviews take place throughout the autumn term. Each division submits a multi-year budget plan to the Provost based on its academic plans. Revenue projections are based on enrolment plans, new program offerings, advancement outcomes, etc. Expense projections take into account cost increases, changes in faculty and staff complement, student financial support, etc. These plans are discussed in individual review meetings with a Provostial committee that includes the relevant vice-provosts, vice-presidents, and senior staff in Planning and Budget, Government Relations, and Advancement. The reviews inform approvals of academic appointments, allocations from the University Fund, and academic reserve funds. The reviews also identify capital priorities, support the development of advancement priorities, and are instrumental in problem-solving and divisional strategic planning.

The review process, whether for academic or administrative divisions, amounts to a high level of engagement by deans, directors and all members of the senior administration in the budget process. As a result, budgetary allocations are informed not only by the overall budget situation of the University but also by the circumstances of individual divisions and by their academic values and priorities. Cost containment measures, which are often necessary because of the constraints on revenue, are applied by each academic division based on its own circumstances.

The review process also promotes a better alignment of the University-wide services with the needs of the academic divisions. The involvement of members of the senior administration leads to a deeper understanding of the nature of the University's expenses, how services can be best delivered, and where and how savings may be realized.

The University's Budget Model

The University of Toronto adopted a new approach to budgetary allocations in 2007-08.

The fundamental guiding principle underlying the budget model is *"The budget allocation process is a primary tool for the implementation of the university's academic plans and academic priorities."* The model has three basic objectives:

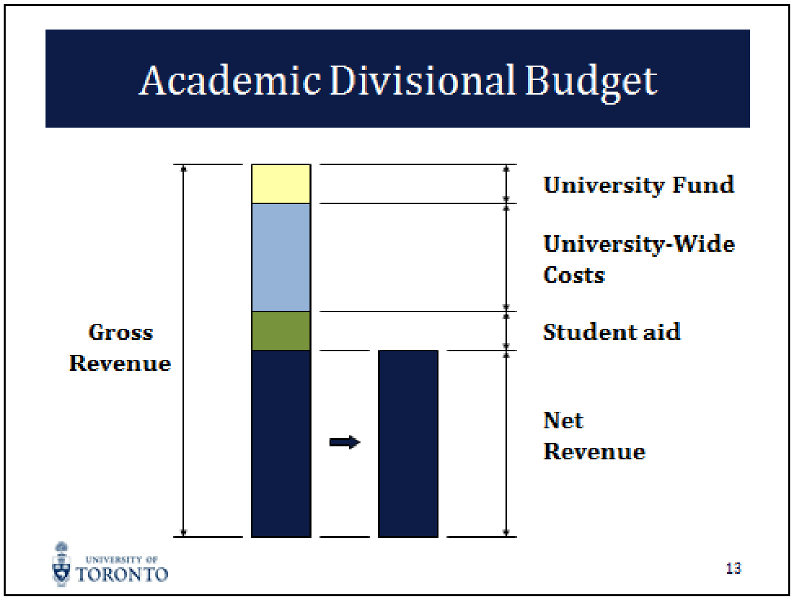
- to provide a high degree of transparency, enabling all levels of university administration and governance to have a clear understanding of university revenues and expenses,

- to introduce broadly-based incentives to strengthen the financial health of the university by increasing revenues and reducing expenses, and
- to encourage a higher level of engagement of all senior levels of administration in budget planning for academic divisions and in recommending priorities and budgetary allocations for shared infrastructure.

A review of the budget model was conducted in 2010-11 and the results of the review indicate that the budget model is meeting these objectives and serving the University well. In fact it has enabled the University to manage its resources with greater resilience and creativity through the recent challenging fiscal circumstances. Information on the budget model and the review report can be found on the Planning & Budget website.

The model introduced a simple methodology for attributing revenues and the costs of shared infrastructure to all divisions. A major portion of the expense budget allocated to an academic division is its *Net Revenue,* which is equal to its share of the University's gross revenue less its share of expenses, including its contribution to student aid and to a university-wide fund called the University Fund. A division's net revenue reflects its programs, student enrolments, advancement activities, research, etc. Divisions benefit as these activities bring more revenue and when, in cooperation with central service units, they are able to make more efficient use of the shared resources.

The remainder of a division's budget is an allocation from the University Fund. This is an entirely non-formulaic allocation, intended to provide funding in accordance with the University's academic values and priorities. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of an external entities. It also enables the University to recognize differences in the cost of delivery of various programs. The following graph provides a visual presentation of how academic budgets are derived.



The process of attributing revenues and costs to divisions has been designed to minimize administrative overhead. For example, no transaction accounting is used to attribute the cost of a particular service. Instead, revenues and costs are attributed using readily available and verifiable parameters that provide a reasonable basis for the distribution of revenue or a suitable measure of the extent to which a division has access to a particular resource or service. These measures are referred to as revenue drivers and cost drivers, respectively. They include such parameters as number of students, number of faculty, usable space area occupied, etc.

The budget planning cycle is based on a five-year rolling window. Budget assumptions used in the Long Range Budget Guidelines are updated each year, and new assumptions are prepared for one additional year. Revised revenue and expense projections are then prepared for the new cycle based on these assumptions.

Surplus/Deficit Management

Governing Council guidelines for deficit control were revised in 2008 as a result of the change from a fixed to a rolling-window planning cycle. According to these guidelines, the University should strive to plan a balanced budget in every year of the cycle. In addition, any outstanding accumulated deficit from previous years should be reduced to zero by the end of the five-year planning period. An in-year deficit may be allowed in some years to facilitate planning, recognizing that fluctuations often occur in enrolments, government grants, investment income, etc. A planned deficit may also be necessary in exceptional circumstances. Planned budgetary deficits should also be repaid over five years.

The University's budget is prepared as an aggregation of the expense budgets of individual divisions. Budget plans for both the academic and administrative divisions are reviewed and approved annually by the President and the Provost, with the assistance of appropriate advisory committees, as explained above. Hence, the deficit or surplus in the University's integrated budget is a result of the aggregated plans of individual divisions. These management control mechanisms encourage divisions to operate within their budgets and to minimize the level of a planned budget deficit when one is necessary.

Structure of the Long Range Budget Guidelines Report

The Long Range Budget Guidelines, including the 2013-14 budget, are presented in the budget schedules in Appendix A. The projections are presented in six schedules.

- Schedule 1 provides a high-level summary of projected revenue and expense, as well as the planned accumulated deficit repayment schedule;
- Schedule 2 provides further detail on Provincial Operating Grants and Student Fees;
- Schedule 3 provides further detail on university-wide expenses, grouped by the 12 cost bins defined in the budget model, which are the basis for cost attribution to divisions. It also provides further detail on Student Aid Expenditures;
- Schedule 4 shows line-by-line, year-over-year increases of various university-wide expenses and funds, grouped in the following four categories: Contractual Obligations, Capital and Maintenance, Funding for Administrative/Academic Service Divisions, and University-wide Funds;
- Schedule 5 contains a detailed summary of revenue attributions and deductions by division for 2013-14.
- Schedule 6 provides multi-year projections by division for the five-year budget cycle.

Over the past year, the Planning & Budget Office, in consultation with staff in Financial Services and UTM and UTSC, undertook a review of the way in which information is presented in the long range budget guidelines schedules. The 2013-14 Long Range Budget Guidelines are presented with the introduction of modest changes in presentation. The prior year revenue and expense categories have been restated to align with the new format. The objectives of the changes in presentation included the following:

1. Alignment of the Budget Report and Financial Statements

The University's Financial Statements provide a consolidated view of the University's financial activities. The Financial Statements include a supplementary report to provide information in a format consistent with how the University manages its finances, that is, by fund: the Operating

Fund, Restricted Funds, Ancillary Operations and the Capital Fund. The University's Long Range Budget Guidelines project revenue and expense for the Operating Fund only; the Long Range Budget Guidelines do not attempt to consolidate projections for ancillary, capital, research, or endowed trust funds. Where possible and appropriate, the Long Range Budget Guidelines have been adjusted so that the revenue and expense items in the budget are aligned with their presentation in the Financial Report. The format has also been modified for greater clarity regarding the relationship between operating and restricted funds.

Revenue Budgets

Revenues in Supplementary Schedule 2 of the Financial Report are grouped into five categories: government grants for general operations; student fees; sales, services, and sundry income; investment income from endowments; and other investment income. Some revenue from government and other grants and contracts, which is reported in the Financial Report in the Restricted Fund, is included in the Budget Report Operating Fund revenue as it is used to offset operating fund expenses.

The mapping of existing Long Range Budget Guidelines revenue line items to the five categories from the Financial Report is outlined below.

Previous LRBG Category	Financial Report Category
Provincial Operating Grants	Government Grants for General Operations
Tuition Fees	Student Fees
Investment Income	Other Investment Income
Other Income	Sales, Services & Sundry Income
Endowment Rev for Chairs and Student Aid	Investment Income from Endowments
Provincial Scholarship Grants	Government Grants for General Operations
Canada Research Chairs	Grants & Contracts for Restricted Purposes: CRCs
Indirect Costs on Research Grants &	Grants & Contracts for Restricted Purposes:
Divisional Income – Government Grants	Government Grants for General Operations
Divisional Income – Student Fees	Student Fees
Divisional Income – Ancillary Fees	Student Fees
Divisional Income – External Revenue	Sales, Services & Sundry Income

To avoid loss of transparency in these major revenue items, a new budget schedule, Schedule 2, has been developed to provide additional details on grant and student fee revenue projections.

Expense Budgets

The Financial Report groups expenditure items by type (object) of expense: salaries and benefits; materials and supplies; repairs and maintenance; utilities; etc. Under the University's net revenue budget model, expense budgets are allocated first and foremost to division-level cost centres (academic divisions and administrative units). After the top-level budget allocations have been approved, divisions establish detailed budgets for each type of expense reflected in the Financial Report. The Long Range Budget Guidelines continue to present a functional delineation of the expense side of the Long Range Budget Guidelines (shared infrastructure, student aid, and academic expense budgets).

2. Infrastructure Costs at UTM and UTSC.

The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. To date, the Long Range Budget Guidelines have presented the costs of administering the campuses as part of the academic expense budgets. Campus infrastructure costs at UTM and UTSC are now reported as part of the shared university infrastructure budget.

3. Consolidated View of Student Aid Expenditures

Most undergraduate need-based financial aid is administered centrally by the Financial Aid and Awards Office. Graduate student support and some undergraduate merit awards are administered within individual academic divisions. To date, the Long Range Budget Guidelines have presented student aid administered in the divisions as part of the academic expense budgets. The report now presents a consolidated view of the university-wide student aid expense budget that includes all student aid expenditures in academic divisions and central administrative units.

