



2015-2016 Budget Background

November, 2014

*Please note that this is confidential information to be used in conjunction with standard university practices for internal use only.
Questions regarding this information should be directed to the Director of Finance, StFX University.*

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EXECUTIVE SUMMARY

A long-term fiscal plan is needed that will lead the University towards a balanced budget. The presentation recently shared with the campus on October 28th and October 29th (http://sites.stfx.ca/financial_services/finance/University_Budget_Documents) provided background on the fiscal challenges being faced by the University including the structural deficit that is limiting our ability to reach a balanced budget. The 2014-15 operating budget has a deficit of (\$1.4M) following two years of operating deficits in 2012-13 and 2013-14. (http://sites.stfx.ca/financial_services/finance/University_Financials). If no action is taken the operating deficit will grow to \$3.5 million in 2015-16.

In order to reduce the projected deficit the budget process for 2015-16 will focus on revenue generation, cost controls, and longer term investments that are necessary for a sustainable financial plan.

The purpose of this document is two-fold: (1) to inform the University community of the direction being taken in developing the 2015-16 budget and; (2) to encourage feedback and idea generation from the University community.

Questions that need to be considered in developing a long-term financial strategy include:

1. What action can be taken to increase existing revenue?
2. Are there revenue generation opportunities that the University is not currently utilizing?
3. What changes can be made in the delivery of programs/services that would increase revenues?
4. What changes can be made in the delivery of programs/services that would reduce costs?
5. What programs/services could be eliminated to reduce operating expenditures?

Written feedback should be sent to budgetideas@stfx.ca. Input received prior to **December 31, 2014** will be considered during the current budget process.

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SAINT FRANCIS XAVIER UNIVERSITY
2015-16 OPERATING BUDGET
BACKGROUND INFORMATION

I. INTRODUCTION

It is the legal responsibility of the Board of Governors to approve the budget of the university, and to give direction to the President regarding budget. The Board has an expressed goal of having a balanced operating budget.

Why a Balanced Budget?

On-going operating deficits, as have been experienced over the last 3 years bring increased risks for the University:

- Cash Flow – the deficit each year increases the amount of borrowing required to pay regular expenses. There are borrowing limits established by the University's banks that cannot be exceeded.
- Interest Costs – higher debt/borrowing increases the annual debt servicing costs in the operating budget. This results in less funding available for core programming/services.
- Future Investments – being able to invest in new opportunities requires cash upfront in order to realize future gains. Multiple deficits have significantly compromised StFX's ability to invest in new opportunities or to strengthen efforts in core growth areas.
- Loss of autonomy - we will lose the ability to chart our own course should deficits continue. When cash flow is insufficient to cover costs, operational decisions are likely to be dictated by external parties (banks, government, funding agencies)

This year a revised budget schedule has been approved which moves up the planning and approval process by several months (**Appendix A**). The goal is to have a budget ready for approval by the Board of Governors at its March meeting. Providing budgets prior to the beginning of the new fiscal year is important for establishing plans to meet targets.

Please refer to **Appendix B** which displays summary operating results for the last five years and the 2014-15 Operating Budget.

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II. PRELIMINARY OUTLOOK – 2015-16 Operating Budget

As a starting point for the development of the 2015-16 Operating Budget a preliminary outlook has been prepared. The outlook for the operating budget has been built giving consideration to a number of factors and assumptions as follows:

- Following 3 years of Government Grant cuts, the current year had a slight grant increase of 1% (or \$280,000). Confirmation hasn't been received for the 2015-16 grant increase; scenarios are assuming another 1%.
- Tuition caps are assumed to continue at 3%.
- Enrolment has declined the past three years; increased efforts are underway to strengthen enrolment. The 2015-16 budget plan will consider scenarios ranging from flat enrolment to modest increases.
- Salary and Fringe costs represent 73-75% of operating budget costs. The bulk of these costs are fixed within collective agreements and employee contracts. The annual increase forecast for this component is 3.5-4%.
- Inflation for the bulk of other expenses is in the 2% range.

Please refer to **Appendix C** for the breakout of revenue sources and expenditure type.

The net result of applying these assumptions is that the total revenue increase for 2015-16 is expected to be 2%. The total expenditure increase is expected to be 3.5-4%. This “structural gap” between the rates that our revenues and expenses are growing equates to an operating shortfall of approximately \$1.5M per year. The 2014-15 Operating Budget was a deficit of \$1.4M. Without making changes to the revenue or expenditure trend, these two factors combined result in a preliminary outlook for 2015-16 of a \$3M deficit.

Appendix D shows more detail relative to the preliminary outlook for the 2015-16 Operating Budget using three different assumptions relative to enrollment.

