SHARP: York University's Budget Model

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I. Executive Summary

This report is the outcome of our review of Shared Accountability and Resource Planning (SHARP), York University's new budget model. The review draws heavily on three days of meetings at York University and on a considerable amount of documentation we received, including brief submissions from the different groups with whom we met.

The terms of reference for the review were extensive, and our report is similarly wide-ranging. This observation notwithstanding, five of our 12 recommendations address planning and budgeting, and hold-harmless, and a further three relate to the University Fund. This focus is offset by a considerable amount of advice elsewhere in the report that is not framed as recommendations.

Six years elapsed between the initiation of planning for SHARP and its implementation, but, despite the many years spent on planning, our assessment is that much still needs to be done to ensure SHARP works as it should. SHARP is now in its third year, and this would normally be the year when responses to the incentives inherent in activity-based budgeting (e.g., more efficient use of space, program review, program development) start to bear fruit. This does not, however, appear to be happening, perhaps because the model is not as well understood as it needs to be for these responses to begin to be apparent.[1]

Other factors that have nothing to do with SHARP may have played a role too, not least the 10 percent reduction in domestic tuition rates that was recently implemented by the Ontario provincial government. Nonetheless, we did see flaws that we believe are currently holding SHARP back.

We use the word "currently" quite deliberately: in our opinion the model's flaws are far from being insurmountable. Indeed, we feel very strongly that SHARP is the budget model York University needs. This is furthermore not just our assessment; the same view was expressed by many of those with whom we met. Our report describes what needs to be done to ensure that, as soon as possible, the model delivers on its full potential, and in so doing aligns more closely with the guiding principles that were originally stated to be required of the model.

As a reading of our recommendations will make clear, we are not proposing radical changes to the underlying SHARP model. Many of the recommendations are of a

[1] For example, briefing documents we received noted that Faculties are not giving up space, and suggested this was because they "are still trying to understand how [SHARP] works".

practical nature. They relate to processes that surround the budget model, and if implemented would represent quick wins. Other recommendations will take a little longer to bear fruit. All will serve to position York well by supporting a budget model that is both transparent and trusted. Implementation of the recommendations will furthermore encourage a diversification of revenue sources at a time when a major traditional source, direct provincial government support, shows no sign of increasing.

II. Introduction

The planning for SHARP began in 2011. The budget model that SHARP was to replace was one that is usually called incremental: decisions on budget allocations applied only to increments (and sometimes decrements) to base budgets while the base budgets themselves were historically determined. York's goal was to introduce instead what is often termed activity-based budgeting, the essence of which involves attribution of revenues and costs to the revenue-generating unit (predominantly the Faculties).

The time spent on the planning was by any standard lengthy: SHARP's first year of operation was 2017–2018, six years after planning began. As is often the case for such models, a promise was made to Faculties when the model was introduced that they would be "held harmless", which was explained in written material we received as meaning their actual budgets would be adjusted by "the difference between the old incremental model and the new model".[2]

Our terms of reference (see Appendix A) asked us to review SHARP at both strategic and operational levels. Put differently, we were to assess critically the strengths and weakness of both the model itself and its associated processes, paying due attention to alignment between the model actually implemented and the principles that were to guide the planning of the model.

In advance of our campus site visit, we received and reviewed material pertinent to our assigned task. We then spent three days (September 30, October 1 and 2, 2019) at York meeting with small groups of individuals, in addition to which there were two Town Hall meetings, one at the Keele campus, and one at Glendon College.

Appendix B reproduces the meeting list we received, together with a list of all the people (115 in all) who were at the small-group meetings, in person or by phone. The groups with which we met had beforehand prepared short summaries of the issues they

[2] For completeness we should add that implicit in the word "harmless" is that this adjustment would be made only if the difference were a positive one. What actually happened, including the determination of the differences, is described at some length in section VI of our report.

wanted to discuss with us, and these summaries were among the material we received ahead of our site visit.

