

BUDGET REPORT 2008-2009

Presented to

The Board of Governors

April 11, 2008

Respectfully submitted by the Budget Committee:

J. Woodsworth (Chair)

R. F. Bourgeois

H. d'Entremont

G. Labelle

S. Radey

S. Silverton

Laurentian University Budget 2008-2009

The Current Environment Facing Ontario Universities

Through the Reaching Higher Plan, the current Ontario Government has committed \$6.2 billion over five years to improve undergraduate access and expand graduate spaces, of which \$2.8 billion is for universities. In 2007-2008, the province has chosen to invest close to \$500 million to fund universities this winter, including \$135 million in campus renewal, \$115 million in research investments and \$210 million in end of year cash for capital. A recent 2008 Ontario Budget has added \$200 million in new money for campus renewal and deferred maintenance. And yet, while this additional funding has provided much needed financial support to Ontario universities through a period of rapid expansion, it has fallen far short of the targets called for in the Rae review of postsecondary education. In 2006-2007, Ontario universities received \$3 billion in operating grants from the Province. The Council of Ontario Universities has however consistently pointed out that Ontario lags behind other Canadian provinces in the operating grants it provides its universities when measured on a per student basis and has in fact provided the lowest per capita funding for the past 15 years. Moreover, while the aforementioned \$700 million will assist universities with their capital projects and deferred maintenance, it has offered very little relief in removing the pressure that most Ontario universities are facing in meeting their operating budget requirements for 2008-2009.

At their winter meeting held in March, the Council of Senior Administrative Officers representing all Ontario universities concluded that, for the most part, universities across the province would experience difficult financial circumstances for the fiscal year 2008-2009. Most reported substantial short falls in operating funds with many indicating the prospect of having to impose significant cuts in operating expenses in an attempt to eliminate or at least lower possible deficits. A number of universities have also adopted a practice of presenting their budgets within a multi-year cycle, say 3 or 4 years, as a means of achieving the measures required for balancing their budgets. In short, it would appear that the upcoming year and in some cases the period beyond, is expected to be difficult for Ontario universities as it relates to operating funds.

The Current Environment Facing Laurentian

Consistent with the above context, Laurentian has also benefitted from two recent late year contributions from the Ontario Government: a \$5.827 million transfer to fund campus renewal and a recently announced \$5 million contribution in support of the capital cost of building the new Vale Inco Living with Lakes Centre. While this assistance will clearly be of long term benefit, it unfortunately does little to address our more immediate and pressing need for operating funds for 2008-2009. In this regard, the situation faced by our University is not much different than that being experienced by most others throughout the province. Provincial funding for operations has not kept pace with the growth in student enrolment and rising costs.

Over the recent past, the University has experienced a growth rate which has often surpassed the growth experienced elsewhere.

During this period:

- From 2002 to 2006, total enrolment climbed from approximately 6,300 to over 9,000, representing a 44% increase as compared with the average of 22% for the Province as a whole.
- The University's research activity grew from about \$9 million in 2003 to over \$38 million in 2006, thus ranking number one for research income growth in Canada for the past year. Coupled with this were the development and/or expansion of a number of world class research centres including the Centre for Excellence in Mining Innovation (CEMI) and its associated entities such as the Mining Innovation Rehabilitation and Research Corporation (MIRARCO), the newly developed Centre for Humanities Research and Creativity (Centre for Humanities), the Centre for Rural and Northern Health Research (CRaNHR), as well as the Living with Lakes Centre, a new Laurentian initiative which builds upon the success of the Cooperative Freshwater Ecology Unit and is a partnership with the provincial and local governments as well as with industry.
- From 2002 to 2006, the full-time faculty complement has grown by 27% to around 400 and most of the newest hirings are associated with research programs which involve undergraduate and graduate students.
- Increased programming in such areas as English, Education, Forensic Science, Sports Administration and graduate programs.
- An expansion of collaborative arrangements with community colleges and other institutions. For example, approximately 1,000 students are now involved in programming sponsored under the aegis of the Laurentian at Georgian College collaborative arrangement. Building upon the success of the 4-year BBA program, plans for 2008 include adding the 4th year in the BA program to our offering at the Georgian campus in Barrie.

What are the Key Factors Causing a Shortage in Operating Funds

At a time when other universities benefited from infrastructure assistance, through the SuperBuild program (under the previous government), Laurentian's enrolment was in decline. Once we began to grow, the program was no longer available, the current government having chosen to redirect resources under the Reaching Higher Plan.

