

President's Discussion Series
Budget Planning Discussion
October 4, 2012

Introduction, David Docherty

This is the second year we are going ahead with the discussion series initiative and we have a number of topics. These are meant to raise understanding of important topics across the University and to invite input. We thought that budget planning would be a good topic to start with (the next topic is Access Copyright).

Given last year's experience with the budget this is an opportunity to kick off a discussion on what the budget process should be like. Budget consultation is critical in the current economic climate. The Budget Advisory Committee (BAC) will meet early this year and it is helpful for them to hear from faculty.

Duane Anderson will provide some information on where we are and how we got here. We are at a bit of a competitive disadvantage from other universities based on past practices.

Gerry Cross

We appreciate David's willingness to make this process more open and consultative than it was last year.

[Presentation on Budget Context, Duane Anderson](#)

MRU Budget: Historical Context (see slides 2-4)

MRU's first degree was launched in 2007-08. In 2008-09 5 more degree programs were approved, and each came with specific funding letters for each year of each program. The funding increases were to come in years 3 and 4 as we were already doing most of years 1 and 2. So, we started process of transitioning to a University and planned for growth based on the promised level of funding.

The government froze grants in 2010-11 which was when we were moving into the third year of our degree programs. This was the worst possible time this could have happened as it actually

meant a reduction of funding for MRU: we were adding students staff and faculty based on promised increases to funding when this freeze was announced. The freeze held grants at 2009-10 levels. See slides 3 and 4 which show the effect of grants being frozen:

- Slide 3-2010-2011: 13 million of ongoing growth funding was not provided but MRU did receive a one-time grant of 6 million.
- Slide 4-2011-2012: 16.5-18 million in the continued growth funding was not received
- MRU had to operate with substantially lower grant funding. To do this we recalibrated our enrolments to match what would be possible with the actual grants we were receiving. We committed not to take unfunded enrolment (see slide 5).

2012-2013 Budget Context: Regulated Revenue (see slides 6-10)

65% of MRU's revenue is regulated.

Additional revenue for the 2012-13 academic year:

2% increase to grant funding.

1.45% inflationary adjustment to tuition

Tuition is capped by the government as well based on CPI indicators

To put this in the context of total revenues, of the \$87 million grant funding MRU receives, constituting 42% of all MRU's revenues, and the tuition, constituting 23% of revenues, a 2% increase to government grants and a 1.45% increase to tuition only amounts to an overall increase in revenues of 1.17% (see slide 10).

We are continuing to reduce enrolments based on funding levels

Additional Revenue for the 2013-14 academic year:

As we launch new degrees we can set the tuition rates at a higher rate since these are university programs with university rates. However, open studies programs and certificates are still paid tuition at the old college rate. We are working with the government to normalize our tuition rates and this may happen for 2013-14.

- If we can normalize tuition it would generate around \$1.7 million.
- SAMRU has written in support of this. There is a two tiered fee system that should not exist.
- We are talking about grandfathering students who are continuing under the previous fee system: this prevents anyone from facing a fee increase beyond the increase in inflation.

Discussion

- What is the ministry's understanding of open studies?
 - The ministry does think that it is valuable.
 - When the minister was here, two of the students he met were former open studies students who are now degree students.
 - They do understand it but because it is a non-degree they do not really value it as much as they could. They have asked us to change the name of it.
 - Open studies is less focussed and less directive but we can work with them to rename it to have a more flexible university entrance program so that we can normalize the fees.
 - Talking about the number of our students who have been out in the economy and come back to get a degree through open studies has been useful.
 - The community thinks that open studies is valuable: it provides a degree opportunity that people may not otherwise get.
 - Yet we are being penalised for doing this by being forced to charge lower tuition rates.
 - By making open studies cheaper than degree programs the government is essentially forcing us to encourage people not to take degree programs.
- Would enrolment ratios be helpful to discuss?
 - This is one of the things we need to explore with them.
- If we were able to normalize tuition would that increase enrolment or would that cover shortfalls?
 - It would be extra revue used for the institution's operations
- Maybe the government is sensitive to allowing tuition to rise beyond the cap, and the government is also facing pressures around access: this could be a way to sell the normalization.
 - This would be risky
- Are these cuts in FLEs consistent across the University?
 - No, this affects some areas more than others depending on the degree and program and what we could afford based on grant funding.
 - FLEs did decline in every faculty.

These are budget projections that were presented to the board for approval: we will have to make changes to the budget pending the outcome of negotiations.

