



BUDGET PLAN

2012–2013





CONCORDIA UNIVERSITY: MISSION, VISION AND VALUES

MISSION WHO WE ARE

Concordia University is welcoming, engaged, and committed to innovation and excellence in education, research, creative activity and community partnerships. It dares to be different and draws on its diversity to transform the individual, strengthen society and enrich the world.

VISION WHAT WE ASPIRE TO BE

Concordia's vision is to rank among Canada's top five comprehensive universities within the next decade, and to be a first choice for students and faculty locally, across Canada and internationally in a wide variety of defined areas of research and study.

VALUES WHAT DRIVES US

Concordia's core values stem from those long prized by its founding institutions. Concordia has adopted the motto of the city of Montreal, *Concordia salus*, which speaks to well-being through harmony. The union of two very different institutions of higher education has led to an exceptionally successful synthesis of compatible and timely values.



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MESSAGE FROM THE PRESIDENT AND VICE-CHANCELLOR

I am pleased to present this report on Concordia's budget for 2012-13. The fiscal year began with a new six-year plan presented by the Quebec government aimed at narrowing the wide funding gap between Quebec universities and their counterparts in other provinces, while taking steps to ensure that higher education remains accessible to those students most in need of financial support. As I write, the issue of student opposition to the government's proposed tuition increases has not been resolved, adding a high degree of uncertainty to the rollout of the funding plan. At Concordia, we remain committed to a balance between meeting the funding needs of Quebec's university network, combined with measures to protect financial accessibility for students.

Notwithstanding these developments during the year, Concordia's financial house is in good order. Strong fiscal health is essential to fulfilling our commitment to responsible innovation and excellence in education, research, creative activity and community engagement. The university's Budget Planning and Control Office has shown typical prudence in its approach, a process that was strengthened in 2009 with the creation of the Budget Review Working Group.

I commend members of the budget team, under the leadership of Chief Financial Officer Patrick Kelley, for their diligence and efforts to make the budgetary process as transparent as possible. I also thank the Board of Governors' Finance Committee and the Senate Finance Committee for their invaluable contributions and supervisory roles.

I add my signature to Concordia's operating fund budget for 2012-13 at the start of an auspicious new era. On August 1, 2012, Alan Shepard will assume his responsibilities as Concordia's new president and vice-chancellor. No doubt, by this time next year Dr. Shepard will have had the opportunity to share his vision with the Concordia community, and the budget for that fiscal year will bear the imprint of his leadership.

Frederick Lowy

President and Vice-Chancellor



INTRODUCTION

The watchword for the preparation of the operating fund budget for 2012–13 and forecast budgets for 2013–14 and 2014–15 is *change*. There are a number of areas wherein approaches to the financing of university activities are changing, or will undergo change. From a budgeting standpoint alone this presents unique challenges.

In preparing these budgets, under the direction of the chief financial officer (CFO), Concordia works to develop insights into the needs of the university as it prepares, and engages in ways, to meet new requirements and changes in pedagogical processes. The use of a Budget Review Working Group (BRWG) is a key aspect of this budget preparation process. The BRWG is comprised of members from across the university, including the Office of the Provost, Institutional Planning, Human Resources and various other service units. Along with the CFO, the university controller and the senior director, financial planning and budgets, the Budgets and Planning Office runs a series of planning sessions beginning in September of each year, commencing with a review of where we are, developing assumptions and moving through financial planning consistent with these assumptions. The members of the BRWG constantly review assumptions and forecasts with their constituents.

Commencing in January, the President's Executive Group and the Finance Committees of the university Board and Senate begin reviews of the draft budgets. Their feedback and highly interactive conversations are critical to developing insights and understanding of the budgets and the necessary choices we must, of necessity, make. The budget goes to the Senate for final review and to the Board of Governors for approval.

We have faced some unique issues in preparing the 2012–13 budgets, including the decisions to change tuition rates, proposals to minimize the cash costs of the tuition involving certain reductions in fees (the FIOs), differing proposals on bursary and student support programs, and lack of clarity around the cessation or extension of certain funding programs.

The Quebec university sector is in a state of flux. The real funding needs of our universities are evident and growing. There is constant pressure for improved courses, more programs to meet the changing needs of society and the workplace, updating classrooms and facilities along with their technologies, expanding online and blended learning, enhancing the flexibility of learning environments and meeting demands for more support for student activities. For universities such as Concordia, the competitive landscape has become more international while, at the same time, the institution must satisfy the needs of Quebec students for access to higher education.

Three factors are critical in our financial performance:

- The forecasts of the number of students who will attend Concordia and in what programs.
- Salaries and wages constitute 76.6% of our costs. We face salary increases in the range of \$9 million in the 2012–13 year, only a portion of which are covered by increases in the grant amounts from the Ministère de l'Éducation, du Loisir et du Sport (MELS).
- The costs of both employer contributions to the pension fund, and the costs of meeting pension funding obligations, will increase materially over the three-year planning horizon.

Concordia University was formed on August 24, 1974 through the merger of Loyola College (1896) and Sir George Williams University (1926). Our community includes **160,000 alumni**.



Concordia is increasingly recognized for a big thinking approach to teaching and research that examines societal issues from a broad perspective. We are an open and engaged university that encourages its 46,000 students to become active, critical and concerned citizens.



The need for a stable and predictable funding regime is obvious.

We continue to be a leader in energy efficiency, have successfully built state-of-the-art classroom facilities and continue programs to update our teaching facilities. We've also continued to increase graduate student support and to improve the student experience.

We do not, at writing, forecast a deficit after completely funding our financial obligations for the 2012–13 year, provided we meet our projections and there are no further changes in any of the funding regimes and mechanisms.

