



St. Thomas
UNIVERSITY

**Budget Summary Report
2014-2015**

May 27, 2014

1.0 Introduction

An initial *Budget Development Report* for 2014-15 was communicated to the University community in February 2014. The report is available at: <http://bit.ly/MlXnWi>.

This document identified the composition of the President's Advisory Committee on the Budget (PACB) and described the context and challenges of developing the University's 2014-15 budget. The principles in developing the budget recommendations were:

- The requirement to achieve a balanced budget where expenditures do not exceed revenues;
- The importance of developing a budget plan that balances competing priorities in order to serve, to the best of our ability, the needs of students and other members of the community; and
- The desirability of allocating resources to areas that support the strategic directions of the University.

The *Budget Development Report* also requested input regarding how to contain costs, increase student enrolment and retention, and develop a balanced budget. A summary of the responses was provided and discussed at the PACB.

To further the campus discussion on budget development, the PACB held a Town Hall meeting with faculty, staff and students on March 27, 2014. At this meeting, a status update on the budget development was provided, and proposed strategies to achieve a balanced operations budget were presented.

The 2014-15 budget was developed in the context of the University's *Strategic Plan 2013-2018*. Under the Financial Sustainability priority identified in the *Strategic Plan*, the University has committed to:

- continuing to advocate for autonomy in setting tuition and equitable government funding;
- developing and implementing a long term strategy for tuition and student financial aid; and
- establishing an appropriately staffed and effective Office of Advancement and Alumni Affairs, significantly increasing financial support from alumni, and growing the endowment through fundraising activities.

The PACB developed budget recommendations which were approved by the Board of Governors in early May 2014. The following sections of this report provide a summary of the approved operating, ancillary, endowment, and capital budgets for St. Thomas University for 2014-15.

2.0 General Operating Fund (\$28.3 million budget)

2.1 Background

The General Operating Fund covers the core functions of the University, including most of the expenditures directly related to, or in support of, offering programs of instruction to students. The operating budget has two dominant revenue sources - government operating grants and tuition fees.

In October 2013, the Province and St. Thomas University arrived at an agreement that established a five-year domestic tuition fee schedule, as part of a larger agreement that included a positive adjustment to the operating grant of \$225,000 (representing a 1.7% increase).

In the Fall 2013, the Province announced a two per cent increase to university operating budgets for each of the next two years (2014-15 and 2015-16). Based on the application of the funding formula, the actual percentage depends on STU's share of weighted student FTEs in the province, which changes annually.

While New Brunswick universities have been underfunded relative to their counterparts in Canada, St. Thomas University has been underfunded relative to the other universities in the province: the University's 2014-15 operating grant level is 86% of the provincial average (See Appendix I). Despite the progress achieved as a result of the new agreement with the Province, our annual revenue base is approximately \$4 million lower than it could be because of our operating grant level and because of the low tuition level (compared to other NB and Maritime Universities).

This circumstance creates a strain on our operations and makes it difficult to increase the number of full-time faculty and to achieve faculty renewal. It also results in bare bones staffing of non-academic positions.

Before March 2014, we hired a Tenure Track (TT) position in Human Rights. In early March 2014, as a result of the 2014-15 forecasted enrolment of less than 2,000 students, seven (7) planned faculty hirings (TT and Limited-Term Appointments (LTAs)) were cancelled in order to help address a forecasted budget deficit of \$1 million. These helped to reduce the gap to \$600,000. However, academic hirings are proceeding in seven (7) areas and these are incorporated in the approved 2014-15 budget.

Additional strategies to bridge the financial gap of \$600,000 are incorporated in the approved operating budget and include:

- Maximizing the use of income from endowed funds to assist in covering some operating costs. We expect the investment income for 2013-14 of the endowed funds to be approximately \$3.1 million which represents a 10% investment return – this is a higher than normal rate of return.

