



McMaster University Faculty Association

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NEW BUDGET MODEL INFORMATION SESSION & GENERAL MEETING

Wednesday, December 9th, 2015

9:30 a.m.

Council Chambers

(Gilmour Hall, Room 111)

AGENDA

- 1. Q & A with University budget manager**
A member of the University's budgeting team will be on hand to answer member questions about how the New Budget Model (NBM) is designed & implemented. An overview of the NBM prepared by the University is attached. Additional information is available at: <http://budgetmodel.mcmaster.ca/>
- 2. MUFA's Budget Advisory Committee (BAC)**
Arthur Sweetman (Economics & Chair of MUFA's BAC) will provide an overview of the BAC's terms of reference and solicit feedback from members about the New Budget Model and University finances. The TOR are available at: http://macfaculty.ca/wp-content/uploads/2014/08/BudgetAdvisoryCommittee_2015-16-TOR.pdf
- 3. Minutes of the Annual General Meeting held April 27th, 2015 (attached)**
- 4. President's Report – Michelle Dion, President**
- 5. Other business**

Budget Model – Quick Summary

In August 2009, the Alternative Budget Model Task Force (BMTF I) recommended that: *“McMaster University investigate the development of a version of an activity-based budget system that fully supports and enhances its academic mission. Any proposed new budget system should be phased in to ensure a smooth transition from the existing budget system and with provision to hold units harmless, to the extent possible, during the transition period.”*

With 13/14 as a shadow year, the model was fully implemented in 14/15 and has since been adjusted in many ways as concerns, behaviors and unexpected consequences have been noted. These adjustments mostly alter the values of parameters used by the model and not the underlying principles. Here is how the model works going into the 16/17 budget cycle.

In its simplest terms the revenue streams in the Framework are allocated out as earned. Thus:

- MTCU Grants follow students to where they are registered.
- Tuition Fees follow students to where they are taught (Teaching Faculty rate).
- Application Fees follow students to where they apply
- Research Overhead follows Principal Investigator to their home Faculty
- University Interest earned/charged follows the Faculty balance that generated or incurred it.
- General Endowment Interest is prorated based on each Faculty’s overall expenditures.

Two Pools are then created by taxing the revenue above:

Research Discretionary Pool – Tax of 7% on Research Overhead. This funds a pool that can be used by the VPR for strategic research initiatives.

University Fund (UF) – 8% tax on Framework Revenue (excluding Research OH). This funds a pool that is allocated by the Provost to be used for pan-university strategic purposes (incl. Hold Harmless).

Central Support Unit Budgets are set by the University Budget Committee as in the past. These are then deducted from Faculty budgets based on “usage” - using the most relevant driver as a proxy. Thus:

- Student support services (Student Affairs, Scholarships, etc) are driven out on student FTEs
- Occupancy costs (utilities, custodial, etc) are driven out on Net Assignable Square Meters (NASM)
- General Admin (Finance, Advancement, etc) is driven out on average expenses or revenues
- General Resources (Library, UTS, etc) are driven out on student and employee FTEs
- Research Support (ROADS, MILO, etc) is driven out on average research revenue
- Employee services (HR) are driven out on Employee FTEs

Conscious Decisions in Deviating from pure Activity Revenue/Cost allocations (in addition to UF)

Recognizing that the indirect costs of having a research intensive university are never fully covered by the overhead that is brought in, some adjustments have been made to help defray these unfunded costs in the most research intensive Faculties:

Research Infrastructure Fund (RIF) – 1% of framework revenue (excluding Research OH) is collected from each Faculty and then redistributed back to the Faculties based on the research intensity of each Faculty using proportionate share of research OH as a proxy.

Research Excellence Fund (REF) - A portion of the University Fund is allocated to the Faculties using the same proxy as the RIF.

Occupancy Costs –Space is charged at a uniform average rate per square meter without distinction as to the type of space. This spreads the higher infrastructure costs associated with research labs (such as utilities) over all Faculties.

We also recognize that Professional Faculties have benefited from higher BIUs and tuition increases as allowed by the province over the years. Therefore, the residual tuition, generated when students from these high tuition faculties are taught by lower tuition Faculties, is split 50/50 between the two Faculties.

What does this mean to Faculties?

