Annual Report of the Joint Committee on University Planning and Budgets

Members: Phyllis Clark (co-chair), Heather Bruce (co-chair), Martin Coutts, Philip Stack, Jay Spark, Donna Wilson, Brygeda Renke, Amy Kaler, Barry Finegan, Jeremy Richards, Amy Kaler.
Support: June Leister

Terms of Reference

The Joint Committee on University Planning and Budgets was struck in 2012 in response to the AASUA approving furlough days in order to provide some financial relief to the University in 2011. The committee was formed by Memorandum of Agreement because:

“...the University administration and the Association of Academic Staff of the University of Alberta (AASUA) have a common interest in the long-term financial stability, reputation, and quality of the University of Alberta and its programs.”

The Joint Committee’s current primary focus is to be the University’s four-year institutional plans, with the opportunity to identify and review longer term issues. These issues include its financial position, the preservation and enhancement of the reputation and quality of the University’s academic programs, and by implication its competitive status as an employer of academic (and other) staff, and as a destination of choice for students (Appendix B, to Memorandum of Agreement, Terms of Reference for A Joint Committee on University Planning and Budgets). The mandate of the Joint Committee is to:

1. Review the University’s institutional planning and budgeting practices, including its financial and investment policies, with the aim of identifying impacts over the University’s four-year planning cycle regarding financial stability, reputation and quality of the University of Alberta and its academic programs;
2. Review the University’s draft and finalized institutional planning documents for their impacts on the University’s financial situation, and the ability of the University to sustain these priorities through the four-year planning process;
3. Identify and review longer term issues that may have implications for the operating budget;
4. Identify realistic business, investment, and operating strategies and opportunities that would enhance the diversity and sustainability of the University’s revenue model.

This first year of the Joint Planning and Budgeting Committee (2011-2012) until bargaining suspended the process was spent developing a working relationship between the Office of the Vice-President Finance and the AASUA and for AASUA members to gain a foundational understanding of relevant information and processes. Ms. Phyllis Clark, VP Finance, and Dr. Heather Bruce, VP AASUA, were the co-chairs of the committee for the 2013-2014 year. This report details the discussions and activities of the committee for information and action, and also so that subsequent committee members may build upon the work of the 2013-2014 committee members.
First Meeting (April 15, 2013): The terms of reference were discussed at length because there needed to be a shared understanding of the intent, purpose and extent of conversations to be had over the 2013-2014 year. Administration members were adamant that the meeting be in camera, with the information that was shared to be released within one week of each meeting. In accordance with the terms of reference, the focus of the committee was to be on longer-term issues, rather than review of individual documents and their contents/formulation. That the AASUA considered this committee to be one where AASUA had a role in providing ideas to central administration and could work in a positive rather than reactive way so that the institution could be successful was not mirrored by members of central administration. Administration indicated that joint governance was not collegial governance, and that the committee was to be an information delivery vehicle that provided for questions and answers and not for involvement in governance.

A list of questions was presented to the administration members of the committee for review two weeks prior to the meeting (Appendix 1). Questions 1 to 4 were addressed in the remainder of the meeting. CIP was still being drafted and the budget was not set and so the CIP was not available for review and would not be available until after May 22, 2013, once it was tabled at the Academic Planning Committee (APC). Cuts to administration were indicated at 1.5% and that travel monies would be cut. Administration budget was indicated to be 95% education and research and 5% administration (as defined by the provincial government). The 5% administration included the President, all Vice-presidents and one director (human resources) in accordance with provincial legislation.

Second meeting (July 17, 2013): Further discussion was held regarding what information could be reported to the AASUA council to fulfil the reporting obligation outlined in the Memorandum of Understanding. Ms. Clark was to consult with Dr. Martin Ferguson-Pell on this issue and reply to Dr. Bruce. Ms. Clark indicated that the CIP was re-written for a 7.2% decrease and that the tuition increase for the year had been suspended by the Ministry ($4.2 million) and that the Ministry was considering a new framework and funding. Market modifiers were being considered for Law and Business graduate students, although the Ministry was not in favour of these. The Deans had been asked to fund an increased share of the indirect cost of research, establish new revenue-generating programs (such as certificates) and increase the international differential fees. $56 million in cuts across the University were to come and cut reviews would be based upon General Faculties Council and Board endorsed principles. Reviews would be performed faculty by faculty and Article 33 was NOT an option. The new results-based budgeting plan of the provincial government was discussed and a document shared: http://www.finance.alberta.ca/business/budget/results-based-budgeting/2012-1107-Results-based-Budgeting-Report-to-Albertans.pdf.