- Greater expenditures will be charged to the Scholarship Endowment (an increase of \$100,000 compared to 2013-14) and to the Aquinas Chair (an increase of \$490,000, over and above the budgeted 5% of the endowed fund amount).
- Reduction in administrative expenses, such as communications, and repairs and maintenance. There are other administrative expenses where additional reductions can be achieved, although the amount is less significant. These include expenditures related to mobile devices and out-of-province travel. (Note: Based on 2011-12 CAUBO data, our Administration and General Expenditures represent approximately 13.6% of operational expenditures, compared to the national average of 15.8%.)

The greatest financial risk faced by the University is that of student enrolment. Between 2003 and 2012, overall full-time enrolment declined by approximately 20% (565 net full-time students). This risk is very significant in light of the declining number of New Brunswick high school graduates. Approximately 76% of our students are from New Brunswick. The 2013-14 enrolment was approximately 175 students below the budgeted figure of 2,300.

2.2 Tuition Fees

The five-year tuition fee schedule (see Table A below) provides certainty for the short to medium term with respect to domestic tuition fee amounts. In each of the following four years, tuition will be increased by no more than 3 percent plus \$170. The 3 percent increase will be based on the provincial average tuition of the three other publicly funded universities in New Brunswick. Under this new schedule, our tuition for a Bachelor of Arts will be brought close to the provincial average over the five-year period.

Table A: Five-year domestic tuition fee schedule (BA programs) at St. Thomas University

2013-14	2014-15	2015-16	2016-17	2017-18
\$5,195	\$5,552	\$5,914	\$6,283	\$6,657

At \$5,552, St. Thomas University's domestic tuition for a Bachelor of Arts is the lowest in New Brunswick for 2014-15.

Undergraduate international students are not funded through government operating grants. Furthermore, the provincial government's tuition cap policy does not apply to international students. However, during the past three years, the tuition increase for international students has been based on the Province's domestic tuition cap (\$150 last year). Last year, a health plan fee for international students was introduced in the amount of \$284 for 2013-14. The intent was to increase the health plan fee over time (by maximum annual increments of \$284) in order to eventually fully recover the cost of the health plan (\$630). This approach is similar to that used by other Atlantic Universities. This is reflected in Table B, which provides information on the approved tuition fee and health plan fee for international students for 2014-15.

Table B: Tuition and health plan fees for international students at St. Thomas University

Fee type	2013-14 (current)	2014-15
Tuition	\$13,005	\$13,192*
Health plan	\$284	\$457

*\$187 increase is based on 3% increase in domestic tuition at other NB universities for 2014-15

2.3 Approved Operating Budget

The General Operating Budget is presented in Schedule 1. Highlights include:

- A balanced budget of \$28.3 million in revenues and expenses, which is virtually the same budget amount as last year.
- The provincial operating grant of \$12.2 million and the fiscal transfer to UNB of \$1.9 million for a total of \$14.1 million. This represents a 2.4% increase compared to last year's actuals.
- A projected enrolment of 1,988, which is 312 students less than budgeted last year (2,300).
- Tuition fee and compulsory revenues of \$12.7 million based on:
 - A \$357 increase that will bring tuition fee levels to
 - \$5,552 for Arts programs
 - \$8,082 for Education
 - \$8,282 for Social Work
 - A \$187 increase that will bring tuition fee levels to:
 - \$13,192 for international students (Arts programs)
 - Health plan fee of \$457 for international students.
 - Other compulsory fees remain at the following levels:
 - Technology fee \$50
 - Capital enhancement fee \$50
 - UNB Health Centre fee \$50
 - Journalism years 3 and 4 \$250
- External funding from provincial and federal governments totalling \$731,000. This includes Aboriginal Education initiatives (\$135,000), Learning for Success (\$160,000),

accessibility services (\$150,000 subject to approval of proposal by PETL), Miramichi College of Extension (\$128,500), and indirect costs related to research (\$157,500). The Learning for Success initiative was discontinued at the end of 2013-14. The remaining funding of \$160,000 (already received from the Province) will be used in 2014-15 for general operations.

