

BUDGET ADVISORY COMMITTEE

REPORT LX Update: Final Operating Budget Recommendations for 2020-21



October 26, 2020

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The BAC members do not serve as representatives of particular interests but are chosen for their knowledge and individual expertise. The Committee employs an open and consultative approach to budget discussions at the University. To date the BAC has issued fifty-nine reports related to the University's operating budget.

The current membership of the Committee includes:

Frank Harvey (Chair), Provost and Vice-President, Academic (Acting)
Susan Robertson, Vice-President, Finance & Administration (Acting)
Chris Moore, Dean of Science
Christopher Hartt, Associate Professor, Faculty of Agriculture
Michael Fournier, Associate Dean, Faculty of Arts and Social Sciences
Graham Gagnon, Associate Vice-President, Research
Nicole Arsenault, Student Member
Shamar Burrows, Student Member

The Committee's resource persons are: Mary-Ann Rowston, Assistant Vice-President, Financial Services (Acting) – Susan Spence, Vice-Provost, Planning & Analytics - Claudia Rangel Jimenez, Chief Analyst & Director, Dalhousie Analytics – Yuliya Pischanker, Manager, Budgets and Financial Analysis, Financial Services, Jennifer Murray, Chief of Staff and Executive Director, Provost Office.

Background

Each year, as part of the budget process, the Budget Advisory Committee (BAC) makes recommendations on the budget for the coming year. This year, the BAC released a draft report, Report LX - Draft Operating Budget Plan for 2020-21, in late February. Campus sessions were held to gather feedback on the draft recommendations as usual, but in mid-March, due to the pandemic, the budget process was put on hold.

Subsequently, potential enrolment scenarios for fall were considered and a Fiscal Update was developed by the University based on the scenarios. In June, the board approved interim spending authority for 2020-21 based on the Fiscal Update, with the requirement that a final budget would be presented once enrolments for fall were known. Both the BAC [Report LX - Draft Operating Budget Plan for 2020-21](#) (February) and the [2020-21 Fiscal Update](#) (June) can be found on the website for those wanting additional background.

Now that fall enrolments are known and tuition revenues are expected to be significantly better than estimated in the June Fiscal Update; the BAC has met and reviewed the assumptions and recommendations contained in the February Draft Operating Budget Plan in this new context. In completing this review, the BAC has considered the goals and principles initially identified in the earlier budget report (see page 1 of February report) and the following points specific to the current situation:

- Reconsider the relevance of BAC February recommendations and feedback received (Attachment A is a summary of the feedback received on the draft report).
- Balance initial recommendations with the need to address revenue losses.
- Consider emerging needs and requirements.
- Maintain caution for continuing unknowns and the longer term.

This report contains a summary of the significant changes in the estimates and assumptions, and updated recommendations from those contained in the draft Operating Budget Plan (February) and the Fiscal Update (June). A revised budget model reflecting these changes is included as Attachment B.

The updated recommendations will be incorporated into the 2020-21 Operating Budget that will be presented for approval to the Board FAIR committee and the Board of Governors in November.

A. Update on significant estimates and assumptions in the Draft Operating Budget Plan (February):

a) Operating Budget Revenues:

The draft operating budget plan (February) anticipated revenues to support the operating budget of \$469.9M. The new revised model includes estimates totalling \$471.0M.

i. Enrolment Impact on Tuition Revenue: (+\$3.2 M)

The Draft Operating Budget Plan (February) assumed a 1.5% increase in enrolment. This consisted of significant growth in international students (who pay higher tuition fees than domestic students). Preliminary fall enrolment now shows a 4.8% increase in enrolment; however, international enrolment is flat with significant growth in domestic student numbers.

Enrolment also reflects a decrease of 4.5% in the number of new from high school students, combined with a higher-than-anticipated increase in returning students. This lower entering class will have implications for future years. Some of the increase in the number of returning students relates to students who are unable to complete co-ops or exchange programs and are therefore engaged in regular course work and paying standard tuition. The summer term tuition revenue was also very strong. Each of these factors will also have an impact on tuition revenues in future terms as students ultimately complete their co-ops and exchange programs.

