

# 2015-16 BUDGET ANALYSIS

## MAY 2015

**Presentation to Senate, May 12, 2015**

*Modified to include explanatory notes (May 20, 2015)*

# NOTES



- **This presentation has been annotated with information that was presented verbally at the May 12 Senate presentation.**
- **The information has also been shared with numerous university groups, including students' unions, the university pensions committee, pensioners' association, deans and directors, and the Board of Regents.**
- **Data shown for other universities' tuition and residence fee rates are for 2014; many institutions have announced fee increases for 2015 and 2016.**
- **Memorial's tuition and residence fees will remain unchanged for the academic year beginning September 2015.**
- **The university's budget proposal to Regents at their July meeting will be developed by the Vice-Presidents Council in consultation with the Senate's Budget and Planning Committee.**

	<u>2015-16 ESTIMATES</u>	<u>2014-15 BUDGET</u>
	\$	\$
<b>CURRENT</b>		
OPERATIONS		
Grants and Subsidies	<b>319,254,700</b>	339,819,000
Revenue – Federal	<b>(1,000,000)</b>	(1,000,000)
<hr/>		
<b>Total: Operations</b>	<b>318,254,700</b>	338,819,000
<b>CAPITAL</b> <sup>1</sup>		
PHYSICAL PLANT AND EQUIPMENT		
Grants and Subsidies	<b>6,599,500</b>	19,389,800
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<b>Total: Physical Plant and Equipment</b>	<b>6,599,500</b>	19,389,800
<b>TOTAL: MEMORIAL UNIVERSITY</b>	<b>324,854,200</b>	358,208,800 <sup>2</sup>

- Notes:
1. Decrease reflects projects completed in 2014-15
  2. Excludes Faculty of Medicine

