

University of Toronto New Budget Model



The Institute of Public Administration of Canada /
Deloitte Public Sector Leadership Award Finalist



UofT Quick Facts

18,123,853 ft² Building Space

496,236 Alumni

82,222 Students

17,759 Faculty & Staff

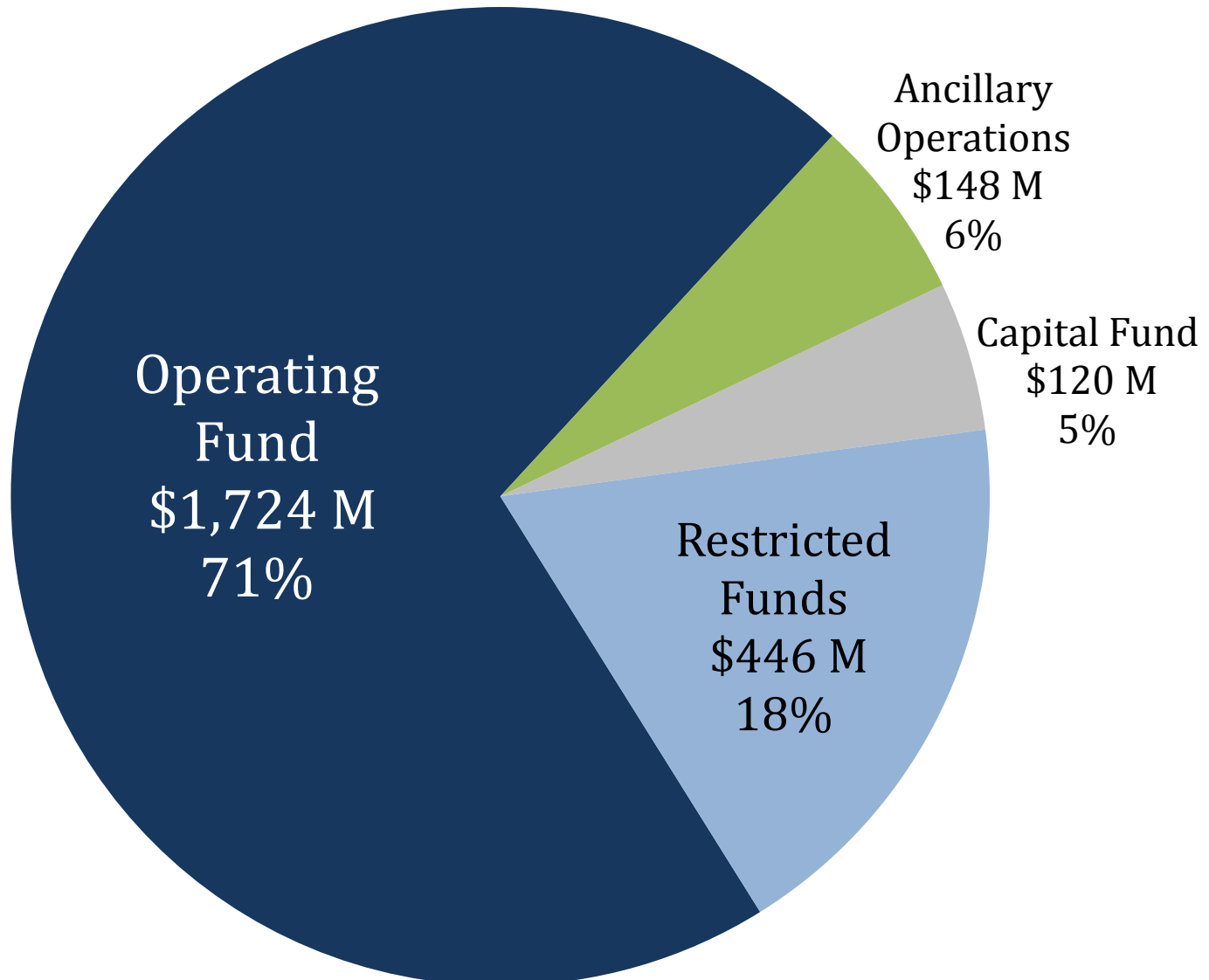
987 Programs

18 Faculties

9 Affiliated Hospitals

3 Campuses

2011-12 Expenditures \$2.4B



University of Toronto Experience

2004-06 Development and sign off on new model

2006-07 Shadow year: old model and new model

2007-08 Budgets issued under new model

2010-11 Three-year review of new model

2012-13 **SIXTH** year operating in the model

First university in Canada to fully move away from the traditional model

Traditional Model

Prior Year Budget Allocation

PLUS

Funding from Compensation Increase Pool

LESS

Across-the-board Budget Cut

(to fund the compensation increase pool
and meet deficit reduction target)

New Budget Model Principles

- Transparent, activity-based allocations of revenue and costs
- Provide incentives to generate revenue and decrease costs
- Recognition and acceptance of cross-subsidies from one faculty to another
- Encourage inter-divisional activity
- Minimize implementation costs

Budget Allocations to Faculties in the New Model

90% of Revenues Earned

PLUS

Strategic Allocation from Remaining 10%

LESS

Pro-rata Share of Financial Aid

LESS

Pro-rata Share of Administrative Costs

Transition Leadership

- Task Force
 - Vice-Provost, Deans, CFO, VP Business Affairs
 - Strong support from Provost and President
 - *Consider need for a new model, explore alternative models, identify principles of a new model*
- Implementation Steering Committee
 - Central and divisional finance staff
 - *Develop the technical elements of the model and recommend budget processes*
- No external consultants

Key Issues in a Smooth Transition

- Guaranteeing the supremacy of academic priorities: University Fund
- Support from academic leadership
- Historical integrity: transition- → shadow budget → initial University Fund allocation
- Recognition and support for inter-divisional activities: new framework for funding interdivisional teaching

