

APUO

ASSOCIATION DES PROFESSEUR(E)S DE L'UNIVERSITÉ D'OTTAWA  
ASSOCIATION OF PROFESSORS OF THE UNIVERSITY OF OTTAWA

Budget Debate:  
Understanding the financial  
situation at uOttawa in  
2016/2017

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with Christian Rouillard, School of Political Studies

# Mandate

- o The misinformation campaign of uOttawa's Administration
- o Setting the record straight on the university's financial situation
- o Alternative choices the University has going forward
- o Questions or Comments

# The 'other' University Campaign

- o In recent years, the Administration has made ongoing attempts to mislead employees, including faculty, into believing that it is facing serious financial difficulties (see Evidence 1, Slide 23)
  - o The APUO has refuted these claims with data and arguments based on the university's own audited financial statements
- o Their communications have employed devious, though common, communication strategies to this effect

# Question for the Audience...

- 1) What do you think the total budget (how much the university expects to take-in and spend) for uOttawa is expected to be in 2016/2017, in approximate terms?
  - a) \$50 million
  - b) \$100 million
  - c) \$500 million
  - d) \$1 billion

Why is this important to know?

(See Evidence 1: Slide 23)

# Devious Communications

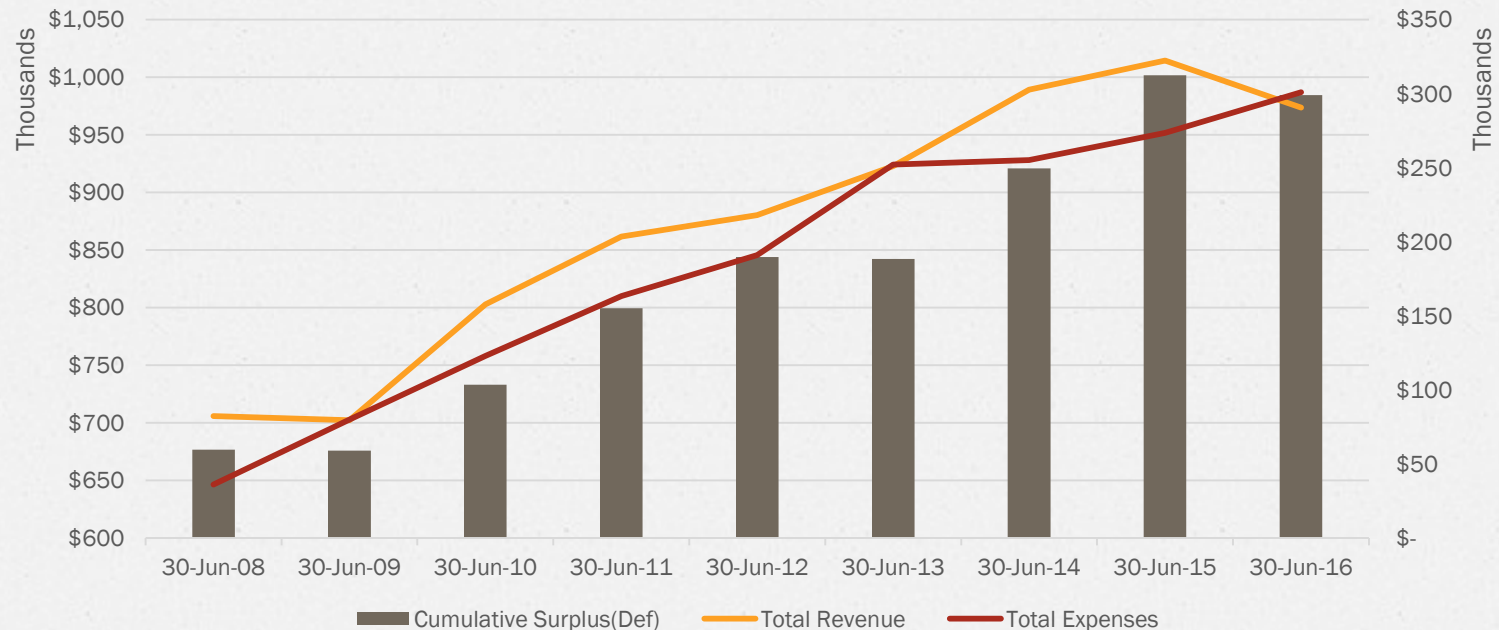
- o Framing deficits in absolute rather than relative terms
  - o \$13.2 million (Evidence 1, Slide 23) is a much bigger number for you, than a billion dollar a year corporation
- o Purposeful omissions of global totals from which appropriate perspective could not be gained
  - o Last year's \$2 million deficit is 0.2% of revenues (See Evidence 2: Slide 26)
  - o The projected cumulative deficit for the next three years, of \$15.6 million is 1.4% of last year's actual revenues (Evidence 2, Slide 26)
- o Focus on potential future events instead of actual historical performance (Budgets versus Financial Statements)
- o Selecting only those figures which might allow them to make ominous predictions

