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Introduction/Overview/Key Concepts

UTM Budget Allocation from U of T - UTM receives its budget from UofT. UofT uses a variation of an RCM (Responsibility Centre Management, a budget approach that allocates all revenue and expenses to units, see link below for more information) model to allocate budgets to the various divisions (faculties and campuses) at U of T. All revenues are assigned to the division that generated them, and central (University-Wide) costs are all charged to the revenue-generating academic divisions (although this is not always an easy, straightforward task: for example, allocating U of T-wide investment revenues or allocating the cost of central information technology costs). Tuition and operating grant revenues are allocated to the division in which the related student is registered. Costs are allocated to divisions based on drivers – such as student FTE or faculty FTE – which reflects the best basis on which the cost was generated. A committee with wide representation from divisions discussed the drivers at length when the model was introduced in 2007 and has been revisited and adjusted by a similar group. Further information and the result of this exercise for 2017-18 is shown here: U of T Budget Model & Result for UTM

The University Fund (UF) – Each division contributes 10% of their revenue to this fund. The Provost decides the allocations.

Since its inception in 2007, UTM has always contributed more than what was allocated back to UTM. In 2017-18, UTM had a net contribution of $20.7m. The amounts allocated back are at the discretion of the Provost, with consideration that some units at UofT require subsidy.

Department/Unit Budget Allocations at UTM - Academic budgets at UTM are allocated using an incremental budget approach. This means that the department/unit receives the previous year’s budget plus any increases. The UTM Dean’s Office decides all UTM academic department/unit budget allocations.

The only exceptions are established base budget changes for UTM operating budgets, such as:

- ATB and PTR changes to salaries for existing faculty
- Salary increases for appointed staff (which are determined by HR policies and procedures)
- Benefit increases established by U of T

These budget changes are made “automatically”, without a specific Dean’s approval each year.

There are different processes and/or timing for various budget increases as explained further here: UTM Budget Process

Key Concepts - There are two types of budget allocations:

- Base - any portion of the budget that continues to be allocated to a department/unit year after year and
- OTO - one time only budget, this is not allocated to a department/unit every year

Base Budgets - The University of Toronto budget/fiscal year is May 1 to April 30. On May 1 each year, the department/unit receives a base budget allocation for the year. The base budget is comprised of:

1) Base budget from the previous year
2) Plus any established base budget changes for UTM operating budgets, such as:
    - ATB and PTR changes to salaries for existing faculty
    - Salary increases for appointed staff
    - Benefit increases established by U of T
3) Any other base budget changes that have been approved by the Dean (more on this process below)

At the end of April each year the base budget for the upcoming year is communicated to the department/unit from Financial & Budget Services. The communication includes a detailed file outlining all changes and calculations. This file is sent to the department/unit Manager or Supervisor and the Chair.

Financial & Budget Services implements decisions made by the Dean’s Office, ensuring all approvals are documented, changes are made to the department/unit budgets, in both the budget documents and the Financial Information System (FIS); the detailed files and information are provided to the department/unit and the Dean’s Office as required.

**OTO Budgets** - In addition to the base budget, departments/units may receive OTO budget allocations throughout the year for items such as:

- Project funding from the Dean or Provost
- A portion of the TA budget, normally as a result of growth over the previous year
- Sessional funding
- Other specific arrangements that are short term in nature

**Academic Budgets - Operating, TA and Summer Budgets** - Most academic departments/units have at least three different budgets: Operating, TA and Summer. The Operating budget includes all appointed faculty and staff salaries and benefits and non-compensation budgets such as photocopyer, telephone and supplies expense budgets. The TA budget includes only the TA budgets for all courses for the Fall and Winter sessions. The summer budget contains sessional and TA budget for all summer sessions, if there are any.

Each of these budgets and sub-components have different processes and timings. Further information on this is provided below. Some academic departments/units also have other budgets for unique purposes.

Within each of these budgets, the Financial Information System (FIS) and the Dean’s Office allow the specific allocations to be fungible. This means that although the original budget includes a set amount allocated to one area (for example, telephones), the department/unit can choose to spend the allocation on other expense categories (for example, photocopying). The department/unit is, however, still responsible for ensuring total expenditures stay within the total budget allotment and that all University and UTM policies and procedures are followed.