Other Appendices

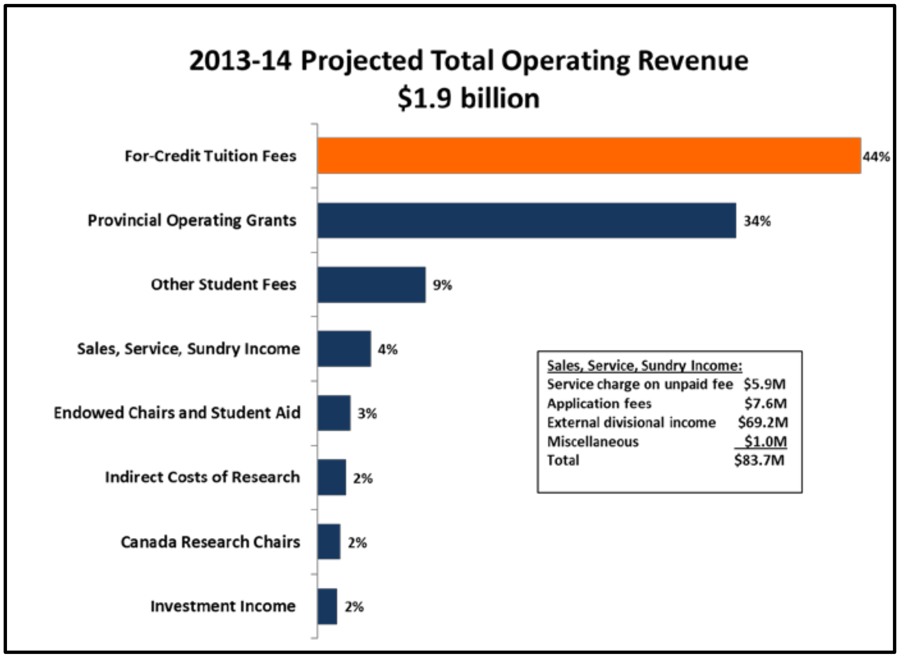
A complete list of budget assumptions is given in Appendix B. The assumptions used in the long range projections are responsible, fiscally prudent and as realistic as possible given the high level of uncertainty related to the economic environment. Appendix C provides additional context in terms of capital expenditures.

Long Range Budget Guidelines Overview and Assumptions

The information below offers an overview of the key planning assumptions. More detailed planning assumptions are included in Appendix B.

Revenue Projections

Revenues are derived primarily from provincial operating grants and tuition fees. They also include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, revenue from activities such as continuing education, sale of services and cost recovery and administrative ancillary fees. Total operating revenues are projected to increase by $120 million in 2013-14 to $1.9 billion (an increase of 6.7 % over the prior year's budget) and by $583 million over the planning period, — an average increase of 5.8% per year. The following chart displays the major components of total operating revenue projected for 2013-14.



Operating Grants

An increase of only $1.3 million (0.2%) is projected in the operating grant for 2013-14 and $31 million (4.7%) over the next five years. The modesty of this increase is explained by the fact that undergraduate and graduate growth next year is offset by the provincial reduction of $5 million for the Policy Levers Savings Target and $2.5 million for the International Student Recovery.

The budget assumes the following for provincial grants:

- The budget projections are based on the most recent divisional enrolment plans and the information available about government funding;
- The budget projections do not include funding for capital expansion;
- The provincial government operating grants will not include an inflationary increase;
- Full per-student funding will be received for all undergraduate students as per divisional enrolment plans and for graduate expansion up to the estimated University of Toronto allocation from the provincial graduate envelope; some divisional plans exceed this and tuition revenue only is assumed allocated in those cases.

Undergraduate enrolment plans are summarized in the table below:

FTE	2012-13A	2013-14P	2014-15P	2015-16P	2016-17P	2017-18P
UTM	10,166	10,586	11,228	11,846	12,374	12,651
UTSC	9,196	9,725	10,235	10,623	10,811	10,894
St. George	37,185	37,312	37,322	37,254	37,084	37,120
Total FTE	56,547	57,623	58,785	59,723	60,269	60,665

Graduate enrolment plans are summarized in the table below:

FTE	2012-13A	2013-14P	2014-15P	2015-16P	2016-17P	2017-18P
Prof Masters	5,649	6,031	6,584	6,963	7,221	7,314
DS Masters	2,716	2,804	2,902	2,971	3,008	3,028
PhD	6,133	6,207	6,360	6,568	6,832	7,038
Total FTE	14,498	15,042	15,846	16,502	17,061	17,380

Tuition Fees

Tuition fee increases, measured at the gross level, are assumed to be 4.30% on average for domestic students and 7.2% for international students each year. When student financial aid is taken into account, the average increase for domestic students is about 3%. Details on proposed tuition fee increases program by program are found in the Tuition Fee Report, which comes to Governing Council for approval along with this report.

As mentioned above, in the absence of a provincial tuition framework announcement, the long range budget guidelines assume a continuation of the existing framework. International tuition fees will be increased by an additional $825 per student to offset the impact of the International Student Recovery imposed by the provincial government. An increase of $110 million (12%) is projected in student fee revenue for 2013-14. The increase is comprised of several components:

- Increases in fees for continuing and executive education and ancillary fees: $ 19 million
- Increases in for-credit program tuition revenue as a result of enrolment growth: $33 million
- Increases in for-credit program tuition revenue as a result of tuition rate increases: $58 million.

Endowment Income

The University of Toronto has many generous friends and benefactors, who have contributed a total endowment in excess of $1.5 billion (value at April 30, 2012.) Endowment income is highly targeted. Most of it is directed to student aid and to the support of endowed chairs. The endowment revenue represents a modest but important part of the University's total operating revenue, approximately 3%.

With the launch of the Boundless campaign, it is anticipated that endowments will steadily increase over the planning period. The Long Range Budget Guidelines build in a conservative assumption of growth in endowments; this will be adjusted each year as gifts are received. Endowment revenue to support chairs and student aid is projected to increase by approximately $2 million next year and $6 million over the planning period. It is important to note that endowment revenue for research and academic program support is not reflected in the operating budget.

The endowment payout projection reflects the strategy set in 2003 with a recommended payout at April 2003 of $6.60 per unit to increase annually thereafter with inflation. In 2009, the payout was suspended due to severe financial market losses, but it was resumed in 2010 with a payout rate of $7.26 per unit. For 2013, due to the low return of 2012 (1.1% vs. target of 6%) and the modest return so far in 2013 the payout is projected to remain at $7.56 per unit, the same level as 2012. This represents 4.7% of the opening market value of the LTCAP unit. This approach was signaled in the budget projections a year ago. The payout is projected to remain constant at $7.56 over the planning period, as a placeholder until a comprehensive review of the current methodology and formula is completed by the Chief Financial Officer.

Investment Income

The University receives interest on short- and medium-term investments of the Expendable Funds Investment Pool (EFIP.) This tends to be rather small as a percentage of total operating revenue (about 1.6%), and fluctuates with market conditions.

In 2013-14 investment income is projected to remain similar to last year's level at $31 million. It is projected to increase to $53 million over the planning period, assuming increased capital balances and interest rates remaining similar to the current low level.

Sales, Services and Sundry Income

This income source includes application fee revenue, service charges on unpaid fees, and revenue collected directly by divisions for general sales and services. Income from these sources is projected to increase slowly to $102 million over the planning period.

Canada Research Chairs

The University has experienced a reduction in our allocation of Canada Research Chairs (CRCs), bringing the number as low as 232. The number is projected to increase to 239 by the end of the planning period; projections include "flex" moves, in which two Tier II chairs can be combined to form one Tier I chair or vice versa at the discretion of the University.

Institutional Costs of Research on Grants and Contracts

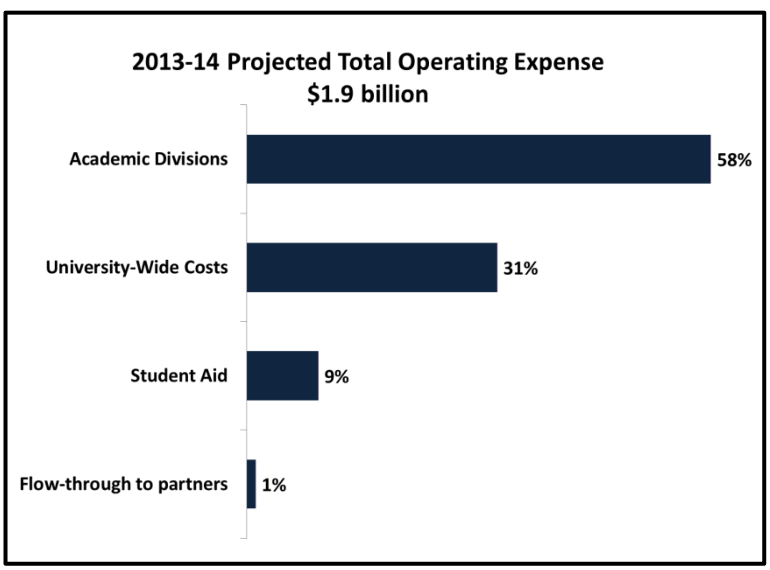
This category of revenue includes funding from the federal institutional cost of research program (NSERC, SSHRC and CIHR grants) as well as indirect costs on provincial grants and various contracts. Federal funds are projected to increase slightly over the planning period, accompanied by a projected increase of $3 million in research overhead funding on contracts.

Expenditure 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. 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.

A broad breakdown of projected expenditures for 2013-14 is shown in the following chart.



Academic divisions are responsible for their own increases in expenses, including the cost of compensation increases, and they will implement internal cost containment measures according to their individual circumstances.

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. The major factors contributing to increases in university-wide expenditure are outlined below.

Shared-Infrastructure Costs

This section includes the central funds that support university-wide infrastructure and services to the academic divisions. Shared-infrastructure (sometimes referred to as university-wide costs) includes the following portfolios:

- Office of the President
- Chief Financial Officer
- Governing Council
- Vice-President and Provost
- Vice-President University Operations
- Vice-President Human Resources and Equity
- Vice-President Research
- Vice-President Advancement
- Vice-President University Relations
- Central Library

For budget allocation and reporting purposes, these services are collapsed into summary line items in Appendix A, Schedule 1, and shown in more detailed form in the twelve costs bins in Appendix A, Schedule 3. Shared-infrastructure costs and the significant assumptions underlying the projections include:

- St. George occupancy costs, including utilities, maintenance and caretaking and deferred maintenance:
  a) Utility costs are projected to decrease in 2013-14 as a result of savings initiatives undertaken by Facilities and Services. For the fourth year in a row, no increase in electrical consumption at the St. George campus is anticipated. While the cogeneration incentive provided by the Ontario Power Authority will cease, this loss of revenue will be offset by

the completion of debt service charges for the cogeneration plant. Also, gas commodity prices are significantly down, which offset the higher anticipated electrical and water costs.

b) Additional funds will be provided in each year for caretaking and maintenance costs. These increases will fund servicing of new space, implementation of new regulatory requirements, as well as ensuring we maintain the level of caretaking service for existing buildings. This includes an allocation to the deferred maintenance fund of $0.8 million, bringing the total fund to $17.5 million by the end of the period. These funds are used to manage the deferred maintenance liability, estimated at $410 million for the St. George campus.