Patrick Kelley
Chief Financial Officer

2012-13 BUDGET BY THE NUMBERS

\$254	Anticipated annual tuition increases for seven years.
\$0.6M	This is the operating excess of revenues over expenses forecast for the 2012–13 academic year, before accounting for future benefits under Canadian Generally Accepted Accounting Principles (GAAP).
\$371.7M	2012–13 revenues generated under the new funding plan will represent growth of 3.3% over 2011–12. Expenses will reach \$371.1 million.
\$87.7M	This is our accumulated operating deficit on April 30, 2011. Of that amount, \$83.2 million is earmarked for employee future benefits.
\$2.7M	The amount we're allocating to support Concordia's <i>Academic Plan</i> in 2012–13. \$11.7 million is our total commitment over a five-year period.
\$5.2M	The amount we need to fund our financial obligations, including debt repayment and funding of our pension plan deficit. This represents 1.45% of revenues.
76.6%	The proportion that salary and benefits represent across our total expenses.
\$14,014	This is our average operating cost per raw full-time equivalent (FTE) on April 30, 2011. This amount has remained stable since 2008.

GLOSSARY

The MBA program offered by Concordia University's John Molson School of Business moved up 16 spots, placing 80th in the world and third in Canada, according to the 2011 "Which MBA?" survey from *The Economist*.



DEFICIT

The amount of expenses (money out of the budget) that exceed revenues (money into the budget) that produces a balance of less than \$0.

FORFAITAIRES

The additional tuition, above the Quebec student tuition, charged to out-of-province Canadian and international students. These amounts are determined by MELS annually and the universities remit them back to the province (clawed back) in exchange for having the students funded through the grant.

FEDERAL FRAIS INDIRECT (INDIRECT COSTS PROGRAM)

Revenues from the federal government to cover indirect costs (such as utilities and office maintenance) the university incurs to conduct research.

FTE (FULL-TIME EQUIVALENT)

This is the basic unit of measure by which the provincial government calculates its grants to all Quebec universities. 1 FTE = a student taking 30 credits or two students taking 15 credits each.

GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES)

Concordia's budget is prepared according to Canadian GAAP. Prior to June 1, 2009, we were required to use the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel* issued by MELS.



GOVERNMENT GRANTS

The operating grant we receive from government is for the most part based on three distinct components: teaching activities; teaching support services; and space-related services. The government may also provide specific and mission-related grants, but these are distinct to each institution. In Quebec, only Concordia and UQAM do not receive specific and mission-related grants.

MELS (MINISTÈRE DE L'ÉDUCATION, DU LOISIR ET DU SPORT)

MELS issues grants to fund teaching, teaching support, and buildings and grounds.

OPERATING FUND

The operating fund accounts for the university's academic and administrative services. This fund reports unrestricted resources as well as internally restricted resources.

WEIGHTED FTE

(See FTE on previous page) This is the raw FTE times a weighting factor, based on the student's cycle (undergrad/grad/post-grad) and type of course. Example: An undergraduate FTE in mathematics is 1.41 weighted FTE, while a master's student FTE in physical education is 4.42 weighted FTEs.

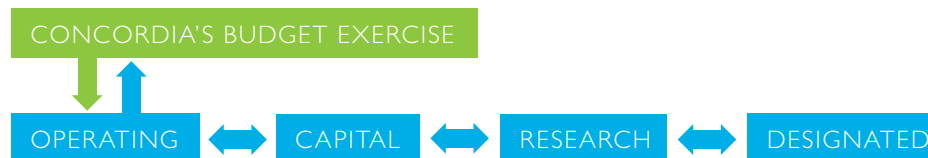
OUR BUDGET FRAMEWORK AND PROCESS

At Concordia, our accounting is structured around four different funds, as illustrated in Figure 1 below. The four funds are:

- Operating Fund
- Capital Fund
- Research Fund
- Designated Fund

Our budget exercise is currently based on the university's general operations, which encompass the costs of teaching; teaching support (libraries, IT and administrative support); buildings and grounds operations (maintaining the spaces in which we operate, including overhead such as utilities and rents); student services; and general administration.

Figure 1
Budget Allocation Process



Starting in the 2009–10 academic year, the Quebec government required all of the province's universities to adopt the Canadian GAAP in their financial reporting. In order to respect these principles, for the first time Concordia began to account for a series of employee future benefits.

We've presented these adjustments in an appended table (please see page 32). We should caution that the Quebec government does not currently take these adjustments into account when it determines if a university has reached a balanced budget at the end of its fiscal year. However, it is still unclear what the government's position will be on this issue.

OUR INTEGRATED PLANNING AND BUDGETING PROCESS

The exercise of arriving at a budget plan is highly complex and demands extraordinary due diligence, as it reaches into every corner of our operations and touches every person in our university community. In efforts to bring greater rigour and transparency to this process, in late 2009 Concordia's CFO established the Budget Review Working Group (BRWG). Its primary goal is to implement integrated planning and budgeting at Concordia. In the interests of making the BRWG representative of the entire university community, and to ensure that the widest range of stakeholders are being heard throughout the process, the CFO invited key members from every part of the university to sit on the committee. The five-step process to prepare the budget starts in the fall and concludes once the university's Board of Governors approves the official operating budget.

The Department of Financial Services, via the Budget, Planning and Control Office, then plays a key role throughout the year to monitor the university's spending against the approved budget.

Of the nearly 46,000 students studying at our downtown and west-end Montreal campuses, 11% are international.





THE 5-STEP PROCESS IN BUILDING OUR ANNUAL OPERATING BUDGET PLAN

STEP 1

Set budget parameters with a three-year horizon taking into account:

- Salary estimates
- FTE estimates
- MELS operating grant
- Financial impact of strategic direction

(Managed by Budget Review Working Group)

STEP 2

Develop preliminary budget framework using parameters established by the Budget Review Working Group, and develop the full preliminary budget framework.

