



# 2011-12 Budget Retreat

*Inspiring Lives of Leadership and Purpose*

# Agenda

- Welcome and Overview
- Operating Fund Budget Projections
- 2011/2012 Budget Assumptions  
Discussions
- Pension Sustainability
- Revenue/Cost Attribution by Faculty
- History of Revenue Sharing
- Questions/Discussion



# CONTEXT & OVERVIEW

- Compensation Freeze unravelling
- The Fall Economic Statement issued by the Minister of Finance reinforced the financial difficulties confronting the Province
- The Premier has consistently indicated the importance of Education
- HEQCO has issued a call to more differentiation in the PSE
- Government has not given any indication as to its capital agenda yet
- Fall election in 2011

# 2011-2012 Operating Budget Projections

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# Summary of Budget Projections

1. 2010/11 3 Year Forecast
2. 2011/12 3 Year Forecast (Revised)
3. 2011/12 3 Year Forecast – Full Pension Cost
4. 2011/12 3 Year Forecast – Full Accrual Cost
5. 2011/12 3 Year Forecast – Life Cycle Cost

# 2010/11 - 3 Year Forecast

## Enrolment and Revenue Assumptions:

	2010-11	2011-12	2012-13
Undergraduate Fall Full Time Headcount	13,667	14,110	14,450
Graduate Fall Full Time Headcount	948	1,040	1,120
<b>Total Fall Full Time Headcount</b>	<b>14,615</b>	<b>15,150</b>	<b>15,570</b>

- Full funding for 2010-11, resumption of grant discounting in 2011-12 and 2012-13
- Tuition rate increases allowable under current tuition framework

# 2010/11 - 3 Year Forecast

## Personnel Expense Assumptions:

- No scale increases for non-unionized staff in next two years (2010-11 and 2011-12)
- No scale increases for faculty and unionized staff for first two years after current collective agreements expire (increases for CDI, step, merit, promotion increments still included in assumptions)

# 2010/11 - 3 Year Forecast

## Other Assumptions:

- Faculty and staff growth to support projected enrolment growth
- Operating and financing costs to support new facilities at the Brantford Campus
- Appropriate budgeted surpluses forward to alleviate need to cut in 2011-12 and reduce cut in 2012-13

# 2010/11 - 3 Year Forecast

In \$Million's	2010-11	2011-12	2012-13
<b>Revenue</b>	<b>198.3</b>	<b>207.9</b>	<b>216.7</b>
<b>Personnel Expenses</b>			
Salaries-Academic	74.6	79.8	84.4
Salaries-Academic One-Time-Only	1.5	0.0	0.0
Salaries-Staff	47.5	48.9	51.6
Salaries- Cost Recovery	(3.6)	(4.0)	(4.2)
Benefits-Statutory & Insured	12.5	13.2	13.9
Benefits – WLU Pension (Curr. Serv Cost)	10.7	11.2	11.6
Pension Deficiency Funding	3.9	8.0	8.0
Benefits-Other	7.4	8.3	9.2
<b>Personnel Expenses Total</b>	<b>154.5</b>	<b>165.4</b>	<b>174.5</b>
Departmental Expenses	30.5	31.0	31.5
Institutional Expenses	14.6	15.7	16.5
<b>Total Expenses</b>	<b>199.6</b>	<b>212.1</b>	<b>222.5</b>
<b>Net Surplus(Deficit) before Approp.</b>	<b>(1.3)</b>	<b>(4.2)</b>	<b>(5.8)</b>
Appropriations	1.3	4.2	1.4
<b>Net Surplus(Deficit) after Approp.</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.4)</b>
<b>Future Budget Cuts</b>			
Prior Year Cut	0.0	0.0	0.0
Current Year Cut	0.0	0.0	4.4
<b>Total Cumulative Future Budget Cuts</b>	<b>0.0</b>	<b>0.0</b>	<b>4.4</b>
<b>Net Surplus(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>% of Cut to Departments (10/11 Base)</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.00%</b>