- Other shared infrastructure includes human resources, financial services, advancement, procurement, research services and computing services, Governing Council, the Provost's portfolio, etc.

  a) Additional funds are proposed to strengthen staffing in the Research Services innovations and partnerships area;

  b) Additional funds are proposed for the Provost's portfolio, including an allocation for online student course evaluation infrastructure, financial aid staffing, and additional front-line staff involved in supporting international and domestic students in Student Life.

  c) Additional funds are proposed to strengthen staffing in the Human Resources portfolio, particularly in the area of high-risk management. Funds are also proposed for the next phase of the HR information system renewal project.

  d) Continued investments are planned for the next stages of a new student information system, commonly referred to as NGSIS, and enhanced wireless access across all three campuses as well as several other smaller projects. NGSIS is a multi-year project and additional allocations are proposed in outer years.

  e) Funding will be provided over the next several years to support the next phases of the Boundless fundraising campaign and the implementation of a new donor information system.

  - No significant increases are anticipated for general university-wide expenses, which includes debt service, legal fees and fees for membership in organizations such as AUCC and COU.

  - Additional funding is proposed for the central library in 2013-14 for monograph and electronic acquisitions, staff for the scholarly communications office, construction of two additional storage bays at the Downsview book repository, enhanced services for undergraduate students, and digital preservation and curation initiatives. A comprehensive strategic planning process was launched by the Chief Librarian in December 2012. Future budget allocations will be linked to the outcome of the strategic review.

The Federated Block Grant reimburses the Federated Universities for the provision of registrarial and library services, and the cost of space. These payments are calculated based on a methodology outlined in the Memorandum of Agreement, which includes a year-end adjustment for the actual cost of utilities.

Pension special payments and pension-related costs

Last year it was reported in the Budget Report for 2012-13 that the University faced a $1 billion pension solvency deficit. The planned strategy[1] for dealing with this deficit, which recognized our recent acceptance to Stage 1 and assumed acceptance to Stage 2[2] of the Ontario Government's temporary solvency funding relief programme, was as follows:

- $300 million in lump sum payments of which the first $150 million was made prior to June 30, 2011. The second $150 million payment is planned to be made by June 30, 2014, a significant portion of which is expected to be funded from a transfer of assets from the SRA fund.
- Required special payments into the pension plans were expected to be $66.6 million for each of 2012-13, 2013-14 and 2014-15 as per the actuarial valuation results at July 1, 2011 and taking into account the one year-deferral permitted under regulation.
- Based on the earlier projections done for the January 31, 2011 document to Business Board, entitled Ensuring a Sustainable Pension Plan for the University of Toronto, which included many financial assumptions, and assuming acceptance to Stage 2, the special payments would increase to $110 million per annum thereafter ($104 million adjusted by interest to reflect a one-year deferral) until July 1, 2029. Of that $110 million projected special payment, $76 million would be planned to be cash payments and $34 million, representing the net solvency deficit payments, would be planned to be addressed through utilization of non-cash letters of credit. At July 1, 2024, the annual special payment was projected to drop to $76 million per annum until July 1, 2029.

The impact of this strategy on the operating fund was an increase of $70 million per annum to the pension annual special payments budget[3], increasing it from $27.2 million per annum in 2010-11

[1] The pension contribution strategy anticipated in the 2012-13 Budget Report was approved by the Business Board in May 2012, based on pension results to July 1, 2011. It replaced the earlier document, entitled "Ensuring a Sustainable Pension Plan for the University of Toronto" has had been provided for information. The strategy elements were unchanged and the numbers were virtually the same.

[2] The University expects to qualify for Stage 2 given the increases being made to member contribution rates.

[3] This operating fund special payments budget is being used to fund special payments into the registered pension plans, and for other related costs, including Pension Benefits Guarantee Fund payments, the cost of issuing letters of credit, and the costs related to the lump sum payments (principal and interest payments on up to $150 million of borrowing and SRA payments to pensioners

to $97.2 million by 2015-16, via a series of base budget increases ($30 million in 2011-12, which was approved as part of the Budget Report for 2011-12, $20 million in 2012-13, $10 million in 2013-14, $5 million in 2014-15 and $5 million in 2015-16.)

This annual special payments budget was expected to remain in place at this level until at least 2029. The special payments to fund the going concern deficit were to run until 2029 and the costs related to the lump sum payments would continue for a number of years after that.

Even if interest rates were to increase and the deficit calculated on a solvency basis were to decrease, the operating budget special payments budget was not expected to decrease since the net solvency payments simply represent an acceleration of going concern special payments.

Update to July 1, 2012 pension results:

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. The market deficit for the three plans combined has increased from 27% of assets at July 1, 2011 (just over $1 billion) to 30% of assets at July 1, 2012 (almost $1.2 billion), due primarily to actual nominal investment returns of 0.9% being lower than the target investment return. The solvency ratio of the registered University of Toronto Pension Plan has declined from 0.71 to 0.59, due to a decline in the prescribed interest rate from 4.2% per annum at July 1, 2011 to 3.05% per annum at July 1, 2012.

From a going concern perspective, the current strategy of increased member contributions, which enhances the sustainability of the pension plans by providing additional funding to the plans, and the current pension contribution strategy, which provides significant additional University funding to address the deficit, continues to be reasonable. Based on one year of additional experience, only a modest increase of $9 million per annum in going concern special payments has been identified.

From a solvency perspective, the continuing fall in interest rates makes more difficult the Government's efforts to deal with this regulatory issue through its temporary solvency relief programme. Discussions continue between the Government and universities, and it is not yet known what additional measures, if any, will be introduced to deal with net solvency payment issues.

which must be funded from the operating fund once the SRA assets are utilized towards the second $150 million lump sum payment.) The name of this budget line will be changed to reflect its use for a combination of special payments and pension-related costs arising from the pension contribution strategy.

Campus Infrastructure Costs

The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. To date, the Long Range Budget Guidelines have presented the costs of administering the campuses as part of the academic expense budgets. Infrastructure costs at UTM and UTSC are now reported as part of the shared university infrastructure budget. These costs include expenses for the offices of the Principals, occupancy costs (utilities, caretaking, grounds, etc.) and Student Life services on campus, defined in a manner parallel to the costs required to administer St. George at the campus level.

Academic Expense Budgets

This budget line includes most of the funds that flow to the academic divisions. Any additional allocation to academic division is included on the University Fund budget line. Under the budget model each division receives an expense budget equal to net revenue plus an allocation from the University Fund, as described earlier. Academic divisional plans include hiring of tenure and teaching stream faculty across many divisions, funding of all compensation increases, allocations for renovations and upgrades of laboratory and office space, debt service for divisions holding mortgages, and increased funding for research stream graduate students, as required to support the planned growth in graduate student numbers. Some examples of current academic initiatives and priorities include:

- Recent and planned enrolment growth requires many academic divisions to increase faculty complement, in order to maintain and enhance the quality of the student experience. New academic hiring is planned across most divisions;
- Many capital projects are planned, including renovations and expansion to create new space for the Daniels Faculty of Architecture and Landscape design at 1 Spadina, construction of a new building for the Faculty of Law, new buildings and lab renovations at UTM and UTSC, a new building for the Institute of Child Studies at OISE, a new building at Site 10 for the Faculty of Applied Science and Engineering, and renovations for the new home of the Student Commons on College Street;
- International enrolment across all arts and science programs at all three campuses is projected to increase. These divisions will invest in additional academic programming, co-curricular programming, counselling and writing services to ensure the success of our international students;
- Significant professional masters expansion continues in Applied Science and Engineering, the Dalla Lana School of Public Health (which is expected to become a Faculty on July 1, 2013), the School of Public Policy and the Munk School of Global Affairs, supported by the University Fund;

- All seven Arts and Science colleges, plus UTM and UTSC, continue to invest in their first year foundation programs, with significant support from the Provost's Office and from the Boundless Campaign;
- Across many divisions, graduate student expansion remains a key priority. This will require additional funding for graduate student support. Many graduate units have a goal to raise more endowments to support graduate students, using matching funding provided by the Provost's Office. Divisions will nonetheless have to set aside operating funds to support growth in graduate student numbers. The Provost has augmented the Graduate Expansion Incentive Fund and renewed the Provost's PhD Enhancement Fund to further support divisions as they expand graduate enrolment.

Student Assistance

In 2011-12 the University provided a total of $157 million in student assistance. Some of this student aid is administered directly by academic divisions and some centrally. A breakdown of student assistance is displayed in Appendix A, Schedule 3. The largest component of this budget line is undergraduate needs-based aid, with spending last year at over $60 million. A significant portion of student aid is derived from endowments. Endowments for student aid are projected to increase by $1.7 million over last year's budget. The remainder of the student aid budget is derived from government scholarship grants; doctoral completion awards and grants, merit awards, and programs funded by the provincial government. The budget projections take into account the potential for continued pressure for needs-based student aid as the economic downturn is likely to continue to impact many students and their families. The impact of the Ontario Tuition Grant cannot yet be fully projected as the grant was only in place for the final term of the last academic year.

The provincial Queen Elizabeth II Aiming for the Top Scholarship program will be winding down, declining from $3 million in 2012-13 until eliminated in 2015-16. Additional funds will be allocated from the operating budget to compensate for this drop to ensure adequate needs-based aid is available to meet our student access commitment. The overall planned increase in UTAPS also takes into consideration growth in the number of undergraduate students and increased tuition fees. Funding for student aid is projected to increase by $45 million over the planning period.

Our graduate students receive support from several sources. Some of this is reported as part of student aid in the operating budget and some comes from other sources, such as research stipends, external awards and employment income from positions as teaching assistants. In total our graduate students received support of $231 million in 2011-12.

Ontario Work Study Program

In its April budget, the Government of Ontario eliminated funding for the Work Study program. This program provided valuable work opportunities to students. Provincial funding to the University of Toronto was $2.5 million, which offset over 50% of total expenditure for the program. The program was available to full-time, OSAP-eligible students from Ontario.

