

UPEI STRATEGIC OVERVIEW

BOARD OF GOVERNORS

SEPTEMBER 2009

Introduction: The University of Prince Edward Island

UPEI was established as the provincial university for Prince Edward Island in 1969, and has roots extending to the early 1800s through its founding institutions, Prince of Wales College and St. Dunstan's University. UPEI's mission and character are profoundly determined by five factors:

- the scale and intimacy of the PEI community, with UPEI playing key leadership and partnership roles in the social and economic development and capacity of the Province;
- a longstanding commitment to excellence in teaching and learning, in undergraduate programs and increasingly in professional and graduate programs and lifelong learning;
- a growing record of research and innovation, and as a leader and partner in translating knowledge into a key asset for development;
- local, regional, national and international impact and relationships, through students and graduates, contributions to knowledge and development, and UPEI's profile and reputation;
- the nature of a university as a community, achieving its mission through people and relationships, and through continuous striving for excellence and innovation.

The Elements of a Strategic Plan

Universities and colleges everywhere face common challenges: to secure adequate revenues, to define and manage optimal expenditures, to attract and retain talented personnel and students, to develop and maintain high-quality facilities and infrastructure, and to continually strive for new levels of excellence, recognition and achievement.

From a strategic management perspective, the core challenge for any university is 'sustainability'. As institutions, universities are more fragile in their fiscal make-up than is generally admitted. Revenues consist primarily of government grants, which can be cyclical, and student tuition and fees, in an increasingly competitive marketplace. Expenditure pressures tend to be inflationary. There are significant long-term commitments, notably to benefits that come with being a people organization. The infrastructure of universities tends to be expensive, to create and to maintain, and expectations high.

While universities can be complex in organizational terms, the basic fiscal challenge is straightforward: to match revenues with expenditures on continuously sustainable terms. Most of the world's best-known universities have large endowments; UPEI does not. Some universities have land grants or other asset-based revenues; UPEI does not. Some universities rely on 'deferred maintenance' or 'spending the depreciation' as a source of operating revenue; UPEI does not. Some universities run deficits, or defer liabilities; UPEI does not. This document assesses the primary issues facing UPEI as it continues to achieve fiscal sustainability.

Relationship of this Strategic Overview to other Planning Processes

The role of the Board of Governors is to oversee the governance and fiscal management of the University, and to ensure that UPEI's is well positioned and effective in its external relationships, notably with government and the community. Accordingly, this document will focus on the medium to long-term horizon, with particular emphasis on a fiscal perspective.

This strategic overview is complementary to other planning processes, including the following:

- UPEI Campus Masterplan, completed in 2006.
<http://www.upei.ca/masterplan/html/theplans.html>
- UPEI Strategic Research Plan, approved by Senate, spring 2008.
<http://www.upei.ca/research/2008consultation/>
- UPEI Academic Planning Facilitation Process, launched by Senate 2005; with further consultations in 2007-08.
<http://www.upei.ca/apfc/>

In addition to these three processes, there are various planning documents and processes in place at faculty, departmental and unit levels within the University. Another important planning framework is the annual budget-making process, which is based on cycles of a minimum of three years for each budget department and unit.

The Big Issues

This document will focus on the big challenges for UPEI in the medium to long term. These can be reduced to five interrelated challenges:

1. *Demographics.* The traditional demographic 'footprint' that has defined UPEI's development since 1969 will change substantially over the coming decade, as will the demand and opportunities for post-secondary education. Responding to these demographic changes, and to increased competition from other post-secondary providers within and beyond the Atlantic Region, will be a major determinant of UPEI's success.
2. *Revenues.* UPEI's core funding comes primarily from government grants and tuition revenues, supplemented to an increasingly significant degree by 'soft' funding through grants and contracts, by ancillary revenues from operations, and by philanthropic support. Over the coming decade, UPEI's challenge will be to maximize revenues from these five sources.

3. *Expenditures.* With UPEI's total budgets now exceeding \$100 million annually, the University faces a continuing challenge to ensure that expenditure growth does not outpace the available resources. In a people-intensive organization, UPEI must be alert to inflationary pressures and to competitive standards. This includes special attention to pensions and supplemental benefits with the long-term obligations that they entail. Other fronts on which it is critical to contain inflationary pressures and manage expenditures wisely include energy costs and the funding and maintenance of infrastructure, including equipment and technologies.

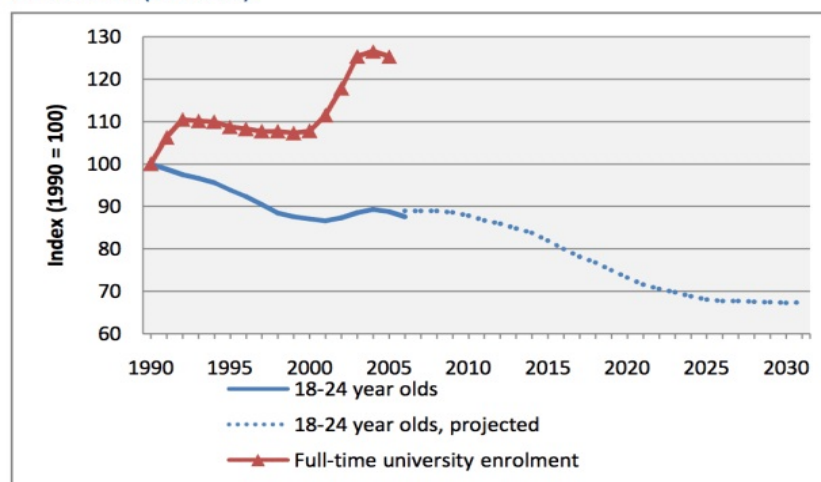
4. *People.* UPEI is the proud employer of more than 1,200 faculty, staff and students, making it one of the largest and most stable employers on Prince Edward Island. The ability to attract and retain highly qualified people, and to have a productive, healthy and highly-motivated workplace is key to UPEI's continuing success.

5. *Reputation, Excellence and Impact.* A university's reputation for excellence and its positive impact on community are among its most important assets. While outcomes are not easily measured, the quest to advance the University's reputation and to achieve both excellence and impact lies at the heart of UPEI's strategic challenge.

DEMOGRAPHICS

Over the coming two decades, UPEI and other universities and colleges in Atlantic Canada will face rapidly changing demographics. In June of 2007, the Maritime Provinces Higher Education Commission released its *Trends* report, focusing on enrolments at universities in the three Maritime provinces over the period 1990-91 to 2005-06, and including projections of the 18-24 year-old population in the region through to 2030. The following chart offers a dramatic depiction of the trend lines, and a reminder of the dynamic nature of university enrolments.

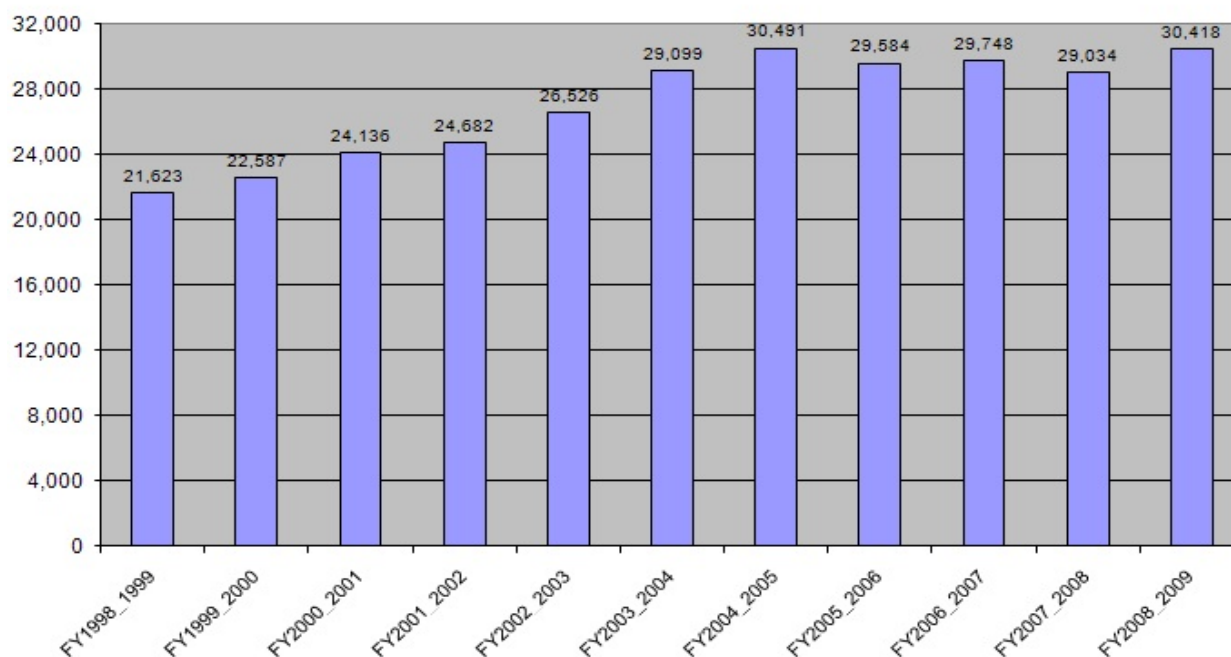
Figure 10 University-age population and full-time enrolment in Maritime universities (all-levels).



