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Professor Susan Wurtele
President, Trent University Faculty Association

Dear Professor Wurtele:

In response to the recent request from TUFA for further information regarding the 2010-11 Operating Budget Projection update, attached are responses to the posed questions.

We hope that the attached information brings clarity to the issues that TUFA has brought forward. If you have further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Don O'Leary".

Don O'Leary
Vice-President (Administration)

Enclosure.

10-02-26

Responses to TUFA Budget Questions February, 2010

1.0 Proposed Budget

Question # 1.1: It would seem that you have estimated expenses at the extreme high end and revenues at the extreme low end. In other words, what is the evidence for these estimates?

The Evidence for the Revenue Estimates is:

- a. Provincial Gov't Grants – no inflation allowance (per recent provincial funding policy)
- b. Accessibility funding planned at 100% of projected increased undergraduate enrolments over the 2004/5 base as per existing funding formula methodology.
- c. Tuition rates projected to increase per the limits generally allowed for in the most recent policy allowance, currently under review by the provincial government for 2010/11. (e.g. - for Undergrad domestic eligible students, 4.0% upper year, 4.5% first year is projected rate increase). Weighted average increase of approximately 4.2% tuition rate increase is assumed in the draft Order of Magnitude Budget projection.

The estimate for inflation on expenses is sourced from recent collective bargaining settlements reached in the public sector, or faculty agreements as appropriate, and known actual cost increases for supplies and services, along with recent consumer price index results.

Question # 1.2: Line # 1 – Structural deficit – What figure has management budgeted for the tuition increase legislated by the Ontario government for 2010/2011?

see 1.1 c. above.

Question # 1.3: How was the \$1.7million figure arrived at? And why did the \$1.7 million figure of January 21 evolve into \$2.6 million when the figure was posted to the intranet?

The \$1.7 million structural deficit was arrived at in the second year projection (for 2010/11) in the previous Operating Budget Model. It represents largely the structural mismatch of inflation on expenses versus no inflation on government grants. Included in the \$1.7M were some previously planned enrolment increases, including the effect of projected student retention improvements affecting flow through. Adjusting for this enrolment factor changes the \$1.7M by \$0.9M, for a sum of \$2.6M to represent the structural deficit in a state of constant enrolment. (Note that enrolment related revenues were shown to increase by the same \$0.9M to \$2.4M from \$1.5M when the revision was posted.)

Question # 1.4: What is the detailed breakdown of government grants? What if any information is there that any of these grants will be discontinued?

The Basic Government grant envelopes are shown below:

**GOVERNMENT GRANTS
(\$000s)**

	09/10 Restated budget	09/10 Projection, Jan. 20, 2010	10/11 Model, mid-range
Formula	\$17,770	\$17,770	\$17,770
Differentiation	2,357	2,357	2,357
Fair Funding	1,255	1,255	1,255
Undergraduate Accessibility	7,851	8,915	10,083
Graduate Accessibility	2,253	2,253	2,253
Quality Assurance Fund	1,217	1,217	1,217
Quality Improvement	3,598	3,598	3,598
Tuition Compensation	935	935	935
Graduate Capital			425
Performance-Based	285	285	285
Trent-in-Oshawa	2,000	2,000	2,000
Nursing	3,429	3,429	3,429
Research overhead (ICOR, ROIE)	1,795	1,795	1,795
Targeted funding (disability services, aboriginal, municipal taxes, work study, etc.)	1,771	1,771	1,350
Total operating budget	\$46,516	\$47,580	\$48,752

The history of Quality Improvement funding and the Differentiation Grant funding increases to the levels shown above may have been what led TUFA to the question that one time funding is no longer assumed. The Quality Improvement funding above was augmented with a one time grant received late in 2006/7, appropriated, and used to help balance the 2007/8 Budget (see \$2.846M in Internally Restricted funding in the 2007/08 Operating Budget on the Financial Services website). The Differentiation Grant above was increased by \$1.0M late in 2007/08 for 2007/08 & 2006/07, which was a one time source used to fund \$2.420M in Internally Restricted funding in the 2008/09 Operating Budget (see Financial Services website). In an analogous manner, \$.871M worth of one time Quality and Sustainability funding was received late in 2008/09, and shown as a balancing source of funding in the 2009/10 Operating Budget (see financial services website).

It is not currently estimated that further one time funding will be made available to help balance 2010/11 budget pressures, but if an announcement of further one time funding is made within the remaining months of fiscal 2009/10, any amount not required to make the government funding grants above 'whole' will be available to help balance 2009/10 and 2010/11 budget pressures.

Question # 1.5: Line # 2 – Have you factored in how improvements in equity markets since the last evaluation and agreed upon contribution increases will affect the magnitude of required special payments?

The Pension Plan payments shown represent the existing increased University contribution commitments to the Plans. In the case of TUFA, they represent the increased contribution rate as agreed in the past collective agreement. These contributions represent the University share of the Aggregate Funding Arrangement, and are mainly designed to address the on-going deficits in the Registered Pension Plan and the Supplementary Retirement Allowance (SRA) Plan. Any reduction in solvency special payments will affect the amount of funding that would have to be transferred from the SRA, and would not reduce the increased University funding commitment in the near term.

For the OPSEU/Exempt Pension Plan, the increased university contribution shown represents the existing increased university funding commitment per the last filed actuarial evaluation. Should the decision to file another evaluation in the future before the next required filing date (presumably in the event that a lower than previously filed solvency deficit appears), the annual funding commitment remains the same – only a shorter amortization period for the solvency deficit payments is currently allowed. This leaves the funding commitment unchanged for the next fiscal year.

Question # 1.6: Line #3 –What information is there to justify your assumptions regarding fringe benefit inflation, given the retirement of faculty and non-replacement of faculty over the past period of time?

