



UNIVERSITY OF
KING'S
COLLEGE • HALIFAX

2013-2014 OPERATING BUDGET

- Prepared May 2013 -

- Approved June 2013 -

Introduction

This document describes the University of King's College 2013-14 operating budget.

The preparation of the operating budget is the responsibility of the Bursar with the advice of the Budget Advisory Committee (BAC) and support of the Director of Finance. The committee has met eighteen times since November 2012. Discussions with faculty and staff, students and Board committees have been held since late February. The Budget Advisory Committee's (BAC) role is to advise the president on budgetary matters.

The university has a policy of balanced budgets but this has been inconsistently applied. In 2012-13 a balanced consolidated operations was combined with financing and investing activities to produce a consolidated cash flow deficit. However in 2009-10, 2010-11 and 2011-12 a surplus for consolidated operations was combined with financing and investing activities to produce a balanced consolidated cash flow. See appendix I for details.

There is also a difficulty with using consolidated operations or consolidated cash flow as a measure for budgetary control. Consolidated operations is the total of revenues and expenditures from all funds including restricted (capital, research and other) as well as operating which includes unrestricted and internally restricted activities. This means that activities over which there is little or no operational control are mixed with core operating activities. There are many ways in which the activities in the restricted funds affect the operations budget. Examples include building additions and renovations that may increase or decrease facilities expense and the indirect cost of supporting research activities. Without a clear operations budget the focus on academic and administrative planning and resourcing is blurred. The 2013-14 budget will focus on the academic, administrative and ancillary activities of the university in the operating fund. This means that revenues, expenditures and other cash flow items associated with the restricted funds are not part of the operating budget.

As well, the budget focus will be on balancing the cash flow in the operating fund; that is, at least a positive cash flow. Cash flow from operations (the excess of revenues over expenditures) has to fund certain financing and investing activities. An example of a financing activity is long term debt repayment. Examples of investing activities include the purchase of furniture and equipment needed to maintain operations and library acquisitions. This approach is common amongst universities.

Fiscal Context

Fiscal 2013-14 is the third year that the university's operating grant will be reduced by the province; a three-year grant reduction of 10% or \$630,000.

Enrolment is the primary driver of operating revenue generating 91% of total university non-grant revenues. Against demographic headwinds universities in Nova Scotia are facing difficulty maintaining and increasing enrolment. Recruitment and retention join demography as critical factors affecting King's enrolment. A recent study ranked Nova Scotia eighth worst in Canada on a funding (operating grant + tuition) per student basis.

The cost of goods and services, including salaries, continues to rise between 3% and 5% per year.

Schedules

There are four schedules detailing the 2013-14 budget:

Schedule 1 compares the 2013-14 budget for operating fund revenue, expenditures and other cash related items with the 2012-13 operating fund budget. Note: unless noted discussions of revenue and expenditure below are using this schedule.

Schedule 2 includes 2013-14 projections in the externally restricted funds to aid in the comparison with the 2012-13 approved consolidated budget.

Schedule 3 details the approved 2012-13 budget by operating and restricted funds.

Schedule 4 compares the 2013-14 operating budget with 2012-13 actual

Operating budget summary:

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Revenue	19,455,000	18,736,000	19,783,000
Expenses	18,871,000	19,155,000	19,304,000
Excess (deficit) of revenue over expenses	584,000	(419,000)	479,000
Non-cash working capital changes + other		344,000	
Debt repayment	(2,072,000)	(4,264,000)	(194,000)
New long-term debt	2,500,000	5,300,000	0
Capital expenditures	(1,928,000)	(1,544,000)	(285,000)
Cash deficit from financing & investing	(1,500,000)	(164,000)	(479,000)
Net cash excess (deficit)	(916,000)	(583,000)	0

The 2012-13 budget is detailed on schedule 3 by fund.