There are still several unknowns about our winter term enrolments that justify a more cautious approach to estimating retention, attrition, and new enrolments through the winter term. Overall, the 2020-21 budget plan estimates \$3.2M in additional fee revenue above the estimates in the BAC February plan.

In large measure, the hard work of faculty and staff is responsible for the success in exceeding the enrolment scenarios outlined in the June Fiscal Update. The BAC notes the recent announcement by the Federal government regarding International Student travel is also encouraging.

ii. Other Revenue Adjustments (- \$2.1M)

There has been a decline in other revenue lines that support operating budget allocations. The main area of reduced revenue relates to \$1.5M less investment income tied to lower interest rates compared to the February plan. Other areas of reduced revenue include the Federal Research Support fund grant which has now been confirmed (-\$225,000), freezing of student fees for Facilities renewal to recognize the financial pressure on students (-\$108,000), and reduced endowment income resulting from lower investment management fees (-\$300,000).

- b) Compensation: The allocation for compensation and benefit adjustments in the February plan has been reduced by one-time premium savings on several benefit plans. As per the recent messages from the President, the June Fiscal Update included a 5.0% reduction in compensation that is no longer a consideration given the positive enrolment numbers.
- c) Energy, Water, Taxes, and Insurance: Natural gas pricing has improved since the February plan was developed and, with far fewer people on campus, there is lower electricity and water consumption. As a result, there is an estimated \$2.5M reduction in this budget line.
- d) Other Faculty and Unit Lost Revenue Streams (net cost savings): In addition to operating budget allocations, Faculties and Units also receive direct revenues that support their operating costs. In some cases, these revenues are significantly reduced because of the pandemic.

The most significant losses are in ancillary areas. There is a reduction in residence revenues from lower occupancy, and lower student interest combined with public health requirements will continue to prevent us from operating at full capacity. Food Services is similarly impacted.

A total of \$6.4M in fees that support athletics programming and fitness centre fees have been waived for students, as access to programming is limited as many students complete their courses remotely. The fitness centre has since opened but Public Health requirements have severely limited access for students and community members.

Several other revenue streams have been negatively impacted, including parking revenue, revenue from continuing education some premium fee cohorts and programs, Bookstore, and Dental Clinics, etc.

The current estimate for these combined revenue losses (net of cost reductions) is approximately \$19M. The revenue losses have been reduced by any possible cost savings (note in some instances there are additional costs incurred to meet enhanced Health & Safety protocols). This is a more significant loss than anticipated in the Fiscal Update prepared in June (\$12.1M) as we now know that ancillary revenue losses will extend into the winter term.

B. Review of BAC recommendations from the Draft Operating Budget Plan (February):

a) Faculty and Unit budget reduction:

- **A 1.5 % reduction is recommended to Faculty and Units budgets for 2020-21** (February Draft Operating Budget Plan recommendation 0.5%, June Fiscal Update recommendation 2.0%)
- In recent years BAC has focused on prioritizing lower budget reductions for Faculties and Units after annual cuts of between 3.5% and 2.4% between 2012 through 2017.
- This approach balances the prioritization of lower budget reductions and our need to address overall budget shortfalls outlined above.

b) Non-Salary Adjustments:

- **No inflationary adjustment is recommended in non-salary budgets for 2020-21.** (February Draft Operating Budget Plan recommendation 2%, February Fiscal Update recommendation 0%)
- Faculties and units will have savings in travel, meeting expenses, and other areas to address any additional costs.
- **The BAC recommends maintaining its original recommendation of a 2% increase on library acquisitions** (This was eliminated in the June Fiscal Update). There are significant cost pressures in this area that have increased during the pandemic, so the 2% increase will be reinstated on this budget line.

c) Equipment and Furniture Allowance:

