



Memo from the President

November 5, 1984

To: Members of the UBC Community

The purpose of this memo is to inform you of The University's anticipated budget for the fiscal year 1985-86.

First, however, with respect to this current fiscal year, enrolment is down about 800 students. The loss in fees will lead to a deficit of about \$1 million in 1984-85. As a result, UBC has no future operating fund reserves whatsoever.

At this time, there is no firm indication about the size of the provincial operating grant for 1985-86. We do not anticipate any indication prior to February or March 1985. Nevertheless, we simply cannot delay any longer in developing detailed financial plans for the next fiscal year which begins April 1, 1985. A number of models have been developed and reviewed by members of the Executive Council. According to the most optimistic estimates about the size of the operating grant, tuition fee revenue and other income, compared with projected expenditures and carry-forward commitments from this year, we face a 1985-86 shortfall of about \$6.6 million. In arriving at this figure, the planning group has used the most favourable assumptions available (e.g. a reasonable tuition fee hike, provision for a modest salary increase, and no change in the provincial operating grant). In presenting this figure to you I emphasize the possibility that it may well be too optimistic.

Over the past several months, there has been extensive consultation among my colleagues in this office, and more recently with the Deans of Faculties, on the appropriate procedure to follow in order to deal with the anticipated shortfall. This consultation has led me to several conclusions. First, any cuts needed in order to arrive at a balanced 1985-86 budget will have to come out of the on-going salary base, given that salaries and benefits at UBC consume in excess of 86% of the general purpose operating expenditures. Second, it continues to be inappropriate to address a possible shortfall by allocating pro rata targets

to the various academic and administrative units on the campus. Third, while attrition in the faculty and non-faculty appointments must be carefully managed, it is no longer appropriate or possible to use attrition as the primary means of addressing the anticipated shortfall.

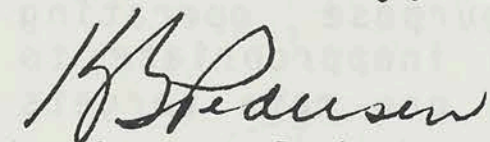
The options which I view as reasoned responses to meet the probable financial deficit include the following:

- (a) Voluntary and involuntary termination of faculty and staff appointments. In regard to the latter, representatives of the Faculty Association and The University have commenced further negotiations on a possible agreement for the termination, for reasons of financial exigency and redundancy, of appointments covered under our existing Conditions of Appointment agreements.
- (b) The discontinuation of academic and non-academic programs and/or a reduction in the scale of programs. In both instances, cost savings are not necessarily immediate but should outweigh the resulting decline in tuition fee revenue.
- (c) An increase in revenue (e.g. through increased enrolment, more external research support, etc.).

In order to be prepared for the 1985-86 fiscal year and the situation described above, I have instructed Vice-Presidents Smith and Gellatly to examine each of the budget areas for which they are responsible and, after due consultation (including the Senate Budget Committee where appropriate), to develop a plan for addressing an anticipated \$6.6 million shortfall. This plan must be completed by December 21, 1984.

The task that I have assigned to the two Vice-Presidents is a most difficult one in a period of adversity. In going about this assignment, I know they will need and receive the cooperation and support of everyone on this campus. It is essential that we persevere through these extremely adverse times and that we do so in such a way that we preserve our commitment to excellence - in our research, our teaching, and our various forms of service.

Yours sincerely,



K. George Pedersen
President