# Alternative Facts?

- o The university claims to be facing structural problems, that expenses are growing faster than revenues
  - o When did you start, and stop, counting?

# Cumulative Surplus of \$299 million over 8 years!

Total Revenues (Left Axis), Total Expenses (LA) and Cumulative Surpluses (RA)  
University of Ottawa, Audited Financial Statements  
2008-2016



Revenues and Expenses are listed in the Audited Financial Statements  
in the Statement of Operations – See Slide 26 for example

# Devious Communications

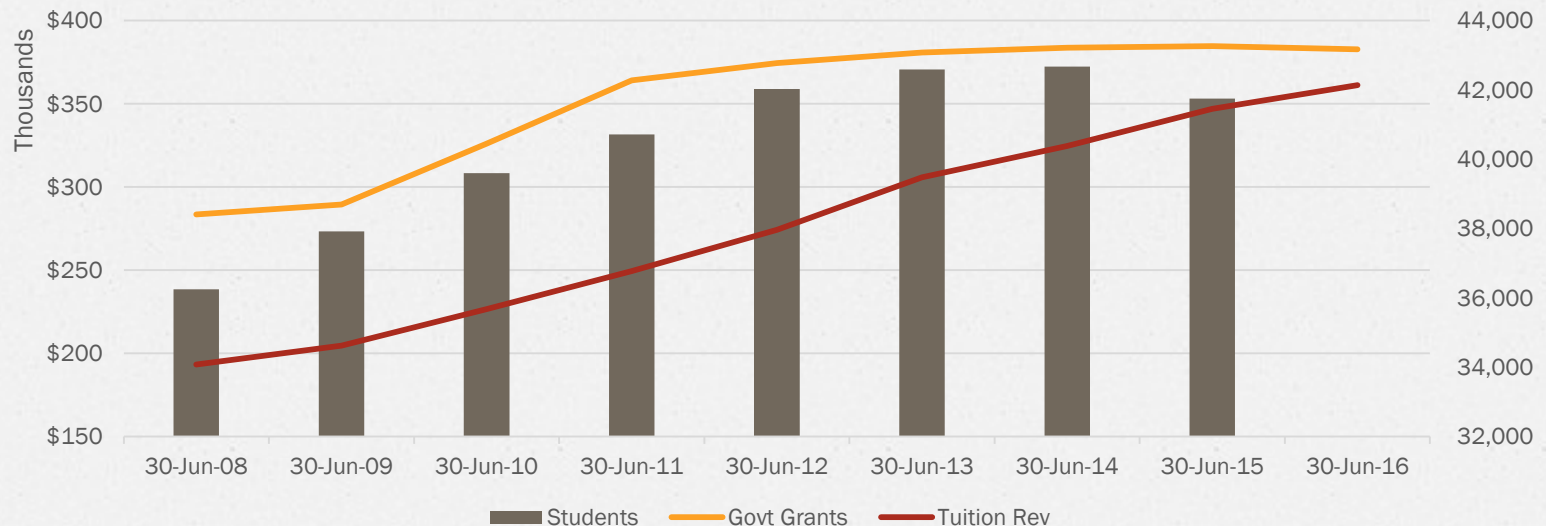
- o The Administration is claiming that it expects to run a cumulative deficit of \$15.6 million over the next three years
- o At that rate it would only take 60 years to wipe out the cumulative surpluses of the past 8 years!



Sure, sure but the last two years don't look great. And what about that bloodthirsty provincial government?