- **The BAC recommends that the Equipment and Furniture Allocation be restored.** (This budget line was reduced by 50% in the June Fiscal Update).
- Equipment requirements are particularly pressing now to support on-line instruction and for faculty and staff working from home.

d) Student Assistance:

- **Dalhousie is providing significant financial support for students in 2020-21 – 50% more than the revenue generated by tuition fee increases.** This includes special one-time assistance for students due to the pandemic as well as the recommendations in the February Operating Budget Plan:
 - In June, the University identified the importance of providing additional support for students in financial need at this time. The budget allocation for centrally managed student bursaries supported by the operating budget was doubled from \$3M to \$6M to increase both the number and size of bursaries to students.
 - As noted above, a decision was also made to waive Athletics and Fitness Centre fees (\$6.4M in revenue) which will reduce costs for all students for the 2020-21 year.
 - **The BAC renews its February recommendation for a \$455,000 increase to student assistance programs for international students and students in designated groups.**
- As outlined in the February Draft Operating Budget Plan spending allocations from endowments for student assistance will also increase by \$456,000.
- Both the additional bursary allocation (\$3M) and waived Athletics and Fitness Centre fees (\$6.4M) will need to be revisited in 2021-22. Once operations return to a normal state, the University will need to reinstate fees it is currently waiving.

e) Facilities Renewal / IT infrastructure:

- Facilities Renewal and IT Infrastructure/classroom technology were key areas where the BAC recommended important budget increases (\$4M increase and \$1.2M respectively). (see pages 4 to 6 of the February report for background).
- As a result of the significant losses contemplated in the June Fiscal Update, plans for spending in these areas were scaled back in the June Fiscal Update.
- As these areas continue to be important priorities, **the BAC renews its recommendations for an increased allocation of \$4M for Facilities Renewal and \$1.2M for IT Infrastructure/Classroom technology.**
- As planning for projects begins well in advance of the fiscal year, many of these projects can be scaled up. However, it is unlikely we will be able to fully allocate these funds in the current year. **To the extent these funds are not allocated in the current year, they may be re-allocated on a one-time basis to address the overall budget shortfall, or for additional projects in the next year.**

f) Strategic Initiatives

- The Fiscal Update scaled back the BAC recommendation for funding for Strategic Initiatives from \$9.0M to \$6.0M.
- **The BAC recommends the budget remain at \$6.0M for the current year.**
- Prioritization of funds to date:
 - An immediate allocation of \$2.0M to address high impact needs and initiatives related to the current pandemic, including additional supports to address mounting workload pressures in the transition to online delivery - e.g. additional TA, RA, and other teaching supports for Faculty; additional supports to ATS and CLT to facilitate online learning (software, virtual labs, extending essential online facilitator

contracts); and projects such as Together@Dal to support students in an online environment.

- Specific initiatives previously approved for Enrolment/Recruitment; Equity, Diversity, and Inclusion; to address legislative requirements; and process improvement.
- A comprehensive digital strategy led by the Provost is now a significant institutional priority and investments will be required.

g) ERBA

- The draft operating plan included estimated ERBA distributions to Faculties of \$1.8M. Dal Analytics' final calculations resulted in a distribution of \$2.14M.
- One measure to mitigate the revenue shortfall in the Fiscal Update was to phase in larger ERBA adjustments over future years. As a result of the improved situation, **the BAC recommends the full ERBA allocation be restored (\$2.14M).**

h) Surplus/Deficit and Use of Reserve Funds

- The above adjustments to the assumptions and recommendations included in the draft Operating Budget Plan (February) result in a shortfall between revenues and expenditures of \$9.8M.
- This is a significant improvement on the deficit of \$30.5M in the June Fiscal Update reflecting:
 - Improved forecasts of tuition fee revenues based on preliminary fall and projected winter enrolments.
 - Growth in the estimates of other revenue losses since the Fiscal Update was prepared, generally relating to the continuation of remote activity beyond the fall term.
 - The improved revenue picture allowed a return to some of the recommendations in the draft Operating Budget Plan for 2020-21 (February).
- Tuition revenues and other revenue losses continue to include estimates. These estimates will be resolved as we work through the winter term to the end of the University's budget year.
- To the extent that the shortfall cannot be mitigated before year-end, it will be addressed with reserve funds from prior years surpluses.
- **The pandemic has highlighted the need to maintain a significantly larger reserve fund than Dalhousie has had historically. The BAC recommends a policy be developed in this regard.**

Attachment B reflects a revised budget model for 2020-21 based on these changed assumptions and recommendations discussed above.

