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Financial Advisory Committee Comments on University Finances

Collective Agreement

Facts

Academic Freedom is the right to examine, pursue, develop, transmit knowledge and ideas through research, teaching, study, discussion, documentation, productions, creation or writing. Academic Freedom specifically provides protection of:

- a) the pursuit of research, creative and scholarly activities, and publishing or making public the results thereof;
- b) the ability to teach and discuss;
- c) the creation or performance of works of art
- d) freedom in service to the University, discipline, or community through the application of professional or academic skills; and, freedom from institutional censorship; all without deference to prescribed doctrine.

Article 7.3

The Administration's September 12 news release announcing the Program Prioritization Process (PPP) states that "the PPP is intended to help the University address a projected funding gap of \$32 million over the next four years." Since that release, the projected budget deficit has been discussed at Rumour Mills and the PPP Town Hall.

In this communication, in light of the framing of the PPP as the needed response to a budget deficit, we draw your attention to information from the Semester Financial Report of August 31, 2012, to the Board of Governors.

Keep in mind that budgets differ from audited financial statements/reports in many ways, including those captured in this table:

	Audited Financial Statement	Budget
Third-party (auditor) oversight?	Yes	No
Origin of assumptions and definitions?	Accounting standards	The Administration
Detail?	Limited	Substantial

Taking into account these distinctions, we believe that it is important to consider the University's *financial statements*, not its budget, when considering the Administration's framing of the PPP.

<i>an audited financial statement provides an accurate report of the financial situation of the University</i>
<i>a budget provides insight into the goals and priorities of the Administration</i>

Accounting measurements at Universities are made by collecting financial activity into separate areas of responsibility called "funds." Each fund tracks the assets, liabilities, revenues, and expenses in a particular area, and separate budgets are prepared for each fund. The University of Guelph currently reports on five different funds: Operating, Ancillary Enterprises, Capital, Research, and Trust and Endowment. Focusing on the first two,

- The Operating Fund (or the *Unrestricted Fund*) is used to account for the main activities of the University, and the majority of the revenues and expenses of the University flow through this fund.
- The Ancillary Fund (or the *Internally Restricted Fund*) is used to account for activities that support the main activities of the University. Nice examples are the book store, residence, and parking. The name should not fool you: there is *no restriction of any kind* in the use of the money in the internally restricted fund. Money transferred into this fund can be used in any way the Administration desires or they can just store or set aside cash here.

The Semester Financial Report from August 31, 2012, two weeks prior to the formal announcement of the PPP, reports

Description from Financial Report	Amount	Some Footnote Text
University Contingency - General	\$ 11,950,000	"normal to maintain contingency funds to fund usual exigencies/opportunities"
Unallocated Multi-year Plan Target (MYP1)	\$ (3,641,000)	"two units with remaining targets will be required to find these funds from further base reductions."
Budget for Contingency (MYP)	\$ 46,030,000	"required for restructuring costs such as resignations and early retirement payments for faculty and staff whose positions may be eliminated. In addition, the highest priority for any unspent funds included not only providing for Pension contributions but also [for restructuring]"
Budget Carry Forward for Dept. Operations	\$ 52,524,000	"A total of \$95.4 million (compared to \$88.7 million last year) was carried forward [...] \$42.9 million [went to] Multi Year Plan and General Contingency."
Total Set Aside Funds	\$ 106,863,000	

On December 11, UGFA Executive met with the Provost and Vice-President Maureen Mancuso, Assistant Vice-President (Finance and Services) John Miles, and Assistant Vice-President (Faculty and Academic Staff Relations) Tracey Jandrisits to ask questions about the PPP. We were told that the general contingency fund of \$12M is unallocated.

Summarizing, (i) the Administration has acknowledged that there is \$12M of unallocated money set aside as a “general contingency” and (ii) the recent financial statement shows significant additional money set aside with unclear allocation and unclear prospect of being spent immediately. These observations combined with the flexibility of budget priorities and goals raise questions about the \$32M structural budget deficit with which the Administration has framed the PPP discussion. The UGFA will continue to advocate for additional information and disclosure about the budget and financial status of the University.

Members who have opinions or information to share regarding the PPP are invited to contact:

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