It is important to recall that the old model allocated resources on a historical basis that lacked transparency and could not be justified based on any rational allocation model.

The most recent Faculty budget allocations (15/16) are shown in the table below. Each allocation is compared to the shadow year (13/14), which was the last year of the old model. If the 15/16 allocation is less than this, the Faculties are provided with a hold harmless subsidy to bring them up to that 13/14 value. The three Faculties with the negative variance (third line of table below), receive this subsidy and are deemed to be in “Hold Harmless”. The total hold harmless allocation is the first call each year on the UF.

Each of the Faculties’ financial health has not changed dramatically because of the new budget model. The budget model provides clarity to the “number” they receive as their allocation, and it is not less than their 13/14 allocation. Each Faculty actually received more than this level, even if in Hold Harmless, due to additional resources coming from the University Fund to pursue the strategic direction of the University (see final few lines in the table below). Increases over 13/14 are due to a combination of moving to the new model, enrolment changes, inflation, strategic investment etc.

\$'000	<u>Health</u>			<u>Social</u>		
	<u>Business</u>	<u>Engin'g</u>	<u>Science</u>	<u>Humanities</u>	<u>Science</u>	<u>Science</u>
2015/16 Allocation	31,690	54,796	61,846	18,503	49,762	30,346
2013/14 Allocation(HH level)	26,873	50,633	69,330	23,913	51,433	27,929
Comparison to 2013/14 (HH subsidy)	4,817	4,163	-7,484	-5,410	-1,671	2,417
Hold Hamless Subsidy			7,484	5,410	1,671	
Additional budget allocation from UF	70	470	2,873	2,370	2,639	1,122
Allocation increase over 2013/14	4,887	4,633	2,873	2,370	2,639	3,539
Allocation increase %	18%	9%	4%	10%	5%	13%

It is important to realize that budget allocation growth is not indicative of the complete financial health of a Faculty. The budget allocation must be combined with the other direct sources of revenue that Faculties receive, their expenditures, and starting appropriation situation to fully appreciate the Faculty financial picture. Moreover, changing the budget model does not put new money in the system – it simply realigns how certain funds are allocated. Therefore, efficiency and cost containment exercises along with new revenue generation must continue, as they have in the past. However, the model now enables Faculties to understand and control their allocation and to help inform decisions which impact that component of the financial sustainability of the Faculty.

For more information on the Budget Model please visit <http://budgetmodel.mcmaster.ca/index.html>



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MINUTES of the ANNUAL GENERAL MEETING

Monday, April 27th, 2015

Great Hall of the University Club

Present: Approximately 50 members, R. Kleiman (Chair)

Regrets: N. Serruys

1. MINUTES of the General Meeting of December 3rd, 2014

MOTION

That the minutes of the General Meeting held on December 3rd, 2014 be approved as circulated.

**R. Stubbs/G. Luke
Carried Unanimously**

2. BUSINESS ARISING

There was no business arising from the December 3rd, 2014 General Meeting.

3. COMMITTEE REPORTS

a) Association Standing Committees. There were no questions from the floor regarding the reports from these committees.

b) University Committee and Boards. There were no questions from the floor regarding the reports from these committees.

MOTION

That the Committee Reports be accepted as submitted.

**M. Dion/L. Parker
Carried Unanimously**

4. RETURNING OFFICER'S REPORT – M. Grasselli

As Returning Officer for the election of the Executive Committee for 2015/2016, I hereby report that, as there were no further nominations by the April 3rd, 2015 deadline, the Nominating Committee's slate which was distributed to the membership on March 20th, 2015 is declared elected.

The 2015/2016 Executive is as follows:

PRESIDENT	Michelle Dion	Associate	Social Sciences
VICE-PRESIDENT	Martin Horn	Associate	Humanities
PAST-PRESIDENT	Rafael Kleiman	Professor	Engineering

MEMBERS-AT-LARGE

Russell Bishop	Associate	Health Sciences
Nancy Carter	Assistant	Health Sciences
Lilian Chan	Professor	Business
Qiyin Fang	Associate	Engineering
Michel Grignon	Associate	Social Sciences
Elkafi Hassini	Associate	Business
Nicholas Kevlahan	Professor	Science
Briana Palmer	Assistant	Humanities
Laura Parker	Associate	Science
Arthur Sweetman	Professor	Social Sciences

5. TREASURER'S REPORT – R. Kleiman for L. Chan

- a) Preliminary Budget for 2015/2016 and Annual Statement of Cash Receipts and Expenditures as of March 31st, 2015.

