

Financial management in an uncertain environment

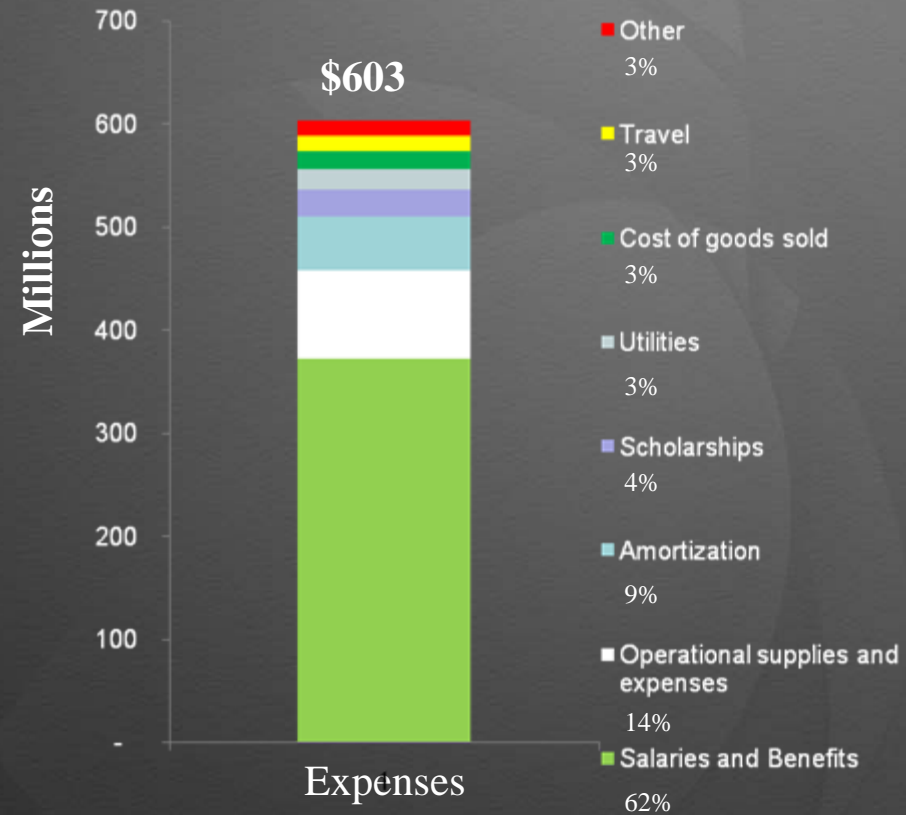
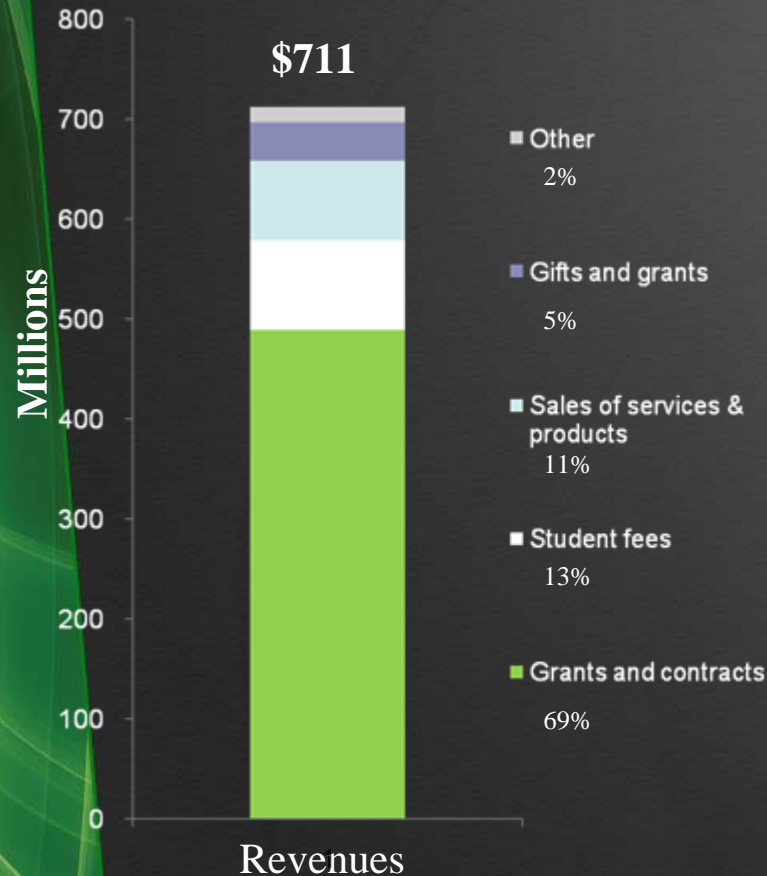
February 24, 2009



