

College Task Force Community Update #8:

Long term sustainability

September 28, 2015

Preamble:

The College Task Force started its work in December 2014. Our formation followed reports from the Board of Governors Task Force and an ad hoc Faculty Working Group, each of which examined options for the university to deal with a projected \$1.1 million dollar operating shortfall for 2015-16, as well as the College's ongoing structural deficit. The ad hoc Faculty Working Group recommended the formation of the College Task Force with a mandate to work in a collaborative and collegial manner, in a pragmatic, problem-solving mode to ensure that our annual budgets are balanced and the institution is financially sustainable on an ongoing basis. This recommendation received support from staff, students, alumni and the Board. On November 17, 2014 the Board of Governors empowered the Board Chair to populate a College Task Force. The task of this advisory group was two-fold: **to produce recommendations that addressed the \$1.1 million budget shortfall for the 2015-16 year, and to propose options to overcome our structural deficit and achieve long-term financial sustainability.** The Board of Governors at its April meeting accepted the College Task Force's recommendations to deal with the 2015-16 cash flow shortfall through a one-year wage freeze, further cuts, and other short-term measures. We then turned our attention to the gargantuan task for long-term sustainability in an era of shrinking resources and revenues.

The CTF recognizes that King's cannot cut its way to prosperity, and that our recommendations for 2015-16 did not solve the university's structural financial problem. Our projected revenues continue to fall short of our expenses, and already for 2015-16 we are looking at a \$345,000 cash shortfall due to a higher than budgeted drop in undergraduate enrolment in FYP and upper years of journalism and our combined honours programmes. This speaks to our structural deficit that is forecast to increase in the years forward if we take no action.

Now that a new academic year is upon us and the CTF is working on Phase II (long-term sustainability recommendations), we would like to update the King's community to remind you who we are, why we are doing what we do, how we operate, what we are doing and why we need your support as we consider long-term sustainability for King's.

The members of the College Task Force are:

Board Chair: Dale Godsoe

President: George Cooper

Task Force Chair: Kim Kierans

Four faculty representatives: *Phase I:* Stephen Kimber, Gordon McOuat, Neil Robertson and Shirley Tillotson; *Phase II:* Susan Dodd, Chris Elson, Simon Kow and Tim Currie

Two staff representatives: Kelly Porter and Jennifer Barnhill

Two student representatives: *Phase I:* Michaela Sam and Emily Rendell-Watson *Phase II:* Alex Bryant and Zoe Brimacombe

The Chair of the Board Task Force, alumnus: Tom Eisenhauer

Board member, alumnus: Colin MacLean

Advisors to the CTF include: Bursar Jim Fitzpatrick, Director of Finance, Bonnie Sands and Registrar, Julie Green

Why is the work of the CTF important?

What is at stake is the integrity of collegial life and future of our academic programs. We need to be clear about what is special and distinctive and that should not be compromised.

We have operated under the assumption that King's will remain an independent university capable as a community of determining its own destiny that includes a close relationship with Dalhousie.

How do we do our work?

As you see above the College Task Force represents various groups – students, faculty, staff, alumni, administration and Board but foremost we are all members of the University of King's College and without King's none would be at this table. Therefore each member of the CTF aligns her/his particular interests with what is in the best interest of King's College.

The members of the College Task Force conduct their work in a **Collaborative, Consultative and Consensual** manner.

(i) Members work together **collaboratively**. Each constituency matters, but staff, students, faculty, alumni, administration etc. only have their meaning in relation to King's and our shared life here. In working collaboratively, this Task Force seeks to respect each constituency, and its contribution, within King's.

(ii) Members are **consultative in** reaching out to one another as well as our groups. Members agree that each must be transparent within the Task Force and among our communities.

(iii) We have found that by respecting the first two principles, the CTF was able to produce our first report and recommendations through **consensual** understanding. This is not to say all members agreed all the time. We work hard to listen to and understand one another's position, because underlying our differences is a common interest of all the members of this College Task Force – **to ensure the success of our academic mission and our shared collegial life in that mission.**

The College Task Force is working together as a community to:

- (i) understand our financial condition and possibilities;
- (ii) understand that there are ways, and not just one way, in which we can overcome the challenges of that condition;
- (iii) identify the priorities and central goals of the college as expressed through our various strategic plans;
- (iv) understand what our choices are, and the implications of those choices; and
- (v) choose and recommend a path to a sustainable future at King's.