# Government Grants have flattened because Enrolments have stabilized

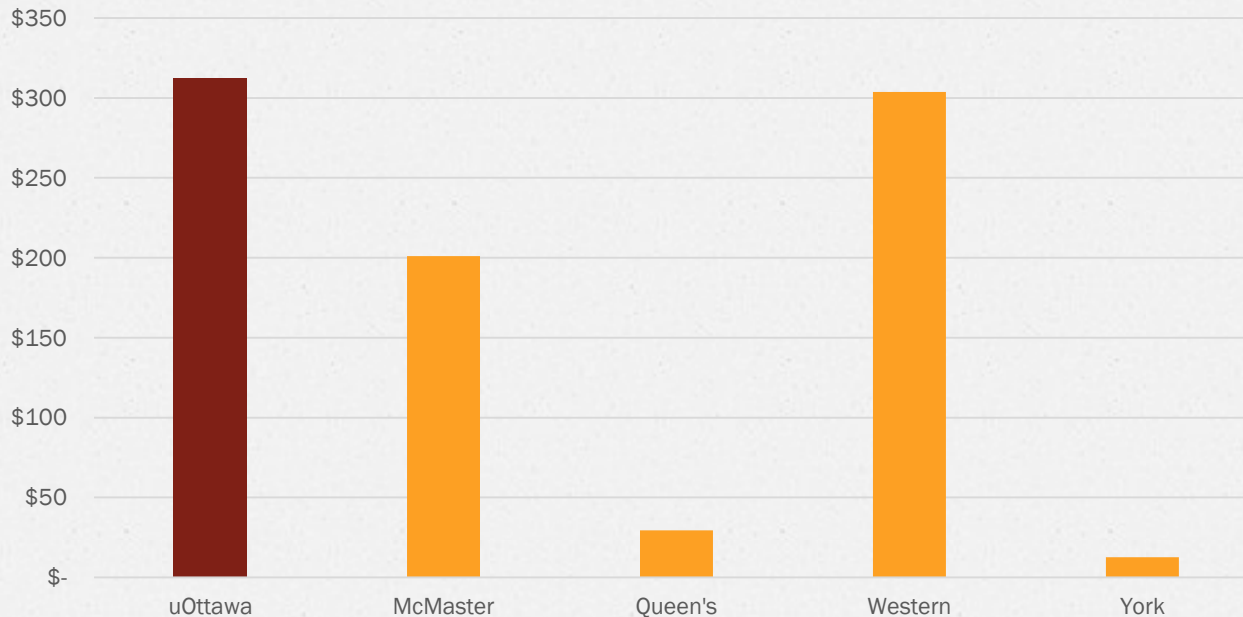
Government Grants(Left Axis), Student Tuition Fees (LA) and Total Student Enrolments (RA)  
University of Ottawa Audited Financial Statements and Factbook  
2008-2016



Breakdown of Government Grants and Student Tuition Fees are provided in the Audited Financial Statements in the Statement of Operations – See Slide 26 for example

# The Largest Cumulative Surpluses within our Comparator Group

Cumulative Surplus (Deficit) Comparison (in millions of dollars)  
2008-2015



Source: Universities Audited Financial Statements 2008-2015  
(Totalled from amounts provided in the Statement of Operations - See Slide 26 for example

# Devious Communications

- o So, government grants have stagnated and only increased from \$384 million in 2014 to \$385 million in 2015 (Evidence 3, Slide 30), however student tuition fees did increase from \$325 million in 2014 to \$347 million in 2015 (\$22 million or 7%) (Evidence 3, Slide 30)
- o Between 2008 and 2015, revenues from tuition fees increased by 80%, from government grants by 36% while student enrolments increased by only 15%
- o It may not be good for students, but sure is for uOttawa's finances!

