WLUFA Newsletter

January 6, 2012

WHERE DOES ALL THE MONEY GO?

In the last newsletter we talked about Laurier's excellent financial performance in a number of areas: record positive surpluses in the General Fund, record cash flows from operations and record cash on deposit as reported in the Audited Financial Statements. This is the real financial situation at Laurier. There is no financial crisis at Laurier and never has been in the last three years. The Administration represents a financial crisis in their budgets where none exists and bases its proposals at the bargaining table on this same ostensible crisis.

Yet, if no financial crisis exists, what is the Administration doing in fact with the record breaking surplus from the General Fund and the record breaking cash flow from operations? Where does all the money go?

The details are somewhat technical and we will discuss them below. But first, let us explore the Administration's proceedings through the use of an analogy.

Let us suppose you know parents who say they want the best for their children. They decide to buy the biggest house on the biggest lot with the biggest yard in the neighbourhood. They spend lavishly on additions to the house and extensive landscaping to the yard. They explain that all this spending is for the good of the children who will have a comfortable and safe place to live. The parents spend so much buying the house and making improvements that they have no money left to provide adequate food or heat in the house. In order to continue making improvements to the house, water and hydro are severely rationed. The children end up hungry, cold and thirsty as they try to read their books by candlelight. Through all of this their parents insist that they have been careful and prudent and their spending has benefitted the children.

The actions of the Administration are comparable to the parents in the story. Here is why: (1) Information discussed below from the Audited Financial Statements, the only reliable source of financial information, demonstrates that the Administration is on a capital asset spending spree. (2) The proposals by the Administration at the bargaining table are an indication to us that the Administration places a very low priority on fair compensation, retiree health benefits or pensions. The implementation of their current proposals to cut back on retiree health benefits, cutback on pension benefits and establish cost savings in the form of a low-cost second-tier teaching stream that will be incapable of any significant research or service contribution to Laurier would result in WLUFA Members paying for the Administration's spending spree in the future.

Let's look at the information from the Audited Financial Statements, the only reliable financial information available. We can look at the Administration's actions in two ways, from an accrual accounting view and from a strictly cash flow view. The accrual accounting view includes all cash and non-cash transactions. The cash flow view just looks at cash transactions. These two views are standard in accounting analysis. The advantage of looking at both views is that we have greater assurance that our interpretations are accurate.

FROM STATEMENT OF CHANGES IN NET ASSETS (AN ACCRUAL ACCOUNTING VIEW):

Year	Surplus in General Fund		Resources Transferred Out to Capital Fund		Resources Transferred Out to Internally Restricted		Total Amount Remaining in the General Fund
2009	$ 6,061,000	-	$ 7,285,000	-	$ 1,193,000	=	< $ 2,417,000>
2010	$17,894,000	-	$16,240,000	-	$11,205,000	=	<$ 9,551,000>
2011	$19,527,000	-	$11,859,000	-	$10,531,000	=	<$ 2,863,000>
Totals	$43,482,000	-	$35,384,000	-	$22,929,000	=	<$14,831,000>

The schedule above shows the surplus in the General Fund, the amounts transferred out of the general fund to both the Capital Fund and to the Internally Restricted Fund and, the amounts remaining in the General Fund after the surplus has been transferred out of the General Fund. Let's look at the three-year totals. The total surplus generated in the General Fund, $43,482,000, was generated from the dedication and hard work of the employees of Laurier, including the dedication and hard work of WLUFA members. Of the $43,482,000 surplus in the General Fund, $35,384,000 or 81 percent of the surplus was transferred out to the Capital Fund. This is generally regarded as a one-way street; once a surplus is transferred to the Capital fund it rarely, if ever, comes back out.

In addition, $22,929,000 was transferred out to the Internally Restricted fund. The name "Internally Restricted" is a standard accounting name, which is used frequently in accounting reports, but its meaning is somewhat confusing. "Internally Restricted" means that the Administration has made their own plans for this money. The Administration is "restricting" the use of this money for their own discretionary projects. There is no legal restriction or requirements regarding the use of this money. So, it is perfectly possible for that money to be moved in and out of the Internally Restricted fund at the discretion of the Administration.

The above schedule shows that more was transferred out of the General Fund than was generated in surplus, leaving a negative effect on the General Fund of <$14,831,000>. The bulk of the transfers, $35,384,000, or 81 percent of the General Fund surplus, was to the Capital Fund to fund the purchase of Capital Assets.

Now let's look at the capital asset spending of the Administration from a cash flow view:

FROM STATEMENT OF CASH FLOWS (A STRICTLY CASH FLOW VIEW):

Year	Cash Inflow from Operations		Purchase of Capital Assets		Excess of Purchases of Capital Assets Over Cash flows from Operations
2009	$12,800,000	-	$13,083,000	=	<$ 283,000>
2010	$28,039,000	-	$32,282,000	=	<$ 4,243,000>
2011	$31,324,000	-	$28,337,000	=	$ 2,987,000
Totals	$72,163,000	-	$73,702,000	=	<$ 1,539,000>

Over the last three years the dedication and hard work of the employees of Laurier, including the dedication and hard work of WLUFA members has generated cash inflow to Laurier of $72,163,000. The Administration has managed to spend an amount equal to the Cash Inflow from Operations and more on buying capital assets, a total spending of $73,702,000 on Capital Assets over the last three years.

What are the implications of this? Regardless of how the information in the Audited Financial Statements is analyzed, the inescapable conclusion is that during the past three years the Administration has been on a Capital Asset spending spree. The Administration now wants WLUFA members to fund this spending spree through the proposals discussed above: cutbacks in retiree health benefits, cutbacks in pension benefits and additional cuts to Member compensation via extra pension payments. In addition, the Administration has proposed cost savings in the form of a low-cost second-tier teaching stream. These proposals are ostensibly justified by the financial crisis portrayed in the Administration's budgets. However, no financial crisis exists or has existed at Laurier over the past three years.

Members of WLUFA deserve far better than the cutbacks and takeaways proposed by the Administration. This is especially true in light of the hard work, dedication and accomplishments of WLUFA Members in the past three years, including the elevation of Laurier to comprehensive university status.

A further discussion of the proposals on the bargaining table and a strike enabling vote will be held at the Members meeting on January 10, 2012: Waterloo Campus at 7:00 p.m. at Bricker Academic Building, Room BA 102; and on the same day at the Brantford Campus at 2:30 p.m. Odeon Building (50 Market St.), Room OD110. <u>PLEASE ATTEND, DEMONSTRATE YOUR SUPPORT AND SHARE YOUR VIEWS WITH THE BARGAINING TEAM.</u>

DID YOU KNOW…

81 percent of the cumulative surplus generated in the General Fund over the last three years was earmarked to purchase capital assets?