

THE GOVERNING COUNCIL
REPORT NUMBER 110 OF
THE PLANNING AND BUDGET COMMITTEE

March 28, 2006

To the Academic Board,
University of Toronto.

Your Committee reports that it met on Tuesday, March 28, 2006, at 4:10 p.m. in the Council Chamber, Simcoe Hall, with the following members present.

Professor Avrum Gotlieb (in the Chair)
Professor Vivek Goel, Vice-President and
Provost
Ms Catherine J. Riggall, Vice-President,
Business Affairs
Professor Safwat Zaky, Vice-Provost,
Planning and Budget
Professor Philip H. Byer
Mr. Ryan Matthew Campbell
Mr. P.C. Choo
Professor John Coleman
Miss Coralie D'Souza
Professor Glen A. Jones

Professor David Mock
Ms Carole Moore
Mr. Timothy Reid
Professor Pekka Sinervo
Professor J. J. Berry Smith
Mr. Stephen C. Smith

Regrets:

Professor Miriam Diamond
Mr. Martin Hyrcza
Professor Ron Smyth

Non-voting Assessors:

Mr. John Bisanti, Chief Capital Projects
Officer
Ms Elizabeth Sisam, Assistant Vice-
President, Space and Facilities Planning

Secretariat:

Mr. Henry Mulhall
Ms Cristina Oke, Secretary

In attendance:

Ms Sheree Drummond, Assistant Provost
Dr. Jeanne Li, Special Assistant to the Vice-President, Business Affairs
Professor George Luste, President, University of Toronto Faculty Association
Ms Mary-Ellen Yeomans, Chief Administrative Officer, Rotman School of Management
Professor Catherine Whiteside, Dean, Faculty of Medicine

ITEM 4 IS RECOMMENDED TO THE ACADEMIC BOARD FOR APPROVAL.

ALL OTHER ITEMS ARE REPORTED TO THE ACADEMIC BOARD FOR INFORMATION.

1. Reports of the Previous Meetings held on February 28, 2006 and March 7, 2006

At the request of a member, a new fifth paragraph was inserted to Item 6 on page 8 of the Report of the meeting on February 28:

A member noted that the second recommendation in the Project Planning Report referred to an Energy Infrastructure Renewal Plan, and asked when that Plan would proceed through governance. Ms Riggall replied that the Plan was expected to come to governance in the fall.

**1. Reports of the Previous Meetings held on February 28, 2006 and March 7, 2006
(cont'd)**

Report Number 108 of the meeting held on February 28, 2006, as amended, and Report Number 109 of the meeting held on March 7, 2006 were approved.

2. Business Arising from the Reports of the Previous Meetings

There was no business arising from the reports of the previous meetings.

3. Report of the Vice-President and Provost

Professor Goel deferred his report to the presentation of the 2006-07 Budget.

4. Budget Report, 2006 - 07**(a) Introduction**

Using a Powerpoint presentation, Professor Goel highlighted the following points in the Budget Report.

(i) Multi-Year Budgeting

- The University had developed a system of multi-year budgeting that allowed for planning, and it was currently entering the third year of a six-year budget cycle.
- The University was in the midst of a period of significant change in revenues and expenditures.

(ii) Guidelines

- The *Policy on Surplus/Deficit at Fiscal year-End* required an annual budget variance no greater than 1.5% of gross operating revenue
- Within the long-range budget guidelines, the Governing Council had allowed larger annual variances as long as the University exited each cycle with a balanced budget and the accumulated deficit did not exceed 1.5% in the final year of the budget cycle.

(iii) Budget Assumptions

- Revenue and expense assumptions were fiscally prudent, based on present circumstances and known Government policies.
- The assumptions did not reflect the University's advocacy objectives.

A. Revenue**• Enrolment**

- The budget assumed some reduction in overall undergraduate enrolment, resulting from the end of the double cohort, with increased international enrolment and a significant proposed expansion in graduate enrolment.

• Government operating grants

- The budget assumed that the government would continue to provide full funding for undergraduate enrolment, as well as full funding for an additional 4,400 graduate full-time equivalents (FTEs).
- The budget also assumed that allocations from the Quality Fund would remain at the current level.

4. Budget Report, 2006 – 07 (cont'd)

(iii) Budget Assumptions (cont'd)

A. Revenue (cont'd)

- There was a degree of uncertainty about government funding because the provincial government had not yet indicated how it would deal with unfunded Basic Income Units (BIUs) that were a result of higher than anticipated enrolment in 2005-06.
- **Tuition fees**
 - Tuition fees at the University of Toronto were governed by two policies: the *Tuition Fee Policy*¹ and the *Policy on Student Financial Support*²
 - Provincial Framework for Tuition Fees
 - The average increase across the University had been capped at 5% per year.
 - Increases for continuing students had been capped at 4% in program.
 - Increases for most incoming students had been capped at 4.5%.
 - Increases for professional and graduate programs could not exceed 8%.
 - Universities were required to provide to the provincial government a Student Access Guarantee which would replace the current requirement that 30% of the revenue resulting from tuition fee increases be directed toward student financial support.
 - Tuition fees for international students would increase by 5% across all programs, as had been proposed in 2004-05.
 - Summary of proposed increases:

2 %	4%	4.5%	6-8%
M.D.	All continuing students All graduate students, excluding MBA Commerce BBA (2006-07) CSC/CCIT/Bioinformatics (2006-07) Management (UTM) (2006-07)	Entering Students: Arts and Science Physical Education Music Education (B.Ed.) Nursing CSC/CCIT/Bioinformatics (2007-08) Management (UTM) (2007-08) Pharmacy, PharmD Radiation Sciences	Entering Students: Applied Science and Engineering (6%) J.D. (8%) D.D.S. (8%) M.B.A. (8%) Commerce BBA (8%: 2007-08)

