

Frequently Asked Questions (FAQs) – 2016 Management Statements and Budget Review

Question 1 – The general operating fund had a surplus of \$11.8M for 2015/16. Where did this come from and how is it going to be spent?

General Operating Fund Revenues of \$353.3 million exceeded expenditures of \$341.5 million by \$11.8 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 2015/16 the surplus was used as follows:

Transfers to cover capital expenditures	\$14.3M
Transfers to research	\$0.1M
Transfers from specific purpose and other	\$(1.9)M
Net reserve decrease	<u>\$(0.7)M</u>
Total	<u>\$11.8M</u>

Question 2 – What impact do the 2015/16 financial results have on future budgets?

Where appropriate, the positive results that led to the 2015/16 surplus of \$11.8 million, such as the \$7.4 million increase over prior year related to international tuition, have been taken into account in the development of the 16/17 operating budget. This growth in international tuition contributed significantly to positive budget projection for 2016/17.. These positive financial results also place the university in a better position to deal with anticipated future revenue fluctuations that may result for changes in enrolment 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 \$6.006 million are made up of telephone services and equipment rentals, salary recoveries, printing and duplicating, computing support, graphic services, interest on internal loans and a variety of other miscellaneous charges.

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

Both academic salaries and support staff salaries increased this year through a combination of progression through the ranks or ranges plus a general wage increase. While salary increases overall were largely greater for academic ranks, the growth in total salary spending for non-academic positions was larger. This relative growth difference was a result of a combination of higher vacancies within academic positions compared to the prior year as well as growth within the non-academic area.

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, supplemented by Treasury Board regulations, 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 (deferred maintenance), major capital projects, information technology projects, etc.

Question 8 - Why does the university have \$87 million in cash?

Total cash and temporary investments reported on the financial statements include the university's cash and that of its 14 related entities¹. The university's cash represents funding that has been received for operations, research grants and endowments in advance of actual expenditures plus savings from previous years.

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 \$77.6 million includes \$61.0 million (79%) related to the UVic Foundation's expendable balance, which is restricted to expenditures to carry out the purposes of the 1,241 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?

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

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), Western Canadian Universities Marine Sciences Society, GSB Executive Education Inc. and Byron Price and Associates Ltd.

renovation projects. This year, \$3.9 million of non-recurring funding from the General Operating Fund was contributed toward the Continuing Studies expansion (by the Division), \$2.4 million was contributed to supplement routine capital renovations and maintenance, \$1.5 million was contributed to the Enterprise Data Centre expansion and \$6.5 million was contributed to a variety of other capital projects. These allocations are consistent with the funding plan when the projects were originally initiated.