



# 2016-2017 Budget Background

October, 2015

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## EXECUTIVE SUMMARY

A long-term fiscal plan is needed that will lead the University towards a balanced budget. The financial update recently shared with the campus on September 24<sup>th</sup> and 25<sup>th</sup> ([http://sites.stfx.ca/financial\\_services/finance/University\\_Budget\\_Documents](http://sites.stfx.ca/financial_services/finance/University_Budget_Documents)) provided background information on the fiscal challenges being faced by the University in the current year and on an on-going basis.

A multi-year plan was presented showing what would happen if we remained at status quo (2016/17 deficit of (\$4.0) million and 2017/18 deficit of (\$5.7) million) and what our target is given the mandate from the Board. To achieve the targets for the upcoming years (2016/17 deficit of (\$1.4) million and 2017/18 surplus of \$185 thousand), an action plan was presented to increase revenue and decrease expenses. In order to reach these targets, the budget process for 2016-17 will focus on revenue generation, cost controls, and longer term investments that are necessary for a sustainable financial plan.

You are invited to provide input with regards to any matters related to the University Budget. In particular we are seeking input relative to potential changes to the University's Tuition Fees. Please feel free to contact any member of the University Budget Committee or e-mail your input to [budgetideas@stfx.ca](mailto:budgetideas@stfx.ca). **Input should be received no later than October 30, 2015.**

If you are concerned about confidentiality of input, please indicate so in your e-mail.

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## I. INTRODUCTION

The purpose of this document is to inform members of the University community on the development and current status of the 2016-17 Budget Plan. When the 2015-16 budget was prepared, a pro forma target was also done for 2016/17 and 2017/18. Now that we are in the fiscal 2015/16 year, the pro forma target will be revised based on current conditions. The outlook for the operating budget will be influenced by the following factors:

- The Province has announced a 1% increase in operating grants for the Nova Scotia University System for the next three years.
- The Province is allowing the Universities a one-time market adjustment to tuition fees which can be phased in over a 3 year period.
- Outside of the one-time market adjustment, tuition increases for most programs are capped at 3%.
- 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%.
- First year enrolment increased in the Fall of 2015 however overall enrolment numbers show a slight decline from previous years. The 2016-17 budget plan will continue to focus on increasing enrolment as well as identifying actions that can be taken to improve retention numbers. The budget plan will consider scenarios ranging from flat enrolment to modest increases.
- Inflation for the bulk of other expenses is in the 1.5% range.

The schedule for the 2016/17 budget 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 in February.

## II. FEE REVIEW/MARKET ADJUSTMENT

As revenue generation is a key component of the budget, the fee structure of programs needs to be reviewed. Several competitor institutions benefit from higher fees for similar programs. As part of the 2015 Provincial Budget, the Province announced that it was providing the opportunity for Universities to make a one-time market adjustment to their fees. There is an option to use a multi-year approach to phase in this adjustment.

On September 21, 2015 a presentation was made to the Finance Committee summarizing the background information that has been gathered and the options being considered as part of the review of the University's tuition and fee structure (**Appendix B**). When reviewing comparative data, it is worth noting that all other Nova Scotia Universities have been given this same opportunity to make a one-time market adjustment.

The information in the Finance Committee presentation will be discussed in detail at President's Council, with the University Budget Committee and the Students Union. It was also mentioned during the Financial Information sessions held for the campus community on September 24<sup>th</sup> and 25<sup>th</sup>.

Before making a recommendation to the Board, the University is seeking assistance from the campus community on the options being considered and any issues or concerns related to the various options.

Questions to be answered include:

- How much of an increase in fees should the University consider under the market adjustment opportunity?
- Should the University change from a Program based fee to a Credit based fee?
- Should there be differential fees for certain programs?

Please feel free to contact any member of the University Budget Committee or e-mail your input to [budgetideas@stfx.ca](mailto:budgetideas@stfx.ca). **Input should be received no later than October 30, 2015.**

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### III. BALANCED BUDGET

The importance of a balanced budget was discussed in last year's budget background paper.

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.

#### **What is a Balanced Budget?**

It is often assumed that a "balanced budget" means that the University will break-even and that any surplus could be directed to new operational activities. However, in order to achieve a truly balanced budget there are a number of elements that need to be considered including:

- Annual tuition growth must be within Provincial guidelines
- Enrollment projections that are supported by trending analysis and program capacity
- Funding required to cover all contractual agreements
- Minimum of \$1.5 million for internal debt payment until it is retired (approximately 12 years)
- Minimum of \$3 million for maintaining infrastructure
- Minimum of \$1 million for replacement of small equipment and technology
- Minimum of .75% of total annual operating revenue as a contingency provision

To have a true balanced budget, all of these items need to be built in. In past years some maintenance and equipment renewals have been deferred and some principal repayments on debt delayed in efforts to meet a balanced budget mandate. The cumulative impact of these deferrals can significantly impact the operating capacity of the University and restrict future cash flows.