Changes to the UAPP (pension) were not known but salary indications for the government of the time were 0-0-0-2% increase to salary, meaning that no salary increases would be considered until 2017.

Third Meeting (October 22, 2013): The Budget Primer video was presented and feedback received. Concern that the 2% Campus Alberta grant and the 4% increases in salary presented as percentages were misleading given that the monetary value of each of these percentages was similar was confirmed.
That meetings between government and administration occurred was shared, and likely outcomes indicated. Budget letters had been distributed with cuts of 7% to the academic and 8% to the support units. Faculties and business units were charged with increasing revenue by 2%. Performance measures (results based budgeting) to be used for the 2014-2015 budgeting process were enrolment, USRIs, research indirect costs and international student fees. Regarding Question 12, the financial review by the Provincial Government had been suspended and this would be announced by the government not the University.

Fourth Meeting (January 15, 2014): The news of the intention of the Provincial Government to construct a Sunshine List was shared. Ms. Clark indicated that if she had to report, that the University would prefer salaries over $200,000 by T4 earnings, not including vacation, sabbaticals, admin leave and pension accrual and only annual reporting. CIP was proceeding through the Governance process and scheduled for Board of Governors March 14. Grant amount from Government for 2014-2015 was unknown and was assumed 0% in CIP.

Question 4 was additionally addressed with regard to how the University prioritizes capital and program expenditures. Ms. Clark suggested meeting with the President and Dr. Bruce was to ask the AASUA Executive what it would like the committee to ask the President. Dr. Bruce reiterated that information sharing with the AASUA council was critical and that Administration needed to consider this.

Also, the Renaissance Report was distributed December 9, 2013, and Administration was categorizing the recommendations while gauging the reaction from senior administration and deans as well as the campus community. The Board Human Resources and Compensation Committee (BHRCC) had requested an action plan from Administration regarding the Renaissance Report.

Question 9 was addressed: J Spark reported the number of layoffs in the first 8 months of 2014 as follows:

**AASUA**
7 6 4 5 4 2 3

**NASA**
48 24 25 22 16 9 11

New Questions were brought forward by AASUA (Spontaneous):
Has the $14.4M returned from the Provincial government been allocated and if so where?
  - $2.6M went to Graduate Students and the remainder has not yet been allocated.
  - The Acting Provost has gone to faculties to request proposals.

Fifth Meeting (February 4, 2014): Question 15 “Which University investments should be rationalized in light of past performance?” Ms. Clark indicated that comparator numbers showed that the U of A was outperforming the general investment market in both short and long term investments as noted in the
President’s Weekly Address on January 31, 2014. The estimated investment for the Utilized Endowment Pool was about 12%. For the year ending March 31, 2013, the non-endowed investments were $817 million, of which $602 million were invested in short-term strategies (non-endowed funds). The location of the Annual Investment Report location was identified (www.financial.ualberta.ca). Mr. Coutts offered to have someone from Financial Services answer any additional questions for the future. The differences between “Lights on Funding” and “Infrastructure Maintenance Program (IMP)” were discussed.