Many of the meetings were 30 minutes long. Because of this, it was impossible in our meetings to address the terms of reference comprehensively, and instead we focused on the more general question of which among the principles, concepts and structures of SHARP needed attention. As one might expect, different groups of individuals addressed different aspects, most of which fitted somewhere within the more detailed terms of reference. We selected the headings for the individual sections of our report accordingly.

Our report's recommendations, where appropriate, pay due attention to the difficult future facing Ontario's public universities. The provincial government has effectively frozen the funding it provides to universities, and has labelled part of this frozen funding a "differentiation envelope". In 2020, York, in common with all Ontario's universities, will prepare a Strategic Mandate Statement (SMA) for the following five academic years. York's SMA will be required to describe how its differentiation envelope, which the government describes as "competitive" funding, will be used in support of differentiation. Our recommendations are also duly cognizant of the recent provincial government decision to reduce domestic tuition rates by 10 percent, and acknowledge too the considerable collective bargaining issue that York University experienced in 2018.

III. Contextual Background

We believe it will be useful, before reporting on the review itself, to provide some background for the report by saying a little more about budget models. We have already made reference to the incremental model and the activity-based budget models, arguably the two most common budget models in use in universities in North America. In this section, we offer the briefest of descriptions of these two models before providing some details of the implementation of activity-based budgeting at the University of Toronto and Queen's University, with which, for obvious reasons, we are very familiar.

i. Incremental budgeting

As noted already, budget allocations in an incremental budget model apply only to changes (usually increments, but occasionally decrements) in base budgets. This approach, despite its continuing to be in widespread use, has significant deficiencies, which are well documented.[3] First, the base budgets, which are, for the most part, historically determined, come to be seen as entitlements. As such they are furthermore usually fully (sometimes more than fully) encumbered. Second, and as a result of the first deficiency, the central university officer ultimately accountable for the institution's budget has very limited flexibility, and is always being asked only for more money, typically without appeal or reference to the revenue-generating capacity of any of the units making these requests. More often than not, the route that is followed tends to be percentage increases in base budgets. Conversely, in hard times, the university has to reduce base budgets and typically resorts to across-the-board cuts in base budgets. Because the changes are rarely if ever anything other than percentage increases or decreases of the base budgets, the shares of the university's budget going to different units are in almost total stasis.

ii. Activity-based budgeting

The deficiencies of incremental budgeting outlined above have led universities to adopt instead activity-based budgeting. This approach "devolves revenue ownership"[4] to each of the revenue-generating units (most notably a university's Faculties) and charges each unit for the cost of its use of shared services (human resources, information technology, the office of the provost, space, etc.).

In many instances a unit's gross revenue predominantly reflects the governments grant and tuition associated with that unit's enrolments. Some units, especially professional schools, also have the opportunity to offer executive education and other similar programs that generate only tuition. In all cases the devolution of revenue ownership encourages units to be entrepreneurial with respect to the programs and courses they offer.

The difference between a unit's gross revenue and its shared service costs, the unit's net revenue, is available for its direct costs, which include the salary and benefit costs of those directly or indirectly involved in generating its revenue. A revenue-generating unit's revenue is thus no longer an entitlement, but something earned. More importantly, a unit, as well as being able to grow its revenue through new initiatives, has every incentive to moderate its share service cost, for example, by economizing on the space it uses.

[3] See, for example, John R. Curry, Andrew L. Laws and Jon C. Strauss, *Responsibility Center Management: A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility*, NACUBO, 2013, pages 13-15.
[4] John R. Curry, Andrew L. Laws and Jon C. Strauss, *Responsibility Center Management: A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility*, NACUBO, 2013, page 17.