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## IV. DEBT MANAGEMENT

The University debt profile consists of the following: externally funded (i.e. mortgages, bank loans, etc.) which have set interest rates and payment schedules and internal (i.e. use cash on hand, bank line of credit) which have no payment schedules (**Appendix C**). Although the externally funded debt has the larger balance it is of lessor concern as most of the debt relates to residences and is funded through rentals of residence rooms. The internal debt is of greater concern as there is no funding source identified to pay-down the principal amounts and the Operating Budget must provide for on-going interest payments.

As mentioned above, a balanced budget would contain a minimum of \$1.5 million as an expenditure item to pay-down the internal debt. Over the last number of years, the budget has only allowed for \$250-\$500 thousand. As part of the budget process, the University needs to work towards increasing the debt payment by at least \$1 million. As discussed in the September Financial update, failing to make these payments keeps operational funds directed to interest payments rather than going toward programs. In addition, while the near term risk of significant interest rate hikes is low, the historically low cost of credit will eventually change.

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## UNIVERSITY BUDGET COMMITTEE MEMBERSHIP

The current membership of the Committee includes:

- Dr. Kent MacDonald (Chair), President & Vice Chancellor
- Dr. Kevin Wamsley, Academic Vice President & Provost
- Mr. Andrew Beckett, Vice President Finance & Administration
- Dr. Tim Hynes, Dean of Business
- Dr. Elizabeth Munroe, Faculty of Education
- Dr. Emeka Oguejiofor, Faculty of Science
- Mr. Troy Mrazek, President, Students' Union
- Ms. Alexandra Carney, Vice President Finance, Students' Union

Non-voting Resource personnel:

- Ms. Helen MacGregor, Director of Finance
- Mr. Randy Peters, Manager, Academic Administration

Faculty representatives are elected by faculty to serve a three year term. There is currently one vacant Faculty position on the Committee. Student representatives include the President and Vice President of Finance of the Students' Union.

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## APPENDIX A: Budget Schedule

<b>Date</b>	<b>Activity</b>	<b>Involvement</b>
July – September	Status Assessment; finalize budget assumptions; finalize campus discussion paper	Budget Committee Finance Department
Week of September 21 <sup>st</sup>	Campus Presentations	Budget Committee
September 28 <sup>th</sup>	Group Work Plans	All departments
October 5 <sup>th</sup> – 23 <sup>rd</sup>	Detailed Budget preparation	All departments
October 30 <sup>th</sup>	Deadline for Dept Submissions	All departments
November 2 – 6 <sup>th</sup>	Review of Submissions, analysis, compilation of information	Finance Department
November 6 <sup>th</sup>	1 <sup>st</sup> draft of Budget	Finance Department
November 9 – 27 <sup>th</sup>	Review of draft budget  Discussions with Departments	President’s Council University Budget Committee VP Finance & Admin; Director Finance
November 30 <sup>th</sup> – December 11 <sup>th</sup>	Budget revisions	President’s Council University Budget Committee
December 14 <sup>th</sup> – 18 <sup>th</sup>	Review of 2 <sup>nd</sup> draft budget	President’s Council University Budget Committee
January 4 <sup>th</sup> – 15 <sup>th</sup>	Revisions/Consultations	Finance Department President’s Council University Budget Committee Student Union
January 18 <sup>th</sup> – 22 <sup>nd</sup>	Campus presentations	University Budget Committee
January 25 <sup>th</sup> – 29 <sup>th</sup>	Budget presentation	Finance Committee
February ??? (Board Date TBD)	Budget presentation/approval	Board of Governors

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## APPENDIX B: Fee/Market Adjustment

### Introduction

As part of the 2015 Provincial Budget the Province announced that it was providing the opportunity for Universities to make a one-time market adjustment to their fees. In addition there have been a number of questions raised through the annual budget process and the Program Prioritization Process that relate to our current fee structure.

Over the past few weeks we have been reviewing background information related to fees. Before preparing any recommendations we are seeking input on some of the issues/options that are available. This will be discussed with the University Budget Committee and the Students Union prior to any recommendations being made.

### BACKGROUND

The following table shows base level tuition fees at a number of Universities.