- Academic expenses totalling \$16.7 million. This includes provision for career progress increments and salary scale adjustments.
- Administrative and General expenses totalling \$4.6 million. This includes provision for salary grid step changes and adjustments to salary scale. It also includes the addition of the position of Associate Vice President of Enrolment Management.
- Student Services expenses totalling \$2.1 million.
- The net budget of Athletics remains the same as last year (\$399,500). This includes \$100,000 in net revenue from advertising sales at the Grant-Harvey Centre.

3.0 Ancillary Operations (\$3.6 million budget)

The ancillary budget covers the operations of the residences and dining halls. A separate budget is required for these operations because they are funded from separate sources and because of generally accepted and long-standing policies that ancillary operations be self-supporting and not eligible for government operating assistance.

The 2014-2015 budget for ancillary operations is presented in Schedule II and incorporates the following:

- A break-even budget of approximately \$3.6 million in revenues and expenditures.
- Occupancy of 575 students – a decrease of 100 (in the “On campus” category) compared to the 2013-2014 budget.
- Residence room fees remaining the same as 2013-14:
 - On-campus double room rate: \$4,880
 - On-campus single room rate: \$6,780
 - Off-campus double room rate: \$5,230
 - Off-campus single room rate: \$7,130
 - Windsor Street: \$3,950

- An increase in the Declining Balance meal plan rates of \$400 compared to 2013-14, resulting in the following rates:
 - Meal plan 3: \$3,550
 - Meal plan 2: \$3,300
 - Meal plan 1: \$3,025
 - Meal plan (returning students): \$2,625

- The implementation of an “All You Care to Eat” (AYCTE) meal plan approach is delayed to 2015-16. The primary issue identified in the move from a Declining Balance meal plan to an All You Care to Eat (AYCTE) meal plan was the resulting changes to the George Martin Hall Dining Hall and the loss of communal/social space on our campus. An Advisory Group comprised of a broad representation of students, staff and faculty will be established to consider the ramifications of these changes on communal/social space, including what options are available for increasing such space.

- Mortgage and interest payments and the amortization of capital costs in the amount of \$313,500 are included and are related to developments at Forest Hill over the past ten years.

4.0 Endowment Funds (\$2.5 million budget)

The University’s endowed funds consist of 9 major endowment fund categories that have varying origins. The University’s investment policy sets an expenditure guideline of up to 5% of endowment fund values based on a rolling three-year average of market values (\$30.3 million at February 28, 2014).

The budget expenditure allocations from the University’s endowment funds are presented in Schedule III and incorporate the following highlights:

- Total endowment fund expenditures of \$2.5 million.

- Scholarship fund expenditures of \$1.2 million representing \$523,000 in excess of the investment policy expenditure guideline of 5%. Similar to last year, the total amount budgeted for scholarships and bursaries by the University is \$1.6 million, representing the total amount budgeted from the endowment and from the General Operating Fund.

- Aquinas Chair expenditures of \$734,000 representing \$490,000 in excess of 5%.

We expect the investment income for 2013-14 of the endowed funds to be approximately \$3.1 million which represents a 10% investment return – this is a higher than normal rate of return. This higher level of income in 2013-14 will help counter-balance the additional use of endowed funds (in excess of 5%) in 2014-15.

5.0 Capital Expenditures Budget (\$1.0 million budget)

Capital expenditure activity is generally funded from restricted provincial grants provided on an annual basis for equipment and renovations, capital grants approved by the federal or provincial governments and the University's fund-raising activities.

The 2014-2015 capital expenditures of \$1.0 million are detailed in Schedule IV.

Projects will be funded from the restricted grants provided by the provincial government, with the exception of the capital expenditures relating to the Grant-Harvey Center. Pepsi funds (internally restricted fund) will be utilized to fund the third year instalment payments to the City of Fredericton.

6.0 Risks and Uncertainties

As we move into the fiscal year, actual results will vary from budget. We will need to monitor results closely and make adjustments as needed. For example, the amount budgeted for tuition revenue is based on an estimated enrolment of 1,988 students. Ten (10) fewer undergraduate students (BA program) represent a revenue shortfall of \$55,520.

