

BUDGET ANALYSIS

STFXAUT Special Meeting, February 15, 2011

Overview



- Recent Budgetary Announcements
 - ▣ New vs Old information
- Financial Planning
 - ▣ Crisis Management Model
- Spending Patterns
 - ▣ Envelope allocations
 - ▣ Spending in Academic Envelope
 - ▣ Non Academic “Bloat”
- Model of Education Delivery
 - ▣ Unique?
 - ▣ Expensive?
- Summary

Recent Budgetary Announcements

□ New Information

- Funding declined by 4%
- Tuition increase of 3%
- Net effect?

□ Old Information

- Impact of mandatory retirement
- Increase in annual expenses 4%
 - salaries, infrastructure spending, debt service

“The four percent cut this year is set against about a four percent cost increase, so we have about an eight percent gap”.

Casket Feb. 9, 2011

Financial Planning

- Forecasting Ability:

- Financial forecasting models should indicate financial pressures years in advance – not crisis management
- Infrastructure costs with a recurring annual expense
- Confidence in rectifying “structural deficit” based on prior financial forecasting

- Unaddressed Issues:

- Increases in costs (collective agreements) should not be a surprise
- Retirement allowances or incentives not addressed on elimination of mandatory retirement

- Spending Patterns

- Disproportionate allocation of increases in annual revenue but proportionate allocation of decreases in annual expenses

Spending Patterns



- University spending is allocated to envelopes
- Allocations and boundaries not transparent
- Arbitrary allocations and occasional reallocations
- Difficult to recognize changes in boundaries
- Envelopes have been used at StFX since 1995 (at least)
 - ▣ Next slide illustrates categories in early reporting system
 - ▣ System between 1998 and 2004 had three categories: Salaries, Fringe Benefits, and Other
 - ▣ Next slide shows current envelope system (Advancement included in Finance & Operations to reflect early system)

Envelope System

1995

Academic

- ▣ Instruction
- ▣ Non-sponsored Research
- ▣ Library

Student services

Finance

- ▣ Administration & General
- ▣ Physical Plant

Others

Now

A: Academic Vice-President

- ▣ Instruction
- ▣ Non-sponsored Research
- ▣ Cont. Ed & Training & Development
- ▣ Library

