DALHOUSIE UNIVERSITY
Inspiring Minds

BUDGET ADVISORY COMMITTEE

REPORT XL

OPERATING BUDGET PLAN
FOR 2009-10

May 2009

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The current membership of the Committee includes: - Alan Shaver (Chair), Vice-President, Academic & Provost –Tom Gill, Food Science - Tom Vinci, Philosophy - Rita Caldwell, College of Pharmacy – Josh Leon, Dean of Engineering – Jeff Lamb, Assistant Vice-President, Facilities Management - Ken Burt, Vice-President, Finance & Administration and Alan Dalton (Student Representative). The Committee's resource persons are: Ian Nason, Assistant Vice-President (Financial Services), Elizabeth Lane, Director of Institutional Analysis and Research, and Susan Zinck, Director, Budgets and Financial Analysis. The Committee employs an open and consultative approach to budget discussion at the University. To date, the BAC has issued thirty-nine reports related to the University's operating budget.

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HIGHLIGHTS of the 2009-10 OPERATING BUDGET PLAN

The Budget Advisory Committee is recommending a balanced budget plan for 2009-10 (see revenue and expenditure model on page 9 and detailed explanatory notes in Appendix A). The following are the highlights of the plan:

- The overall budget strategy for 2009-10 is supported by recommendations that:
  - respond to the decline in investment markets;
  - provide financial resources to take advantage of the Federal Knowledge Infrastructure Program; and
  - create flexibility in the budget that can be redeployed to meet pension obligations and other uncertainties in subsequent years.

- Budget model revenue and expenditure to increase by $18.9 million to $289.5 million.

- Government Grant as follows:
  - Government funding to increase by 12% or $17.4 million.
  - This reflects funding committed under the Memorandum of Understanding (MOU) with the Province of Nova Scotia.

- Tuition revenue based on:
  - No change in overall enrolment
  - **ALL** Tuition fees for regular credit programs to be frozen at 2007-08 rates (as per MOU)
  - Nova Scotia students to receive a bursary of up to $1,022 (full course load)

- Investment Income estimates impacted by market returns:
  - Endowment spending allocations reduced by 5% from 2008-09 levels
  - Operating Interest Income reduced by $1.5 million.

- $7.7 million in Strategic Initiatives funding for 2009-10 in line with the Strategic Objectives outlined in "Making an Impact – The President's Strategic Focus, 2007-10".
  - Emphasis on one-time use of funding recommended.

- Faculties and budget units to contribute $3.5 million towards Strategic Initiatives as follows:
  - 0.5% Non-Faculty units receiving significant funding from Strategic Initiatives. (Student Services, Registrar, Facilities Management, Communications & Marketing, and External Relations)
  - 1.95% for Faculties and all other units.

Dalhousie University
Budget Advisory Committee
2009-10 Operating Budget Plan

I INTRODUCTION

In December the Budget Advisory Committee released its thirty-eighth report; a discussion paper on the development of the University's Operating Budget Plan for 2009-10. That report included known and estimated changes in revenue and expenditure items and sought input from the University Community. This report includes updated estimates and recommendations to the President on an Operating Budget Plan for 2009-10.

The BAC XXXVIII report indicated that three significant factors were known. These factors were government grants, tuition fee rates and compensation costs. The first two items were projected according to the amounts and parameters set for the second year of a three year Memorandum of Understanding (MOU) with the Province of Nova Scotia. Collective agreements are in place for the University's two largest employee groups (DFA and NSGEU) providing some certainty on compensation costs.

The BAC XXXVIII report concluded that there were relatively few factors that needed to be addressed before finalizing the 2009-10 budget but highlighted the significant uncertainty in the economic outlook generally and more specifically as a result of the decline in global investment markets. Subsequent to the release of the BAC report the Province contacted universities to explore possible reductions in funding levels from those identified in the MOU. These discussions have been ongoing resulting in delays in issuing this follow up report on the 2009-10 Operating Budget Plan. There will be a further delay in confirmation of funding until after the provincial election.

The recommended budget plan for 2009-10 has also been informed by input and consultation with the campus community. After releasing the BAC XXXVIII Report, the Budget Advisory Committee met with various groups including the Senate, the Board of Governors, representatives of the DSU, Dean's and administrative directors. Written comments and advice were sought from the University community and in particular the report sought input on the approach to current economic uncertainly, Faculty/Unit budget reductions and strategic initiatives.

An updated budget model for 2009-10 can be found on page 9. This model has been revised to include updated estimates and recommendations for a balanced budget for 2009-10. Appendix B summarizes the updated estimates which in the absence of recommendations for remedial action the updated model would result in a budget shortfall of 4.8 million (compared to \$3.4 million in the BAC XXXVIII model). The following section of the report highlights significant issues surrounding the 2009-10 budget as well as recommendations to close the \$4.8 million gap.

II 2009-10 BUDGET RECOMMENDATIONS & IMPORTANT ISSUES

a) Provincial Operating Grant

As a result of the pending provincial election the actual government funding amount will not be known for some time. The model includes funding for 2009-10 according to the terms of the MOU. As planning for the 2009-10 budget has evolved the Committee believes it is important to continue to highlight two concerns about government funding.

i) Memorandum of Understanding

The provincial government has not provided confirmation of grant funding for 2009-10. The model assumes that all provisions of the MOU remain intact including funding commitments through 2010-11.

