Frequently Asked Questions (FAQs) – 2014 Management Statements and Budget Review

Question 1 – The general operating fund had a surplus of $12.7M for 2013/14. Where did this come from and how is it going to be spent?

General Operating Fund Revenues of $334.5 million exceeded expenditures of $321.8 million by $12.7 million. The University expects to have and generally does have an annual surplus each year because of:

- Planned allocations added to reserves for future major capital (new buildings and repurposing space) and equipment replacement;
- Positive variances between expected and actual results including:
  - Increased or unanticipated revenue (e.g. international tuition)
  - Lower expenditures than planned (e.g. vacant positions)
- Transfers of operating funds to cover other fund expenditures, such as research, capital or specific purpose (e.g. building repair and renovation costs)

In addition, the University is required by provincial statute not to have a deficit in any given year. For 2013/14 the surplus was used as follows:

Transfers to cover capital expenditures	$9.3M
Transfers to research	$1.9M
Transfers from specific purpose and other	$(0.6)M
Net reserve increase from favourable balances	$2.1M
Total	$12.7M

Question 2 – What impact do the 2013/14 financial results have on future budgets?

Where appropriate, the positive results that led to the 2013/14 surplus of $12.7 million, such as the $5.6 million related to international tuition, have been taken into account in the development of the 14/15 operating budget. The increase in international tuition contributed significantly to making it possible to avoid budget cuts this year. These positive financial results also place the university in a better position to deal with anticipated future funding reductions and provide a source of funding for capital.

Question 3 - What are internal cost allocations?

Internal costs allocations are net transfers between internal accounts for the provision of goods and services provided by departments to other units within the university. They represent expenditures from one unit's account and revenue for the account of the unit that is providing the service. Overall, they net to zero. The net recoveries in the general operating fund of $6.587 million are made up of telephone services and equipment rentals, salary recoveries, printing and duplicating, computing support, Cancopy fees, graphic services, interest on internal loans and a variety of other miscellaneous charges.

Question 4 - Why have academic salaries increased more than support salaries in the General Operating Fund?

Faculty salaries increased in 2013/14 due primarily to the retroactive pay dating back to July 1, 2012 as a result of the recent arbitration award. Conversely, support salaries declined over the previous year due to the one-time severance and related costs included in 2012/13, which was coupled with the reduction in the number of support positions in 2013/14.

Question 5 - Why do you have different management financial statements versus external audited financial statements?

The university manages its finances using a funds flow methodology that classifies resources for accounting and reporting purposes into fund groups with similar characteristics to ensure that restricted grants, donations and contributions are spent only for the required purposes. The external audited statements are prepared in accordance with Public Sector Standards, as required by the accounting profession and the Provincial government. We have one set of books and two methods of presentation.

Question 6 - Are the management financial statements audited?

Technically there is no audit opinion expressed on the fund statements and schedules, but the figures reported are reviewed, analyzed and verified by the external auditors because they form the basis for the audited financial statements.

Question 7 - Why is the net increase /decrease in the General Operating Fund balance zero every year?

The total excess of revenue over expenditures is appropriated each year to reflect existing commitments and, to a much smaller extent, for commitments for strategic priorities. These include:

- Honouring the commitments made to employees for pro-D, start up, leaves, etc. Unspent balances are carried forward to the next year.
- Honouring the university’s policy of 100% carry forward for all departments. Unspent department funds are carried forward to the next year.
- Allocations- made by departments to equipment reserve in order to ensure future replacement of these assets; and
- Remaining funds are allocated for strategic priorities such as student financial aid, repairs and renovations to buildings, major capital projects, information technology projects, etc.

Question 8 - Why does the university have $117 million in cash?

Total cash and temporary investments reported on the financial statements include the university's cash and that of its 12 related entities[1]. The university's cash represents funding that has been received for operations, research grants and endowments in advance of actual expenditures.

Question 9 - What are employee future benefits?

This represents liabilities to employees for sick leave, pension, group life and long- term disability benefits.

Question 10 - Why are the assets and liabilities of the LTD (Long Term Disability) trust included in the university financial statements since the contributions come from employees and the funds are held in trust?

Given that the Board of Governors appoints the trustees, accounting standards require that the LTD trust be consolidated as part of the university's financial statements. Although the trust is included in the university's financial statements, the university cannot access the funds within the trust.

Question 11 – Can you use the revenue or the surplus within the Specific Purpose Fund to support university operating costs?

No. The Specific Purpose Fund consolidates the budgets of the university's foundations and other entities. The cumulative fund balance of $61.2 million includes $45.7 million (75%) related to the UVic Foundation's expendable balance, which is restricted to expenditures to carry out the purposes of the 1,100 endowments. Most of the other balances held in UVic are restricted for specific externally designated purposes.

Question 12 – Is the university using the General Operating Fund to fund capital projects such as CARSA?

Over the years, external funding for capital and maintenance has declined significantly and the university has been increasingly required to provide funding for large capital, deferred maintenance and renovation projects. This year, $7.1 million of non-recurring funding from the General Operating Fund was contributed toward the CARSA project, as well as $2.2 million to a variety of other capital projects. This allocation is consistent with the funding plan when the project was originally initiated. Had CARSA not been constructed, there would have been a requirement to invest operating dollars in deferred maintenance at the Ian Stewart Complex.

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[1] UVic Industry Partnerships, University of Victoria Properties Investments Inc., Ocean Networks Canada Society, Pacific Climate Impacts Consortium, University of Victoria Long-Term Disability Trust, University of Victoria Foundation, Foundation for the University of Victoria, U.S. Foundation for the University of Victoria, Heritage Realty Properties Ltd., Vancouver Island Technology Park Trust, Tri-Universities Meson Facility (TRIUMF) and Western Canadian Universities Marine Sciences Society.