The most extreme case of activity-based budgeting is often called "every tub on its own bottom"[5] but adoption of this approach is rare. Instead, most universities that implement activity-based budgeting include in the model a modest tax on units' gross revenues. The revenue from the tax supports a fund that is then allocated to institutional initiatives. In other words, a mechanism exists to prevent balkanization of the university.

iii. Activity-based budgeting at the University of Toronto

The full rollout of the University of Toronto's New Budget Model (NBM)[6] began in the 2007–2008 budget year. This was preceded by a year of active planning and consultation (2005–2006), and a shadow budget year (2006–2007) where both old and new models were monitored. The NBM was initially in effect for all but one of the 19 academic divisions. The exception was the Rotman School of Management, which was added in 2010–2011. At its inception the NBM had 12 cost bins, with widely accepted and understood drivers. These drivers were reviewed in 2010–2011, which led to minor tweaks, and again in 2018–2019, when small adjustments were made to better capture the true costs of managing a separate campus.

The impetus for the NBM arose from several factors, including experience of a number of institution-wide one-time-only budget cuts over several years, a plethora of revenue-sharing arrangements that were no longer working, and recognition that academic divisions were slow to create new programs or enhance existing opportunities to manage their budgets. Equally important was recognition that the "old" incremental model was not aligned with the highly distributed organizational structure at Toronto that delegated significant responsibility and accountability in other areas to Faculties and Departments.

The monitoring of both old and new models in 2006–2007 determined levels of hold-harmless payments for any unit with a lower net revenue budget under the new model than under the old model. A key feature of the NBM was the commitment to make these hold-harmless payments permanent in all but the worst financial circumstances for the University of Toronto. This was justified by the desire to provide Deans with stability and confidence while they planned the growth of new programs and enrolments. To make this possible, a University Fund (UF) was established, and levied on incremental grant and tuition revenues at a rate of 10 percent.

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[5] John R. Curry, Andrew L. Laws and Jon C. Strauss, *Responsibility Center Management: A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility*, NACUBO, 2013, page 23.

[6] For obvious reasons, the prefix "new" is no longer widely used.

Some units within the University received revenue directly (e.g., through executive education) and the UF did not apply to this revenue until 2014–2015. This change, and the gross revenue growth that was occurring more generally, resulted in significant increases in the UF. This enabled a shift in emphasis from hold-harmless payments (notwithstanding the commitment to permanence of these payments) to investments in institutional priorities. This shift was reinforced in 2019–2020, when the UF charge was increased to 14 percent of incremental revenue to provide for strategic investments in research.

Initially, the NBM did not incorporate any recognition of interdivisional teaching (i.e., one unit teaching students registered in another unit's program). Instead it was left to units to work this out themselves. Some 10 years later, interdivisional teaching was finally addressed in the NBM using a two-by-two matrix designed to acknowledge revenue differences (e.g., differential tuition rates) and cost differences associated with program delivery. The University Fund was used to support the resulting revenue allocations.

The annual budget cycle at the University of Toronto involves two main components, the Academic Budget Reviews (ABR) and the Divisional Advisory Committee (DAC). Most of the meetings associated with these two components occur between October and January. The ABR process, which is led by the Provost, as Chief Academic and Budget Officer, requires each academic division to present its academic priorities and the proposed five-year budget to support these priorities.

The preparatory work for this begins in May, and requires each division to work closely with the University of Toronto's Planning and Budget office fully 12 months before the relevant budget year begins. The involvement of the Planning and Budget office includes the provision to academic divisions of assumptions for the next five years of what the budget increases to shared service units will be, and these assumptions are incorporated into each division's five-year priorities and associated budget.

The ABR meetings help to inform the Provost of potential opportunities for UF investments, and more generally ensure full consideration of academic initiatives and the associated budgetary and broader implications. The DAC process that follows, which is led by, and advises, the President, meets in late January to review budget priorities and plans across all the University's portfolios. This leads to a consolidated budget that is reviewed by a formal committee of a subset of the Deans.[7] The President

[7] The size of the University of Toronto precludes the inclusion of all Deans on this committee. All large Faculties are represented and the smaller Faculties, those that are not departmentalized, are represented by one Dean from the smaller Faculties.

is then in a position to confirm budget increases to shared service units and the consequent charges to revenue-generating units.