The University remains committed to providing our students with meaningful work experiences. While the loss of provincial funding places an additional burden on the operating budget, it created an opportunity to revisit the program design so that it better meets objectives for both students and the University of Toronto departments or faculty members who employ them. The program has been reconfigured and opened up to non-OSAP, international and graduate students. Departments or faculty members contribute a portion and the remainder is funded centrally. The central budget for 2013-14 is set at $3.4 million, rising to $4 million in the final year of the planning period.

Ontario Tuition Grant

In 2011 the provincial government announced the Ontario Tuition Grant (OTG) program for full-time undergraduate students in direct-entry programs whose parents earn less than $160,000 per year. The grant became effective January 1, 2012 at the rate of $800 per term, up to two terms per year (maximum of $1600.) In 2012 University of Toronto students received $13 million in grants through this program.

University Fund

As noted above, the University Fund is the non-formulaic portion of an academic division's budget, intended to provide funding in accordance with the University's academic values and priorities. Each year the Provost has 10% of incremental revenue available for distribution to academic divisions. The distribution is made after all annual budget reviews have taken place, and it takes into consideration divisional and University-wide academic priorities. The total incremental amount available in 2013-14 is projected to be $9.1 million. Over the 5-year planning period the Provost is projected to have $50 million available for allocation. In 2013-14 allocations will be made as follows:

- Funding of $3.15 million to support salary and benefits for 21 faculty positions in the area of cities research and teaching. Divisions in receipt of this funding will participate in the University of Toronto's educational and research partnership in the Centre for Urban Science and Progress (CUSP) located in New York City;

- An allocation of $1.3 million to assist in the structural realignment and transfer of the Visual Studies department from the Faculty of Arts and Science to the John H. Daniels Faculty of Architecture, Landscape and Design;
- An allocation of $1 million to assist in the structural realignment of transitioning the Dalla Lana School of Public Health from its status as a School within the Faculty of Medicine to the status of a Faculty;
- A pro-rata allocation of $1 million across the six undergraduate divisions that are net contributors to the University Fund;
- An allocation of $1 million in one-time-only funding to the Faculty of Music as they transition to a sustainable financial structure;
- Funding of $0.2 million for one faculty position in the Faculty of Kinesiology and Physical Education to support graduate expansion plans;
- Funding of $2 million will be set aside to facilitate a new interdivisional teaching agreement between the Faculties of Arts and Science and Applied Science and Engineering;
- Funding of $0.3 million to enhance writing centres across several divisions and all three campuses;
- Funding of $1.5 million will continue from last year in support for the Undergraduate Course Development Fund (UCDF) which provides funding to graduate divisions (or divisions with graduate-only departments or faculty) for development and delivery of undergraduate courses. The Fund is meant to encourage the establishment of ongoing, mutually beneficial, inter-divisional teaching arrangements.

Flow-through revenue to other institutions

Several university programs include joint activities with other institutions. This expense category captures those portions of university revenue that flow to collaborating institutions. It includes:

- Canada Research Chair revenue flowing to hospitals;
- Provincial grant revenue flowing to the Toronto School of Theology; and
- Grant and tuition revenue flowing to colleges with which the University offers joint programs.

Compensation Assumptions

Academic divisional budgets must cover the full cost of compensation increases. Shared-infrastructure divisions receive central funding to cover compensation increases.

Budgets for all divisions have been constructed based on the following assumptions:

- The standard benefit rate (SBR) will remain at 24.75% for appointed staff and 10% for non-appointed staff in 2013-14. The SBR covers legislated and negotiated benefits;
- Compensation increases for all university employees are assumed to be as per negotiated agreements or, in the case of ongoing negotiations, as per the University's offer.
- The Provincial Government Bill 16, the Public Sector Compensation Restraint Act, came to an end in March 2012.
- There could be further compensation restraint legislation this spring. In the meantime, the University's budget assumes that already negotiated increases will be implemented.

Accumulated Deficit Repayment

The final institutional deficit repayment of $10.3 million was made in 2012-13. The divisional accumulated deficit, arising from the need to assist divisions with the cancelation of the endowment payout in 2009, will be repaid over the next two years in equal instalments of $3.6 million. The full schedule is included in Appendix A, Schedule 1. It should be noted that in-year variances do not impact the accumulated deficit as they are assigned back to academic divisions on a slip-year basis.

Capital Project Funding

Prior to 2001, academic capital projects were funded from a combination of campaign donations, Federal and Provincial government capital grant allocations, and the University's operating budget. Debt financing was restricted to resolving cash-flow shortfalls during construction of academic buildings. Since 2001, it became clear that the traditional sources of funding were no longer sufficient to meet the capital construction demands driven by research initiatives and enrolment expansion. The 2001 update to the *Long-Range Budget Guidelines (1998-2004)* provided $30M of funding to the UIIF in each of 2001-02, 2002-03 and 2003-04 in the form of loans, with the debt service costs charged to the operating budget. Funding shortfalls in individual project budgets, after deployment of government, campaign and UIIF funding were to be the responsibility of the occupying divisions. This was the first recognition that capital construction of academic buildings could no longer be funded on a cash basis and that the use of debt financing would be necessary in the future. The Guidelines also argued for the evolution to a budget for expenditures on capital projects separate from the Operating Budget, but where the Operating Budget would be one source of revenue for the debt service charges associated with these projects.

Capital Funds Summary

This report on capital projects and the associated borrowing provides a comprehensive summary, encompassing construction projects for academic and administrative divisions, residences, parking garages and space for student activities. Capital projects are approved separately and are presented in this report for information only. All capital projects that have been approved by Governance have been incorporated in this summary.

Table 1 in Appendix C depicts the total current costs of all approved capital projects to date. It illustrates the total approved projects from the past, budget revisions made to existing projects to January 31, 2013, and the most recently approved capital requirements for all academic, non-academic and ancillary projects and outlines their major funding sources. The total approved project costs to 2011-12 for the University amounted to $1.8 billion. Budget revisions during the year amounted to $46.1 million. The University of Toronto has approved new capital projects totalling $51 million, thereby raising its total capital project costs to $1.9 billion. The new projects are listed in Table 2. Of the total $51 million in new projects, $2 million will receive funding from central sources; $39.1 million will be funded from the divisional operating budgets, and $9.9million from other sources. There is no new approved borrowing related to the two new capital projects. At the Business Board meeting in November 2012, a new borrowing strategy was approved. Under this strategy, At April 30, 2012, the debt policy limit calculated using the 5% debt burden ratio is $1.33 billion, $233 million higher than the $1.0966 billion calculated under the current strategy (40% of an average of 5 years of net assets). New capital projects will be coming forward for approval over the next year, taking into consideration this additional borrowing capicty.

Long Range Budget Guidelines

Projection of Operating Revenue and Expenses ($ millions)

2013-14 to 2017-18

Appendix A

Schedule 1

Projection of Operating Revenues	Ref #	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Prov. Gov't Grants for General Operations	1	$ 653.6	$ 654.9	$ 667.2	$ 676.3	$ 683.1	$ 684.7
Student Fees	2	909.5	1,020.0	1,123.7	1,224.4	1,318.5	1,408.0
Subtotal - Grants and Student Fees		**1,563.1**	**1,675.0**	**1,790.9**	**1,900.7**	**2,001.6**	**2,092.7**
Investment Income - Endowments	3	49.5	51.2	52.4	53.5	54.7	55.9
Investment Income - Other	4	30.5	31.1	33.6	40.5	47.9	53.3
Sales, Services & Sundry Income	5	81.2	83.7	88.0	92.5	97.2	102.0
Subtotal - Operating Revenue		**1,724.4**	**1,840.9**	**1,964.9**	**2,087.3**	**2,201.4**	**2,303.9**
Recovery from Canada Research Chair Grants	6	35.6	35.6	36.2	36.2	36.2	36.2
Recovery of Institutional Costs of Research	7	40.8	44.6	44.6	44.6	44.6	44.6
Total - Operating Revenue & Recoveries		**$ 1,800.8**	**$ 1,921.1**	**$ 2,045.7**	**$ 2,168.1**	**$ 2,282.2**	**$ 2,384.7**

Projection of Operating Expenses	Ref #	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Shared Infrastructure Costs	8	374.3	378.3	389.9	401.3	417.8	433.7
Pension Deficit Funding	9	77.3	87.3	92.3	97.3	97.3	97.3
Sub-total, Net Expenses in Cost Bins		**451.6**	**465.6**	**482.2**	**498.6**	**515.1**	**531.0**
Univ-wide costs offset by divisional income	10	83.0	89.9	94.4	99.1	104.1	109.3
Campus infrastructure costs (UTM and UTSC)	11	48.0	49.4	50.9	52.4	54.0	55.6
Sub-total, University-Wide Costs		**582.5**	**604.9**	**627.4**	**650.2**	**673.1**	**695.9**
Academic Expense Budgets (Excl St. Aid)	12	1,027.9	1,112.4	1,202.5	1,293.8	1,376.7	1,448.0
Student Aid Expenditures	13	163.9	173.1	182.1	190.3	199.1	208.5
University Fund (unallocated portion)	14	5.2	9.1	11.1	11.0	10.1	8.8
Flow-through to Other Institutions	15	21.3	21.6	22.5	22.9	23.2	23.5
Total - Operating Expenses		**$ 1,800.8**	**$ 1,921.1**	**$ 2,045.7**	**$ 2,168.1**	**$ 2,282.2**	**$ 2,384.7**

Projection of Operating Fund Surplus (Deficit)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Annual Surplus (Deficit)	**$ 13.9**	**$ 3.6**	**$ 3.6**	**$ -**	**$ -**	**$ -**
Accumulated Surplus (Deficit)	**$ (7.1)**	**$ (3.6)**	**$ -**	**$ -**	**$ -**	**$ -**

Long Range Budget Guidelines — Appendix A
Details of Operating Grants and Student Fees ($ millions) — Schedule 2
2013-14 to 2017-18