**Carryforward** - Departments/Units may have unspent budget from the previous year or “carryforward” (sometimes referred to as Operating Reserve). At UTM, normally carryforwards remain in academic departments/units. In unusual circumstances (for example a very large operating reserve that did not result from department/unit actions to improve efficiencies), the carryforward may be transferred to the central UTM budget and used for other academic needs.

**Roles and Responsibilities – Overview** - The Dean’s Office decides the academic department/unit budget allocations.

The Chair makes budget decisions within the departmental budget envelope, adhering to University and UTM policies, procedures and other restrictions.

The departmental Manager or Supervisor monitors the department/unit budgets (monthly), prepares and reviews forecasts with the Chair (three times per year), makes sure the Chair is aware of the state of the budget plus any issues and provides the Chair with any information needed to make decisions.
Financial & Budget Services adjusts budget files and the Financial Information System (FIS) to reflect decisions made by the Dean’s Office that result in budget changes. Financial & Budget Services also advises departments/units on various issues, reviews forecasts, and provides the Dean’s Office with analyses as requested.

The Budget Year: May to April Activities

Every Month - Monthly Review

Each month, the department Manager is responsible for:

1) Reconciling transactions to the **Statement of Accounts** – the statement of accounts is a report that can be requested from the Financial Information System (FIS) that shows both a summary of revenues and expenses for the month plus each transaction that was made for the month, by general ledger codes (shows summary of academic salaries, administrative salaries, benefits, telephone, travel, etc.). The department Manager reviews the transactions and ensures:

   a. **Accuracy** – the transaction was made in the correct amount
   b. **Completeness** – there are no transactions missing (not recorded or posted to the wrong account) and all transactions recorded match existing source documents held in the department/unit
   c. **Adherence to policy** – this is normally done before the transaction is entered into the Financial Information System (FIS)

2) **Reviewing the Payroll Distribution Report** – this report lists all employees who were paid during the month. The report can be obtained from the Financial Information System (FIS) and should be reviewed to ensure each employee was paid correctly and in a timely manner. The payroll distribution report should be compared to the following:

   a. Source document (e.g. offer letter and/or monthly time sheet)
   b. The detailed payroll backup to the forecast to ensure correct transfers were received for each employee and to identify variances to inform the forecast.

Each month, the department Manager is responsible for reviewing the following Management Reports with the Chair:

a. **Financial Transaction Report** - this report shows the details of all non-payroll transactions for a given account (the departmental operating account) and all the accounts which are subordinate to that account (including all research accounts for the department/unit). Vendors that do not seem familiar, numbered companies and vendors that were paid a number of times or large amounts that are not recognizable should be investigated. The report allows the user to set a threshold dollar amount so that only larger transactions will be listed.

b. **New Hire/Termination Report** – shows all employees hired or terminated during the month. Should be reviewed to identify any employees who do not belong to the department/unit and any other errors.

c. **List of Payments** - this is a list of vendors (including staff and faculty), with all payments to each vendor for the month

d. **Payroll Exception Report** – shows any pay changes of more than 10% compared to last month

e. **Cheques Payable to Person Processing the Transaction** – Provides information on any cheque that was produced by the same person who processed the transaction (writing cheques to themselves)

The department Manager should also review the following reports with the Chair for PI accounts:
a. **Monthly Principal Investigator Report** - provides a summary of all financial activity in a Principal Investigator's research grant account along with supporting details.

b. **Status PI Monthly Review by PI** - to verify which Principal Investigators are reviewing their monthly statements on My Research On-Line.

**Operating Budget**

Each department/unit receives three new base budgets (Department/Unit Operating, TA and Summer) every May 1. Financial & Budget Services sends a detailed file for each budget to the Chair and to the department Manager. The department Manager should review the budget with the Chair and forward any questions to their contact at Financial & Budget Services.

All budgets are set up using General Ledger (GL) code that are used to sort, store and summarize transactions. Codes are used to identify the type of expenditure incurred (academic salaries, administrative salaries, benefits, telephone, travel, etc.). There are hundreds of GL codes used at U of T, which are necessary for various purposes. It can be frustrating to understand budget issues using these codes; however, these are predetermined by the Financial Information System (FIS) and cannot be changed. When working with some reports, the GL information can be summarized to help make it more user-friendly.