# The Government's Intentions

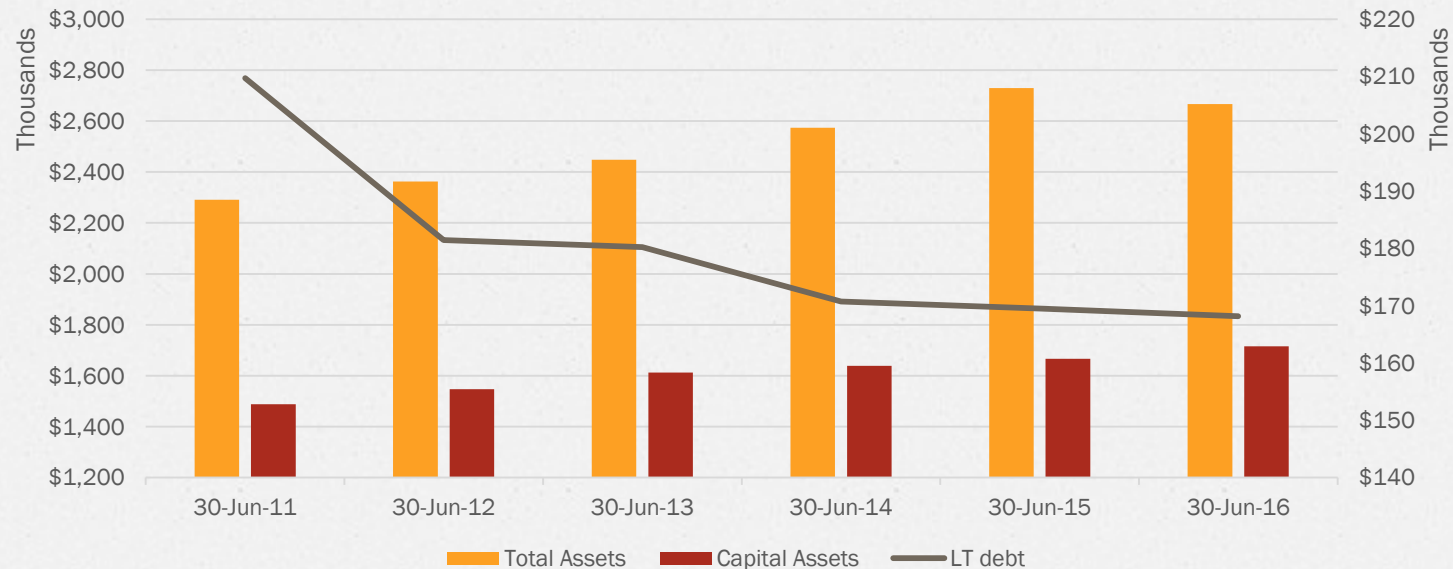
- o “. . . Behind access is quality, because we don't want people going and not getting (the most) out of that experience. Even though on the finance side, we are helping a lot, they are still investing their time, and students deserve to know they are getting the highest quality.” Deputy Premier and Minister of Advanced Education and Skills Development, as quoted in Rushowy, K., “Tuition increase at Ontario colleges and universities capped at 3%”, Toronto Star, December 15<sup>th</sup>, 2016
- o “Government says it will provide stability over next two years to students, universities and colleges as it transforms way schools are funded.” (ibid)
- o “. . . the bulk of transfers will continue to be based on enrolment.” (ibid)

# Structural Deficit?

- o In 2015-2016, uOttawa spent \$40,213,000 on new buildings and an additional \$15,772,000 on construction that was still in-progress (Evidence 2, Slide 27)
- o In 2014-2015, uOttawa spent \$33,089,000 on new building and an additional \$8,033,000 on in-progress construction (Evidence 3, Slide 31)
- o That's almost \$100 million in new buildings and construction in just 2 years!
  - o Does this sound like normal?

