



Laurentian University
Université **Laurentienne**

BUDGET REPORT 2009-2010

Presented to the

Board of Governors

April 17, 2009

Respectfully submitted by the Budget Committee:

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Laurentian University Budget 2009-2010

The Current Environment Facing Ontario Universities

As members of the University community and Board of Governors are well aware, the operating budgets of Ontario universities are in serious difficulty. This is so, despite the fact that the Ontario government's Reaching Higher Plan is providing an additional \$2.8 billion over a five year period. The Reaching Higher Plan was launched in 2005 and there have been some indications by the Government of Ontario that a successor Plan could form part of the 2010-2011 budget. In spite of this increased funding, enrolments have grown, with the result that provincial per-student funding of universities is the lowest in Canada. Meanwhile, costs are continuing to rise, such that most universities are currently in a deficit position in their operating budgets. As a consequence of the current economic downturn, it does not appear that the Province is in a position to resolve the budgetary shortfalls experienced by the universities.

Within the calendar year 2010, most Ontario universities, including Laurentian, will be required to conduct an actuarial assessment of their pension plans. Unless stock markets recover significantly before the assessment dates, most universities will face an additional serious charge against their operating budgets, since the law currently requires employers to repair shortfalls in the funding of their pension plans. The universities are currently seeking regulatory relief from the Province, to ease the burden of these payments, but so far without success.

There is good news in the area of capital budgeting. In order to stimulate the economy in a period of serious recession, the federal government is making \$2 billion available to colleges and universities, to be matched by \$2 billion from provincial and other sources, in support of new "shovel-ready" construction projects that must be completed by March 2011. Ontario has indicated its willingness to match the contributions.

All universities, including Laurentian, have submitted project proposals covering new buildings, modernization of existing facilities and deferred maintenance. Decisions on federal funding are expected in May. Although not yet determined, the timing of matching provincial dollars will need to occur shortly thereafter in order to achieve the intended economic stimulus and meet the program completion dates.

The Current Environment Facing Laurentian

In the winter of 2008, projections made by Laurentian University showed that if the basic programs were left unchanged, anticipated cost increases would push the operational budget into a deficit of \$12 million. With a total budget in the range of \$100 million, this was a deficit that the institution could not accept.

Accordingly, the Budget Committee cut a total of \$7.7 million in expenditures. It also reduced contributions to the pension plan by \$1.9 million, since at that time the plan was in a surplus position, and the reduction in the employer's contribution could be seen as repayment of a loan made several years earlier, when a shortfall in the pension fund had required the employer to

increase its contributions. With these two adjustments, and by drawing upon the last of remaining reserves, the Budget Committee was able to present a budget to the Board showing a \$2.4 million deficit for 2008-2009.

The Board accepted the budget, but in view of the deficit, asked Acting President Bourgeois to conduct a thorough study of the University structure and budget, with a view to eliminating the deficit. With the aid of University staff and faculty, President Bourgeois completed the study, which was accepted by the Board at its meetings of December 19, 2008 and February 20, 2009.

By the time the report entitled *A Plan for Regaining Sustainability at Laurentian University* ("Sustainability Plan") was presented, however, the deficit for 2008-2009 had grown. It now appears that the accumulated deficit at year end will be in the neighborhood of \$5 million, as reported in the Sustainability Plan.

What are the Key Factors Currently Causing a Shortage in Operating Funds

The most important cause of the deterioration is that enrolment came in lower than projected in the budget. In addition, because of the deterioration in asset values, the pension plan moved from a surplus to a deficit position, and the University therefore thought it prudent to cancel its contribution holiday. The enrolment shortfall added about \$2 million to the deficit, the resumption of pension payments about \$1 million (not the full \$1.9 million, because it occurred part-way through the fiscal year). It should be added that while in many previous years the Province had added significant funds to the operating budget right at the end of fiscal year, this did not happen last spring.

Initial Projections Revealed a Large Budget Gap for 2009-2010 through 2011-2012

As we began work on our Sustainability Plan, the university faced a bleak financial picture. Unchecked, instead of falling, the deficit was projected to rise to \$11 million in 2009-2010, to \$13 million in 2010-2011, and to \$15 million in 2011-2012, mounting to a cumulative deficit of over \$44 million at the end of the three-year period. This table is shown in the Financial Framework section (4.5) of the Plan for Regaining Sustainability. Clearly the University could not accept such devastatingly high deficits.