(Managed by Department of Financial Services)

STEP 3

Present and discuss the preliminary budget with the President's Executive Group and the Board's Finance Committee. *(Managed by Department of Financial Services)*

STEP 4

Develop and prepare the final budget. *(Managed by Department of Financial Services)*

STEP 5

Seek budget approval from the Concordia Board of Directors and present the budget to Senate.

Concordia welcomes students from more than 150 countries and maintains formal ties with over 100 institutions in 33 countries.





OUR KEY TARGETS

WHAT WE WANT TO ACCOMPLISH THROUGH THIS BUDGET PLAN

In building the 2012–13 budget, we've kept faith with one overriding principle — financial sustainability. We want to ensure that the university remains in sound financial shape in order to meet its commitments to the Concordia community and to society at large. In this context, we've made every effort to protect Concordia's essential baseline operations and to support activities that are critical to achieving the goals set out in Concordia's *Strategic Framework (2009–14)*. The framework's three strategic directions and two supporting strategies are:

STRATEGIC DIRECTION 1

Academic Work of the Highest Quality, supported by:

- Research and Creative Activity
- Teaching and Learning
- High Academic Standards

STRATEGIC DIRECTION 2

Outstanding Student Experience and Student Engagement

STRATEGIC DIRECTION 3

Community Engagement and Social Responsibility

SUPPORTING STRATEGY 1

Best Practices in Administration

SUPPORTING STRATEGY 2

Communicate our Success

The full Strategic Plan — *Reaching Up, Reaching Out* — is available at concordia.ca.

Concordia's credit rating is sound. Dominion Bond Rating Service announced an "A" stable rating on April 23, 2012, and Moody's gave us an "Aa2" stable rating on the same date.



Concordia offers more than 433 undergraduate and graduate programs, diplomas and certificates at four Faculties, a School of Graduate Studies and a School of Extended Learning.



KEY TARGETS

In addition to our primary goal to support the university's *Strategic Framework*, we have set three key targets in developing this budget plan:

TARGET 1: ACHIEVE A SMALL OPERATING SURPLUS.

Given its many responsibilities to stakeholders, the university is committed to acting in a prudent financial manner each year and maintaining a balanced operating budget. **The budget contained in these pages forecasts an operating surplus of \$600,000.**

TARGET 2: MAINTAIN AN ANNUAL GENERAL RESERVE OF 1% OF REVENUES

As part of our prudent approach to financial management, we make every effort to maintain, where possible, an annual general reserve of 1% of revenues. This reserve gives us some measure of manoeuvrability, enabling us to react more rapidly and from a position of strength to unexpected internal or external events that may occur throughout the year.

TARGET 3: INVEST ANY SURPLUSES INTO DEBT REPAYMENT

A sound and prudent financial plan means keeping our debt obligations as low as possible. We are therefore committed to investing any surpluses in excess of our required investment and reserves toward debt repayment. As part of our vigorous and ongoing effort to reduce Concordia's debt, **we went from \$9,165 of university-supported debt per FTE in 2009–10 to \$8,765 in 2010–11 — a decrease of more than 4%.**

REVENUES

WHERE CONCORDIA'S OPERATING FUNDS COME FROM

The Quebec government's formula for university funding is based on FTEs (full-time equivalent). 1 FTE, which represents one student taking a course load of 30 credits, is the basic building block for the eventual government grant we receive. The more “raw” FTEs a university attracts (i.e., student(s) with a 30-credit load), the greater its funding. Some flexibility is built into the scheme: Thus two students taking 15 credits each are also equivalent to 1 FTE.

The province has introduced a further refinement to university funding with “weighted” FTEs, as opposed to “raw” FTEs. A weighted FTE is multiplied by a factor based on whether the student is in a graduate or postgraduate program, and on the cost of delivering the type of course for which they've registered.

For example, an undergraduate FTE in mathematics is 1.41 weighted FTE, while a master's student FTE in physical education is 4.42 weighted FTEs. From a revenue perspective, therefore, all courses are not funded equally. The government recognizes and remits more revenue for graduate courses (and more for PhDs over a master's) and more revenue for some course versus others, to reflect differentials in teaching activity and costs of delivery.

For the 2012–13 academic year, Concordia has budgeted to receive \$2,025.41 per raw FTE, and \$3,566.10 per weighted FTE (30 credits).



PLANNING FOR GROWTH IN WEIGHTED FTEs

We're basing our 2012–13 budget plan on realizing an increase of 872 weighted FTEs at Concordia, primarily at the graduate level. This represents a 1.7% growth as compared to 2011–12 levels.

Figure 2 below presents the breakdown of current and projected raw and weighted FTEs for our budget model:

Figure 2
Current and Projected
Raw and Weighted FTEs

2011–12 (Current Year)	2012–13 Forecast*	2013–14 Forecast*	2014–15 Forecast*
27,242 / 51,443	27,669 / 52,315	28,137 / 53,201	28,615 / 54,106

*based on 1.7% growth

GROSS REVENUE BY SOURCES

As Figure 3 on the following page shows, Concordia's gross revenue — the money we collect — comes in five streams. For the 2012–13 fiscal year, our total gross budgeted revenues are \$371.1 million. This figure is based on a 1.7% increase in weighted FTEs, as discussed above. In order of size, the revenue components for the 2012–13 budget plan are:

QUEBEC GOVERNMENT OPERATING GRANT (\$235.1 MILLION – 63.3%)

This grant, which will supply 63.3% of our gross revenue, is actually made up of three distinct grants.

