

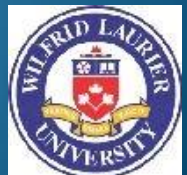
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Current Financial Markets

Impact on Wilfrid Laurier University



Disaster unless Ottawa offers pension relief

October 29, 2008

Global and Mail

Britain slashes interest rates, Europe follows

GMP, Canacord hit hard by market slowdown

November 6, 2008

Global and Mail



- June 21, 2007
 - (\$2.8 Billion) – Bear Sterns sustain large losses (large holders of subprime)
- December 14, 2007
 - (\$58 Billion) Citigroup assumes debt of 7 troubled Structures Investment Vehicle
- December 11-20, 2007
 - USB writes down \$10 Billion
 - Bear Sterns writes down \$1.9 Billion
 - Morgan Stanley loses \$3.59 billion and writes down mortgages of \$9.4 Billion



- February, 2008
 - Auction Rate Failure
 - Securities in ARS market collapses
 - \$51 Billion in securities set for purchase
- March 14-16, 2008
 - Bear Sterns collapses
 - JP Morgan acquires for \$10.00 per share
- September 6, 2008
 - Treasury Security announces take over of Fannie Mae and Freddie Mac



- September 15, 2008
 - Bank of America acquires Merrill Lynch
 - Lehmann Bros. files for bankruptcy (largest of its kind)
- September 16, 2008
 - Federal Government lends AIG \$85 Billion and receives 80% ownership
- September 26, 2008
 - Washington Mutual fails
 - Largest bank failure in U.S. history



- September 29, 2008 to date
 - U.S. stocks decrease \$1.1 trillion
 - \$700 Billion rescue package from President Bush
 - Crisis reaches Europe
 - Citigroup buys Wachovia
 - Fortis supported by Netherlands, Belgium and Luxemburg U.S.
- Foreclosures Continue
- Many world economics began to decline, some entering into a recession
- World economic decline impacts Canada's stock index (commodity driven)



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How does this affect
WLU?



Funded Status At:	Pension Funding Deficit	Additional Cost Per Year
December 31, 2006	\$2.3 million	\$300,000.00 On base of \$8.1 million
October 31, 2008	\$32.7 million	\$8.0 million
December 31, 2009		
+ 6.5 Return	\$34.9 million	\$9.1 million
+ 13% Return	\$27.8 million	\$7.4 million
0% Return	\$42.5 million	\$11.0 million
- 13%	\$63.9 million	\$16.2 million



MARKET VALUES

	January 1, 2008	October 31, 2008	Change
Pension	276,517,743	225,250,148	(51,267,595)
Endowment	37,038,494	31,635,733	(5,402,761)
Investment	6,616,293	5,290,054	(1,326,239)



	Budget	Actual	08/09 Forecast
Total Revenue (including Fees, Government Grants and Other)	167,712	75,727	167,257
*Total Personnel Expenses	132,885	47,163	130,513
Total Departmental Expenses	31,220	11,725	32,046
Total Institutional Expenses	11,595	3,220	11,631
Total Expenses	175,700	62,108	174,190
Surplus (Deficit) before Appropriations and Transfers	(7,988)	13,619	(6,933)
Unallocated Budget Cut of 0.5%	875		875
(Deficit) Surplus before Appropriations and Transfers	(7,113)	13,619	(6,058)
SBE Appropriations	313		313
Ancillary Enterprises	400		400
2006/2007 Operating Budget Year-End	1,250		1,250
2007/2008 One-Time Provincial Funding	2,900		2,900
2007/2008 Operating Budget Year-End	2,250		2,250
Appropriations/Transfers	7,113		7,113
Surplus/Deficit		13,619	1,055
* Special Pension Payments	300	3,666	11,000



Three Year Operating Fund Budget Model

	2008/2009	2009/2010	2010/2011
Total Revenue (including Fees, Government Grants and Other)	167,713	175,296	183,164
Total Personnel Expenses	132,908	145,727	162,783
Total Departmental Expenses	31,514	31,957	32,407
Total Institutional Expenses	11,279	11,649	11,965
Total Expenses	175,701	189,334	207,155
Surplus (Deficit) before Appropriations and Transfers	(7,988)	(14,038)	(23,991)
Total Budget Cuts	875	9,625	20,875
(Deficit) Surplus after Budget Cuts	(7,113)	(4,413)	(3,116)
Transfers from Ancillaries	400	400	400
SBE Appropriations	313	313	313
Others	6,400	3,528	2,500
Total Appropriations and Transfers	7,113	4,241	3,213
Surplus (Deficit) after Appropriations and Transfers	0	(172)	97
Closing Balance – Operating Fund	0	(172)	(75)
Current Year Budget Cuts as % of Total Revenue	0.52%	4.99%	6.14%

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TOTAL CUMMULATIVE CUTS

\$20,875,000



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Type of Loan	Rate	Maturity Date (mm/dd/yr)	Ancillary	Non Ancillary	Total
Debentures Payable	5.43%	02/01/2045	74,973,439	40,026,561	115,000,000
CMHC Mortgages	5.125% -5.38%	01/01/2012 – 07/01/2017	1,290,738	0	1,290,738
Ontario Housing Mortgage	11.04%	11/01/2010	10,000,000	0	10,000,000
Royal Bank Term Loan	5.31%	09/30/2008	889,648	0	889,648
Energy Saving Loan			0	290,081	290,081
Forgivable Loans	N/A	N/A	691,000	5,553,333	6,244,333
Total			87,844,825	45,869,975	133,714,800
Allocation of Debt in Percentage Terms			65.7%	34.3%	100.0%



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DEFERRED MAINTENANCE PRESSURES



- VFA, Inc. conducted a facilities condition assessment for the University this past summer
- **Current Conditions Analysis**
 - In general, the building systems and site infrastructure included in this report are in fair current condition



- Deferred Maintenance Cost - \$54M
- Require an average annual funding level of approximately \$15M/yr over 20 years to maintain our facilities in their current condition



1. Pension Solvency/Going Concern Deficits;
2. Structural Deficits become a concern if year end Provincial Spending suspended;
3. Capital facilities renewal;
4. Can we sustain this cost structure in the short term or long term?



1. Government

- Work/lobby by Council of Ontario Universities (COU) on the pension solvency/special payment front
- Work/lobby by COU for full funding (produces another \$2-3 million in revenue)
- Work/lobby for capital funds to address deferred maintenance



2. Laurier

- Town halls - including unions, staff, students and retirees;
- Borrow, if we believed this to be temporary
 - But this is RISKY
- Focus on short term and long term solutions
- 0.52% budget cut implementation for 2008/2009
- Strategic cuts for 2009/2010 and thereafter
- Contingency Planning Alternatives to be developed in the next month.