Neither, however, it was decided, could it tolerate the shock to its programs of eliminating the deficit in a single year. Rather the Plan, accepted by the Board, foresees a gradual elimination of the deficit.

A Proposed Multi-Year Cycle

The Sustainability Plan proposes a three-year timeframe for restoring the Laurentian budget to balance. In 2009-2010, the deficit would be projected to fall from \$5.3 million to \$4 million. In 2010-2011, it would fall to \$2 million and in 2011-2012 to zero. Even this will leave us with a cumulative deficit of \$11.3 million, which will have to be worked off in future years.

Proposed Measures to Reduce the Budgetary Gap

Interestingly, all Ontario universities that have thus far revealed their financial strategies have come up with roughly the same plan, to eliminate their deficits over a three-year period.

The principal assumptions behind Laurentian's projections are these:

1. The provincial grant per student will not be increased.
2. The deficit will be reduced half by cutting costs and half by increasing revenues.
3. To increase revenues by a sufficient amount, enrolments will have to rise by almost 1,000 students over the three year period.

Clearly, if assumption #1 turns out to be overly pessimistic, our task will be easier, but we think it best not to count on this yet.

As previously mentioned, our strategy for achieving our financial goal is to meet approximately half of the above budget short fall by revenues from increased enrolment, and approximately half by the budget cuts. While the relative share attributed to increased revenues or expenditure reduction may vary slightly from year to year, our goal is to achieve a further \$7.6 million in total budget cuts over the next three years, roughly similar to the \$7.7 million already stripped from operating budgets. Should these forecasts prove to be accurate, we will have trimmed operating expenditures by approximately 15% starting in 2008-2009.

For budget year 2009-2010, we propose a net reduction of expenditures of approximately \$3.0 million. We had hoped to reduce as much as \$3.45 million, however are not recommending that we go further at this stage. Having eliminated all forms of discretionary expenditures and suspended admission to *two* programs starting this fall, we believe that we have reached our limit to cut any more without inflicting damage to the University's academic operations in 2009-2010. Page 7 of this budget document provides a detailed list of proposed expenditure reductions. By leaving vacant positions unstaffed, reducing our dependence on term contracts and overload payments, we hope to avoid the more draconian measures of cuts that would be necessary if we were to go beyond the proposed expenditure reductions. On the revenue side, we are working aggressively to implement the detailed recruitment and retention strategies laid out in the Sustainability Plan.

Implementing the Plan

Members of the University are hard at work implementing the plan.

On the side of increased revenues, we have taken many steps to augment enrolments. These include a scholarship to new francophone students taking francophone courses, an improved web site, an advertizing campaign, increased phone and web outreach, enhanced advising to promote retention, and many other measures designed to reverse the drop in enrolment and attract several hundred new students beginning in 2009. We believe these measures are effective. At the same time, however, we have to take note of the fact that many other universities will be taking the same sort of measures.

On the cost-cutting side, the Budget Committee has spent long hours reviewing the expenditures of every unit on the campus, including both academic programs and support services. Rather than imposing blanket percentage reductions, the committee looked for the cuts that would do the least long-run harm to the institution. The goal was to cut in such a way that when economic conditions improve, the campus is situated to emerge stronger.

The Budget Committee will continue to meet frequently and continue to monitor enrolments on a monthly basis to see if we are on track to meet our assumptions for budget year 2009-2010. If enrolments and retention targets appear to not be materializing according to expectations, we will need to recommend further expenditure reductions to the Board of Governors. A progress report will be provided at every Board meeting so, if necessary, we will have time to impose greater cuts.

At the time we are presenting this budget for approval, we continue to believe that we can achieve our financial targets. While our planned enrolment are ambitious, we nevertheless have built into our budget a conservative counter measure by assuming no further increases to our government grant.

Attachments

Laurentian University
2009-2010 BUDGET

(thousands of dollars)

REVENUES

Budgeted revenues at beginning of year	100,153
Changes:	
Grant increases	1,141
Tuition fee increase	2,700
Interest	(250)
Miscellaneous income	170
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Revenue estimates for end of the year	103,914

EXPENDITURES

Budgeted expenditures at beginning of year	104,220
Increased commitments	
Salaries and benefits including provision for increases	6,857
Renovations	(200)
Net proposed expenditure decreases	(2,963)
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Expenditure estimates for end of the year	107,914

SURPLUS (DEFICIT) **(4,000)**

Laurentian University
2009-2010 BUDGET

Proposed Expenditure Increases

ACADEMIC UNITS

Faculty appointments & changes	541,638	
Georgian Program	318,427	
Operating expenses	<u>160,000</u>	1,020,065

