FOR MEMBERS OF THE UMFA BARGAINING UNIT ONLY

BARGAINING NEWSLETTER

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Stay in touch...
We welcome the opportunity to meet at the UMFA Office with individual Members or groups of Members who wish to discuss matters related to bargaining or any other concern they might have.

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University of Manitoba Financial Analysis

Part 1: Healthy Finances

The University of Manitoba is facing a critical budget shortfall which will require ". . . the likely layoff of university employees. A hiring freeze has been implemented. Faculties have been asked by the central administration to make additional cuts in expenses of five per cent, a disastrous amount given that funds were stretched to the limit prior to this year."

Maybe that sounds familiar. It is from the December 2009 UMFA newsletter article that talks about President Barnard's alarm at an approaching financial crisis that could only be solved by the draconian measures proposed above. In addition, the 2009 financial crisis was the justification for the ROSE and OARS initiatives, which would then go on to beget CONCUR, EPIC, FAST and a host of other acronyms that would in turn generate additional work and frustration for everyone in the academy.

Seven years later, the financial sky is still falling. We have heard President Barnard talk about how expenses are increasing faster than revenues and so we have seen three consecutive years of operating unit budget cuts. Enrolments have remained the same or increased over the last few years, but course sections have been cancelled, the sizes of many of the remaining classes have increased, support staff have been laid off, and there are new proposals to increase workloads of UMFA Members. What does this mean for bargaining? Should UMFA Members be demanding salary increases? Can the UM afford to give us any kind of increase?

In preparation for this round of bargaining, UMFA undertook an analysis of the UM's financial situation.

In broad terms, we find that the University is in great financial shape. The most recent operating revenues exceed operating expenses by the highest margins in the past ten years and, very likely, in the UM's history.

As has been the case in the past several years, these surplus funds are being channelled away from UM operations (i.e., teaching and research) and into capital (buildings, equipment, etc.). Finally, the proportion of UM operating revenue that is used to pay UMFA salaries has declined by 3.8 percentage points (a drop of 15%) since 2007. In this Newsletter, and one more to follow next week, we present the details of the situation.

The UM's 2015-2016 Annual Financial Report has just been released on the umanitoba.ca website (check it out here). The first noteworthy bit of information comes from the statement of operations, a condensed portion of which is reproduced below:

University of Manitoba General Operating Fund Statement of Operations for the year ending March 31, 2016 (millions of dollars)	
Operating revenues	$629.5
Operating expenses	533.9
Net revenue	$95.6

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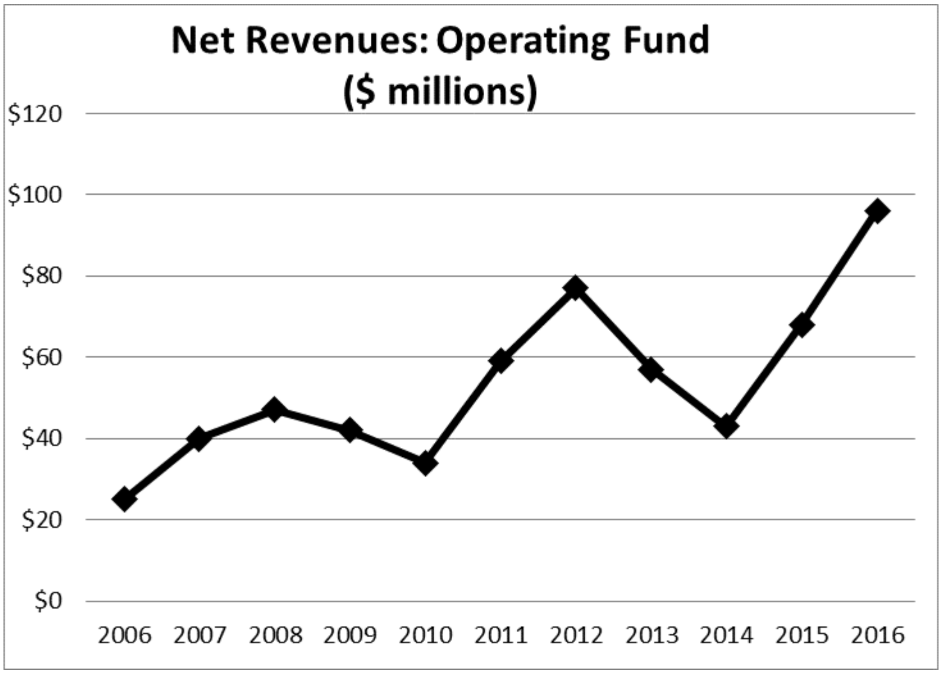
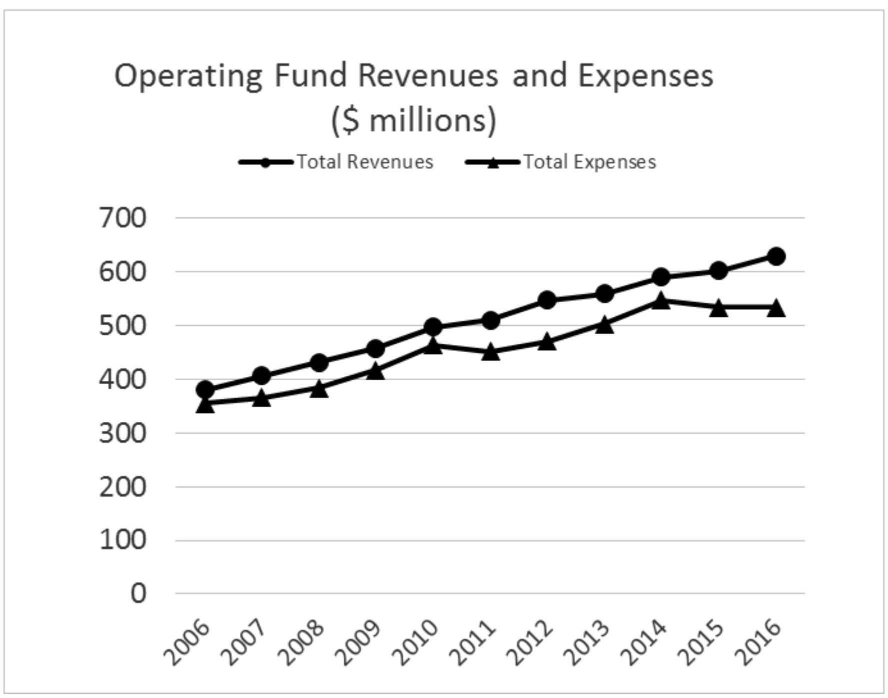
The General Operating Fund's Net revenue is the excess of operating revenues over operating expenses, a measure of operating income. It is significant because it represents the amount of operating revenues that were *not* spent on the UM's operating activities (the costs of putting on courses, employee salaries, routine maintenance, utilities, etc.) The $95.6 million figure is the highest in recent UM history, as shown in the graph below.