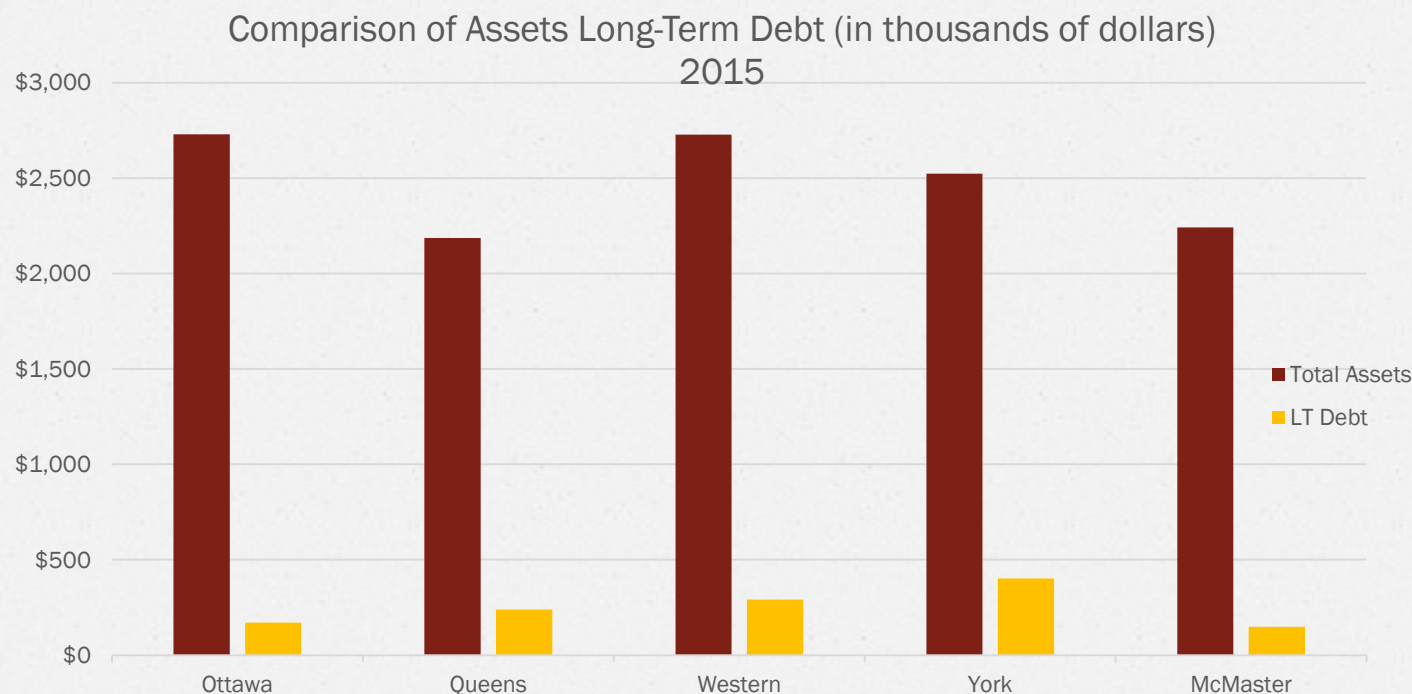
# Financial Choices

Total Assets (Left Axis), Capital Assets (LA) and Long Term Debt (RA)  
University of Ottawa, Audited Financial Statements  
2011-2016



Annual Total Assets and Capital Assets and Long-Term Debt are reported in the Consolidated Statement of Financial Position, 2016 figure can be seen on Slide 25, 2015 figure can be seen on Slide 29.

# We are in the best financial position of any of our comparator schools



Source: Universities Audited Financial Statements 2015

uOttawa's figures for 2015 can be seen on the [Consolidated Statement of Financial Position](#), Slide 29



# Financial Flexibility

- o It's true that declining student enrolments can have a major impact on the financial health of universities (government grants and of course tuition fees both drop)
- o In addition to not spending almost \$50 million a year on construction, the university has significant financial flexibility in the form of contract academics and teaching assistants
  - o The university does not produce data on the % of courses taught by part-time professors on campus but has said repeatedly at the bargaining table that it is around 50% of all courses

# Financial Choices...

- o Over the past 8 years, uOttawa has chosen to run large operating surpluses while spending hundreds of millions of dollars on major capital asset projects such as buildings
- o Despite interest rates being at historic lows, they have chosen to pay down debt rather than borrowing to make these investments
- o Alternatively, the university could have chosen to:

# Options

- o An average surplus of over \$37 million per year could:
  - o Reduce tuition fees per student by about \$1,000 per year going forward
  - o Hire over 400 new full-time academics at salaries and benefits above the minimum levels currently offered
  - o Build a kickass library!
  - o Remove the hiring freeze on support staff
  - o Offering more permanent positions to contract workers
  - o Some combination of the above
- o Budget cuts are simply not necessary today, or in the foreseeable future

# Questions and Comments?

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# EVIDENCE

# Evidence 1

University Claims of Financial Difficulties

[http://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/message\\_2015-2016\\_financial\\_statements.pdf](http://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/message_2015-2016_financial_statements.pdf)

## Update on uOttawa's financial situation

During the meeting of its Board of Governors on September 26, the University of Ottawa submitted its [2015-2016 financial statements \(PDF\)](#) for the fiscal year ended April 30, 2016.