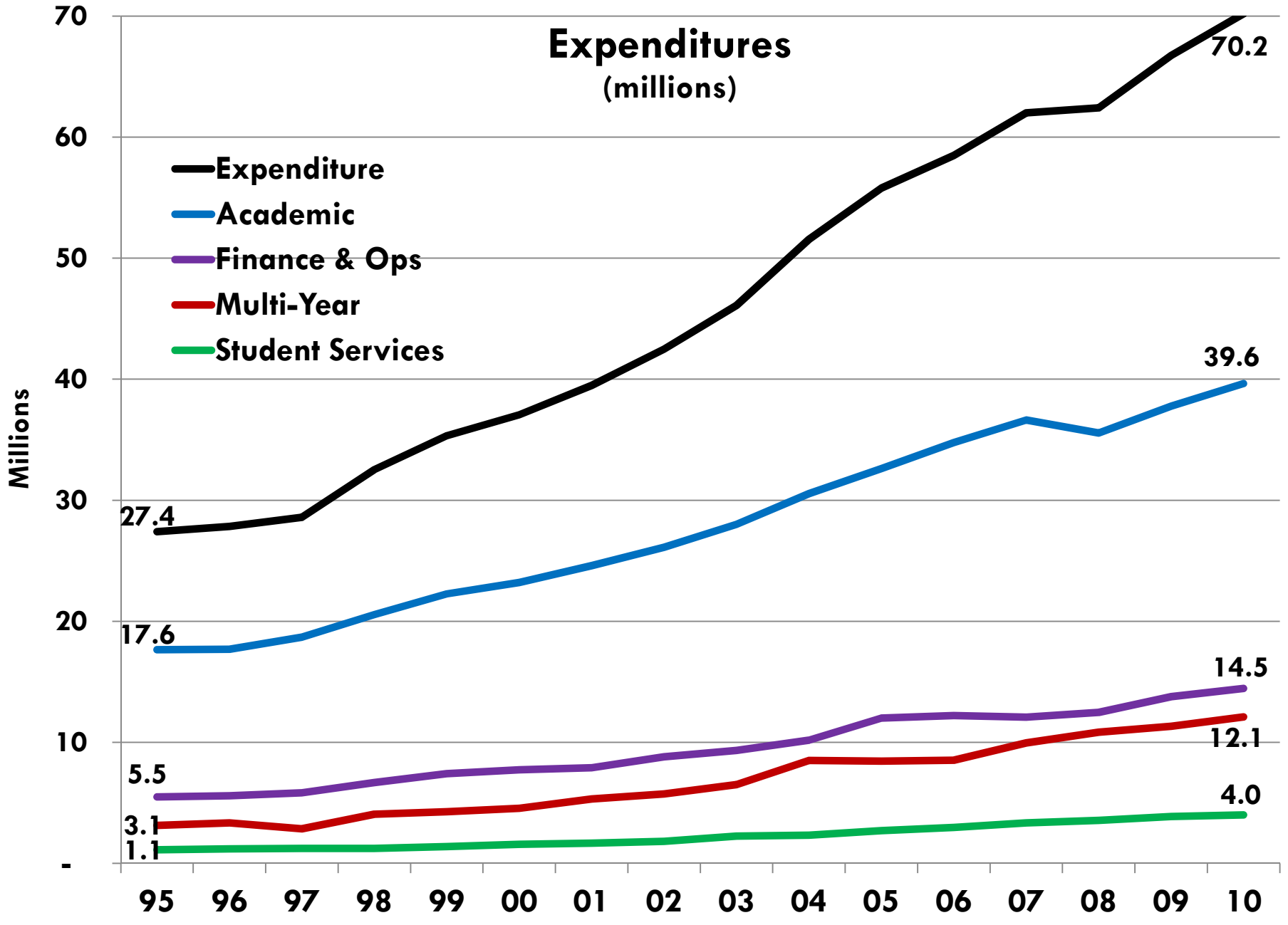
B: Student Services

D: Finance & Operations

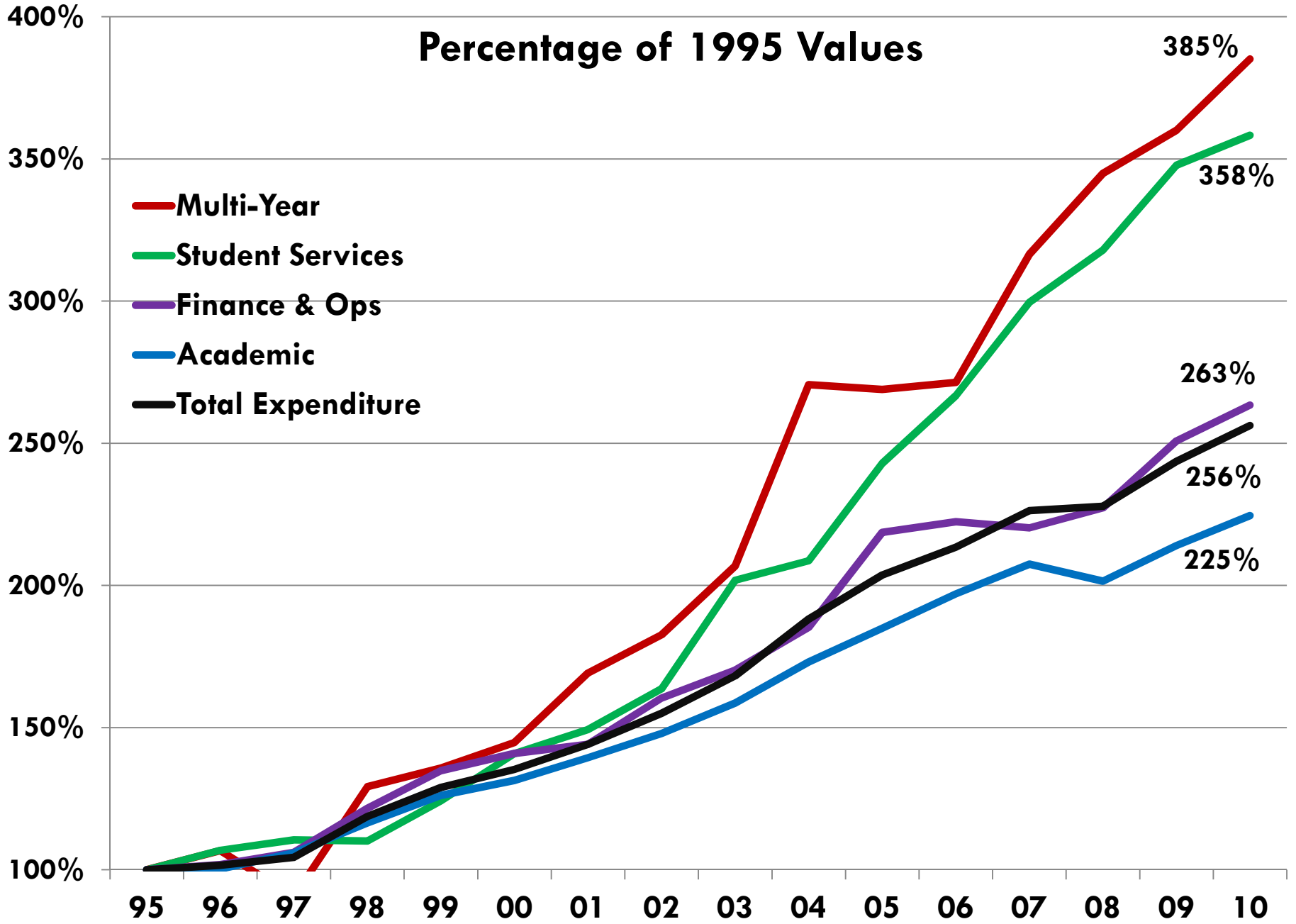
- ▣ C: Advancement (appeared 06/07)
- ▣ Administration & General
- ▣ Facilities Management
- ▣ Technology Support Group (97/98)

E: Multi-Year Commitments

Expenditures (millions)



