

SLT 2022-23 Budget Update – Base Budget Reductions

28 February 2022

This budget paper continues the SLT discussion on budget making for 2022-23 and presents a single number for the value of the Unit base budget reductions (\$4.6M). This follows the SLT 2022-23 Budget Update sent out on 18 February 2022 which presented a single number for the value of the Unit one-time bridging contributions required to fund the revenue shortfalls in the Operating Fund and Ancillary Fund (\$12.9M).

On 21 January 2022, a Budget Challenge document was presented to SLT that outlined the challenge going into 2022-23 as well as a number of multi-year planning scenarios to address the challenge. The different scenarios identified various degrees of base budget reductions and one-time bridging options ranging from Scenario A that included no base budget reductions to Scenario D that provided for a 4.6% base budget reduction for all Units to fully cover the anticipated structural deficit. The 2 February 2022 Budget Discussion Paper provided a further Budget Update that suggested a methodology for base budget reductions and one-time bridging contributions based on Scenario C. Scenario C adjustments to base equal the anticipated salary and benefit increases for the coming 2022-23 year which total approximately \$4.6 million.

Since the beginning of February, Financial Services worked with Human Resources to refine the Scenario C contributions including calculating the anticipated costs of increments, anticipated COLA and an estimate of benefit increases for all base budgeted positions in each Unit. The amount uses employees as of 31 January 2022 and identifies the base budget reductions needed in each Unit for 1 May 2022.

For May 1, the base budgets will be reduced in each Unit and this reduction will be offset once final salary numbers are known and allocated through the year. In essence this leaves Units with the same total allocation once salaries are negotiated and entered into the system. We will not adjust the required contribution after negotiations are complete, the current calculation will be locked in for this budget cycle.

Scenario C leaves an anticipated operating deficit of approximately \$3.1 million in 2022-23, which like last year, will produce an overall balanced budget as a result of the one-time bridging contributions provided earlier. The Operating Fund structural deficit is expected to be further reduced and ultimately eliminated in future budget years. Note that Scenario C planning is subject to Board approval, which will not be confirmed until April 30, 2022.

Changes Since Last Discussion – Enrolment Drop (-8.8%)

Since the last meeting, we have received final enrolment statistics for the current Winter semester. The actual enrolment decrease from the prior years' Winter semester is 8.8% compared to the projected 6% that was used in the multi-year scenarios. On a single term basis this translates into an approximate \$750,000 base and one-time bridging challenge, or approximately an additional 0.5% base budget challenge.

The One-time contributions distributed previously do not address this additional challenge. The proposed Scenario C base budget solution also does not address this additional challenge. Left untouched, the

University will have an Operating Fund structural deficit in 2022-23 that will increase to \$3.8M instead of the previously projected \$3.1M. If we expect this to also be covered by an increased recovery in enrolments, next year's domestic undergrad enrolments will have to recover by 7.7% (across all semesters) instead of the 6.0% used earlier plus we will need to cover an additional increase in one-time bridging contributions of \$750,000.

Next Steps and Timing

The target for the base budget reductions is attached. As this is an algorithm agreed to by SLT, there is no discussion necessary on this number.

Each Unit will now have to allocate these budget reductions. These reallocations will need to come from the reduction of existing permanent base budgeted positions or base discretionary (POOL) budgets or a base increase to recoveries. The identification of these sources will need to be completed by 31 March 2022 and communicated to Financial Services. This will then be built into the Budget Plan which will be presented to the Board on 29 April.

There is an SLT meeting scheduled for 9 March 2022.