As a result, the University was forced to self-finance the capital expansion required to accommodate the significant growth in student population. This resulted in a significant increase in the debt that the University has been required to incur.

Servicing this debt and the large deferred maintenance requirements needed to support the campus infrastructure will clearly divert scarce resources from expenditures needed to sustain the University's primary educational role. This has in fact tempered potential growth in some of the strategic priorities of the University, not only in terms of undergraduate studies but mostly in terms of graduate programs and related research activities.

Over and above these recent historical cost pressures, our **operating expenses** for 2008-2009 are expected to increase substantially relative to last year's budget, in large part due to three things:

- Additional space-related costs for the Willet Green Miller Centre, the School of Education and the Ben Avery Athletic Facility will come both in the form of incremental rental and debt servicing charges.
- The impact of collective bargaining to occur this spring must be taken into account inasmuch as salaries and benefits represent close to 80% of our operating expenditures.
- Several of the remaining operating expenditures are tied to cost of living increases even if the scale of operations can be held to existing levels. Fuel is a good case in point.

On the **revenue** side:

- Tuition revenues are likely to remain relatively flat for 2008-2009 with small approved tuition increases expected to be counterbalanced with a slight overall decrease in enrolment. Notwithstanding, the slight overall decrease being projected for the Sudbury campus, there are some positive developments worth highlighting: The number of international students is projected to rise substantially and the number of Laurentian students at Georgian's Barrie campus will also continue to increase.

Initial Projections Revealed a Large Budget Gap

Initial projections of the operating budget for 2008-2009 presented to the Finance Committee of the Board of Governors late in 2007, revealed that unless action was taken to reduce expenditures and enhance revenues the University would face a budgetary shortfall of approximately \$12 million. Clearly, this was unacceptable and called for action on the part of the Budget Committee to identify measures that would be proposed to bring our operating spending in line with our forecasted revenues. This is what we have done and are presenting through this proposed Budget for 2008-2009.

As disturbing as these initial status quo projections were, they nevertheless served to provide a wake-up call. The fact that significant upward cost pressures due to factors such as collective bargaining, space and cost of living increases are expected to converge with a period of flat revenue streams provides some impetus to develop both a short term transition strategy and a longer range financial plan as components to the implementation of the University's Strategic Plan.

Proposed Measures to Reduce the Budgetary Gap

Over the course of several meetings, the Budget Committee in collaboration with Deans and Directors conducted a detailed examination of all aspects of the University's operations.

The more significant cuts have come from the following areas:

- Non-replacement of vacant and term positions;
- A staffing freeze on all permanent hires with any exception to be approved only by the President on the recommendation of the Budget Committee;
- Pension savings resulting from the recent valuation of the pension plan;
- Cuts in the Deans' flexible spending;
- Cuts to physical plant repairs and renovations;
- Refinancing internal loans;
- Cuts to operating budgets;
- Reduction to VPs' offices;
- Reduction of contingency accounts; and,
- An early retirement and departure program.

As a result of this review, in excess of 20 areas were identified as targets for cost cutting, in total representing slightly in excess of approximately \$7.7 million. Virtually every discretionary object of expense was cut, which will leave Laurentian with very limited flexibility for the year ahead. No new initiatives will be approved for spending unless they are of an exceptional nature, such as health and safety issues, or also items where the expenditure can be linked to significant downstream cost savings or possible increase in revenues.

In addition we are forecasting slight increases to ancillary and miscellaneous revenues of \$1.1 million.

When combined, these stringent cost cutting measures along with additional revenues and appropriation reversals would serve to reduce our budgetary gap by \$9.6 million, leaving a projected deficit of \$2.4 million.

Beyond 2008-2009

With costs expected to continue rising for the reasons presented in this summary, and with the double cohort having come and gone, and enrolments consequently not expected to climb substantially over the next couple of years, the University will need to formulate a transition strategy to provide a bridge to the point at which growth rates are once again on the rise. Such a plan could be prepared this summer and fall; presented to Senate and the Board of Governors by December of this year and implemented over the next two to three year timeframe.

Elements that would need to be included in a re-basing of University finances would include:

- Some consolidation of courses and a restructuring of the credit value of programs consistent with what most other universities offer.
- Space consolidation: a campus space plan study has been undertaken and will assist in this work. There is scope for larger class sizes.
- Consideration of sharing Information Technology (IT) services. A baseline review of our IT operations and services has recently been completed and will assist in this.
- Expansion of our outreach and marketing capacity designed to increase enrolments over current projections.
- More moderate salary increases and reduced hiring activity.

