

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: Senate

FROM: Walter Wattamaniuk
Secretary, Senate Committee
on University Budget

RE: 1994/95 Budget Planning

DATE: May 19, 1994

On March 23 of this year, Dr. K. Heinrich, Chair of the Senate Committee on University Budget, in a letter to the University community, asked for responses to a set of 1994/95 Operating Budget Models. In her letter, she indicated that, based on the responses and on SCUB's assessment of the situation, SCUB will be advising the President on the 1994/95 budget and that the nature of the advice will be reported to Senate.

Attached you will find a memorandum from K. Heinrich to the President outlining recommendations and suggestions from SCUB on the 1994/95 budget and future planning. This item is being placed on the Senate agenda for information.

A copy of Dr. Heinrich's initial memorandum to the University community is also attached.

WJW:cr
Attach.

c: K. Heinrich



SCUB BUDGET RECOMMENDATIONS, 1994-95

Prepared by
Katherine Heinrich
Chair SCUB
May 2, 1994.

On March 23 1994, SCUB sent a memorandum to all members of the university community describing three 1994-95 budget scenarios based on the budget information available to the university at that time and asking for responses by April 23rd. In all SCUB received 16 responses/inquiries (13 of them in writing) and attended open meetings in three faculties (Applied Science, Arts, and Science). In all I would estimate that SCUB had the opportunity to discuss the budget with between 100 and 120 people. We were particularly encouraged by the interest taken in this exercise and by the positive comments made on the process itself: "Let me first compliment you on an excellent budget modelling report", "I am very impressed that the university is asking for input into the system, but, just as important, that they have embarked upon an education program to explain the entire process to the university community", "I very much appreciate the chance to make these arguments to SCUB", "I was happy to see, for the first time, that SCUB was seeking community participation."

The report that follows is based on the input received and the views of SCUB, noting that with respect to items listed in the section entitled "Recommendations for Future Discussion", SCUB made no attempt to investigate the issues raised. We assume that in subsequent discussions a thorough review of the current situation will arise. The report consists of three parts: recommendations for the 1994/95 budget itself; suggestions for the planning and study that should now take place so that we can create a more open and equitable environment in which to prepare for next year's budget; and some ideas which, although SCUB cannot support them at this time, we feel you should be aware of.

1. The 1994-95 Budget.

Our recommendations are based on the assumption that there is no general increase in salaries.

- The monies moved from non-recurring to recurring should be restricted to \$357K; the funds necessary to support the Administrative Computer Lease.
- The \$250K required to support the SFU Innovation Fund should be taken from the \$2,382K provided by the government to fund an additional 340 new students. Some members of SCUB felt strongly that the terms of reference for the Innovation Fund should state explicitly that only projects that will allow for additional students to receive instruction at no long-term additional cost should be supported. We agreed that in general the Innovation Funds should be used to enable more undergraduate students to receive instruction particularly through changes in pedagogy.
- Of the \$436K needed to provide continued scholarship and bursary support for the additional 458 enrolments, something like \$100K is attributable directly to new enrolment. For that reason it is recommended that this \$100K also be taken from the funding for new students.

- The remaining \$1,200K available to support new students must be used for that purpose and not put against the projected deficit. (However, it might be appropriate to charge some of the new library costs (\$375K) against this amount.)
- The suggestions given above result in a projected deficit of around \$870K. At this time we see no alternative but to distribute this "across the board" as was done last year. We trust that this will be done in a manner that fully recognises where cuts can be best made and the differing needs of the various units.

2. Recommendations for Future Discussion.

The following items were raised during our consultation with the community and we have formulated them as recommendations for future discussion. No conclusions should be drawn from the order in which they appear.

- *Non-recurring to Recurring*

We believe it is appropriate and proper for all recurring expenditures to be funded as such and therefore support the long-term plan to move funds from non-recurring expenditures to recurring expenditures. The question is whether or not the items currently funded from non-recurring funds should be made recurring. Two areas arose in our discussions: \$370K for the VP Research Office and \$515K for the Development Office.

The VP Research Office has undergone considerable change in the last year but there are faculty (notably those in the Faculty of Science) who do not see it as particularly supportive or valuable. The office must become more proactive and be seen to better meet the needs of all researchers before substantial funds are moved into the budget for its support.

It has been suggested that fund-raising expenses (including the cost of the Development Office) should not be supported by the university's operating budget. Efforts should continue to look at alternative methods to fund the Development Office (eg. a tax on endowments or a hold-back on payments from the funds) and until this has taken place these should not become recurring expenditures.