1. The Teaching Grant is intended to cover the costs of providing teaching. The rate for 2012–13 is \$3,552 per weighted FTE. As well, the 2012–13 indexation rate for the teaching grant is 0.715%. This government-set indexation is intended to cover cost-of-living increases.
2. The Teaching and Support Grant covers services such as IT, libraries and administration. The teaching support grant rate for 2012–13 is \$1,680 per raw FTE.
3. The Buildings and Grounds Grant covers the costs of building and maintaining the spaces within which we fulfill our mission. For 2012–13, we're budgeting a grant of \$31 million.

Concordia has 23 Canada Research Chairs
and 46 Concordia Research Chairs.
Research revenues are \$35.3 million.



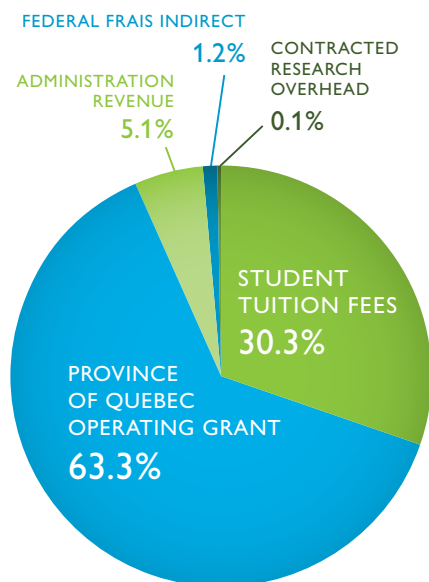


Figure 3
Gross Revenue by Sources for 2012–2013

STUDENT TUITIONS (\$112.6 MILLION – 30.3%)

These revenues are based on the government's tuition rate increase of \$254 per year over seven years, bringing the tuition rate to \$2,422 for the 2012–13 academic year.

FEDERAL FRAIS INDIRECT (\$4.5 MILLION – 1.2%)

Also known as the Indirect Costs Program outside Quebec, these are revenues provided by the federal government to support the costs of research, such as utilities and other support services.

ADMINISTRATION REVENUES (\$19 MILLION – 5.1%)

These are collected from students as part of the *Frais institutionnels obligatoires*. They are mainly comprised of administrative fees, technology fees and copyright fees.

CONTRACTED RESEARCH (\$450,000 – 0.1%)

This portion of revenues comes from research partnerships, which pay for a share of the indirect research costs generated by Concordia's contribution of expertise and facilities toward a given project.

NET REVENUES BY SOURCES

Government clawbacks of \$49.9 million on student tuition fees account for the main difference between Concordia's gross and net revenues (Figure 4). These clawbacks include:

- **\$9.7 million to fund student aid**, including bursaries and scholarships. The Quebec government has announced its intention to add \$60 million to its loans and bursaries program, but there is some question as to how this increase will be financed.
- **\$31 million in international student *forfaitaires***. Quebec universities charge higher tuition fees to international students than to Canadian students, but the difference (the *forfaitaire*) is remitted back to the province in exchange for grant funding. International students account for 19.9% of Concordia's revenue.
- **\$9.2 million in non-Quebec Canadian student *forfaitaires***. As in the second item above, non-Quebec Canadian students pay higher tuition fees than in-province students but less than international students. Once again, the difference is clawed back in exchange for grant funding from MELS.

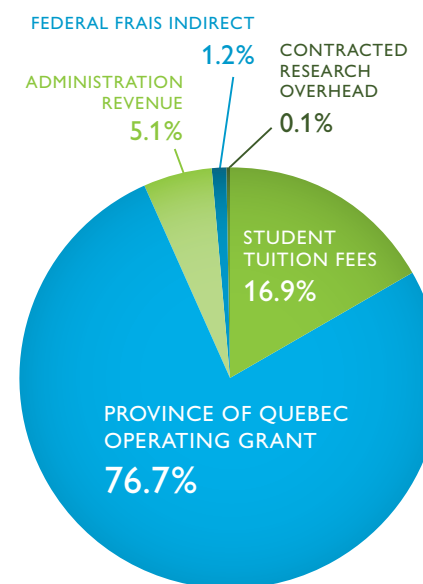


Figure 4
Net Revenue by Sources for 2012–2013

EXPENSES

HOW CONCORDIA WILL ALLOCATE THE MONEY IT RECEIVES

The main challenge of Concordia's budget plan exercise is to align highly regulated revenue streams — based largely on fixed government grants and student tuitions — with growing operating expenses. We've planned for the university's operating expenses to reach \$365.9 million in 2012–13 — a 2.7% increase compared to 2011–12. In addition to that amount, \$5.2 million will cover funding for Concordia's financial obligations in servicing its debt and pension funding requirements. The budget plan presented here addresses several significant challenges. The first set of challenges is how to keep up with growth in salaries and benefits, including the increased costs in pension funding. The second set of challenges is how to pay for all these obligations and still leave room to meet the university's strategic needs, such as funding Concordia's *Academic Plan*.

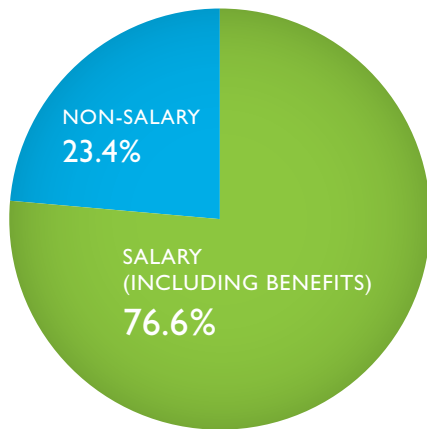


Figure 5
Expenses for 2012–2013

CHALLENGE 1: SALARIES AND BENEFITS

As the numbers above indicate, salaries and benefits account for more than three-quarters of Concordia's expenses (see Figure 5). We expect salaries alone to reach \$284.5 million for 2012–13. Without question, managing our salary and benefit costs is the most significant budgeting challenge we face.