What we have done since May 2015:

- We have taken our Strategic Plan (2013) identified designated priorities, assigned responsibility and timelines.
- We have gathered feedback from the community about new initiatives that have potential revenue streams.
- We have received three-year plans from the academic programs.
- We have received financial updates from the Bursar's Office and gone through the assumptions, which we will share below.
- We have received advice and updates from the Registrar, Julie Green as we look at various enrolment, recruitment and retention issues.

- We are looking at various recommendations and their implications for the College's priorities and central goals as expressed in our various strategic plans.
- We are considering various paths to a sustainable future.

Our current task

Tempus fugit (Virgil). When this task force was formed 10 months ago, it was assumed that we would have completed our work by the spring of 2015. Quickly we realized that the process of educating ourselves in order to make informed recommendations was painstaking and time consuming. There was no quick fix and that is still the case. However, we are racing toward the next budget year and must produce a final report with recommendations for long-term sustainability for the December meeting of the Board of Governors. In anticipation of this, we have much work to do including sharing our financial education with you, presenting potential options and hearing what you have to say.

Financial projections

The Bursar uses inputs and assumptions to create models for the College's financial projections. The inputs are usually current operating revenues and expenditures. The assumptions are the key factors that affect future revenues and expenditures. These result in what is called an output or possible outcomes for the operating surplus or deficit. As with any economic forecasting, the inputs and assumptions have a narrow or wide probability of happening. For example, the assumption for growth in the provincial operating grant noted below has a narrow probability distribution; in other words, don't count on any increase. But when one considers enrolment, this has a wider distribution of likely outcomes, either up or down. Discrepancies between assumptions and actual outcomes can result in significant differences between the projections and actual surpluses or deficits, as we have discovered in the 2015-16 budget.

2015-16 budget

The current forecast is a deficit of \$345,000 caused by a shortfall in enrolment. As of September 14th we have a total enrolment of 1019 (1135 in 2014-15), with 971 undergraduate (1085) and 48 graduate (50). The key undergraduate numbers are FYP 232 (250), BJI 26 (43), BJH 90 (97) and BA 522 (591). There is a small increase in BSc to 85 (83).

The 2015-16 budget called for a headcount enrolment of 1053. The shortfall at this point of 34 is largely due to the smaller than budgeted enrolments in BJI and the upper year BA of 17 and 30 respectively. FYP is close to the budget of 235 at 232.

The budget converts headcount into FTE (Full Time Equivalent) to account for an average course load per student less than 5.0 full credits. The table below shows forecast vs. budget comparison in FTE. The effect on tuition and other student fee revenue is \$338,000. Offsetting this is other student fee revenue for the course in Florence this summer which was under-budgeted by \$74,000. The net shortfall is \$264,000.

| | | A | B | A - B | |
|--------------------------|-----------|-----------------|---------------|-----------------|----------|
| Enrolment (FTE's) | | Forecast | Budget | Variance | % |
| Fall | Undergrad | 926 | 967 | (41) | -4.2% |
| | Grad | 47.5 | 49 | (2) | -3.1% |
| Total | | 973.5 | 1,016 | (43) | -4.2% |
| Winter | Undergrad | 882 | 922 | (40) | -4.3% |
| | Grad | 45.5 | 46 | (1) | -1.1% |
| Total | | 927.5 | 968 | (41) | -4.2% |
| Average | Undergrad | 904 | 945 | (41) | -4.3% |
| | Grad | 46.5 | 48 | (1) | -2.1% |
| | | 950.5 | 992 | (42) | -4.2% |
| FYP included above: | | | | | |
| Fall | | 232 | 235 | (3) | -1.3% |
| Winter | | 222 | 224 | (2) | -0.9% |

The residence budget for 2015-16 included 20 vacant beds at the start of term, all in North Pole Bay. The forecast includes 29 vacant beds at the beginning of term. The effect is a shortfall in revenue of \$81,000.

What are the assumptions going forward?

The Bursar used the following assumptions to prepare the financial projections for the College for a five-year period starting in 2016-17. See Scenario one chart, p.7 below.