President Samarasekera joined the meeting and addressed the three key questions formulated by AASUA members. The first question addressed the meaning of excellence and was posed by Dr. Amy Kaler, specifically:

**What are the drivers of priorities and direction of the University?**

- Increasing recognition of the University’s strengths as a national university. The Board of Governors gets direction from Government. There is recognition that this is a globally recognized University.
- There is a desire to increase the number of professors, to get to the 500 professor mark.
- Invest in areas of strength (internal process – faculties)
- Identify opportunity
- Hire the best people (curiosity driven)
- Presidents Visiting Committee – a group of external members to the University to do a high-level strategic review.
- Quality of knowledge
- Quality of teaching
- Translation
- Similar model to the Heritage Foundation
- Martin Ferguson-Pell to lead
- President and Provost would meet with committee and the Board of Governors would see the final reports.
- Composition of this committee will be important as will the decision making process

The second question addressed what sort of direction is the University going post-cuts and was posed by Dr. Jeremy Richards, specifically:

**Was this recent financial budget cut just a ‘hiccup’ or is the Government looking at trimming things to be a good university. What is the metric that the Government is using with the University.**

To be a leading global public university (*Public* – accessible to Albertans, meet labour market demands, destination from talent)

*Are aspirational goals realistic in light of current environment?* The University’s ability to address revenues/expenditures is tied to:

- Raising tuition – no ability to increase tuition
- Fundraising – spending allocation on endowments goes to operating
- High Wages – request from Gov’t to manage wages/benefits

The third question addressed the relationship between Central Administration and the faculty and was posed by Dr. Heather Bruce. The President asked for clarification on this question, and Dr. Bruce advised that there were segregated views across campus and that planning was required to address the segregated concerns.

At the conclusion of the meeting, the AASUA members provided their thanks to the President and requested increased opportunities for face-to-face communications.

**Sixth Meeting (April 8, 2014):** Additional questions from AASUA were addressed:

**Question:** What happens to the interest accrued by endowments?
- The UEP interest goes to what restricted accounts cover. Not just the interest. Capital appreciation returns on private equity. The earnings support users of the endowments. The first year’s interest on endowments is used to support endowment payout. Of interest, 30% to support fund development and revenue generation.
  - New endowments
    - Diversification
    - Emancipation from reliance on Government funding
  - Capital
    - Unlikely to be endowed
- Past University Strategies, include:
  - Invested in Advancement area
  - Fill gaps from year to year
  - Charge costs (indirect) as broader base for funding
  - Increase indirect costs
  - Revenue raising programs (diversify)
    - Seed funding for faculties on revenue raising
    - Certification programs (cost-recovery)
  - Increase international students
  - Market modifiers
- Non-Academic
  - Service delivery models
    - Internal Audit – external audit services
    - Faculties and Operations – Project Management Services to Norquest

**Question:** At the Campus Forum, Martin Ferguson-Pell referenced $14.4M that was returned to the University of Alberta by the Provincial Government, can you detail where this is being allocated?
- $2.6M Graduate assistantships
- $5.1M Digital Learning
- $3M Revenue generation (seed funding for proposals put forth from faculties)
- $3.7M Academic and administrative initiatives
Ms. Clark updated the group on the CIP, which had passed Board of Governors (BoG) on March 14, 2014, with 7-8% cuts and $14 million in investments. The budget was balanced for 2014-2015 and a final copy of the CIP was to be posted in mid-May. Regarding the Sunshine List, the University asked the Provincial Government for legislation on the necessity to report.

Conclusion: The Joint Committee for University Planning and Budgeting met its mandate to meet six times and to have meaningful dialogue between the University of Alberta’s administrative team and AASUA through five elected members: Heather Bruce, Barry Finegan, Amy Kaler, Jeremy Richards, and Donna Wilson.
Appendix 1. Original questions from AASUA

Questions for the University Administration from AASUA, for discussion at the meeting of the Joint Committee on University Planning and Budgets, April 15, 2013

1. Given that the March 7 provincial budget has rendered the University’s existing CIP and budget projections obsolete, has a revised CIP and budget for the coming year been drafted?
   a. If so, please provide this information at the April 15 meeting.
   b. If not, what stage of the redrafting has been reached?
   c. When will a draft CIP and budget figures for the 2013-14 and 2014-15 years be available for review by AASUA?