Figure 6 presents a further breakdown of how we've planned for salaries and benefits in the 2012–13 Concordia budget plan.

Given the regulated environment in which Quebec universities operate, there is only limited room for flexibility. The growth rates for salary increases we've accounted for in this budget plan, for example, follow the Government of Quebec's Pay Policy. As a result, the university has no choice but to absorb the increases at the beginning of each fiscal year. In Concordia's case, these annual increases are currently in the range of \$9 million. We should also note that the cost-of-living indexation of 0.715% embedded in the Quebec grant covers only about 30% of salary increases at Concordia. As a consequence, each year a good portion of our planning exercise is to find the remaining 70% of salary increases in our budget.

As this discussion suggests, if we do not contain salary growth within at least its current parameters, our budget plan — and therefore university operations — face significant risks. Therefore, it is critical that the university manage its resources and sustain its operations with the Quebec government's current funding framework.

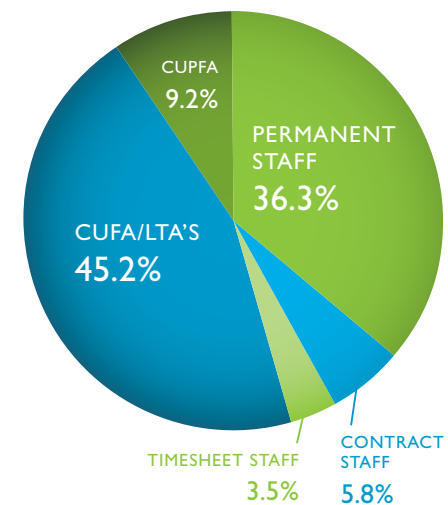


Figure 6
Salaries and Benefits
for 2012–2013



CHALLENGE 2: PENSION COSTS

Service costs associated with Concordia's employee pension plan are expected to rise by \$1.1 million before the end of 2012–13 — a 5.6% increase from our current position, to reach \$20.4 million. These increased service costs are directly related to the continuing growth in our salary base and to the pay equity exercise of recent years. It should be noted that pension costs have two major components. The first is current employer contributions, which are part of any given year's expenses. These are cited directly above. The second component — not reflected here — is funding of the deficit, which is the past history of our pension plan. This is treated in a separate section under Funding of Financial Obligations (please see page 30).

CHALLENGE 3: ACADEMIC PLAN

Of necessity, a university budget plan must be a wide-ranging document that supports not just the narrow but necessary need for salaries, benefits and teaching spaces, but also supports the institution's responsibilities to society. This cuts to the very core of any institution of higher learning, such as Concordia, which is dedicated to creating and sharing knowledge.

Among the budget plan's key priorities, therefore, is to set aside funds to invest in our core mission. Over the course of a five-year period, we intend to invest \$11.7 million from our operating budget toward realizing Concordia's *Academic Plan*. In addition, we have earmarked any enrolment growth revenues in excess of annual targets to also be invested in the Academic Plan. For the 2012–13 academic year, this represents an investment of \$2.7 million.

Concordia's *Academic Plan for 2012–16*, developed under the leadership of David Graham, Provost and Vice-President, Academic Affairs, serves as the blueprint for our university community's development and direction. The *Academic Plan* has five objectives supported by 82 actions. The five objectives are:

1. EXPAND OUR RESEARCH STRENGTH

Research, scholarship, and creative work are essential activities that distinguish universities from other educational institutions. These activities are fundamental to Concordia's institutional reputation, and a significant factor in making the university an attractive place for prospective faculty and students. The *Academic Plan* will boost Concordia's research profile by investing in faculty and graduate students and heightening awareness of current and emerging areas of research strength.

2. PROMOTE PROGRAM QUALITY AND INNOVATION

Concordia prides itself on its innovative and distinctive programs, enriched and expanded by disciplinary permeability. Recognizing that a well-grounded disciplinary course of study remains the necessary foundation of a solid university education, the actions under this objective will lead to more highly contextualized and focused criteria for defining the success of all programs.

Accessibility is fundamental to Concordia's mission. This is why many of our graduates have worked and studied part-time. Out of our current student population, 65% are full-time and 34% part-time. Our School of Extended Learning has an enrolment of 3,440.





3. BUILD SUPPORT FOR STUDENT SUCCESS

Student success is a core purpose of universities, as well as source of great satisfaction for instructors and students alike. The actions under this objective build on Concordia's current practices around providing an outstanding learning experience. They also serve to refresh Concordia's continuing commitment to preparing all our students, traditional and nontraditional, to master the academic skills we consider essential to their success.

4. INCREASE EXPERIENTIAL LEARNING AND COMMUNITY ENGAGEMENT

Experiential learning and community engagement are two closely related facets of our core academic mission: they allow us to test knowledge against experience and to put knowledge to use for the benefit of society. The actions under this objective focus on improving Concordia's longstanding commitment to engaged learning experiences, in the knowledge that practical experience can round out a strong university education and heighten student engagement, motivation and success. The actions also aim to heighten Concordia's commitment to forging partnerships and building bridges with constituencies outside campus boundaries.

5. IMPROVE ACADEMIC LEADERSHIP AND ADMINISTRATIVE SUPPORT

Effective administration is essential to support the realization of Concordia's academic goals. It involves a clear understanding that Concordia's academic mission is the university's top priority, a strong commitment to leading collegially and collaboratively, and unrelenting dedication to improving transparency and efficiency.