Capital Expenditures:

The capital budget includes any major repairs that qualify as capital additions to the buildings, as well as the purchase of other fixed assets such as books, computers, equipment and furniture. The following major projects are included in the 2013/2014 budget:

- Journalism equipment 70,000
- Library books 65,000
- IT Wireless project (\$120,000 to be covered by technology fee) 150,000

A summary of all budgeted capital expenditures for the coming year is presented below:

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Library books	75,000	64,000	65,000
Residence & classroom furniture	25,000	0	0
Audiovisual & security system	30,000	78,000	0
Kitchen & housekeeping equipment	10,000	0	0
Journalism equipment *	75,000	68,000	70,000
Fire deficiency expenditures, fire alarm system	200,000	330,000	0
Library HVAC system	0	151,000	0
Wireless	0	0	150,000
Other capital expenditures	0	15,000	0
Capital expenditures	415,000	706,000	285,000
Facilities capital projects	2,193,000	882,000	0
Capital expenditures & facilities capital projects	2,608,000	1,588,000	285,000

*\$24,000 capitalized

Facilities capital projects such as completion of renovations to the lodge, pit and wardroom will proceed when funding, such as donations, becomes available.

Long-Term Debt:

A new loan facility was arranged last year to replace all of the existing debt. The facility is a 3.09% interest rate swap with a 20 year maturity. As well the university's line of credit was increased from \$600,000 to \$1,000,000. There is no further borrowing in the 2013-14 budget.

A summary of the long-term debt position follows:

	2010/11	2011/12	2012/13	2013/14
Loans outstanding - opening balance	3,450,881	3,489,262	4,231,889	5,268,000
Principal payments made during year	(1,461,619)	(257,373)	(4,263,889)	(194,000)
Additional funds borrowed during year	1,500,000	1,000,000	5,300,000	0
Loans outstanding - closing balance	3,489,262	4,231,889	5,268,000	5,074,000
Current portion of long-term debt	224,436	1,991,322	194,000	201,000

Major Assumptions:

- Government grants will decrease by 3.2% (over prior year budget)
- Tuition fees will increase by 3%
- Residence and meal plan fees will increase by 3.4%
- Total student enrolment aside from the new MFA program is down slightly (1%) relative to the 2012-13 budgeted enrolment

- policy of 4% draw from the endowment will continue
- Athletic & other student fee rates will increase by 3% except for an increase in the facility renewal fee from \$175 to \$280 per student and the implementation of a new technology fee of \$120 per student
- Faculty and staff salaries will increase by 1.75% plus CDI ("step increases")

REVENUE

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Government grant	5,885,000	5,847,000	5,698,000
Tuition fees	8,183,000	7,787,000	8,531,000
Residence fees	2,566,000	2,473,000	2,654,000
Endowment income	1,290,000	1,218,000	1,290,000
Other student fees	854,000	826,000	1,092,000
Facility rental, expense recoveries	336,000	286,000	271,000
Gifts	341,000	299,000	247,000
Total Revenue	19,455,000	18,736,000	19,783,000

Tuition Fees:

Tuition - increase of \$348,000 over 2012-13 budget due to 3% tuition increase for all programs of \$245,000. The new MFA program enrolment of 15 contributes a further \$150,000 to the increase. Aside from the MFA program the 2013-14 budget assumes a 1% reduction in enrolment from the 2012-13 budget.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Arts & science	6,444,000	6,109,000	6,609,000
Journalism	1,382,000	1,363,000	1,554,000
International fees	357,000	315,000	368,000
Total Tuition	8,183,000	7,787,000	8,531,000

Residence Fees:

Budgeted residence fees assume full occupancy with a 3% increase in rates and new student approved meal option selections.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Total residence fees	2,566,000	2,473,000	2,654,000

Investment Income:

The endowment draw each year is calculated at 4% of the average market value of the past three years and the projected revenue assumes annual fund earnings going forward of 5.5%.