The University finished the year with a \$2M operating fund deficit, as forecasted in the initial 2015-2016 budget. This was possible due to measures applied, in particular suspension of renovation projects and contributions from faculties and services of 10% of their accumulated surplus. Without these one-time measures, the deficit would have been approximately \$9.8 million.

It is important to remember that the budget is established on a modified cash accounting basis and with the main goal of ensuring that the University's activities are duly funded. The University's audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which differ from modified cash accounting used for project management. The University's consolidated financial statements for the year ended April 30, 2016, reflect a \$13.2M deficiency of revenue over expenses. This deficiency is due mainly to a decrease in investment income resulting from the poor performance of the financial markets. The University used its net assets to fund this shortfall. The consolidated financial statements include the operating fund, ancillary funds, research funds, the trust fund and the capital fund.

Grants, tuition fees and other fees make up 97% of the University's operating fund revenue. Operating fund grants slightly decreased in 2016, at \$383M (\$384M in 2015).

The revenues from the tuition fees of Canadian students have remained relatively stable, at 36.5% of the operating fund, while revenues from the tuition fees of international students were 10.6% of the operating fund, a slight increase of 1.4% over last year.

Our expenditures rose by 3.6%. In 2015-2016, over 55% of operating fund expenditures were directed to academic-related activities, such as salaries and benefits, library acquisitions and scholarships and financial aid.

Once it meets its various financial obligations, the University has a modest amount available for its operations of about \$34M, which will finance, for example, certain one-time investments to better serve the student population, support teaching staff and provide a source of funds for unexpected drops in revenue or increases in expenditures, thus preventing any sudden disruptions to the University's activities during the year. The sum of \$34M represents about two-and-one-half weeks of regular activity at the University; last year, we had an amount equivalent to about four weeks.

As planned, the University has recently issued debentures and will benefit from current low interest rates to finance major projects currently under way, such as the Learning Centre, or already completed, like the Henderson Residence. This also includes new projects yet to be officially announced. An investment of \$226.5M is being made in these infrastructure projects from grants and other funding sources. They will play a key role in the University's effort to enhance the student experience and support research development by creating modern spaces adapted to today's realities. The next financial planning cycle will begin shortly. The cooperation of all members of the University community will be needed in order to overcome the challenges of declining numbers of traditional students population, the volatility of financial markets and inflation pressure. It is a crucial exercise to ensuring our University can continue its development.

P. Marc Joyal, CPA, CA  
Vice-President, Resources  
University of Ottawa

# Evidence 2

Select pages from the University's Audited Financial Statements 2015-2016

[http://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial\\_statements\\_2015-2016.pdf](http://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/financial_statements_2015-2016.pdf)



# UNIVERSITY OF OTTAWA

## Consolidated Statement of Financial Position

April 30, 2016, with comparative information for 2015  
(in thousands of dollars)

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and short-term investments (note 3)	\$ 148,605	\$ 131,219
Accounts receivable (note 4)	91,468	79,481
Inventories and other	13,734	12,369
	<u>253,807</u>	<u>223,069</u>
Long-term investments (note 5)	639,873	693,274
Employee future benefits (note 6)	57,395	146,468
Capital assets (note 7)	1,715,783	1,666,491
	<u>\$ 2,666,858</u>	<u>\$ 2,729,302</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 88,247	\$ 89,095
Deferred revenue (note 9)	278,045	233,448
Current portion of long-term debt (note 11)	1,324	1,246
	<u>367,616</u>	<u>323,789</u>
Deferred contributions related to capital assets (note 10)	364,500	341,692
Long-term debt (note 11)	188,149	189,473
	<u>900,265</u>	<u>834,954</u>
Net assets:		
Unrestricted	1,815	3,796
Internally restricted - employee future benefits	57,395	146,468
Internally restricted - other (note 12)	241,496	291,265
Sinking fund (note 11)	34,412	38,239
Endowments (note 13)	241,944	254,780
Invested in capital assets (note 14)	1,189,531	1,161,801
	<u>1,766,593</u>	<u>1,894,348</u>