- *Services* Accepting growth means more careful planning in the area of services. It appears that there are many places in the university where duplication of service takes place (examples are: career services offered by Student Counselling and a large and very active Co-op Program; supplies ordered through the book store, science stores and central stores; Academic Resources and departmental advising). We recommend that a rationalization of services be undertaken. Such a study should rely heavily on the comments/advice of front-line staff.

It was suggested that several of the services offered by the university should be operating on a cost-recovery basis. The areas so designated were: some services provided by Continuing Studies, Athletics and Recreation, Student Counselling Services. We understand that the Working Group on Student Services is one place for these concerns to begin to be addressed.

- *Cost of Administration* We recommend a careful study of the full cost of departmental and faculty administration with strategies for reducing the cost (and reducing the need for so much administration). At this time the costs include stipends (for Chairs, Associate Chairs, Associate Deans, Directors), teaching release (for many administrative duties), research support, administrative leave. We suspect that no matter how important the tasks supported in this way are, the cost is too high. The administrative structure can be streamlined with more decisions being made at the departmental level, tasks can be abolished, some can be viewed as part of the faculty member's regular duties (and recognised and appreciated as such!) and in many cases less expensive alternatives which are equally attractive to faculty (noting that different faculty will have different preferences) can be considered. (One example suggested is a research grant instead of a stipend - the funds might be used to fund a research assistant and thereby support two people; the faculty member and the student.)

Further, there are clearly inequities across the university in how and when such administrative work (above the expected norm) is recognized and this too needs to be addressed.

It was also suggested that many administrative positions could be abolished and replaced by short-term contractual positions to take on specific tasks. With this comes the question of "contracting out" parts of the administrative operations (for example, payroll and computing services).

- *Generation of Revenue* We would like to see an environment develop which encourages and supports departments to become involved in external revenue generating activities. In making this possible we would need guidelines that provide the appropriate return of revenue to the university and the department, and that recognise the contribution of the individual faculty members involved.

At the same time we must ask: "Are we currently losing substantial revenue because faculty members are making private arrangements (eg establishing their own companies) using university resources rather than working within the university structure?" We would like to know to what extent this is currently taking place and encourage an investigation of the matter.

- *Library* In our discussions with members of the university we repeatedly were told: "Do not make any cuts to existing library support and continue to recognise inflationary costs." While supporting that position we still believe savings can be made and recommend that each department (with their library representative) look closely at ways to reduce costs. Two possibilities: updating of faculty research profiles to ensure that the materials being ordered regularly still fit the interests of the department, and association memberships held by the library (or department) which could substantially reduce the cost of certain journal subscriptions. Other possibilities almost certainly exist.
- *Facilities Management* This unit is one that is perceived to have particular problems. Difficulties were discussed extensively in the Faculty of Science meeting but we believe the problem to be more widespread. Issues raised included: costs are

too high, estimates often turn out to be incorrect, and jobs seem to encounter more difficulties than they should. There was a general tone of dissatisfaction. Clearly the perceived problems need to be identified and resolved. We believe some of these concerns are being addressed but even still we recommend a detailed study of the situation.

- *The Haves and the Have-nots* There is a definite perception that some units have considerably more resources than other units; in particular that administrative units have more staff and resource support than departmental units. Clearly, this issue must be addressed and if indeed it is just a matter of perception this needs to be understood. We must ensure that all units have an equitable level of support (where equitable means that the level of support is appropriate to the unit). If we can do that (and we believe we can), units can then be assigned budgets and left to "make it work" with, of course, an appropriate accountability mechanism. (This might also help reduce administration within faculties.) We recommend that steps be taken to determine appropriate support levels (within the present university budget).

Part of this involves looking at existing resources within a unit and estimating the number of students, programs and research activities etc. we would expect that unit to be supporting. With this and the opportunities presented from the funds for additional enrolments) we could move towards a "level playing field" and then provide incentives to departments to take additional students, to restructure their programs, to work co-operatively with other units and to redesign their format of instruction. At the same time we need a mechanism to share our experiences and knowledge (perhaps an innovation column in SFU WEEK or reports at Chairs'/Administrators' meetings).

- *Change of Status* It was suggested that if the early retirement package was more attractive there would be more early retirements. More incentives might also be proposed to encourage faculty to consider the option of changing to part-time status. We recommend further consideration of the remuneration packages with particular emphasis on pensions and more alternatives for faculty retiring early.

3. Other thoughts

The following suggestions also arose during our discussions. At this time we do not recommend them. They are included here as they may prove to be useful in the future should the financial situation of the university deteriorate further.