Source: Statistics Canada, Canada Census 1996 and 2001; projections, official post-censal estimates, July 1, 2005, medium growth, medium migration trends scenario. MPHEC USIS data (1990-2000); PSIS data (2000-06).

- During the period 1998-99 to 2004-05, UPEI experienced a 39% increase in total course enrolments [excluding AVC]. From 2004-05 to 2008-09, total course enrolments at UPEI have remained pretty much constant. This is depicted in the graph below, which illustrates the increasingly competitive enrolment context in which universities operate today. In an analysis released in March 2008, the MPHEC reported that UPEI had been the most successful university in the region in bucking the trend of declining enrolment, citing enhanced recruitment of international students as well as an increase in part-time students. It is significant that, while UPEI's enrolment experience has been positive compared to other regional universities in terms of the number of students enrolled, the number of total course enrolments has not increased in five years.

**Total Course Enrolments at UPEI (AVC Courses Excluded)
Fiscal Year 1998-1999 to Fiscal Year 2008-2009**



As UPEI contemplates its future demographic challenges, the most immediate and dramatic change will be in the population of students graduating from Prince Edward Island high schools. In 2009-10, there are 1971 students in Grade 12 on PEI. However, there are only 1433 students in Grade 1 this year, representing a sharp decline of 27% in the number of students over the course of a decade.

To meet this challenging demographic context, UPEI has embraced five main strategies:

enhanced international student enrolments. UPEI's population of international students has increased each year from 2000 to 2008, representing more than 9% of the full-time student body in 2008-09. The objective is for international students to represent 10% of the student body by 2010. This objective is supported by targeted and successful recruitment strategies, backed up by strong supporting programs and positive retention experience.

increased life long learning. UPEI has seen an increase in life long learning activity in each year from 2003 to 2007, with annual programming revenues now totaling \$1.0 million. Through the Centre for Lifelong Learning, working in conjunction with academic departments and with UPEI support services such as Conference Services, the objective is to see continued growth in life long learning revenues and non-credit programs to achieve a revenue target of \$ 2.0 million annually within five years.

growth of graduate programs. In 2007-08, graduate students comprise 6% of the UPEI student body. The objective is for enrolment in these programs to continue growing, to achieve a target of 450 students (10% of the UPEI student body) within the next decade. This is a key challenge, linked to UPEI's leadership in the development of a knowledge-based economy on Prince Edward Island. A critical aspect of meeting this challenge will be to enhance financial support for graduate students to ensure that UPEI is on a competitive footing.

enhanced retention. In 2006-07, the first-to-second year retention rate for UPEI students was 72%. This is below historic norms at UPEI, which reached a high of 77% in 2003-04. Significant efforts have been undertaken to analyze and address retention issues, including the issue of differing rates of participation by male and female students. Going forward, UPEI aims to achieve a first-year to second-year retention rate of 80% by 2012-13, and to strengthen engagement at all levels. This includes a 'top 10%' performance among Canadian universities participating in the National Survey of Student Engagement by 2012.

continued emphasis on effective recruitment. UPEI has seen significant success in recruitment, including by comparison with other universities in the Maritime provinces. These dedicated efforts will continue over the coming 5-10 years, through strong promotional campaigns and materials, supportive scholarship programs, and effective personal outreach and advising.

Ultimately, the demographic challenge is a much bigger issue than achieving enrolment targets for UPEI. To achieve the successful future that is required for Prince Edward Island, UPEI must play a leading role in altering the province's demographic trend lines, and must be a primary partner in mobilizing the entire population and community of PEI to be as successful and globally relevant as we can possibly be in a more knowledge-based, service-oriented world. Anything short of this overall goal will jeopardize the ability of the province and community of Prince Edward Island to support UPEI at a sustainable level.

In this competitive global context, UPEI is an essential platform for Prince Edward Island's knowledge-based success. In a dynamic demographic context, the University must continuously innovate and diversify its 'footprint', and be responsive to evolving opportunities and student needs. Rather than downsize in the face of changing demographics, UPEI's strategic response must be to evolve smartly.

Summary of UPEI strategic priorities re Demographics and Enrolments:

Maintain undergraduate enrolments at 2007-08 levels (3000 FTE undergrads) through 2012-13

Increase graduate enrolments to at least 10% of student body (400 students) by 2012-13

Increase international student enrolment to 10% of student body (400 students) by 2010-11

Increase lifelong and non-credit learning by 50% (revenues of \$2 million) by 2012-13

Increase proportion of mature students from 18% to Canadian average 30% by 2012-13

Improve student success and retention to at least 80% by 2012-13

Achieve top 10% among Canadian Universities on NSSE by 2012.

REVENUES

UPEI cannot succeed and cannot carry out its mandate of education, research, service and development without resources. As of 2008-09, UPEI's total annual activities amounted to more than \$100 million. These revenues come from five primary sources: core government grants, tuition revenues, grants and contributions for specific activities (notably r&d programs), ancillary operations, and philanthropic donations.