MOTION

That the preliminary budget for 2015/2016 be adopted.

**N. Carter/R. Stubbs
Carried Unanimously**

- b) Appointment of Auditor for 2015/2016

MOTION

That Les Lucyk Professional Corporation be appointed as the Auditor for the Faculty Association for 2015/2016.

**M. Dion/N. Kevlahan
Carried Unanimously**

6. PRESIDENT'S REPORT – R. Kleiman

This has been a very busy year for me and for MUFA, with never a dull moment, though at times I thought that a few dull moments would have been most welcome. With the luxury of a long time between contracts, we have been able to be more proactive and less reactive than usual and address some longstanding issues:

As an organization, we have modernized in several different ways. Our physical space is in the process of being upgraded to create a cheerful and healthy working environment for our

staff and volunteers. We have reviewed and strengthened our internal financial processes, including the hiring of a new financial auditor. A thorough review of our Constitution and By-Laws will be required in the next few years to ensure compliance with the fully-anticipated but not-quite-enacted Ontario Not-for-Profit Corporations Act. I am pleased to announce the official launching of our new website (still at <http://www.mcmaster.ca/mufa/>) on Friday, with the same great content, but with a new layout and easier navigation. The site is also designed to be compatible with modern mobile devices. We are also developing a new electronic database to be able to better respond to individual member enquiries and to be able to monitor statistical trends related to our membership as a whole. I am also pleased to report that the University Administration has agreed to provide MUFA with member information as it has in the past, but now on a much more regular basis. This information will continue to be used only for the two purposes just described.

A relatively minor, but symbolically significant accomplishment was our successful advocacy to restore the Technology Fund for the Faculties of Humanities and Social Sciences that fell victim to a shift in funding from UTS centrally to the two Faculties individually. While there was no agreement as to whether the Joint Committee agreement that established the Fund in 2003 was a Joint or a unilateral agreement, the funding has been restored.

In parallel with the commissioning of the *Yates Report on Gender Equity* at McMaster in December 2012, MUFA began a collaborative examination of gender pay equity at McMaster, working with the McMaster Office of Institutional Research and Analysis (IRA), along the lines of a similar process that took place at UBC. A comparable examination had not taken place at McMaster since 1991 and studies indicate that gender disparities build up over time and need to be periodically re-examined, along with attention to systemic factors such as those highlighted in the Yates Report. The analysis did indicate a statistically significant pay difference, correcting for all known variables, using widely accepted methodologies. While it would have been preferable to find no gap, I am pleased to report that the University Administration has agreed to remedy this gap with a pay increase of \$3515 for each female faculty member on the CP/M scheme, to become effective July 1, 2015. MUFA and the University Administration issued a Joint Statement on this Agreement just this morning, posted on the MUFA website, the Provost's website and on the Daily News.

MUFA has continued to work with the University Administration to improve the Long Term Disability (LTD) insurance plan to better serve the needs of our members in the rare event that it is required. The University is in the process of seeking competitive bids for its health and dental coverage and its LTD insurance, which have not been examined for many, many years. The notice to Sun Life that we were considering this has already led to significant rate reductions for LTD. While rate is important, so is coverage – and inflation is beginning to erode the value of the insurance due to non-indexed benefit caps. There is now a timeline for this process to unfold leading to implementation of a new LTD plan, possibly with a new carrier, in 2016.

I am very appreciative that we were able to work cooperatively and collegially with the University Administration at Joint Committee on these matters. When I say ‘we’ I mean Michelle Dion (MUFA Vice-President) and Martin Horn (Special Enquiries and Grievances), who along with me represented MUFA on Joint Committee, supported by the MUFA Executive and its Committees. The University Administration was represented by David Wilkinson (Provost and VP Academic), Roger Couldrey (VP Admin) and Susan Searls Giroux (AVP, Faculty).