# Revised 3 Year Forecast

## Personnel Expense Assumptions:

- Scale increases for all unionized staff in all three years of model
- Pension expense costs projections include higher contribution than legally required
- New faculty and staff positions based on estimated enrolment growth

# Revised 3 Year Forecast

## Other Assumptions:

- Grant and tuition revenue revised to reflect up to date enrolment projections
- Includes ITS restructuring costs, estimated costs to operating Balsillie School, and base funds committed to during SIF process
- Reductions required in Year 2 and 3 of model to balance budget

# 2011/12 - Revised 3 Year Forecast

In \$Million's	2011-12	2012-13	2013-14
<b>Revenue</b>	<b>215.3</b>	<b>231.1</b>	<b>247.1</b>
<b>Personnel Expenses</b>			
Salaries-Academic	83.2	92.6	102.2
Salaries-Staff	51.2	55.2	58.4
Salaries- Cost Recovery	(4.0)	(4.2)	(4.3)
Benefits-Statutory & Insured	13.2	13.9	14.6
Benefits – WLU Pension (Curr. Serv Cost)	13.2	13.9	14.5
Pension Deficiency Funding	6.0	6.0	6.0
Benefits-Other	8.3	9.2	10.0
<b>Personnel Expenses Total</b>	<b>171.1</b>	<b>186.6</b>	<b>201.4</b>
Departmental Expenses	32.7	31.9	32.6
Institutional Expenses	15.7	16.5	16.8
<b>Total Expenses</b>	<b>219.5</b>	<b>235.0</b>	<b>250.8</b>
<b>Net Surplus(Deficit) before Approp.</b>	<b>(4.2)</b>	<b>(3.9)</b>	<b>(3.7)</b>
Appropriations	4.2	1.3	(0.8)
<b>Net Surplus(Deficit) after Approp.</b>	<b>0.0</b>	<b>(2.6)</b>	<b>(4.5)</b>
<b>Future Budget Cuts</b>			
Prior Year Cut	0.0	0.0	2.6
Current Year Cut	0.0	2.6	1.9
<b>Total Cumulative Future Budget Cuts</b>	<b>0.0</b>	<b>2.6</b>	<b>4.5</b>
<b>Net Surplus(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>% of Cut to Departments</b>	<b>0.00%</b>	<b>1.75%</b>	<b>1.23%</b>



# 2011/12 - Revised 3 Year Forecast

## - Full Pension Cost

- 3 Year Operating Budget Model does not consider inflation costs of pension liability
- Funding the pension plan with effect of inflation would require a cut of \$13.8 million or 9.3% to balance the operating budget



# 2011/12 - Revised 3 Year Forecast - Full Pension Cost

In \$Million's	2011-12	2012-13	2013-14
<b>Revenue</b>	<b>215.3</b>	<b>231.1</b>	<b>247.1</b>
<b>Personnel Expenses</b>			
Salaries-Academic	83.2	92.6	102.2
Salaries-Staff	51.2	55.2	58.4
Salaries- Cost Recovery	(4.0)	(4.2)	(4.3)
Benefits-Statutory & Insured	13.2	13.9	14.6
Benefits – WLU Pension (Curr. Serv Cost)	13.2	13.9	14.5
Pension Deficiency Funding	21.9	20.5	19.5
Benefits-Other	8.3	9.2	10.0
<b>Personnel Expenses Total</b>	<b>187.0</b>	<b>201.1</b>	<b>214.9</b>
Departmental Expenses	32.7	31.9	32.6
Institutional Expenses	15.7	16.5	16.8
<b>Total Expenses</b>	<b>235.4</b>	<b>249.5</b>	<b>264.3</b>
<b>Net Surplus(Deficit) before Approp.</b>	<b>(20.1)</b>	<b>(18.4)</b>	<b>(17.2)</b>
Appropriations	6.3	(0.8)	(2.0)
<b>Net Surplus(Deficit) after Approp.</b>	<b>(13.8)</b>	<b>(19.2)</b>	<b>(19.2)</b>
<b>Future Budget Cuts</b>			
Prior Year Cut	0.0	13.8	19.2
Current Year Cut	13.8	5.4	0.0
<b>Total Cumulative Future Budget Cuts</b>	<b>13.8</b>	<b>19.2</b>	<b>19.2</b>
<b>Net Surplus(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>% of Cut to Departments</b>	<b>9.28%</b>	<b>3.57%</b>	<b>0.00%</b>