Resource Implications

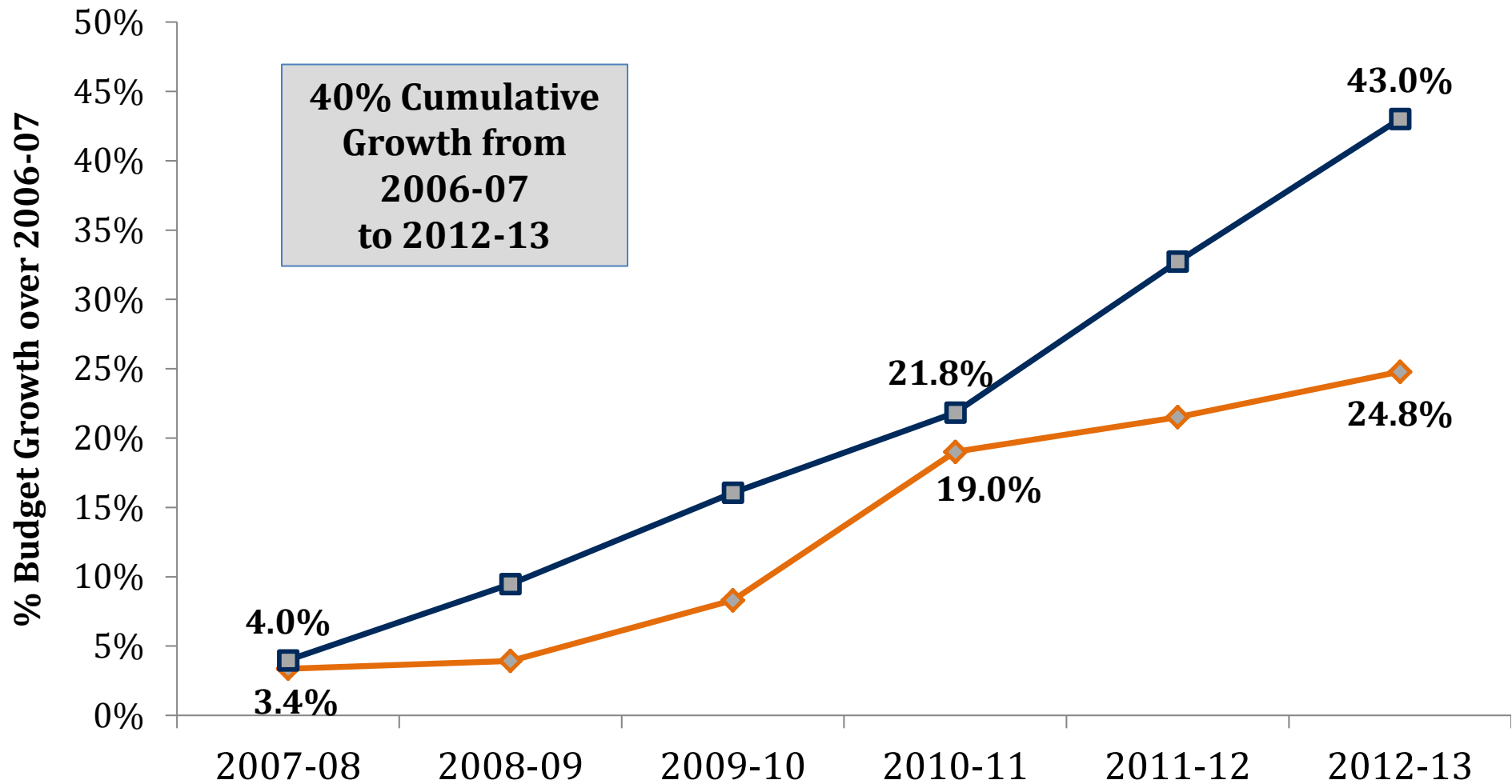
- Very few additional staff added at the centre or in faculties (gradual change in skill set required)
- Transition did not require any changes to financial, human resources or student systems
- Increased demand for reliable data

Integrated Planning and Oversight

- Academic budget reviews
 - Provost and Dean, with senior administrative assessors
 - Informs long range revenue and cost projections
 - Informs allocations from University Fund
- Administrative budget reviews
 - President and VP with senior academic assessors
 - Informs service levels and cost containment strategies
 - Informs targeted investment in central services

Allocation of New Revenues: Deliberate Decisions on Optimal Balance

◆ Shared Services (3.8%/yr) ■ Academic Divisions (6.1%/yr)





Experience
demonstrates there
have been
improvements in:

Information

Engagement

Incentives

Transparency

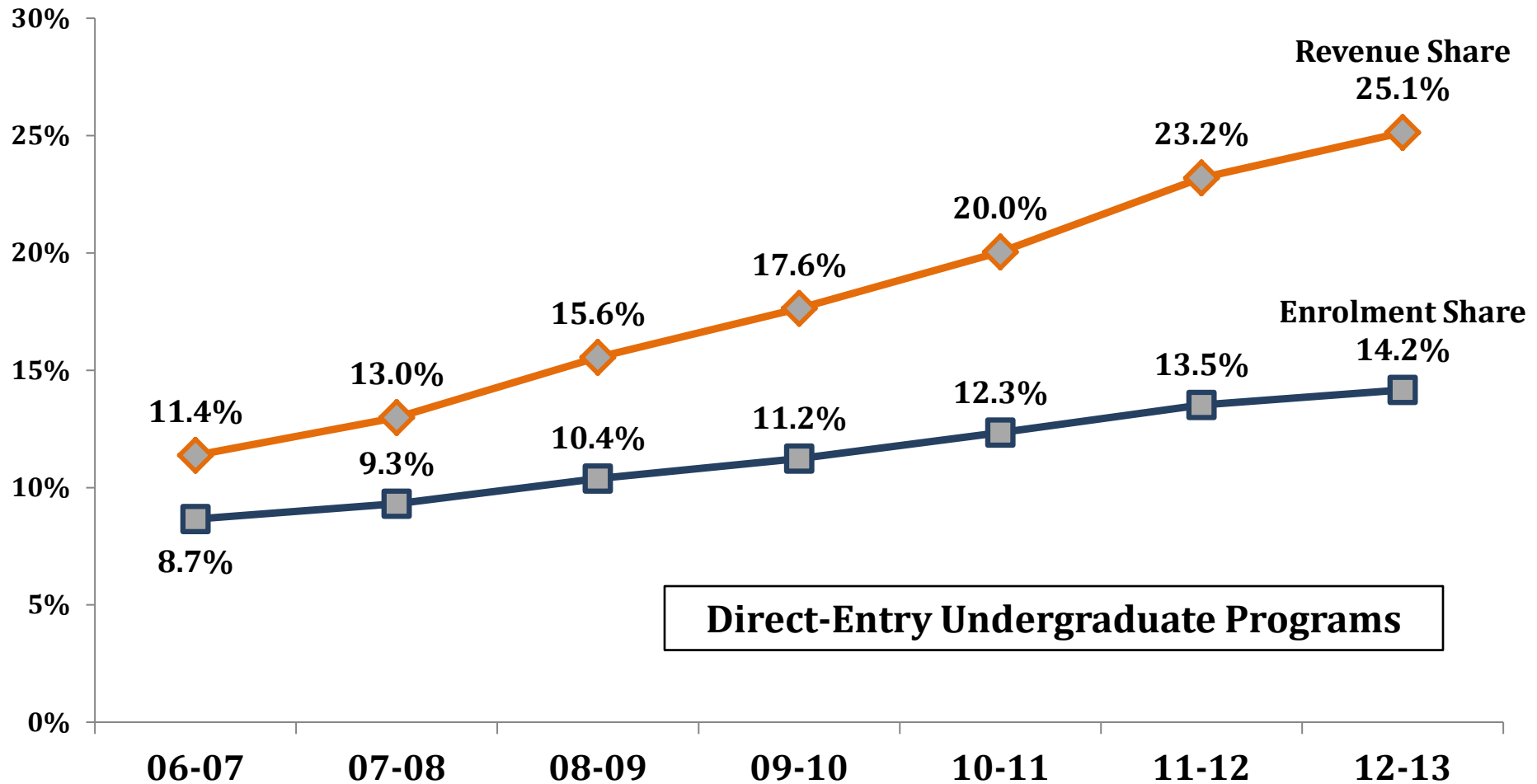
Program costing

Risk management

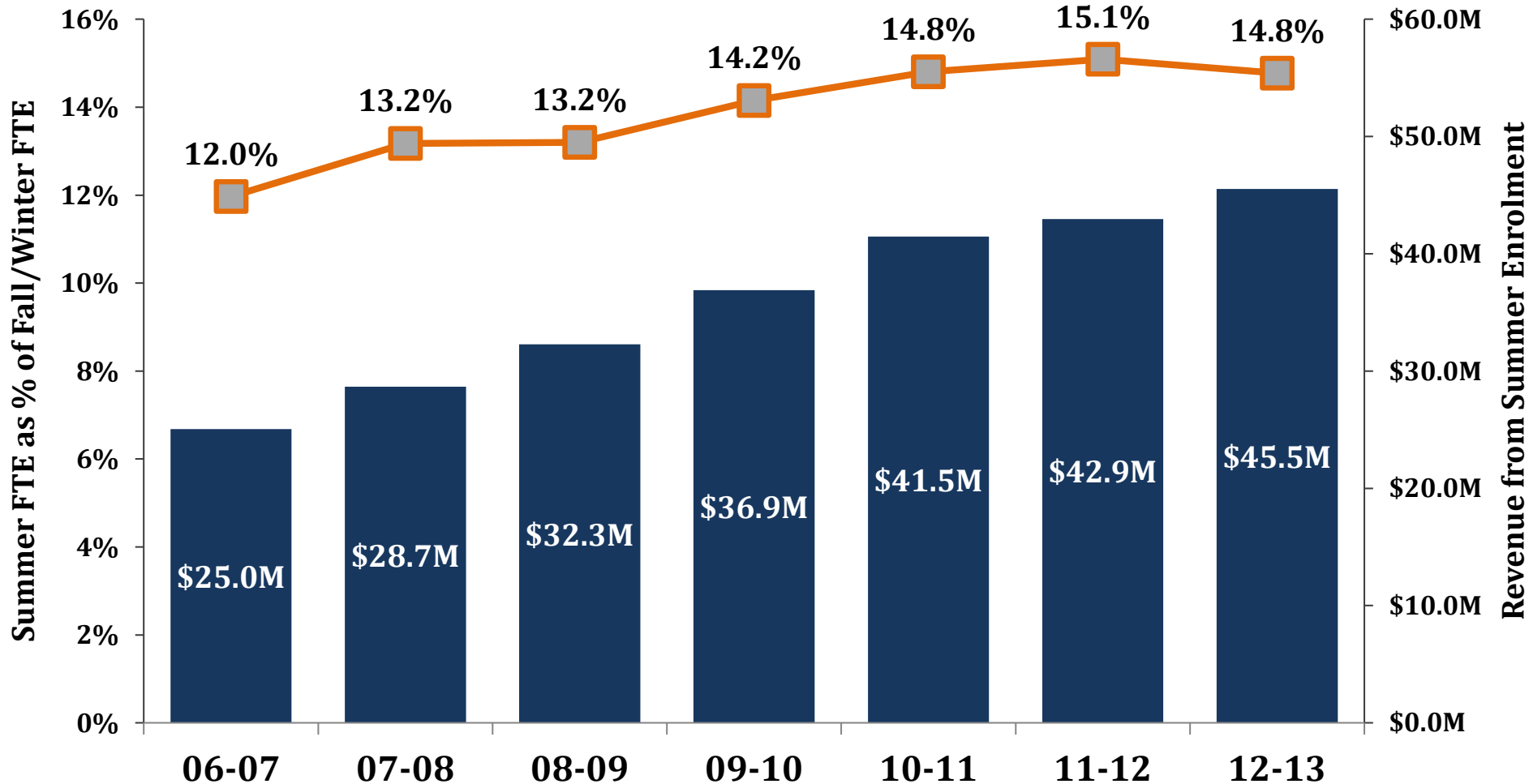
Example: dealing with the market downturn in 2008-09

- University cancelled endowment payout in 2009 → \$62M of lost revenue
- Under the old model → all faculties would have received a budget cut (7.8%) to absorb this loss, despite the highly variable endowments across faculties
- Governing Council approved \$45M deficit; Divisions could borrow from University and pay back over 5 years
- Divisions only used \$17M of deficit room; incentives in the new model led faculties to resolve shortfalls internally
- No longer needed blunt tool of ATB cut