Dalhousie, in conjunction with other universities in Nova Scotia, has long argued that multi-year funding arrangements prove valuable by enabling the University to plan over a longer time horizon. Stable funding also allows the University to develop budgets earlier in the planning cycle allowing Faculties and budget units time to develop plans well in advance of the start of the fiscal year. The first MOU underscored this principle by stating that the ". . . three year funding commitment enhances business planning making possible a more productive use of resources…." The premise of the second MOU was that the University would have known funding as a foundation for such planning. Recent discussions with the Province around reduced grants, even after the start of the fiscal year, represent an impediment to reaping the benefits of a multi-year funding certainty.

ii) Year End Provincial Funding Announcement

For a number of years Nova Scotia Universities have received a portion of their funding for the fiscal year from provincial government year end surpluses of the preceding year. This funding has been paid out to universities in March each year since 2003.

The BAC XXXVIII report reminded readers that if funds were not available March 2009, the Province would need to increase funding to universities by $102 million in the 2009-10 budget in order to meet its MOU commitment.

In March 2009 a news release from the province indicated "The province has approved a $256 million additional appropriation for university funding in 2008-09." It is important to note that this "additional" funding is not new or extra funding but simply a prepayment of 80 per cent of the provincial grant to universities for the fiscal year 2009-10. Dalhousie's share of this prepayment is $131.6 million.

The current MOU and the previous MOU stipulated that this one-time funding would become part of the base funding for universities. Instead, base funding for universities has declined from $203.5 million in 2003-04 to approximately $60 million in 2009-10.

b) Tuition Revenue

In accordance with the terms of the MOU with government the budget model assumes tuition fees will continue to be frozen for all students and that there will be a further increase in the bursary for Nova Scotia students from $761 to $1,022. Appendix C contains the 2009-10 tuition fee schedule. The budget model assumes stable enrolment based on information from the Enrolment Management Committee.

An explicit policy objective of the Province of Nova Scotia in 2006 was to reduce student tuition costs to the average of fees at Canadian Universities by 2011. The terms of the MOU are intended to facilitate this objective through tuition relief to Nova Scotia's students.

The following table, which compares tuition fees for Nova Scotia students at Dalhousie and other G13 universities (i.e. a consortium of thirteen leading research intensive universities in Canada), illustrates the shrinking gap between tuition for Dalhousie and the average of the comparator group since the first MOU was signed in 2004-05. Projected tuition fees for 2009-10 indicate Dalhousie fees will be virtually the same as this comparator group in 2009-10.

Comparison of Tuition Fees for Selected Programs for G13 Universities
2004-05 and 2008-09 (with projection for 2009-10)

	Arts	Computer Science	Engineering	Nursing	Science	Average
2004-05						
Dalhousie [1]	5,610	6,360	6,360	6,540	6,360	6,246
Average G13 Universities [2]	4,290	4,731	5,497	4,468	4,290	4,655
Difference	1,320	1,629	863	2,072	2,070	1,591
2008-09						
Dalhousie [1]	5,269	6,079	6,079	6,259	6,079	5,953
Average G13 Universities [2]	4,906	5,497	6,468	5,240	4,931	5,408
Difference	363	582	(389)	1,019	1,149	545
2009-10 Projected [3]						
Dalhousie [1]						5,692
Average G13 Universities [2]						5,627
Difference						65

[1] fee shown for Dalhousie is net of the $761($1,022 for 09-10) Bursary that is credited to full time Nova Scotia students
[2] excluding Dalhousie
[3] Assumes G13 universities increase at same rate as previous 4 years and further decrease in Dalhousie fee according to the MOU.

c) Investment Income

i) Endowment Income

In 2003 the University commenced a review of the endowment spending policy which culminated in a revision to the policy approved by the Board of Governors in early 2004. The objectives of the revised spending policy are to provide stable and sustainable annual spending allocations in support of student assistance, academic chairs and salaries, research, library acquisitions etc. The University's policy initially set spending allocations at 4.75% of the Fund's market value and thereafter spending allocations each year have been increased by the consumer price index. The policy allows for annual spending increases at the rate of CPI as long as the resulting spending rate remains within a band of 3.75% to 5.75% of the Fund's market value. The intent of this policy is to not only keep spending growth equal to inflation growth but also to maintain the real economic value of the underlying endowment capital over time. Should the spending rate drop below 3.75% it would indicate that the investment returns have exceeded expectations and the endowment could afford greater spending. Conversely, should the spending rate exceed 5.75% this would indicate that returns were less than expected and that spending should be reduced or else the real economic value of the capital will be impaired.

The decline in markets that began in July 2007 and deteriorated rapidly in the fall of 2008 has had a negative impact on Dalhousie's endowment. Investment losses over recent months have reduced capital to the point where the normal spending allocation for 2009-10 will exceed 5.75% of the endowment capital as at March 31, 2009. Administrative staff have completed some financial modeling based on the returns to date and making assumptions about return patterns in future years. The analysis suggests that it would be prudent to apply a 5% decrease in endowment spending allocations for 2009-10. This represents a decrease of approximately $800,000 to be applied across the 1100 individual endowments.

In the case of newer endowments the recent market decline has impacted the market value such that spending from these new endowments should be suspended until the real economic value of these endowments has recovered. This approach will allow time for investment returns to recover in the years ahead. The situation will continue to be monitored to determine whether any further remedial action is required in 2010-11.

In order to ensure the long term sustainability of Dalhousie's endowment, it is imperative that the endowment be managed in a way that responds appropriately to the atypical investment market events of the last 20 months.

The BAC is aware of the impact that decreased spending will have on the student assistance budget in particular. **Importantly, Dalhousie has committed to maintain both the number of awards as well as the dollar value available to fund student assistance for current and new students.** The spending decrease will require Faculties and units to identify alternative funding sources for non-discretionary spending. Administrative staff will continue working with Faculties and units to ensure that disruption is minimized to ongoing endowment program commitments.

The amounts shown in the budget model do not yet reflect these modifications to endowment spending allocations for 2009-10. The changes will be reflected in the recommended 2009-10 budget presented to the Board in June.