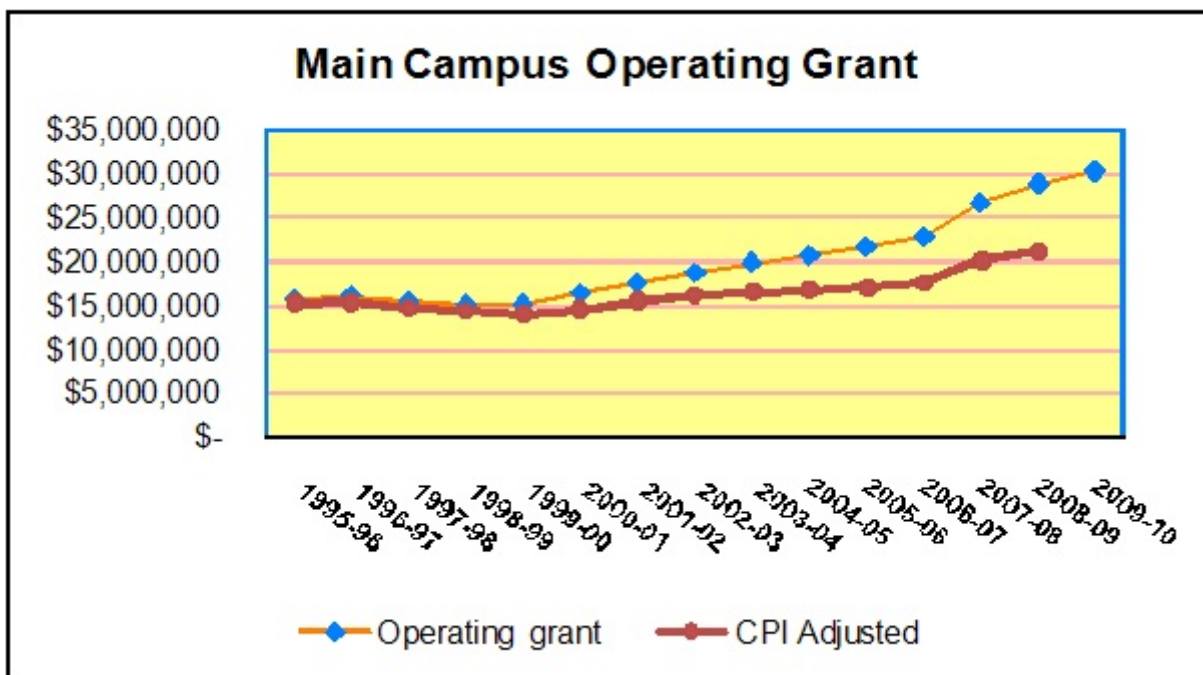
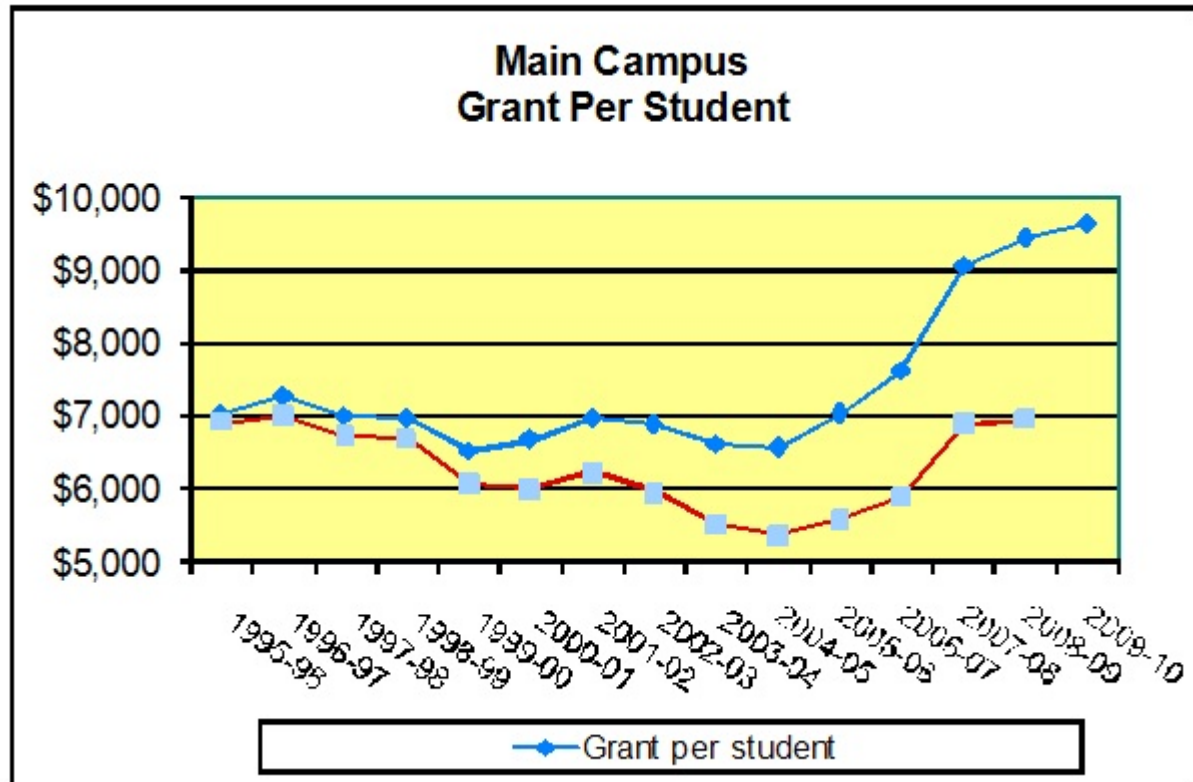
Government grants

UPEI works with two primary streams of government operating grants, one for Main Campus and one for the Atlantic Veterinary College. Capital funding and 'soft' dollars will be discussed later.

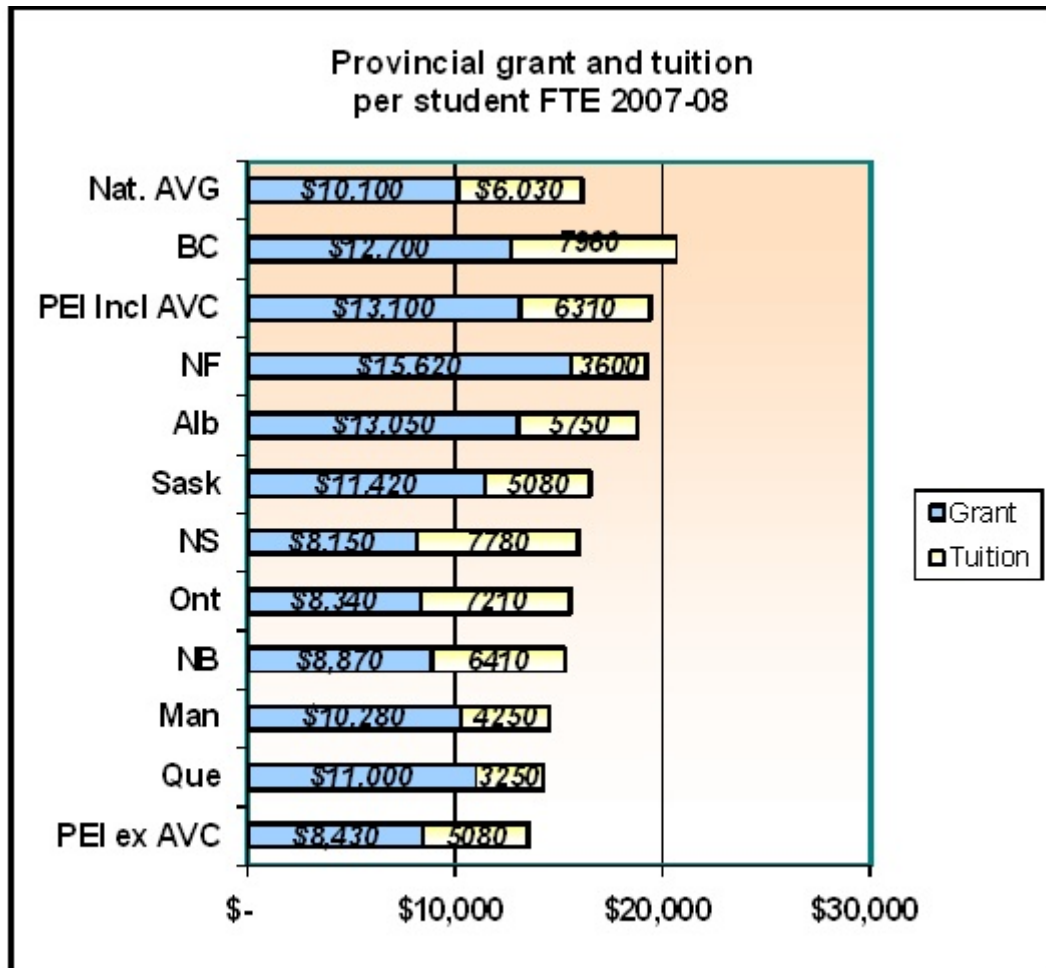
Since its establishment in 1969, UPEI has had a cyclical experience with government funding. Prince Edward Island is not a wealthy province, and higher education has not always been a top priority. Historically, Prince Edward Island, New Brunswick and Nova Scotia have been in lowest third of Canadian provinces in terms of per-student funding for universities. In the case of Prince Edward Island, this has been somewhat redressed in recent years. The following two graphs depict operating grants for UPEI's Main Campus, on a total funding and per-student basis. From 1994-95 to 1998-99, at a time of cut-backs nationally in PSE funding in Canada, the Main Campus operating grant declined in real terms. From 2000 to 2006, there was an average year-over-year increase of 5.7%. In 2007-08, the operating grant to Main Campus increased by

15.3%, or \$3.5 million (including \$2.1 million to compensate for a 10% tuition roll-back). In 2008-09 and 2009-10, there were grant increases on a more modest scale. The following chart depicts the experience over a 15-year period, including the inflation-adjusted pattern.

On a per-student basis, it is noteworthy that the grant to Main Campus remained flat or declined from 1995-96 to 2004-05, before increasing from 2005 to 2008. When adjusted for inflation, the per-student grant has increased by less than \$500 from 1994 to 2009. Moreover, it is important to bear in mind that in several years, notably 2000-01 and 2007-08, a significant component of the grant increase was in lieu of tuition.