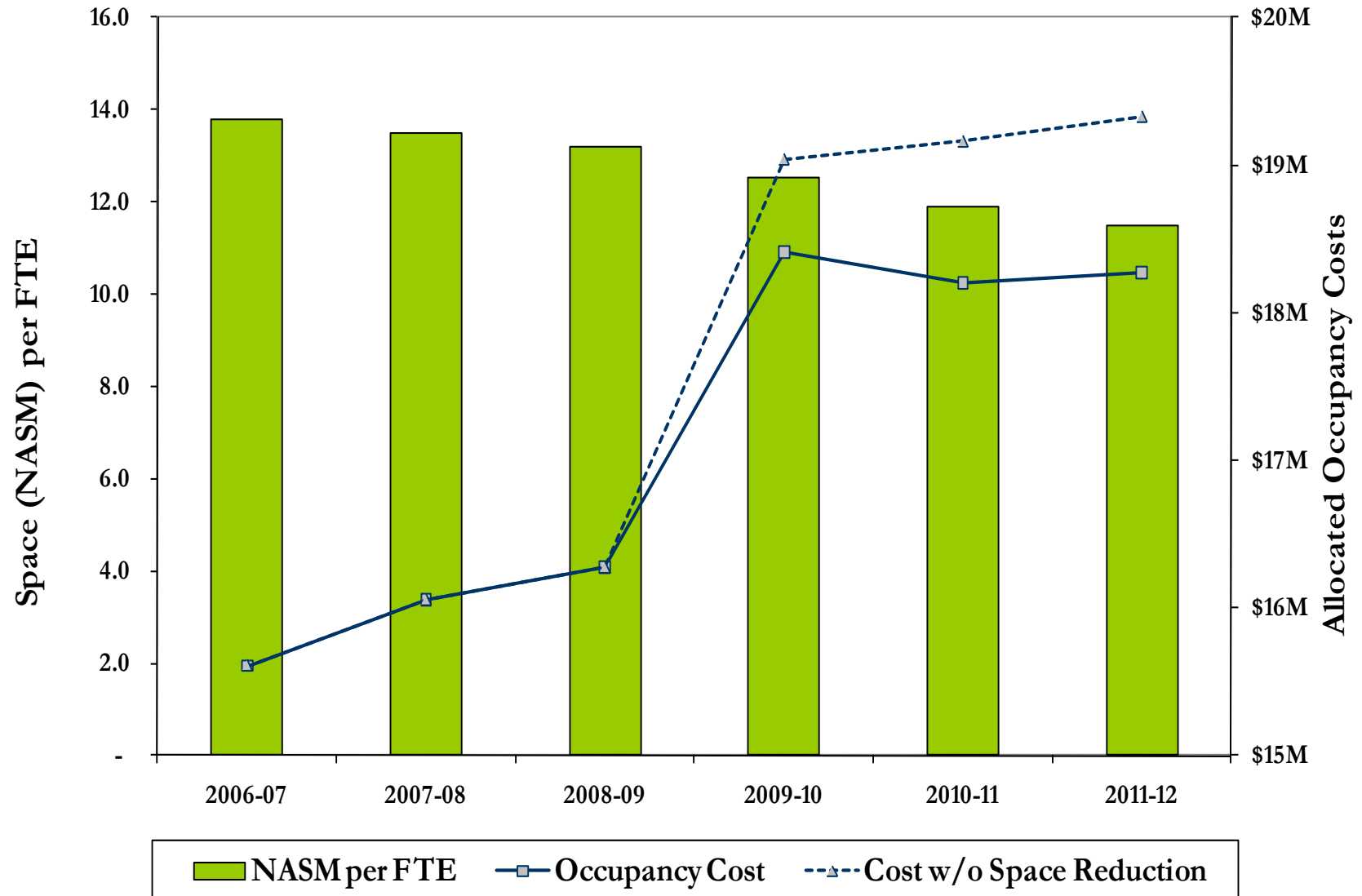
Example: Changing enrolment mix → positive impact from academic and revenue perspectives
International as a % of total enrolment



Example: Improved space utilization → Growth of summer programs



Example: Faculty of Medicine Reduction of Occupancy Costs



Academic Administrative Leadership



- Requires the ability to clearly articulate the academic value of a unit – this is at the core.
- Clear identification of academic priorities – followed by active engagement in budget decisions to achieve priorities.

“... the Committee concluded that the budget model is serving the University very well and that no significant change in direction is required.”

- Budget Model Review 2010-11



National Impact