- Annual operating grant from the government of 1%, though there are no guarantees.
- Regulated N.S. undergraduate tuition and residence fee increases capped at 3%. Unregulated undergraduate (non-NS) and graduate fees increase of 3%. No additional market adjustment for student tuition is assumed. See scenario chart #2 below, page 8 with 3% tuition and residence fee increase eliminated.
- 3% increase in other fees.
- Technology fee reintroduced in 2017-18.
- Enrolment is the most important assumption. The FYP class size, FYP retention, upper year retention, arts/science split, domestic/international split, full- time/part-time split all affect the projected student fee revenue. The college's enrolment management committee has begun discussions about enrolment targets, but for this projection the Bursar has made the following assumptions based on the headcounts:
2016-17 assumption -5% undergraduate, enrolment of 925 (971, 2015-16) and graduate 50 (48).
2017-18 assumes a further drop of 3% in undergraduate to 900.
Both these assumptions reflect the effect of the last two years of lower FYP enrolment. The enrolment target assumptions after that are obviously critical. A 3.5% increase in each of the next three years is assumed which will bring undergraduate enrolment back to 1000 by 2020-21. The Bursar has projected graduate headcount steady at 50 and the other factors such as international/domestic are also held steady through the five years.
- Elimination of the .75% extended endowment draw. This extension was a short term strategy and should not be continued. The market value of the endowment is assumed to be stable over the five years.
- The income earned on the unrestricted funds of \$2.228 million will be eliminated as the funds are strategically used for projects that will generate revenue and profit.

- Continued increase in non-credit net income (i.e. conference services) and other income such as donations. Average 5% growth each year. About \$15,000/year.
- Continuance of the combined \$800,000 ATB cut implemented over the past two years, but no further ATB cuts.
- Status quo on staffing levels. The current faculty and staff complement is assumed but not necessarily guaranteed.
- Benefits including pension remain unchanged.
- Increases in most non-salary costs to inflation- 2%. Instructional services (Dalhousie Allotment) at Dalhousie at 2.5%. The calculation of the Dalhousie Allotment is assumed to be the current one in effect.
- Energy retrofit savings neutral as they are balanced with financing costs through the five years.

The cash flow and structural deficit predictions

As a result of the above assumptions our expenses continue to grow faster than our revenue.

Surplus / (deficit): (Note: these numbers do not include a wage freeze for 2016-17, but do include 3% tuition and fee increase)

| | | |
|---------|---------------|--|
| 2015-16 | (\$345,000) | cumulative cash deficit of (\$345,000) |
| 2016-17 | (\$1,586,000) | cumulative cash deficit of (\$1,931,000) |
| 2017-18 | (\$2,076,000) | cumulative cash deficit of (\$4,007,000) |
| 2018-19 | (\$1,861,000) | cumulative cash deficit of (\$5,868,000) |
| 2019-20 | (\$1,761,000) | cumulative cash deficit of (\$7,629,000) |
| 2020-21 | (\$1,581,000) | cumulative cash deficit of (\$9,210,000) |

What can we do?

It is the mandate of the College Task Force to make recommendations to help achieve long-term financial sustainability. As a community, we need to attack this with both short-term and long-term plans.

Possible recommendations include the following:

1. Transfer the King's Pension Plan to the provincial government plan as did Acadia University on July 1.
2. Initiate discussion concerning a possible additional year of the wage freeze.
3. Faculty and staff retirements.
4. Make fundraising bursaries and scholarships and residence renewal the focus of our Capital Campaign. If we could have a larger endowment especially for bursaries and scholarships, it would go a long way to easing the pressure on our operating budget by 2020-2021.

5. All administrative and academic units examine what they do with an eye to ensure that all activities are in line with the academic mission as set out in the Strategic Plan.
6. New for-credit programs such as The East-West Institute (Kow/Glowacka), Medical Humanities (Frappier/Edwards) and minors in Art History (Vusich) and Jewish Studies (Brandes) and travel-abroad courses such as Politics of Memory in Berlin (Clift).
7. Not-for credit programs such as HYP, Humanities for Young People (Penny/Clift), Summer Foundation Week (Dodd), and FYP for Life-long learners (or FYP for Fogies).

As always we welcome your comments and suggestions. You may contact the Task Force through our gmail account: collegetaskforce@gmail.com or speak to any member.

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