Commitments and contingent liabilities (note 19)

\$ 2,666,858      \$ 2,729,302

See accompanying notes to consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_  
(signed)  
Governor

\_\_\_\_\_  
(signed)  
Governor

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Operations

Year ended April 30, 2016, with comparative information for 2015  
(in thousands of dollars)

	2016	2015
	(Schedule 1)	
Revenue:		
Operating grants	\$ 382,762	\$ 384,649
Tuition and other fees	381,184	346,911
Research grants and contracts (note 15)	117,007	150,991
Student housing	24,836	21,961
Sale of services	21,155	19,143
Donations	19,318	11,057
Investment income (note 5)	12,382	50,571
Capital grants (note 10)	8,303	8,166
Other	26,663	21,138
	<u>973,610</u>	<u>1,014,587</u>
Expenses:		
Salaries	519,075	497,010
Employee benefits (note 16)	87,967	90,639
Supplies and other contractual services	106,202	95,896
Scholarships, bursaries and financial aid	97,060	94,640
Fees (note 17)	42,924	38,044
Inter-institutional research and other agreements (note 18)	22,716	27,286
Travel	18,378	17,597
Interest and bank fees	12,315	12,125
Amortization of capital assets	57,117	55,117
Other	23,089	23,391
	<u>986,843</u>	<u>951,745</u>
Excess (deficiency) of revenue over expenses	\$ (13,233)	\$ 62,842

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2016  
(in thousands of dollars)

## 7. Capital assets:

Cost	Balance at April 30, 2015	Additions	Write-offs / Transfers	Balance at April 30, 2016
Land	\$ 767,869	\$ —	\$ —	\$ 767,869
Buildings	1,081,566	40,213	8,379	1,130,158
Construction in progress	9,439	15,772	(8,379)	16,832
Information Technology project in progress	11,114	13,184	—	24,298
Books	81,768	6,799	—	88,567
Equipment and furniture	197,584	27,076	(17,661)	206,999
Computer software and equipment	17,260	3,365	(3,246)	17,379
<b>Total</b>	<b>\$ 2,166,600</b>	<b>\$ 106,409</b>	<b>\$ (20,907)</b>	<b>\$ 2,252,102</b>

Additions and disposals at April 30, 2015 were \$83,089 and \$18,743, respectively.

Accumulated amortization	Balance at April 30, 2015	Amortization expense	Write-offs	Balance at April 30, 2016
Buildings	\$ 324,715	\$ 26,152	\$ —	\$ 350,867
Books	60,225	8,634	—	68,859
Equipment and furniture	105,589	18,415	(17,661)	106,343
Computer software and equipment	9,580	3,916	(3,246)	10,250
<b>Total</b>	<b>\$ 500,109</b>	<b>\$ 57,117</b>	<b>\$ (20,907)</b>	<b>\$ 536,319</b>

Amortization expense and disposals at April 30, 2015 were \$55,117 and \$18,743, respectively.

	Net book value April 30, 2016	Net book value April 30, 2015
Land	\$ 767,869	\$ 767,869
Buildings	779,291	756,851
Construction in progress	16,832	9,439
Information Technology project in progress	24,298	11,114
Books	19,708	21,543
Equipment and furniture	100,656	91,995
Computer and software equipment	7,129	7,680
<b>Total</b>	<b>\$ 1,715,783</b>	<b>\$ 1,666,491</b>

# Evidence 3

Select pages from the University's Audited Financial Statements 2014-2015

[https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/2015-04-30\\_university\\_of\\_ottawa\\_wfs\\_eng\\_au\\_15\\_septe.pdf](https://www.uottawa.ca/financial-resources/financial-planning/sites/www.uottawa.ca.financial-resources.financial-planning/files/2015-04-30_university_of_ottawa_wfs_eng_au_15_septe.pdf)

