
Changes to the Administration and Development expenses of UNB

This is a reply to the analysis of the University's Administration and Development expenses as prepared by Dr. Vlad Tasic for the AUNBT and then circulated to the Board of Governors by Dr. Norm Betts.

This is not the first time that these expenses have been questioned and it will likely not be the last. A response to this line of questioning was provided by Dan Murray in May 2013 and is available on the Vice-President Administration and Finance website. Of more concern is that elements of the University budget are reviewed in isolation, without the context of other operating account expense lines. Also, the comment 'we should take 20-30% out of administration costs and re-focus our resources on the academic mission' does not recognize that these resources are to support the academic mission.

The main concern seems to be that during the years from 2008/09 until 2014/15 there was an increase of approximately \$7.9M or 34% in actual expenses. One issue that is immediately apparent is that it is the administration expense category includes many diverse expense items. As such the actual spending by line item within this category would see some increases and some decreases each year, but this would not necessarily be maintained (e.g. a spike in heating costs one year). In order to understand the source of the overall expense growth we have analyzed the increases in the budgeted expenses and provide a summary of the major additions to the budget in the table below. The approved budget reflects a change from \$23.7M in 2008/09 to \$30.6M in 2014/15. This change is \$6.8M or 28.8%.

These increases often occur due to changing regulatory requirements or for strategic reasons, both of which typically impact the Administration and Development expense line of the budget. Some examples are illustrated in the table below. In many cases this is not a new expense but the expense was not previously reflected in the operating account because it was funded on soft money.

Soft funding of particular activities has been reported in the operating statement as a reduction to the associated expenses meaning the expenses appear lower than they really are. The operating budget statements reflect only the "ongoing" or base budget expenses in the statement. When the soft funding is no longer available but the expense is deemed essential and should continue, it will appear as an increase to the operating budget. The first item in the table is an example of this.

In other cases, a budget item was included to regularize expenses that occur only at specific times such as administrative leaves. These are not new expenses but in the past were reported in the year the leave occurred, resulting in a spike in the expenses in those years. Management made a change to include an annual provision for these expenses that will only be paid out at a later date.

Once adjusted for the identified regulatory and strategic increases amounting to \$3.4M, the remaining expense increase over the period is \$3.4M or 14.4%. As a simple average over the six years, this equates to 2.4% per year.

All changes in budget are reviewed by the various budget committees as well as the Finance Committee and ultimately approved by the Board of Governors each year. Questions related to changes are answered on these occasions. There is currently an administration review underway. This committee welcomes input from all parts of the university to aid in its efforts to recommend ways to streamline operations and deliver improved service at reduced cost.

Strategic

Increase DDR operating budget to replace lost funding related to a reduced admin fee on donations	\$500k	Donations previously had an admin fee of 10% applied to fund part of the DDR operation. This was reduced to 5% meaning more of the donation went to the intended purpose such as scholarships, capital projects and Faculty specific projects.
Ongoing support for Integrated Recruitment	\$300k	Ongoing salary and non-salary funding.
Executive Admin Leave	\$170k	To set up a provision to fund contractual leave and build a reserve to smooth the actual spike in expenses when they occur.
Deans & other admin	\$132k	Admin stipends and work releases, Dean's research support.
Alumni	\$206k	Moving Alumni support from undesignated, soft dollars, to the operating budget for stability in funding.
AVP(Academic)	\$216k	Support to oversee administration of new contract academic employee agreements and outreach activities.
Corporate costs	\$161k	To assist with underfunded legal fee provision.
Presidents strategic travel initiatives	\$80k	To assist with underfunded provision.
Provision for admin leave	\$140k	Creation of provision for contractual admin leave for executives.
Improvements in security	\$74k	Funding for hourly employees to improve security.
Advancement	\$696k	Conversion of soft funding to ongoing operating.
Project Management	\$100k	To support the University's strategic projects

Regulatory

Records Management & Access	\$100k	Staffing to comply with privacy regulations and records management requirements
Human Rights Office	\$77k	To set up funding for Human Rights Office
Shared Risk Pension	\$458k	Additional funding required due to changes in pension legislation

Total	\$3,410k
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The University is facing significant challenges in the current and future years. It is important for the University community to understand the financial situation and the financial information presented so that we can all focus our limited resources in meeting these challenges and keeping UNB strong. We are actively looking at different ways to present the financial information to assist in this regard.

We have appended a series of slides that illustrate the percentage of operating expenses reported at UNB and other comparable Universities in Canada for the most recent year and over several years according to the CAUBO financial reports. (Note the most recent year for which this data is available is 2013-14.) While these categories do not compare exactly to the expense lines in UNB's operating statement, they provide a useful comparison of UNB against its peers. UNB has historically spent a lower percentage of its operating expenses on administration and general expenses than its peers, although this does fluctuate from year to year based on specific spending. In the 2013-14 year, the percentage UNB's spending in the administration and general category was very comparable to its peers.