## 2011/12 - Revised 3 Year Forecast - Full Accrual Cost

- Recognize full accrued cost of capital assets (\$1.5 M per year)
- Amortize full accrual cost of post retirement benefits over a 15 year period (\$2.9 M per year)
- Require a cut of \$18.2 M or 12.2% in 2011/12 in order to balance operating budget



# 2011/12 - Revised 3 Year Forecast - Full Accrual Cost

In \$Million's	2011-12	2012-13	2013-14
<b>Revenue</b>	<b>215.3</b>	<b>231.1</b>	<b>247.1</b>
<b>Personnel Expenses</b>			
Salaries-Academic	83.2	92.6	102.2
Salaries-Staff	51.2	55.2	58.4
Salaries- Cost Recovery	(4.0)	(4.2)	(4.3)
Benefits-Statutory & Insured	13.2	13.9	14.6
Benefits – WLU Pension (Curr. Serv Cost)	13.2	13.9	14.5
Pension Deficiency Funding	21.9	20.5	19.5
Benefits-Other	8.3	9.2	10.0
<b>Personnel Expenses Total</b>	<b>187.0</b>	<b>201.1</b>	<b>214.9</b>
Departmental Expenses	32.7	31.9	32.6
Institutional Expenses	15.7	16.5	16.8
<b>Total Expenses</b>	<b>235.4</b>	<b>249.5</b>	<b>264.3</b>
<b>Net Surplus(Deficit) before Approp.</b>	<b>(20.1)</b>	<b>(18.4)</b>	<b>(17.2)</b>
Appropriations	6.3	(0.8)	(2.0)
Full Accrual Cost of Capital Assets	(1.5)	(1.5)	(1.5)
Full Post Retirement Benefit Expense	(2.9)	(2.9)	(2.9)
<b>Net Surplus(Deficit) after Approp.</b>	<b>(18.2)</b>	<b>(23.6)</b>	<b>(23.6)</b>
<b>Future Budget Cuts</b>			
Prior Year Cut	0.0	18.2	23.6
Current Year Cut	18.2	5.4	0.0
<b>Total Cumulative Future Budget Cuts</b>	<b>18.2</b>	<b>23.6</b>	<b>23.6</b>
<b>Net Surplus(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>% of Cut to Departments</b>	<b>12.22%</b>	<b>3.57%</b>	<b>0.00%</b>



## 2011/12 - Revised 3 Year Forecast - Full Life Cycle Cost

- Recognize required additional spending on deferred maintenance to maintain our Facility Condition Index at 'fair' (\$6.5 M annually plus 3% indexing)
- Requires a cut of \$24.7 M or 16.6% in order to balance the operating budget




