UTM Residence – Issues and Executive Summary

Issues
1. Construction of Phase 8 to be completed for September 1, 2006.
2. Ensuring all expenditures required as per the Facilities Conditioning Audit are addressed within the time period required.
3. Providing for capital and operating reserves in light of the construction of Phase 8
4. Implementation of a meal plan by September 2006

Forecast for 2003-4

Revenues are expected to be fairly close to budget, except for summer session revenues which are significantly lower than budget due to SARS and the related reluctance of students to travel to the GTA during the spring and summer of 2003.

Salaries, wages and benefits expense is higher than budget due to the need to hire staff sooner and at higher levels than originally anticipated in setting the budget. Capital renewal – non-depreciable equipment is significantly higher than budget due to the need to pay for a computer backbone for Phase 7. Major maintenance is also significantly higher than budget due to the need to pay for a retaining wall and the entranceway to Phase 7. Utilities expense is much lower than budget due to the receipt of a large rebate concerning hydro costs for the 2002-3 year. Other operating expenses are lower than budget due to a concerted effort to keep these expenses to a minimum to offset some of the major maintenance expense. Finally, the increase in commitment to operating reserve is lower than budget due to the lower total expenses compared to budget. The capital renewal reserve has been maintained at its current level of $526,527 as the planned expenditures for annual and major maintenance are adequate to provide for all items identified in the Facilities Conditioning Audit at the time required. An operating reserve has been provided and calculated as 10% of total expenses net of capital renewal and the value of dons' rooms expense.

2004-5 Budget

The budget for 2004-5 reflects residence rate increases of 6.5% for undergraduates and 2.9% for graduates. Summer session revenue is expected to increase significantly from the low level of 2002-3. Commission and other income is expected to increase by 3%.

Generally, expenses increase by 3% annually. Salaries and benefits increase by 5% to reflect 3% increases across the board plus step and merit increases. Capital renewal expenses increase by 3 to 5% based on past experience and are influenced by specific projects which will be scheduled to be completed over the next five years. These projects have been scheduled with reference to the recently completed Facilities Conditioning Audit. Utilities expense are budgeted at 6% over the 2003-4 expense adjusted for the rebate received in 2003-4. Mortgage and interest costs are dictated by specific payment schedules.

The operating reserve is increased to maintain the reserve balance at 10% of total expenses net of capital renewal and the value of dons' rooms expense. The operating result after commitments is a deficit of $534,000 which reflects the recent construction of Phase 7 and the related mortgage costs in its first full year. The financial model eventually results in an annual breakeven position 3 years after Phase 8 opens and an accumulated surplus 5 years after opening, in 2011-12.