Next Steps: 2020-21 Budget and 2021-22 and future budget plans

The 2020-21 budget will be developed based on the revised BAC recommendations and will be presented for approval to the Board FAIR committee and the Board of Governors in November.

As we consider budget planning for the upcoming year and future years, many unknowns could impact plans which include:

- Potential changes to government funding, both federal and provincial.
- Status of travel restrictions/study permits/health concerns will mean:
 - Enrolment planning and tuition forecasting will continue to be challenging.
 - Ancillary revenue losses will continue until students can return in full capacity in residences and athletic facilities.

Feedback on this report can be sent to BAC@dal.ca.

Summary of Feedback on BAC Draft Operating Budget Plan for 2020-21

BAC Session - March 4th – open session

Provost, VP Academic presented the 2020-21 draft budget plan.

Attendance:

- Members of the BAC committee and support staff
- Attendance: 4 in person/14 livestream

Feedback and Questions:

There were no questions or comments at this session.

BAC Session - March 4th – session for students at DSU

Provost, VP academic presented the 2020-21 draft budget plan.

Attendance:

- Members of the BAC committee and support staff
- Attendance: 6 students

Feedback and Questions:

- Lobby the government for funding
- International student - issues with the tuition calculator on the website.
- Getting information to international students - they do not see it in the news
- Board should reverse decision on international fee increase
- How does bursary and scholarship funding get used
- Use investments to reduce tuition
- Concerns about housing crisis
- Part of the dining hall in Howe Hall was closed off - will it be reopened and support?
- Focus on accessibility - classrooms an issue

BAC Session and written feedback- Senate

March 6th: Members of the BAC met with the SPGC Senate Committee to review the draft BAC Report.

March 9th: Provost presented the draft BAC report to Senate and Senate coordinated a small group format to assess priorities.

Written feedback from Senate (March 26th) summarized as follows:

1. Of the list of priorities listed on page 2 of the BAC report the following deserve **more** attention and would also **support academic plans and priorities**:

- a) Provide appropriate financial assistance to attract and retain students and assist students with financial need.

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- b) Appropriate supports specific to faculty research including start-up funds, attract top-quality graduate students, research assistance and support CORE facilities and research centers.
 - c) Faculties offer relevant quality programming that meets student needs and is attractive to new students.
 - d) Experiential learning co-ops, research experiences, employment, community projects, exchanges, volunteer opportunities, certificate programs, etc.

2. Of the BAC recommendations to support academic plans and priorities the following would contribute:

- a) the most:
 - a. The allocation to support classroom technology.
 - b. The increase in student bursary support.
 - c. The increase in Strategic Investments and Initiatives funding.
- b) the least:
 - a. The tuition fee increases.
 - b. Budget reductions.

3. When asked about priorities Senators' generally supported existing priorities rather than identifying additional ones.

4. When asked about other opportunities for revenue generation (beyond province, enrolment growth and tuition) suggestions included:

- a) Enrolment growth (online instruction (with appropriate supports), pursue population that is not "direct from High school" through more evening and weekend offerings and consider alternative markets.)
- b) Pursue social enterprise funding (Trudeau government) and the provincial government.
- c) Larger endowments and fundraising (revenue not increased expenditure)

It was noted that the suggestions are consistent with the Board AdHoc Financial Planning Committee recommendations.

Emails received at BAC@dal.ca

There were 4 emails received at BAC@dal.ca included perspectives and comments in relation to budget as follows: International students less price sensitive than domestic, support for IT infrastructure and students in need, budget model to stimulate interfaculty collaboration.