2. We have been told that the University of Alberta will have a 1.5% cutback in the 2013-14 budget for each faculty, a 3% cutback to the budget for central administration, and an unspecified cutback in travel funds (which may or may not be subsumed under the administrative funding reduction). Beyond these confirmed reductions, many rumors are circulating around campus. Can you tell us if there are any other confirmed reductions or reallocations in funding to any of the university’s faculties or operations?
   a. If so, what other reductions or reallocations can be confirmed? In addition, what are central administration’s expectations of the faculties planning in relation to their 1.5% cutback? What exactly will be done to reduce the central administration’s budget by 3% - will these include efforts to increase administrative efficiencies such as outsourcing payroll and other services? Finally, what impact will there be on the University and its operations if the travel budget is reduced?
   b. If not, how and when will other reductions/reallocations be decided upon?

3. If the University’s comprehensive or operational budget were characterized as 60% dedicated to education and research operations, and 40% for “administrative” operations:
   a. How accurate would this characterization be? If inaccurate, what numbers would they use?
   b. What efficiencies, if any can be found in “administrative” operations?

4. We understand that the administration’s approach to the current fiscal reduction will be characterized by “vertical cuts”, as distinct from across-the-board (ATB) reductions to faculties, departments and units.
   a. Will this be a prominent feature of the new financial and planning regime for 2013-14, 2014-15, and 2015-16?
   b. If so, what criteria will be used to determine what or where to cut vertically? Who will decide which units, departments or faculties will be downsized, or closed?
   c. If not, can we expect to see more ATB cuts beyond the 1.5% indicated above?

5. The President and Acting Provost have stated that a Financial Emergency (Faculty Agreement Article 33) will not be declared this year, but the possibility of using Academic Reorganization (Article 32) remains, because this can be triggered at any time.
   a. Are any Academic Reorganizations being planned or anticipated at this time?
   b. Are Academic Reorganizations expected to be part of the mechanism for achieving “vertical” or “diagonal” cuts that the Acting Provost referred to at the Campus Forum on March 13?
   c. The Government’s (draft) Letter of Expectation would seem to indicate that some major reforms to the U of A would occur, would these reforms necessitate triggering Article 32?
   d. What other mechanisms can be used or are being considered for use if Article 32 is not used to reorganize and reduce staff numbers?

6. We understand that the province will require the university to move to “results-based budgeting” and the use of key performance indicators in determining ongoing funding allocations.
   a. Who will determine how results and performance will be measured?
   b. What criteria will be used?
c. And how can it be ensured that the diversity of the research and teaching missions of the university’s different units is not subsumed by a one-size-fits-all set of criteria?

7. The President has indicated that the university will have a large deficit budget this year rather than absorb the entire magnitude of the 7.2% budget cutback in one year.
   a. How much of a deficit is anticipated, and what is being done to reduce the size of the deficit this year?
   b. What are the implications for next year’s budget and operations, if we go into the next financial year with a deficit accrued this year?
   c. What is the long-term plan to eliminate this budget deficit, given that we have been told to expect 1.7% and 1.0% budget increases for at least the next two years beyond 2013-2014?

8. In planning a financial response to the budget cutback this year, is the administration anticipating a substantially increased number of voluntary separations, including retirements and resignations?
   a. If so, what rate or pace of voluntary separation is the administration anticipating?
   b. Are there any plans to influence voluntary separations, through incentives or other means?

9. With respect to the University’s growth within Alberta, we are interested to know how the following aspects have changed over the last 10 years relative to Alberta’s population growth. Compared to Alberta’s annual population growth:
   a. How has the student complement grown?
   b. How has the Academic Faculty complement grown?
   c. How have other academic staff numbers grown?
   d. How have non-academic staff numbers grown?
   e. How have administrative staff numbers grown (i.e., staff paid directly by Central Administration, excluding the Libraries)?
   f. How have the University’s operating and consolidated budgets grown?
   g. How has the Government’s grant to the University grown (including EPE, etc.)?

10. We understand that MOOCs, online courses, certificates, and continuing education offerings are areas of possible expansion even during this time of contracting financial resources to raise revenues and reduce operating costs.
    a. Is operational or other funding being directed towards the development of these new areas?
    b. And, if so, what are the anticipated outcomes or returns on investment of funding and staff resources into the expansion of MOOCs, online learning, certificates, and continuing education offerings?
    c. Is there any additional funding from government anticipated for these projects?