

Trent University Faculty Association: Financial Information Subcommittee

Summary of Information from FISC Meetings November 2010 - January 2011

Background to the FISC

The Joint Financial Information Subcommittee (FISC) has met on three occasions since mid November. At these meetings, TUFA members of the subcommittee were presented with financial information, budget assumptions, and institutional data from senior management and provided significant opportunity to discuss all this information and its implications for staffing at Trent University. The meetings have been forthright and open. The subcommittee will continue to meet in the coming months as required by a Memorandum of Agreement signed by the Union and Employer on August 12, 2010.

Financial Situation of the University

Shortly before sharing its grim financial presentation with the campus community on December 16th, the Administration previewed it with the FISC. That presentation consisted largely of a comparative review of Trent's expenditures in relation to similar expenditures at other universities in Ontario (as calculated from aggregated financial data collected by the Council of Ontario Finance Officers - Universities of Ontario).

Trent's Administration is projecting a deficit of \$4,275,000 for the 2011/2012 fiscal year. This projection is based on two sanguine assumptions and one political decision. The first assumption is that enrolment will increase by 152 FTE next year; the other, that increased pension costs will be successfully contained at \$842,000. The political decision underlying the projected deficit is, of course, the Board's insistence on balancing the annual budget, rather than balancing the institution's finances over a longer period of time.

In order to meet the anticipated shortfall, the Administration has opted against an across-the-board cut¹ to the University's various cost areas, but proposes rather to distribute the reductions as indicated on the following table:

Budgeted program areas	Reduction target (\$)	Reduction in funding (%)
Academic & Support ²	2,900,000	4.3
External Relations	500,000	21.3
President's Office	50,000	7.8
Secretariat Office	50,000	7.0
Research Office	75,000	8.5
Administration ³	500,000	3.5
Strategic Investments	200,000	21.1
Total	4,275,000	

¹ \$4,275,000 represents approximately 4.7% of Trent's budgeted Total Expenses for 2010.

² "Academic & Support" includes instructional, academic support, library and student services.

³ "Administration" includes IT, HR, PRD & Finance.

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Enrolment

The University's current problems are, perhaps, more accurately cast as an enrolment crisis, rather than a financial crisis. Tuition dollars comprise close to half of the University's gross revenues and the institution is under-enrolled at the undergraduate level. Trent certainly has the capacity to handle increased enrolment at little additional cost and total FTE enrolment for undergraduates in Ontario has been increasing. Unfortunately, our University has not, however, proven able to even maintain total enrolments at their 2005-7 levels. Between 2005/06 and 2009/10, enrolment at Trent declined by slightly more than 3% while total enrolment throughout Ontario increased by more than 7.5%.

For the 2010-11 fiscal year, our Administration had initially planned on an increase of 378 student FTE. That increase, however, failed to materialize despite the fact that the University had allocated more than a half-million dollars to recruitment-related advertising, branding, and retention initiatives. While this failure may be partly attributable to the late completion of the Oshawa campus, it should be noted that the Administration had only projected an increase of 65 student FTE for that campus.

In this context, the assumption of an increase of 152 student FTE would seem rather optimistic, especially if the Administration cannot predicate these increases on specific actions or initiatives taken by the institution to improve student morale (retention) and/or Trent's reputation among current students and recent graduates (recruitment).

Crisis Averted (Temporarily)

As the disappointing enrolment situation became clearer in November, the FISC was relieved to find that no immediate steps were being anticipated to address an in-year deficit. The institution did realize an increase in government grant revenue of more than \$500,000 by changing its approach to declaring students' status and TUFA's Parity formula yielded a 0% raise for 2010 which trimmed a further \$777,000 from the budget.

Key issues for discussion

- 1. Projected deficit's impact on instruction:** The Administration's stated objective to cut 2.9 million dollars from the instructional budget threatens to further erode Trent's ability to recruit and retain students in what promises to become a vicious cycle of cuts and shortfalls. This is particularly ironic in light of the Board's enthusiasm for spending money on projects that built up Trent's capacity.

Action by TUFA: TUFA's representatives on the FISC have a responsibility to provide members with an accurate prognosis of the University's financial health and will continue working to verify the reasonableness of the budget and enrolment projections. We are also trying to understand more fully the relationship between the Board's capital projects and the University's operating deficit. Had the surpluses of previous years not been used so aggressively to fund new buildings and other such projects, our operating budget would presumably not now be carrying an interest burden of some 1.75 million dollars.

- 2. Pension costs:** The provincial government has yet to release its much anticipated funding rules and regulations for public-sector pension plans; consequently, we cannot state with any certainty what this institution's obligations will be with respect to addressing our pension plan's solvency deficiency and going concern liabilities. The University's current deficit projection of 4.3 million is predicated on increased pension costs of \$842,000: a worst case scenario would put those costs significantly higher, up to 2.5 million dollars.

Action by TUFA: TUFA's Executive Committee recently established an Ad Hoc Committee on Pensions to advise the Association on actuarial proposals for alleviating the burden that our pension plan places on the operating budget. The ad hoc committee will also advise the Association on longer term objectives and strategies as we prepare to negotiate a new collective agreement in 2012. In addition to working with TUFA's members on the Joint Pension Subcommittee, the new ad hoc committee will also be engaging expert and technical advice.

- 3. The Integrated Plan's implications for academic workload:** The plan's overarching context is the imperative of graduating more students at reduced cost and is likely to affect faculty workload and academic life at Trent in a variety of ways: increased average class size, reduced course offerings, cost-based program reviews, and continued attrition of TUFA's ranks.

The appropriateness of the business approach reflected by the Integrated Plan is a matter worthy of some debate. Strangely, the adoption of business models in the academy seldom reflect the realities of the corporate world. Business enterprises, for instance, generally try to maintain their client base and market share, even when doing so necessitates that they absorb losses over a period longer than a year. TUFA's representatives on the FISC suggested that it may be wise for our Administration to present the Board with a long-term sustainability plan. Perhaps capturing increased "market share" of Ontario's students may require running deficits and actually *investing* in the enterprise, rather than diminishing our services and thereby curtailing our ability to increase tuition revenue. To date, senior management has indicated no particular interest in trying such an approach and confidently asserts that deficit financing is not an option the Board of Governors is willing to consider.

Action by TUFA: FISC recommends that the TUFA Executive press the Administration to embrace a longer-term financial strategy. To the extent possible, the Association needs to shift the senior management's focus from expenditure reduction to revenue generation.

A final word on the relative cost of TUFA

While we have grave concerns about the wisdom of cutting instructional services *in toto*, it would be naive not to acknowledge the relative costliness of TUFA employees for the institution. Under the present circumstances, it is extremely unlikely to think that retiring TUFA members will be replaced with new assistant professors, or that the current complement of LTAs will not shrink significantly next year. Absent a sudden surge in enrolments or unexpected windfall from the province, the continued thinning of TUFA ranks is almost certain and, with it, increased class sizes and more service work.

TUFA has made significant financial gains for its members over the years, bringing us from amongst the worst paid faculty to parity. Now it may be time to shift our priorities and use some of the leverage that we have developed to support efforts to put the University back on track. From TUFA's perspective, such initiatives will need to provide something more than a temporary reprieve from our annual cost-cutting exercises. That being said, it is hard to imagine how this institution will actually be able to gain momentum without mutually reinforcing adjustments being made by TUFA, the Administration, and the Board of Governors.