MRU Expenses (see slides 12-14)

70% of expenses are salaries/benefits: this includes staff, administration and faculty

This takes into account grid steps in the MRSA and MRFA (the cost increase of these steps is 1.8% per annum)

Estimated a 3% increase to salary from negotiations

LAPP rate increases every year

CPP continues to increase

Increased utilization of Health Care Spending Accounts needs to be monitored

Total cost increase of 4.66% from salaries and benefits (see slide 15)

The 2012-13 budget was put together to balance the decreased expected revenues and increased expenses. MRU faced a 3.5% deficit based on the 1.2% increase in revenues and the 4.7% increase in expenses (see summary slide 16).

2013-2014 Budget

Budget Planning Process:

- There will be discussions with BAC and the representative constituent groups and then this will be used to create the budget assumptions which will then be presented to the university community.
 - There will be a fiscal challenge that we will have to face
 - Refer to the graph for budget development process (last page of [budget presentation](#))
- BAC will now provide more of an advisory role than it has in the past.
- There is a balance to be had between being as transparent as possible and also taking away the possibility of negotiating certain things with the University.
 - One of the questions BAC will need answered is what salary expectations can be used in developing our budget assumptions. Once we get these numbers then it is a matter of updating numbers and building the model based on the assumptions.
- We will be placing more emphasis on revenue generation and what principles should guide us in this regard.

- There are bodies in the institution that generate revenue but the incentive needs to be there to do this.
- There are different models for revenue generation to be considered

Assumptions:

- Expecting the same 2% grant increase
 - David met with the Deputy Minister today and he said that this expectation is still on track
- Confirmed tuition fee increase max of 2.15%
- We may get tuition normalization
- Wage settlements: (TBD) we do not know what these will be but will need to estimate something so we can plan for the budget

Discussion: (members' suggestions for increasing revenue/decreasing expenses are italicized)

- The revenue stream discussed is the regulated revenue this was 65% but 35 % is unregulated: is this taken through the budget process as well?
 - The majority of non-regulated revenue comes from Continuing Education and parking. We can set the rates and fees based on what the market will bear. The bookstore, ancillary services, residences, food services, and recreation are other sources of non-regulated revenue.
 - This is the only piece of our operation we have any control over. We have flexibility with 35% of our revenues but it also comes with higher risks because they are activities that have no certainty in revenue.
 - Considering net revenues and expenses we have a deficit of \$2 million.
 - The Bookstore is having a difficult time generating revenue as well because of the changing nature of University Bookstores. It has historically contributed \$1 million to the University and we are struggling to keep it there. Textbook sales have gone way down and that was the highest profit margin.
- In regards to revenue generation, there was a task force whose work could be revived across the University. The task force suggested that *in these types of situations it is good to have a program in which people can bring forward ideas to generate revenue and ideas to keep costs low.*
 - This was discussed. We have implemented many of the efficiency recommendations and may want to revive the same tactic.
 - This same process was used in the bookstore task force.

- Gerry received emails from two members who had ideas which *advocated more focus on additional revenue generation*
- What is the expected effect of the transportation hub on revenue from parking?
 - We will have a challenge when we get the funding for the library lose another lot. The supply will not be even close to demand: this is why we are trying to increase transit options to the campus.
 - With parking being a significant source of revenue there is going to be less of that revenue coming in. At the moment, in the short term, this is not a concern.
 - The transit hub and express bus will make transit more convenient but it will not stop people from commuting
 - The library will impact revenue: it takes away 450 stalls of which 150 will be replaced underground.
 - We will need another parkade on campus.
 - The parkade does not fill right now though we have sold the maximum number of passes. We may have to consider changing the ratio of passes sold to stalls available.
- As you go through the budget planning process and finalize the assumptions, the numbers in the budget are somewhat fixed at the end point even though you are dealing with budget assumptions that are dependent on the outcome of negotiations. With this context there is no room to actually negotiate those matters: it is not an open ended discussion.
 - Part of it will always be closed ended. The 65% revenue is fixed and we have fixed assumptions with expenses in terms of the major cost of salaries.
 - Need advice from BAC and USC in setting the assumptions.
 - USC: University Strategic Council
 - UMG (University Management Group) was supposed share information with other areas yet this was not really happening. It has been replaced with the USC which is all of the VPs and those reporting directly to them. The idea was to expand UMG so that the information gets back down to all areas. The idea was to provide more information, more broadly, across all areas.
 - In the budget process we need to put an assumption in to give us an idea of the magnitude of our situation. Even with no adjustment for salary we still face a deficit. By putting the assumption in we were not trying to tie down negotiations. It was a reasonable assumption from which we would adjust the final budget pending the resolution of negotiations.
 - Even if this is the intent it is still very difficult to get away from the assumed budget amount.