The Operating budget includes funding for all faculty and staff salaries, benefits, and non-compensation expenses such as office supplies, telephones, etc. It also includes an autonomy budget, a research budget, undergraduate student education fund, undergraduate student experience funds. It does not formally include a sessional budget as the full amount of sessional funding is transferred on an OTO basis, into the operating budget, each year.

**Autonomy Funds** – within the base budget, there is a specific allocation for an autonomy budget. Academic units are encouraged to use Autonomy Funds to pursue initiatives that enhance the quality of education and the overall student experience of undergraduate students. Units are encouraged to pursue initiatives designed to challenge student thinking, performance and growth.

This amount, unlike all other budget lines, is allocated with guiding principles and allows the Chair to make their own allocation to whatever purpose(s) they desire, without the need to request funds from the Dean, as long as spending adheres to University policies. This budget line was implemented in response to requests by Chairs to have more autonomy in their operation. The Chair should make a plan at the beginning of the year as to how these funds will be spent. In addition to this budget, there may be other sources of funds that are available to be used at the discretion of the Chair. These include carryforward and savings throughout the year.

**Research (Research Funding for Full-Time Tenure Stream Faculty) Budget** – each department/unit receives $1,000 per full-time tenure stream faculty per year, in base. This funding is distributed in a manner decided by the Chair and made available to complement other research funding opportunities, including those available through the UTM Vice Principal, Research here:

http://www.utm.utoronto.ca/vp-research/funding-opportunities/internal-funding-competitions.

**Effective May 1, 2018 the Undergraduate Student Education Fund, the Undergraduate Student Experience Fund and the Discretionary Fund will be consolidated with the Autonomy Funds**
Writing Development Initiative (WDI) Program – the WDI funding is normally provided on an OTO basis, to enhance literacy and writing skills of undergraduate students. The objective of this initiative is to take a holistic approach towards teaching, assessing literacy and writing skills across core curriculum courses. This will provide an opportunity for undergraduate students to become effective and confident writers.

To this end, specific initiatives of the 'Writing Initiatives Fund' may include:

1) Initiatives to ensure that literacy and communication skills are both taught and assessed across core-curriculum courses.
2) Implementation of a dedicated group of departmental Teaching Assistants to support undergraduate students as they hone their skills and provide feedback on a timely basis for writing assignments such as lab reports, term papers, critiques of literature, works of creative writing, etc.
3) Recurring short assignments and/or writing modules, both inside and outside the classroom, that address structural issues of writing assignments.

Savings Throughout the Year – Operating budgets may experience savings, some of which are available to the department/unit, to be used for other purposes, depending on the source:

Savings from academic compensation – These savings resulting from research/study, phased retirements, maternity/paternity, medical or unpaid leaves are netted against the request for sessionals (i.e. they are used to provide the department/unit with sessional funding) so they are NOT available to be spent on other costs.

Savings from administrative compensation – These savings are left in the department/unit to fund replacements or overtime costs that may be incurred in the absence of an employee. If the saving is not required for these purposes, it is available to be spent for other purposes.

Savings from non-compensation expenses – These savings are normally left in the department/unit to be used for other purposes. One exception is a unit which is new or undergoing a major change, in which the base budget may have been set without adequate information. In these cases, the budget will be adjusted.

Savings that are not spent during the year will be consolidated and show up as the May 1 carryforward amount.

Whole Budget and Whole Plan

These are new concepts, just being introduced in 2019. Financial & Budget Services will provide the department/unit with a “whole budget”, a document that provides a summary of their base budget, carryforwards, trust accounts, GEF and research accounts, in other words, their “whole budget”. The purpose is to gather up all the pieces that can be used or that need monitoring (like research accounts which the department/unit could be responsible for if there is overspending). Once the department/unit has their “whole budget”, they should proceed to make a simple “whole plan” for the year, which includes all pieces, considering which parts have restrictions (e.g. trust accounts, GEF) and which ones can be used for any purpose (autonomy and perhaps carryforward and expected savings throughout the year) and list out what the Chair wishes to spend each piece on. This exercise ensures the Chair knows how much can be spent on various priorities and that funds do not build up. In addition to the operating budget and all of its components, the whole budget considers:

Carryforwards – the Chair should be aware of unspent funds from prior years and if there are any obligations attached to those funds. Any carryforward that does not come with obligations can be used for other purposes. The Chair should make a plan to use the funds for specific purposes. Note that these funds do not have to be “stored away for a rainy day”. In general, UTM discourages this approach, which often results in a continually increasing buildup of funds which are put to no use.
Significant surprises, such as costs associated with a TA strike, will be funded by the Dean’s Office. Chairs should, therefore, make a plan to utilize all sources of funds within the current year.

**Priority Funds** – Chairs will receive a request in January to submit proposals for funds to address any issue(s) they consider a priority initiative for their operation. These funds are meant to address issues which are non-recurring in nature and not provided for by the base budget.

**Trust Accounts** – these funds emanate from donations and are restricted by the terms of the donation. A detailed listing of a department/unit trust funds will be included in the whole budget document.

**GEF** – Graduate Expansion Funds are received from the Faculty of Arts and Science, where graduate students are registered. UTM receives funds for students who are being supervised at UTM. 30% of this funding resides with the Vice-Dean Graduate, while 70% is received by the department/unit each year. These funds may be spent on any graduate student-related purpose, including graduate student support, graduate student programming at UTM, enhancing graduate students’ experience at UTM, and improving interactions between graduate and undergraduate students at the UTM campus.

**Research Accounts** – Research accounts (including PI accounts, startup, UTFA/PERA, grant accounts, etc.) cannot be used by the department/unit. However, if these accounts are overspent (normally due to continuing payroll spending in excess of existing funds), the department/unit is responsible for covering the overspend. These accounts should be reviewed on a monthly basis and action taken on any negative balances in a timely manner.

**TA Budget** – In May each department/unit receives a TA base budget based on the previous year’s enrolment (as the current year’s enrolment is not yet known), with updates for pay rates, if they are known.

The UTM approach to TA budgets was developed in response to feedback from academic departments/units. It is distinctive in that it formally recognizes unique circumstances of not only individual departments/units but also each individual course. This approach results in a very detailed, extensive calculation which supports the department/unit in justifying the funds required to operate effectively and allows UTM to “automatically” flow funding as enrolment increases.

Budget adjustments due to enrolment increases – departments/units do not need to request funds for approved TA ratios which are due to enrolment changes. These funds will be automatically transferred once enrolment is known.

Funds required as a result of new courses or significant changes - the expected timeline to be followed by academic departments/units for the submission of TA rationales for new courses OR for existing courses that have undergone considerable changes (i.e. with respect to assessment modes used, the addition or deletion of tutorial and practical sections, etc.) is communicated every year during the Curriculum Cycle (spanning February to September of the current calendar year).

In brief, proposals for changes to existing courses or for the approval and implementation of new courses are evaluated every September for incorporation into the Academic Calendar of the following academic year (i.e. proposals submitted in Sept. 2018 will be considered for the 2019-20 Academic Calendar). However, since we do not expect departments/units to have worked out the fine details of course structures and need for TA support one year in advance of course offering(s), we ask all departments/units to submit their TA rationales by March/April (i.e. a few months) preceding the academic year in which the course is to be offered. This allows the Office of the Dean and Financial & Budget Services a full Summer term to review and evaluate all TA rationales submitted, which then facilitates the efficient implementation in the Fall semester. Thus, using the 2019-20 Academic year as an example, we would ask that departments/units submit the TA rationales by March/April 2019 for new or modified courses that will be offered starting September 2019.

Importantly, academic departments/units should not submit TA rationales for course(s) in the same semester during which the course is being offered. Since these rationales are tied to financial planning
and budgeting, departments/units would not be able to predict the approval for TA support nor would they be able to accurately allocate funding for TA contracts prior to learning what the approved funds are for the semester (and year) in question.

Unspent TA budget is transferred out of the department/unit at the end of April and used for other campus needs.

**Summer Budget** – each department/unit receives a separate summer budget which is largely made up of TA funds. Unspent summer budgets are transferred out of the department/unit at the end of August and used for other campus needs.