The University of Toronto's total operating budget is now almost three times what it was in 2006–2007. Some academic divisions have fared better than others, with access to the international student market being a primary differentiator; to a lesser extent, the ability to offer professional programs has also been important. At the same time, the University Fund has enabled the Provost to address budget challenges that some Faculties face. Those Faculties that have seen significant revenue growth have generated significant reserves. In response, the University, which recently provided guidance on appropriate levels of reserves, has established an institutional capital fund, so that excess reserves can be invested until they are needed.

In a recent development, the University of Toronto is considering a proposal to develop more formal and extensive service and collaboration agreements between shared service units and academic divisions.

iv. Activity-based budgeting at Queen's University

Activity-based budgeting at Queen's began in May 2013 (that is, the beginning of the 2013–2014 budget year), after a planning period of a little over a year. It bears mentioning that the University of Toronto was a constant source of encouragement and advice to Queen's: many aspects of Toronto's implementation were adopted, and Queen's benefited too from Toronto's willingness to share the details of things that did not initially go well and how these were overcome.

The proximate reasons the new approach to budgeting was adopted by Queen's were very clear: first, the board had expressed growing concern with a succession of annual budget deficits, and, second, there was a stated desire at the highest level within the university to incorporate a strong and lasting connection between each unit's base budget and the revenue it generated.

Attribution of revenue and costs is a fundamental part of activity-based budgeting. Attribution in the case of revenue was mostly straightforward, except when it involved cross-teaching, that is, one Faculty teaching students registered in another Faculty. A formula for cross-teaching was proposed, and to facilitate acceptance of the proposed formula, a commitment was made to revisit the formula after three years, as part of a broader review of the model.

Attribution of costs was more complicated, involving as it did the selection of drivers that underpinned the attribution, and this required a considerable amount of consultation and patience. At the outset, the shared service units and the Faculties had the opportunity to provide input on how costs should be attributed. With the benefit of hindsight, it is fair to say that the number of drivers was excessive, but this helped to ensure broad acceptance of the model, as did the commitment to further consideration of the drivers once the new model had been in place several years.

In the first year of the new model, the starting point for determining the hold-harmless payments was the previous year's budgets. Each revenue-generating unit's budgets for 2012–2013 (under the incremental model) and 2013–2014 (under the activity-based approach) were compared, and the unit received whichever was the greater. If this resulted in the unit continuing to receive its 2012–2013 budget, the difference was the hold-harmless amount. Units were also informed at the outset of a formulaic approach that would, by the beginning of the sixth year, eliminate any reference to, or relevance of, hold-harmless payments,[8] and hence incremental budgeting.

The first year was undoubtedly challenging, but the unswerving commitment to activity-based budgeting quickly persuaded any doubters that there was no going back. As a result, revenue-generating units quickly turned their minds to ways in which they could drive revenue growth, diversify revenue sources, and moderate costs. Meanwhile, shared service units adapted to the need to provide service-level commitments to the Faculties and other units generating revenue. As a result, within five years, revenue growth in response to the incentives inherent in the new model was sufficiently strong that Queen's was very well-positioned to cope with both the effective freezing of government grants and, later, the reduction in domestic tuition rates. In particular, the focus on diversification of revenue sources reduced dependence on government grant and government-controlled tuition.

One more aspect of the experience at Queen's warrants mention. From the outset, there was a commitment to complete transparency. A significant example of this was the establishment, even before the first year activity-based budgeting was adopted, of a broad-based committee advisory to, and chaired by, the Provost (as the university's chief budget officer). The committee's membership included the principal, all the vice-principals, all the deans, and leaders of several of the larger shared service units.

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[8] According to this formula, hold-harmless recipients would receive 90 percent of the initial payment in the second year (2014–2015). In subsequent years the proportion would fall to 75 percent, then 55 percent, then 30 percent. Thus, by the sixth year, hold harmless payments would be eliminated.

This committee was privy to budget presentations from every shared service unit (in September or October) and every Faculty (in December). This led to, among other things, a much stronger appreciation of the challenges involved in operating a shared service, and a sharing of ideas for new revenue generation among the Faculties, although it is fair to say that the former took longer than the latter.