None of the above will be easy. However, out of it will come a much stronger foundation for Laurentian to continue to build upon the success it has experienced in the past five years.

The details of the revenue and expenditure elements proposed by this Budget are set out in the attached schedules.

Attachments

Laurentian University
2008-2009 BUDGET

(thousands of dollars)

REVENUES

Budgeted revenues at beginning of year	99,216
Changes:	
Grant increases	(845)
Tuition fee increase	528
Interest	75
Miscellaneous income	1,084
Indirect Research Support Grant	95
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Revenue estimates for end of the year	<u>100,153</u>

EXPENDITURES

Budgeted expenditures at beginning of year	103,397
Increased commitments	
Salaries and benefits including provision for increases	4,858
Utilities & Cleaning	385
Rent WGMC	605
Debt Repayment	1,225
Net proposed expenditure decreases	(6,249)
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Total before appropriations	<u>104,221</u>
Appropriations	<u>(1,668)</u>
Expenditure estimates for end of the year	<u>102,553</u>
SURPLUS (DEFICIT)	<u><u>(2,400)</u></u>

Laurentian University
2008-2009 BUDGET

Proposed Expenditure Increases

ACADEMIC UNITS

Faculty appointments & changes	373,570	
Georgian Program	508,357	
Operating expenses	36,500	918,427
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ACADEMIC SUPPORT

Graduate Teaching Assistants	254,000	
Operating expenses	30,000	
Secretarial & Technical support	47,900	331,900
		<hr/>

OTHER AREAS

Other		181,394
		<hr/>

Total Proposed Increases

1,431,721

Proposed Expenditure Reductions

ACADEMIC UNITS

Faculty appointments & changes	(973,550)	
Dean's contingency & discretionary funds	(677,034)	(1,650,584)
		<hr/>

ACADEMIC SUPPORT

Vice-President Academic Office	(660,000)	
Secretarial & Technical support	(104,290)	
Research , Creativity & Development	(100,000)	(864,290)
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OTHER AREAS

Administrative positions & changes	(369,750)	
Bursaries	(300,000)	
Student Services	(100,000)	
Strategic Plan	(200,000)	
Attrition	(75,000)	
Physical Plant	(975,000)	
Benefits	(1,705,665)	
Other	(1,440,700)	(5,166,115)
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Total Proposed Reductions

(7,680,989)

Total Proposed Expenditure Reductions

(6,249,268)

Laurentian University
2008-2009 BUDGET ESTIMATES

	BUDGET 2007-2008	ANTICIPATED ACTUAL 2007-2008	BUDGET 2008-2009
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	99,216,335	97,385,179	100,152,761
Total Expenditures	99,216,335	98,828,179	102,552,294
	<u> </u>	<u> </u>	<u> </u>
NET SURPLUS (DEFICIT)	<u> 0</u>	<u> (1,443,000)</u>	<u> (2,399,533)</u>
 ACCUMULATED SURPLUS			
Beginning of the year	1,443,000	1,443,000	0
Net Surplus (Deficit)	0	(1,443,000)	(2,399,533)
	<u> </u>	<u> </u>	<u> </u>
End of the year	<u> 1,443,000</u>	<u> 0</u>	<u> (2,399,533)</u>

Laurentian University
2008-2009 REVENUE ESTIMATES

	BUDGET	ANTICIPATED	
	2007-2008	ACTUAL	BUDGET
	2007-2008	2007-2008	2008-2009
PROVINCIAL GRANTS			
BASE	36,311,000	36,658,000	36,658,000
NORTHERN	5,704,000	5,704,000	5,704,000
BILINGUAL	5,740,000	7,742,000	7,742,000
ACCESSIBILITY Disabled	131,000	301,362	301,362
RESEARCH LEADERSHIP	200,000	196,000	196,000
MUNICIPAL TAXES	477,000	477,000	477,000
MIDWIFERY	331,467	331,467	331,467
NURSING COLLABORATION	525,000	801,336	801,336
RESEARCH PERFORMANCE FUND	294,000	350,000	350,000
UNDERGRAD GROWTH FUND	2,721,410	2,092,673	1,877,800
GRADUATE GROWTH FUND	1,432,074	1,034,021	1,459,001
PERFORMANCE FUND	320,000	313,891	314,000
QUALITY FUND	1,120,000	1,120,000	1,120,000
GRADUATE CAPITAL	578,939	200,000	250,000
TUITION COMPENSATION	940,000	977,325	977,325
SPECIAL FRANCOPHONE	4,862,689	2,264,349	2,062,558
NEW QUALITY INITIATIVES	2,172,800	2,169,800	2,169,800
MASTERS NURSING		225,000	225,000
TOTAL PROVINCIAL GRANTS	63,861,379	62,958,224	63,016,649
FEDERAL INDIRECT RESEARCH			
SUPPORT GRANT	1,438,000	1,438,000	1,532,795
TUITION FEE INCOME	29,432,157	27,935,000	29,959,798
MISCELLANEOUS INCOME	3,809,800	4,303,955	4,893,520
INTEREST	675,000	750,000	750,000
TOTAL REVENUE	99,216,335	97,385,179	100,152,761