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III. BUDGET PROCESS (2015-16)

Detailed Budget development

The budget for the largest expenditure component (salary/fringe) is built up by position across all units. The detailed salary/fringe budget for instructional groups and instructional support groups is built within the office of the Academic Vice President and submitted to the Finance office for final review. The budget for other operating groups is built by the Finance department with each Director. The bulk of these inputs are governed by collective agreements and employee contracts. The forecast costs reflected in Appendix D for Salaries/Fringe have largely been reviewed; minimal changes are expected based on replacement, casual term needs.

Detailed Budget Submissions – review of all other budget inputs is coordinated through the Finance Office. Any new or increased contractual costs are added to the budget draft as mandatory costs. Other cost increases received are reviewed by the Finance department and if increases are deemed required, they are reviewed by the Budget Committee with the supporting rationale. Final review of the budget details by group will be completed by mid-January in order to meet the revised budget schedule. This will allow time for the Budget Committee to consider options and make changes deemed necessary for the final budget draft to be presented in March.

Strategic Enrolment Management Approach – an increased focus on enrolment management is under development. The Budget Committee will be reviewing updates from Senior Administration on progress throughout the budget cycle. Based on that information, the assumption for enrolment growth will be updated within the budget draft. There was an assumption of modest enrolment growth for 2014-15 which was not realized. The Board has advised a conservative approach in building in enrolment growth until such time the results support a more optimistic assumption. The enrolment trending information is included in **Appendix E**.

Throughout the months of January and February President's Council will be meeting to review various budget related matters and to consider longer-term strategies that can be taken to increase revenues or reduce costs. The results of their deliberations will be built in to budget documents presented to the Budget Committee.

Administration will present the recommended budget to the University Community prior to it being recommended to the Board for approval.

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IV. BUDGET PLANNING AND THE PROGRAM PRIORITIZATION PROCESS

The Presidential Task Force on program prioritization submitted its report and recommendations to the President on October 1, 2014. The report was shared with the University Community and a process for submitting feedback was provided with a deadline of October 31, 2014. The recommendations and supplementary information will be considered by the President when mapping out future plans for StFX.

It is important to note that this process was not a budget-reduction exercise. The intent was to conduct a comprehensive and transparent evaluation and reflection exercise to better understand where our resources are being used now, and to identify opportunities to use resources more effectively in terms of their contribution to university sustainability. The linkage to the budget process in the short term will be in reviewing suggestions for increasing effectiveness, efficiencies across groups in service delivery and any noted suggestions within areas for revenue generation.

Longer term considerations will be linked to decisions from Senior Administration on how best to fulfill the academic mission given the information contained in this report and the direction outlined in the strategic plan expected over the next year.

V. OTHER ELEMENTS IN THE CONSOLIDATED BUDGET

The core focus of the Budget Committee is the Operating Budget given it covers the instructional programming and supporting functions (approximately \$70M).

The other elements of the consolidated budget include:

1. Ancillary (Residence, Meal Plans, Retail Units) – Budget Approximately \$25M
2. Sponsored Research – External Funding Agency Funding tied to approved research projects – Budget Approximately \$6M
3. Coady International Institute – External Project Funding to offset costs (StFX contribution is \$200K) – Budget Approximately \$6M
4. Extension – External Funding for specific projects; StFX contribution is \$50K – Budget Approximately \$450K.

The above components are treated as separate operating units given the funding sources are either restricted external sources, or the activities are part of a separate retail operation which has separate financing and investment requirements (residence/food).

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VI. COMMUNITY INPUT TO BUDGET EFFICIENCY – “NO IDEA TOO SMALL”

The Budget Committee is seeking the assistance from staff in all departments to look for short and long-term suggestions on ways in which costs can be reduced or revenues increased. The dissemination of this document and as well as the recent financial outlook presentations represent the first steps in starting the budget process earlier in order to do a more complete analysis and produce a budget in a timely manner for better planning purposes.

The Committee appreciates the strong response to its call for suggestions and ideas last spring. Several of those suggestions are being followed up as part of the budget preparation and longer term consideration.

Input Received	Action Taken
Cost Controls:	
lower heat in buildings	variety of energy savings initiatives currently being considered
move to e-testing	
stop buying bottled water	
stop using search firms/hire internally	AVP recruitment being managed internally
Program Offerings:	
go through summer	To be considered during Strategic Planning Process
expand program offerings	
enhance Co-op program	
develop more partnerships	
New Revenue:	
paid parking	Being considered as part of 2015-16 Budget Process
lab fees	
campus renewal fee	Implemented in 2014-15
other	
Recruitment Strategy:	
recruit in rural Canada	Comprehensive Enrolment Management Plan being developed and implemented
guarantee employment policy	
expand services for international	
Solicit Help:	
Alumni drive	Advancement Office is leading fundraising efforts with Alumni and local businesses
local business to help support	
employee giving campaign (ask for gift and donations)	Annual giving campaign
Space Utilization	
change timetable to improve utilization	Space Planning Committee has been reactivated and will be considering opportunities to improve space utilization on campus
close underutilized space	

The Committee welcomes input and support for suggested investments, revenue generation opportunities, or changes in budgeting or management that may result in cost savings, better efficiency, or higher quality of service delivery to students. Please feel free to contact any member of the Budget Committee or email your ideas to budgetideas@stfx.ca. Input received prior to **December 31, 2014** will be considered during the current budget process.