- *Vertical Cuts* It was strongly recommended that we stop making percentage cuts across the university and make vertical cuts. However, every time we heard this it was clear that the proposer expected it to take place "somewhere else" other than his/her unit. We advise that before vertical cuts are ever made we ensure that all the above avenues of potential savings have been exhausted and that we have fully investigated all possible "middle grounds" between vertical cuts and percentage decreases - these might include combining departments, strengthening co-operation between units, and sharing of resources.

- *University Size* It was suggested that we further limit the number of students we admit so that we take in only the very, very best.
- *Borrowing Against the Future* It is expected that within the next 5 to 6 years the cost of progression through the ranks will be zero as the number of retirements increases. It was suggested that to overcome our current deficit problem we borrow against that time (say by using endowment funds or taking out mortgages). We advise against this on the grounds that one cannot afford such a risk. On the other hand we could begin now to bridge some positions to expected retirements. However, at all times we recommend caution in planning to use these possibly non-existent funds.

Finally, some comments were made regarding merit increases and salaries and benefits. We will not discuss these here but trust that the individuals who made such comments will bring them up within their own bargaining units.

SIMON FRASER UNIVERSITY

MEMORANDUM

TO: University Community

FROM: Katherine Heinrich, Chair
Senate Committee on
University Budget

RE: 1994/95 Budget Planning

DATE: March 23, 1994

As members of the University community, we all took part in a budget planning exercise during the Fall 1993 semester to cut ten percent from our units' budgets over three years. Based on those reports as presented by the Deans and Vice Presidents at the President's Advisory Committee on Planning and Budget, the President distributed the "Budget Modelling Report and the President's Statement on Planning" which described his view of our situation and the beginnings of a planning process. More recently, a copy of the B.C. Universities Budget Submission to the Provincial Government was distributed to Deans, Chairs and Directors.

The next task is to explicitly address the 1994/95 operating budget. Attached you will find descriptions of three 1994/95 Operating Budget Models, prepared by Financial Services, which are being considered pending the Government funding announcement. The first assumes no change in the Government grant; the second, a one percent decrease; and the third, a two percent decrease. Each assumes an enrolment grant of \$3,361,000 (to fund an additional 485 FTEs) and a salary increase of zero percent in all employee categories. (Note that most of the information contained in the attached description can be found in the "Operating Budget Application" book. This document and all University financial statements are available in the Library and are usually also held by all Chairs and Deans.)

One of the tasks of SCUB is to advise the President on the allocation of the operating budget. To that end, it is important to us that the entire University community has a full understanding of the possible distribution of funding and the opportunity to ask questions and make comments. We now invite your response. You may direct your questions and concerns to any member of SCUB by approaching us individually or by sending mail or, preferably, e-mail. We will respond as quickly as possible. The only time we will refrain from making comment is if your question is directly related to an issue (e.g., salary or benefits) that would normally be part of employee-group negotiation process. We have no role to play in such negotiations.

This change in practice reflects a desire, both of SCUB and the administration, for more openness in the financial planning process. We look forward to hearing from you and ask that you respond by April 23. Using your responses and our assessment of the situation, we will then advise the President. The nature of that advice will be reported to Senate.

SIMON FRASER UNIVERSITY 1994/95 BUDGET MODEL ASSUMPTIONS

Base Provincial Operating Grant

Consistent information received indicates that the most optimistic scenario will be a 0% change to the base grant. We have modelled projections ranging from no change to a 2% decrease.

Enrolment Grant

Preliminary information received would indicate a 4% increase in undergraduate enrolment expected by the Provincial government, which we assume will be fully funded at \$6,929. There will not be any increase in funding for additional graduate students. Last year we received \$5,889. ($485 \times \$6,929 = \$3,361,000$)

Student Tuition Fees (\$5/credit hour)

At this point in time we are modelling a \$5/cr. hr. (7.35%) increase in tuition fees.

Additional Enrolment

Undergrad - we did not reach our funded target by 85 FTE in 1993/94 and must therefore adjust 1994/95 levels (for a total of $485 + 85 = 570$ new FTE) for both prior year shortfall and the 1994/95 4% increase. The mix of anticipated domestic and VISA undergraduates has been revisited in light of current enrolment trends for those groups. Reductions in Visa student enrolment have resulted in a decrease in total tuition revenues. **Grad** - no change is modelled.

Utilities

Major rate increases have been announced for gas (25%), water/sewer (20%) and electricity (4%), this is an overall increase of 6.32%.