Percentage of 1995 Values



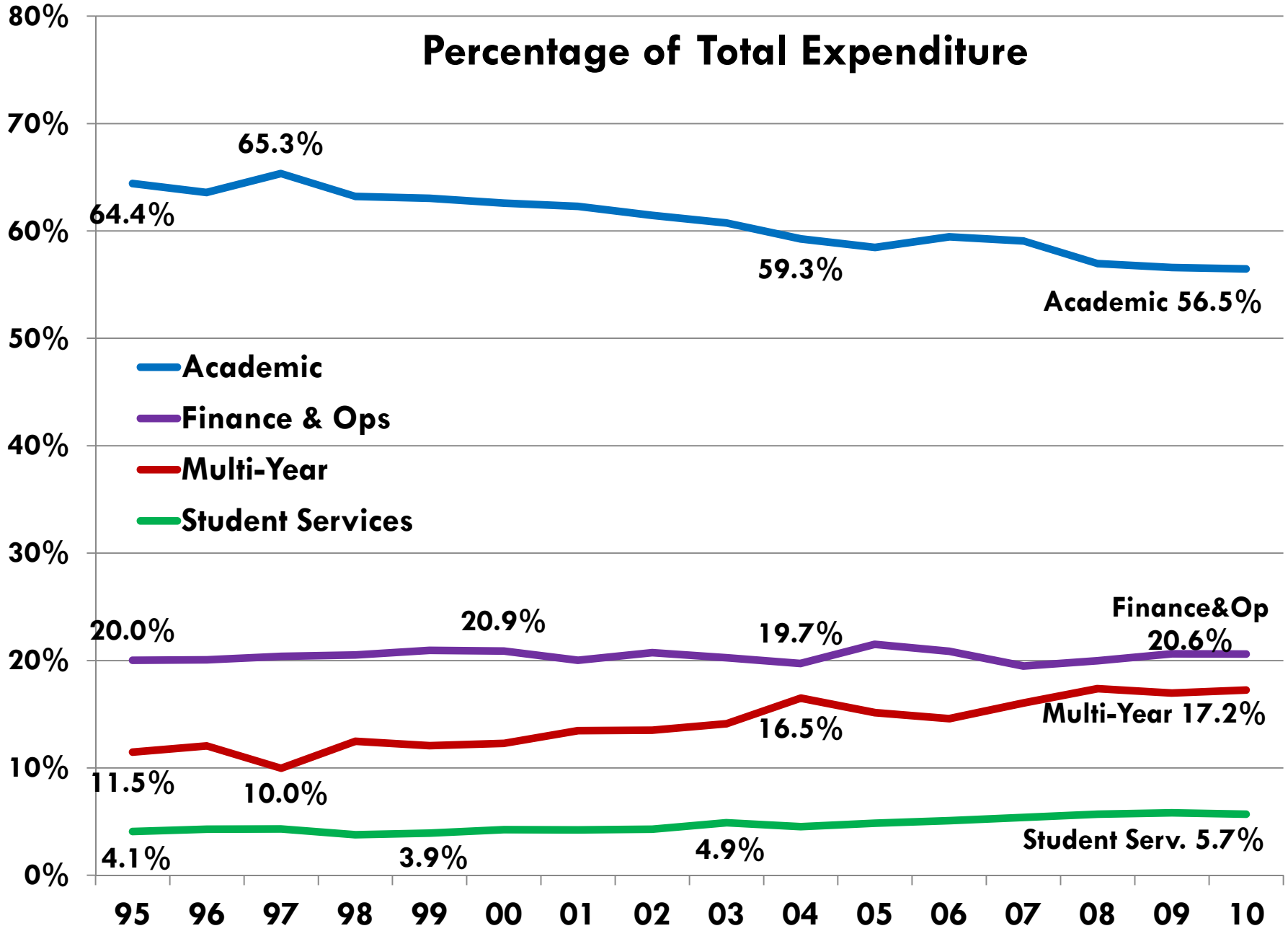
1995 vs 2010 (Annual Budget Reports)

Expenditures	1995	2010	Percentage
Academic	17,647,119	39,631,031	225 %
Finance & Operations	5,487,927	14,455,905	263 %
Student Services	1,116,321	3,999,977	358 %
Multi-Year	3,143,569	12,107,933	385 %
Total	27,394,936	70,194,846	256 %

1995 to 2010 Projection

Expenditures	1995 Actual	2010 Projection	2010 Actual	Diff
Academic	17.6	45.6	39.9	(5.7)
Finance & Advancement	5.5	14.2	14.5	0.3
Student Services	1.1	2.9	4.0	1.1
Multi-Year	3.1	8.1	12.4	4.3
Total	27.4	70.8	70.8	0