# Memorial Finances -- Snapshot

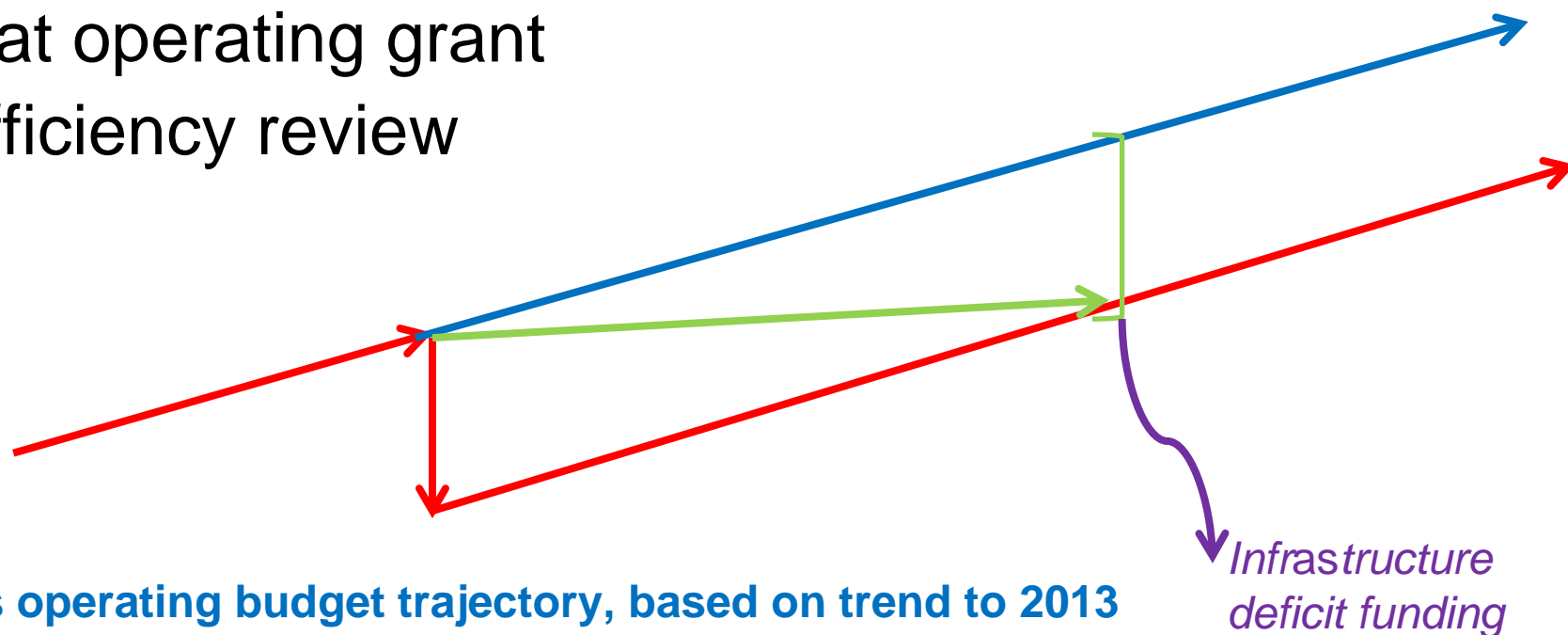


- Pension Fund – 92% funded. Opportunity exists to defer 2015-16 special payment.
- Operating Fund – Significant efficiency measures in progress.
- Infrastructure – Significant deferred maintenance deficit (\$320 million) and outdated facilities impacting service delivery. Health and safety risks.

# Fiscal Understanding with the Province (before 2015 budget)



- Flat operating grant
- Efficiency review



**MUN's operating budget trajectory, based on trend to 2013**

**Government's proposed operating grant adjustment in 2014**

**University's proposal: hold operating grant flat going forward and MUN to cover off shortfall through efficiency review savings**

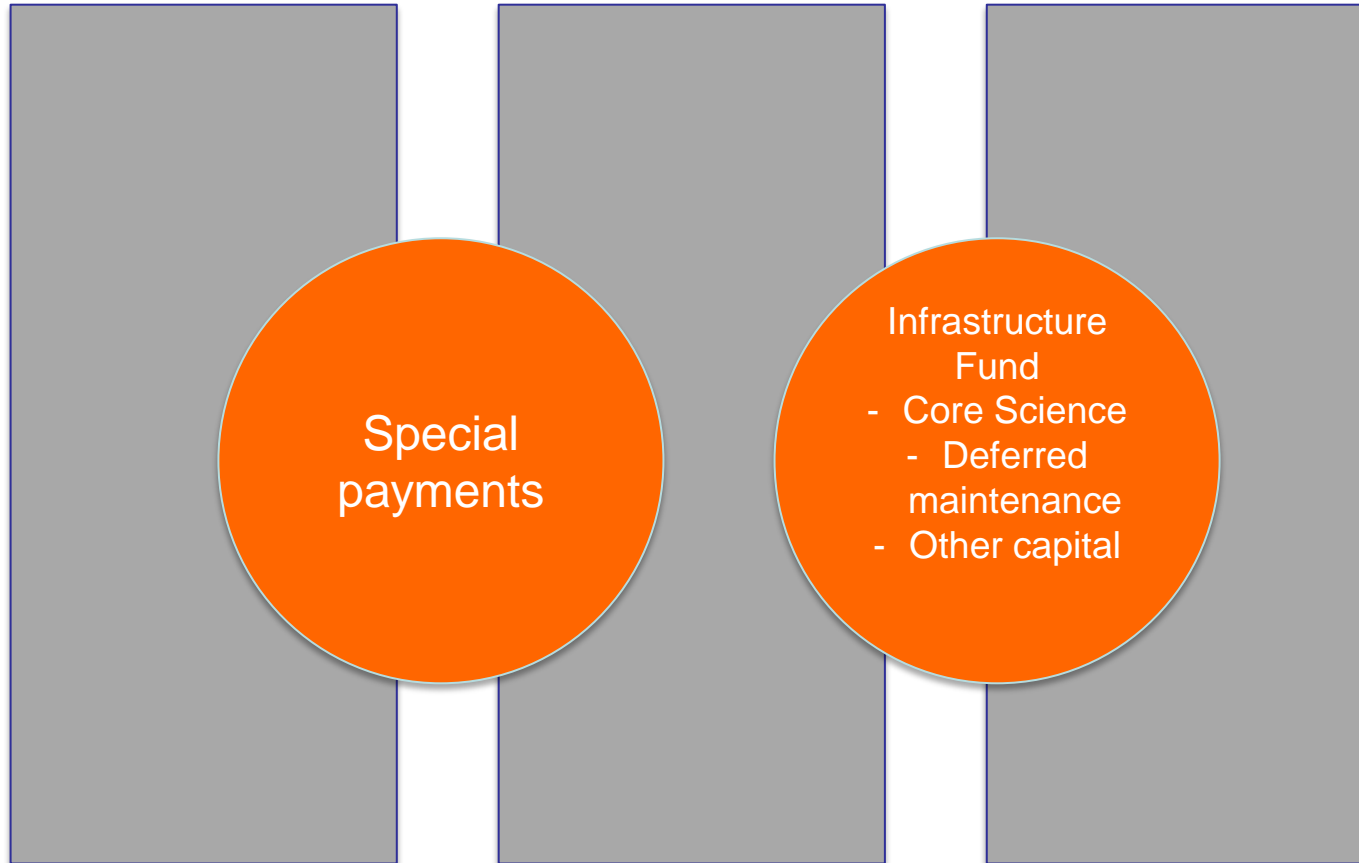
**MUN to direct savings to infrastructure needs**

