

On January 29, 2009, The Vice President, Finance and Administration met with the BUFA executive committee to make a presentation on the University's financial situation. The PowerPoint slides of that presentation have already been posted; here are the minutes of the relevant discussion at that meeting.

1. Presentation on the budget by Steven Pillar, Vice President, Finance and Administration.

The following is a summary of the presentation's highlights.

Mr. Pillar started with the assurance that 'we are all on the same team' and then introduced his presentation entitled 'World economic situation and the operating budget challenge'. They (presumably S Pillar and J McKee) have met with 35 budget developers, including all the Deans, as well as with the Senate Budget Advisory Committee. In the next week, they will meet with the Finance Committee of the Board. Background documents for understanding their take on the budget include President J Lightstone's communications to the University at large, as well as the principles established for developing the budget, which is also a public document.

S Pillar noted that even before the current world-wide fiscal crisis, Ontario universities were operating close to the financial edge. Their major source of revenue is the province of Ontario, whose economy is in decline. Fortunately, Brock is not also affected by a decline in the value of invested endowment funds, because we don't really have any. Endowment has declined from 37 to 20 million dollars in last 6 months, but since we do not rely on the funds for operating expenses, this is not affecting us. However, scholarships will decline because do not want to use the endowment capital. Pension plan status is also affecting universities, because employers have certain liabilities, but this also does not really affect Brock. The Brock pension fund is down 20%, which is a serious impact for those close to retirement or currently retired, but since the pension fund capitalization was valued as of June 30, 2008, prior to the market decline, the University's liability is much lower than it would otherwise have been. If markets recover over the next 3 years, then Brock should not lose much money. In late 2005, Brock issued a bond for \$ 93 million to cover all debt except some for residences that is due in 2009, but this money has already been set aside.

General purpose provincial grants represent 50% of Brock's operating revenue. No one-time year end funding expected for 2008-09 and the best that can be expected for operating grants for 2009-10 is level funding (assuming enrolment is level). Since costs continue to rise, this is equivalent to a freeze as expenses rise due to inflation. The base shortfall for 2008-09 is \$12,653,000 which amounts to 8.3% of the budget, although there will not actually be a deficit for 2008-09.

In constructing the budget for 2009-10, the following assumptions were made:

- Operating grants will not increase

- Tuition will increase by 4.5%

- Inflation will be 6% (salary contracts are the major influence here)

- The rebranding exercise will require certain one-time costs, amounting to more than \$1 million over three years.

S. Pillar then noted that 'like it or not, we're in a business', and continued by saying that the preliminary estimate for the 2009-10 budget shortfall is 11.5%, and that the 2009-10 fiscal year will end with the first deficit ever in Brock's history. Over the longer term (2010-11 to 2013-14), Finance projects a 3% average revenue shortfall each year. To deal with this shortfall necessitates a cut to the operating budget of about 5% per year. Budget developers have been asked to develop a 7% option, as

well as a 5% option. However, Deans have been told that ‘we will take 5%’, whereas cuts on the administrative side will probably be up to 7%.

A discussion followed. L Savage asked how we can all be on the same team if we don’t all have access to the same information – without access to the same information, we are unable to understand the necessity for the budget cuts, either general or specific. M Richards suggested that if we are a business, we ought to have a business plan that includes a description of the quality of the academic ‘product’ that we are producing, with the plan to be used in guiding the cuts. D Fancy asked why the universities are cutting their budgets, rather than representing to the province, the damage that may be done to teaching and research as a result of lower funding. C Daigle pointed out that many departments and centers are already making cuts to their academic programs, for what could end up being a hypothetical deficit. B Grant suggested that the 5% and 7% requirement presupposes that the cuts are going to be equitable, but some programs have more resources than others. He also asked why so many capital projects are still being planned, given that these will engender increased operating costs.

S Pillar responded to these questions and then commented that our questions reflect a common theme about openness (actually, the lack thereof), and assured us “in the strongest language” that the President and the Universities are indeed working on convincing the government of the value of Universities

C Merriam summarized the meeting with the following three major issues: 1. we require proof that the cuts are needed; 2. we need to understand where academic priorities fit into the budget exercise, and 3. just because other universities are cutting and hacking their academic programs, doesn’t mean that strategy should be followed at Brock.

The Executive thanked all the guests for attending the meeting.

11. Other Business

J Butovsky asked for F Martinello’s reaction to S Pillar’s presentation. F Martinello made the following points:

- a) Pillar would have been more convincing about the University’s pledge to consult if the consulting had been done before, not after, the cuts were announced.
- b) Although there is indeed a difference between capital and operating costs, it appears that the budget for capital cost campaigns is part of operating budget! Therefore the operating budget is indeed funding capital costs – if these were deferred, then we might be able to make fewer cuts to operating expenses.
- c) The ‘Reaching Higher’ program calls for extra funds for next fiscal year – so has the province told the Presidents that they will renege on this program?
- d) The key point is the \$12.6 million which results from the previous ‘structural deficit’. Last year the University broke even because extra money came in due to shared surpluses from the province, i.e. extra money allowed Brock to pay off the deficit, but this year that won’t happen. Therefore in 2009-10, Brock will be paying for the 2008-09 deficit.
- e) It is reasonable to pay off the ongoing structural deficit, but it may not be reasonable to pay it off in only 1 year, which is what the current strategy seems to be.

B Grant suggested that we ask for a report from the University that details the eventual extent of the cuts.