The challenge of achieving a sustainable level of funding for post-secondary education is not unique to Prince Edward Island. Across Canada, provincial governments driven by tight budgets and rising health care costs have chronically underfunded post secondary education. The following graph shows a province-by-province comparison of funding on a per-student basis for 2008-09, the most recent year in which complete information is available:



Without the exceptional impact that AVC funding has on UPEI, it is noteworthy that the level of per-student funding on Prince Edward Island remains in the lower bracket of Canadian jurisdictions. To some degree, this reflects the makeup of our academic programs. In another sense, it reflects the more advantageous cost-of-living on Prince Edward Island. One way or another, this comparative picture underscores the continuing need to encourage enhanced levels of core government funding for the University of Prince Edward Island and for UPEI students.

For UPEI, as for other universities, our primary challenge as an institution is to secure sustainable levels of public funding for core operations. Since 2004-05, there have been continued gains in funding from the Province, with a significant increase in 2007-08 permitting a 10% roll-back in Main Campus tuition. As we look back over the past fifteen years of government funding for UPEI, we can summarize the situation as follows:

- From 1994-95 to 1999-2000 there were real and per capita cuts in operational funding to UPEI's Main Campus and to AVC
- It will be critical for UPEI Main Campus and for AVC to confirm continuing operational funding on a multi-year basis, with sustainable year-over-year increases.
- It is highly desirable to have multi-year funding commitments, on at least a three-year cycle, to enable effective financial planning and management, including predictable levels of tuition for students.

Tuition

As of 2008-09, UPEI had the lowest undergraduate tuition of any university in the Maritime Provinces. This is a comparative advantage as price is increasingly a significant factor for prospective students when choosing a university. The following charts show UPEI's undergraduate tuition over a 15-year period, and 2008-09 tuition by comparison with competitor universities.

Under-graduate Tuition Rates at UPEI

| Year | Per Course | Yearly increase |
|---------|------------|-----------------|
| 1995-96 | \$ 282 | 8.0% |
| 1996-97 | \$ 292 | 3.5% |
| 1997-98 | \$ 315 | 8.0% |
| 1998-99 | \$ 331 | 5.0% |
| 1999-00 | \$ 348 | 5.0% |
| 2000-01 | \$ 348 | 0.0% |
| 2001-02 | \$ 369 | 6.0% |
| 2002-03 | \$ 387 | 5.0% |
| 2003-04 | \$ 411 | 6.0% |
| 2004-05 | \$ 435 | 6.0% |
| 2005-06 | \$ 462 | 6.0% |
| 2006-07 | \$ 492 | 6.5% |
| 2007-08 | \$ 444 | -10.0% |
| 2008-09 | \$ 453 | 2.0% |
| 2009-10 | \$ 471 | 4.0% |

University Undergraduate Tuition 2008-09

| University | Rank (Lowest) | Cdn. Student | Int'l Student |
|-------------------------------------|------------------|-----------------|------------------|
| Memorial University of NL | 1 | \$2,550 | \$8,800 |
| University of Prince Edward Island | 2 | \$4,530 | \$8,940 |
| St. Thomas University | 3 | \$4,570 | \$9,690 |
| Université de Moncton | 4 | \$4,920 | \$8,149 |
| Atlantic School of Theology | 5 | \$5,210 | \$5,210 |
| University of New Brunswick | 6 | \$5,482 | \$11,491 |
| N.S. Agricultural College | 7 | \$5,500 | \$11,000 |
| N.S. College of Art & Design | 8 | \$5,500 | \$12,124 |
| Mount St. Vincent University (Arts) | 9 | \$5,500 | \$10,845 |
| Saint Mary's University (Arts) | 10 | \$5,580 | \$11,160 |
| Université Sainte-Anne | 11 | \$5,660 | \$8,233 |
| Cape Breton University | 12 | \$5,660 | \$11,320 |
| University of King's College (Arts) | 13 | \$6,030 | \$13,618 |
| Dalhousie University (Arts) | 14 | \$6,030 | \$13,290 |
| St. Francis Xavier University | 15 | \$6,205 | \$12,410 |
| Acadia University | 16 | \$6,652 | \$12,939 |
| Mount Allison University | 17 | \$6,720 | \$13,440 |
| Average - Atlantic Universities | | \$5,429 | \$10,745 |

To retain this comparative advantage and to continue to treat UPEI students as fairly as possible, and with as much predictability as possible, UPEI should aim to confirm a multi-year funding agreement with the Province that will permit the University to establish tuition fees on a basis consonant with sustainable public funding.

International students at UPEI similarly benefit from advantageous tuition. At all universities in Canada, international students pay supplementary tuition fees, reflective of the fact that Canadian taxpayers make the primary contribution toward the cost of post-secondary education. The combined tuition and fees paid by international students at UPEI are among the lowest in Canada, as reflected in the table below. Moreover, UPEI has committed to spending the revenues generated by international fees on internationalization programs and services for international students.

| University | Int'l Tuition |
|-------------------------------------|---------------|
| Memorial University of NL | \$8,800 |
| University of Prince Edward Island | \$8,940 |
| University of New Brunswick | \$11,491 |
| Mount St. Vincent University (Arts) | \$10,845 |
| Saint Mary's University Arts) | \$11,160 |
| Cape Breton University | \$11,320 |
| Dalhousie University (Arts) | \$13,290 |
| St. Francis Xavier University | \$12,410 |
| Acadia University | \$12,939 |
| Mount Allison University | \$13,440 |
| Bishops | \$12,593 |
| McGill | \$13,965 |
| Brock | \$12,702 |
| Ottawa | \$14,482 |
| Queens | \$15,690 |
| York | \$14,705 |
| Winnipeg | \$3,994 |
| Saskatchewan | \$11,482 |
| Calgary | \$16,881 |
| Simon Fraser | \$14,610 |

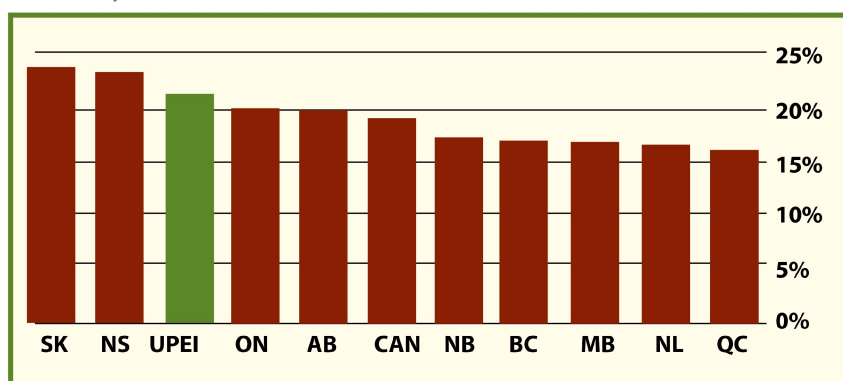
The comparative advantage in tuition levels for UPEI Main Campus and graduate students does not extend to DVM students at the Atlantic Veterinary College. Tuition for Canadian resident students is \$9,348 per year in 2009-10 and tuition for 17 seats for international students (these are almost always students from the United States) is \$49,528 per year in first year. Combined with the dramatic change in the value of the Canadian dollar relative to the U.S. currency, these fees are now the second-highest for any DVM program in Canada or the United States. While there is not yet evidence that these high fees have had a negative impact on the recruitment of top-calibre applicants for these positions, this is nonetheless a point of significant risk in the overall picture of student recruitment at UPEI. The following table shows tuition fees at veterinary colleges in Canada.

| Veterinary College | Students per class | Cdn. Student | Int'l student |
|--------------------|--------------------|--------------|----------------|
| St HY | 84 | \$3,200 | not applicable |
| JCVM | 30 | \$5,000 | not applicable |
| OVC | 111 | \$5,724 | \$51,196 |
| WCVM | 71 | \$6,553 | not applicable |
| AVC | 60 | \$8,988 | \$48,380 |

Ancillary Revenues

Ancillary revenues are an increasingly important component of the UPEI resource 'equation'. Moreover, the revenue growth is reflective of the level of service being provided. Over the past decade, sales through the UPEI Bookstore have increased from \$1.8 million in 1997-98 to \$2.4 million in 2008-09. Revenues at Residence and Conference Services have increased from \$2.2 million to \$ 5.2 million during the same period. In comparative terms, the proportion of overall revenues from sales and service at UPEI stands among the highest of any university in Canada. The following chart shows the proportion of revenues from ancillaries on a province-by-province comparison in 2005-06.