# 2011/12 - Revised 3 Year Forecast - Full Life Cycle Cost

In \$Million's	2011-12	2012-13	2013-14
<b>Revenue</b>	<b>215.3</b>	<b>231.1</b>	<b>247.1</b>
<b>Personnel Expenses</b>			
Salaries-Academic	83.2	92.6	102.2
Salaries-Staff	51.2	55.2	58.4
Salaries- Cost Recovery	(4.0)	(4.2)	(4.3)
Benefits-Statutory & Insured	13.2	13.9	14.6
Benefits – WLU Pension (Curr. Serv Cost)	13.2	13.9	14.5
Pension Deficiency Funding	21.9	20.5	19.5
Benefits-Other	8.3	9.2	10.0
<b>Personnel Expenses Total</b>	<b>187.0</b>	<b>201.1</b>	<b>214.9</b>
Departmental Expenses	32.7	31.9	32.6
Institutional Expenses	15.7	16.5	16.8
<b>Total Expenses</b>	<b>235.4</b>	<b>249.5</b>	<b>264.3</b>
<b>Net Surplus(Deficit) before Approp.</b>	<b>(20.1)</b>	<b>(18.4)</b>	<b>(17.2)</b>
Appropriations	6.3	(0.8)	(1.7)
Accrual Accounting Adjustments (from prev)	(4.4)	(4.4)	(4.4)
Additional Deferred Maintenance Spending	(6.5)	(6.6)	(6.9)
<b>Net Surplus(Deficit) after Approp.</b>	<b>(24.7)</b>	<b>(30.2)</b>	<b>(30.2)</b>
<b>Future Budget Cuts</b>			
Prior Year Cut	0.0	24.7	30.2
Current Year Cut	24.7	5.5	0.0
<b>Total Cumulative Future Budget Cuts</b>	<b>24.7</b>	<b>30.2</b>	<b>30.2</b>
<b>Net Surplus(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>% of Cut to Departments</b>	<b>16.59%</b>	<b>3.68%</b>	<b>0.00%</b>



# Pension Sustainability 2011-2012 Budget

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## **Pension Plan**

- **Funding continues to be a serious problem for the University sector**
- **Government responded with short-term relief from solvency payments – must have a plan to achieve long term sustainability**
- **Multi-lateral process gained no traction with unions – not willing to consider plan changes outside of bargaining**