# MUN Budget Structure

Pension

Operating

Capital/  
Infrastructure



# Original MUN Budget Proposal to Government

## PROPOSED OPERATING BUDGET

1. Template salary and benefits

\$9.1 M

2. Grant in lieu of tuition increase

\$4.0 M

3. Non-salary operating

Flat (\$0.0 M)

4. Pension special payment

Same as previous year

## PROPOSED CAPITAL / INFRASTRUCTURE BUDGET

1. Deferred Maintenance/Classroom

Flat (i.e. equal to last year \$9.4 M)

2. Infrastructure Fund

\$4.0 M (2014/15)

\$4.0 M (2015/16)

\$8.0 M per year

## PENSION FUND PROPOSAL

Annual special payment

# CORE SCIENCE FUNDING (\$200M)



<b>Memorial - \$25 M White Paper plus \$175 M Mortgage</b>	
<b>Mortgage payments on \$175 M</b>	<b>\$ 10.3 M yr.*</b>
<b>* Payments don't start until 2020; interim use of funds for other infrastructure projects</b>	
Grant in lieu of tuition increase (2014/15)	\$ 4.0 M yr.
Grant in lieu of tuition increase (2015/16)	\$ 4.0 M yr.
White Paper Matching Fund contributions (2019/20)	<u>\$ 2.4 M yr.</u>
	<u><b>\$ 10.4 M yr.</b></u>



# INFRASTRUCTURE PROJECTS



	Value	University	Other
Core Science Facility	\$ 325	\$ 200	\$ 125*
Animal Care / Pharmacy	\$ 25	\$ 25	
Faculty of Engineering	\$ 45	\$ 18	\$ 27
Archive Facility and Storage	\$ 12	\$ 10	\$ 2
Holyrood Marine Base	\$ 31.5		\$ 31.5
Reid Theatre	\$ 12	\$ 5	\$ 7
Aboriginal Centre	\$ 4		\$ 4
Medicine Redevelopment	\$ 5		\$ 5
Pedways – East and West	\$ 3		\$ 3
Health Science Center Boiler	\$ <u>3</u>	\$ <u>1.4</u>	\$ <u>1.6</u>
Total	\$ <u>465.5</u>	\$ <u>259.4</u>	\$ <u>206.1</u>
* Government Funding			

# Actual Government Allocation to MUN

## OPERATING BUDGET

### 1. Template salary and benefits

**\$9.1 M**

**Yes**

### 2. Grant in lieu of tuition

**\$4.0 M**

**Yes, but**

**for Canadian UG students**

### 3. Non-salary operating

**Flat (\$0.0M)**

**NO, less \$6.7 M -- modelled on potential fee increases:**

- \$4.8 M (grad/international)
- \$1.9 M (residence fees)

### 4. Pension special payment

**Same as previous**

**NO special payment,  
Less \$20.9 M**

## CAPITAL/INFRASTRUCTURE BUDGET

### 1. Deferred Maintenance/Classroom

**Flat (i.e. equal to last year \$9.4 M)**

**NO, less \$9.4M  
(i.e. reduced to \$0)**

### 2. Infrastructure Fund

**\$4.0 M (2014/15)**

**\$4.0 M (2015/16)**

**\$8.0 M per year**

**Yes, but less one-time \$4 M**

## PENSION FUND

**Annual special payment**

**NO special payment**

# SUMMARY



**Approximately \$40 M real shortfall, including:**

- 1. \$6.7 M per year budget (non-salary) cut, but understanding that MUN can increase tuition (graduate/international) and residence fees should it decide to do so.**
- 2. \$9.5 M per year budget cut (i.e. budget = \$0 M) for deferred maintenance/classroom renovations, plus \$4 M one-time cut in infrastructure fund.**
- 3. \$20.9 M per year budget cut (pension special payment), but understanding that MUN can request a one-year pause in payment pending pension negotiations (similar to other public sector pensions).**