Recommendation #1

The BAC recommends that a general 5% reduction in spending be applied to endowments in 2009-10.

Recommendation #2

The BAC also recommends that alternative funding sources be identified to maintain both the dollar value and number of student awards funded from Endowments in 2009-10.

ii) <u>Credit Card Transaction Fees</u>

The budget includes expenditure of $1.3 million for transaction fees to credit card companies. $1.0 million of this cost relates to tuition and residence fees and must be absorbed within the operating budget of the University. In April a *Dalnews* article notified the Campus community that the BAC was considering removing the credit card option for tuition and residence payments as a possible measure to close the $4.8 million gap.

In 1999 the University decided to allow the use of credit cards for the payment of tuition and residence fees. This decision was made to facilitate the use of on line registration at a time when the only options for payment of fees were cash or cheque. The option of paying fees using online banking is now available.

Most universities in Ontario and Quebec and many western universities have never accepted credit cards for tuition and residence fees. These universities include, among others, Toronto, McGill, McMaster, Queen's, and Victoria. Other universities have discontinued the use of credit cards in recent years (Universities of British Columbia, Alberta, Calgary and New Brunswick)

The benefit of discontinuing the payment of $1 million per year to credit card providers is clear: the University can reallocate these funds to benefit students directly through teaching and support services. Based on feedback received about the use of credit cards the BAC stresses the need for communication with students relating to credit cards.

<u>Recommendation #3</u>

<u>The BAC recommends that effective September 1, 2009 the University eliminate the use of credit cards as a payment option for tuition and residence fees.</u> (*Credit cards will continue to be accepted for other University transactions where this is currently an option*.)

d) <u>Pension Plan</u>

Investment market performance has impacted not only the University's endowment but also the assets of the Pension Plan. In February the Committee received an update on the financial position of the Plan as at October 2008. As a result of investment performance up to that point and an extrapolation of pension benefit obligations going forward, the deficiency in Plan funding was $81 million on a going concern basis and $143 million on a solvency basis. While the University does not have to file the next valuation until June 2010, these interim deficiency calculations at October 2008 indicate a significant financial issue for Dalhousie in the years ahead. To put this into perspective the October results would require an increase in contribution rates from 10.24% to 29.7% of pensionable payroll or an annual increase in contributions funded by the operating budget of $34 million. (i.e. 17% of Faculty and support unit budgets.)

Aside from investment performance the growth in liabilities has and will continue to be a key influence on the financial position of the Pension Plan. The BAC received a presentation in February that identified various issues regarding plan structure. In addition to managing plan assets the presentation highlighted the importance of managing pension plan liabilities. The Committee is advised that a review of the Plan structure will occur in the months ahead.

Another important development in the pension area has been the completion of the final report of the Pension Review Panel for the Province of Nova Scotia. Dalhousie has made a number of presentations to the Panel and has consistently urged that consideration be given to providing funding relief for plan sponsors in light of the dramatic deterioration in the funded position caused by the decline in capital markets. The level of funding relief required to address the Plan deficiency at present exceeds the provisions in the current legislation and even those contemplated by the recommendations of the Panel. Funding relief is acutely important given that investment performance has worsened since October.

The magnitude of potential increases to pension contributions through the University's operating budget starting in the 2010-11 fiscal year represents the most significant financial challenge the University has faced in recent times. This outlook underscores the need to proceed with caution in setting the 2009-10 operating budget. **As indicated earlier in the report, the BAC's fundamental strategy in formulating operating budget recommendations for 2009-10 is to allocate resources in such a way that resources can be redeployed in 2010-11 to help address increased pension obligations.**

e) Energy, Water, Taxes and Insurance

Volatility in fuel prices has been a challenge in determining an appropriate estimate of energy costs for 2009-10. As indicated in BAC XXXVIII Bunker C fuel oil prices peaked at an all time high in July 2008 and then began to drop precipitously in mid October. Since December prices have increased steadily. The current price is at the same level as it was two years ago, although some sources are indicating that the future price for crude oil will continue to climb. Appendix D shows the history of average Bunker C prices since April 2005.

In recent years when prices trended upward the budget allowed for increased pricing levels based on these historical trends. A reduction of $300,000 in the 2009-10 energy provision allows for fuel oil prices to continue to increase from current prices based on price trends in prior years. The BAC is hesitant at this time to reduce the budget further given uncertainties in this area.

Recommendation #4

The BAC recommends that the provision for energy costs be adjusted to reflect an $800,000 increase (compared to the $1.1 million in BAC XXXVIII).

f) Strategic Reallocations

In order to achieve a balanced budget for 2009-10 and provide funds for Strategic Initiatives the BAC recommends strategic reallocation adjustments totaling $3.5 million from Faculties and budget units. In recent years Faculties and support units have been treated differently on the basis that savings accrue to Faculties at the time of staff turnover as a result of salary differences between entry-level and retirement level positions among the professoriate. These savings are not present in non-academic units. Faculties also have the opportunity to increase revenues that are not available to service units.

Previous BAC reports have highlighted information comparing Dalhousie expenditures with other universities. Appendix E shows that the percentage of Dalhousie budget in a number of non-academic areas is significantly lower than others in the G13 comparator group. CAUT data shows that Dalhousie also has the lowest student/faculty ratio in the comparator group.

The BAC continues to see these as valid arguments for differential budget treatment. That said, the committee has heard concerns about the continued annual pressure on Faculty budgets. The BAC recommends that all but a few budget units be required to contribute at the same 1.95% level for 2009-10.

The remaining few units will be subject to a 0.5% reallocation adjustment. Such units are required to seek efficiencies in their operations but at will contribute at a lower level to enable the achievement of results intended by strategic investments the areas of student service, recruitment and fundraising.