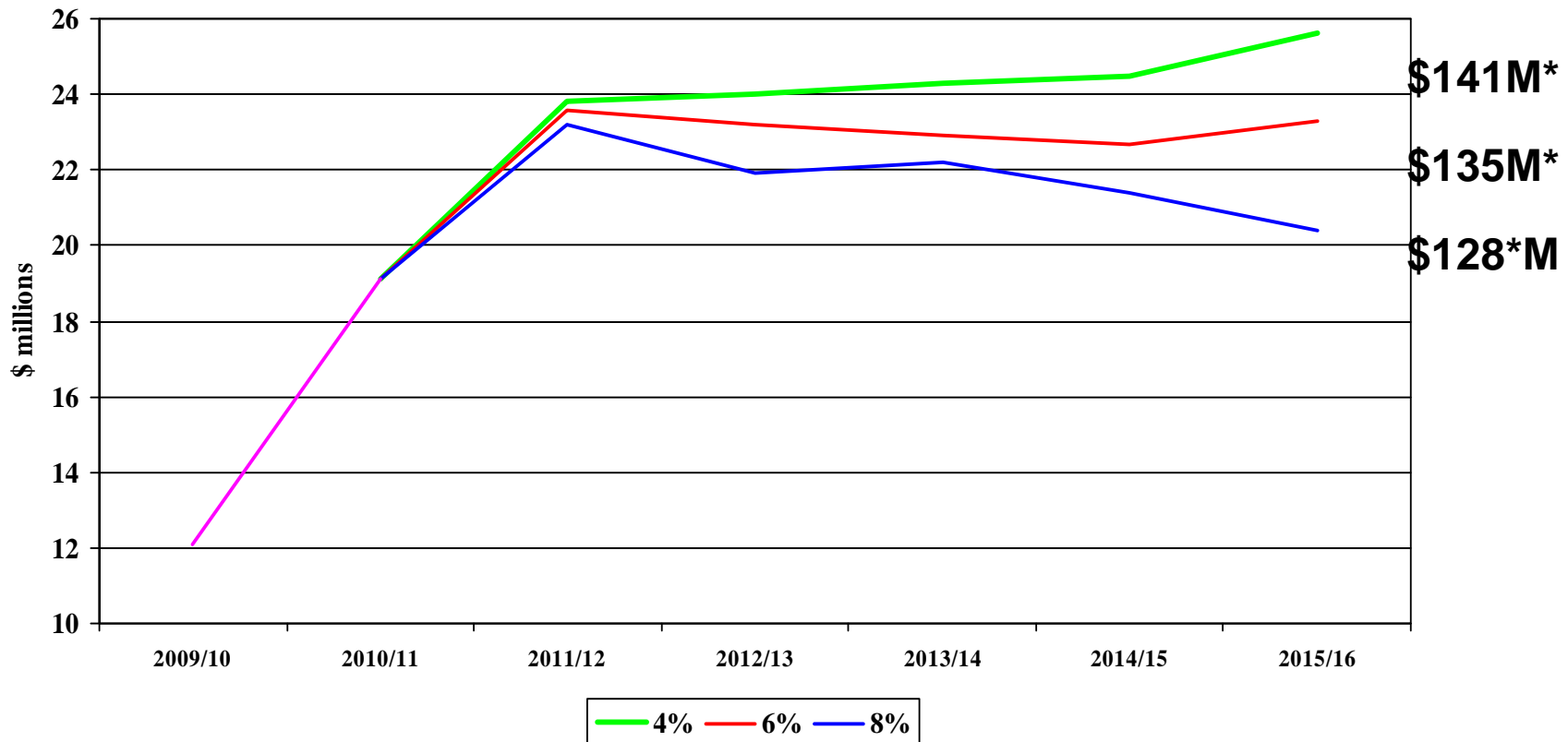
## Funded Status December 31, 2009

	Dec 31 06 Valuation	Dec 09 Valuation
<b>millions</b>		
Going Concern Liability	\$275.9	\$331.3
Going Concern Assets	\$273.3	\$272.2
Excess/(Deficit)	(\$2.6)	<b>(\$59.0)</b>
Solvency Liability	\$268.9	\$303.0
Solvency Assets	\$272.8	\$271.7
Excess/(Deficit)	\$3.9	<b>(\$31.3)*</b>
<b>WLU Contributions</b>	<b>\$9.6M</b>	<b>\$19M</b>