RELATED INVESTMENTS

The university maintains a Desktop Computer Fund, estimated at \$2.1 million in 2012–13, which we set aside annually from our operating budget. Approximately \$500,00 from this reserve covers the costs of university-wide software licensing, with the remaining \$1.6 million is transferred to Faculties, schools and administrative units to maintain our working desktop computer environment.

The budget plan also calls for setting a 1% general reserve, estimated at \$3.7 million for 2012–13. We view this as part of our prudent approach to managing the university's finances, as the reserve gives Concordia the flexibility it needs to react in a timely fashion to unforeseen events.

FINANCIAL COSTS

The university borrowed \$200 million in debentures in 2002, at a 6.55% interest rate, to support its Master Space Plan. This borrowing served as the financial foundation for the construction of the Richard J. Renaud Science Complex, the Engineering, Computer Science and Visual Arts Building, the John Molson School of Business Building, and others. Concordia realized these important projects in partnership with the government of Quebec and the government of Canada, which contributed to their funding through direct allocation or via project competitions funded by the Canada Foundation for Innovation, as well as through private donations.

We're a multilingual, multiethnic community. 25% of our students have a mother tongue other than English or French. 54% are mother tongue English and 21% are mother tongue French.



Our operating interest cost covers both the cost of our operating borrowings as well as the interest portion of these debentures. The university benefits from low interest rates totalling an average cost of 1.23% at the end of the 2011–12 fiscal year. We expect the rates to stay at a relatively low level during the course of 2012–13, with an expected net cost of \$11.9 million. Rates are anticipated to rise in the future.

FUNDING OF FINANCIAL OBLIGATIONS

The university must cover the cost of its financial obligations annually — **an amount expected to reach \$5.2 million in 2012–13**. These obligations have two major components:

PENSION DEFICIT

Concordia currently benefits from relatively lenient rules from the *Régie des rentes du Québec (RRQ)*, which enable institutions to account for only 20% of their pension fund deficit in any given year. However, these rules are scheduled for a major revision in December 2013. Under new guidelines, **our costs of covering our pension plan deficit will surge from \$1.5 million in 2012–13 to \$7.1 million in 2014–15 — close to five times the amount we currently need to cover**. Our budget plan does take into account this significant exposure; however, this issue will remain one of the major challenge all Quebec institutions will face in the coming years.



DEBT REPAYMENT AND FUNDING OF SIGNIFICANT PROJECTS

The university must now meet a further challenge associated with unfunded capital expenses, which were needed in the past to complete funding for projects already underway, such as the construction of the John Molson School of Business building or the Grey Nuns building acquisition, or to maintain assets in a functioning state over and above the annual allocations provided by the Quebec government through the *Plan quinquennal d'investissement universitaires*. In addition, we're now facing significant university-wide risks that our Student Information System will soon become obsolete.

To address these risks, we have allocated \$2.3 million from the 2012–13 budget plan and are expecting to maintain this level of investment for 10 years. And, as we've already noted, we're allocating an additional \$1.3 million for one year to accelerate our debt repayment. This will come from an expected excess of revenues over expenses for 2012–13.

ANNEXES

PROPOSED BUDGET 2012–13 AND PRO-FORMAS TO 2014–15

Scenario: Base tuition increase of \$254 per FTE starting with 2012–13

	Budget (2012–13)	Budget (2013–14)	Budget (2014–15)
REVENUES			
Student Tuition Fees	112,620,100	120,834,600	129,308,800
Province of Quebec Operating Grant	235,146,700	236,099,100	243,009,800
Federal Frais Indirects	4,547,115	4,622,115	4,697,115
Administration Revenue	18,954,200	19,663,000	20,394,800
Contracted Research	450,000	500,000	550,000
TOTAL REVENUES	371,718,115	381,718,815	397,960,515
NETTED EXPENSES			
Net Expense Budget	308,995,642	307,976,563	308,641,878
Salaries and benefits			
Reserve for Collective Agreements	15,363,602	24,410,252	33,799,637
Pension - Employer Contribution	20,392,000	20,963,000	21,550,000
Fund raising costs	7,170,000	7,170,000	7,170,000
Financial Costs			
Bad debt	2,059,000	2,574,000	3,124,000
Interest	11,942,000	12,794,000	14,117,000
TOTAL EXPENSES <i>(before Funding of Financial Obligations and GAAP)</i>	365,922,244	375,887,815	388,402,515

DEFICIT (SURPLUS) <i>(before Funding of Financial Obligations and GAAP)</i>	(5,795,871)	(5,831,000)	(9,558,000)
FUNDING OF FINANCIAL OBLIGATIONS			
Additional debt repayment	1,310,000	—0	—0
Unfunded liabilities	825,000	825,000	825,000
Unfunded capital and special projects liabilities	1,500,000	1,500,000	1,500,000
Pension (including solvency payment)	1,543,000	3,406,000	7,133,000
TOTAL FUNDING OF FINANCIAL OBLIGATIONS	5,178,000	5,731,000	9,458,000
IMPACT OF GAAP			
Pension and post-retirement benefits	1,445,600	121,900	121,900
TOTAL IMPACT OF GAAP	1,445,600	121,900	121,900
DEFICIT (SURPLUS)	827,729	21,900	21,900

2012–13 DISTRIBUTION OF FTEs BY FACULTY

	Raw	Weighted
Arts and Science	14,494.48	24,199.36
John Molson School of Business	6,189.98	8,035.21
Engineering and Computer Science	4,154.72	12,882.67
Fine Arts	2,652.62	6,984.50
School of Extended Learning	159.94	174.01
Privatized	17.30	39.62
Total	27,669.04	52,315.37