Agenda

- ✧ Overview of University Finances and Planning
- ✧ Background and Context to Scenario Analysis
- ✧ Overview of Scenarios
- ✧ Key Findings and Implications
- ✧ Actions at Other Universities
- ✧ Questions and Answers

Overall Revenues and Expenses (2007/2008)



Planning and Budgeting

2009

Feb.

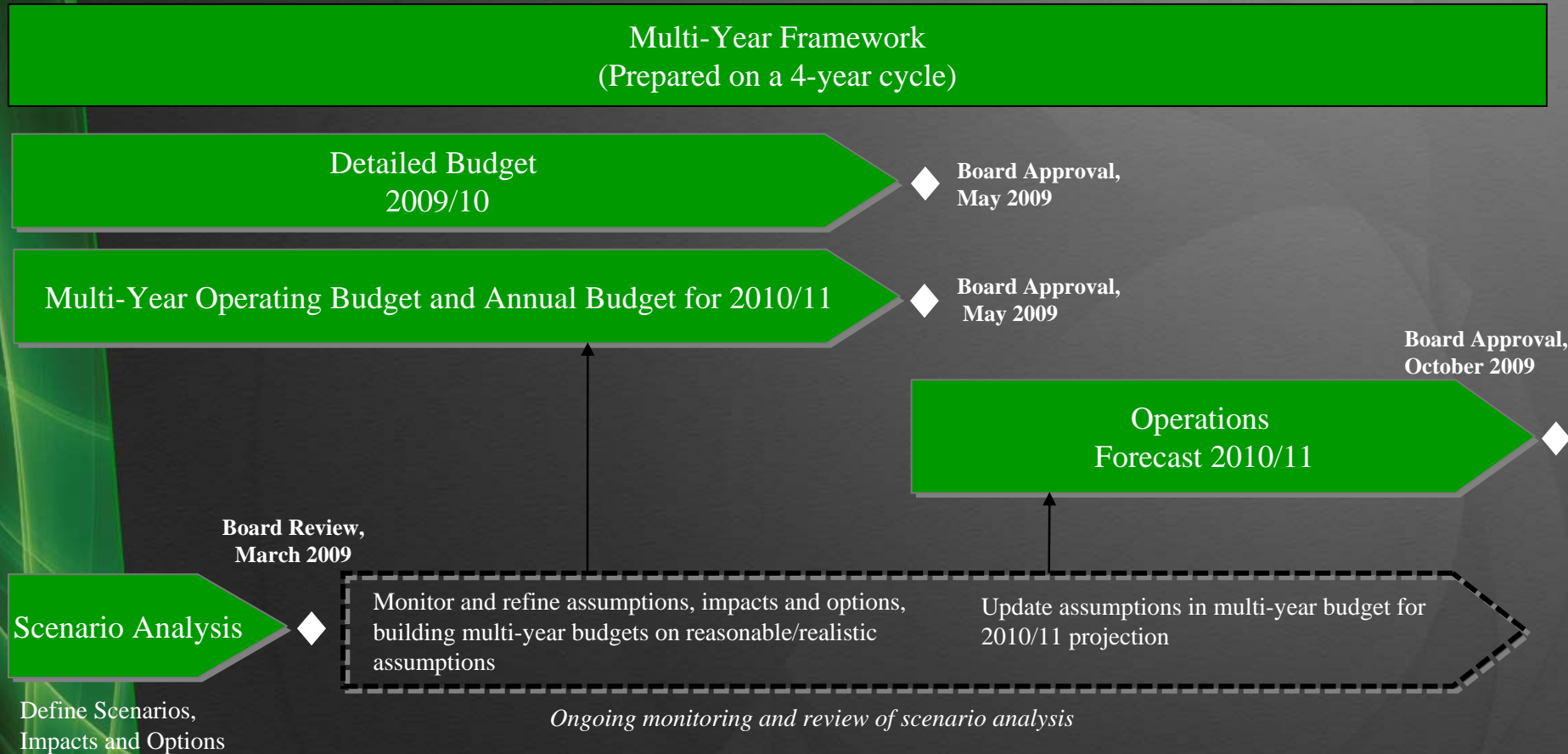
Mar.