Percentage of Total Expenditure

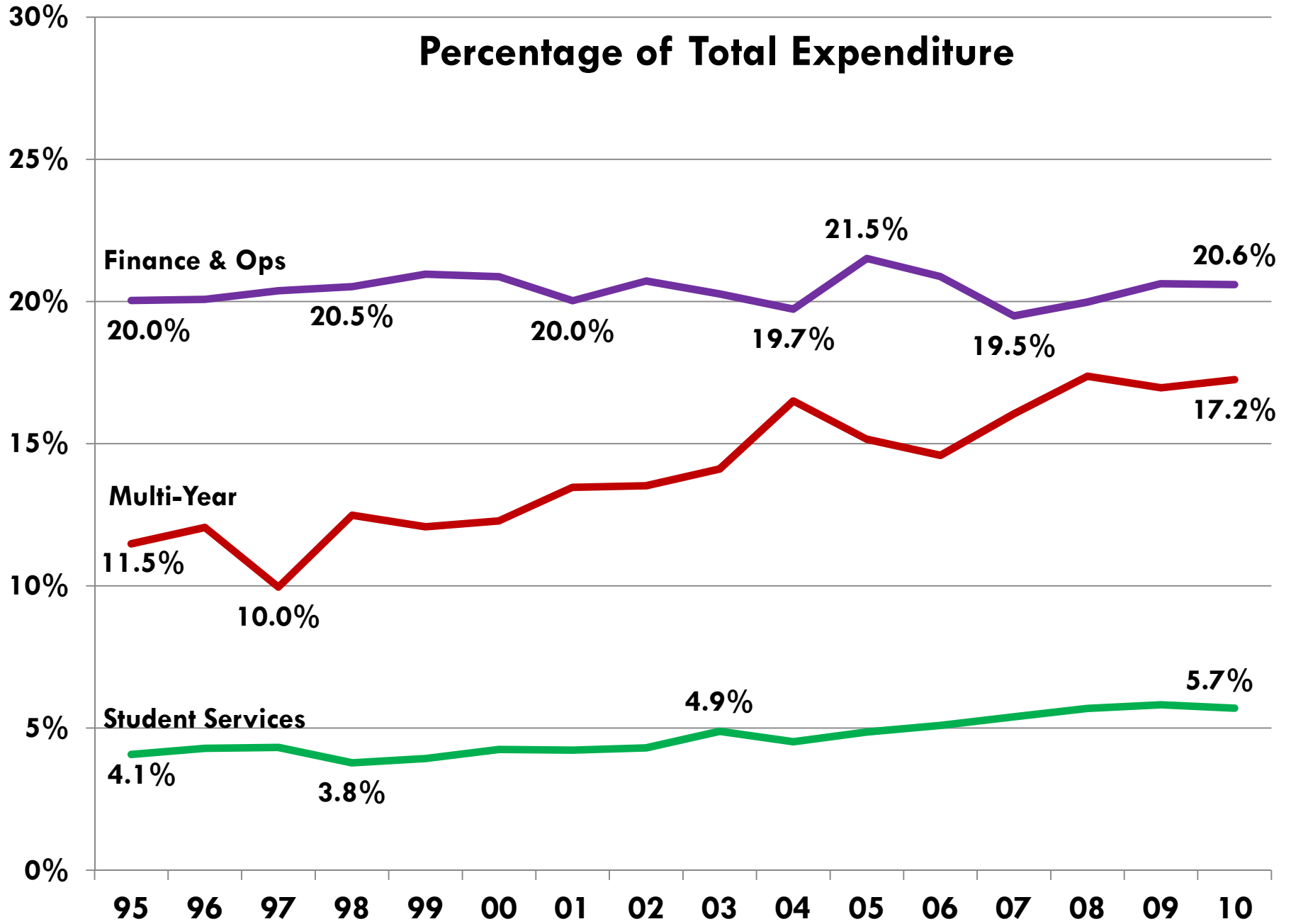


Examine the Finance & Ops Line



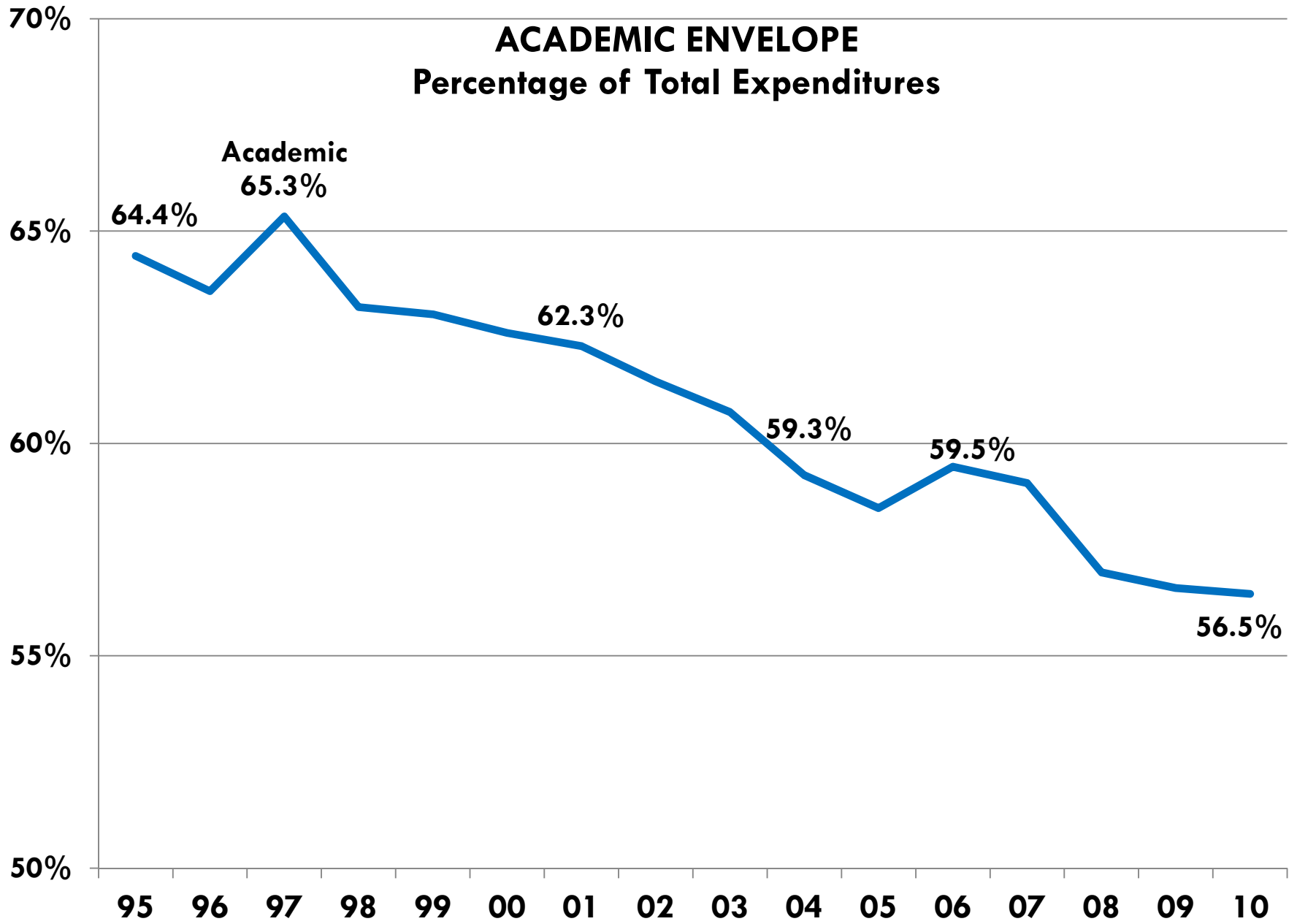
- Notice the dips in 2001, 2004, and 2007
- Such sudden changes required investigation
- How did academic envelope react?

Percentage of Total Expenditure



ACADEMIC ENVELOPE

Percentage of Total Expenditures



Employee Future Benefits

- First appeared under category Projected Actual 2001-02 in budget report from April 25, 2002
 - ▣ Reported under “Other” category as \$227,149
- Reported as “Pension Liability” in Budget Draft June 2005
 - ▣ Grouped with “Other” items (such as “Capital Renewal”)
- Reported as “Early Retirements” in Budget Draft 2006-07
 - ▣ Appears in “Envelope A – Academic Vice President”
- Becomes “Employee Future Benefits” in Envelope A: Academic
- Called “Post Retirement Benefits” under category “Instruction and non-sponsored Research” in Financial Reports
- What happens if moved back to Envelope E: Multi-Year?