Progress in building Faculties' understanding of shared service units' budgets was helped considerably by requiring that each shared service specify service-level commitments based on the level of budget that they were receiving, in conjunction with which shared services could also make submissions for additional funding, accompanied of course by the associated improvement in service level that the funding would make possible, or an explanation of why it was needed to maintain the current service level. The service-level commitments became subjects of fruitful discussion between Deans and the leaders of the share service units. None of this would have occurred under the old, top-down, incremental budget model.

Some months prior to the meetings at which budgets were presented, a separate strategic enrolment committee, the membership of which included all Faculty Deans, developed three-year enrolment projections that would eventually form the basis of the Faculties' revenue projections. Because Queen's University's Senate approved enrolment projections, a change in the process was agreed whereby Senate would, each year in late spring, approve initial projections for more than a year hence, and also any revisions to the original projections for the upcoming fall.

Finally, it bears mentioning that, from the outset, there was a broad sharing of all the data on which the model was based, including, of course, the data for all the drivers. There is not the slightest doubt that this openness helped greatly in developing trust in the model.

IV. SHARP Budget Model Guiding Principles

As we have noted already, planning for SHARP began in 2011. The working group that was charged with undertaking this planning identified five principles that would underpin the development of York's new budget model. Specifically, the model should:

- Support the academic goals of the institution through the **alignment of resources to priorities** as outlined in our planning documents
- Be **transparent**
- Provide for a **predictable and sustainable** framework for budget planning
- Provide performance **incentives** and ensure **accountability**

- Provide for **clear and straightforward allocation methodologies**[9]

In our opinion, the principles espoused make eminent sense, but we do believe the list of principles could have been expanded. Two omissions in particular come to mind.

First, we were surprised that the principles did not explicitly preclude any Faculty from opting out of the provision of, and payment for, centrally provided shared services and replacing it with its own in-house service. We understand that, at an early stage, it was made clear that individual Faculties would not be allowed to do this, but several of our meetings indicated that some ambiguity remains. We would therefore suggest that, if the principles are to be updated, an explicit "no opting-out" provision be included.

Second, there is no reference in the principles to the University Fund. Such a fund was certainly established, and it would have been of value to use the principles to indicate the purposes of the fund, primary among which would be to ensure the university always has the funds it needs centrally to support its strategic priorities through what Curry, Laws and Strauss call the "mechanism of subvention".[10] A university is more than the sum of its parts, and one way of making this explicit would be by an appropriate modification of the principles to indicate the existence of, and the purpose served by, the University Fund. We return to this topic below, in sections VI and VII.

With regard to the principles that were espoused, we would suggest that the budget model's implementation to this point has not in all respects lived up to them. Our observations in the following sections highlight the modifications we believe to be necessary. Many of our recommendations flow from these observations. If implemented, they will, we believe, significantly improve alignment between the model and the principles.

V. Planning and Budgeting

There are a number of issues we wish to raise under the general heading of planning and budgeting, for which reason this section of our report is divided into separate sub-sections. We discuss first accountability for planning and budgeting, which addresses the question of who at York University is ultimately responsible. We then turn our attention to planning and budgeting processes themselves. This latter topic overlaps also with how the Faculties were held harmless and how the University Fund is

[9] The bold font applied to certain words indicates York University's emphasis on these words in its original statement of principles, and is retained for this reason.

[10] John R. Curry, Andrew L. Laws and Jon C. Strauss, *Responsibility Center Management: A Guide to Balancing Academic Entrepreneurship with Fiscal Responsibility*, NACUBO, 2013, page 26.

allocated, and ultimately encompasses aspects that fall most appropriately under governance, all issues that are addressed in subsequent sections of our report.

i. Accountability for planning and budgeting

Budgeting supports planning, which is to say planning should come first. Furthermore, an activity-based budget model takes as given differential revenues associated with, for example, differential tuition, even though these differentials may not be easily justified in terms of program costs or other considerations. This is just one of many reasons why, in models of this type, the initial attribution of revenue is only a starting point that must then be assessed from the perspective of the university's strategic plans, and suitably modified in light of this assessment.