\*If inflation protection included adds (\$52M ) to solvency liability

# Projected University Contributions

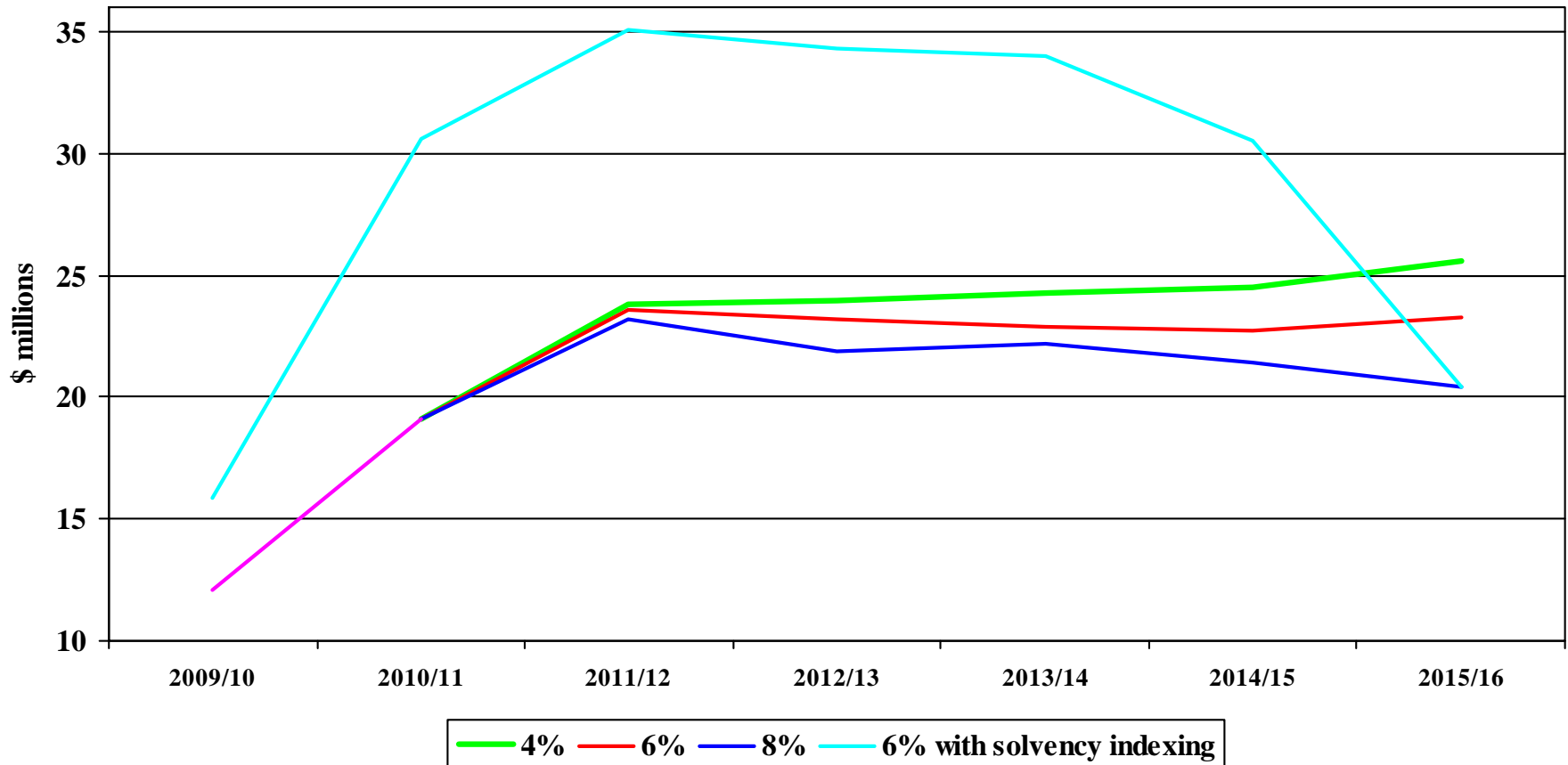
Projections include no funding relief, no financing tools



\*Cumulative required contributions for 2010/11 through 2015/16 Members contribute \$54.6m over the same period

# Projected University Contributions

For given fund returns – No financing tools



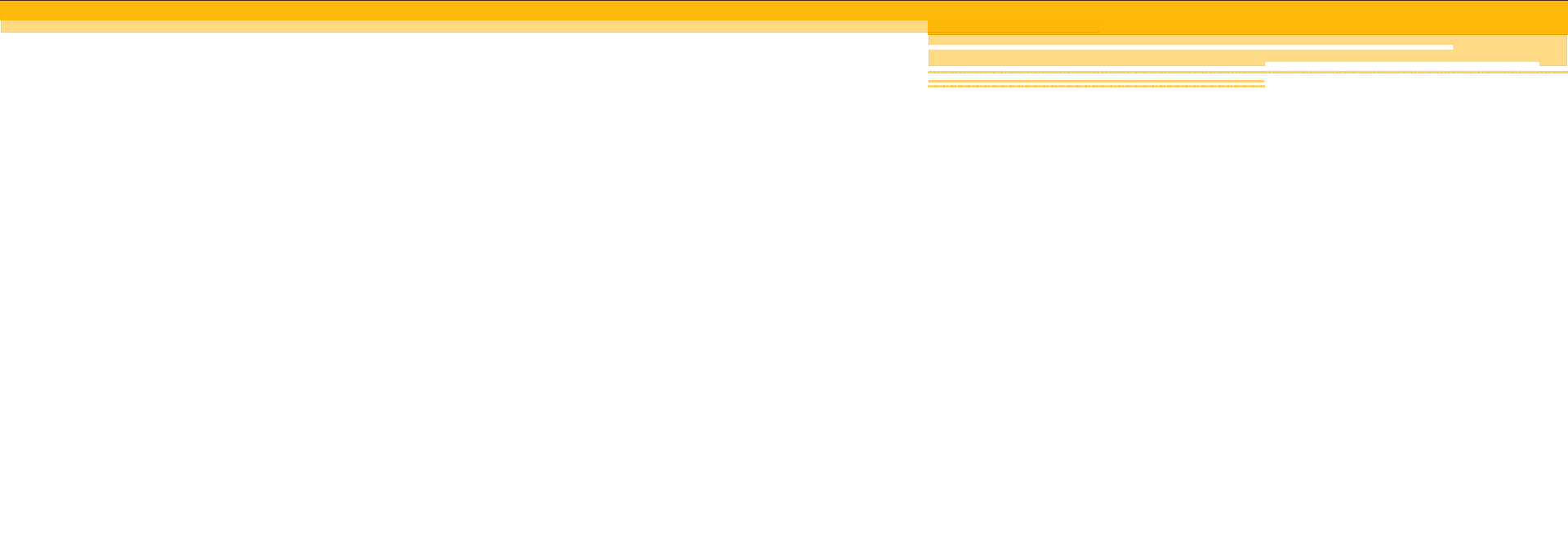
\*Cumulative required contributions for 2010/11 through 2015/16