Envelope Shift

- Fiscal year 2005-06 was reported differently in 2006 and 2007 University Financial Reports

- Available on Accounting Web Site in side tab

www.mystfx.ca/campus/admin/accounting-services/universityfinancials.htm

- Analyzed these and budget reports to faculty
- Appears to be a shift from Finance & Ops Envelope to Academic Envelope and Student Service Envelope
- \$1.147 million shifted from “Administration & General”
- \$389,000 shifted to Student Services Envelope
- \$758,000 shifted to Academic Envelope

- The following two slides contain:
 - A portion of the audited “University Financial Report” dated March 31, 2006
 - A portion of the audited “University Financial Report” dated March 31, 2007
 - Each one contains a column for the previous year, explained in 2007 as, “Certain 2006 comparative figures have been reclassified to conform to 2007 presentation.”
- A third slide contains a comparison of the 2006 figures as given in 2006 and as reclassified in 2007

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 2****Expenditure****Year ended March 31, 2006**

	<u>2006</u>	<u>2005</u>
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 22,493,292	\$ 20,789,578
- support and other	2,648,221	2,431,671
Fringe benefits	3,759,555	3,580,649
Post retirement benefits	229,744	200,168
Operational supplies and expenses	1,552,545	1,428,201
Travel	478,533	526,815
Chairs of studies	308,542	348,449
Extension department - net (Schedule 4)	121,611	307,652
Coady International Institute - net (Schedule 3)	200,000	200,000
Indirect research grant	(253,092)	(249,018)
	<u>31,538,951</u>	<u>29,564,165</u>
Administration and general		
Salaries	2,561,403	2,434,652
Fringe benefits	421,293	426,813
Operational supplies and expenses	361,464	347,070
Institutional dues, legal, audit and other	964,077	1,131,841
Interest - net (Schedule 8)	1,470,355	1,438,665
Travel	204,335	190,145
Indirect research grant	(109,674)	(104,000)
	<u>5,873,253</u>	<u>5,865,186</u>

ST. FRANCIS XAVIER UNIVERSITY**SCHEDULE 2****Expenditure****Year ended March 31, 2007**

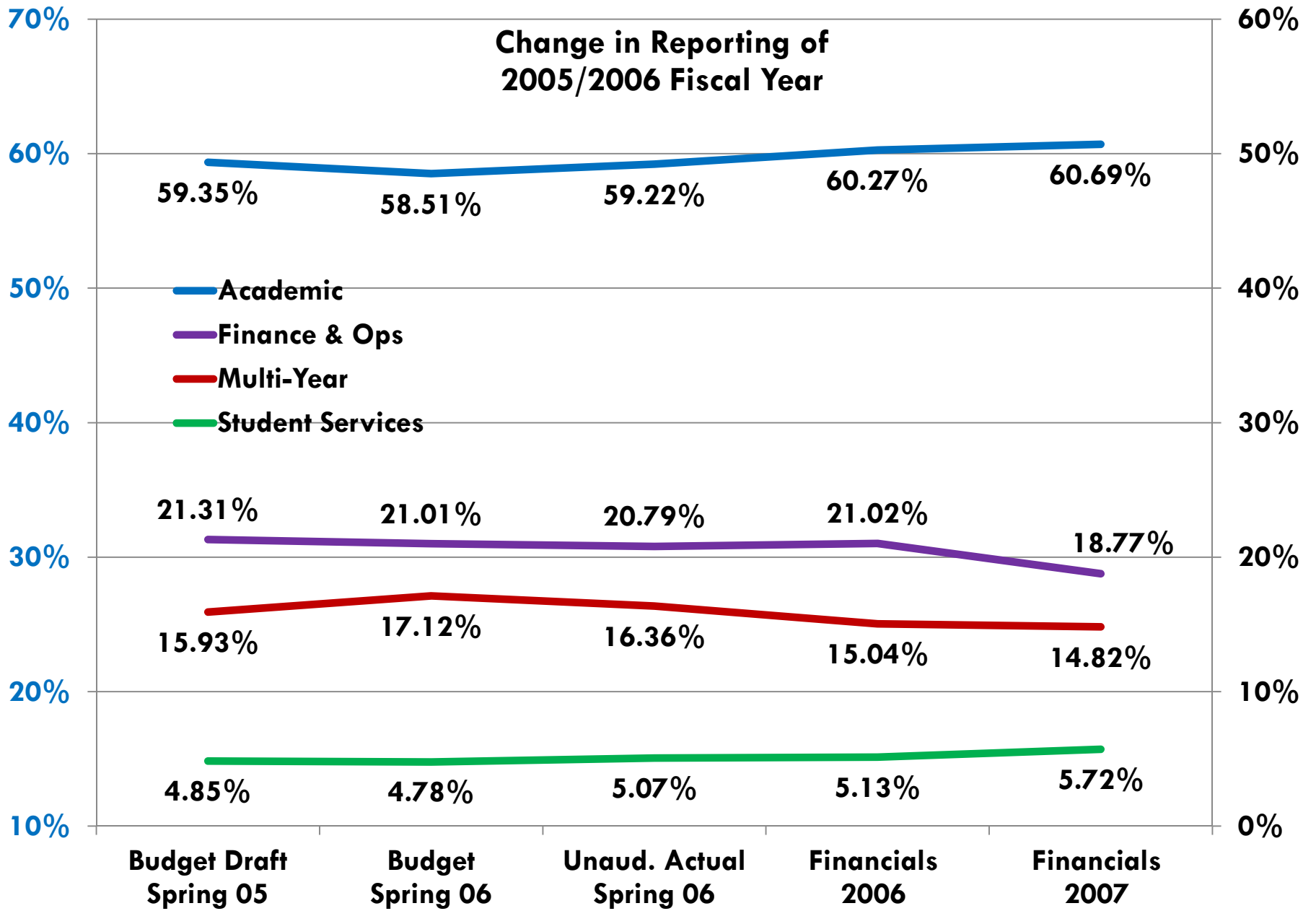
	<u>2007</u>	<u>2006</u>
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 23,259,557	\$ 22,272,292
- support and other	3,333,795	3,208,647
Fringe benefits	3,967,300	3,869,807
Post retirement benefits	203,241	229,744
Operational supplies and expenses	2,075,848	1,849,362
Travel	411,674	490,246
Chairs of studies	146,613	308,542
Extension department - net (Schedule 4)	63,411	121,611
Coady International Institute - net (Schedule 3)	200,000	200,000
	<u>33,661,439</u>	<u>32,550,251</u>
Administration and general		
Salaries	2,357,231	1,944,007
Fringe benefits	427,177	322,545
Operational supplies and expenses	85,611	62,347
Institutional dues, legal, audit and other	1,049,018	964,077
Interest - net (Schedule 8)	1,570,349	1,470,355
Travel	107,368	72,309
	<u>5,596,754</u>	<u>4,835,640</u>