Dalhousie University
2020-21 Operating Budget Revenue and Expenditure Model

	BAC Plan February 2020		2020-21 Fiscal Update		BAC Plan October 2020		
	2019-20 Final Budget	Change from 2019-20 Final Budget	2020-21 BAC Recommended	Change from 2019-20 Final Budget	2020-21 Fiscal Update	Change from 2019-20 Final Budget	2020-21 BAC Recommended Final
REVENUES - INCREASE (DECREASE)							
1. Government Funding							
a) Operating Grant	195,665	1,957	197,622	1,957	197,622	1,957	197,622
b) Scholarship and Bursary Program Grants	11,190	-	11,190	-	11,190	-	11,190
c) Other Government Grants	12,298		12,298		12,298		12,298
2. Tuition revenues	184,230	18,800	203,030	(37,800)	146,430	22,000	206,230
3. Operating Interest Income	3,750	700	4,450	(1,000)	2,750	(750)	3,000
4. Endowment Income	29,533	1,134	30,667	834	30,367	834	30,367
5. Facilities Renewal Fee	3,596	108	3,704	(946)	2,650	-	3,596
6. Federal Research Support Fund Grant	6,958	-	6,958	(225)	6,733	(225)	6,733
TOTAL REVENUES - INCREASE (DECREASE)	447,220	22,699	469,919	(37,180)	410,040	23,816	471,036
EXPENDITURES - INCREASE (DECREASE)							
7. Allocations to Faculty and Units:							
a) Compensation ⁽¹⁾	322,316	9,410	331,726	(5,890)	316,426	8,470	330,786
b) Non-Salary: General ⁽¹⁾	49,512	1,777	51,289	252	49,764	252	46,264
c) Faculty/Unit Revenue	(35,874)		(35,874)	250	(35,624)	250	(35,624)
d) Budget Unit Adjustments	-						
i) ERBA adjustment	-	1,800	1,800	737	737	2,140	2,140
ii) Budget Reduction	-	(1,500)	(1,500)	(6,076)	(6,076)	(4,557)	(1,057)
Total Allocations to Faculty and Units:	335,954	11,487	347,441	(10,727)	325,227	6,555	342,509
8. Student Assistance							
a) Student Assistance	12,125	455	12,580	3,060	15,185	3,460	15,585
b) Supported by Endowment	12,599	456	13,055	456	13,055	456	13,055
c) Province of NS Programs	11,190	-	11,190	-	11,190	-	11,190
9. Campus Renewal- Annual	23,963	4,000	27,963	(10,000)	13,963	4,000	27,963
10. Campus Renewal - Long term	6,795	136	6,931	(300)	6,495	(300)	6,495
11. Energy, Water, Taxes and Insurance	23,840		23,840	(2,500)	21,340	(2,500)	21,340
12. Library Acquisitions	8,860	274	9,134	16	8,876	188	9,048
13. IT - Infrastructure/Classroom Tech	3,088	1,162	4,250	850	3,938	1,162	4,250
14. Strategic Allocations	4,440	4,680	9,120	1,560	6,000	1,560	6,000
15. Equipment and Furniture Allocation	2,466	49	2,515	(1,200)	1,266	-	2,466
16. Contingency	1,900	-	1,900	-	1,900	-	1,900
17. Revenue losses due to COVID	-	-	-	12,100	12,100	19,000	19,000
TOTAL EXPENDITURES - INCREASE (DECREASE)	447,220	22,699	469,919	(6,685)	440,535	33,581	480,801
BUDGET SHORTFALL	-	-	-	(30,495)	(30,495)	(9,765)	(9,765)
Use of 19-20 and Prior Years Reserves	-	-	-	12,207	12,207	9,765	9,765
BUDGET SURPLUS (SHORTFALL) after Use of Reserves	-	-	-	(18,288)	(18,288)	-	-

⁽¹⁾ net of recoveries