# CANADIAN RESIDENCE FEES – Two Semesters



Province	Room Only			
	\$ Average		% of Total Average	
	Lower	Upper	Lower	Upper
PEI	\$4,597	\$6,553	97.6%	101.5%
NS	\$4,659	\$6,483	98.9%	100.5%
NB	\$4,119	\$6,675	87.4%	103.4%
QC	\$3,557	\$5,717	75.5%	88.6%
ON	\$5,828	\$6,980	123.7%	108.2%
MB	\$3,639	\$4,748	77.2%	73.6%
SK	\$3,749	\$6,120	79.6%	94.8%
AB	\$3,927	\$6,590	83.4%	102.1%
BC	\$4,752	\$6,578	100.9%	101.9%
<b>Total</b>	<b>\$4,711</b>	<b>\$6,453</b>		

Source: Stats Canada, Living Accommodation Costs at Residences, 2014-15

# RESIDENCE FEES (Room only, two semesters)

## Memorial versus Canadian Average

<b><u>Memorial Residence</u></b>	<b><u>Room type</u></b>		<b><u>Current 2014/15</u></b>	<b><u>Potential 30% Increase</u></b>	<b><u>%NL of Cdn Avg. after potential 30% increase *</u></b>
Paton College	Double	\$1,387 x 2	\$ 2,774	\$ 3,606	77%
Paton College	Single	\$1,628 x 2	\$ 3,256	\$ 4,233	66%
Macpherson	Single	\$1,995 x 2	\$ 3,990	\$ 5,187	80%
Burton's Pond	Single	\$1,882 x 2	\$ 3,644	\$ 4,737	73%
<b>*Canadian Average (2014/15)</b>		<b>\$ 4,711 to</b>	<b>\$ 6,453</b>		
		<b>(Double)</b>	<b>(Single)</b>		<b>Memorial after potential 30% increase</b>
<b>Dalhousie</b>	Single	<b>\$ 7,020 to</b>	<b>\$ 7,700</b>		<b>55% to 74%</b>
	Double	<b>\$ 6,180 to</b>	<b>\$ 6,860</b>		<b>53% to 58%</b>
<b>UNB</b>	Single	<b>\$ 6,700 to</b>	<b>\$ 7,800</b>		<b>54% to 77%</b>
	Double	<b>\$ 5,400 to</b>	<b>\$ 6,800</b>		<b>53% to 67%</b>
<b>PEI</b>	Single	<b>\$ 6,200</b>			<b>68% to 84%</b>
	Double	<b>\$ 6,000</b>			<b>60%</b>

# Current Tuition Fees (2014/15)

Jurisdiction	Avg. International Undergraduate Tuition (\$)	Avg. International Grad Tuition (\$)	Avg. Domestic Grad Tuition (\$)
<b>Canadian Average</b>	<b>20,447</b>	<b>13,934</b>	<b>6,210</b>
<b>NL</b>	<b>9,008</b>	<b>2,848</b>	<b>2,506</b>
PEI	21,650	10,968	4,820
NS	14,259	16,387	8,222
NB	13,306	10,291	5,765
QC	18,256	14,109	2,821
ON	25,324	18,677	8,738
MB	12,946	8,882	4,464
SK	17,331	5,186	3,796
AB	19,637	9,664	4,997
BC	18,486	12,631	7,706
<b>NL as % of Canada</b>	<b>44.1% lowest</b>	<b>20.4% lowest</b>	<b>40.4% lowest</b>

# Impact of Potential 30% (\$4.8M) Tuition Fee Increase at Memorial (grad/international)

<b>Jurisdiction</b>	<b>Avg. International Undergraduate Tuition (\$)</b>	<b>Avg. International Graduate Tuition (\$)</b>	<b>Avg. Domestic Graduate Tuition (\$)</b>
<b>Canadian Average 2014</b>	<b>20,447</b>	<b>13,934</b>	<b>6,210</b>
<b>NL 2016 after potential 30% increase</b>	<b>11,710</b>	<b>3,702</b>	<b>3,258</b>
<b>NL as % of Canada in 2014 (after potential 30% increase)</b>	<b>57.3% lowest</b>	<b>26.6% lowest</b>	<b>52.5% lowest except for Quebec (resident)</b>

# PENSION FUND – Long Term Strategy



- Memorial has had employee/employer contribution rates higher than in Government's pension plan for many years.
- Province has been making special payments to Memorial's plan which is guaranteed by government.
- Special payments on a going-concern basis are a legislated requirement when a plan is not fully funded. This funding basis assumes that the plan will continue to operate indefinitely and will be able to meet its pension promises.
- The financial position of Memorial's pension plan has improved significantly in recent years with a funded ratio that approximates 92%.