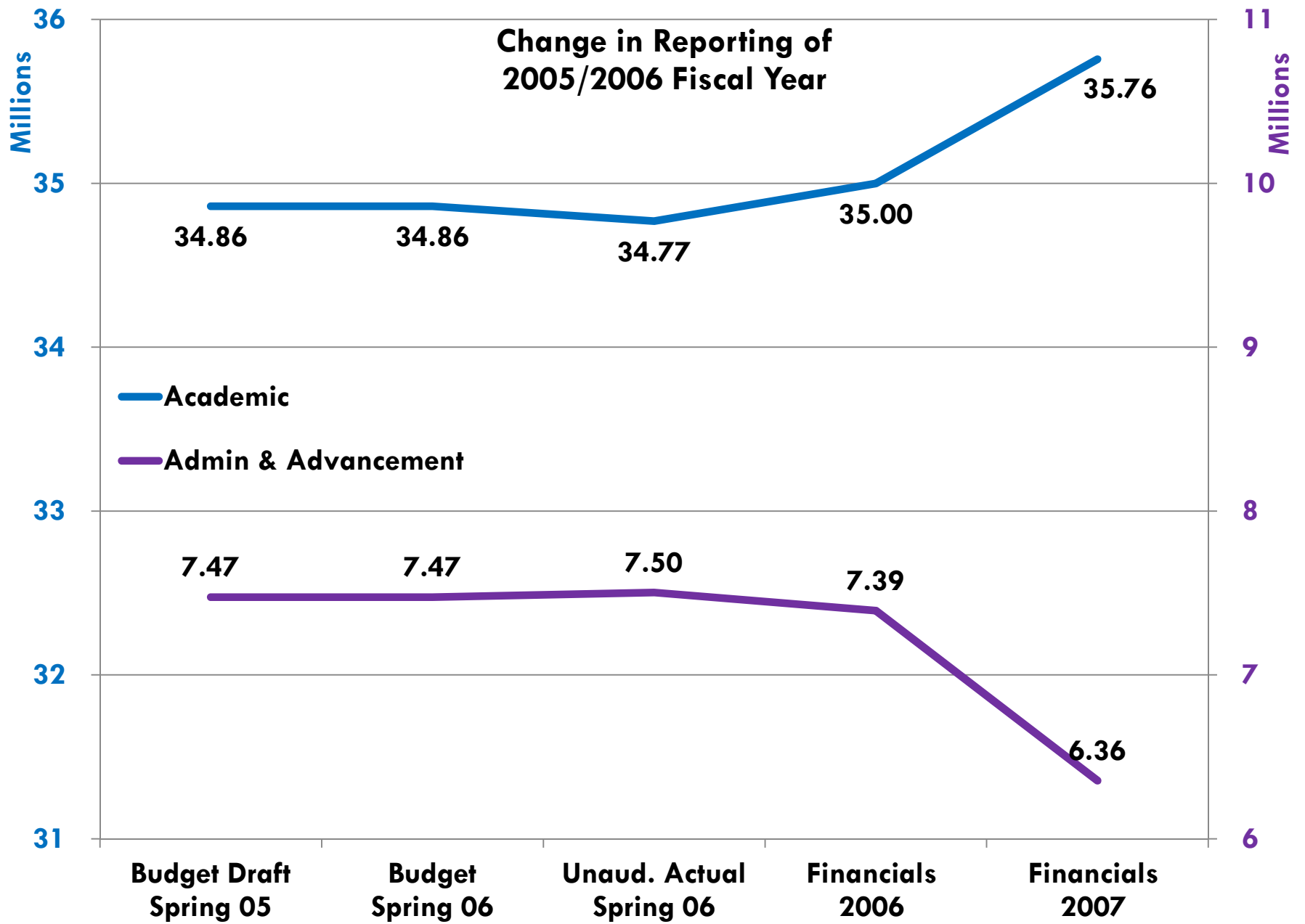
Audited Financial Statements

	<u>March 31, 2006</u> 2006	<u>March 31, 2007</u> 2006
Instruction and non-sponsored research		
Salaries - instruction and research	\$ 22,493,292	\$ 22,272,292
- support and other	2,648,221	3,208,647
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- On the previous slide, please note:
 - The differences in the values for a number of categories
 - The million dollar difference in totals for the two groups
 - The reclassification of the “Indirect research grant” does not account for the difference
 - Accounting for this reclassification
 - Reported spending on Administration & general decreased by \$1,147,287
 - Reported spending on Instruction & non-sponsored research increased by \$758,208
 - Reported spending on Student Services (not shown) increased by \$389,079
 - Net sum is Zero