Such modifications are best undertaken outside the attributions inherent to such budget models. The alternative of trying to adjust the basic method of attribution by changes within the budget model itself would inevitably reduce transparency, thus undermining one of the guiding principles. One way to think of the type of modifications we are advocating is that they are taxes and subsidies explicitly used for the purpose of altering the basic attribution, and designed to ensure they do not negatively impinge on the incentives in the model that drive revenue growth. All this happens most straightforwardly when the individual ultimately responsible for planning is responsible also for budgeting. Much of the planning is of course academic in nature, which is why planning and budgeting reside most appropriately with the Provost and Vice-President (Academic).

By contrast, our meeting with the SHARP Planning and Implementation Working Group included individuals from Budgets and Planning, which ultimately reports to York's Vice-President (Finance and Administration), and individuals from Institutional Planning and Analysis, which reports to York's Provost. Thus two separate units, each reporting to a different vice-president, are engaged in planning, and budgeting is furthermore not a provostial responsibility. Additionally, we learned from York University's website that the Vice-President (Finance and Administration) is responsible for institutional space planning and use, which is of course a key component of overall planning.

The foregoing leads naturally to our first two recommendations:

- We recommend the establishment of a single unit for all planning and budgeting functions.

- We recommend that the Provost and Vice-President (Academic) assume responsibility and accountability for the newly established planning and budgeting unit.

It might help a reader's understanding of these recommendations if we make clear the distinction between budgeting and finance, which will help to clarify what would lie within the purview of the Provost and what would not if our recommendation were implemented. Budgeting is a forward-looking activity: it describes how money is to be spent. Finance is a backward-looking activity: it checks to ensure that money was spent in line with intentions. Our recommendations do not extend to any proposed change with respect to finance, which resides quite appropriately with the Vice-President (Finance and Administration) and should in our opinion continue to do so. We would only add that when budgeting and finance are in separate senior portfolios, the separation requires for its success a close working relationship between the Provost and the Vice-President responsible for finance.

We would further suggest that these recommendations be implemented as soon as possible. This suggestion reflects the current roles of the Assistant Vice-President and Chief Financial Officer (AVP and CFO), who reports to the Vice-President (Finance and Administration) but is directly responsible for the existing Budgets and Planning unit, which we are recommending become part of the Provost's portfolio. Ideally, this transfer, if it is to be effected smoothly, would involve a transition period, during which the AVP and CFO will have the opportunity to ensure that his deep knowledge is transferred to the Provost along with his responsibilities for SHARP.

It would be inappropriate to leave the topic of planning and budgeting without some brief consideration of what precisely "planning" means in the context of our recommendations. We are certainly proposing that the term covers both enrolment and budget planning, but space is another critical focus of planning, and some universities therefore include space as part of planning and budgeting. Others do not go so far, preferring instead to require those responsible for space planning to have some level of accountability to the chief budget officer without actually reporting to that individual. We would not presume to suggest which approach is more appropriate at York.

ii. Processes

Some universities that have adopted activity-based budgeting conduct budget presentations sequentially, beginning with shared service budgets. Others conduct the presentations simultaneously, having previously provided the Faculties with reliable projections of the shared services' budgets. Without even projections, a Faculty is unable to determine its net revenue after the costs of the shared services it receives have been deducted. Prior to all of this, enrolment projections are required because only then will a Faculty know its gross revenue. All this has to happen in sufficient time to ensure that the university's budget is presented to, and approved by, the board in a timely fashion.

The actual timetable will vary slightly from university to university, but ideally the shared services' budgets should be determined or projected, and the enrolment projections confirmed, by early fall, with consideration of the Faculties' budgets (based on net revenue) following later in the fall. During our conversations, we learned that at York, consideration of the shared services' budgets occurs simultaneously with consideration of the Faculties' budgets. No prior projections are made, all of which means the Faculties' budgets are prepared on the basis of shared services' budgets that are always a year out of date.

Our next recommendation is offered so that this this anomalous situation is corrected:

- We recommend that, as soon as possible, a new budget cycle be put in place that involves sequential consideration of the shared services' budgets and the Faculties' budgets.