- Summary of the impact of tuition revenue:

If tuition increase level:	Lost Revenue Without Proposed Increase	Additional cost containment required if revenue not achieved	# professorial positions at average professorial salary
0%	\$17.2M	3.0% base 1.5% OTO	135
2%	\$8M	1.0% base 1.5% OTO	63
5% - international 4.12% - domestic	\$0M	none	0

¹ <http://www.utoronto.ca/govcncl/pap/policies/tuitfee.html>

² <http://www.utoronto.ca/govcncl/pap/policies/stufinan.html>

4. Budget Report, 2006 – 07 (cont'd)**(iii) Budget Assumptions (cont'd)****B. Expense**

- **Compensation:**
 - Salaries and benefits were the major expenses of the University.
 - Assumptions reflected negotiated settlements and the current University position in ongoing negotiations, and the Consumer Price Index (CPI) thereafter.
 - There had been a small increase in pension deficit amortization as a result of recently negotiated settlements.
- **Significant changes in expense from last year:**
 - Increased cost of utilities;
 - Increased cost of compensation above CPI assumption;
 - Increased cost of benefits;
 - New expenses:
 - UTIF repatriation
 - Varsity Centre
 - Multi-Faith Centre
 - Student Experience Fund
 - Support for proposed graduate expansion
- **Student Experience Fund**
 - This fund was intended to support initiatives that would have an immediate positive impact and enhance the student experience:
 - Student activity and study space;
 - Student portal;
 - First Year Learning communities;
 - Student engagement opportunities [e.g., Tutors in the Classroom; Sustainability Office]
 - Pilot projects (with potential for wide-spread applicability).

(iv) Budget Issues

- Revenues were expected to increase by 30% in the next four years, but there were expenses associated with the increased revenue.
- Expenditures were projected to increase more rapidly than revenues, therefore expenditure containment was required.
- Academic divisions would receive most of the new revenue in the next few years.
- Although the provincial government was making a significant investment in post-secondary education, Ontario's rank of 10th out of the 10 provinces with respect to per student funding was likely to remain unchanged, since spending on post-secondary education was being increased by other provinces.
- Significant priorities for the University continued to be research and funding support for graduate students and increased funding of the indirect cost of research.

Discussion

A member asked for clarification of the assumptions of tuition and grant revenue. Professor Goel replied that the budget model assumed tuition fee increases in future years similar to those proposed in 2006-07, and provincial grant revenue had been allocated based on previous allocation approaches.

4. Budget Report, 2006 – 07 (cont'd)**Discussion (cont'd)**

A member asked whether expense containment measures would result in the elimination of divisions or services. Professor Goel replied that, given the new resources, it was not anticipated that there would be elimination of units or services, but that increased efficiencies and ongoing resource reallocation were being encouraged.

A member noted the allocation of \$3 million in base to support the University of Toronto Innovations Foundation, and asked about the plan for the proposed restructuring. He was assured that regular reports on the status of the Innovations portfolio would be made to governance.

A member asked how support to enhance student experience from the proposed Student Experience Fund would fit in with support from other sources, such as the Academic Initiatives Fund, Hart House, and athletics. Another member noted the number of non-academic initiatives that were funded by students, and asked how the University defined the student experience. Professor Goel replied that the University used a broad definition of student experience. The operating budgets for ancillaries and student services were considered by the University Affairs Board. There was a Protocol in place that governed how increases to non-academic fees were determined. Students had a voice in how the budgets of such units were made through the Council of Student Services (COSS).

Professor Goel explained that the methodology for determining allocations from the Student Experience Fund would be developed in consultation with Principals and Deans. It was intended that this fund would support projects that were not normally funded by other sources. A member commented that, in her opinion, COSS had proven to be inefficient, and she expressed her support of the Student Experience Fund as an alternative source of funding for projects that were supported by students but not funded by COSS.

A member suggested that there be a review in the 2006-07 governance year of the policies related to fees that supported various aspects of the student experience, with a view to determining the areas of intersection among the bodies that were currently responsible for approving such fees.

A member asked how much student involvement there would be in determining allocations from the proposed Student Experience Fund. Professor Goel replied that there was ongoing extensive interaction with students to get student opinion from a variety of sources including direct interaction, course evaluations, focus groups, and various surveys.

A member asked for clarification of the sources of divisional income. Professor Goel replied that the chief source of divisional income was from continuing education.

A member asked whether costs associated with the central administration had been increasing over the past years. Professor Goel replied that the proportion of expenses associated with the central administration had decreased.

On motion duly moved and seconded

YOUR COMMITTEE RECOMMENDS

THAT the “Budget Report for 2006-07” dated March 13, 2006, including the revisions to the long-range budget assumptions and the Contractual Obligation and Policy Commitments list, a copy of which is attached hereto as ‘Appendix A’, be approved.

5. Date of the Next Meeting

The Chair informed members that the meeting of the Committee scheduled for Tuesday, April 11, 2006 at 4:10 p.m., had been cancelled. The next meeting of the Committee was scheduled for Tuesday, May 9, 2006, at 4:10 p.m. in the Council Chamber.

6. Other Business

There was no other business.

The meeting adjourned at 5:30 p.m.

Secretary

Chair

April 7, 2006