Apr.

May

June

Sept.



Background and Context

- ✧ At their December meeting, the U of S Board of Governors requested we develop and evaluate a set of “scenarios” on what the future might be, and what impact it would have on the University.
- ✧ In 2008, the global economy has experienced events unprecedented since the Great Depression.
- ✧ Forecasts for 2009 and beyond are uncertain.

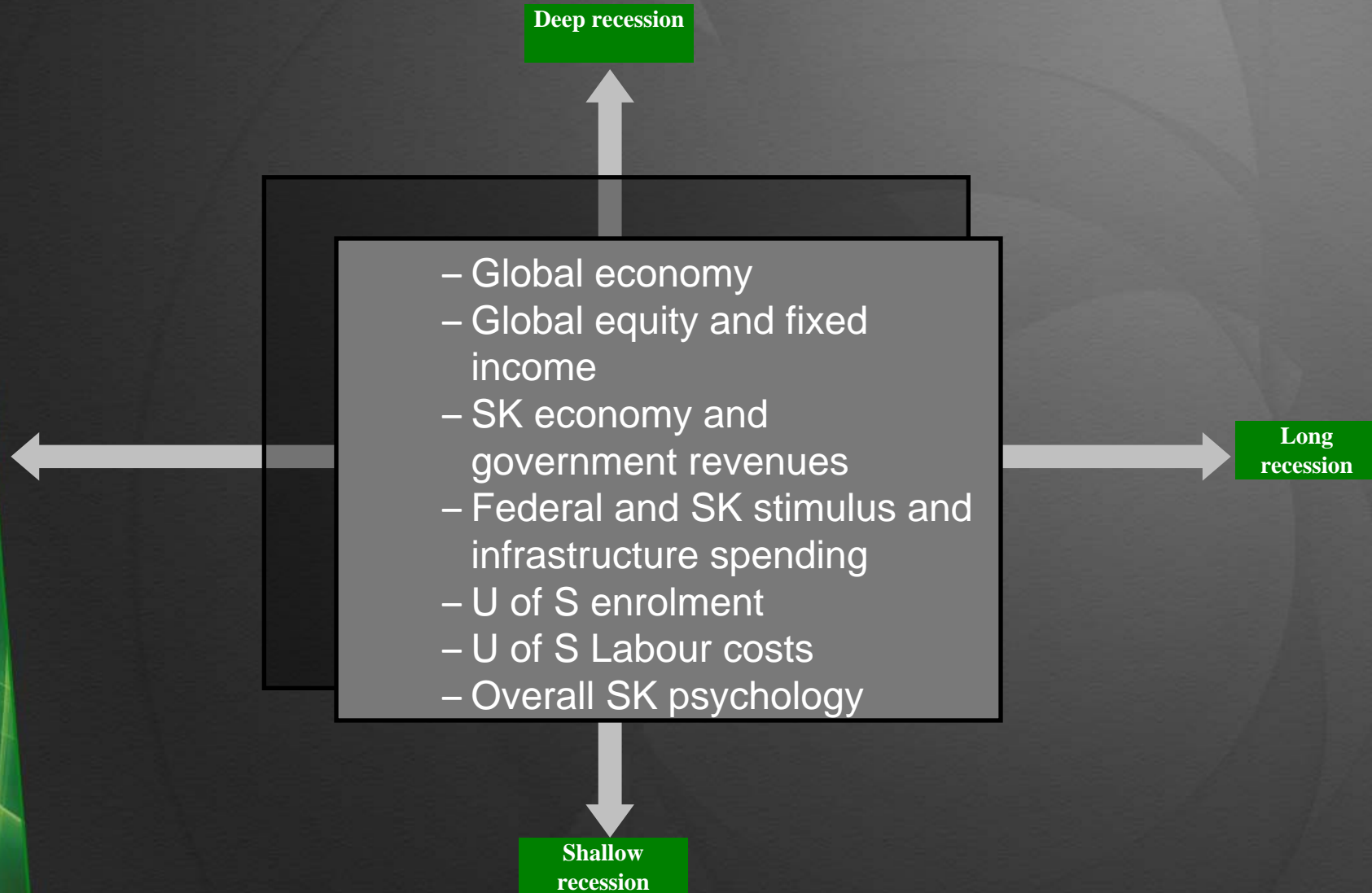
Guiding Principles

