

Highlights from the May 21st SBAC Meeting:

Clarification of budget concepts

1. Capilano cannot use its reserves to solve budget shortfall

The University Act requires that a university balance its budget. Because of this requirement, many universities have generated sizeable reserves to offset possible deficits. Capilano has a relatively small reserve totaling approximately \$8.8 million after two decades of accumulating amounts each year from parking services and international tuition and contracts. These reserves, which can be only accessed if Capilano runs a deficit, are only for one-time items – not ongoing operating expenses such as programs expenses or salaries. The reserves could be used only on improvements to the University. At this time running a deficit is not a viable option for Capilano. We must apply to both the Minister and the Ministry in writing to receive approval to run a deficit. This approval will not come in time for us to make the required 1st quarter submission to the government on our budget. The Board of Governors for Capilano mandated that we adhere to the University Act and submit a balanced budget.

2. Fundraising

Many faculty have proposed increasing revenues by fundraising. As a rule, money from fundraising is only available for one-time expenditures and cannot be used for ongoing expenses, such as salaries. However, fundraising initiatives create a much revenue stream for the University so all such initiatives should still be pursued.

3. Changes to Accounting Methodology

The ministry required that the University change its accounting methodology to Public Sector Accounting Board standards (PSAB) from Canadian Institute of Chartered Accountants standards (CICA) which has resulted in changes to the appearance of the budget. As required by the University Act, the overall balance of the budget is zero under both methodologies.

	PSAB 2013-2014	CICA prior to 2013-2014
# of funds available for review	7 funds including operating fund	1 operating fund only
Overall balance of budget	0	0
Balance of operating fund	\$4.7 million shortfall	0

Under CICA prior to 2013-2014, the operating fund was the only fund reviewed by the SBAC and university community. To satisfy the requirement that the university have a balanced budget, the operating fund was forced to zero by amounts transferred from other funds to *One-time Revenue* in the operating fund. The accounts transferred were unclearly named:

- 09/10 (or 10/11) surplus
- Contract (International) Revenue Earned in Prior Year

The purpose of these accounts would have been more accurately reflected if named *Current Income from other Funds*.

Under PSAB, the full budget with all accounts is provided, each with its deficit or surplus. The deficit in the operating fund highlights the structural deficit resulting from the operating grant.

4. Potential savings from program suspensions in 2013-2014 and 2014-2015.

In 2013-2014, the potential savings from program suspensions could be \$1.2 million.

In 2014-2015, the proposed program suspensions could save an additional \$.5 million. Unfortunately, these additional savings would be offset by negotiated (and proposed) salary increases of \$.75 million and other anticipated increases to operational costs. A budget shortfall is anticipated in 2014-2015.

Next Steps

- Develop and implement website for communicating with University community and gathering suggestions on how to increase revenue and decrease expenses.
- Meet with Deans on May 23 to review proposed program suspensions.
- Begin preliminary discussion on administration expenses.