- On the next two slides:
 - “Budget Draft Spring 05”
 - based on numbers in the column “BUDGET DRAFT FY 05/06” in the budget document presented to faculty on June 2, 2005
 - “Budget Spring 06”
 - based on numbers in the column “BUDGET FY 05/06” in the budget document presented to faculty in June 2006
 - “Unaud. Actual Spring 06”
 - based on numbers in the column “Unaudited Actual FY 05/06” in the budget document presented to faculty in June 2006
 - “Financials 2006”
 - based on the numbers in the 2006 column of the audited University Financial Report of March 31, 2006
 - “Financials 2007”
 - based on the numbers in the 2006 column of the audited University Financial Report of March 31, 2007, which are reclassified from 2006 and given for comparative purposes

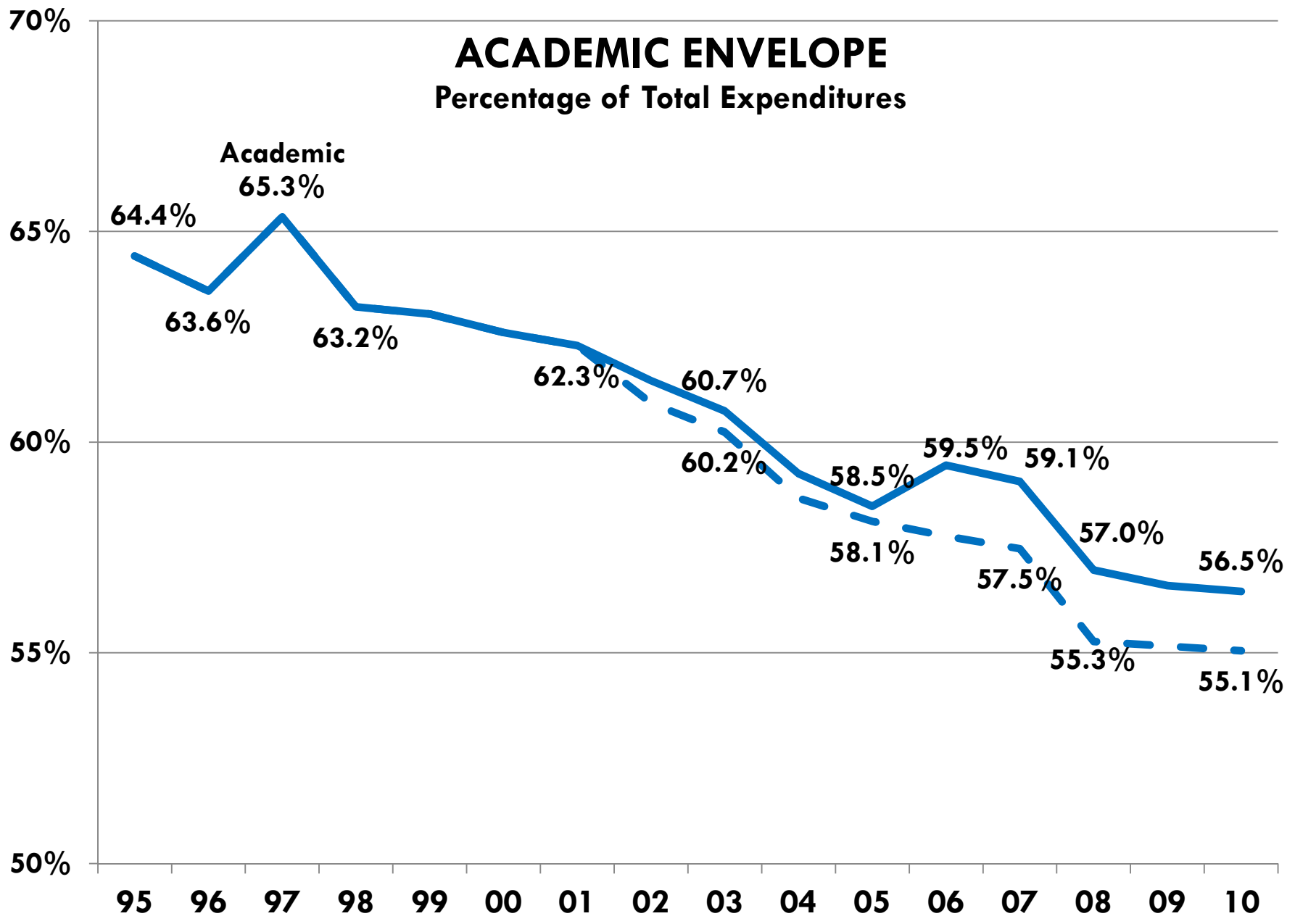




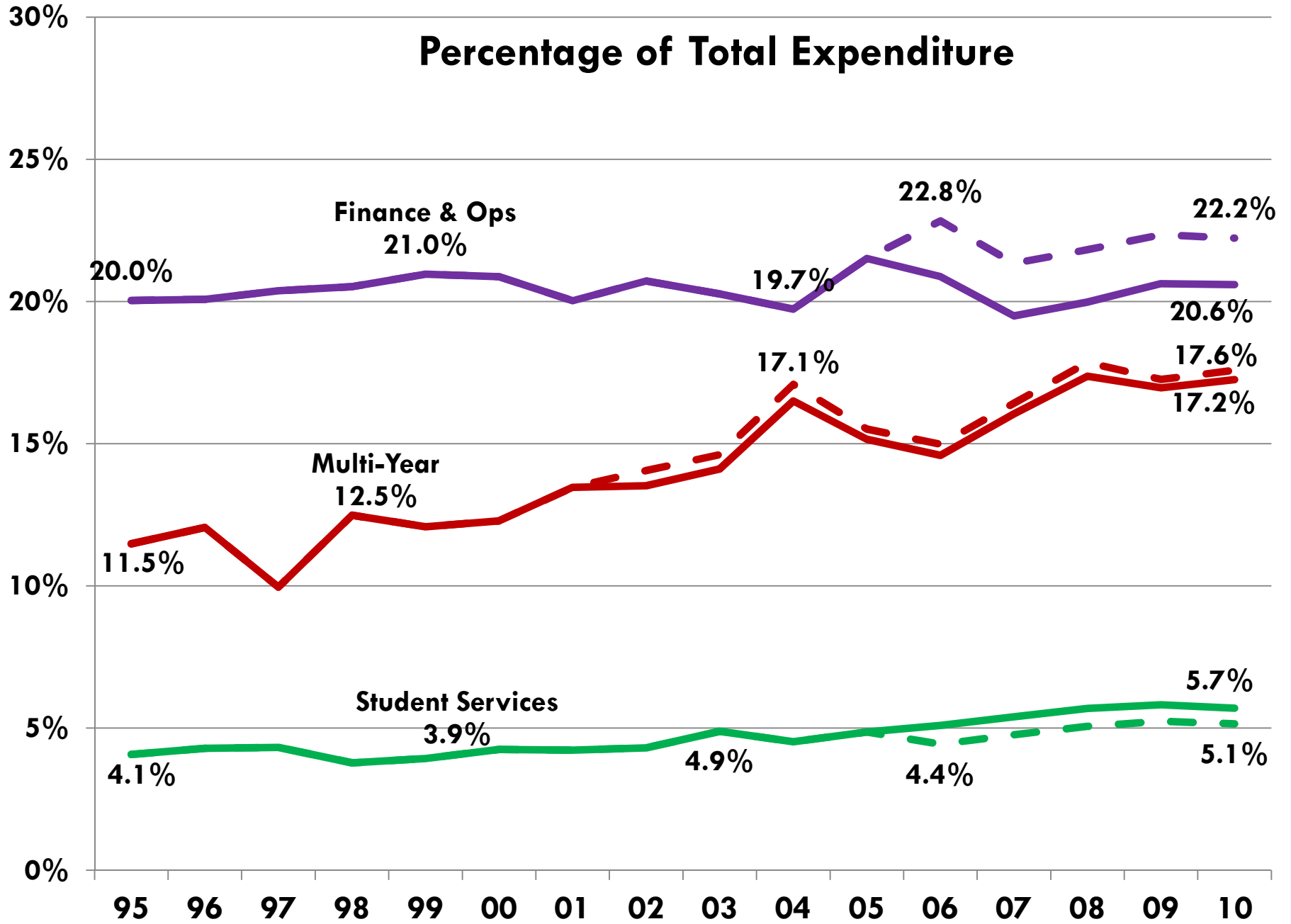
- On the next two slides:
 - The dotted lines are the result of adjusting for the reclassification of:
 - the 2002 shift of employee future benefits
 - the 2006 shift of administrative expenses
 - Notice the Finance & Ops line (which includes administrative expenses) is no longer “flat”

ACADEMIC ENVELOPE

Percentage of Total Expenditures



Percentage of Total Expenditure



Spending Patterns (cont'd)



- Spending in the academic envelope as a percentage of overall expenditures has declined
 - ▣ from 62.6 % in 2000 to 55.1 % in 2010 (7.5 % less)
- According to CAUT, spending on academic salaries at StFX has declined as a percentage of revenue;
 - ▣ from 35 % in 2000 to 30 % in 2010 (5 % less)

Spending Patterns (cont'd)

- ✘ “In short, the analysis confirms what students and faculty have long suspected: **a disproportionate share of new income has been used not to maintain quality, but to expand the central bureaucracy.**”
www2.macleans.ca/2010/01/14/where-all-that-money-is-going/