# PENSION FUND – Special payments

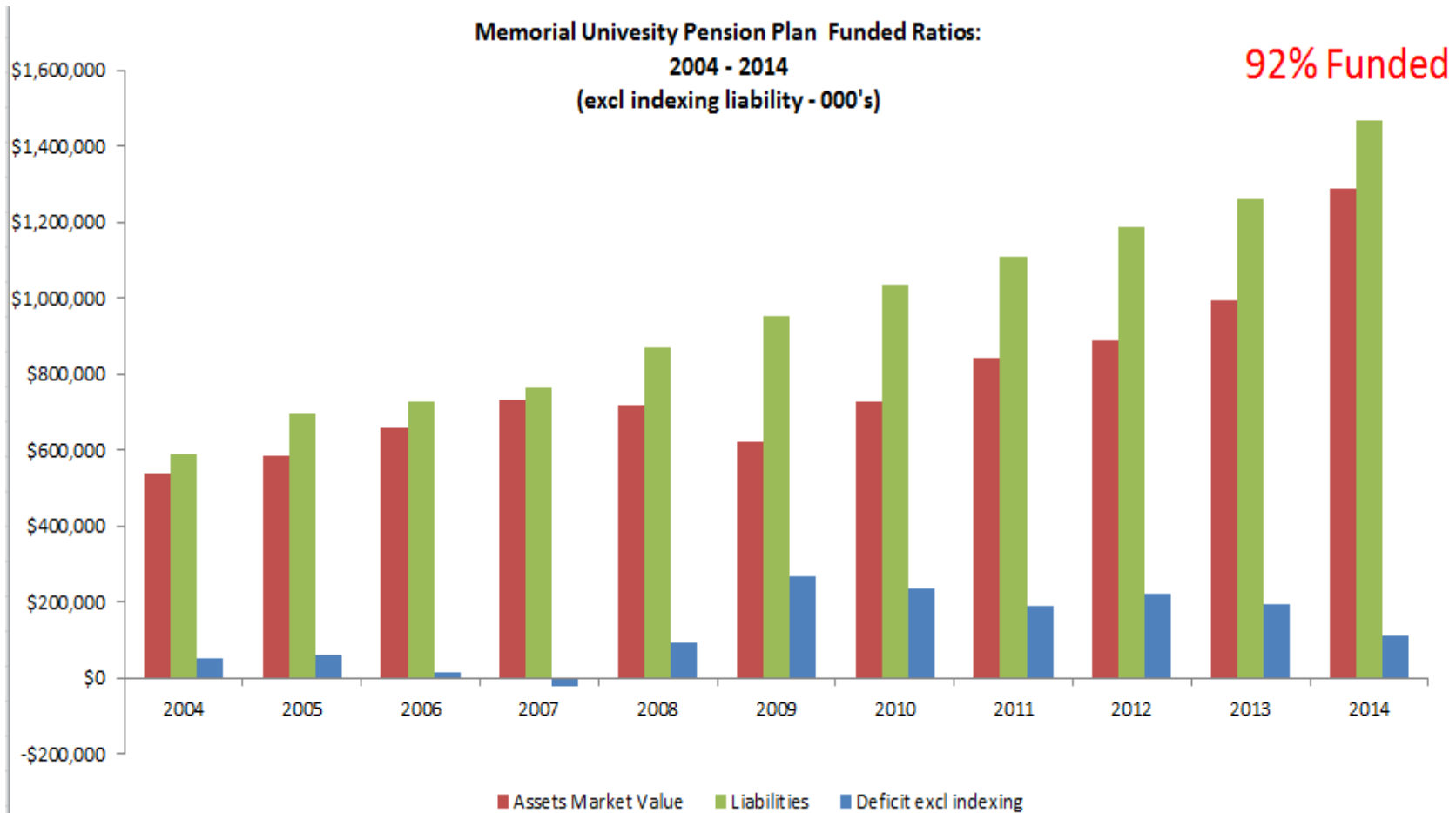


- Government can amend regulations to provide one-time special payment relief in 2015-16 (if asked)
- MUN will need to consider formally requesting one-time relief in 2015-16
- MUN Pension Committee recommendation pending (have already met once) and then final Board of Regents decision
- Pension reform discussion would then commence 2015-16

# MUN PENSION PLAN: 2004 - 2014



**Memorial University Pension Plan Funded Ratios:  
2004 - 2014  
(excl indexing liability - 000's)**



# SUMMARY



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# Thank you