Recommendation #5

The BAC recommends strategic reallocation adjustments of 1.95% from all Faculties and other budget units except 0.5 % for non-Faculty units receiving significant Strategic Initiatives allocations. (*The units that will be reduced at the lower level are Student Services, the Registrar's Office, Facilities Management, Communications and Marketing, and External Relations*.)

g) Strategic Initiatives:

Allocations from Strategic Initiatives funding for 2009-10 and coming years will be guided by "Making an Impact: The President's Strategic Focus 2007-2010" released in 2008. The recommended total to be allocated in 2009-10 is $7.7 million. Units have submitted a variety of initiatives to be considered for funding. The President's Office will make a determination of the allocations to be supported and included when the recommended Operating Budget is brought forward in June.

The available funding will be allocated according to the strategic spending areas identified in the report as follows (see Appendix F for further detail on the categories):

Enhance Research and Academic Strengths
Enrich Student Experience
Strengthen Enrolment
Campus Renewal
Renew Human Resources
Increase Philanthropic Support

The BAC recommends that in light of continued economic uncertainties, emphasis should be placed on non-permanent commitments where possible. In addition to allowing for flexibility in 2010-11 and beyond to address budgetary pressures, the one-time funding available in 2009-10 can be used by the University to take advantage of the potential funding available through the Knowledge Infrastructure Program (KIP) described below and to implement other deferred maintenance projects.

Subsequent to the release of the BAC XXXVIII report, the Federal government announced that $2 billion in funds will be allocated towards the KIP. The program will provide funding to Canadian universities to address urgent infrastructure renewal. Dalhousie has submitted information for various projects along with other Canadian universities.

In late April the federal government announced that Dalhousie will receive $13.5 million in funding as a contribution toward a $27 million retrofit of the Life Sciences building. The BAC understands that the province will provide some direct funding to the project and reduced interest financing. Dalhousie may also augment the funding in order to carry out work that will improve space utilization, add to student learning spaces and provide other operating efficiencies in conjunction with the project.

There will be a need to identify funds within the operating budget to support the funding plans. It is important that the University be positioned to take advantage of the program to improve as much of the campus as possible.

Recommendation #6

The BAC recommends that $7.7 million in Strategic Initiatives investment be made in the 2009-10 Operating Budget with emphasis placed on non-permanent allocations.

III COMMENTS INVITED

Please send your comments and advice on the recommendations in this report to Susan Zinck at susan.zinck@dal.ca.

Operating Budget Revenue and Expenditure Model for 2009-10

(Notes to the Budget Model are included in Appendix A)

Assumptions	
Government Grant	$17,435,760
Tuition Revenue	
Fee Increase	0%
Enrolment Change	none assumed
Facilites Renewal Fee	$1/ term
Strategic Reallocations	1.95%/0.5% for Strategic Units
ERBA distribution to Faculties	50%
Compensation Provision/estimates for all employee groups	included
Non Salary Inflationary Increase (included in lines 8a,9,10 ,11,13 and 16)	2%

		Column 1 Approved Budget 2008-09	Column 2 Estimates and Recommendations	Column 3 2009-10 Recommended Budget (Total of Column 1 and 2)
REVENUES - INCREASE(DECREASE)				
1.	Government Funding			
	a) Operating Grant	141,699	17,436	159,135
	b) Grant to support Nova Scotia Students	4,417	1,241 *	5,658
	c) Facilities Grant	1,000		1,000
	d) Other Government Grants	1,885		1,885
2.	Tuition revenues	91,774		93,524
	a) Tuition Change from Enrolment Difference (budget 08-09)		1,400	
	b) Enrolment Change 2009-10		-	
	c) Provincial Rebate Program (balance 07-08)		350 *	
3.	Endowment Income	18,450		18,450
4.	Operating Interest Income	3,200	(1,500)	1,700
5.	Facilities Renewal Fee	1,270	55	1,325
6.	Indirect Costs of Research Funding	6,942	(100)	6,842
TOTAL REVENUES - INCREASE (DECREASE)		270,637	18,882	289,519
EXPENDITURES - INCREASE (DECREASE)				
7.	Compensation	196,584	10,000	206,584
8.	Student Assistance			
	a) Operating Support	9,628	193	9,821
	b) Endowment Support	5,540		5,540
	c) Nova Scotia Student Bursary	4,067	1,591 *	5,658
9.	Library Acquisitions	6,406	124	6,530
10.	Non-Salary (net of recoveries)	36,050	596	36,646
11.	Energy, Water, Taxes and Insurance	13,769	800	14,569
12.	Facilities /Space	1,000		1,000
13.	Non Space Equipment	2,434	49	2,483
14.	Budget Unit Adjustments			
	a) Strategic Initiatives		7,705	7,705
	b) ERBA adjustment (preliminary estimate)		350	350
	c) Operating Costs Chem Storage		160	160
	d) Strategic Reallocations		(3,459)	(3,459)
15.	Faculty/Unit Revenue	(17,200)		(17,200)
16.	Facilities Renewal- Annual			
	a) Annual	10,609	464	11,073
	b) Backlog	450	9	459
17.	Contingency	1,300	300	1,600
TOTAL EXPENDITURES - INCREASE (DECREASE)		270,637	18,882	289,519
SURPLUS (SHORTFALL)		-	(0)	(0)

* 2008-09 adjustments on these three lines are revenue neutral. They reflect adjustments resulting from the 2007-08 provincial tuition rebate program to the second year of the Nova Scotia Student Bursary program. Both programs are fully funded by the province.