Other Revenue Assumptions:

Government grant has been decreased 3.2%.

Other student fees includes \$305,000 for facility renewal, an increase of \$125,000 over last year. The proposed fee is \$280/student, up from \$175 last year. This fee supports campus maintenance and upgrades. The internally restricted revenue of \$120,000 is the new proposed technology fee which in 2013-14 is internally restricted for the wireless upgrade project.

Facility rental, expense recoveries - decrease of \$70,000. The largest reason for the drop is a \$50,000 group health plan premium holiday which was included in the 2012-13 budget. There is no expected premium holiday in 2013-14.

Donations (annual fund, scholarships and other) includes \$247,000 for support of operating activities including \$77,000 for scholarships. Note that these are unrestricted donations only and do not include donations that are restricted including endowment, capital and other. The 2012-13 budget included \$103,000 of donations that should have been classified as capital.

EXPENSES

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Academic	6,266,000	6,450,000	6,633,000
Allotment to Dalhousie	3,855,000	3,528,000	3,815,000
Facilities operations	1,816,000	1,593,000	1,770,000
Residence & other student services	1,351,000	1,310,000	1,350,000
Scholarships, awards and bursaries	804,000	760,000	860,000
Other student support	229,000	167,000	170,000
Utilities, taxes & insurance	573,000	630,000	598,000
Advancement	415,000	445,000	423,000
Athletics	491,000	538,000	527,000
Bursar's office	359,000	419,000	490,000
General college administration	201,000	266,000	288,000
Library	570,000	508,000	503,000
President's office	558,000	688,000	495,000
Registrar's office & recruitment	549,000	619,000	673,000
Divinity, chapel & music	191,000	318,000	248,000
Professional fees	251,000	460,000	100,000
Investment management fees	164,000	147,000	166,000
Interest & service charges	228,000	309,000	195,000
Total Expenses	18,871,000	19,155,000	19,304,000

Salaries and benefits:

Salaries and benefits are the largest component of University expenses. Total budgeted operating salaries and benefits is \$8.6 million.

The changes to faculty pay on July 1, 2013 as a result of the Dalhousie agreement are summarized in the following table:

	2012-13	2013-14
Income Maintenance Change (IMC)	1.25%	1.75%
Career Development Increment (CDI) or "Step" increase	2.50%	7.50%
Comparability adjustment	\$0	\$750/Assoc. and \$1000/Full

Note: A 7.5% increase in the CDI does not imply that faculty will receive a 7.5% increase in salary. This is a 7.5% increase in the amount between "steps" on the faculty scales - from \$2,292 to \$2,464. The effect of the DFA contract on salaries for July 1, 2013 is:

an assistant professor earning \$85,000 will have a salary increase of 4.65%
 an associate professor earning \$100,000 will have a salary increase of 4.96%
 a full professor earning \$125,000 will have a salary increase of 4.52%

In addition some faculty will receive a scale adjustment from .2% to 2.5% under the DFA contract. Therefore the average increase for faculty is 5.3%.

Benefit costs other than pension are stable. The university's defined pension contribution rate was reduced from 17.29% to 13.92% in December 2012. This has a positive effect on the 2013-14 budget of \$180,000.

Academic:

Journalism programme costs have increased because of the new MFA program.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Academic Programme Salaries	4,737,636	4,639,587	5,038,999
Academic Programme Benefits Other Than Pension	326,546	260,280	276,300
Academic Programme Pension	649,572	673,033	558,900
Academic Programme Pension Year-End Adjustment	0	249,246	0
	<u>5,713,754</u>	<u>5,822,146</u>	<u>5,874,199</u>
Programme Costs:			
Journalism	323,850	355,071	475,850
Foundation Year Programme	86,427	52,009	73,600
Upper Year Programmes	161,316	168,721	148,600
	<u>571,593</u>	<u>575,801</u>	<u>698,050</u>
Other	<u>(19,040)</u>	<u>51,674</u>	<u>61,000</u>
Total Academic	<u>6,266,307</u>	<u>6,449,621</u>	<u>6,633,249</u>