If you are concerned about confidentiality of ideas, please indicate so in your email.

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Saint Francis Xavier University
University Budget Committee

The current membership of the Committee includes:

- Dr. Kent MacDonald (Chair), President & Vice Chancellor
- Dr. Leslie MacLaren, Vice President Academic & Provost
- Dr. Robert van den Hoogen, Dean of Science
- Dr. Tim Hynes, Dean of Business
- Dr. Elizabeth Munroe, Faculty of Education
- Dr. Edwin DeMont, Faculty of Science
- Dr. Petra Hauf, Faculty of Arts
- Mr. Brandon Hamilton, President, Students' Union
- Ms. Lauren Murray, Vice President Finance, Students' Union

Non-voting Resource personnel:

- Mr. Andrew Beckett, Vice President Finance & Administration
- Ms. Helen MacGregor, Director of Finance
- Mr. Randy Peters, Manager, Academic Administration

Faculty representatives are elected by faculty to serve a three year term. Student representatives include the President and Vice President of Finance of the Students' Union.

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APPENDICES

APPENDIX A: Revised Budget Schedule

2015-16 Budget Schedule

- Target for Budget approval moved to March – prior to new fiscal year start
- Improvement for planning horizon, budget usage, and alignment of election cycle for SU Executive (involved from beginning to end of budget setting)

Proposed Schedule

•Full Year Deliberations of Budget Committee	Started in June/July
•Campus Presentation (Early Indicators)	October
•2015-2016 Budget Background Paper to Campus	Early November
•Departmental Submissions	Mid January
•First Budget Draft	End of January
Final Draft – Finance Committee	Early March
•Presentation to Campus	Mid March
•Board Approval	March 27 th
•Budget Upload	April

11/18/2014



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APPENDIX B: Five-year History of the StFX Operating Result and Current Budget

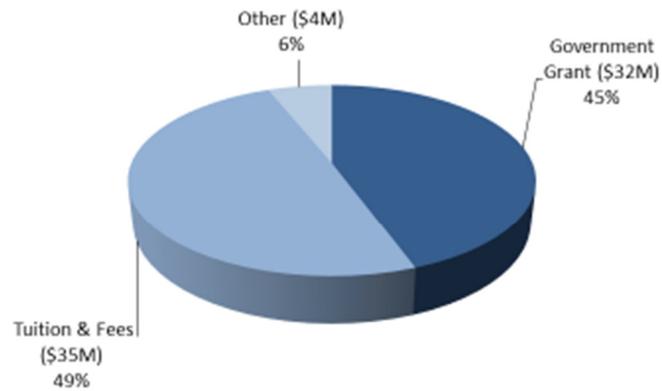
ST. FRANCIS XAVIER UNIVERSITY						
5 Year Operating Results and Current Year Budget						
	ACTUAL FY 09/10	ACTUAL FY 10/11	ACTUAL FY 11/12	ACTUAL FY 12/13	ACTUAL FY 13/14	BUDGET FY 14/15
<i>REVENUE</i>						
Government Funding*	\$ 34,535,808	\$ 35,151,916	\$ 33,664,357	\$ 32,591,920	\$31,730,313	\$31,857,400
Student Fees	31,462,291	32,239,443	32,981,249	33,207,630	33,452,409	35,381,500
Other Income	3,659,543	3,652,616	3,975,738	2,929,463	4,312,989	4,341,300
Total Operating Revenue	\$ 69,657,642	\$ 71,043,976	\$ 70,621,344	\$ 68,729,013	\$69,495,711	\$71,580,200
<i>EXPENDITURE</i>						
Salaries	\$ 41,570,068	\$ 43,565,620	\$ 43,076,333	\$ 43,725,614	\$44,108,280	\$45,335,200
Fringe Benefits	6,796,161	6,934,664	7,317,551	7,325,913	7,733,403	7,974,900
Other (Non-Salaried)	22,113,878	20,460,273	20,727,311	21,284,618	18,819,082	19,714,300
Total Operating Expenditures	\$ 70,480,107	\$ 70,960,556	\$ 71,121,195	\$ 72,336,145	\$70,660,765	\$73,024,400
Operating Surplus (Deficit)	\$ (822,465)	\$ 83,420	\$ (499,851)	\$ (3,607,132)	\$ (1,165,054)	\$ (1,444,200)

*The Provincial Tuition Bursary component has been moved to the student fees line as it is tuition revenue. Should the program cease, the full tuition revenue would be collected from students. This doesn't change the net total.