BUDGET MODEL - LINE-BY-LINE DESCRIPTION

The Revenue and Expenditure Model on page 9 incorporates known changes or projections for revenues and expenditures in 2009-10, as well as recommendations to balance the 2009-10 operating budget for the University. The following briefly explains how the table functions. Column 1 is the approved operating revenue and expenditure budget for 2008-09. The figures in Column 2 include estimates and recommendations for revenues and expenditures for 2009-10. Column 3 is the budget model for 2009-10. For example, line 9 of the model shows the 2008-09 budget for Library Acquisitions of $6,406,000; the projected increase for this budget line includes a non salary adjustment of $124,000 (column 2) for a total of $6,530,000 as shown in Column 3.

1. **Government Funding (Line 1)**

   Line 1(a) of the model includes increased government funding of $17,436,000 according to the MOU.

   Line 1(b) is the provincial government grant the University will receive to compensate for the provincial bursary program. See line 8(c) below for the bursary budget of the same amount.

   Line 1(c) is a facilities grant that is committed to facilities upgrade projects. The offsetting expenditure appears in line 12 of the model.

   Line 1(d) reflects provincial grant funding for the expansion of Dalhousie's MD program and other minor grant amounts.

2. **Tuition Fees (Line 2)**

   The model for 2009-10 includes in line 2(a) increased revenue of $1,400,000 from higher than budgeted enrolment in 2008-09. The approved budget for 2008-09 was based on a projected decline of 155 students from the previous year. Actual experience for 2008-09 was an increase of 170 students.

   Line 2(b) is unchanged based on the assumption that there will be no change in enrolment in 2009-10. This projection is based on advice from the Enrolment Management Committee.

Note: Government Funding and Tuition Fees do not include additional grants and fee revenue relating to program expansion in the MD and Nursing programs. The budget will be adjusted for the associated revenues and expenditures for these expanded programs once arrangements are finalized.

Line 2 c) includes an adjustment relating to the provincial rebate program that ended in the summer of 2008. Tuition fees for all regular credit programs in 2009-10 are frozen at 2007-08 rates. The 2009-10 tuition fee schedule is attached as Appendix C.

3. **Endowment Income (Line 3) and Endowment Expenditures**

The model includes no change in both endowment income and expenditure in 2009-10. Spending will be reduced by 5% from 2008-09 levels. The amounts included in the model have not been changed to reflect this decrease. The approved operating budget will incorporate the reduction as well as the spending allocations for newer endowments once finalized. For information only endowment expenditures for last year are distributed in the budget lines as follows:

	2008-09 (information only)
Compensation - Line 7	$5,584,000
Student Assistance - Line 8	5,540,000
Library Acquisitions – Line 9	226,000
Non-Salary - Line 10	*7,100,000
	18,450,000

*Approximately $2.3 million of this amount is student assistance awarded through Faculty budgets.

4. **Net Operating Interest Income (Line 4)**

Net operating interest income is projected to decrease by $1,500,000 in 2009-10 based on current interest rates, projected cash flow and the recommended reduction in credit card fees.

5. **Facilities Renewal Fee (Line 5)**

The model for 2009-10 includes $55,000 in increased fee revenue from better than budgeted enrolments and an increase in the student fee for facilities renewal of $1 per term. This increase which is similar to increases in recent years was approved by the Board of Governors at the April meeting. The fee will increase from $44 per term to $45 per term for full-time students

6. **Indirect Costs of Research Funding (Line 6)**

The model includes a decrease of $100,000 in the 2009-10 Federal Indirect Cost of Research Grant based on a recent confirmation of funding levels for 2009-10.

7. **Compensation (Line 7)**

The budget model includes provision for progression increases (CDIs, steps, etc.) and scale increases based on collective agreements currently in place, as well as provision for collective agreements that have expired (i.e. IUOE) and that will expire in 2009-10 (i.e. CUPE). Increases for non-unionized employees have been estimated and are also included on this line. The projected total increase for compensation costs including pension and other benefits for the operating component of the budget is $10 million.

8. **Student Assistance (Line 8)**

The student assistance budget is increased by $193,000. This increase includes an inflationary factor of 2 % on the Operating budget component.

The Province's plan to provide fee relief to Nova Scotia students will provide $1,022 in bursary support for full-time students in 2009-10. This increase and updated information on the number of students eligible for the bursary results in an increase of $1,591,000 in the provincial bursary amount from 2008-09 as shown on line 8(c).

9. **Library Acquisitions (Line 9)**

The model includes a 2% inflationary increase in the operating budget component of this line.

10. **Non-Salary Expenditures (Line 10)**

The budget model includes an inflationary increase of 2% for the operating component of non-salary budgets. Non-salary budgets include all expenditure budgets within Faculty and unit budgets that are not related to compensation. (e.g. teaching materials, travel, etc.)

11. **Energy, Water, Taxes and Insurance (Line 11)**

This line includes estimated fuel costs using the average pricing for the last year and projected normal consumption. Provision has also been made for an increase in electricity rates effective January 2009, as well as nominal adjustments for water, taxes and insurance.

12. **Facilities (Line 12)**

There is no change in the expenditure line for facilities. Please refer to note 1(c) above.

13. **Non Space Equipment (grant supported) (Line 13)**

This line includes a 2% inflationary increase.

14. **Budget Unit Adjustments (Line 14)**

The budget model assumes funding for strategic expenditures of $7,705,000. This funding will be allocated to specific budget units according to the Strategic Initiatives plan in the final budget for recommendation to the Board of Governors.

ERBA calculations have not been finalized yet. The $350,000 shown on Line 14(b) is the preliminary estimate of 50% of tuition resulting from increased enrolment in 2008-09 which will be distributed to Faculties in 2009-10.

The recently completed Chemistry Storage facility has additional operating costs of $160,000 in 2009-10. These costs are shown on Line 14(c).