Allotment to Dalhousie:

The billing from Dalhousie is always one year in arrears which makes it difficult to prepare estimates for the budget. The budget has been set at 8% above the 2012-13 actual to account for increases in the cost per student and enrolment.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Allotment to Dalhousie	3,855,369	3,528,366	3,815,000

Facilities operations:

The annual budget is projected based on current full time staffing levels. The budget provides for regular ongoing property maintenance at established service levels. However the operations of the department have been reviewed to eliminate administrative costs, reduce casual staff levels and assess contracted services cost effectiveness. Savings have been used to increase alterations and renovations (A&R) and maintenance and repairs (M&R) budgets.

Salaries and benefits include salaries for all full time staff, overtime for "call ins" after hours, contracted electrical and carpentry staff brought in during the year to help with electrical and maintenance projects and the student summer staff.

Contracted services include contracts and charges for elevators, waste removal, alarms, heating and ventilation equipment maintenance, snow removal and landscaping.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	874,647	685,485	811,000
Housekeeping	401,660	408,219	417,000
Other	539,693	499,158	541,700
Total Facilities Operations	1,816,000	1,592,862	1,769,700

Residence & Other Student Services:

Food costs have been increased by in line with the changes in meal plan options. The margin on meal plans is 3.6%.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Food services	915,687	881,264	911,700
Administrative and operational	280,743	271,377	282,000
Student patrol	124,020	127,067	126,100
Student societies	30,370	30,152	30,400
Total Residence & Other Student Services:	1,350,820	1,309,860	1,350,200

Scholarships, Awards & Bursaries:

Scholarship and bursary spending has been increased 7% to support recruitment and retention strategies. Other student support has been reduced to reflect current demand and endowment support.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Scholarships	557,590	523,613	595,000
Bursaries	178,000	172,335	200,000
Flow through scholarships	68,500	64,000	65,000
Total Scholarships, Awards & Bursaries	804,090	759,948	860,000

Other Student Support:

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
US awards	78,800	58,500	75,000
Divinity scholarships & bursaries	19,960	20,202	20,000
Visitor's fund expenses	59,820	38,088	40,000
Tuition waiver	55,420	36,265	35,000
US exchange and other	15,440	13,612	0
Total Other Student Support	229,440	166,667	170,000

Utilities, Taxes & Insurance:

The heat increase is due to higher natural gas prices. A campus energy survey will be completed this summer. The survey will recommend where and how utility cost savings can be found.

Electricity	222,210	237,013	235,000
Heat	213,710	256,553	220,600
Water	62,020	66,306	70,000
Insurance	58,850	54,762	58,000
Taxes	16,120	15,822	14,000
Total Utilities, Taxes & Insurance	572,910	630,456	597,600

Advancement:

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	253,406	290,976	269,590
Alumni & development	105,530	78,069	97,500
Tidings and website	45,570	56,840	56,000
Annual fund	10,780	19,375	0
Total Advancement	415,286	445,260	423,090

Athletics:

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	153,940	161,089	174,300
Athletics teams and general	201,400	245,411	213,100
Dalhousie fee	135,200	131,053	139,000
Total Athletics	490,540	537,553	526,400

Bursar's Office:

In the 2012-13 budget one-half of the Bursar's salary and benefits were allocated to the facilities department. This year all of these costs remain in the Bursar's Office as well those of the new Director of Finance position.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	339,711	408,937	472,600
General expenses	10,000	6,586	11,000
Memberships and training	2,000	1,561	2,500
Travel	2,000	893	1,000
Computer support	6,000	1,231	3,000
Total Bursar's Office	359,711	419,208	490,100

General College Administration:

The central IT budget is new in 2013-14 to fund university-wide software changes required in 2013-14. The university has been managing its IT budget ineffectively and in 2013-14 we will be putting in place an IT policy.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	43,094	46,974	46,300
Contract & consulting fees	11,100	0	0
Copyright	0	49,898	50,000
Membership/conference fees	37,100	43,962	46,000
Central information technology	0	0	35,000
Postage & courier	51,140	51,967	52,000
Office & general expense	58,600	73,256	58,300
Total General College Administrative	201,034	266,057	287,600

Library:

The 2012-13 budget included a retirement allowance of \$93,000.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	444,793	391,341	355,400
Student - part-time employment	44,300	46,534	45,200
Books & periodicals	18,510	16,448	19,000
Miscellaneous	62,050	53,679	83,700
Total Library	569,653	508,002	503,300

President's Office:

The 2012/13 actual salaries and benefits balance includes nine months salary continuance for the former president.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	453,624	602,319	420,800
President's research and other	12,420	17,652	7,160
Entertainment	11,870	10,545	9,900
Board of Governors / committees	7,720	8,136	7,515
Board of Governors travel & other	5,960	10,161	6,750
Encaenia & matriculation	27,920	27,807	27,000
Travel	14,910	7,671	15,975
Presidential search	24,000	3,797	0
Total President's Office	558,424	688,088	495,100

Registrar's Office & Recruitment:

The increase reflects an increase in staffing (\$56,000) and marketing initiatives such as print and on-line advertising, upgraded open houses and branding implementation.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Salaries & benefits	326,431	349,246	382,700
Publicity, books & brochures	153,000	150,230	197,500
Part-time help	46,700	97,997	45,000
Miscellaneous	23,300	21,448	47,300
Total Registrar's Office & Recruitment	549,431	618,921	672,500

Divinity, music and chapel:

Chapel expenses is largely funded through donations and a draw from endowment funds designated for Chapel purposes. The music program as well is largely self funding. Easter falls outside of the 2013-14 year so a large Easter concert is not budgeted which accounts for the reduced music budget.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Chapel	31,750	90,564	75,900
Chapel music and music events	158,980	227,080	171,835
Total Divinity, Music and Chapel	190,730	317,644	247,735

Professional fees:

The 2011-12 approved budget anticipated that the university would require professional advice in a year in which many administrative challenges were expected. The actual figure includes a further \$96,000 for personnel issues. The 2013-14 budget assumes further but reduced professional services as the university completes many of the initiatives started last year.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Professional fees	251,000	460,382	100,000

Interest and service charges:

Interest and service charges are down \$33,000 reflecting a lower weighted average interest rate on long term debt which more than compensates for the increase in debt.

	Approved Budget 2012/2013	Actual 2012/2013	Budget 2013/2014
Bank charges	33,010	35,151	30,000
Long-term loan interest	195,000	185,967	165,000
Long-term debt break cost	0	88,196	0
Total Interest and Service Charges	228,010	309,314	195,000

Appendix I - Budgets for 2009-10 - 2012-13 in thousands

	2009-10	2010-11	2011-12	2012-13
Consolidated operations	\$14	\$200	\$690	\$4
non-cash revenue and expense:				
amortization of capital contributions	(235)	(260)	(260)	(285)
amortization of fixed assets	<u>650</u>	<u>725</u>	<u>750</u>	<u>865</u>
	429	665	1180	584
financing and investing activities:				
debt repayment	(200)	(200)	(275)	(2072)
additions to debt	0	0	1500	2500
capital funding(various)	168	469	0	680
capital expenditures	<u>(397)</u>	<u>(934)</u>	<u>(2405)</u>	<u>(2608)</u>
Consolidated cash flow	\$0	\$0	\$0	(\$916)

Source: Board approved budgets. The consolidated cash flow deficit in 2012-13 reflected the approved capital budget of \$2.6 million. The approved budget anticipated that should further funding from an increase in debt be required the request would come to the Board at a later date.