Members contribute \$54.6m for 2010/11 through 2015/16

# What Can We Do?

- Pursue plan design changes through collective bargaining - risk labour dispute
- Use all funding options/tools available to “mask” the problem – long term issue still exists
- Fully fund the plan – negative impact on operating budget
- Do nothing, and hope the markets and interest rates return to pre-2008 levels – very unlikely

# Assumptions/Issues/ Drivers Affecting the 2011-2012 Budget



## 2011-2012 Budget

- What will happen to Government Tuition Policy beyond 2012?
  - Budget contains a no change scenario.
  - A freeze would decrease revenues by \$4.6 million in 2012-2013 and \$9.5 million in 2013-2014.
  
- Government Grants: Discounting for future growth is assumed.
  - What is the risk of further cuts due to Government austerity programs?
  - Should the Budget be more conservative?
  - Forecast for 2011-2012 and beyond assumes growth funding discounting of 50%.
  
- Enrollment Assumptions: enrollment will grow as per projections submitted to MTCU.
  - International Student intake will increase from 2% to 7.2% (fits with stated government objectives).
  - Domestic Student intake held constant at Waterloo with growth in Brantford.
  - Graduate enrolment increase consistent with growth plans communicated to government.

## *Affecting the 2011-2012 Budget*

- Compensation assumptions are important given the high proportion it represents of total operating costs.
- WLUFAs and WLUSAs/OSSTFs negotiations in 2011:
  - Budget assumes compliance with the Government's Policy directive respecting unionized settlements.
  - This will need to be revised in light of recent settlements and arbitration awards. (see revised Operating Fund slide).

## *Affecting the 2011-2012 Budget*

- ◎ Pension Deficits: The Budget reflects special payments as per an estimated \$60 M Going Concern Deficit.
  - These costs do not include inflation estimated between \$40-\$45 M. \$54 M for solvency calculations
  - Should the university be more aggressive in its pension funding even if it means substantial cuts in academic programming?
  
- ◎ Strategic Investment Fund will continue with its “cut and reallocate approach”.
  - SIF allocations were 0.5% for \$730,000 in 2010 with 1% for \$1.5 M planned for 2011-12 and 1.5% for 2012-13.
  
- ◎ The Budget will include additional expenditures pursuant to IT and Students Affairs reorganization strategies.

## *Affecting the 2011-2012 Budget*


- **Accrual Expenses:**
  - The University is a leader in the introduction of accrual expenses in its budget.
  - We now have \$3 M in non cash Post Retirement expenses budgeted for 2010-2011.
  - The 2011-12 intends to completely budget for all Post Retirement costs. Should all accrual costs be budgeted? What is the priority?
  