Another unfortunate longstanding issue for MUFA has been managing the fallout from strife within the DeGroot School of Business. The McMaster Tribunal hearing two related cases under the Anti-Discrimination Policy issued its findings and remedies in May and September 2013, respectively. Among other things, the Tribunal ordered, as remedies for breaches of the Policy by the University, a review of the Anti-Discrimination Policy and of the role of the Human Rights and Equity Services office at McMaster. The Tribunal mandated that “The University will commence a review of the Anti-Discrimination Policy within 90 days” and that “The University will be provided with 12 months to complete the review of the Policy”. The Anti-Discrimination/Sexual Harassment Policies and Procedures Review Panel was officially constituted and its Terms of Reference approved by Senate/Board of Governors on December 11/12, 2013.

The new *Policy on Prevention of Discrimination, Sexual Harassment and Workplace Harassment* combining the existing *Policy and Procedures on Sexual Harassment* and the existing *Anti-Discrimination Policy* is now at the beginning of the formal approval process through Senate and the Board. While the policies were clearly in need of review and revision, the artificial deadline mandated by the Tribunal, already passed, has introduced an unwelcome conflict with established procedures for review, revision, consultation and approval of University policies, in this case ones that affect the terms and conditions of employment of faculty members. While very rushed, we have been working with the Co-Chairs of the Review Panel, Jane Aronson and Sarah Dickson, to make changes that we feel would improve the Policy as a whole and best serve our faculty members. We appreciate their efforts in the review and revision of the Policies and their willingness and effort to address our most serious concerns.

In May 2014, a Notice of Application for Judicial Review was filed with the Ontario Superior Court to consider the Tribunal’s decisions, which is not likely to go before the courts until the middle of 2016. While I was previously hopeful that these two reviews would progress in parallel and lead us to closure on the issues and a more robust Policy, it now appears that you will need to keep attending our AGMs for further updates.

Reading the Hamilton Spectator, I recently stumbled across a quote from Robert F. Kennedy that led me to look up the [full text of the speech](#) that he gave at the University of Kansas on March 18, 1968. In it, he discusses the many things that can be quantified by the GNP and what behaviour that drives, and then goes on to say that “It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion

to our country, it measures everything in short, except that which makes life worthwhile". I guess I have been on the MUFA Executive for too long, because the first thing that came to mind was my analogous concerns regarding the New Budget Model which, like the GNP, goes by three letter acronyms like ABB and RCM.

I remain deeply concerned that the New Budget Model, as implemented, drives behaviour that inevitably leads us away from and not towards our self-identified strength and vision as a "student-centred, research intensive university". I think that this is not in the best interests of the University and also not in the best interests of the Province that provides most of our funding. While it is the least path to map the Provincial funding formula onto our internal funding formula (and drive it down to the Faculty and even Department level) I don't think that is the right path or the most successful path. I firmly believe that our research and its interdisciplinarity inform our teaching and this adds a unique flavour, inspiration and value to the student experience. I believe that the University Sector is a driver for economic growth through job creation from R&D and by providing the trained people to fill those jobs. I also believe that a healthy democracy is contingent on a well-educated population. I think that McMaster can and should show leadership in managing a university as an integrated whole that is greater than the sum of its parts. I call upon the Provost and the President to work together to align the financial management and the self-declared priorities of the University. The alternative is to watch our inexorable decline to a mediocre education service provider that someday will be replaced by a low cost online tool.

While we have accomplished a lot this year, much remains to be done. There is a famous quote, "It is not incumbent upon you to finish the task, but neither are you free to absolve yourself from it". This is an eloquent call to service, and at the same time recognition that the work is an ongoing and shared responsibility. Now that I receive the prefix "Past", I would prefer to let my successors define and articulate the future agenda for MUFA, but I would like to make one general comment about MUFA as an organization. We have proudly and responsibly served our membership for many years at literally the lowest cost/member in any university in Canada for which data is available. We have a lean organizational structure, a high level of volunteerism and simple tastes. While that has served us well in the past, I also think that it is worth understanding whether a higher level of service at a modestly higher cost would be in the best interests of our membership.

