

TO: Members of the University of Saskatchewan Community

FROM: Provost and Vice-President Academic Brett Fairbairn and
Vice-President Finance and Resources Richard Florizone

RE: Update on Operating Budget Adjustments and General Finances

DATE: January 29, 2010

The purpose of this memo is inform you about the university's implementation to date of the three per cent, or \$10 million, reduction in the university's operating budget over 2009-10 and 2010-11, and to provide you with an update on the university's overall financial status.

As you are aware, the recent worldwide economic downturn affected organizations around the world. Although the University of Saskatchewan was not affected to the same degree as some of our peer institutions, we were not immune to the external financial situation and our board set a target of three per cent as a prudent reduction in the face of a combination of risks to our investments, endowments, pension funds and provincial operating grant. The three per cent operating budget reduction represents a manageable financial challenge to the university given the size and scope of the university's operations. As we have stated before, our actions in dealing with the budget adjustments are governed by our commitment to ensure the University of Saskatchewan emerges comparatively stronger from this period of financial uncertainty.

Since our last memo to you on July 27, 2009, colleges and units have implemented budget adjustment measures that represent \$5.5 million (or roughly 55 per cent) of the total \$10 million target. This total includes a \$1.8 million reduction to central budgets. To put those figures in context, college/unit budgets comprise 79 per cent of the university's total operating budget with central budgets accounting for the remaining 21 per cent.

As budget adjustments have been implemented, we have seen a great deal of creativity and effort committed to finding new, more efficient ways of operating. There have been program innovations and enhancements, reorganizations and new ways of working together that are all assisting the institution in managing through difficult and uncertain times.

Maintaining the high quality of the educational experience for our students has been a top priority for colleges throughout the budget adjustment process, and will continue to be a priority as we move forward. Although the effects for students range from college to college, every effort has been made to minimize changes to students' academic programs, and the vast majority of deans have reported little effect on students.

On the pension front, the university established a working group to undertake a thorough analysis of pension plan arrangements and legislative requirements, and to explore options and develop solutions. The work of this group, coupled with improved investment returns and legislative approval of temporary solvency relief, has resulted in lower-than-projected pension payments in the short-term. In the longer term, pensions remain a significant issue. Watch for further updates on this topic.

We anticipate the current budget adjustments will result in the loss of about 60 permanent FTE (full-time equivalent) positions this year and next; to date, there have been 21 layoffs (14 in academic units and seven in administrative units) and the deletion of 16 vacant positions for a total of 37 positions whose elimination is attributed by units to the budget reductions. We recognize the seriousness of the situation for those whose positions were affected. Although difficult decisions had to be made, the leadership and management on campus contributed to a relatively healthy financial picture, which called for fewer position reductions than faced by many similar institutions.

In July 2009, the Board of Governors approved up to \$5.0 million from the Operating Reserve to be used as one-time support for transition funding related to financial uncertainty. This funding was intended to bridge research funding, provide any needed endowment support, and to assist with one-time costs of colleges and units as they implement various budget measures. We are in the process of contacting colleges with further information about the use of these funds.

Regarding tuition, we have initiated discussions with colleges about tuition rates, and have indicated that any changes in tuition need to be considered in the context of principles approved by the board in October 2009. These principles include comparability, affordability and accessibility, and quality. We anticipate more information on 2010-11 tuition rates will be shared with you in spring.

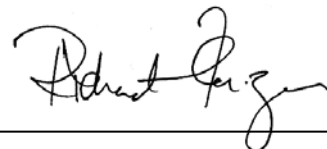
We expect to have further updates to share after the university's provincial grant is announced as part of the provincial government's budget in March.

We hope this information is helpful to you. We will continue to closely monitor the university's financial situation and those factors that affect it, and we appreciate the efforts being made by all members of the campus community.

Best Regards,



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