	Undergrad Tuition - F/T		International	Intern'l Factor	BEd	Per 3 Credit Tuition	
	Arts	Science				Arts	Science
Acadia	\$7,713	\$7,713	\$15,440	2.0	\$8,015	\$771.30	\$771.30
Mount Allison	\$7,464	\$7,464	\$16,421	2.2		\$746.40	\$746.40
<b>StFX</b>	<b>\$7,195</b>	<b>\$7,195</b>	<b>\$14,390</b>	<b>2.0</b>		<b>\$719.50</b>	<b>\$719.50</b>
Dal	\$6,990	\$7,932	\$15,693	2.2		\$699.00	\$793.20
U of Kings	\$6,990	\$7,932	\$15,693	2.2		\$699.00	\$793.20
CBU	\$6,570	\$6,570	\$13,260	2.0		\$657.00	\$657.00
USA	\$6,570	\$7,600	\$9,090	1.4		\$657.00	\$760.00
SMU	\$6,470	\$6,470	\$13,930	2.2		\$647.00	\$647.00
MSV	\$6,436	\$6,786	\$12,820	2.0		\$643.60	\$678.60
NSCAD	\$6,360	N/A	\$14,064	2.2		\$636.00	N/A
St. Thomas	\$5,914	N/A	\$13,385	2.3		\$591.40	N/A
U of Moncton	\$5,604	\$5,604	\$10,270	1.8		\$560.40	\$560.40
U of New Brunswick*	\$6,187	\$6,187	\$13,905	2.2		\$618.70	\$618.70

The Province provided the attached information (Attachment A) with regards to tuition fees by program area at other Universities.

Aside from base level tuition amounts there are a variety of additional fees that are charged (Program Fees, IT Fee, Recreation Fee, Lab Fees) which make comparability of fees amongst Universities very difficult.

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## ITEMS FOR CONSIDERATION

1. How much of an increase in fees should the University consider under the market adjustment opportunity?  
See Attachment B for history on StFX tuition fees
2. Should the University change from a Program based fee to a Credit Based Fee?  
See Attachment C for background information.
3. Should there be differential fees for certain programs?
  - a. Should there be additional fees for lab based courses?
  - b. Should there be additional fees for courses with a very low student/teacher ratio delivery model?
  - c. Should there be higher fees for programs with significant market demand?

Please feel free to contact any member of the University Budget Committee or e-mail your input to [budgetideas@stfx.ca](mailto:budgetideas@stfx.ca). **Input should be received no later than October 30, 2015.**

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ATTACHMENT A

	Education	Visual & performing Arts, and Comm. Technologies	Humanities	Social and Behavioural Science	Law	Business, Mgt and Public Administration	Physical and Life Sciences and Technologies	Math, Computer and Information Sciences
Acadia	\$7,782	\$7,488	\$7,488	\$7,488		\$7,488	\$7,488	\$7,488
CBU	\$7,600		\$6,380	\$6,380		\$6,380	\$6,380	\$6,380
Dalhousie		\$6,786	\$6,786	\$6,786	\$13,780	\$7,770	\$7,701	\$7,701
King's		\$6,786	\$6,786	\$7,701			\$7,701	\$7,701
MSVU	\$6,589		\$6,249	\$6,249		\$6,249	\$6,589	\$6,249
NSCAD		\$6,180						
USA	\$6,540		\$6,360			\$6,360	\$7,360	
St. FX	\$6,985	\$6,985	\$6,985	\$6,985		\$6,985	\$6,985	\$6,985
SMU			\$6,280	\$6,280		\$6,280	\$6,280	\$6,280

	Engineering	Architecture and Related Technologies	Agriculture, Natural Resources and Conservation	Dentistry	Medicine	Nursing	Pharmacy	Other Health, Parks, Recreation and Fitness
Acadia	\$7,488		\$7,488					\$7,488
CBU	\$6,380					\$6,980		\$6,380
Dalhousie	\$7,701	\$7,092	\$6,180	\$19,108		\$7,905	\$9,766	\$7,905
King's			\$7,701		\$17,430			
MSVU								
NSCAD								
USA								
St. FX	\$6,985		\$6,985			\$6,985		\$6,985
SMU	\$7,484		\$6,280					