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Financial Position

April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	2015	2014 (restated, note 2B)
<b>Assets</b>		
Current assets:		
Cash and short-term investments (note 3)	\$ 177,387	\$ 202,825
Accounts receivable (note 4)	79,481	85,052
Inventories and other	12,369	12,663
	<u>269,237</u>	<u>300,540</u>
Long-term investments (note 5)	647,106	575,376
Employee future benefits (note 6)	146,468	60,067
Capital assets (note 7)	1,666,491	1,638,539
	<u>\$ 2,729,302</u>	<u>\$ 2,574,522</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 89,095	\$ 85,659
Deferred revenue (note 9)	233,448	244,856
Current portion of long-term debt (note 11)	1,246	1,218
	<u>323,789</u>	<u>331,733</u>
Deferred contributions related to capital assets (note 10)	341,692	339,031
Long-term debt (note 11)	169,473	170,719
	<u>834,954</u>	<u>841,483</u>
Net assets:		
Unrestricted	3,795	7,103
Internally restricted - employee future benefits	146,468	60,067
Internally restricted - other (note 12)	291,265	265,349
Sinking fund for long-term debt repayment	36,239	31,348
Endowments (note 13)	254,780	233,880
Invested in capital assets (note 14)	1,161,801	1,135,292
	<u>1,894,348</u>	<u>1,733,039</u>

Commitments and contingent liabilities (note 18)

\$ 2,729,302    \$ 2,574,522

See accompanying notes to consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# UNIVERSITY OF OTTAWA

## Consolidated Statement of Operations

Year ended April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	2015	2014 (restated, note 2B)
<b>Revenue:</b>		
Operating grants	\$ 384,649	\$ 383,785
Tuition and other fees	346,911	324,651
Research grants and contracts (note 22)	150,991	148,980
Investment income (note 5)	50,571	55,906
Sale of services	19,143	19,624
Student housing	21,961	19,275
Capital grants (note 7)	8,166	7,972
Donations	11,057	9,887
Other	21,138	19,189
	<u>1,014,587</u>	<u>989,269</u>
<b>Expenses:</b>		
Salaries	502,382	481,751
Employee benefits (note 15)	90,639	100,849
Scholarships, bursaries and financial aid	94,640	93,172
Supplies and other contractual services	95,898	89,039
Fees (note 16)	32,671	30,561
Inter-institutional research and other agreements (note 17)	27,286	29,363
Travel	17,597	18,367
Interest and bank fees	12,125	12,225
Amortization of capital assets	55,117	52,542
Other	23,392	20,181
	<u>951,745</u>	<u>928,050</u>
<b>Excess of revenue over expenses</b>	<b>\$ 62,842</b>	<b>\$ 61,219</b>

See accompanying notes to consolidated financial statements.

## UNIVERSITY OF OTTAWA

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2015

### 7. Capital assets:

Cost (In thousands of dollars)	Balance at April 30, 2014	Additions	Disposals	Balance at April 30, 2015
Land	\$ 767,869	\$ -	\$ -	\$ 767,869
Buildings	1,048,477	33,089	-	1,081,566
Construction in progress	1,406	8,033	-	9,439
Books	74,497	7,271	-	81,768
Equipment and furniture	185,138	30,929	(7,369)	208,698
Computer software and equipment	24,887	3,747	(11,374)	17,260
<b>Total</b>	<b>\$ 2,102,274</b>	<b>\$ 83,069</b>	<b>\$ (18,743)</b>	<b>\$ 2,166,600</b>

Accumulated amortization (In thousands of dollars)	Balance at April 30, 2014	Amortization expense	Disposals	Balance at April 30, 2015
Buildings	\$ 300,270	\$ 24,445	\$ -	\$ 324,715
Books	51,409	8,816	-	60,225
Equipment and furniture	95,082	17,876	(7,369)	105,589
Computer software and equipment	16,974	3,980	(11,374)	9,580
<b>Total</b>	<b>\$ 463,735</b>	<b>\$ 55,117</b>	<b>\$ (18,743)</b>	<b>\$ 500,109</b>

(In thousands of dollars)	Net book value April 30, 2015	Net book value April 30, 2014
Land	\$ 767,869	\$ 767,869
Buildings	756,851	748,207
Construction in progress	9,439	1,406
Books	21,543	23,088
Equipment and furniture	103,109	90,056
Computer and software equipment	7,680	7,913
<b>Total</b>	<b>\$ 1,666,491</b>	<b>\$ 1,638,539</b>