We have received correspondence from our extended health carrier that we can anticipate increases in some of our fringe benefit costs of the following:

- Extended Health 12.5%
- Dental 14.9%
- LTD 1.9%

Negotiations will be undertaken to see if these rates can be reduced, based upon Trent specific utilization rates; we are currently estimating approximately an 8.5% increase for this expense item – well in excess of the base inflation assumption.

Question # 1.7: Line # 4 – Why is there an assumption that we will not receive *any* One Time Funding in 2009/2010 given that there is the potential for additional operational funding for Ontario universities in the 2010 Ontario provincial budget (pending March 2010), and given the fact that every year for the past number of years you budget no one-time funding, and every year for the past number of years, the government has been adding it to the budget?

For a discussion of one time government funding, please see the comments in #1.4 above.

Question # 1.8: Line # 5 – You've added in your budget assumptions an increase in the base costs in excess of inflation. What is the reason for this?

There are costs for discrete new items that are not related to annual inflation adjustments alone. These items include such new developments as the operating costs for Module C (see partial offset in increased Grad Capital funding in 4. above), Bagnani Lecture Hall, the increased scholarship support/access guarantee program, and one time staff vacancies being replaced in a few cases.

Question # 1.9: Line # 6 – Increased Revenues from Improved Enrolment. What conversion rate have you assumed on the 15% increase in applications? How is this estimated and how does it compare to the 2009/10 experience? What is the range of possibilities that you have considered for the conversion? (*we note that your figure on the University's website is different from the document we received January 21*).

The conversion factors on new student applicants reflect the average of recent year's conversion success experience ratios by choice.

Question # 1.10: How does the monthly cash flow for the current year compare to the cash flow for similar periods over the past seven years?

Cash Flow – Please see the attached chart that shows the University Cash/Short term investment position over the last three years. Please note that the university had to utilize its line of credit facility in July and December this year, and the position has just recently partially recovered due to receiving funds for financing Module C, Traill Re-development, and Athletics expansion.

Question # 1.11: What is the source of the Special Purpose Funds account? What was the criterion for using this in the past to achieve a balanced operating budget? Why are you not proposing to use it again this year as we go through the visioning exercise?

We are not sure what you refer to specifically in you query about the Special Purpose Funds Account. If you are referring to the Strategic Investment Fund, this account covers many areas that have been identified in the past as crucial to improving enrolment – eg. Marketing and Advertising, increased recruitment activities, active retention programs, supporting program expansion (distance education), and supporting institutional research.

2.0 Strategic planning:

Question # 2.1: The current proposed instructional staffing cuts appear to contradict the stated academic mission of the University and the on-going vision renewal process. Which takes precedence (the budget or the vision) and why?

The current integrated planning discussion does not resolve the present financial challenge and the need to balance the 2010-11 budget. Future initiatives identified throughout the integrated planning process should have an impact on future budgets.

Question # 2.2: What are the procedures for deciding the budget?

Setting the budget involves a continuous monitoring process by Administration throughout the operating year May 1 to April 30. Revenues and expenses are constantly monitored for increases and decreases. Three year budget forecasts are presented in April to the Board of Governors providing specific details about the immediate budget year and order of magnitude estimates of the following two years. The forecasts are reasonable estimates of revenue from government funding and tuition as well as reasonable estimates of expenditures. 84% of the budget is salary and benefits. The Board requires that the university run its financial affairs in a fiscally responsible manner. It therefore requires a balanced budget.

Question # 2.3: What analysis has been done on how cuts to the instructional staff may undermine revenues by eroding instructional quality and, therefore, student recruitment and retention?

Trent's invests in instructional salaries at higher levels, relative to its funding sources, than most other Ontario universities.. Cost containment must be maintained without compromising instructional quality which is the basis for budget decision making.

3.0 Strategic Operating Budget:

Question # 3.1: After several years of cuts to staffing, and a freeze on tenure track hiring, what is the budgetary perspective for maintaining and advancing the academic mission of the university? What has changed from the negotiating table only weeks ago in respect of tenure track hiring and LTA assurances? What has changed since the promises made to Oshawa about tenure track hiring?

The university's financial challenges were outlined to TUFA in the negotiating process. It was explained that on-going cost containment was necessary and right sizing the organization for the revenue delivered from the number of students registered was required.

Question # 3.2: Have you considered the adverse impact of reducing or eliminating LTAs and not hiring tenure track faculty on the ability individual departments to meet their academic goals?

See above 3.1 response.

Question # 3.3: Why is the University not able to run a deficit in operating costs at this time?

The university must maintain a balanced budget and not incur a deficit because the impact of an accumulated deficit on future budgets would be far more difficult to manage than the Board of Governors' present policy of maintaining a balanced budget. The university is responsible for its own financial situation. There will not be any outside intervention to eliminate any operating deficit.

Question # 3.4: Why are operating budgets shrinking while financial budgets seem to be expanding (as reflected in financial statements)?

Do not understand this question.

Question # 3.5: What is the impact on the University's operating costs of financing capital projects?

The costs of financing capital projects are covered by various revenue streams as identified in each project's supporting business case. Many Capital projects have discrete government funding support. Residual principal and interest payments on the university contribution are funded through revenue sources such as Graduate Expansion & Capital Grants, Accessibility funding, Nursing Program funding, and Ancillary revenues.

Question # 3.6: What other sources of revenue are available to Trent in the future? For example, what are the projected revenues from the Hydro generation project(s)?

The future land development projects, such as Stanley Adamson Powerhouse re-development or the proposed residence development, are planned to make a financial contribution to the operation of the university, although the benefits are not currently anticipated to contribute until after 2010-11. Business cases outlining the financial benefits are under development will be presented to the Board of Governors as the proposals are finalized over the next year.