**Ancillary & Other Revenues
as a Percentage of Total Revenues**
University revenues (CAUBO 2005-2006)



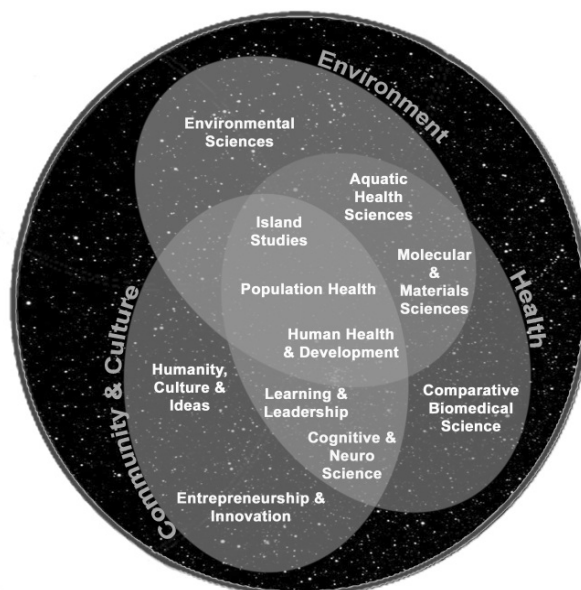
All Ancillary units have established multi-year operating plans and objectives, including strategic targets. Residence and Conference Services continues on a path of significant enhancement of both services and facilities, and revenue growth. With the addition of the 158-bed Bill and Denise Andrew Hall in 2006, the strategic plan for Residence and Conference Services aims to achieve maximum occupancy and revenues on a 12-month cycle, with the target of generating \$5.8 million annually by 2012-13 and making a net contribution of \$50k to University resources by 2011-12. The UPEI Bookstore aims to increase its net contribution from \$205k in 2008-09 to \$220k in 2011-12.

Grants and Contributions, Notably for R&D and Program Support

An increasingly significant portion of UPEI resources arise from ‘soft dollar’ grants, contributions and contracts. In 2007-08, such grants, contributions and contracts represented 16% of total UPEI revenues. Support for research and development represents by far the most significant source, rising from \$ 2.2 million in 1996-97 to \$16 million in 2008-09. This has become an increasingly significant component of UPEI’s overall operations, and the strategic target is for UPEI to triple external funding for R&D to achieve \$ 40 million annually by 2018. Over the next 10 years, UPEI aims to establish 12 new funded Research Chairs, and to double internal funding for research.

More significant than the dollar value of external grants and contributions, research and development at UPEI has a foundational importance as a reflection of the combined endeavours of researcher and scholars, as well as supporting teams and students and community partners. Research, scholarship and creativity underpin the value of the university’s contribution to society and the quality of the educational experience of students.

UPEI encourages, supports and celebrates research, both individual and collaborative, across the full spectrum of academic disciplines. When the areas of research pursued at UPEI are examined, they can be seen to cluster within three themes: Health, Environment, and Community and Culture. Within each cluster, and at their intersections, we find the excellence of the solitary researcher working independently as well as that of the collaborative research team working to bring their respective disciplinary expertise to the particular question under consideration. Together these themes provide an integrating perspective on some of our emerging and existing areas of excellence.



Individual & Collaborative Research Excellence at UPEI

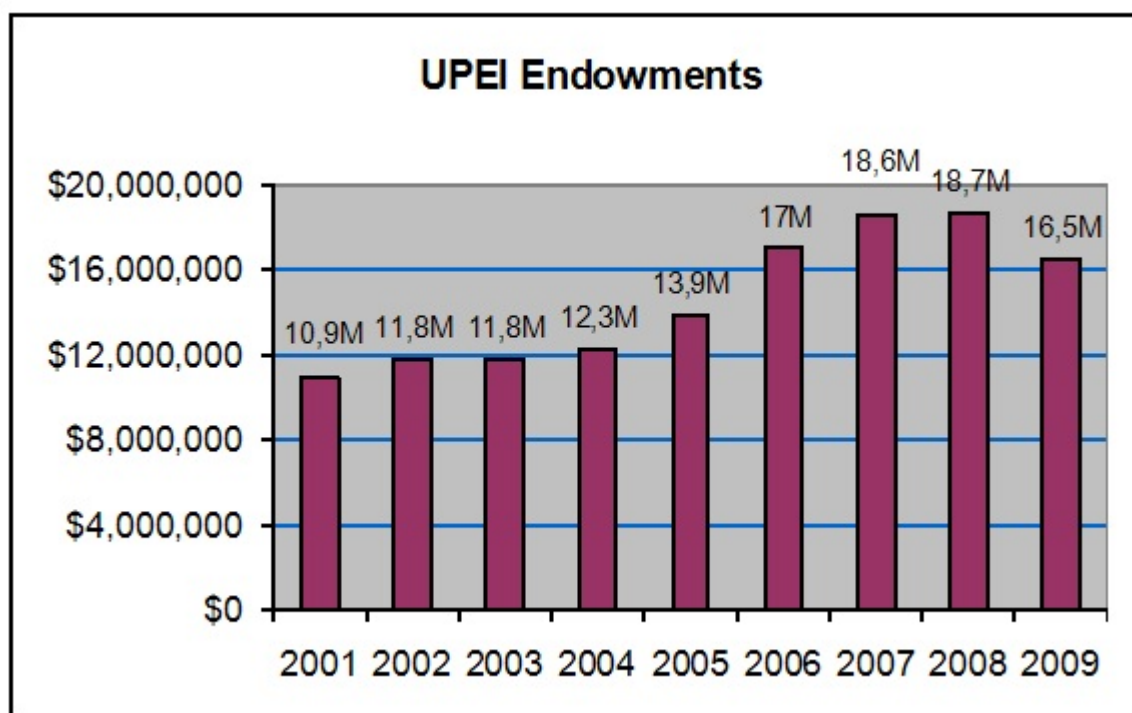
This R&D activity entails direct and indirect costs to the University, and it is critical that our work in this area be well managed to ensure that the external funding covers the actual costs. This includes an objective to secure adequate rates of overhead recovery and indirect costs, whether from public or private sources. UPEI's overhead policy states that the normal rate should be 30%.

In addition to R&D activities, it is a top priority for UPEI to optimize grants and contributions for other programs and activities, such as student employment opportunities and mobility programs, technology development, library enhancements, curriculum and learning initiatives, energy efficiency, and infrastructure improvements. In 2006-07, grants and contributions for purposes other than R&D totaled \$4.3 million (excludes capital grants, investments, sales and service).

Philanthropic Contributions

Beginning in 2003, UPEI launched its largest-ever fundraising campaign, the *Building a Legacy Campaign*, with a target of raising \$25 million. In 2005, the Campaign target was achieved and increased to \$50 million. The *Building a Legacy Campaign* was completed in February, 2009 with total donations and commitments of \$52,236,859, with 50% of all donors being alumni and more than 90% of total giving by people with long-time associations with UPEI and Prince Edward Island.

This fundraising success significantly surpasses UPEI's historic experience in this area. Between 1999-2000 and 2006-07, UPEI's endowments and trust funds doubled from \$9.6 million to \$18.6 million. As of April 30, 2009, the balance in these funds totaled \$ 16.5 million, reflecting the turmoil experienced in global markets in the fall and winter of 2008-09.



In fact, UPEI's investment experience through the recession was less negative than the norm for Canadian universities. The UPEI *Visionary* program, launched in 2005 to encourage and recognize planned giving to UPEI, now counts more than 80 committed future donors. Since 2001, UPEI has realized on 32 planned gifts.

The area where the most work remains to be done is in broad-based giving to UPEI. Our record of alumni participation remains below national norms, which are already weak in Canada compared to the United States. An ideal (but not extravagant) target would be for 30% of alumni to support UPEI on a rolling-five-year basis. To achieve this target would require a doubling of historic participation rates. Beyond alumni giving, UPEI should encourage broad-based community support, including from seasonal residents of Prince Edward Island.

On a continuing basis, UPEI should aim to achieve annual receipts from philanthropic donations from all sources (major gifts, planned giving and broad-based regular donations) of \$6 million (including \$2 million or more in realized planned gifts). This level of giving has been achieved once in UPEI's history, in 2004-05.

