

Memo from the Office of the President

TO: Members of the University Community

DATE: August 18, 2011

RE: Update #13

Dear Colleagues,

These summer months are very important for all sorts of reasons, not the least of which is the greater opportunity for people to have some holidays. I know that many continue to be fully engaged in teaching, research, student support services, recruitment, and other important activities of the University during this time. It is also a time when considerable work happens on campus to address deferred maintenance, do repairs, and take care of other needs in the University's infrastructure.

The summer is also an important time for planning, and this year in particular sees some unique initiatives underway. The opportunities to develop new spaces in the downtown core for music, arts, film studies, social work, and the Centre for Executive & Professional Education, are beginning to be looked at in detail, including the appointment of architects who have begun to envision the renovation of The Armouries and the Windsor Star Building for those programs. Extensive discussions are also underway with the academic areas involved in these relocations, since the proposed moves are necessitating much dialogue about the future directions of the academic programs. A Request for Proposals has been issued for the proposed Integrated Parking/Innovation Centre for the south side of Wyandotte Street between Sunset and California. The results of that request, due in late September, will enable us to finalize the feasibility study for that project. Also of interest is the successful opening of Phase I of the Centre for Engineering Innovation, and the launch of a fund-raising initiative in support of the building. Phase II includes the remainder of the building including the classrooms and academic support areas, and is scheduled to open for the Fall of 2012.

Over the summer we have been tracking the enrolment projections for the Fall 2011 semester, and as was reported in my last update, we continue to anticipate a modest increase in overall enrolment. Final numbers will not be known until later in the fall, but at present we do not expect this growth to move us to the level that the Ministry of Training, Colleges and Universities currently funds us for. This means that we do not expect to receive any incremental government funding for additional enrolment this coming year as originally projected. Each year the gap between our actual enrolment and the

enrolment that the government is funding us for is narrowing which brings us closer to addressing the structural issue we have been facing of no increase in government grant for undergraduate growth. The enrolment growth projected this year for the University of Windsor remains slightly ahead of the provincial average, which reflects well on the efforts that people across the campus have been making to attract students.

2012/13 Budget Year

A major part of the summer planning has also related to beginning to prepare for the 2012/13 budget year. This update is meant to provide preliminary forecasts for that budget year, and to indicate the steps we collectively need to take to continue to have a balanced budget. The three years spanning the 2009/10, 2010/11, and 2011/12 fiscal years were ones in which we had considerable realignment because of the need to address a structural deficit that stood at \$12M as we headed into 2009/10. Throughout this three year period, expenditures continued to rise faster than revenues, and so extensive realignments were required. We had a deficit of \$9.7M heading into 2010/11, and a total deficit of \$4.3M heading into 2011/12. The realignments that were put in place enabled us to present a balanced budget to the Board of Governors for 2011/12. The realignments of the past three years have been very difficult, and were exacerbated by the effect of global markets on pension valuations and on our revenue from investment income in support of the Operating Budget and the Endowment.

In planning for the 2012/13 budget, the following considerations are being used:

1. It is important that we maintain the Strategic Priority Fund at \$1.5M. This fund is enabling a number of investments across the institution in support of our strategic plan.
2. There is uncertainty regarding future provincial funding. The province's budget remains under considerable stress, and a new or renewed mandate for our provincial government could lead to changes.
3. It is essential that we make every effort to preserve a balanced budget strategy so that we avoid the accumulation of burdensome structural deficits.
4. Activity Based Budgeting (ABB) will continue to be important as a tool for providing greater clarity on how resources are allocated.
5. The various capital projects underway or being considered should not be funded by the operating budget, but need to be funded through special capital funding envelopes or fundraising.

Revenues: We anticipate some enrolment growth, but do not know what the provincial tuition framework will be. The current framework is now in its final year, and the upcoming provincial election on October 6, 2011, means there will likely be no further direction from the government until late in the fall or winter at the earliest. We are therefore making a status quo assumption regarding tuition fee increases for 2012/13, and forecasting an additional \$6.6M in student academic fees due to enrolment growth and tuition fee increases. At the same time, we will see a reduction in our government grants of about \$0.5M, comprised of reductions in several things including an adjustment to our grant for Education and our allocation under a funding envelope for Quality. Our net forecast for revenue growth is therefore \$6.1M.

Expenditures: The costs of salaries, wages, benefits and pensions comprise about 80% of our budget, and increases to those costs continue to be the major driver of our expenditure increase. With respect to salaries, wages and benefits, we are projecting incremental expenditures of close to \$7M. This takes into consideration collective bargaining agreements covering 2012/13 that have been achieved with CAW 195, CAW 2458, CUPE 1001, and CUPE 4580. It also takes into consideration the need for some compensation adjustments to all of the non-unionized employees who have seen their compensation frozen for two years under Bill 16. In addition, it includes increased payments to our benefits provider. Collective bargaining with CUPE 1393 and the Windsor University Faculty Association remains in progress.

In addition to these expenditure increases, our pension costs will be increasing. In my update of November 2010, I provided a detailed summary of where we stood with respect to our projected pension plan costs. The next required valuation date for both of our pension plans was July 1, 2011, and we have been working with Mercer, our pension plan actuary, to update the November 2010 forecasts based on the market value of our pension plan assets as of July 1. Due to positive market returns between November 2010 and July 2011, and refinements to assumptions to reflect the actual experience of plan members, it is now projected that the Faculty plan will see its going concern deficit increase from \$23M on July 1, 2008, to \$49M, on July 1, 2011, rather than to \$70M as was forecast in November 2010. We are required to make payments to pay down this deficit, which will necessitate an increase of \$2.8M to our current special payments of \$2.6M. With the Employee plan, which is a full cost-shared plan, we are projecting payments of \$0.2M to address a going concern deficit of \$5M, and modest payments of \$0.1M for a solvency deficit.