This is a puzzling result. If, as President Barnard explained in Senate, expenses are increasing faster than revenues, this line should be sloping downward. The graph below charts UM operating revenues and expense over the past eleven years.



Operating revenues have increased pretty consistently over the past eleven years. What is more interesting is that expenses have not been increasing at a faster rate than revenues. In fact, operating expenses have *decreased* in each of the last two years. The operating unit budget cuts over the past two years probably explain at least part of this decrease.

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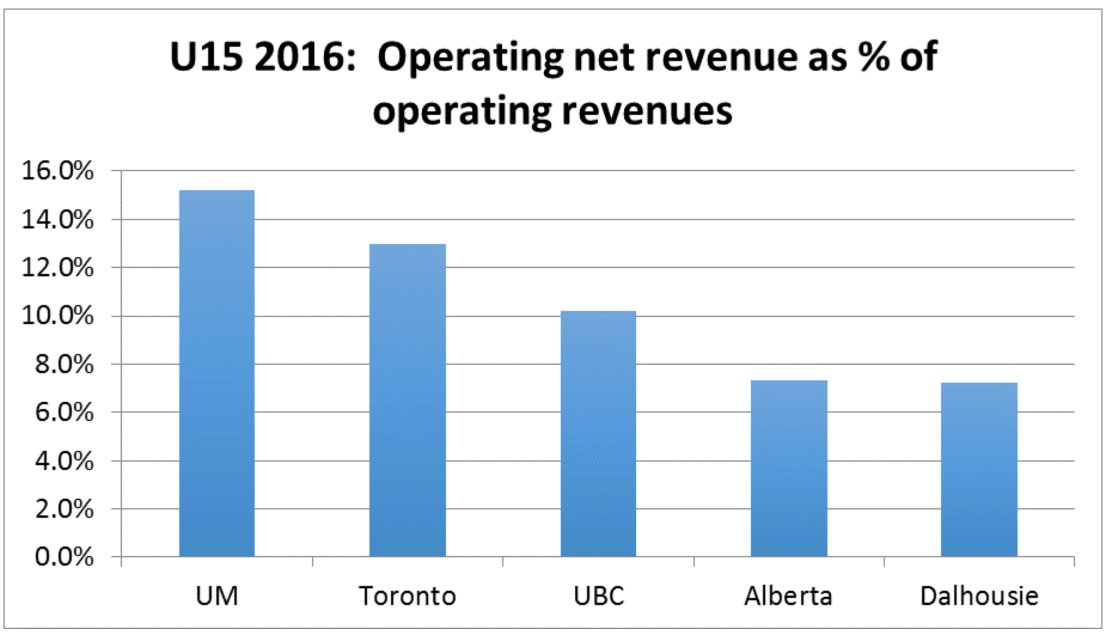
The most recent results show that the UM is diverting 15.2% of its operating revenue to non-operating activities—which can include library books, labs, or new buildings. Does that seem excessive? It is difficult to answer that question without comparing it to an analogous ratio of some other organizations. We calculate below a "Return on sales" ratio equal to operating income (the analogous income figure for for-profit companies is earning before interest, tax, depreciation and amortization, or EBITDA) divided by operating revenue.

"Return on sales" for select Canadian organizations [1]		
	2015	**2016**
University of Manitoba	11.3%	15.2%
Canadian Tire	12.0%	
Loblaw Companies	6.9%	
Hudson's Bay	10.3%	
Leon's Furniture	8.0%	
Air Canada	9.7%	

UM compares well to some of Canada's most successful for-profit companies. But perhaps the fairest comparison would be to the other U15 universities. At the time of this writing, five of the U15 had released their 2016 financial statements. Operating-net-revenue-to-operating-revenue results for these universities is charted below:



UM is a top "performer" among this group as well.

CONCLUSION

Our results to this point indicate that the UM is in strong and improving financial condition. In comparison with available 2016 data from U15 universities, UM has the highest "profit" relative to operating revenue, i.e., UM is channeling more of its operating funds away from its central research and teaching activities and into something else. Next week, we'll examine where all that money is going.

1. Comparison is a little bit difficult here because the Canadian companies listed have fiscal years that run from January 1 to December 31, where UM's fiscal year is April 1 to March 31. UM's 2016 fiscal year is most comparable to Canadian Tire's 2015 fiscal year.

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