- **Non Salary inflation is set at 2%.**
  
- **Balsillie commitments represent 2011-2012 Budget amounts of \$2.1 M.**
  
- **Capital Budgeting will reflect continued land banking investments, completion of previously approved projects and deferred maintenance.**
  
- **The Capital Plan submitted to MTCU may trigger capital expenditures in subsequent fiscal periods.**

# Key Budget Decision Points

- Funding of Strategic Investment Fund
  - a) Fund using \$478k of inflation assumptions in budget model
  - b) Fund with reallocation of 1% or approx. \$1.5 M from departmental budgets
  - c) Combination of a & b
  - d) No Strategic Investment Fund in 2011/12 budget

- Utilization of inflation assumptions?
  - Allocate \$478k to VPs to allocate?
  
- How aggressive are we to address:
  - Pension Deficiencies
  - Deferred Maintenance
  - Accrual Accounting Adjustments

# 2009-2010 Revenue/Cost Attribution by Faculty

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## Revenue/Expense Allocation by Faculty

- Handout shows allocation of 2009/10 operating revenues, direct costs, and indirect costs
- Online Learning courses separated to demonstrate financial benefit provided
- Indirect costs allocated to faculties on a per student basis
- Overall performance stronger than 08/09 allocation exercise due to \$8 million surplus in the 09/10 operating fund (vs. deficit in 08/09)

## Revenue/Expense Allocation by Faculty

- Effect of year end appropriations of surplus are reflected at the end of the analysis (allocated on a per student basis)
- End result shows that only SBE and Online Learning Courses operated at a net surplus after all expenses and appropriations were allocated

# 2009/10 Metrics per Student

## Revenue Per Student

Arts	Sci	SBE	Mus	Brtf	Educ	FSW	OLL	Total
\$10,631	\$11,983	\$13,181	\$13,736	\$10,164	\$16,694	\$22,609	\$11,685	\$11,869

## Direct Expenses Per Student

Arts	Sci	SBE	Mus	Brtf	Educ	FSW	OLL	Total
\$5,527	\$7,084	\$6,635	\$16,512	\$4,598	\$12,486	\$17,053	\$2,622	\$6,215

## Contribution Margin Per Student

Arts	Sci	SBE	Mus	Brtf	Educ	FSW	OLL	Total
\$5,104	\$4,899	\$6,545	(\$2,776)	\$5,566	\$4,208	\$5,556	\$9,063	\$5,654

# 2009/10 Metrics per Student


Net Surplus/(Deficit) Per Student, before appropriations

Arts	Sci	SBE	Mus	Brtf	Educ	FSW	OLL	Total
\$8	(\$196)	\$1,450	(\$7,871)	\$470	(\$887)	\$461	\$3,967	\$558

Net Surplus/(Deficit) Per Student, after appropriations

Arts	Sci	SBE	Mus	Brtf	Educ	FSW	OLL	Total
(\$930)	(\$1,134)	\$512	(\$8,809)	(\$467)	(\$1,825)	(\$447)	\$3,029	(\$380)

# History of Revenue Sharing at Wilfrid Laurier University

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# Existing Revenue Sharing Arrangements

- Toronto MBA & EMTM Tuition Fees
  - University receive 15% of tuition fees
- Waterloo MBA Tuition Fees
  - Slip year transfer of a portion of additional tuition
- Faculty of Social Work Part time tuition fees
  - FSW received 75% of these tuition fees
- Faculty of Education AQ courses
  - Receive all revenues and incur all direct costs
- Application Fees
  - Faculty of Education, Admissions Office, Student Recruitment, SBE, FSW

# Existing Revenue Sharing Arrangements

- Athletics Department
  - Gate receipts, sponsorships, student participation fees (intramural and varsity)
- Indirect Costs of Research Grant
  - Faculties, Library, Research Office
- Teaching Support Services
  - Admin fees, media fees, formerly book fees, non credit programming
- Non-business Sprummer term courses \*alternate arrangements to be developed
  - Share of tuition for enrolment > 15 students (09/10 only)

# 2011-12 Budget Retreat

Questions/Discussion