**Sessional Budget** - academic departments/units require both appointed faculty and limited term appointments to meet course demands. Every year, each department/unit finalizes a course timetable and requests funding for courses that not be taught on load by appointed faculty as a part of the departmental workload policy. Departments/Units complete the “Sessional Lecturer Funding Request” template found here:


Savings from faculty leaves (including research/study, phased retirements, maternity/paternity, medical or unpaid) are netted against funding for sessional lecturer hires. The department/unit is required to provide approval for all course releases and special arrangements outside of the departmental workload policy. This information is submitted to Financial & Budget Services by the 3rd work day of August.

Financial & Budget Services will verify the sessional request (confirm the teaching load, reconcile the course timetable, verify the Sessional Lecturers request and review the faculty savings) and transfer funding prior to September payroll run.

**Forecast as at July 31 – Operating and Summer Budgets** - three times a year a forecast is prepared by the department Manager and should be reviewed with the Chair, prior to the 15th of the month in August, November and February. Normally the Chair has a lot of discussion with the Manager on plans for the year so that the Manager can properly reflect the financial impact in the forecast.

The only way a Chair can really know the financial situation of the department/unit and make informed decisions during the year is by using a well-prepared forecast.

The forecast shows the Chair what the original budget was, any adjustments to date, spending and commitments to date, what the department Manager estimates spending to year-end will be, where overspending may occur and where there may be savings which could be used for other initiatives.

The Manager should be able to explain all variances between budget and forecast. Generally, there shouldn’t be any large variance on academic salaries/benefits as departments/units are given budget for all faculty hires and any excess (due to leaves, etc.) is transferred to help fund sessional lecturers. Any positive variance on administrative salaries/benefits can be used for any purpose the Chair decides, though the department/unit may need additional administrative help to complete necessary administrative work. Normally, non-compensation budgets rarely generate significant variances. The plan to spend carryforward and autonomy funds should be monitored and updated throughout the year.

The forecast document should:

- Give the Chair of the department/unit a picture of how the actual spending and budget status looks and how we expect it to look at the end of the year
• Give the Chair a formal mechanism for reviewing the budget and asking questions about any budget item
• Identify any areas that are headed for overspending or underspending so that the Chair can make informed decisions
• Identify issues such as errors or miscommunications so that they can be resolved in a timely manner

The forecast is a detailed exercise. Full requirements and instructions for the department Manager are provided here:


and the template used is provided here:


**Forecast as at October 31** – information on the forecast is provided above. The forecast, which is prepared in October, follows the same process as described above but this time it is completed for the Operating budget and the TA budget but not for the Summer budget.

**Operating Base Budget Meeting for Coming Year** – Financial & Budget Services will arrange a meeting with the Chair and department Manager to review all faculty and staff changes, any other changes approved by the Dean and answer any questions the Chair or Manager have.

**Forecast as at January 31** - information on the forecast is provided above. The forecast, which is prepared in January, follows the same process as described above for the Operating and TA budget only.

**Carryforwards** – savings, outstanding purchase orders and unspent manual reserves that occur throughout the year will be consolidated on April 30 and show up as a carryforward budget on May 1 (the beginning of the new budget year). Chairs should be aware of the amount of the carryforward and whether there are any obligations related to these funds (i.e. outstanding purchase orders or commitments). The Chair with the help of the department Manager should make a plan to spend the funds on departmental priorities. Normally, any time the department/unit requests funds, the Dean’s Office will review the carryforward status before considering the request.

**Other Financial Questions**

**PTR (Progress Through the Ranks):** The PTR process includes:

1) Dean’s Office sends annual letter: [https://www.utm.utoronto.ca/dean/academic-admins/academic-hr](https://www.utm.utoronto.ca/dean/academic-admins/academic-hr) (link to be updated)
2) Faculty members complete annual activity reports in April
3) Chairs complete rankings in May and submit to Dean’s Office
4) Financial & Budget Services completes calculations of actual PTR award dollar amounts and histograms in June
5) Department Managers oversee distribution of letters (written by Chairs) including histograms
6) Financial & Budget Services transfers funding to department/unit budgets in July

**New Faculty Hires** - PI accounts for new hires cannot be set up until a valid work permit is received. As soon as the PI account is set up, startup funding will be transferred as per the offer letter.