Summary of UPEI Strategic Priorities re Revenues

Achieve multi-year operational grants for Main Campus, with the core operating grant rising to \$33.8 million [including proposal for 3 year funding plus the Nursing expansion \$770,000] by 2010-11.

Confirm AVC interprovincial funding in advance of expiry of current agreement in 2011.

Confirm provincial and federal long-term capital funding for Main Campus and AVC to carry out campus renewal and enhancement through 2015 (additional \$20 million provincial capital funding).

Increase Residence and Conference Services revenues to \$7 million annually by 2015-16.

Increase external research funding to \$40 million annually by 2018.

Achieve 12 funded Research Chairs by 2018.

Double internal funding for research by 2018.

Increase UPEI endowments to \$40 million by 2015-16

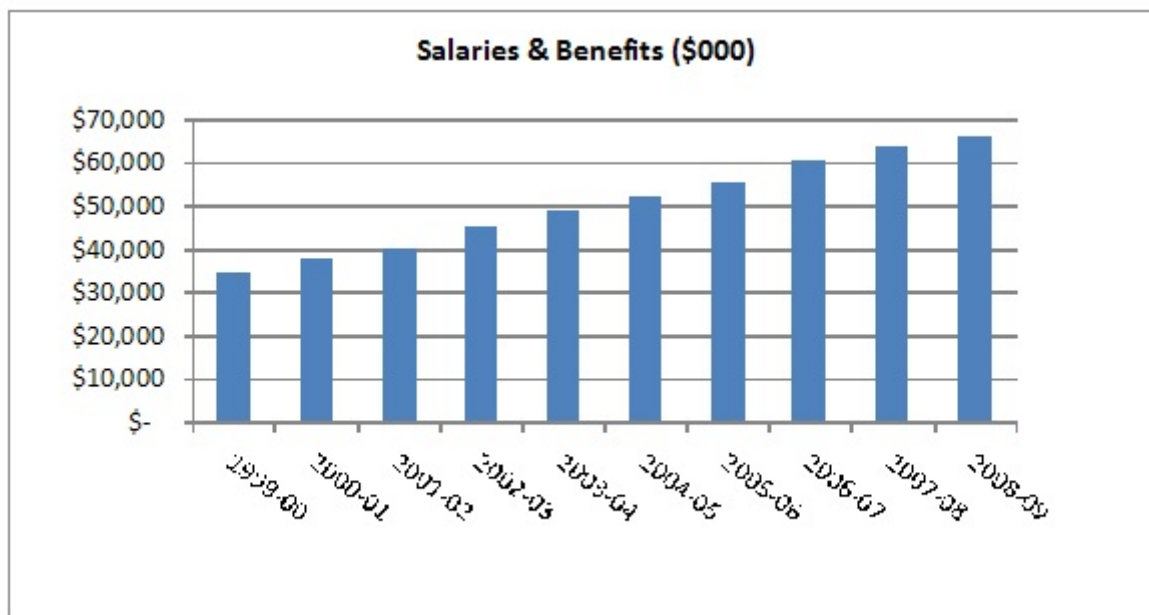
Enhance alumni participation to 25% by 2012-13

Increase philanthropy from all sources to \$6 million annually

Maintain external grants and contributions for non-R&D purposes of at least \$5 million annually through 2012-13.

EXPENDITURES

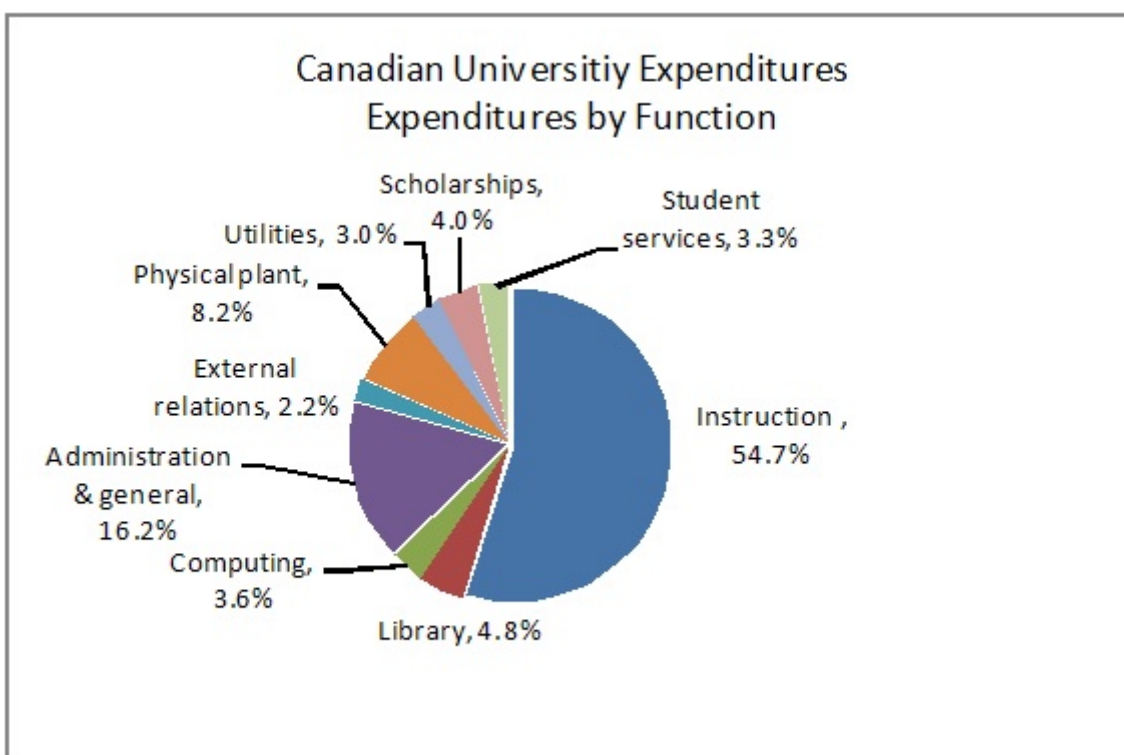
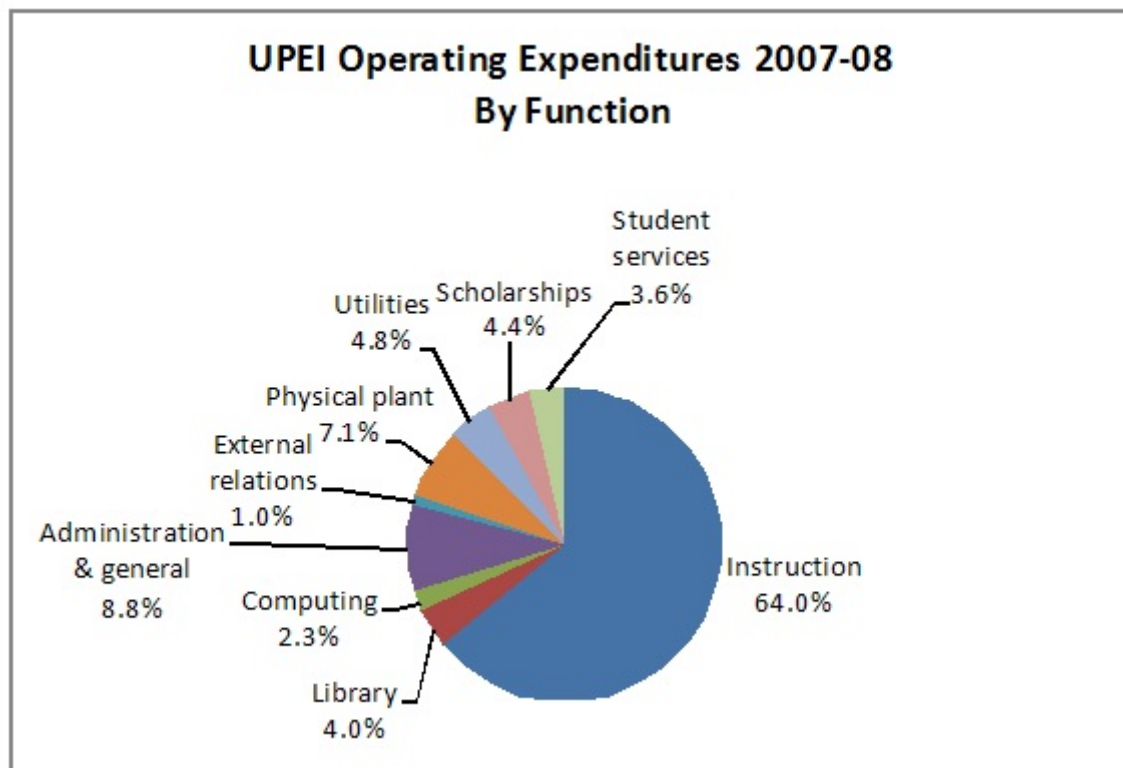
As in any large institution with operations in excess of \$100 million annually, prudent expenditure management is a key element in UPEI's sustainability and strategic outlook. As should be the case in a people-intensive organization, the greatest commitments by far at UPEI are to salaries and benefits, which represent more than 70% of the University's overall expenditures. The following two tables, showing salary growth over a ten-year period and spelling out the costs of employee benefits, demonstrate the extent to which salaries and benefits represent the primary expenditure pressures at UPEI.



