

Dear colleagues,

Please find below an attempt to summarize the key points of the Chairs' budget meeting, requested from the President and from the Board of Governors. The meeting was led by Anne Whitelaw and Denis Cosette. Graham Carr declined to attend. These notes were prepared by Stephen Yeager and myself.

2023-24 SPENDING DEFICIT

The original presentation on the budget to the Board of Governors from May began with a projected deficit of \$40 million. Projected costs for 2023-24 were expected to be about \$650 million, and projected revenue about \$610 million. The reason they only projected \$19 million is because they had two plans to reduce the deficit. First, they planned \$12 million in mitigation efforts. Second, they planned to use \$9 million in reserves. This left the university with a \$19 million predicted deficit for the current year.

Over the summer, they reviewed the situation and predicted that, in 3-5 years, the deficit might become \$65 million to \$75 million. Though this timeframe differs from the understanding many of us had—that a \$65-75 million deficit had been forecast in the fall for the current fiscal year—it is technically consistent with the earlier messages we've received. In Graham's November 15 message he wrote: "Unfortunately, at this point, halfway through the fiscal year, we are seriously at risk of not reaching our deficit target of \$19.4 million. Our actual current deficit is closer to \$35 million. Furthermore, when we forecast our final 2022-23 results to future years — taking into account salary increases, inflation, a reduction of the number of students, an increase in interest rates and other external factors — we estimate that the future structural challenge facing Concordia will be in the magnitude of \$65 million to \$75 million." Meanwhile in Anne's November 23 message, she wrote a very similar sentence: "Now, when we forecast our final 2022-23 results to future years — taking into account cost and salary increases as well as our limited capacity to anticipate an increase in the number of students — we estimate that the structural challenge facing Concordia will soon be in the magnitude of \$65 million to \$75 million." The allusion to 2022-23 arguably implies that the \$65-75 million forecast is for 2023-24, but in fact the statement only specifies "future years," which indeed includes 3-5 years from now.

Denis said that the "actual current deficit" named by Graham--\$35 million—was the actual current projected deficit of the current year, when projected revenue is subtracted from projected expenses. The question was asked: since it seems the mitigation efforts have been left out of this revised projection, should we therefore understand that we've actually saved \$5 million from the \$40 million deficit that was projected in May? If we go forward with the \$9 million in capital sales, our deficit can therefore be projected at \$26 million-- only \$7 million over our original target. Denis Cosette confirmed that this is the case. (Several causes for this reduction in the current deficit were listed, but perhaps one was the abandonment of the \$4 million "President's Transformation Fund," which had been set aside in May for a since-abandoned plan to incentivize early retirements.)

In brief, then, it appears that the deficit projection has changed very little in the six months since the May budget presentation. Moreover, a close reading of the communications we've received makes it clear that the university leadership never even claimed that anything had changed.

The question was asked: if total expenditures are \$650 million, then isn't a 7.8% budget cut a savings of \$50 million, which would result in a \$24 million surplus? Denis replied that this calculation was misleading because approximately \$100 million of the budget cannot be cut. Be that as it may, 7.8% of the remaining \$550 million is \$42.9 million, which is still double the current projected deficit. Hence it seemed to many who attended the meeting that the 7.8% target for budget cuts in the next academic year is quite conservative relative to the actual pressure of the current deficit.

UNITY

The total cost of Project UNITY has been \$62 million between 2019 and 2021. This includes the costs of buying the software, testing it, and implementing it, including the money paid to consultants at Deloitte. \$57 million of this cost was paid for out of the university's long-term debt, and another \$5 million was placed on the operating budget. The costs of maintaining UNITY going forward and for the rights to the software are projected to be \$3 million/year.

The chairs had pointed out that many of us have had the experience of finding expenditures misattributed to our budgets in UNITY, in what appears to be a chronic shortcoming of the platform that makes it very difficult to ensure that university and grant funds are spent responsibly. We asked if this problem was part of the deficit. Denis said that \$2.7 million had been put aside to cover overdrafts on research funds, but he said that this problem had not impacted the current deficit. He also acknowledged that UNITY does not currently improve the way we do budget activities, particularly when it comes to research, and he said that the next step will be to improve, manage, change, and simplify its processes.

OVERALL DEBT

The long-term debt of the university is currently \$362 million, although they put it at \$274 million because there is an \$88 million sinking fund, and it is locked into a 5.2% rate of interest. The current year's interest expense is therefore \$18.7 million (of which approximately \$3 million appears to cover the \$57 million in long-term debt taken on for UNITY, bringing the predicted annual costs of adopting this program up to \$6 million). Alongside this long-term debt there is also a line of credit, analogous to the line that comes with a mortgage. The current debt on the line of credit is \$162 million, with a variable rate of 3.5% interest. The annual payment on this line of credit is \$5.7 million. The total debt of the university is therefore \$524 million and the total annual payment is \$24.4 million.

REQUEST FOR THE FUTURE

Several chairs expressed a wish to find a way to involve faculty more directly in future financial decisions. We all acknowledged the difficult situations facing our university, including the demographic trends in Quebec, the pressures of provincial politics on funding, and the international pressures on higher education as a whole. For this reason, faculty should be involved more directly in the formulation of overall financial strategy, so that when there is an emergency like a deficit there can be a broader buy-in on the necessary cost-cutting and revenue-generating measures. Anne said that she was open to having conversations about these possibilities, but also that some decisions, like choosing Unity, were perhaps too "complex" to bring to the broader community and were the responsibility of senior administration. In the meantime the budgeting and cutting exercises were dynamic, and so the starting point of parametric, across-the-board cuts of 7.8% may be subject to future refinement. The provost acknowledged that a 7.8% cut across the board "is the same, but it's not equitable".

The Budget Review Working Group has been working on the question of the deficit since Jan/Feb 2023. It is co-chaired by the provost and the CFO, and includes the VP Services and Sustainability, VP Research and Graduate Studies, AVP Integrated Planning, AVP Finance Controller, and the Senior Director of Budget Planning. They intend to do an assessment after this round of cuts, see how close they are to their targeted deficit, and make adjustments.

Chairs also expressed concern about the connection between these budgetary questions and the university's mission and approach to teaching and research. The provost acknowledged that she has wanted to make changes in the academic sector for several years, that have been delayed for various reasons, and that she would like to find ways to shift money to areas like research, where we want to grow. She emphasized that changes to academic programs will come from the departments themselves, saying, "the intent is to say here's the challenge, give us your suggestions on how to do that". They want to look at whether the programs we offer are still meeting people's needs, what the costs of our programs are, etc. The CFO invokes the drastic cuts made to some universities in the United States, as an example that this is a challenge in higher education right now more broadly.

Anna Sheftel, Chair SCPA

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