1. Scenarios are focused on the depth and length of a potential recession
2. No predicting
3. Maximum of four scenarios
4. “Informed hypothesis”

Summary Observations from External Forecasts and Scenarios

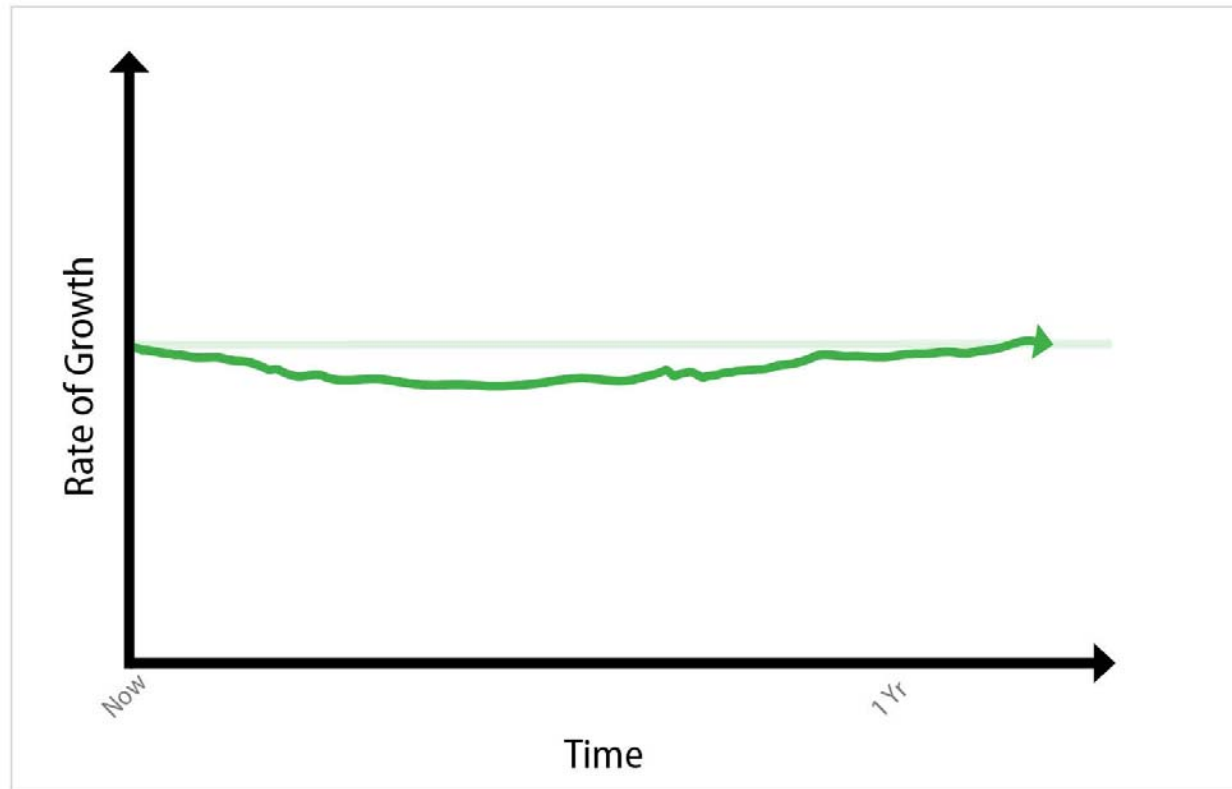
- Uncertainty is high
- Forecasts continue to be revised downwards
- Canada is expected to fair comparatively better
- Saskatchewan is forecast to lead Canada
- A deep and long recession is possible