Employer Benefit Costs as % of Salary

| | Full time teaching | Part time teaching | Support staff | Student |
|-----------------------------------|-----------------------|-----------------------|------------------|-------------|
| Core benefits: | | | | |
| Pension & RRSP Contributions | 11.0% | n/a | 11.0% | n/a |
| Retirement allowance | n/a | n/a | 1.8% | n/a |
| RRSP | 0.5% | n/a | 0.5% | n/a |
| CPP | 3.1% | 4.4% | 3.1% | 4.4% |
| EI | 1.5% | 2.5% | 1.5% | 2.5% |
| Group Life | 0.0% | n/a | 0.2% | n/a |
| LTD | 0.0% | n/a | 0.7% | n/a |
| Medical | 4.1% | n/a | 3.8% | n/a |
| Post Retirement Health - phase in | 1.5% | n/a | 1.5% | n/a |
| Worker Comp | 0.0% | 1.6% | 1.8% | 1.6% |
| Core benefit % | 21.7% | 8.5% | 26.0% | 8.5% |
| Additional Benefit Costs: | | | | |
| Retirees Health Premiums | 1.5% | n/a | 1.5% | n/a |
| PDTR (Prof. dev) | 1.3% | n/a | n/a | n/a |
| Sabbatical Leave | 3.0% | n/a | n/a | n/a |
| ER Benefit Costs | 27.5% | 8.5% | 27.5% | 8.5% |

Other significant expenditures relate to operating and maintaining an extensive physical plant, providing top-calibre equipment and technologies for learning and research, energy costs, etc. The following pie-charts show the make-up of UPEI expenditures, as well as comparisons with universities across Canada.



Responsible expenditure management is a critical strategy for UPEI's ongoing sustainability. For example, in 2004-05, UPEI invested \$ 950k in an energy retrofit program that now returns \$ 225k annually in ongoing energy savings. A further review of energy efficiency and potential savings is currently underway, as is a program to reduce the amount of paper being used in the University.

Annual budget-making is a rigorous exercise at UPEI, as is the management of expenditures to achieve results that are within budget. UPEI has no history of budget deficits. In 2008-09, the University undertook a comprehensive Budget Development Planning Process, engaging working groups in 21 specific areas under the leadership of a Budget Development Task Force. The Task Force achieved its objective of identifying \$1.5 million in annual operating savings, and was pleased with the overall participation by the UPEI community in a continuing culture of belt-tightening.

When it comes to capital budgeting and long-term obligations, there are several key fronts that warrant strategic attention. In terms of physical facilities, UPEI has no unfunded debt. The infrastructure enhancements on UPEI's campus since 2001, totaling \$100 million, have been funded by federal, provincial and municipal governments, through philanthropic donations, and (in the case of the Residence enhancements) through a mortgage backed by a multi-year business plan. Commencing with the 2009-10 budget year, UPEI presented a multi-year capital budget outlining capital projects, infrastructure renewal and maintenance, long-term financing, and renewal and replacement of major equipment.

Growth in the campus infrastructure since 2001 (30% increase in the total building area) places considerable stress on Facilities Management resources and budgets. Requirements to clean, maintain and operate space escalate due to collective agreements, general inflation of supplies and materials, as well as the extraordinary increases in energy costs. In 2007-08, there was a 30% increase in electricity rates and a steep rise in our heating contract due to the cost of crude oil.

Addressing these ongoing campus infrastructure priorities will be difficult but must be achieved through effective use of staff resources, strategic capital investments and a focus on sustainability practices and aggressive energy management. The importance of maintaining facilities expenditures at appropriate levels can be directly linked to the long-term condition of UPEI's buildings and grounds, and to the safety, well being and productivity of all campus users.

UPEI's most significant long-term obligations relate to employee pensions and benefits. The UPEI pension plan covers all permanent employees, now encompassing 618 active employees and 239 retirees. As of April 30, 2009, the pension plan assets were valued at \$114 million and the current estimated actuarial deficit of \$35.0 million compares with a deficit of \$15.8 million at April 30, 2005. (Plan asset value has subsequently recovered to \$124 million at August 31, 2009). Managing pension liabilities will be a primary strategic consideration for UPEI for the foreseeable future.

The post-retirement liability for supplemental health and retirement allowance benefits currently totals \$20.3 million (calculated as of April 30, 2009). The accrued liability includes: (1) the estimated cost of providing current employees with health benefits after retirement, (2) the future cost of providing health benefits to current retirees, and (3) the accumulated cost of the retirement allowance obligations. The University fully funds the annual cash cost of its share of health benefits. The accrued liability is an estimate of the future cost and a capital fund of \$8.1 million has been set aside to date to deal with these future costs.

Summary of UPEI Strategic Priorities re Expenditures

Maintain UPEI tradition of balanced budgets.

Maintain close internal accountability to ensure that budget targets are met/exceeded.

Achieve balanced position in funding of employee pensions and post-retirement benefits by 2012

Restrain growth in spending in line with revenues.

Prepare multi-year capital budget by 2009-10.

Develop and launch Sustainability policy and framework by 2009-10

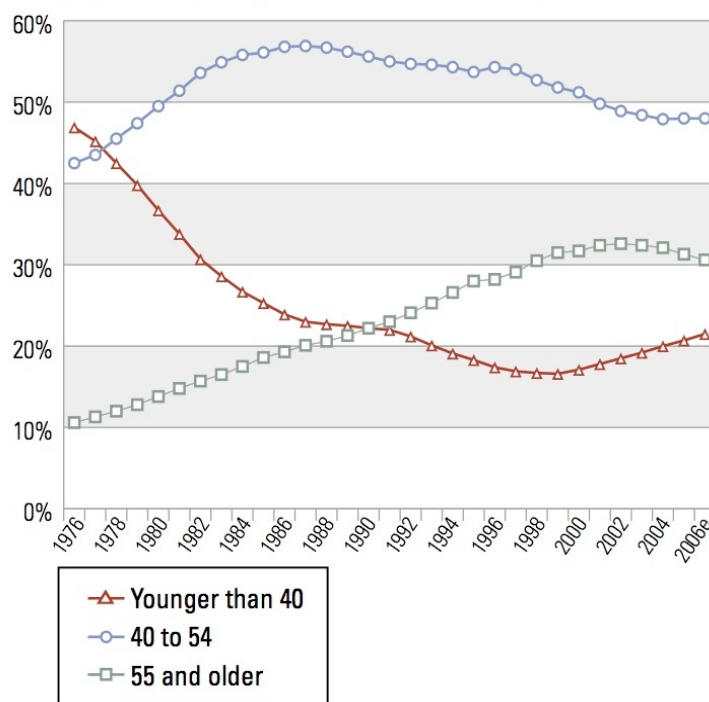
Develop and implement a comprehensive energy management strategy to optimize consumption and minimize expenditures by 2009-10

PEOPLE

As UPEI looks to the coming decade, a significant challenge will be to renew the faculty cohort by attracting the most highly qualified teachers and researchers in an increasingly competitive field. Similarly, there will be opportunities for renewal in staff and administration. For UPEI, a primary strategic objective is to ensure that UPEI is a productive, happy and healthy workplace for all employees. .