NET EXPENSE BUDGET

Netted Expenses and Transfers	2011–12		2012–13	
	3rd Quarter Projections		Projected Budget	
Academic Research	\$221,871,500	60.8%	\$224,003,700	61.5%
Administration and Buildings & Grounds	\$119,198,000	32.6%	\$123,719,500	32.6%
Institutional	\$24,137,300	6.6%	\$31,339,800	8.3%
TOTAL	\$365,206,800	100%	\$379,063,000	100%

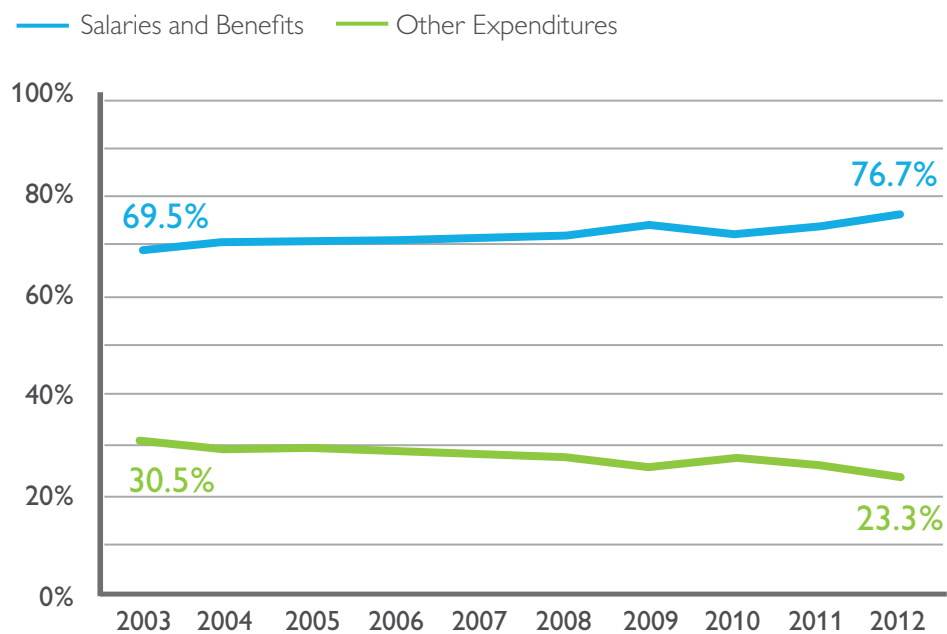
Note: Information as of the April 19, 2012 Board of Governors

FACULTY EXPENSE BUDGETS

Faculties	2011-2012 3rd Quarter Projections		2012-2013 Projected Budget	
Arts & Science	\$90,611,800	46.8%	\$90,745,900	46.9%
John Molson School of Business	\$31,615,800	16.3%	\$31,651,800	16.3%
Engineering and Computer Science	\$41,838,400	21.6%	\$41,850,500	21.6%
Fine Arts	\$29,352,600	14.7%	\$29,395,500	15.2%
TOTAL	\$193,418,600	100%	\$193,643,700	100%

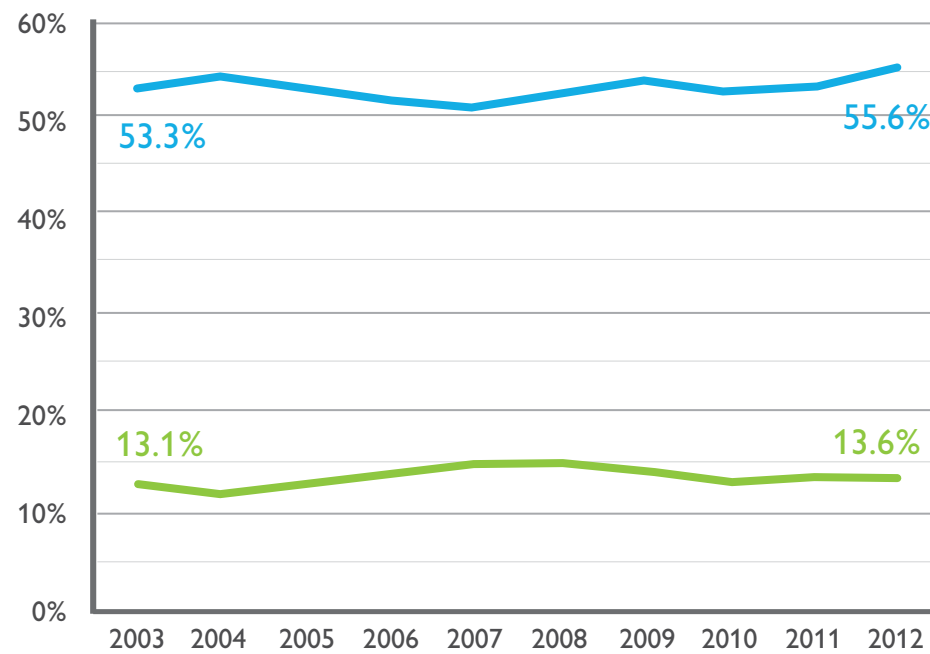
Note: Information as of the April 19, 2012 Board of Governors