Laurentian University
2008-2009 EXPENDITURE BUDGETS

	BUDGET 2007-2008	BUDGET 2008-2009
SOCIAL SCIENCES AND HUMANITIES	19,015,446	19,570,968
SCIENCES AND ENGINEERING	16,335,979	16,211,880
PROFESSIONAL SCHOOLS	16,478,537	16,652,416
MANAGEMENT	4,746,755	4,970,099
GRADUATE STUDIES	1,941,058	2,275,000
LIBRARY	4,813,395	4,845,530
CONTINUING EDUCATION	2,314,542	2,265,059
OTHER ACADEMIC	4,216,349	3,615,399
STUDENT SERVICES	9,296,236	8,933,039
ADMINISTRATION	8,118,323	8,171,979
COMPUTING & TELECOMMUNICATIONS	2,706,655	2,753,488
UNIVERSITY ADVANCEMENT	2,095,317	2,122,188
PHYSICAL PLANT	9,711,357	11,097,080
STRATEGIC PLANNING INITIATIVES	200,000	0
ATTRITION	(250,000)	(325,000)
INDIRECT RESEARCH GRANT DISTRIBUTION	90,000	65,000
OTHER	1,566,829	996,245
	<hr/>	<hr/>
TOTAL BEFORE APPROPRIATIONS	103,396,779	104,220,370
APPROPRIATIONS	(4,180,444)	(1,668,076)
	<hr/>	<hr/>
TOTAL EXPENDITURES	<u>99,216,335</u>	<u>102,552,294</u>

SCHEDULE 4

Laurentian University
ANALYSIS BY OBJECT OF EXPENSE
2008-2009 BUDGET

	BUDGET	ANTICIPATED	BUDGET
	2007-2008	ACTUAL	2008-2009
	<u>2007-2008</u>	<u>2007-2008</u>	<u>2008-2009</u>
SALARIES	65,232,763	64,912,712	68,227,362
BENEFITS	13,314,975	12,604,975	11,208,689
SUB-TOTAL	<u>78,547,738</u>	<u>77,517,687</u>	<u>79,436,051</u>
LIBRARY ACQUISITIONS	1,775,000	1,775,000	1,789,000
UTILITIES & CLEANING CONTRACTS	3,715,500	3,415,500	3,885,500
EQUIPMENT & MAINTENANCE	3,079,749	3,081,749	2,817,607
SCHOLARSHIPS & BURSARIES	4,771,898	4,771,898	4,471,898
INSURANCE	330,000	360,000	400,000
LEGAL & AUDIT FEES	320,000	420,000	400,000
MAJOR REPAIRS	485,000	485,000	0
TRAVEL, MEETINGS (INCLUDES ATHLETICS)	1,105,818	1,055,810	997,412
PROFESSIONAL ALLOWANCES	860,000	860,000	920,000
RECRUITMENT & RELOCATION	709,971	709,971	407,977
MEMBERSHIPS	185,000	185,000	185,000
DIRECT RESEARCH SUPPORT	190,000	190,000	210,000
SPACE RENTALS	437,904	437,904	1,042,904
MUNICIPAL TAXES	445,000	477,000	477,000
ACADEMIC PRIORITY FUND	205,000	205,000	0
STRATEGIC PLANNING INITIATIVES	200,000	200,000	0
OTHER	6,033,202	7,169,756	1. 6,780,021
TOTAL BEFORE APPROPRIATIONS	<u>103,396,779</u>	<u>103,317,275</u>	<u>104,220,370</u>
APPROPRIATION ADJUSTMENT	(4,180,444)	(4,489,096)	(1,668,076)
TOTAL EXPENDITURES	<u>99,216,335</u>	<u>98,828,179</u>	<u>102,552,294</u>

NOTE:

1. Teaching Supplies, Lab Supplies, Office Supplies & Expenses, Long Distance, Postage, Printing, Library Cataloging, Publications, Advertising and Promotion