BARGAINING BULLETIN

In this issue of the Bargaining Bulletin, we further our argument that the STFX Administration can better support the University's primary academic mission by providing compensation and working conditions for its academic staff that are more in line with the provincial economy and the nature of academic work. Other Maritime universities with access to the same government funding, with the same student demographics, and with similar revenue and expense challenges appear to be able to provide better compensation and working conditions. Why not here as well?

The STFX Administration has just recently indicated that there are "new" financial pressures on this year's operating budget and cash flow as a result of reduced student enrollment (i.e., approximately net 65 fewer full time students than the prior year) and a large number of residence vacancies (perhaps as many as 160 empty rooms resulting from a failed room reservation policy). Are these "new" financial pressures really unexpected? The trend(s) in student enrollment should be anticipated given enrollment in Nova Scotia has been flat since 2008 (*source: MPEHC's Trends in Maritime Higher Education, Vol. 9, No. 1 2012*) and this year's enrollment is consistent with trends experienced at STFX over the last number of years (*source: Total Undergraduate Enrolment table at www.mphec.ca*). The backdrop of these "new" financial pressures is the University's inability to handle any external financial shocks. The internal context created by the StFX Administration is characterized by campus renewal funded by debt, a "bloated" administrative infrastructure with recurring annual costs, and a seeming lack of financial planning.

Leveraging the Future

The total level of campus renewal "spearheaded" by President Riley costs approximately $200 million (*source: STFX website, December 31, 2011*) and that campus renewal has been funded in large part by debt. The University currently has approximately $110 million in debt (i.e., two-thirds in mortgages and one-third in an operating line of credit). Interest expense on this debt at 6% on average equates to $6.6 million each year and this expense will grow as capital renewal funded by debt continues. In the current fiscal year, repayments of principle have been suspended in order to balance the budget; this simply highlights the lack of a plan to work ourselves out of debt. The University's debt burden is the highest among all the universities in the Atlantic Provinces, including those with residential campuses (e.g., Acadia, Mt. Alison).

To add to the level of debt, two new residences currently under construction are estimated to cost approximately $30 million. Past experience suggests that the final cost for these residences will be higher than planned due in part to numerous revisions. The new residences are funded by new debt in the form of mortgages on which the University will owe both principle and interest payments.

These new residences "will accommodate approximately 330 incremental students" *(source: STFX website, May 29 2012).* We've also been told of a planned closure of the MSB residences, so which is it? How many of these newly constructed rooms will add incrementally to our total and bring in new revenue to cover the added costs? It is also questionable whether the level of demand for residences is reflected in the future growth in student enrollment. Further, the high level of residence vacancies this year provides additional reasons for concern. Even if there is unmet demand for rooms, we also question whether the student experience is directly correlated to the cost of their accommodations and whether it is necessary to construct hotel-quality rooms in "Ivy league residences [that] will showcase the same regal design with all the amenities as the latest residences such as gourmet kitchens, lounges with big screen TV's and meeting rooms" *(source: STFX website, May 29 2012).* Given these financial decisions, we must consider the opportunity cost of the Administration's policy of re-allocating the budget and cash flow to support the capital renewal of the past ten years.

Much of the burden of campus renewal is borne by the operating cash flow of the University through interest and mortgage payments. Many of the capital projects (e.g., Bishop's Hall renovations) have been portrayed as self-financing, however, neither has this been realized nor have the opportunity costs been incorporated into that self-financing analysis. Capital spending adds to the costs borne by our operating cash flow, particularly with respect to the payment of those ever increasing interest charges, the cost of bridge financing required to fund long-term pledges, and the operational costs (e.g., energy and maintenance) required for new buildings. The residences are a part of the Ancillary Services envelope, which should be expected to subsidize other operating costs of the University, yet Ancillary Services has had a "planned" deficit for years. Ultimately, the Academic envelope is indirectly asked to "subsidize" this capital renewal through lower salaries, lack of replacements, etc. While financial leverage assists Universities like STFX to grow, the level of debt and interest payments needs to be sustainable and in proportion to the financial resources of the University.

Administrative Excess

StFX's ever-expanding Administration is the largest in the province with 32 Deans, Directors, (Associate) Vice Presidents, and President *(source: A Culture of Entitlement, ANSUT, September 2012).* In 2010-11, Dr. Riley was the highest paid President of all ANSUT-member universities, receiving $305,360 and having enjoyed a salary increase of 37.35% in only six years. Mr. Duff is the highest paid Vice-President of all ANSUT-member universities, receiving $212,507 during the same period. Between 2004 and 2010, the total salaries paid to the top five administrators at STFX increased by 45%. (The 45% is likely understated as the VP Advancement in not included in this data and there has been turnover in a number of senior positions.) In addition, the rapidly expanding middle management is adding to the University's administrative infrastructure. In sum, over this time period, the total cost of administrator compensation increased by 77% (*source: A Culture of Entitlement, ANSUT, September 2012).* This managerial expansion (both in compensation and complement) appears to be funded from the $11.7M increase in non-research revenues that grew between 2006 and 2012 (i.e., $70.6M in 2012 vs. $58.9M in 2006). A disproportionate share of that increase in revenue (only 11.6%) was spent in the Academic envelope. Moreover, the majority of expenditures in the Academic envelope are salaries and spending on academic salaries at STFX has declined as a percentage of revenue, from 35% in 2000 to 30% in 2010 *(source: CAUT).* STFX seems to have fallen victim to a troubling trend similar to that reported in MacLean's magazine: "In short, the analysis confirms what students and faculty have long suspected: a disproportionate share of new income has been used not to maintain quality, but to expand the central bureaucracy" *(source: Macleans.ca, January 14, 2010).*