Framework for our Scenarios



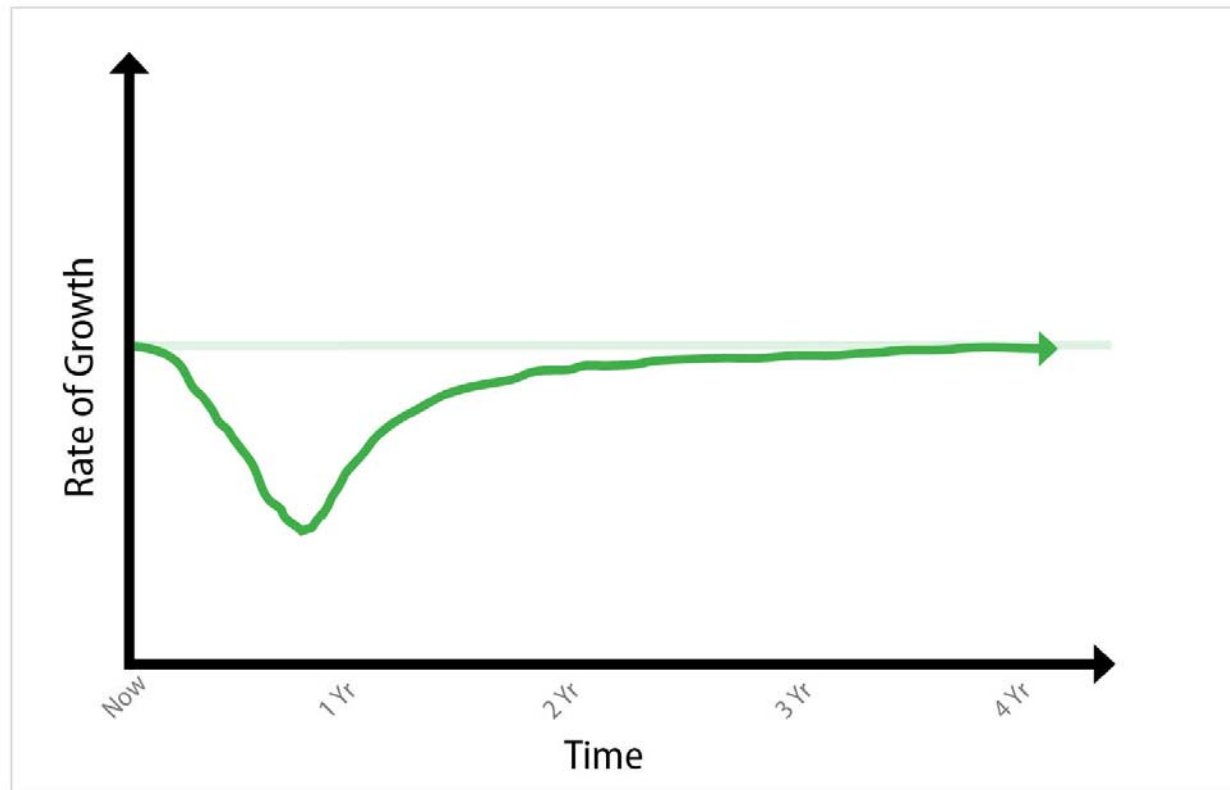
Scenario 1