ACADEMIC SUPPORT

Secretarial & Technical support		20,000
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OTHER AREAS

Recruitment Initiatives	509,332	
Other	<u>415,863</u>	<u>925,195</u>

Total Proposed Increases

1,965,260

Proposed Expenditure Reductions

ACADEMIC UNITS

Faculty appointments & changes	(2,076,768)	
Dean's overload & operating funds	<u>(850,302)</u>	(2,927,070)

ACADEMIC SUPPORT

Vice-President Academic Office	(102,077)	
Library	(75,000)	
Technical Support	(12,200)	
St-Lawrence Collaboration	(164,881)	
Research & Graduate Studies	<u>(350,905)</u>	(705,063)

OTHER AREAS

Administrative positions & changes	(211,996)	
Bursaries	(300,000)	
Debt Repayment	(364,000)	
Other	<u>(420,000)</u>	<u>(1,295,996)</u>

Total Proposed Reductions

(4,928,129)

Total Proposed Expenditure Reductions

(2,962,869)

Laurentian University
2009-2010 BUDGET ESTIMATES

SCHEDULE 1

	Final 2008/09 Budget	Anticipated Actual 2008/09	Preliminary Budget 2009/10	Projected Budget 2010/11	Projected Budget 2011/12
REVENUES					
Provincial grants	63,016,579	63,092,696	64,158,206	64,158,689	64,158,689
Tuition fees	29,959,867	28,366,000	32,660,134	33,966,539	35,325,201
Interest	750,000	500,000	500,000	500,000	400,000
Federal Indirect Research Support Grant	1,532,795	1,532,795	1,532,795	1,564,000	1,579,000
Miscellaneous	4,893,520	4,776,543	5,063,100	5,092,000	5,194,000
Increase in Revenue due to enrolment increase				2,005,000	2,005,000
Increase in Revenue due to enrolment increase					2,120,000
Total Revenues	100,152,761	98,268,034	103,914,235	107,286,228	110,781,890
EXPENSES					
Salaries	67,977,362	67,677,362	70,593,010	73,416,730	76,353,400
Benefits	12,876,765	14,176,765	14,895,470	15,417,513	16,034,214
Utilities and cleaning	3,885,500	3,510,500	3,565,500	3,636,810	3,709,546
Library acquisitions	1,789,000	1,789,000	1,733,383	1,733,383	1,733,383
Other operating	13,154,845	13,854,845	12,889,974	12,850,792	12,840,347
Scholarships and bursaries	4,471,898	4,471,898	4,171,898	4,171,000	4,171,000
Extra costs Associated with Indirect Research Support Grant	65,000	65,000	65,000	65,000	65,000
Provision for reductions				(2,005,000)	(2,005,000)
Provision for reductions					(2,120,000)
Total Expenses	104,220,370	105,545,370	107,914,235	109,286,229	110,781,890
Surplus (Deficit) Before Appropriations	(4,067,609)	(7,277,336)	(4,000,000)	(2,000,000)	(0)
Appropriations - 2008-09	1,668,076	1,668,076	0	0	0
Net Surplus (Deficit)	(2,399,533)	(5,609,260)	(4,000,000)	(2,000,000)	(0)
Accumulated Surplus , Beginning of Year	0	588,000	(5,021,260)	(9,021,260)	(11,021,260)
Current Year's Surplus (Deficit)	(2,399,533)	(5,609,260)	(4,000,000)	(2,000,000)	(0)
Accumulated Surplus (Deficit) , End of Year	(2,399,533)	(5,021,260)	(9,021,260)	(11,021,260)	(11,021,261)

Other Operating includes the following :

Equipment and Maintenance, Insurance, Professional Fees, Travel, Municipal Taxes, Professional Allowance, Memberships, Recruitment, Space Rental, Loan Repayments, Office, Telephone and Other.