- Continued discussions with the Ministry
 - New ministers and deputies in the government: we are still talking about the money we were promised.
 - Top three items in government relations: library and learning centre, tuition normalization and promised grants.
 - The timing on the freeze was terrible: they froze us before we got the promised program funding.
- *There is a parkade being built at Westmount Campus: could we do revenue sharing with them if we needed spaces?*
 - This could be considered: they build these parking spaces as a requirement of the city.
 - We are also in talks with Canadian Forces base, Atco lands and westmount campus.
- Looking at the longer term future of the campus there are some revenue areas we can look at. With the new community and atco arriving we need to look at where we see ourselves 10 years from now in the physical development of the campus and our role in the developing community. *MRU will be a hub for this community with the transit hub, the conservatory etc. and we need to consider other revenue sources that may be viable because of this.*
 - Some people react negatively to the university being profit based.
 - *It would be critical to lay out what we would be willing to do in this process and what we would not be willing to compromise on*
 - *We could research what the American universities do in terms of revenue generation in their bookstores and they are ahead of us in terms of e books*
- How long is our contract with Sodexo?
 - We are 4 years into a 7 year contract and the contract is in our favour. They have not met the revenue minimums they thought we would be achieving. We get a minimum commission from them. At the time it was the best deal.
 - Though they may not make as much money as they would like, they do make a profit and we could make money at this too.
 - This is something we would need to look at in advance to be prepared for.
 - Sodexo was contracted out the same year cleaning was contracted out as it saved money. These other companies can pay their staff less than MRU can.
 - When considering this you need to ensure that tuition will never be used to pay for food services as this is often the case.
- The funding formula puts us at a disadvantage to other Universities and it is because we are a teaching first institution.

- *Does this message need to be made to the Calgary community? (that we are taking as many students as we can, and that we cannot fix it because of where we are in the Act.*
- *We could possibly influence the government through a PR program in which we emphasized the value of our mandate.*
 - Access to education is a myth in Alberta: we have the lowest participation rate in PSE than in any other Province
- Cutting instructional hours for budgetary reasons
 - How does this solve problems if we are not filling classes right now?
 - There is a disconnect that needs to be resolved.
 - Enrolment management is critical
 - This is a recruitment and retention issue
- *How can we keep the bicameral model but cooperate more strategically?* This would be much better than being told that Academic Affairs has decided to make a cut and departments need to figure out how to cope with it.
 - It would be good to have a full discussion on this but there was a decision made a few years ago that certain percentages of funding would go to certain areas and that cuts would be made from the same areas that received the funding. However, when this came into practice of reducing budgets we did not do this on a 1 to 1 ratio.
- There are bicameral models of governance that do have a senate finance committee: *Could we consider having a GFC Finance committee?*
 - The problem with such committees is that they can spend a lot of time not getting anything useful accomplished.
 - There are benefits of having such committees as well so we could consider this.
- *We need to identify the things to cut that have the least pedagogical harm.*
 - Some areas have many more students per class yet every area had to make the same cuts. Bissett had to cut sections that were completely full even though other areas are cutting the same number of classes even though they only have 7 students in the class.
 - This is an academic decision
 - *Maybe we should get to the point where we make these more strategic (i.e. not make across the board cuts but look at where cuts would save the most money).*
- Other Revenue generating ideas the University is currently considering
 - Looking at increasing the application fees.
 - Naming rooms after private donors.
 - Sell use of the flight simulators

- Yet things like this are only good for onetime expenses you cannot put this into ongoing operational funds.
- Expense cutting ideas the University is currently considering
 - Save money on the computer labs because students are bringing their own laptops
- Removing tutorials in the languages department would severely impact the area. For every paid tutorial the department has had to close one section.
 - Removing tutorials is a decision among chairs, deans and the provost: the president does not have a role in this. This discussion has to take place first at the department level
- Is it possible to reduce the amount spent on physical resources?
 - There is a balance between the expense of a product and its life expectancy.
 - Capital renewal and replacement is a huge challenge for MRU
- In general we need to rethink what we do and while providing the same services