Prov. Gov't. Grants for General Operations	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Base Operating Grants	553.5	553.5	553.5	553.5	553.5	553.5
Undergraduate Accessibility	8.8	11.3	17.1	20.5	22.7	24.0
Graduate Accessibility	4.7	5.2	17.9	25.1	30.8	30.8
Medical Expansion (MD and Residents)	29.5	35.2	36.2	36.6	37.0	37.4
Undergraduate Nursing	3.5	3.6	3.6	3.6	3.6	3.6
Access to Higher Quality Education Fund	24.6	24.2	24.2	24.2	24.2	24.2
Key Performance Indicators	3.7	3.8	3.8	3.8	3.8	3.8
Special Medical Research Grant	3.5	-	-	-	-	-
Clinical Education	4.0	4.0	4.0	4.0	4.0	4.0
Aiming for the Top Scholarships	3.3	1.0	0.5	0.2	-	-
Ontario Graduate Scholarships	11.8	11.8	11.8	11.8	11.8	11.8
Ontario Trillium Scholarships	0.8	1.2	1.6	1.6	1.6	1.6
Municipal Tax Grant	-	4.8	4.9	5.1	5.2	5.2
Policy Lever Savings Target	-	(5.2)	(10.5)	(10.6)	(10.7)	(10.8)
International Student Recovery	-	(2.5)	(4.5)	(6.2)	(7.8)	(8.1)
Accessibility for Students with Disabilities	2.0	3.0	3.1	3.3	3.4	3.6
Total, Gov't Grants for General Operations	**653.6**	**654.9**	**667.2**	**676.3**	**683.1**	**684.7**

Student Fees	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
For-Credit Tuition Fees	758.7	850.3	946.0	1,038.8	1,124.5	1,205.2
Continuing / Exec.Ed Tuition & Ancillary Fees	150.8	169.7	177.7	185.7	194.0	202.8
Total, Student Fees	**909.5**	**1,020.0**	**1,123.7**	**1,224.4**	**1,318.5**	**1,408.0**

Long Range Budget Guidelines **Appendix A**

Details of Univ-Wide Costs and Student Aid Expense ($ millions) **Schedule 3**

2013-14 to 2017-18

University-Wide Costs	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
1. Occupancy	101.9	106.4	111.3	117.9	124.8	134.7
2. Information Technology	23.8	27.6	28.0	26.4	27.3	28.2
3. University Management	15.7	16.7	18.0	18.5	19.1	19.8
4. Financial Management	7.8	8.1	8.4	8.6	8.9	9.2
5. Human Resources	18.1	19.1	18.7	19.0	19.5	20.0
6. Pension Amortization (Academic Portion)	60.9	68.7	72.7	76.6	76.6	76.6
7. University Advancement	24.3	24.0	24.5	25.4	27.0	24.2
8. Central Library	75.0	77.5	79.8	82.0	84.8	87.5
9. Research Administration	14.0	13.7	14.1	13.8	13.0	13.4
10. Registrarial & Student Services	29.6	27.7	28.5	29.5	30.5	31.5
11. University-wide Academic	31.7	33.2	33.8	35.0	36.2	37.1
12. University-wide General	36.8	29.6	30.7	31.4	32.0	32.5
Federated Block Grant	12.0	13.1	13.6	14.5	15.4	16.3
Sub-total	**451.6**	**465.6**	**482.2**	**498.6**	**515.1**	**531.0**
Univ-wide costs offset by divisional income	83.0	89.9	94.4	99.1	104.1	109.3
UTM / UTSC Campus Infrastructure	48.0	49.4	50.9	52.4	54.0	55.6
Total University Wide Expense	**$ 582.5**	**$ 604.9**	**$ 627.4**	**$ 650.2**	**$ 673.1**	**$ 695.9**

Student Aid Expenditures	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
UofT Adv. Planning for Students (UTAPS)	33.5	33.4	36.9	40.0	43.1	46.2
Other Need-based Aid (incl Work Study)	13.3	17.1	17.7	18.1	18.4	18.8
Scholarships	4.4	5.9	6.2	6.5	6.8	7.0
Aiming for the Top Scholarships	3.3	1.0	0.5	0.2	-	-
Student Aid from Endowments	24.4	25.6	26.3	26.8	27.4	28.1
Subtotal, Undergraduate	**78.9**	**83.0**	**87.6**	**91.5**	**95.7**	**100.2**
Provincial Scholarship Grants	12.9	13.3	13.7	13.7	13.7	13.7
Student Aid from Endowments	10.9	11.4	11.7	12.0	12.2	12.5
Student Aid Matching Funds	0.5	1.1	1.1	1.1	1.1	1.1
SGS Graduate Fellowships	1.0	1.0	1.0	1.0	1.0	1.0
Doctoral Completion Awards	3.5	3.5	3.5	3.5	3.5	3.5
Subtotal, Graduate	**28.8**	**30.3**	**31.0**	**31.2**	**31.5**	**31.8**
Subtotal, Central Student Aid	**107.6**	**113.3**	**118.6**	**122.7**	**127.2**	**131.9**
Graduate Fellowships in Acad Divisions	56.3	59.8	63.5	67.6	71.9	76.6
Total, Student Aid Expense	**163.9**	**173.1**	**182.1**	**190.3**	**199.1**	**208.5**

Long Range Budget Guidelines

Incremental University Wide Expenditure Summary ($ millions)

2013-14 to 2017-18

Appendix A

Schedule 4

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
University-Wide Expense, Beginning of Year	**$ 425.4**	**$ 451.6**	**$ 465.6**	**$ 482.2**	**$ 498.6**	**$ 515.1**
Contractual Obligations						
Federated Block Grant	(0.2)	1.1	0.5	0.9	0.9	0.9
Municipal Taxes	-	5.5	0.2	0.2	0.1	0.1
Utilities	0.8	(1.1)	0.7	0.7	0.7	0.8
Pension Deficit Funding	20.0	10.0	5.0	5.0	-	-
Capital and Maintenance						
Facilities and Services: Caretaking, Maintenance	1.5	1.6	0.3	0.3	0.6	0.5
Operating Fund Support of Capital Budget	1.1	(11.9)	1.0	0.5	0.5	0.5
Funding for Administrative/Academic Service Divisions						
Library Acquisitions and Services	0.6	0.3	0.7	0.5	0.5	0.5
Shared-infrastructure Investments	1.1	5.6	3.6	3.0	5.0	4.5
Cost of Compensation Settlements (incl. benefits)	3.8	5.7	4.1	4.1	6.9	7.2
Expense Containment	(3.3)	(1.7)	-	-	-	-
University-Wide Funds						
Provostial Funds	0.5	(0.5)	-	-	0.5	0.7
Prior year distribution of academic funds to divisions	(0.1)	(2.0)	(0.6)	-	-	-
Graduate Expansion Incentive Fund (PhDEIF)	0.3	1.3	1.2	1.2	0.8	0.2
Information Technology Initiatives and Upgrades	0.1	0.1	-	-	-	-
University Wide Expense, End of Year	**$ 451.6**	**$ 465.6**	**$ 482.2**	**$ 498.6**	**$ 515.1**	**$ 531.0**
Addition to University wide expense as result of restatement [1]						
Beginning of the year		**$ 130.9**	**$ 139.3**	**$ 145.3**	**$ 151.5**	**$ 158.1**
Infrastructure Costs Offset by Divisional Income	83.0	6.9	4.5	4.7	5.0	5.2
UTSC and UTM Campus Infrastructure Costs	48.0	1.4	1.5	1.5	1.6	1.6
University Wide Expense, End of Year (REVISED)	**$ 582.5**	**$ 604.9**	**$ 627.4**	**$ 650.2**	**$ 673.1**	**$ 695.9**

[1] These line items are shown separately only in the 2013-14 transition to the new LRBG format.

Long Range Budget Guidelines
Divisional Revenue and Expense Allocations for 2013-14

Appendix A
Schedule 5

	Attributed Operating Revenue	10% Contr. to Univ Fund	Share of University Wide Expense	Student Aid Set-Aside	Net Revenue	University Fund Allocation	Academic Expense Budget
	(A)	(B)	(C)	(D)	(E=A-B-C-D)	(F)	(G = E+F)
Arts & Science	507,030,648	48,494,290	165,331,740	33,095,829	260,108,788	41,182,868	301,291,656
UofT Scarborough	184,615,816	18,256,372	28,663,991	8,405,095	129,290,358	5,442,021	134,732,380
UofT Mississauga	203,439,675	20,107,542	31,193,715	8,965,181	143,173,237	6,226,747	149,399,984
Dentistry	27,024,525	2,576,770	11,174,486	1,705,724	11,567,544	11,657,057	23,224,601
Medicine	204,136,535	17,590,618	81,812,892	14,663,744	90,069,281	22,833,493	112,902,774
Nursing	18,389,903	1,713,015	5,135,039	1,578,859	9,962,990	2,045,038	12,008,029
Pharmacy	32,244,893	3,038,085	8,365,009	2,987,790	17,854,008	356,018	18,210,027
Kinesiology and Physical Education	13,572,516	1,325,407	3,927,586	863,629	7,455,894	1,185,153	8,641,047
Applied Science & Engineering	173,505,659	16,167,220	56,089,556	12,539,417	88,709,465	9,185,484	97,894,949
Architecture, Landscape & Design	15,161,787	1,470,334	4,263,606	882,410	8,545,437	3,813,033	12,358,470
OISE/UT	65,701,809	6,305,750	22,116,321	4,717,181	32,562,556	15,044,226	47,606,782
Forestry	3,105,598	248,507	2,073,884	479,645	303,562	2,933,824	3,237,386
Law	27,104,410	2,556,042	7,654,123	1,416,819	15,477,426	7,235,015	22,712,441
Information	11,409,175	1,080,967	4,102,411	778,659	5,447,138	2,713,351	8,160,488
Music	18,197,796	1,679,104	6,264,870	1,961,287	8,292,536	5,423,774	13,716,310
Social Work	12,246,117	1,121,319	3,686,821	1,175,744	6,262,233	1,419,512	7,681,745
Management	84,675,743	8,330,024	21,073,490	2,380,286	52,891,943	7,513,936	60,405,879
Transitional Year Programme	803,728	47,346	577,844	368,995	(190,457)	1,500,844	1,310,386
School of Continuing Studies	376,533	2,235,539	2,068,735	3,784	(3,931,525)	1,731,398	(2,200,127)
Subtotal	1,602,742,865	154,344,254	465,576,119	98,970,077	883,852,415	149,442,792	1,033,295,207
Divisional Income	*256,078,623*	-	*89,920,135*	-	*166,158,488*	-	*166,158,488*
Campus Costs and Divisional Aid	-	-	*49,389,684*	*66,964,544*	*(116,354,228)*	-	*(116,354,228)*
Recovery from Restricted Funds	*40,640,020*	-	-	*7,140,020*	*33,500,000*	-	*33,500,000*
University Fund OTO (Incl UCDF)	-	-	-	-	-	*4,901,462*	*4,901,462*
Subtotal (excl flow-through)	1,899,461,508	154,344,254	604,885,939	173,074,641	967,156,675	154,344,254	1,121,500,929
Flow-through to Other Institutions	*21,604,088*	-	-	-	*21,604,088*	-	*21,604,088*
Total	1,921,065,596	154,344,254	604,885,939	173,074,641	988,760,763	154,344,254	1,143,105,017