The sequence we propose could begin with either projections or determination of shared services' budgets. Without either, the framework for budget planning is not, in the words of the guiding principles for SHARP, "predictable" or "sustainable".

Relatedly, we also learned that enrolment projections are not always available in a timely fashion. We simply note that this is perhaps not entirely surprising when the group (Institutional Planning and Analysis) providing the enrolment projections has a different reporting relationship from the group (Budgets and Planning) working on the budget, hence the first of our two recommendations in the previous sub-section. Whatever the explanation, enrolment projections are an essential first step in the development of revenue projections, and the revenue-generating units need to be made keenly aware of this, not least because they will be a major beneficiary of this different approach.

It is not only the timing of the shared services' budget that requires consideration. A common thread running through our meetings, especially those with Faculties, was the complete absence of any explanation of what the shared services actually deliver. All of us have worked with activity-based budgeting, and we would all argue that one of the most heartening aspects of the processes surrounding this type of budgeting was the extensive interaction between the shared services and the Faculties about not only what the shared services were delivering, but also what it would cost to improve service and what would be saved by reducing service. This is presumably why “accountability” is another highlighted word in the guiding principles. Discussions between shared services and Faculties serve also to ensure that the shared services hear what Faculties need and want to support their respective missions.

In this context, we frequently heard that, in the early stages of the SHARP planning process, a commitment was made to ensure the shared services would deliver service level agreements after appropriate consultation with the shared services’ clients (predominantly the Faculties, but also, of course, each other). Simply stated, the commitment has not been met. The two-page submission from Ancillary Services expressed the consequences very clearly: “no input on the level of service we require, the cost of efficiency of the service being imposed, or accountability for quality”. Others were less eloquent, but echoed the same points.

Three recommendations follow directly from these observations:

- We recommend that, as part of the annual budget cycle, the shared services present their budgets to the Faculties and their other clients.
- We recommend that the presentations also serve as an opportunity to make requests for adjustments to the base budgets of the shared services.
- We recommend that service level agreements, or some equivalent documentation, become an integral part of the shared services’ budget presentations, and that they be updated annually based on any base budget adjustments that are made as a result of the shared service budget meetings.

Finally, we note that our recommendations address not only accountability but also transparency, another guiding principle. Concerns about a lack of transparency were mentioned to us in many of our meetings, and related not only to budget and planning processes but also to the mechanism for holding Faculties harmless, the allocation of the University Fund, and, more generally to the overall governance processes for SHARP, which are the topics of the next three sections of our report.

We close this section with an example of a lack of transparency in budget and planning processes. Activity-based budget models attribute revenue directly, but attribute shared service costs indirectly via what are called drivers. A driver is essentially a proxy for the extent to which each of the Faculties uses a shared service. We heard repeatedly that not all the data used for the drivers were readily available. More seriously, perhaps, we were also led to understand that the shared services do not know how their costs are attributed to the revenue-generating units.

We do not know how big an issue this is, but we do not need to know this in order to provide the solution. Specifically, we encourage those working on shared service cost attribution to share both the data and the methodology. Doing so will foster trust and enhance transparency, and in so doing improve the general understanding of how SHARP works.

VI. Hold-Harmless

We have mentioned already that any Faculty with a budget under SHARP that was less than what would have been the case under the old incremental model was told it would receive the difference between the two. We were advised that, at the time SHARP was implemented, it was made clear that these hold-harmless payments would not continue in perpetuity, and that a review three years after SHARP's implementation would determine what would happen to the hold-harmless payments beyond three years.

It was very clear from our meetings that these intentions were not widely known: time and again, we heard expressions of uncertainty about what might or might not happen to the hold-harmless payments. This uncertainty is echoed by York University's budget documents, which refer to the payments as "transition adjustments".[11] The use of the word "transition" suggests the hold-harmless payments were not intended to be permanent, but the budget projections in the document cited above show these adjustments in place and unchanged until 2021–2022, five years after the budget model was introduced.