**Appendix I
New Brunswick Universities
Operating Grant Support
2014-2015**

	2014-15 Operating Grant	WFTE*	Total Grant/ WFTE	% of Average
Mount Allison University	20,334,159	5,374	3,784	94%
St. Thomas University	14,082,351	4,073	3,457	86%
Université de Moncton	64,344,883	14,240	4,519	112%
University of New Brunswick	110,064,308	28,231	3,899	97%
Provincial Total	208,825,701	51,918	4,022	100%

A Full-Time Equivalent (FTE) is a calculated total of full-time students on December 1, part-time students on December 1, students in the previous Intersession/Summer Session, and new part-time students in Semester 2, each category given a value between 0.1 and 1.0 FTE. The MPHEC calculates FTEs for full-time undergraduate students based on headcounts while FTEs for part-time students are based on course load.

*The weighted full-time equivalent (WFTE) is a calculated value intended to reflect the difference in the relative costs of various programmes of instruction. The WFTE value for each full-time student (as of December 1) is obtained by multiplying the student's Full-Time Equivalent value (FTE) by the specified weighting factor assigned to their programme. Psychology is assigned a weighting factor of 2.5; Journalism, Education, and Social Work are 2.0; and all other full-time or non-degree programmes are assigned 1.5. All part-time FTEs are assigned a weighting factor of 2.0.

The WFTE figures shown here are three-year averages in accordance with the provincial funding formula.

St. Thomas University
General Operating Revenue and Expenses
2014-2015 (with comparative information for 2013-2014)

Schedule I

	2014-2015 Budget	2013-2014 Budget	2013-2014 Forecast
Revenues			
MPHEC Operating Grant	12,180,200	11,617,100	11,842,100
MPHEC Fiscal Transfer to UNB	1,902,200	1,902,500	1,917,700
Tuition and Compulsory Fees	12,662,800	13,698,400	12,710,000
Miscellaneous student fees	446,000	405,000	405,000
Other Government Grants	731,000	706,600	761,600
Advancement Annual Fund	75,000	0	25,000
Miscellaneous revenues	270,000	201,000	376,000
Total Revenue	<u>28,267,200</u>	<u>28,530,600</u>	<u>28,037,400</u>
Expenses			
Academic			
Faculty salaries and benefits	15,457,500	15,480,300	15,478,800
Department Expenses	232,900	232,900	198,900
Travel Study and Research	557,500	558,500	508,500
Other Academic	427,900	420,900	410,900
	<u>16,675,800</u>	<u>16,692,600</u>	<u>16,597,100</u>
Computing Services			
Salaries and benefits	581,000	648,600	593,600
Systems Support	150,000	169,500	129,500
Other Computing	118,200	118,200	118,200
	<u>849,200</u>	<u>936,300</u>	<u>841,300</u>
Administration and General			
Salaries and benefits	2,916,200	2,683,300	2,683,300
Unit Expenses	624,700	674,700	649,700
Other Administrative	344,800	354,800	354,800
Advancement and Alumni	525,900	459,900	459,900
Professional Services and memberships	235,000	195,000	205,000
New England recruitment project	0	132,800	132,800
	<u>4,646,600</u>	<u>4,500,500</u>	<u>4,485,500</u>
Student Services			
Salary and Benefits	1,171,900	1,172,400	1,172,400
Scholarships	400,000	500,000	500,000
Accessibility Bursaries	0	156,200	0
Athletics	399,500	399,500	399,500
Other Student Services	142,300	191,500	172,800
	<u>2,113,700</u>	<u>2,419,600</u>	<u>2,244,700</u>
Physical Plant			
Utilities and Insurance	1,118,500	1,075,300	1,007,300
Cleaning	480,000	475,500	470,000
Maintenance and Repairs	477,900	523,200	473,200
	<u>2,076,400</u>	<u>2,074,000</u>	<u>1,950,500</u>
Fiscal Transfer to UNB	1,902,200	1,902,500	1,917,700
Total Expenditures	<u>28,263,900</u>	<u>28,525,500</u>	<u>28,036,800</u>
Excess of Revenue over Expenses	<u>3,300</u>	<u>5,100</u>	<u>600</u>