General Inflation

As in the past two years no increase has been allocated for general inflation. SFU is currently experiencing approximately 4% inflation, compared to the current Vancouver rate of 2.4%, for goods and services.

Merit/Step Increases

At 1993/94 levels are provided for all eligible employee groups.

General Salary Increases

For 93/94 TSSU (in negotiations), all other contracts in effect. For 94/95 all assumed 0% in these models.

SIMON FRASER UNIVERSITY
Operating Budget Models 1994/95
S,000

	Apr.1/93	Case A	Case B	Case C
Base grant changes:		0%	-1%	-2%
Revenue	Base	Apr.1/94	Apr.1/94	Apr.1/94
Prov. of B.C. Grant	115,546	115,483	115,483	115,483
Reduction to base grant		0	(1,155)	(2,310)
Endowment Lease Income(HC)	1,401	1,421	1,421	1,421
Enrolment Grant(485x\$6,929)		3,361	3,361	3,361
Graduate Support(Provincial Grant)	565	565	565	565
Student Tuition Fees	31,270	34,676	34,676	34,676
Investment Income	1,500	1,300	1,300	1,300
Credits to Medical Serv(cost recov)	744	840	840	840
Overhead Recoveries(eg CIDA)	948	948	948	948
Rental & Misc Fee(eg Student Fees)	785	950	950	950
Athletics & Recreation Fees	868	888	888	888
	<u>153,627</u>	<u>160,432</u>	<u>159,277</u>	<u>158,122</u>
Total Revenues				
Expenditures				
Non-discretionary				
Expenditure Base-SALARY	120,050	119,758	119,758	119,758
NON-SALARY(1)	33,577	33,575	33,575	33,575
Changes to 1993/94 Base				
Salary - General Increase		0	0	0
Progress/Merit		2,024	2,024	2,024
Retirement/Turnover Savings		(320)	(320)	(320)
Benefits on Salary Increases		249	249	249
Benefits- Workers' Compensation(increased use)		45	45	45
- UIC (rate)		199	199	199
- Extended Health(increased use)		86	86	86
- CPP(rate)		80	80	80
-Dental(rate)		60	60	60
Student Services(improvements funded by Student Services fee)		80	80	80
Rent Increases(eg Cont Arts downtown space)		93	93	93
Library Acquisitions(inflation)		375	375	375
New Space-O & M costs(West mall)		825	825	825
Inflation, Utilities		289	289	289
Reorganization - savings		(440)	(440)	(440)
Non-recurring to recurring(2)		445	445	445
Discretionary				
Innovation Fund(per budget modelling exercise)		250	250	250
Scholarships and Bursaries(per existing formula)		446	446	446
Enrolment Costs(for support of 485 new students)(3)		2,536 (4)	2,536	2,536
Total Expenditures	<u>153,627</u>	<u>160,655</u>	<u>160,655</u>	<u>160,655</u>
To be Allocated/(Shortfall)	<u>0</u>	<u>(223)</u>	<u>(1,378)</u>	<u>(2,533)</u>

(1)Detail of Non-salary Expenditures- 1994/95 Budget Models

VP Harbour Centre Contingency	15
VP Research Contingency	25
Training	50
VP Admin Contingency	52
VP Acad Contingency	108
University memberships(a)	138
Mortgage Assistance(b)	150
Research Support	163
Graduate Student Support	230
Professional Development(c)	235
Miscellaneous GUR(d)	235
Insurance	285
General Contingency	300
Moving and Recruiting(e)	320
Tuition Waiver	350
Legal and Consulting	370
Equipment(f)	1,166
Leases(g)	1,372
Janitorial	1,532
Utilities	3,041
Library Acquisitions	3,379
Scholarships,Bursaries and Awards	3,853
Departmental Non-salary(h)	<u>16,206</u>
Total	33,575

(a) e.g. Association of Universities and Colleges of Canada, Universities Presidents' Council, Association of Commonwealth Universities

(b) mortgage assistance for qualifying faculty

(c) negotiated allowances for APSA, Faculty

(d) miscellaneous, centrally budgeted expenses, e.g. study leave for lab instructors, convocation expenses, property taxes, general travel expenses, Teaching Excellence Awards

(e) faculty and staff moving costs

(f) one of several sources of equipment funding, used for (1993/94) South Sciences equipment and departmental equipment purchases.

(g) e.g. leases for Harbour Centre, Contemporary Arts space

(h) Includes all departmental non-salary budgets for items such as travel, paper and printing, telephone, materials and supplies, as well as non-salary budgets for buildings & grounds, electrical and mechanical maintenance.