Long Range Budget Guidelines
Projected Divisional Net Revenue Allocations
2013-14 to 2017-18

Appendix A
Schedule 6

Arts & Science	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	485,244,093	507,030,648	534,433,584	561,651,823	588,469,718	614,890,059
University Fund Contribution	(46,440,578)	(48,494,290)	(51,218,115)	(53,941,871)	(56,615,718)	(59,240,517)
University-Wide Costs	(158,826,007)	(165,331,740)	(170,280,516)	(175,327,528)	(180,839,163)	(186,303,174)
Student Aid Expense	(32,000,531)	(33,095,829)	(34,217,977)	(34,845,274)	(35,614,209)	(36,596,492)
University Fund Allocation[2]	38,517,414	41,182,868	41,182,868	41,182,868	41,182,868	41,182,868
Net Expense Budget	286,494,392	301,291,656	319,899,843	338,720,018	356,583,497	373,932,743

UTSC	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	167,344,043	184,615,816	205,435,358	224,394,397	238,691,471	249,936,637
University Fund Contribution	(16,576,283)	(18,256,372)	(20,338,684)	(22,234,584)	(23,662,861)	(24,784,910)
University-Wide Costs	(26,900,642)	(28,663,991)	(30,178,502)	(31,553,240)	(32,753,315)	(33,591,259)
Student Aid Expense	(7,597,440)	(8,405,095)	(9,333,865)	(10,117,640)	(10,752,941)	(11,401,747)
University Fund Allocation[2]	5,986,842	5,442,021	5,442,021	5,442,021	5,442,021	5,442,021
Net Expense Budget	122,256,520	134,732,380	151,026,328	165,930,954	176,964,375	185,600,743

UTM	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	184,877,549	203,439,675	225,122,534	250,074,277	271,974,338	290,593,967
University Fund Contribution	(18,292,429)	(20,107,542)	(22,277,715)	(24,771,678)	(26,958,114)	(28,815,267)
University-Wide Costs	(30,475,705)	(31,193,715)	(32,468,561)	(33,931,644)	(35,585,013)	(36,954,649)
Student Aid Expense	(8,039,531)	(8,965,181)	(9,995,940)	(11,038,153)	(12,095,166)	(13,068,586)
University Fund Allocation[2]	6,923,081	6,226,747	6,226,747	6,226,747	6,226,747	6,226,747
Net Expense Budget	134,992,967	149,399,984	166,607,066	186,559,550	203,562,792	217,982,212

Dentistry	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	26,331,867	27,024,525	28,468,709	29,697,772	31,115,774	32,336,604
University Fund Contribution	(2,506,440)	(2,576,770)	(2,720,036)	(2,841,964)	(2,982,723)	(3,103,670)
University-Wide Costs	(11,494,438)	(11,174,486)	(11,563,465)	(12,019,304)	(12,388,950)	(12,882,517)
Student Aid Expense	(1,555,287)	(1,705,724)	(1,849,947)	(1,981,261)	(2,123,696)	(2,258,606)
University Fund Allocation[2]	11,490,344	11,657,057	11,657,057	11,657,057	11,657,057	11,657,057
Net Expense Budget	22,266,046	23,224,601	23,992,319	24,512,301	25,277,462	25,748,868

Medicine	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	199,624,453	204,136,535	209,962,658	216,106,903	221,622,638	225,117,661
University Fund Contribution	(17,270,056)	(17,590,618)	(18,142,806)	(18,736,959)	(19,265,928)	(19,593,257)
University-Wide Costs	(82,882,425)	(81,812,892)	(84,272,995)	(86,362,743)	(88,408,026)	(90,543,847)
Student Aid Expense	(18,919,314)	(14,663,744)	(14,984,077)	(15,237,660)	(15,512,363)	(15,746,005)
University Fund Allocation[2]	22,517,454	22,833,493	22,833,493	22,833,493	22,833,493	22,833,493
Net Expense Budget	103,070,111	112,902,774	115,396,272	118,603,034	121,269,815	122,068,044

Long Range Budget Guidelines
Projected Divisional Net Revenue Allocations
2013-14 to 2017-18

Appendix A
Schedule 6

Nursing	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	17,548,317	18,389,903	20,073,517	21,748,889	22,891,351	23,682,468
University Fund Contribution	(1,634,715)	(1,713,015)	(1,879,070)	(2,044,670)	(2,156,727)	(2,233,746)
University-Wide Costs	(4,998,675)	(5,135,039)	(5,372,879)	(5,626,129)	(5,892,285)	(6,095,370)
Student Aid Expense	(1,489,729)	(1,578,859)	(1,650,569)	(1,734,751)	(1,812,906)	(1,884,130)
University Fund Allocation[2]	1,887,197	2,045,038	2,045,038	2,045,038	2,045,038	2,045,038
Net Expense Budget	11,312,396	12,008,029	13,216,037	14,388,377	15,074,471	15,514,260

Pharmacy	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	32,717,774	32,244,893	33,229,099	33,097,716	35,005,936	36,892,466
University Fund Contribution	(3,098,356)	(3,038,085)	(3,134,046)	(3,119,599)	(3,308,771)	(3,495,156)
University-Wide Costs	(8,426,502)	(8,365,009)	(8,584,148)	(8,833,857)	(8,983,452)	(9,307,142)
Student Aid Expense	(2,882,453)	(2,987,790)	(3,119,610)	(3,122,656)	(3,298,981)	(3,490,393)
University Fund Allocation[2]	369,040	356,018	356,018	356,018	356,018	356,018
Net Expense Budget	18,679,503	18,210,027	18,747,314	18,377,623	19,770,750	20,955,793

KPE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	12,257,266	13,572,516	14,642,640	15,561,218	16,027,264	16,424,631
University Fund Contribution	(1,197,804)	(1,325,407)	(1,432,138)	(1,523,529)	(1,569,644)	(1,609,009)
University-Wide Costs	(3,515,746)	(3,927,586)	(4,191,114)	(4,401,061)	(4,611,331)	(4,773,125)
Student Aid Expense	(764,462)	(863,629)	(935,432)	(1,001,218)	(1,043,334)	(1,086,599)
University Fund Allocation[2]	981,457	1,185,153	1,185,153	1,185,153	1,185,153	1,185,153
Net Expense Budget	7,760,711	8,641,047	9,269,108	9,820,563	9,988,108	10,141,052

APSE	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	160,931,946	173,505,659	183,292,386	194,137,274	203,932,668	213,777,128
University Fund Contribution	(14,961,566)	(16,167,220)	(17,137,012)	(18,217,177)	(19,188,152)	(20,161,349)
University-Wide Costs	(55,028,273)	(56,089,556)	(58,090,348)	(59,945,008)	(61,885,433)	(64,213,342)
Student Aid Expense	(11,995,084)	(12,539,417)	(13,100,792)	(13,551,308)	(14,046,981)	(14,668,273)
University Fund Allocation[2]	8,057,846	9,185,484	9,185,484	9,185,484	9,185,484	9,185,484
Net Expense Budget	87,004,869	97,894,949	104,149,718	111,609,266	117,997,585	123,919,647

Architecture, L & D	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	10,081,243	15,161,787	17,566,511	19,912,377	21,050,982	22,184,467
University Fund Contribution	(966,774)	(1,470,334)	(1,709,264)	(1,942,411)	(2,054,912)	(2,167,441)
University-Wide Costs	(3,387,470)	(4,263,606)	(4,689,852)	(5,064,124)	(5,417,570)	(5,598,822)
Student Aid Expense	(728,884)	(882,410)	(977,106)	(1,063,546)	(1,116,508)	(1,171,279)
University Fund Allocation[2]	2,996,371	3,813,033	3,813,033	3,813,033	3,813,033	3,813,033
Net Expense Budget	7,994,487	12,358,470	14,003,322	15,655,329	16,275,026	17,059,958

Long Range Budget Guidelines
Projected Divisional Net Revenue Allocations
2013-14 to 2017-18

Appendix A
Schedule 6

OISE/UT	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	66,004,036	65,701,809	69,174,904	71,613,612	76,168,525	78,658,142
University Fund Contribution	(6,356,959)	(6,305,750)	(6,650,115)	(6,893,009)	(7,346,764)	(7,593,555)
University-Wide Costs	(21,274,301)	(22,116,321)	(22,843,658)	(23,685,048)	(24,356,019)	(25,291,257)
Student Aid Expense	(4,642,835)	(4,717,181)	(4,814,349)	(4,853,424)	(4,922,326)	(4,990,203)
University Fund Allocation[2]	14,344,770	15,044,226	15,044,226	15,044,226	15,044,226	15,044,226
Net Expense Budget	48,074,710	47,606,782	49,911,007	51,226,357	54,587,641	55,827,353

Forestry	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	2,825,900	3,105,598	3,539,113	3,689,247	3,788,586	3,925,562
University Fund Contribution	(228,410)	(248,507)	(288,387)	(302,578)	(311,736)	(324,688)
University-Wide Costs	(2,123,595)	(2,073,884)	(2,194,036)	(2,323,194)	(2,401,884)	(2,504,775)
Student Aid Expense	(389,352)	(479,645)	(519,258)	(527,072)	(534,649)	(542,730)
University Fund Allocation[2]	2,915,267	2,933,824	2,933,824	2,933,824	2,933,824	2,933,824
Net Expense Budget	2,999,810	3,237,386	3,471,256	3,470,227	3,474,141	3,487,193

Law	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	25,585,089	27,104,410	29,074,863	31,519,217	33,555,439	35,767,665
University Fund Contribution	(2,413,554)	(2,556,042)	(2,749,480)	(2,991,006)	(3,191,393)	(3,409,462)
University-Wide Costs	(7,242,809)	(7,654,123)	(7,962,166)	(8,292,815)	(8,632,213)	(8,823,548)
Student Aid Expense	(3,556,126)	(1,416,819)	(1,470,541)	(1,520,255)	(1,560,395)	(1,611,181)
University Fund Allocation[2]	7,258,874	7,235,015	7,235,015	7,235,015	7,235,015	7,235,015
Net Expense Budget	19,631,475	22,712,441	24,127,691	25,950,155	27,406,452	29,158,489

Information	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	12,058,528	11,409,175	12,932,367	14,192,718	14,955,808	15,317,455
University Fund Contribution	(1,141,579)	(1,080,967)	(1,232,649)	(1,357,793)	(1,433,273)	(1,468,782)
University-Wide Costs	(3,781,564)	(4,102,411)	(4,220,712)	(4,498,613)	(4,738,392)	(4,953,238)
Student Aid Expense	(830,095)	(778,659)	(827,471)	(862,943)	(890,475)	(912,438)
University Fund Allocation[2]	2,617,841	2,713,351	2,713,351	2,713,351	2,713,351	2,713,351
Net Expense Budget	8,923,131	8,160,488	9,364,886	10,186,721	10,607,018	10,696,347