Return to status quo



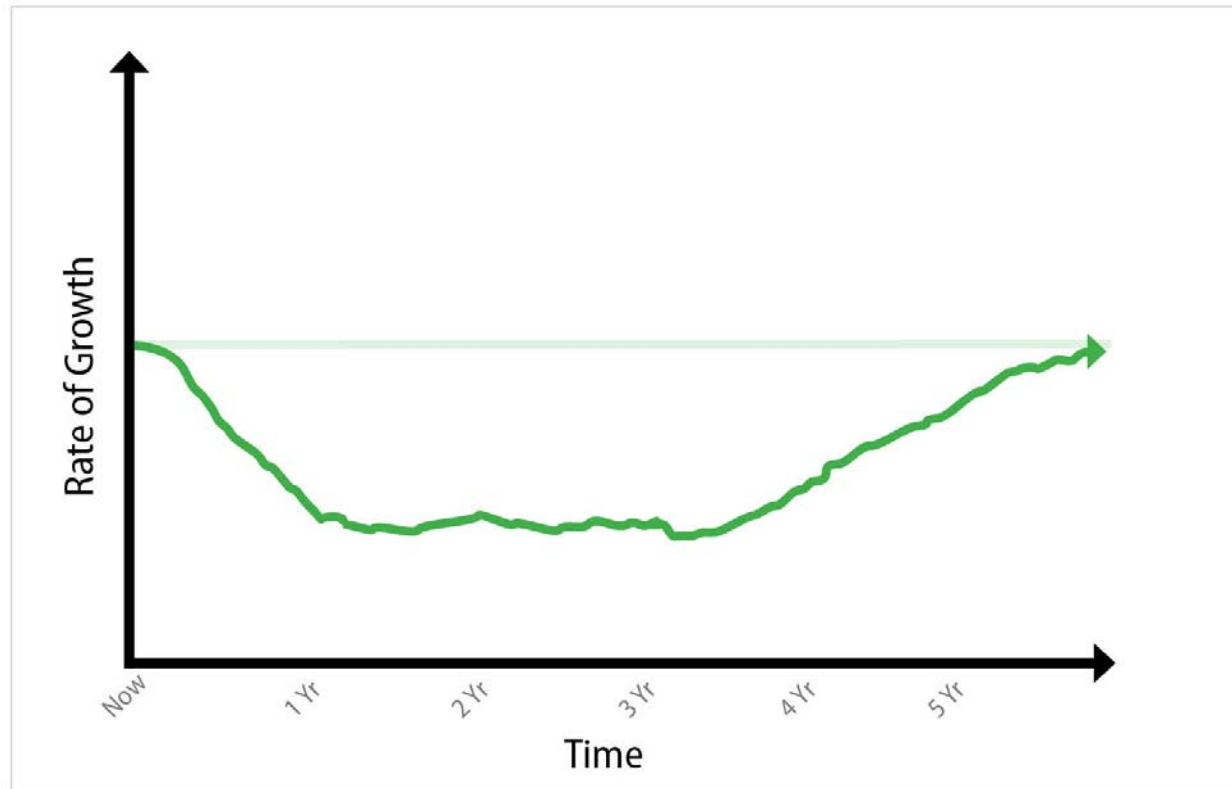
Scenario 2

Deep "V"