The Operating Budget plan for 2009-10 includes strategic reallocation adjustments of 1.95% and 0.5% required of budget units to achieve a balance of operating revenues and expenditures (Line 14(d)). These reallocations total $3,459,000.

15. **Faculty/Unit Revenue (Line 15)**

Significant cost recoveries for salary and non-salary items are netted directly in lines 7 and 10 above. Line 15 includes other base revenue generated by Faculties and budget units (e.g. tuition revenue from ERBA exempt programs that is retained by Faculties). These sources of revenue provide an important means by which Faculties deal with annual budget reductions. The 2009-10 model assumes no change in Faculty/Unit revenue.

16. **Facilities Renewal (Line 16)**

This budget line includes a 2% inflationary increase, an increase in the student fee for facilities renewal (see line 5 above) as well as an increase of $222,000 in funding for facilities renewal provided under the new MOU with the province.

17. **Contingency (Line 17)**

This budget represents an annual provision for unforeseen revenue decreases and/or expenditure increases throughout the year. The $1,300,000 Contingency budget amounted to .49% in 2008-09. The BAC recommends an increase in this line to $1,600,000 (or .55%) in the 2009-10 model in light of ongoing uncertainties in areas such as enrolment and energy costs.

APPENDIX B

Summary of Changes in Estimates in the Operating Budget Model from BAC XXXVIII

	(000's of dollars
Budget Shortfall BAC XXXVIII	(3,709)
Grant to Support Nova Scotia Students/Nova Scotia Student Bursary (line 1(b)) and 8(c)) These two lines have each been adjusted to reflect actual experience in this bursary program which was introduced in 2008-09 resulting in no bottom line impact on the budget model.	-
Operating Interest Income (line 4) Interest rates have declined further from those assumed in the BAC XXXVIII report. The net deline in interest income is a result of these lower rate assumptions partially offset by improved cashflow projections as a result of year end funding as described in this report.	(700)
Facilties Renewal Fee / Facilites Renewal-Annual (lines 5 and 16(a)) These two lines have each been increased by $30,000 resulting in no bottom line impact on the model. The increase in fee revenue is allocated directly for facilties renewal and as a result there has been a corresonding increase in this expenditure line. The increase is a result of better than budgetted enrolment in 2008-09 and an increase in the Facilities Renewal fee of $1/ per term. The fee increase was approved by the Board of Governors and is consistant with recent increases in this fee and the terms of the MOU.	-
Indirect Costs of Research Grant (line 6) In March universities received notice that the funding for the program is being reduced by almost $15.0 million over the next three years in proportion to reductions in direct cost grants that are administered by each of the funding agencies. As a result Dalhousie funding from the program will be reduced by $100,000 in 2009-10 versus 2008-09 budget.	(100)
Faculty and Staff Compensation (line 7) Estimates on this line have been increased by $250,000 to reflect increases in insured benefit program renewals as a result of finalized negotiations with insurers and in Pension costs for employees in the provincial pension plan.	(250)
Total Change	(1,050)
Budget Shortfall 2009-10 before further measures	(4,759)

Dalhousie University
Proposed Tuition and Facilities Renewal Fees for 2009-10

* **NOTICE TO READER:** The Province of Nova Scotia will provide additional operating grant assistance to universities in 2009-10 for tuition relief to students.The tuition fee for all programs of study (below) will continue to be frozen. In addition a bursary of $1,022 will be available for all Nova Scotia students enrolled for a full course load. The bursary will be prorated for students taking less than a full course load.

EXAMPLE:

Nova Scotia Undergraduate Arts Student	Tuition	6,030
	Bursary	(1,022)
	Tuition net of bursary	$5,008

PLEASE NOTE: The fee rates listed below are before the bursary is applied.

	2008-2009 Approved Fees (see note * above)		2009-2010 Approved Fees (see note * above)	
	Program $	Per Billing Hour $	Program $	Per Billing Hour $
I UNDERGRADUATE				
Architecture, Community Design		210		210
Arts and Social Sciences		201		201
Computer Science (incl. Informatics)		228		228
Dentistry				
Dentistry	14,074		14,074	
Dental Hygiene (Diploma)	7,530		7,530	
Dental Hygiene (Degree)		254		254
Engineering		228		228
Health Professions				
Health Services Administration		228		228
Health Science, Nursing and Kinesiology		234		234
Pharmacy		241		241
Recreation & Health Promotion		234		234
Social Work		222		222
Law	9,166		9,166	
Management				
Commerce Co-Op		230		230
Management & Public Administration		202		202
Medicine				
MD	13,818		13,818	
Post-Graduates	2,498		2,498	
Science		228		228
II GRADUATE				
Masters				
Architecture and Planning				
Post Professional	7,254		7,254	
First Professional		242		242
Environmental Design Studies	7,254		7,254	
Planning		254		254
Planning Studies	7,254		7,254	
Urban and Rural Planning		254		254
Arts and Social Sciences	6,381		6,381	
Computer Science	7,254		7,254	
Dentistry - MD/MSc (Oral and Maxillofacial), MSc Prosthodontics	14,481		14,481	
Engineering, Applied Science	7,254		7,254	
Electronic Commerce	8,042		8,042	
Health Informatics	8,042		8,042	
Health Professions				
Applied Health Services Research	6,476		6,476	