Music	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	16,188,994	18,197,796	18,571,694	19,577,633	20,187,916	20,871,583
University Fund Contribution	(1,487,939)	(1,679,104)	(1,713,795)	(1,812,105)	(1,870,186)	(1,935,510)
University-Wide Costs	(5,734,669)	(6,264,870)	(6,550,394)	(6,812,320)	(7,158,863)	(7,477,047)
Student Aid Expense	(1,827,039)	(1,961,287)	(2,008,648)	(2,065,330)	(2,120,009)	(2,182,025)
University Fund Allocation[2]	5,313,024	5,423,774	5,423,774	5,423,774	5,423,774	5,423,774
Net Expense Budget	12,452,371	13,716,310	13,722,631	14,311,651	14,462,632	14,700,775

Long Range Budget Guidelines — Appendix A
Projected Divisional Net Revenue Allocations — Schedule 6
2013-14 to 2017-18

Social Work	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	11,475,759	12,246,117	12,455,870	12,451,257	12,603,474	12,819,701
University Fund Contribution	(1,055,980)	(1,121,319)	(1,140,498)	(1,138,573)	(1,152,198)	(1,172,216)
University-Wide Costs	(3,503,425)	(3,686,821)	(3,775,546)	(3,855,514)	(3,933,961)	(3,935,823)
Student Aid Expense	(1,110,467)	(1,175,744)	(1,188,996)	(1,200,038)	(1,222,736)	(1,248,338)
University Fund Allocation[2]	1,218,241	1,419,512	1,419,512	1,419,512	1,419,512	1,419,512
Net Expense Budget	7,024,128	7,681,745	7,770,341	7,676,644	7,714,092	7,882,835

Management	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	76,552,103	84,675,743	95,295,250	103,556,750	111,787,599	119,325,914
University Fund Contribution	(7,541,870)	(8,330,024)	(9,388,561)	(10,212,439)	(11,033,263)	(11,784,586)
University-Wide Costs	(19,730,276)	(21,073,490)	(22,193,679)	(23,266,812)	(24,198,061)	(24,750,727)
Student Aid Expense	(2,127,307)	(2,380,286)	(2,491,424)	(2,563,693)	(2,702,019)	(2,849,126)
University Fund Allocation[2]	7,173,001	7,513,936	7,513,936	7,513,936	7,513,936	7,513,936
Net Expense Budget	54,325,651	60,405,879	68,735,521	75,027,743	81,368,192	87,455,411

Trans. Year. Prog.	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	765,150	803,728	823,760	846,493	870,829	895,549
University Fund Contribution	(45,228)	(47,346)	(48,523)	(50,075)	(51,698)	(53,358)
University-Wide Costs	(556,149)	(577,844)	(554,716)	(570,742)	(588,094)	(595,493)
Student Aid Expense	(344,776)	(368,995)	(380,271)	(389,339)	(399,293)	(409,237)
University Fund Allocation[2]	1,493,366	1,500,844	1,500,844	1,500,844	1,500,844	1,500,844
Net Expense Budget	1,312,363	1,310,386	1,341,093	1,337,181	1,332,588	1,338,305

School of Cont. Studies	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Attributed Revenue[1]	371,512	376,533	394,909	456,038	520,172	562,852
University Fund Contribution	(2,076,793)	(2,235,539)	(2,292,322)	(2,320,959)	(2,350,121)	(2,377,364)
University-Wide Costs	(1,685,237)	(2,068,735)	(2,167,682)	(2,252,873)	(2,311,755)	(2,382,676)
Student Aid Expense	(3,581)	(3,784)	(3,889)	(3,973)	(4,067)	(4,162)
University Fund Allocation[2]	1,731,884	1,731,398	1,731,398	1,731,398	1,731,398	1,731,398
Net Expense Budget	(1,662,215)	(2,200,127)	(2,337,586)	(2,390,369)	(2,414,374)	(2,469,952)

1. **Enrolment and Provincial Operating Grants**

   a. **Undergraduate and graduate enrolment and funding**

In the 2011 Provincial Budget, the government announced 35,000 new undergraduate and 6,000 new graduate spaces for Ontario universities. Only the first 600 graduate spaces have been allocated to universities and the remaining allocations are not yet known. The projections anticipate full-per student funding will be received for all undergraduate students as per divisional enrolment plans and for graduate expansion up to the estimated University of Toronto allocation from the provincial graduate envelope; some divisional plans exceed this and tuition revenue only is assumed in those cases.

An increase of only $1.3 million (0.2%) is projected in the operating grant for 2013-14 and $31 million (.9%) over the next five years. The modesty of this increase is explained by the fact that growth next year in undergraduate enrolment expansion at the University of Toronto Mississauga (UTM), at the University of Toronto Scarborough (UTSC), in some smaller faculties, and tri-campus graduate expansion is offset by the provincial reduction of $5 million for the Policy Levers Savings Target and $2.5 million for the International Student Recovery.

In the 2012 Ontario Budget the provincial government announced two International Student Recovery (ISR) operating grant reductions. The first reduction eliminates the previous subsidies for non-PhD international students that were provided to institutions to pay their municipal taxes. The second ISR is a reduction of the "indirect support through operating grants" that the government provides to non-PhD international students.

Each non-PhD student commencing in 2013-14 will result in a deduction of $75 from the grant to assist with the payment of municipal taxes. The phase-in will be immediate in 2013-14 for non-PhD international students in all years of study.

Each non-PhD international student will also result in a deduction of $750 from the institution's operating grant allocation. The $750 ISR will be phased-in over multiple years starting with the incoming 2013-14 cohort.

Details of actual enrolment levels for 2012-13 and projections out to 2017-18 can be found in the Enrolment Report 2012-13.

   b. **Other grants**

The PGME and MD expansion grants are projected to increase by almost $8 million over the planning period due to enrolment expansion.

The Special Medical Research Grant of $3.5 million will be fully eliminated in 2013-14, as was projected in the budget report last year.

2. Student Fees

A detailed list of domestic and international tuition fees for 2013-14 can be found in the Tuition Fee Schedule for Publicly Funded Programs: 2013-14.

a. Domestic for-credit tuition fees

The current Provincial Tuition Framework expires April 30, 2013. In the absence of a new framework the University will assume a continuation of the same parameters mandated in the old framework. Under the Tuition Framework, tuition fees for entering students in Arts and Science and selected other undergraduate programs were permitted to increase by a maximum of 4.5%. Tuition fees for entering students in graduate and high-cost professional programs could be increased by a maximum of 8%. Increases in tuition fees for continuing students in any program could not exceed 4%. Overall, the average increase in tuition for all domestic students in any institution could not exceed 5%.

The weighted average gross domestic tuition fee increase for 2013-14 is projected to be 4.30%. When student financial aid is taken into account, the average increase for domestic students is about 3%.

b. International for-credit tuition fees

Tuition fees are assumed to increase approximately 7.2% on average in 2013-14. Most undergraduate international fees are projected to increase by 10% in 2013-14 and 2014-15. Commerce and BBA undergraduate international fees are projected to increase by 8% in 2013-14 and 2014-15. Rotman will hold the MBA fees at the 2012-13 level.

International tuition fees will also be increased by an additional $825 per student to offset the impact of the International Student Recovery imposed by the provincial government effective 2013-14 (described in section 1 above).

c. Ancillary fees

Ancillary fee revenue includes fees charged to students as permitted by MTCU Guidelines. These include fees in the following categories: student services, health services, athletics, Hart House, constituent college fees, student society fees, cost recovery fees, and administrative user fees and fines. Increases in compulsory ancillary fees are regulated by MTCU through their Guidelines and in accordance with the Memorandum of Agreement between the University and student governments (1996).

d. Tuition fees for continuing education and executive education programs

Most divisions offer continuing and/or executive education programs. Fees in these types of programs are not regulated by MTCU. Examples include: language, creative writing, and professional development programs in the School of Continuing Studies; executive education programs in the Rotman School of Management; teacher advanced qualification (AQ) courses at OISE.

3. **Investment Income - Endowments**

By policy, pay-outs on the University's endowed funds range from 3% to 5% of the market value of the relevant assets, with a target around 4%.The payout rate per unit will be determined and announced in March 2013 and the actual distribution will occur just prior to year end at April 30, 2013, following the normal process. The budget assumes a payout rate of \$7.56 per unit in 2013, resulting in revenue of \$51 million flowing to the operating budget. This includes \$37 million for student aid and \$14 million for chairs. For 2013, due to the low return of 2012 (1.1% vs. target of 6%) and the modest return so far in 2013 the payout is projected to remain at \$7.56 per unit, the same level as 2012. This represents 4.7% of the opening market value of the LTCAP unit. This approach was signaled in the budget projections a year ago. The payout is projected to remain constant at \$7.56 over the planning period, as a placeholder until a comprehensive review of the current methodology and formula is completed.

4. **Investment Income - Other**

The projections assume investment income will remain at approximately \$31 million in 2013-14 rising to \$53 million by the end of the period. The forecast is based on assumptions of cash balances, revenue and expenditure rates, endowment payout rates and investment return rates. The return and yield rate assumptions over the next 5 years are assumed to be 2.53%, 2.75%, 3.16%, 3.58% and 3.95%, respectively.

5. **Sales, service and Sundry Income**

This category includes service charges on unpaid fees (\$5.9 million in 2013-14), application fees (\$7.6 million in 2013-14), and income for sales and services provided directly by divisions to external customers (i.e. clinic services in the Faculty of Dentistry, Music performance facility rentals by external groups, sale of laboratory equipment and consumables through MedStore). Service charge revenue is projected to increase at the same rate as tuition fees. Application fee revenue projections are based on application projections. Divisional revenue is projected to increase at 5% per annum.

6. **Canada Research Chairs**

The federal allocation of CRCs is based on a rolling average of proportional shares of federal tri-council funding. The University has recently experienced an increase in our relative share of tri-council funding. As a result, the number of CRC chairs is projected to increase by 5 chairs over the planning period.

7. **Institutional Cost of Research (ICR)**

   a. Recovery of institutional costs of research from provincial and industrial grants and contracts is projected to increase significantly from $9 million to $12 million for 2013-14 and beyond. This is based on actual results achieved in 2012.

   b. Recovery of institutional costs of research from federal grants is expected to increase by about $0.7 million over the planning period as a result of an increasing share of federal granting council funding.