HISTORICAL TREND OF UNIVERSITY SPENDING — OPERATING FUND,
AS A PERCENTAGE OF TOTAL SPENDING

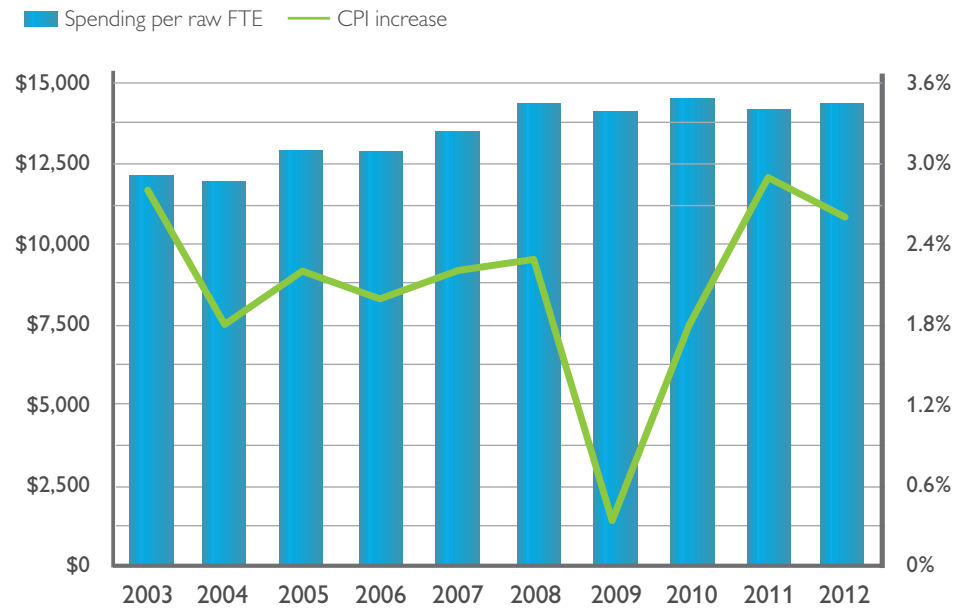


HISTORICAL TREND OF ADMINISTRATIVE AND ACADEMIC SPENDING,
AS A PERCENTAGE OF TOTAL UNIVERSITY EXPENSES

— Academic — Administration



HISTORICAL TREND OF UNIVERSITY SPENDING PER RAW FTE





PRO-FORMA BALANCE SHEET

DISCLAIMER

The objective of this pro-forma balance sheet is to provide readers with preliminary information on the financial position of Concordia University as of April 30th, 2012.

As we prepare and release the Budget Plan, Concordia University is actively working on closing the 2012 financial records as such, figures contains in the pro-forma balance sheet are subject to changes.

Readers are cautioned to use this information accordingly.

All figures in \$.

	TOTAL FUNDS		OPERATING FUND		RESTRICTED FUNDS					
	2012	2011	2012	2011	Research Fund		Designated Fund		Capital Assets Fund	
					2012	2011	2012	2011	2012	2011
ASSETS										
Current assets										
Cash	2,811		2,811							
Marketable securities	7	6,844	2	6,837			5	7		
Subsidies receivable	30,978	42,026	26,550	36,809	700	627	670	24	3,058	4,566
Accounts receivable	24,661	24,526	19,450	19,878	4,528	3,954	202	7	481	687
Inventories	3,768	3,602	3,768	3,602						
Other assets and prepaid expenses	4,181	4,760	3,584	4,326					597	434
Due from Concordia University Foundation, without interest	7,531	9,760	7,531	9,760						
Total Current Assets	73,937	91,518	63,696	81,212	5,228	4,581	877	38	4,136	5,687
Subsidies receivable		634		634						
Amount receivable from the <i>ministère de l'Éducation, du Loisir et du Sport du Québec</i>	130,000	140,581		7,999					130,000	132,582
Due from Concordia University Foundation, without interest		1,832		1,832						
Due from Capital Assets Fund	121,362	137,771	121,362	137,771						
Due from Operating Fund	41,414	40,701			19,035	16,091	22,379	24,610		
Capital assets	716,810	695,850							716,810	695,850
Other assets	1,400	1,415							1,400	1,415
TOTAL ASSETS	1,084,923	1,110,302	185,058	229,448	24,263	20,672	23,256	24,648	852,346	835,534

Balance Sheet continued...

	TOTAL FUNDS		OPERATING FUND		RESTRICTED FUNDS					
					Research Fund		Designated Fund		Capital Assets Fund	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
LIABILITIES										
Current liabilities										
Bank overdraft		4,018		4,018						
Bank loans	69,265	56,615	35,600	56,615					33,665	
Accounts payable and accrued liabilities	54,430	80,895	54,430	80,895						
Amount payable to the <i>ministère de l'Éducation, du Loisir et du Sport du Québec</i>	6,297	788	6,297	788						
Agency and fiduciary accounts	6,489	13,277	6,489	13,277						
Unearned revenue	19,378	18,229	19,300	18,092				8	78	129
Deferred contributions	24,263	20,672			24,263	20,672				
Interest payable on long-term debt	2,235	5,420							2,235	5,420
Instalments on long-term debt	38,093	67,095	667	667					37,426	66,428
Total Current Liabilities	220,450	267,009	122,783	174,352	24,263	20,672	0	8	73,404	71,977
Future benefits	87,038	83,287	87,038	83,287						
Deferred contributions	73,256	75,239					23,256	24,191	50,000	51,048
Due to Restricted Funds	41,414	40,701	41,414	40,701						
Due to Operating Fund	121,362	137,771							121,362	137,771
Long-term debt	456,554	448,777	18,111	18,778					438,443	429,999
TOTAL LIABILITIES	1,000,074	1,052,784	269,346	317,118	24,263	20,672	23,256	24,199	683,209	690,795

Balance Sheet continued...

	TOTAL FUNDS		OPERATING FUND		RESTRICTED FUNDS					
					Research Fund		Designated Fund		Capital Assets Fund	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
FUND BALANCES										
Unrestricted deficit	(140,265)	(140,047)	(140,265)	(140,047)						
Internally restricted	55,977	52,377	55,977	52,377						
Externally restricted		449						449		
Invested in capital assets	169,137	144,739							169,137	144,739
Total Fund Balances	84,849	57,518	(84,288)	(87,670)				449	169,137	144,739
TOTAL	1,084,923	1,110,302	185,058	229,448	24,263	20,672	23,256	24,648	852,346	835,534



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