- ✘ “If universities want to be innovative, we urge them to conduct management audits and examine how top-heavy each institution has become,” Zilda Hildebrandt (NSGEU) said. “Removing one vice-president could mean a number of vital front-line support staff could be hired.”
Chronicle Herald 09/02/2011

Model of Delivery



- Model of academic delivery
 - ▣ Described as high percentage of tenured faculty complement
 - ▣ Explanation for “structural deficit” has been linked to model of delivery
- Model of delivery is not unique or expensive
 - ▣ One of lowest paid faculty
 - Data available from CAUT Almanac demonstrates one of lowest paid faculty in region
 - ▣ Spending on academic envelope is consistent with other primarily undergraduate universities
 - Average of 30% of revenue on academic salaries

Model of Delivery (cont'd)

CAUT Almanac, 2010-11

Average Salaries of Full-time University Teachers by Rank

2007-08	Canadian Undergrad	Nova Scotia	STFX	SMU	MSVU	MA	STU	Acadia	Dal	CBU	UPEI
Full Professor	119,922	115,067	105,888	118,070	108,370	119,970	103,732	109,447	122,048	97,819	115,468
Associate Professor	96,408	88,992	83,413	90,920	89,424	91,234	84,111	83,664	95,998	79,197	94,313
Assistant Professor	76,811	71,562	65,909	73,039	67,264	71,645	67,703	71,457	77,616	64,287	76,674
Lecturer	71,478	65,594				58,472	54,027	61,683	69,973	48,779	84,205
All Ranks	94,174	90,386									
Full-Time University Teachers			246	234	144	141	108	207	984	114	201
Full-Time University Enrollment			4,451	6,465	2,787	2,070	2,596	3,219	13,115	2,712	3,366
Students per Teacher			18.1	27.6	19.4	14.7	24.0	15.6	13.3	23.8	16.7

Summary



- Lack of accountability and transparency
- Need financial forecasting beyond year end; manage “structural deficit”
- Management of costs in non-academic envelopes (build-up of infrastructure)

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