Following are the tables from my November, 2010, update, revised based upon the projected July 1, 2011 valuation. These numbers will continue to be refined as the final valuations are completed by Mercer.

<u>Faculty Plan</u>	Annual contributions following July 1, 2008 valuation		Anticipated annual contributions following July 1, 2011 valuation		Anticipated annual contributions as of July 1, 2011, using one year deferral option		Projected annual contributions as of July 1, 2012	
	Members	University	Members	University	Members	University	Members	University
Regular contributions	\$ 4.0M	\$ 4.0M	\$ 4.7M	\$ 4.7M	\$ 4.7M	\$ 4.7M	\$ 4.7M	\$ 4.7M
Minimum guaranteed benefit payments	\$0	\$3.3M	\$0	\$ 4.0M	\$0	\$ 4.0M	\$ 0	\$ 4.0M
Special payments for solvency deficit	\$0	\$0	\$0	\$ 0	\$0	\$ 0	\$ 0	\$ 0
Special payments for going concern deficit	\$0	\$2.6M	\$0	\$ 5.4M	\$0	\$ 2.6M	\$ 0	\$ 5.4M
Total	\$ 4.0M	\$9.9M	\$4.7M	\$14.1M	\$4.7M	\$11.3M	\$4.7M	\$14.1M

<u>Employees' Plan</u>	Annual contributions following July 1, 2008 valuation		Anticipated annual contributions following July 1, 2011 valuation		Anticipated annual contributions as of July 1, 2011, using one year deferral option		Anticipated annual contributions as of July 1, 2012	
	Members	University	Members	University	Members	University	Members	University
Regular contributions	\$ 3.5M	\$ 3.5M	\$ 3.4M	\$ 3.4M	\$ 3.4M	\$ 3.4M	\$ 3.4M	\$ 3.4M
Special payments for solvency deficit	\$ 0	\$ 0	\$ 0.1M	\$ 0.1M	\$ 0	\$ 0	\$ 0.1M	\$ 0.1M
Special payments for going concern deficit	\$ 0	\$ 0	\$ 0.2M	\$ 0.2M	\$ 0	\$ 0	\$ 0.2M	\$ 0.2M
Total	\$ 3.5M	\$ 3.5M	\$3.7M	\$3.7M	\$3.4M	\$3.4M	\$3.7M	\$ 3.7M

In addition to salaries, wages, benefits and pensions, there are other expenditure increases of \$3.0M forecast for 2012/13, including increases to scholarships related to tuition fee increases, maintenance, utilities, etc., and on-going support for the Strategic Priority Fund. This brings the total projected expenditure increase to \$12.3M (\$7M + \$2.3M + \$3.0M). When offset against the revenue increase of \$6.1M, we are faced with a \$6.2M shortfall projected for 2012/13.

Realignment for 2012/13: In order to address this projected \$6.2M shortfall, it will be necessary to commence the planning for realignment for the 2012/13 budget year. As was done last year, the realignment is not across the board, but rather is reflective of the key aspects that underpin our budget including enrolment, ABB, operating costs, and pension obligations we will continue to face. There are two phases, the first being based upon the revenue and expenditure assumptions reviewed herein, and the second to be a refinement of Phase One realignment targets following confirmation of Fall 2011 enrolment and other operating assumptions. The Phase Two refinement of preliminary realignment targets will be communicated in November 2011.

The following table outlines the targets that have been set, and all academic and non-academic areas of the University should begin to plan around them.

Summary of 2012/13 realignment targets	Phase One: Preliminary Realignment for planning purposes (A+B)		Phase Two: Adjustments to Preliminary Realignment Target (to be announced November 2011)		TOTAL REALIGNMENT TARGET (A+B+C+D)
	Across-the-board Realignment (A)	Realignment due to Pension Contribution Increases (B)	Adjustment to reflect actual Fall 2011 enrolment and operational issues (C)	Realignment Adjustment due to Activity Based Budgeting (D)	(A+B+C+D)
Faculties					
Business	1.75 %	1.2%	TBD	TBD	TBD
Education	1.75 %	1.2%	TBD	TBD	TBD
FASS	1.75 %	1.2%	TBD	TBD	TBD
Human Kinetics	1.75 %	1.2%	TBD	TBD	TBD
Law	1.75 %	1.2%	TBD	TBD	TBD
Nursing	1.75 %	1.2%	TBD	TBD	TBD
Engineering	1.75 %	1.2%	TBD	TBD	TBD
Science	1.75 %	1.2%	TBD	TBD	TBD
All other units	1.75 %	.35% - .6%	TBD	TBD	TBD

Conclusion

The University of Windsor's faculty and staff contribute in so many ways to the successes of our students, to the breadth of our research, and to the impact our university has in our community and beyond. Despite the economic challenges that universities across the province and the country are facing, people right across the campus are doing remarkable things. I know that messages about further realignments are not welcome. Please know that all of your efforts are genuinely appreciated, and are making our university one that we should be proud of.

Sincerely,

A handwritten signature in black ink that reads "Alan Wildeman". The signature is written in a cursive style with a long, horizontal flourish extending to the right.

Alan Wildeman