In the late 1990s, UPEI had a comparatively young faculty cohort, notably as a result of two rounds of retirement incentives in 1995 and 1998, and the introduction of mandatory retirement in 1995. In a study on “Faculty Recruitment and Retention in the Maritimes” conducted by the Maritime Provinces Higher Education Commission in 2002, UPEI was found to have the second-youngest faculty cohort of the seventeen Maritime universities included in the survey. By 2007-08, the situation has changed. In its 2007 publication, *Trends in Higher Education Volume 2: Faculty*, the Association of Universities and Colleges of Canada found that, over a 30-year period, the professorial cohort at all Canadian universities had aged, with the proportion of faculty 55-and-over having tripled during this time-frame, while the proportion of faculty younger than 40 had fallen by almost half. In 2007-08, the age-demographics of UPEI faculty were almost precisely identical to the national profile found by the AUCC.

Figure 2.7:
Over the past 30 years, the proportion of faculty 55 years and older has almost tripled while the proportion younger than 40 has fallen by more than half



Source: Statistics Canada data and AUCC estimates

In addition to the demographic aging of faculty at UPEI and nationally, the AUCC's 2007 *Trends* Report noted a general increase in demand for highly qualified personnel, in universities and in other sectors.

In this challenging context, UPEI must aim to attract the most highly qualified personnel, and to ensure that they succeed. Many colleagues choose to work at UPEI, over other options because they consider UPEI to be an institution where they can do well, where they can make an appreciable contribution, and where they can 'get in on something good'. UPEI must continually strive to be a special place to work and achieve. Among the measures required to make this so, it is especially important in a university to renew and rejuvenate, and to ensure that all employees and administrators are stimulated, motivated and encouraged to attain new levels of achievement and contribution.

For all UPEI colleagues, and for the University as a whole, it is desirable to have a healthy, happy, fair and productive workplace. In this light, UPEI should commit to build capacity within the University to apply an integrated, comprehensive and employee-centred workplace health model. This model highlights leadership engagement and a supportive workplace culture, for the prevention of chronic disease and mental illness and the enhancement of employee well-being, productivity and innovation.

Summary of UPEI strategic Priorities re People:

Anticipate needs for faculty and staff renewal at all levels.

Develop and implement a comprehensive and employee-centred workplace health model by 2010.

Recognize faculty and staff contributions throughout UPEI.

Implement program recognizing employee service by 2009.

Enhance training and leadership development opportunities.

Ensure that UPEI is a rewarding workplace for faculty and staff.

REPUTATION, EXCELLENCE AND IMPACT

All universities strive to maximize their reputation, and to continually achieve new standards of excellence and impact. While reputation is intangible, it is of palpable importance to the progress of a university. It affects UPEI's ability to attract students and highly qualified personnel, to secure resources, and to advance rather than fall back in a highly competitive university world. Historically, UPEI's national reputation has tended to be 'provincial', if not invisible. Among universities in Canada and on a larger stage, it is not desirable to be either provincial or invisible.

In recent years, UPEI's reputation has grown, with positive assessments compared to other primarily undergraduate universities in Canada, with top ratings for research productivity and growth, with success in winning regional and national teaching awards, and with favourable surveys of student experience. Nevertheless, the challenge to advance our reputation is never-ending, and the assumptions or biases that work against UPEI are formidable.

As a result, UPEI must retain as a clear objective the advancement of its profile and reputation — regionally, nationally and even internationally. One measure, however impressionistic, of UPEI's 'reputational' standing is the annual survey conducted by *Maclean's* among the Canadian academic, business and high-school advising community. From a close study of these surveys, we can learn two things: that reputations are slow to change; and, that reputations can and do change. Between 2002 and 2008, UPEI moved from 37th to 36th place in the 'best overall' rating among Canadian universities. During this same period, Acadia dropped from 11th place to 24th, Mt. Allison went from 14th place to 21st, and Bishop's has declined from 34th to 44th place. Reputations change slowly, but they do change.

UPEI must identify reputational advancement as a priority. Improvements and achievements that are well known on campus and in the local community remain unacknowledged in the Atlantic region or across Canada. In simple terms, UPEI must aim for its reputation to catch up with its true quality. UPEI has been in the top third of primarily undergraduate universities in the *Maclean's* survey for the past five years, yet it remains in the bottom half of undergraduate schools when it comes to reputational measurements.

It is in UPEI's interest to secure a more positive 'reputational' assessment. As a target, UPEI should aim to rise to the top one-third (i.e., to be rated 7th or better in reputational terms) among primarily undergraduate universities in Canada by 2012.

As a quantitative measurement, the National Survey of Student Engagement is a far more sophisticated tool than the *Maclean's* 'rankings'. In the 2008 NSSE Survey, UPEI achieved ratings superior to regional and national medians in 9 of 10 categories. Our objective is to achieve 'top 10%' on NSSE by 2012. In due course, these results will have a positive impact on other reputational 'ratings'. This is another way of reminding ourselves that 'brand-building' starts at home.

UPEI has been achieving enhanced recognition for its research growth and productivity. It was recognized in 2008 as the top primarily undergraduate university in Canada for research growth between 2002 and 2007. In each year since 2004, it has been rated 4th or higher among

undergraduate universities for research productivity. The challenge is to turn these quantitative measurements into qualitative recognition, for substantive achievement and excellence, and for community benefit and impact. This must be a priority for UPEI over the coming 3-5 years.

Related to the challenge of ‘getting the word out’, or of ensuring that UPEI’s reputation lives up to our quality, is the need for coherence, and for positive, high-quality representation of UPEI’s identity at all levels. Accordingly, the implementation of the Report of the Task Force on Visual Identity, adopted by the Board of Governors in September 2008, will be a priority.

While recognizing the communications challenges, it is essential to underscore that UPEI’s reputation ultimately rests of the perpetual struggle to achieve excellence in every aspect of teaching, research and service at the University of Prince Edward Island. This requires a highly talented, highly motivated and well supported team. It is founded on a strong and collaborative relationship with our primary community: the province of Prince Edward Island. While it may not be desirable to be considered ‘provincial’ when it comes to national reputational measurements, the fact that UPEI *is a provincial university* is essential to our character, our mandate and our reputation. That we live in a place that we ‘can get our arms around’ is a major asset.

Accordingly, UPEI’s reputation-building activities and the University’s overall messaging, both internal and external, will be focused on the theme “University Island”, consistent with the Strategic Plan for Integrated Communications adopted in 2009.

Summary of UPEI Strategies re Reputation, Excellence and Impact:

Achieve ‘top third’ reputational rating among primarily undergraduate universities by 2012.

Implement 2008 UPEI Visual Identity Policy.

Support regional and national awards for UPEI faculty, staff and students.

Enhance regional and national media coverage of UPEI teaching and research achievements.

Conclusion

Among universities in the Atlantic Region and nationally, UPEI stands in the top bracket for being well managed in fiscal terms. A prime factor in our continued success will be effective advocacy and strong relationships with governments and partnerships with community. On the enrolment front, UPEI has been more successful than the norm among Maritime universities over the past decade. This document outlines a six-point strategy for UPEI to continue this record of success, in an increasingly competitive and challenging context. On the expenditure front, providing for long-term obligations and managing expenditure growth continue to be core challenges, along with adherence to practices of careful budgetary planning and internal accountability. Growth in grants and contributions, and in net contributions from ancillary operations, will be key elements to UPEI's ongoing success and development.

A university is not an easy organization to manage in fiscal terms. There is considerable volatility in key external variables, notably public funding and enrolments/demographics. There is unrelenting internal pressure to grow, and to spend. In effect, a university is a society's largest wager on its future. As such, a key ingredient is optimism, about the university's ability to continue improving and striving for new levels of excellence, and about our capacity to support those endeavours while living within our means.

To carry this off successfully, a university requires a sober long-term assessment of its means and its commitments, together with a courageous and focused sense of what it takes to truly stand out. The University of Prince Edward Island has shown that it can manage these challenges, and that it can move forward, to the benefit of the Province of Prince Edward Island and with a continually enhanced standing among universities regionally and nationally.

Ultimately, a university is a people organization, and a community institution. By remembering these two essential characteristics, and making them a priority, UPEI will achieve its strategic objectives and fulfil its mandate.