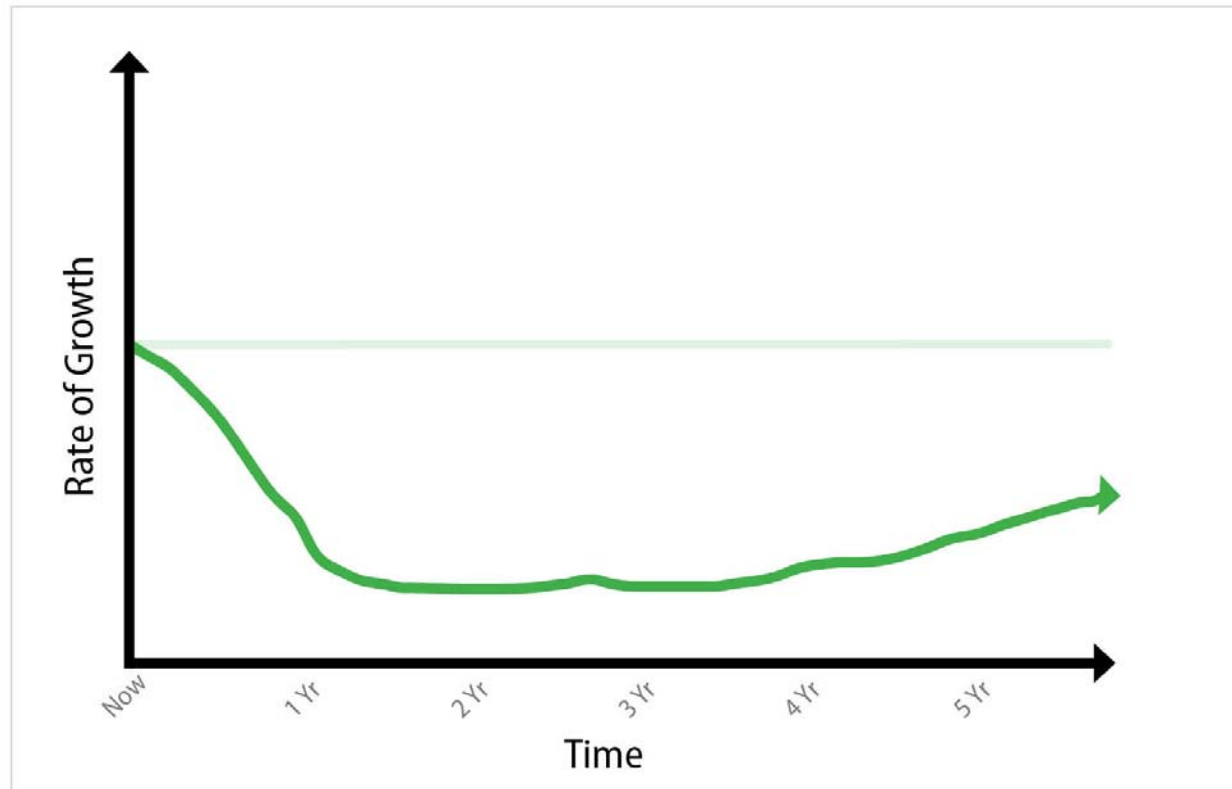
Scenario 3

"Bathtub"



Scenario 4

"Swimming Pool"



Overview of Scenarios

Scenario 1:
“Return to status
quo”

Shallow
recession

Scenario 3:
“Bathtub”

Short
recession

1. Operating budget
2. Pensions
3. Endowments
4. Capital
5. Research
6. Fundraising

Long
recession

Scenario 2:
“Deep V”

Scenario 4:
“Swimming pool”

Deep recession

What to look for as the future unfolds:

- ✧ Commodity prices
- ✧ Messages from government about public sector finances
- ✧ Federal research funding
- ✧ Provincial research and capital funding in 2010

At Other Universities

- ✧ Expenditure cuts over the next 2 to 3 years (Queen's – 15%)
- ✧ Assisted early retirement program (WO)
- ✧ Scenario analysis (McMaster)
- ✧ Increasing pension plan contributions by 3% (Alberta)
- ✧ Pension solvency relief (Ontario)
- ✧ Endowments – no action yet

Implications for Units in Uncertain Times

- ✧ Proceed with caution.
- ✧ Watch for more information.
- ✧ Think about new ideas.

Questions and Comments

- Email ginger.appel@usask.ca with further suggestions, comments, or questions.