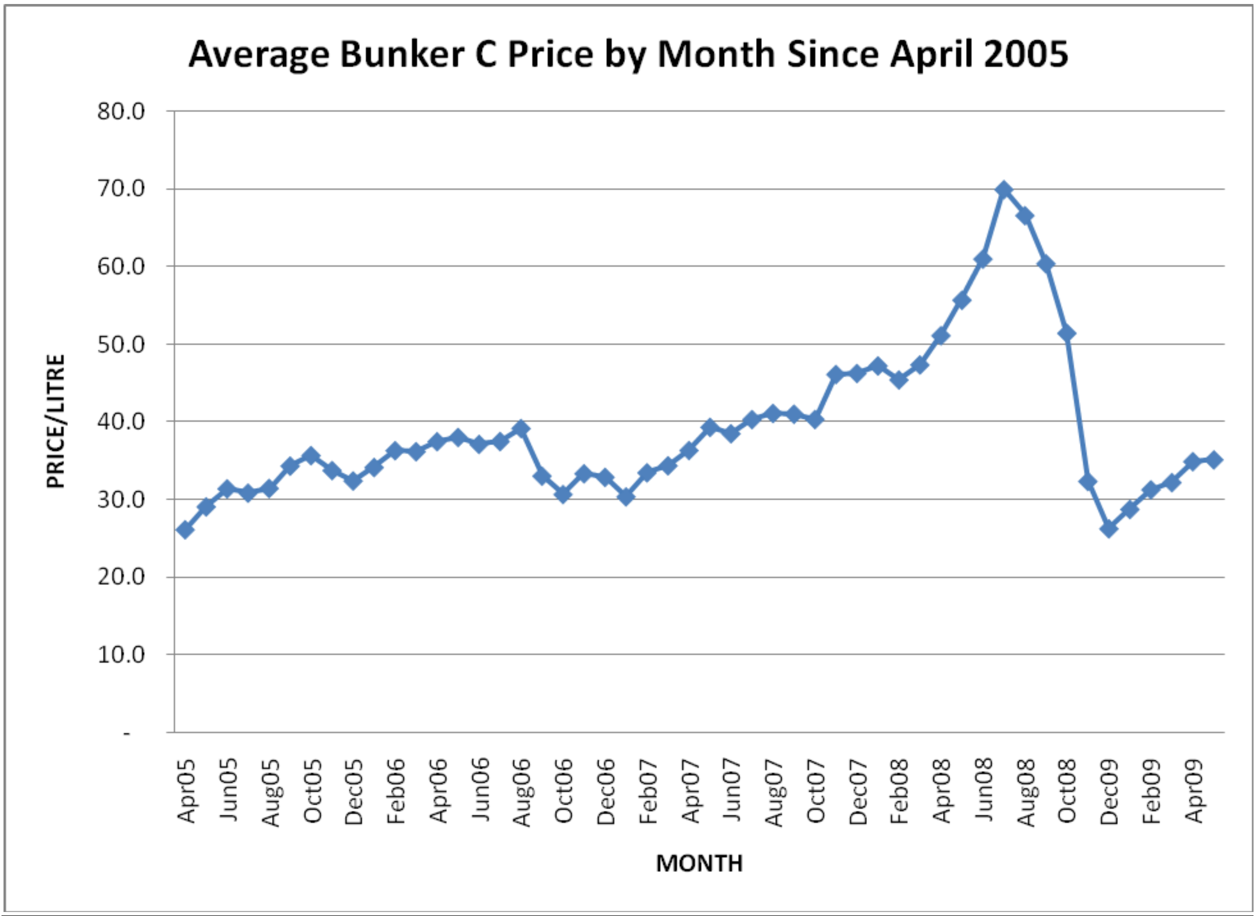
*** PLEASE SEE NOTICE TO READER (PAGE 1) ABOUT BURSARY FOR NOVA SCOTIA STUDENTS**
The fee rates listed below are before the bursary is applied.

	2008-2009 Approved Fees		2009-2010 Approved Fees (see note * above)	
	Program	Per Billing Hour	Program	Per Billing Hour
Health Professions (cont'd)				
Human Communication Disorders, MSc Audiology, MSc Speech Language Pathology (Yrs 1&2)	9,110		9,110	
Human Communication Disorders, MSc Audiology, MSc Speech Language Pathology (Yr 3)	7,548		7,548	
Kinesiology and Nursing	7,860		7,860	
Pharmacy	9,108		9,108	
Occupational Therapy (Post Professional), Physiotherapy (Rehabilitation Research)	9,108		9,108	
Occupational Therapy & Physiotherapy **	13,017		13,017	
Social Work		235		235
Law	8,944		8,944	
Management				
MBA Corporate Residency (1)			19,000	
Business Administration (2-year program) (1)		213		213
Environmental Studies	6,453		6,453	
Library and Information Studies		268		268
Public Administration		213		213
Resource and Environmental Management		213		213
Marine Affairs	6,453		6,453	
Medicine				
Community Health & Epidemiology	7,860		7,860	
Medicine - Except Community Health & Epidemiology	7,254		7,254	
Science	7,254		7,254	
Doctorate				
Arts and Social Sciences	6,699		6,699	
Computer Science	7,581		7,581	
Engineering, Applied Science	7,581		7,581	
Law	9,249		9,249	
Nursing	8,187		8,187	
Science	7,581		7,581	
Other				
Qualifying, Visiting or Special Graduate Students		241		241
Continuing Fee - All Programs	1,986		1,986	
III INTERNATIONAL STUDENT DIFFERENTIAL FEE				
All Programs (except Graduate- thesis based)	7,260		7,260	
Graduate -thesis based	5,190		5,190	
IV FACILITIES RENEWAL FEE				
Full-time (per term)	44		45	
Part-time (per term)	15		16	

Note: Fees are not listed for Premium Fee programs

(1) No new students are being admitted to the traditional MBA program, beginning in 2009-10 all new MBA students will enter the Corporate Residency program