StatCan: TABLE 1. UNIVERSITY TUITION FEES FOR FULL-TIME UNDERGRADUATE CANADIAN STUDENTS, 2014-2015 preliminary

\*Tuition provided do not include student bursary

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**ATTACHMENT B**

<b>Tuition Rates</b>														
	<b>02-03</b>	<b>03-04</b>	<b>04-05</b>	<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>	<b>15-16</b>
Base Tuition	4940	\$5,311	\$5,750	\$5,975	\$6,205	\$6,205	\$6,205	\$6,205	\$6,205	\$6,391	\$6,583	\$6,780	\$6,985	\$7,195
NS Tuition Bursary - Provincial Government						(\$500)	(\$761)	(\$1,022)	(\$1,283)	(\$1,283)	(\$1,283)	(\$1,283)	(\$1,283)	(\$1,283)
<b>Student Cost</b>	\$4,940	\$5,311	\$5,750	\$5,975	\$6,205	\$5,705	\$5,444	\$5,183	\$4,922	\$5,108	\$5,300	\$5,497	\$5,702	\$5,912
		7.51%	8.27%	3.91%	3.85%	-8.06%	-4.57%	-4.79%	-5.04%	3.78%	3.76%	3.72%	3.73%	3.68%
Non-NS Cdn Students - Tuition Bursary from Prov Gov't									(\$261)	(\$261)	(\$261)	(\$261)	(\$261)	\$0
<b>Cost for Non NS Cdn Students</b>	\$4,940	\$5,311	\$5,750	\$5,975	\$6,205	\$6,205	\$6,205	\$6,205	\$5,944	\$6,130	\$6,322	\$6,519	\$6,724	\$7,195
		7.51%	8.27%	3.91%	3.85%	0.00%	0.00%	0.00%	-4.21%	3.13%	3.13%	3.12%	3.14%	7.00%
<b>Cost to Students for Tuition</b>														
	<b>02-03</b>	<b>03-04</b>	<b>04-05</b>	<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>	<b>15-16</b>
Nova Scotia Students	\$4,940	\$5,311	\$5,750	\$5,975	\$6,205	\$5,705	\$5,444	\$5,183	\$4,922	\$5,108	\$5,300	\$5,497	\$5,702	\$5,912
All Other Canadian Students	\$4,940	\$5,311	\$5,750	\$5,975	\$6,205	\$6,205	\$6,205	\$6,205	\$5,944	\$6,130	\$6,322	\$6,519	\$6,724	\$7,195
	<b>02-03</b>	<b>03-04</b>	<b>04-05</b>	<b>05-06</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>	<b>15-16</b>
Nova Scotia Students		7.51%	8.27%	3.91%	3.85%	-8.06%	-4.57%	-4.79%	-5.04%	3.78%	3.76%	3.72%	3.73%	3.68%
All Other Canadian Students		7.51%	8.27%	3.91%	3.85%	0.00%	0.00%	0.00%	-4.21%	3.13%	3.13%	3.12%	3.14%	7.00%

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### Per-Credit Tuition Model – Discussion Points

About 60% of the Universities in Canada use a per-credit tuition model (3 credit base unit). The only Atlantic Universities not using the per-credit system are Acadia, StFX, UNB, and UPEI. These universities use a full time versus part time tuition schedule whereby a set number of credits triggers a F/T tuition fee. Until that threshold is reached, the part time fee applies. For StFX that trigger is 24 credits. Students taking 24-30 credits pay the same tuition fee (\$7,195 in 2015-16).

The pros and cons of switching to a per-credit model:

#### Pros

- Fairness – with the current system, the students taking 24 credits are paying \$900 per 3 credit unit versus \$760 if they were charged the P/T rate, or \$719.50 if they were taking 30 credits. This unfairly penalizes students who cannot quite take a full load often linked to legitimate factors – e.g. finances (need to work while study), extracurricular involvement, learning challenges etc.
- The current fee model is complex due to various pricing models – increases complexity for fee assessment (rules) and clarity of information to students and parents
- A per credit model allows for pricing at the course level to align pricing with cost delivery – rational.
- Students in same classes are paying different rates with our F/T trigger of fees at certain levels – volume discount to those taking 30 credits and large penalty to those not.
- Accountability and Decision Making – true revenue by course provides information for decision making (program offerings, minimal enrolments); this is the direction supported with the new leadership team.
- Easier for students looking to transfer or compare
- Help with transition to switch of full 3 credit system (get rid of 6 credits – term focus) – year round entry points for students starting programs.

#### Cons

- Switching to a per credit fee would reduce revenue by approximately \$700K (if assign a 3 credit rate based on current tuition). This is due to the number of people taking 24-27 credits, paying a premium. It would take \$700K of any market adjustment to remain flat; intent with market adjustment is to increase tuition revenue required to cover program delivery costs.
- Work involved to change revenue rules and fee assessment

## APPENDIX C: Debt Profile



Long Term Debt – Financial Statements March 31, 2014			
	2014	Funding Sources	Notes
Residences	78,007,000	Rental Fees	
Academic Facilities	8,514,000	Operating Budget	New Science Hall/Misc. Projects
<b>Total Long Term Debt</b>	<b>96,051,000</b>		
Ancillary Services	6,535,264	Ancillary Fees	KMC/Boiler replacement
Technology & Infrastructure	385,553	Tech Fee	
Academic & Service Projects	12,008,756	Operating Budget	Music & Art/Nicholson/J. Bruce Brown/various other campus improvements
Other	873,300	Operating Budget	Campaign costs (pre 2001)
<b>Total Internal Debt</b>	<b>19,802,873</b>		
<b>Total Debt</b>	<b>115,853,873</b>		



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