Laurentian University
2009-2010 REVENUE ESTIMATES

	BUDGET	ANTICIPATED	BUDGET
	2008-2009	ACTUAL	2009-2010
	<u>2008-2009</u>	<u>2008-2009</u>	<u>2009-2010</u>
PROVINCIAL GRANTS			
BASE	38,980,325	38,475,000	38,475,000
NORTHERN	5,704,000	5,704,000	5,704,000
BILINGUAL	7,742,000	7,704,000	7,704,000
ACCESSIBILITY Disabled	301,362	323,547	323,547
RESEARCH LEADERSHIP	196,000	194,824	196,000
MUNICIPAL TAXES	477,000	477,000	477,000
MIDWIFERY	331,467	331,467	331,467
NURSING COLLABORATION	801,336	813,124	815,000
RESEARCH PERFORMANCE FUND	350,000	189,224	190,000
UNDERGRAD GROWTH FUND	1,877,800	900,000	2,399,936
GRADUATE GROWTH FUND	1,459,001	2,313,927	3,101,627
PERFORMANCE FUND	314,000	286,197	286,197
GRADUATE CAPITAL	250,000	288,500	350,000
SPECIAL FRANCOPHONE	2,062,558	2,062,558	2,071,304
NEW QUALITY INITIATIVES	2,169,800	1,733,128	1,733,128
ONE TIME FUNDING		1,296,000	
TOTAL PROVINCIAL GRANTS	<u>63,016,649</u>	<u>63,092,496</u>	<u>64,158,206</u>
FEDERAL INDIRECT RESEARCH SUPPORT GRANT	1,532,795	1,532,795	1,532,795
TUITION FEE INCOME	29,959,798	28,366,200	32,660,134
MISCELLANEOUS INCOME	4,893,520	4,776,543	5,063,100
INTEREST	750,000	500,000	500,000
TOTAL REVENUE	<u><u>100,152,761</u></u>	<u><u>98,268,034</u></u>	<u><u>103,914,235</u></u>

Laurentian University
2009-2010 EXPENDITURE BUDGETS

	BUDGET 2008-2009	BUDGET 2009-2010
SOCIAL SCIENCES AND HUMANITIES	19,598,358	20,860,486
SCIENCES AND ENGINEERING	16,211,880	17,081,731
PROFESSIONAL SCHOOLS	16,654,446	17,438,732
MANAGEMENT	4,970,099	4,824,336
RESEARCH & GRADUATE STUDIES	2,936,166	2,635,231
LIBRARY	4,794,247	4,550,841
CONTINUING EDUCATION	2,265,059	2,319,913
OTHER ACADEMIC	2,811,307	3,064,560
STUDENT SERVICES	9,022,032	8,886,317
ADMINISTRATION	8,223,820	8,821,510
COMPUTING & TELECOMMUNICATIONS	2,728,804	2,826,400
UNIVERSITY ADVANCEMENT	2,122,188	2,193,927
PHYSICAL PLANT	11,097,080	10,296,475
RECRUITMENT INITIATIVES	0	509,332
ATTRITION	(325,000)	(325,000)
INDIRECT RESEARCH GRANT DISTRIBUTION	65,000	65,000
OTHER	1,044,884	1,864,446
TOTAL EXPENDITURES	104,220,370	107,914,235

Laurentian University
ANALYSIS BY OBJECT OF EXPENSE
2009-2010 BUDGET

	ANTICIPATED		
	<u>BUDGET</u> <u>2008-2009</u>	<u>ACTUAL</u> <u>2008-2009</u>	<u>BUDGET</u> <u>2009-2010</u>
SALARIES	67,977,362	67,677,362	70,843,010
BENEFITS	12,876,765	14,176,765	14,895,470
SUB-TOTAL	80,854,127	81,854,127	85,738,480
LIBRARY ACQUISITIONS	1,789,000	1,789,000	1,733,383
UTILITIES & CLEANING CONTRACTS	3,885,500	3,510,500	3,565,500
EQUIPMENT & MAINTENANCE	2,817,607	2,817,607	2,605,543
SCHOLARSHIPS & BURSARIES	4,471,898	4,471,898	4,171,898
INSURANCE	400,000	400,000	400,000
LEGAL & AUDIT FEES	400,000	800,000	400,000
TRAVEL, MEETINGS (INCLUDES ATHLETICS)	960,412	960,412	941,606
PROFESSIONAL ALLOWANCES	920,000	920,000	900,000
RECRUITMENT & RELOCATION	407,977	407,977	454,970
RECRUITMENT INITIATIVES	0	0	509,332
MEMBERSHIPS	185,000	185,000	185,000
DIRECT RESEARCH SUPPORT	210,000	210,000	221,000
SPACE RENTALS	1,042,904	1,042,904	942,904
MUNICIPAL TAXES	477,000	477,000	477,000
OTHER	5,398,945	5,698,945	1. 4,667,619
TOTAL EXPENDITURES	<u>104,220,370</u>	<u>105,545,370</u>	<u>107,914,235</u>

NOTE:

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