I would like to close by first thanking my Physics colleagues, Graeme Luke and John Berlinsky for encouraging me to join the MUFA Executive. It has been very gratifying for me and a real honour and privilege to serve on the MUFA Executive for the last 4 years in different capacities. It has been a pleasure working with such great people on the MUFA staff: first Phyllis and Kelly and now Mara and Jessica. I would like to express my appreciation to all the members of the Executive for their tireless and what-might-seem-to-be thankless efforts this past year – thank you.

A year as MUFA President goes by so fast. It seems like you are just getting started and the next thing you know – you are trying to line up your successor's successor. I am so happy that Michelle agreed to be Vice-President last year and now Martin has agreed to be Vice-President this coming year. I finish my term knowing that our future is in good hands.

R. Kleiman responded to the following question:

K. Nainar noted that the Judicial Review Application is a Public Document however, he is having a difficult time locating it and wondered if it would be possible to post this document on MUFA's website? R. Kleiman commented that the Judicial Review Application is a public document, but is not posted on the internet. R. Kleiman suggested that K. Nainar contact someone from MUFA who could then direct him to the public document. R. Kleiman also noted that MUFA would not be posting any documents on its website since MUFA has taken the position that it would like to wait until the University has submitted its response which is expected to be completed by June. R. Kleiman also noted that the decision to post any of these documents would be up to the new incoming Executive.

7. PRESENTATION OF CAUT DEDICATED SERVICE AWARDS – R. Kleiman

Dr. Kleiman explained that the Canadian Association of University Teachers (CAUT) invited MUFA to nominate members who should be recognized for exceptional service to the Faculty Association. On behalf of the MUFA Executive, Dr. Kleiman presented certificates to Martin Dooley and Del Harnish.

8. OTHER BUSINESS

M. Dion expressed her heartfelt thanks on behalf of all MUFA members to R. Kleiman for the tremendous amount of work he has done on behalf of MUFA in his various roles over the years, but most recently as MUFA President. He has tackled countless issues both small and large that will have an impact on the work and lives of faculty. In particular, the forthcoming revisions to MSAF, the Technology Fund, Gender Pay Equity and the forthcoming revisions to the Prevention of Discrimination, Sexual Harassment and Workplace Harassment. M. Dion also noted that R. Kleiman advocates on the side of fairness and justice and works tirelessly to ensure that the broad interests of everyone are taken into account.

9. PRESENTATION OF MUFA SERVICE AWARD – G. Luke

G. Luke thanked the members of the Selection Committee, which he chaired: Laura Banfield, Manraj Kaur, Rodrigo Perez and Richard Stubbs for their conscientious work on behalf of the Association. He then read the following citation in presenting the award:

MARTIN DOOLEY joined the Department of Economics in 1981. He has published widely on Health and Labour Economics, Economics of Education and of the Family. Students and colleagues describe Martin as an outstanding teacher and mentor who takes a “student-first approach to all matters educational”. Martin has generously volunteered his time within his

department and faculty, the University and the community at large, to the tremendous benefit of each.

Martin has been nominated 6 times for a McMaster Student Union Teaching Award and has long served as the Undergraduate Chair in Economics. He has played a central role on the Faculty of Social Sciences Curriculum Committee and in the development of the Social Sciences-Mohawk College Affiliated Certificates. He recently contributed to the revision of the Honours Arts & Science and Economics program. Martin's contributions to graduate education are also noteworthy, by supervising and working closely with numerous graduate students over the years, and was also instrumental in establishing the academic careers of two former doctoral students.

Martin served for many years as a member of the MUFA Executive, taking on a variety of roles from advising faculty on issues related to Tenure & Promotion, to the President. While always a strong voice advocating for McMaster faculty, Martin always kept the long-term, broad interests of the University front and centre.

Martin has served the university through his involvement with a wide variety of initiatives which most recently include Student Open Circles and the United Way. For Student Open Circles he served as Board Chair, working to create opportunities for students to volunteer in the community and then reflect on their experiences with other students. For the United Way, he served several years as Co-Chair of the University's campaign.

On behalf of the 2015 MUFA Service Award Committee, it is a great honour to present this award to Martin Dooley in recognition of his distinguished record as a scholar and teacher, his contributions to outstanding faculty governance at McMaster, and his selfless contributions to the broader community.

There being no other business, the meeting was adjourned at 3:35 p.m.

A reception in honour of Dr. Martin Dooley followed the meeting.