Schedule II

St. Thomas University
Revenue and Expenses - Ancillary Operations
2014-2015 (with comparative information for 2013-2014)

	<u>2014-2015</u>	<u>2013-2014</u>	<u>2013-2014</u>
	<u>Budget</u>	<u>Budget</u>	<u>Forecast</u>
Revenues			
Residence Fees and Dining Hall**	3,180,100	3,815,600	3,184,500
ELP Room and Board**	156,300	490,000	485,500
Cafeteria**	0	70,000	80,000
Conferences and rentals	145,000	215,000	100,000
Catering**	0	160,000	158,000
Miscellaneous	172,100	68,100	84,400
Total Revenue	<u>3,653,500</u>	<u>4,818,700</u>	<u>4,092,400</u>
Expenditures			
Food Service**	155,000	700,000	563,800
Administration Salaries and Benefits	440,100	471,800	446,000
Utilities	946,500	998,800	909,700
Property Management	897,500	944,500	870,700
Maintenance and Repairs	725,000	745,300	660,000
Debt repayments and interest	313,500	671,500	514,000
Insurance	55,500	56,500	54,400
Residence Bursaries	60,000	75,000	45,000
Equipment Purchases	20,000	10,000	6,300
Miscellaneous	40,000	41,000	22,500
Total Expenses	<u>3,653,099</u>	<u>4,714,400</u>	<u>4,092,400</u>
Excess of Revenue over Expenses	<u>400</u>	<u>104,300</u>	<u>0</u>

**Food services contract was renewed August 15, 2013. The new contract changed to a profit and loss model. As a result, all revenues associated with food services as of August 15, 2013 was the food service providers; however the University no longer had any expenditures related to the cafeteria. The value of meal plans are transferred directly to the service provider. Budgeted revenue for ELP refers to room revenue only for 2014-15. Food service costs for 2014-15 represent the estimated subsidy to Armark due to reduced occupancy below 700 students. Miscellaneous revenues includes \$94,000 in internally restricted funds (pepsi) to partially offset this expenditure.

Schedule III

St. Thomas University
Endowment Fund Expenditures
2014-2015 (with comparative information for 2013-2014)

	Budget 2014-2015	Forecast 2013-2014	Budget 2013-2014	Average Fund Balance 2012-2014	Available (5%)
Scholarships	1,200,000	1,164,000	1,100,000	13,549,900	677,000
Endowed Chairs					
Aquinas Chair in Interdisciplinary Studies	734,000 *	228,000	238,000	4,871,000	244,000
Canadian Citizenship & Human Rights	96,000	86,100	88,000	1,928,400	96,000
Catholic Theology	102,000	66,500	90,000	2,034,300	102,000
Criminology and Social Justice	58,000	34,200	51,000	1,152,000	58,000
Camp Endowment in Journalism	48,000	38,900	42,000	951,600	48,000
Gerontology	159,000	119,500	141,000	3,172,200	159,000
Irving Chair in Journalism	49,000	48,200	44,000	982,400	49,000
Native Studies	83,000	77,300	99,300	1,659,000	83,000
	<u>2,529,000</u>	<u>1,862,700</u>	<u>1,893,300</u>	<u>30,300,800</u>	<u>1,516,000</u>

* Represents an additional transfer of \$490,000 from operations for academic salaries bringing annual draw to 15%.

Schedule IV

St. Thomas University
Capital Expenditures
2014-2015

Restricted Government Assistance

Non-space	Equipment and furnishings	340,000
Alteration and Renovation	Academic building and grounds improvements	323,000
University Deferred Maintenance Program (UDMP)	Projects to be determined subject PETL approval	133,000

Internally Restricted Funds

Grant-Harvey Centre 2014-15 installment		<u>254,000</u>
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Total capital projects

1,050,000