8. **University Wide Costs**

   University wide costs encompass the expense of shared infrastructure, contractual obligations including pension deficit funding, and other centrally maintained funds that support the University, both academically and administratively. Budget details are provided in Appendix A, Schedule 3. Noted below are comments on some of the key expenditures.

   - **Federated Block Grant**

     The University reimburses the federated universities for the provision of registrarial and library services, and the cost of space. Budgeted payments to the federated colleges are projected to increase by $1.1 million in 2013-14 and continue to increase overall by $2.3 million over the next four years. These payments are calculated based on a methodology outlined in the Memorandum of Agreement, which includes a year-end adjustment for the actual cost of utilities.

   - **Utilities, Caretaking and Maintenance**

     The occupancy cost budget shown on Schedule 3 includes the costs of the St. George campus only. Utilities budgets for UTM and UTSC are included in the UTM/UTSC Campus Infrastructure budget line, as these divisions are directly responsible for funding their own services.

     Utility costs are projected to decrease in 2013-14 as a result of savings initiatives undertaken by Facilities and Services. For the fourth year in a row, no increase in electrical consumption at the St. George campus is anticipated. While the cogeneration incentive provided by the Ontario Power Authority will cease, this loss of revenue will be offset by the completion of debt service charges for the cogeneration plant. Also, gas commodity prices are significantly down, which offset the higher anticipated electrical and water costs.

     As new space comes on line in outer years, utility and caretaking costs are projected to increase. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space.

     Additional funds will be provided in each year for caretaking and maintenance costs. These increases will fund servicing of new space, implementation of new regulatory requirements, as well as ensuring we maintain the level of caretaking service for existing buildings. This includes an allocation to the deferred maintenance fund of $0.8 million, bringing the total fund to $17.5 million by the end of the period. These funds are used to manage the deferred maintenance liability, estimated at $410 million.

- **Library Acquisitions and Services**

  Incremental funding of $0.3 million has been provided to support library acquisitions and services in 2013-14. An allocation $6.4 million is also provided to build two additional storage bays for books at the Downsview book repository.

- **General Shared Infrastructure Investments**

  Requirements for additional funding for the shared-infrastructure portfolios are submitted annually as part of the multi-year planning process. Allocations are approved by the President based on recommendations from the Divisional Advisory Committee, taking into consideration high priority needs and new revenues available to the University. Funding allocations include increased international student support, campus-wide software purchases, continued support for the development of a new student information system, completion of the tri-campus wireless project, and fundraising positions in support of the Boundless campaign.

- **Compensation: salaries and benefits for administrative and academic service divisions**

  Compensation increases for all University employees are assumed to be as per negotiated agreements or, in the case of ongoing negotiations, as per the University's offer. In June 2012, the Province enacted compensation restraint measures that affect senior administrative positions, including academic managers, of the University. Additionally, the government signaled further expectations of compensation restraint, but currently no legislation is in place. In this context, compensation increases are assumed to be (no more than) CPI (~2%) in outer years for which negotiated agreements do not currently exist. The standard benefit rate to cover the costs of negotiated benefits will remain constant at 24.75% for appointed employees and 10% for non-appointed staff. The budget increase shown in Schedule 4 covers the compensation increases for central services divisions only, since academic divisions are responsible for funding the cost of divisional compensation increases.

- **Expense Containment**

  An across-the-board reduction in expenditures on central services will be applied, amounting to $1.7M or 1% of the relevant base in 2013-14. No further cost containment is assumed in outer years.

- **University-Wide Funds**

  The Provost holds several funds used primarily to support academic divisions on a one-time-only basis. These funds include contingency and transitional funds used to meet unanticipated needs in the academic divisions as well as to assist academic divisions as they transition to a sustainable budget state; various funds to assist new academics; research allowances for endowed chair holders, University professors, etc.; and matching funds for philanthropic gifts. The LRBG assumes only minor budget increases to these funds over the five years, as the funds are used primarily on a one-time-only basis.

- **Prior year distribution of academic funds to divisions**

  Base allocations to the academic divisions must be removed from the funding source and added to the University Fund total of these divisions the year following the allocation. The total amount of base transfers to academic divisions in 2012-13 was $2M.

- **Graduate Expansion Incentive Fund**

  Funding will be increased from $3,000 per student to $5,000 per student and will be provided for doctoral (including PhD, EdD, DMA, SJD, and first-year doctoral stream masters) enrolment growth over fall 2012. Incentive funding will apply only for growth up to approved targets; it is not intended to override the divisional allocation of Phase 3 expansion spaces.

  The revised terms of the Fund are as follows:

  - ♦ Funding will be provided at the rate of $5,000 per year for each BIU-eligible doctoral or first-year doctoral stream masters FTE above fall 2012 actual enrolment numbers, up to the division's assigned growth target;
  - ♦ The level of funding attained in 2016-17 will continue in base, provided enrolments continue to be at or above fall 2012;

- **Information Technology Initiatives and Upgrades Fund**

  A small increase is allocated for administrative information technology improvements in 2013-14. This fund does not include funds for the new student system, Blackboard or the wireless network; these projects are funded separately through the CIO's portfolio to meet the project needs through 2014-15.

9. **Pension Deficit Funding**

   An additional allocation for pension deficit funding of $10 million is planned for 2013-14 and further allocations $5 million in 2014-15 and $5 million in 2015-16. A more complete discussion of pension strategies is contained in the body of the Long Range Budget Guidelines report or can be found in more detail online: Ensuring a Sustainable Pension Plan for the University of Toronto

10. University-wide costs offset by divisional income

In addition to the shared service expenses captured in the University-wide cost bins, there are expenses in administrative units that are directly offset by grants, fees, or external revenue. This includes student-funded services such as athletics, the Career Centre and health services, as well as the costs associated with leased space, library services for external users, and childcare services at the Early Learning Centre.

11. Campus infrastructure costs

The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. To date, the Long Range Budget Guidelines have presented the costs of administering the campuses as part of the academic expense budgets. Campus infrastructure costs at UTM and UTSC are now reported as part of the shared university infrastructure budget. Costs on this budget line include utilities, maintenance, information technology, library, and administration expenses at UTM and UTSC.

12. Academic Expense Budgets

A major portion of the expense budget allocated to an academic division is its *Net Revenue,* which is equal to its share of the University's gross revenue less its share of expenses and its contribution to student aid and to a university-wide fund called the University Fund. A division's net revenue reflects its programs, student enrolments, advancement activities, research, etc. Divisions benefit as these activities bring more revenue and when, in cooperation with central service units, they are able to make more efficient use of the shared resources.

The remainder of a division's budget is an allocation from the University Fund. This is an entirely non-formulaic allocation, intended to provide funding in accordance with the University's academic values and priorities. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of an external entities. It also enables the University to recognize differences in the cost of delivery of various programs. The following graph provides a visual presentation of how academic budgets are derived.

Details of academic divisional budgets are provided in Appendix A, schedules 5 and 6.

13. Student Aid Expenditures

a. In 2011-12 the University provided a total of $157 million in student assistance. Some of this student aid is administered directly by academic divisions and some centrally. A breakdown of student assistance is displayed in Appendix A, Schedule 3. Detailed information on student financial support expenditures for the prior year (2011-12) can be found in the Annual Report on Student Financial Support.

b. Student aid amounts have been assessed to ensure sufficient funding to meet the Student Access Guarantee and the University's Policy on Student Financial Support.

c. Student aid is supported by both operating and endowed funds. It is projected that student aid funded by the endowment will be $37 million in 2013-14 and $40.5 million by the end of the planning period. See note 3 above for more details on projected endowment payouts.

14. University Fund

The University of Toronto budget model creates a fund, the University Fund, to enable the Provost to make strategic budget allocations to academic divisions. The fund is derived from 10% of incremental operating revenues each year. It is an entirely non-formulaic allocation, intended to provide funding in accordance with the University's academic values and priorities. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of an external entities. It also enables the University to recognize differences in the cost of delivery of various programs. Allocations for 2013-14 are outlined in the University Fund section of the main report.

15. Flow through to other institutions

Several university programs include joint activities with other institutions. This expense category captures those portions of university revenue that flow to collaborating institutions. It includes:

- Canada Research Chair revenue flowing to hospitals;
- Provincial grant revenue flowing to the Toronto School of Theology; and
- Grant and tuition revenue flowing to colleges with which the University offers joint programs (Centennial College, Sheridan College, Michener Institute)

Table 1: Summary of Capital Projects: 2001 to January 31, 2013 (presented for information only)

Appendix C

	Total Projects Approved (as reported in 2011-12 Budget Report)	Changes made in 2011-12 to Existing Project Budgets to Date	New Projects Approved Since 2011-12 Budget Report (see details on Table 2)	Total Projects Approved to Date: Cumulative amount over 11 years
Capital projects Approved				
Academic and Shared Service Divisions	1,409,384,044	46,090,000	51,000,000	1,506,474,044
Ancillaries	351,400,000	40,000	-	351,440,000
Matching Funds for endowment capital	44,000,000	-	-	44,000,000
Total Capital Projects	**$ 1,804,784,044**	**$ 46,130,000**	**$ 51,000,000**	**$ 1,901,914,044**
Funding Sources				
Federal Government	140,960,000	(3,650,000)	-	137,310,000
Provincial Government	504,960,700	14,220,000	9,900,000	529,080,700
Campaign Donations	155,460,000	18,540,000	-	174,000,000
Other (interest earned, municipal)	101,957,250	(12,000,000)	-	89,957,250
Sub-Total	903,337,950	17,110,000	9,900,000	930,347,950
Funded by the Central Operating Budget	215,521,984	20,860,000	2,000,000	238,381,984
Funded by Academic Divisional Budgets	454,904,110	(5,180,000)	39,100,000	488,824,110
Funded by Ancillaries Budgets and Student Levies	231,020,000	13,340,000	-	244,360,000
Sub-Total	901,446,094	29,020,000	41,100,000	971,566,094
Total Funding	**$ 1,804,784,044**	**$ 46,130,000**	**$ 51,000,000**	**$ 1,901,914,044**
	-	-	-	-

Table 2: New Capital Projects Approved Since 2012-13 Budget Report (presented for information only)

Appendix C

	Total Project Cost	Sources of Funding: Central	Sources of Funding: Divisional Operating Budget	Sources of Funding: Other Funding Sources	New Projects Approved Divisional Borrowing
New Projects Approved Since Last Budget Report					
UTM Kaneff Building	35,000,000		35,000,000		-
Jackman Institute of Child Study	16,000,000	2,000,000	4,100,000	9,900,000	-
Total New Projects	**$ 51,000,000**	**$ 2,000,000**	**$ 39,100,000**	**$ 9,900,000**	**-**