Appendix D


Average Bunker C Price by Month Since April 2005
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
PRICE/LITRE
Apr05
Jun05
Aug05
Oct05
Dec05
Feb06
Apr06
Jun06
Aug06
Oct06
Dec06
Feb07
Apr07
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Jun08
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Oct08
Dec09
Feb09
Apr09
MONTH

Appendix E

Comparison of Percentage Operating Expenditures by area, for selected Canadian Universities[1]
('000's)

2006-2007

	Academic	Library	Computing	Administration and General	Student Services	Physical Plant	External Relations	Total Non Academic	Student Faculty Ratio[2]
	%	%	%	%	%	%	%	%	
Comparator Universities									
Laval	67.4%	5.5%	2.0%	9.9%	4.8%	10.1%	0.2%	32.6%	22.6
McGill	58.4%	6.0%	4.9%	12.0%	4.5%	10.8%	3.4%	41.6%	17.1
McMaster	56.7%	3.8%	3.8%	10.9%	8.9%	14.4%	1.5%	43.3%	19.6
Ottawa	57.3%	5.0%	2.8%	10.4%	12.3%	10.2%	1.9%	42.7%	29.3
Queens	66.0%	5.0%	2.5%	4.8%	9.8%	8.9%	3.1%	34.0%	23.9
Waterloo	57.9%	4.9%	4.0%	9.4%	11.0%	10.3%	2.5%	42.1%	26.3
Western	65.7%	4.8%	1.9%	6.6%	10.9%	7.9%	2.2%	34.3%	23.1
Calgary	52.4%	4.6%	6.9%	6.5%	11.0%	16.9%	1.8%	47.6%	16.8
Average	60.1%	4.9%	3.7%	8.8%	9.1%	11.4%	2.1%	39.9%	22.3
Larger Universities									
UBC	61.5%	4.0%	3.4%	10.2%	7.5%	11.9%	1.4%	38.5%	18.2
Toronto	60.3%	6.7%	1.6%	7.4%	11.0%	11.3%	1.7%	39.7%	25.9
Montreal	63.7%	5.5%	4.3%	11.1%	5.4%	9.3%	0.9%	36.3%	26.9
Alberta	61.3%	6.1%	4.6%	9.3%	5.3%	11.4%	2.0%	38.7%	23.2
Average	61.4%	5.8%	3.1%	9.1%	8.0%	11.1%	1.5%	38.6%	23.6
Average of Comparators	**60.7%**	**5.3%**	**3.4%**	**8.9%**	**8.6%**	**11.3%**	**1.8%**	**39.3%**	**22.9**
Dalhousie	**64.7%**	**4.4%**	**3.9%**	**6.5%**	**8.9%**	**9.8%**	**1.8%**	**35.3%**	**14.0**
Dalhousie Rank (out of 13)	**4**	**11**	**6**	**11**	**7**	**10**	**7**	**10**	**1**
				(tied for)	(tied for)		(tied for)		

1 Source: CAUBO/ACPAU Financial Information of Universities and Colleges,
2006-2007, Statistics Canada, May 2008

2 Source: CAUT Almanac 2008: "University FTE Enrolment - Full time Faculty Ratios, 2005-06"

Summary- Seven Strategic Focus Areas (2007-2010)

Enhance academic and research excellence

- Support interdisciplinary research and curriculum initiatives
- Develop recruitment, student services, curricular and research initiatives to support internationalization goals
- Sustain strong graduate and professional education and student support Programs
- Enhance academic infrastructure to support learning and teaching
- Utilize appropriate analytic tools to identify strengths and weaknesses of curriculum design, pedagogy and learning outcomes
- Assess our academic program review methods and outcomes to improve continuous learning objectives.
- Explore innovative academic program models to support both curriculum and co-curricular learning objectives
- Improve undergraduate student retention rates
- Enhance the capacity to develop large research proposals
- Strengthen Dalhousie's ability to support commercialization of research, industrial liaison, and incubation of university-based companies

Enrich student experience

- Develop campus support for our Student Engagement for Success model
- Reorganize Student Services to implement Student Engagement for Success
- Review fund raising opportunities to build Student Engagement for Success model
- Explore options for student space renewal projects
- Develop initiatives to build and celebrate campus spirit

Strengthen enrolment

- Confirm long term enrolment targets
- Establish enrolment targets by academic program area
- Enhance marketing and recruitment capacity
- Enhance graduate student recruitment efforts
- Develop international student recruitment plan
- Continuously improve Dalhousie's web site
- Align student financial support with recruitment goals

Sustain campus renewal

- Develop a campus master plan
- Increase operating budget investments in facilities renewal
- Develop a sustainable capital debt plan
- Secure reasonable Provincial Government capital funding
- Introduce space utilization and scheduling reviews
- Introduce an environmental "sustainable footprint" program
- Complete scheduled capital projects

Develop excellent human resources
- Develop effective professional development education opportunities for employees
- Establish a comprehensive Career Development Initiative
- Develop a comprehensive orientation and support program for new employees
- Maintain positive relationships with employee representative organizations
- Develop and share the results of an ongoing employee survey program
- Improve internal communications media for employees

Increase philanthropic support
- Complete the reorganization of the External Relations Department
- Develop long-term investment and fundraising plans to achieve a $1billion endowment
- Develop programs to connect and involve alumni with the university
- Develop better reporting to alumni on the "state of the university"
- Develop appropriate reputation measures and a reputation management plan in concert with ongoing marketing and recruitment actions

Ensure financial sustainability
- Create an Inspiring Excellence Fund to support Strategic Directions priorities
- Pursue increased provincial operating grant support
- Secure support for the unfunded indirect costs of research projects
- Review our Enrolment Based Budgeting Adjustments program
- Investigate a balanced scorecard approach to integrated administrative services
- Establish effective information management platforms for decision making
- Develop a sustainable capital debt plan