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APPENDIX C: Revenue and Expense Sources

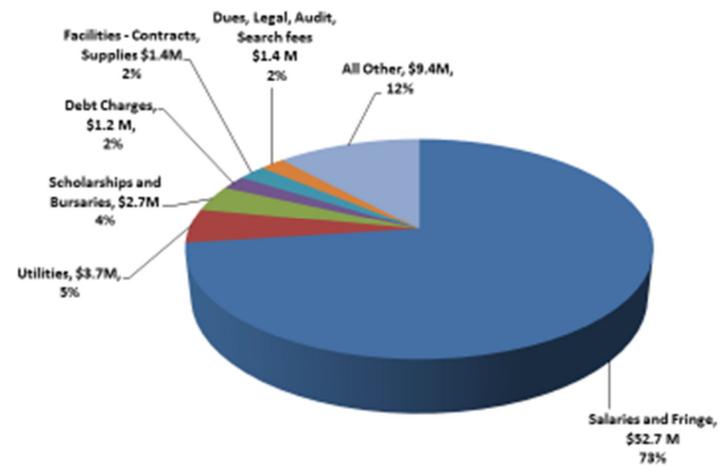
OPERATING REVENUE SOURCES – 2014/15



Financial Update – Fall 2014

2

OPERATING EXPENDITURES BY COST DRIVERS – 2014/15



Financial Update – Fall 2014

3

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APPENDIX D: High Level Budget Forecast 2015-16

ST. FRANCIS XAVIER UNIVERSITY							
Consolidated Budget Scenarios 2015-16							
	ACTUAL FY 12/13	ACTUAL FY 13/14	BUDGET FY 14/15	PROJECTION FY 14/15	FY 15-16		
					BASE	MID	HIGH
					Flat Enrolment	+50 and +10 Intern'l	+100 and +25 Intern'l
<i>REVENUE</i>							
Government Funding	\$ 32,591,920	\$ 31,730,313	\$ 31,857,400	\$ 35,295,500	\$ 32,243,210	\$32,243,210	\$32,243,210
Student Fees	33,207,630	33,452,409	35,381,500	31,578,000	35,879,740	36,411,740	36,771,270
Other Income	2,929,463	4,312,989	4,341,300	4,219,500	3,918,063	3,918,063	3,918,063
Total Operating Revenue	\$ 68,729,013	\$ 69,495,711	\$ 71,580,200	\$ 71,093,000	\$ 72,041,012	\$72,573,012	\$72,932,542
<i>EXPENDITURE</i>							
Salaries	\$ 43,725,614	\$ 44,108,280	\$ 45,335,200	\$ 44,976,600	\$ 46,561,611	\$46,561,611	\$46,561,611
Fringe Benefits	7,325,913	7,733,403	7,974,900	7,690,000	8,168,032	8,168,032	8,168,032
Other (Non-Salaried)	21,284,618	18,819,082	19,714,300	19,807,800	20,927,909	20,927,909	20,927,909
Total Operating Expenditures	\$ 72,336,145	\$ 70,660,765	\$ 73,024,400	\$ 72,474,400	\$ 75,657,552	\$75,657,552	\$75,657,552
Operating Surplus (Deficit)	\$ (3,607,132)	\$ (1,165,054)	\$ (1,444,200)	\$ (1,381,400)	\$ (3,616,540)	\$ (3,084,540)	\$ (2,725,010)
Ancillary Surplus (Deficit)	\$ (897,392)	\$ 1,255	\$ 2,934	\$ (262,000)	\$ (587,600)	\$ (200,780)	\$ 241,275
Consolidated Surplus (Deficit)	\$ (4,504,523)	\$ (1,163,799)	\$ (1,441,266)	\$ (1,643,400)	\$ (4,204,140)	\$ (3,285,320)	\$ (2,483,734)

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APPENDIX E: 5 Year Trending – StFX F/T Enrolment (Undergrad and Graduate)

Source: AAU Report as of October 1st

Year	Full Time Enrollment	Net Change
2010-11	4138	-32
2011-12	4166	+28
2012-13	4115	-51
2013-14	4047	-68
2014-15	4014	-33

Additional enrolment information including results for all other Atlantic University Results can be accessed at the following link:

<http://www.atlanticuniversities.ca/statistics/aau-survey-preliminary-enrolments>

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