In our discussions about envelopes, we must be cautious in reading University budgets uncritically. The STFX Administration determines the boundaries of those envelopes and therefore has the discretion to allocate expenses between envelopes in ways that manage those envelopes. For example, a new envelope E "Multi-Year Commitments" contains contingencies that are never reallocated to the envelope in which the expenses are incurred (e.g., retirement incentives for facilities management were charged to the Multi-Year envelope instead of to the Facilities Management envelope). By extension, administrative expenses are likely higher than the financial statements demonstrate, and the decline in the Academic envelope is likely much greater. Even the operating deficit as a whole can be managed to give the desired appearance, as budgets have been "balanced" in the past using measures such as stopping principle repayments and removing unspent premiums accumulating in our benefits plan (that were intended to be used for the provision of benefits). If government funding and student tuition is being spent proportionality less on academic staff and replacements, not to mention departmental budgets, library collections, non-space capital, front-line TSG support, classroom custodians and other employees on the front-lines in the delivery of our Academic Mission, then where is the revenue being spent?

Financial (Mis)Management?

Decisions made by the STFX Administration have created an inflexible operating budget and cash flow. As a result of the high levels of annual interest expenses, the recurring annual infrastructure costs, and a lack of planning, the University budget cannot accommodate small changes (e.g., 1.5% change in enrollment) without sliding into financial "crisis". We expect the STFX Administration to act proactively, not reactively, and to manage uncertainties, manage debt levels, manage the end of mandatory retirement, and more. In sum, we call for decision-making that would allow for some flexibility in the budget and cash flow to accommodate small external shocks. The STFX Administration should not be looking at the STFXAUT membership to bear the brunt of fixing problems of their own making.

STFXAUT members live in a context of both a lack of parity with our comparators and rapidly rising costs of living (i.e., in 2011, CPI grew by 3.8% (NS) and 2.9% (CDN)) (*source: Statistics Canada*). Our proposals tabled during this round of collective bargaining are well within the range of affordability by the University if they were to prioritize appropriately. We should expect from our Administrators a greater willingness to plan for the long term, and such plans need be realized within the context of contractual commitments that arise from collective bargaining. STFX is marketed on the basis of outstanding teaching, accessibility to professors, full-time Faculty and no teaching assistants, modest class sizes, hands-on research experience, and more *(source: STFX website, various dates)*. Our new Collective Agreement must help to strengthen these features.

In the middle of this negotiation process, faculty members of the STFXAUT have been advised of a financial presentation called for Tuesday October 16, 2012. We anticipate that the STFX Administration will present what has been called "dire" financial circumstances driven by lower enrollment and residence vacancies, conveniently coinciding with the recent public disclosure of known government funding reductions. A dire financial picture, if presented, will be in contrast to the financial presentation to Faculty in May 2012 in which there was no indication or tone of a "crisis," and also in contrast with the explanation in September for the lack of a June 2012 budget presentation to Faculty (which we were told was because there were no changes in the budget worth mentioning). We are all capable of being empathetic to changes in financial situations but it is hard to be empathetic if those changes should have been anticipated and/or are a product of management decision-making and lack of planning. We have the highest paid administrators in the Atlantic Provinces and as such we expect good management.

In preparation for the upcoming budget meeting we should be prepared to ask questions of the STFX Administration which address the issues raised in this bulletin. Answers to the following questions would be interesting for members to hear directly from STFX Administration:

- What is the University's vision and how is money allocated to support such a vision?
- What are projected enrollment levels for the next three years?
- What is the impact of international student enrollment? What infrastructure is being put in place to address known barriers to international student enrollment?
- With enrollment fees flat and/or declining for the last several years, what is the rationale for building two new residences on campus?
- In a period of flat enrollment, how and why was a policy disallowing returning students as a priority for residences approved?
- New residences are presented as self-financing, so how has the lost net revenue from MSB been factored into the decision?
- What is the anticipated deficit in Ancillary Services for 2012 and 2013?
- Annual revenue increased substantially over the last 5 to 6 years (i.e., $11.5M), so why such a disproportionate amount spent in the academic envelope?
- "Between 2004-2011, the total cost of administrator compensation increased by 77%" (ANSUT). How do you justify the increase in administrative complement and associated salaries?
- How can you contract the sizeable infrastructure you've now created?
- What is being done to fund endowed Chairs and provide "soft" monies for non-capital projects?
- How much University revenue is spent on: Land and property acquisitions? Vehicles? Athletics? {Other}?
- What is the plan for extinguishing the University's debt?

We encourage you to think of your own questions as well and to demand answers from the STFX Administration.