Funding for the new hire’s salary and benefits will be transferred to the department/unit budget in the month the new hire begins employment.

The cost of a new computer will be reimbursed up to the limit set annually by the Dean’s Office. **Further computer purchases are expected to be purchased from PERA/UTFA accounts.**
Category 5 and 6 Ancillary Fee Update – Category 5 and 6 Ancillary fees can be charged for fieldtrips, materials and other items, but not in excess of the related cost. These fees must be approved in order to be assessed. If the fees are not updated and approved, changes to them will not be implemented. Updates are normally due to the Dean’s Office by early December so in November departments/units should prepare for any changes they are planning.

Advertising and Search Costs Recovery – all Advertising and Search Costs that can be recovered should be claimed in January if possible or as soon as the individual search is completed, as this recovery will free up funds that can be used for other department/unit needs.

Vacations – the UTM divisional approach is that there is no transfer of accrued vacation days between units at UTM. This approach is due to the large amount of work that is required to do transfers for the volume of staff changes within UTM. On an individual, short term basis there may be a small impact to each individual department; however, in the long term, it is expected that each department will be on both the giving and receiving ends of these situations and the net impact will be very close to zero.

Managing Staff Vacation Balances - employees should submit an annual vacation schedule as far in advance as possible. This will assist in balancing the employee’s needs and preferences with the needs of the business while ensuring productivity is maintained.

Tips to help manage vacation scheduling:
- Communicate a clear vacation policy
- Ask employees to submit vacation requests as far in advance as possible. You might require they submit plans by a certain date so that a vacation schedule can be developed and any conflicts resolved
- If there are certain days or times during the year when you truly need everyone at work, make those dates clear in your vacation policy and communications with staff. (For example, the finance team may be too busy to accommodate vacations in the months surrounding the year-end)
- Know which team members can cover for each other, and make sure that if only two people can cover a certain task they are not both away at the same time

Research Overhead and Indirect Cost of Research - there are three different variations of research overhead with different purpose, calculation and allocation.

1) Contract Research Overhead - is charged to all sponsor organizations other than tri-council and CFI such as provincial governments, private and not-for-profit organizations, that provide funding for research.

2) Infrastructure Operating Fund (IOF) – these funds are provided by Canada Foundation for Innovation (CFI) to cover a portion of the operating and maintenance costs of a CFI-funded project to ensure optimal use of the infrastructure. The majority of infrastructure projects approved and funded by CFI are eligible to receive IOF.

3) Research Support Fund (RSF) - provides partial support to universities and their affiliates for the indirect costs of research associated with eligible Tri-Council awards (i.e. NSERC, SSHRC, CIHR). Institutions must spend their funds during the fiscal year in which they were awarded.


Administrative Management System (AMS)

Overview of the Administrative Management Systems (AMS) - The Administrative Management Systems (AMS) is a group of computerized components that house and process all the data (financial and otherwise) necessary to meet the management and reporting requirements of UofT. The AMS has several individual modules that faculty and staff use for different purposes, including FIS for finance, HRIS for HR and Payroll, and RIS for Research.


Other Questions/Glossary

Q) What is a positive variance/savings?
A) In short, underspent expenses. Spending less than the budget.

Q) What are numbered companies?
A) A numbered company is a corporation given a generic name based on its sequentially-assigned registration number. For instance, an entity incorporated under the Canada Business Corporations Act and assigned the corporation number 1234567 would be entitled to register "1234567 Canada Inc." as
its legal name. These names will show up on various monitoring reports rather than the commonly known business name such as IBM for an example.

Q) **What is a division vs a department?**

A) The university’s academic programs are organized into faculties and divisions. Our departments, colleges, and centres and institutes provide further support for study and research into focused areas. More information on the University of Toronto’s structure can be found here: https://www.utoronto.ca/academics/academic-units

Q) **What is a general ledger (GL) code?**

A) A six digit code used to provide detail on the type of financial activity incurred. The cost of photocopying would be charged to Office Supplies. The GL code would be different for office supplies vs conference registration fees.

Q) **What is a manual reserve?**

A) A transaction in the Financial Information System (FIS) that reserves budget for expected expenses.
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