In effect the decision was deferred. Deferring a decision is the same thing as not making a decision. Different universities have dealt with hold-harmless payments differently, but every university that has adopted some mechanism for holding Faculties harmless has made it clear at the outset whether or not these payments would continue in perpetuity, and, when the decision was not to continue them indefinitely, the process for phasing out the payments was made clear at the outset. The absence of complete clarity on this question flies in the face of a number of SHARP's guiding principles, not least transparency. It may also partly explain why York has not yet seen significant responses to the incentives inherent in activity-based budgeting.

It is also worthy of note that the original description of how the hold-harmless payments would be calculated was not actually followed. The difference promised was what ***would have been the case*** (our emphasis) under the old incremental model minus the Faculty's SHARP budget, so long as the former was larger than the latter. These

[11] See, for example, York's Multi-Year Budget Plan for 2019–2020 to 2021–2022 (https://sharp.info.yorku.ca/files/2019/08/2019-20-Multi-Year-Budget-Plan.pdf), page 46.

differences were termed Budget Implementation Formula Adjustments (BIFAs). If what "would have been the case" had actually been followed, the sum of the BIFAs would have been equal to the total of the increases accruing to Faculties that fared better under SHARP than under the old incremental budget. In other words, it should have been a zero-sum game. The differences actually calculated were not, however, based on a comparison of the SHARP budgets in 2017–2018 with what would have been the case had the incremental budget still been in effect in that year. Instead the comparison was with budgets under the old incremental model for 2013–2014.

We were never offered a satisfactory explanation for why this was the case. One of the documents we were given upon our arrival at York University stated that "2013–2014 is a single point and is not necessarily reflective of the ongoing financial position" and the document further acknowledged that some Faculties receiving hold-harmless payments were not in 2017–2018 any longer in the same position, and may not have required BIFAs at all.

The effect of using 2013–2014 as a reference year was that the outcome was far from being a zero-sum game. Seven Faculties received BIFAs, which together totaled $40.8M. Two Faculties (LAPS and Health) were better off under SHARP to the tune of $32.6M.[12] In other words, the outcome was a net difference of $8.2M instead of zero.

To be fair, other factors were in play too, and the eventual outcome was, perhaps partly because of these other factors, more complicated still. LAPS and Health were allocated roughly half of what they were due as a result of SHARP's implementation ($5.5M instead of $11M for LAPS and $8.9M instead of $18.4M for Health). All seven BIFAs were allocated in full, and the money held back from LAPS and Health was applied against the cost of the BIFAs, which resulted in a net cost of $26.4M. This was funded from two sources, a SHARP charge to Faculties, and the University Fund.

These complications only served to add to the uncertainty that persists to this day regarding the transition period during which the BIFAs would remain in place. Material provided to us in a briefing note on hold harmless addressed this question only to the extent of stating that "having permanent BIFAs in place is not practical", but earlier in the same note the BIFAs were twice described as "permanent".

In light of the foregoing, and also bearing in mind the differences among other universities in how hold-harmless was managed, we are loath to offer a detailed recommendation of what specifically should be done, and instead the two

[12] A tenth Faculty, the Lassonde School of Engineering, was new enough that it only ever operated under SHARP.

recommendations below argue only for transparency, predictability and sustainability, all of which are key aspects of the guiding principles:

- We recommend that, as soon as possible, a decision be made on the length of the period during which hold-harmless payments will continue.
- We recommend that the transition period be one that allows enough time for Faculties that are currently receiving the payments to adjust to the payments' eventual elimination.

These two recommendations take as given that the word "transition" still applies, that is, the payments will eventually be eliminated. To make explicit what is implicit in the recommendations, we believe this to be the appropriate action to take. We are also of the view that a multi-year transition period is desirable, but no more than three years. The recommendations do though beg the question of whether or not the payments will be phased out gradually over time or simply eliminated at some the end of the transition. We would suggest a gradual reduction (for example, one year of full payments, one year of two-thirds of the full payments, and one year of one-third). Whatever the decision, it has to be taken as soon as possible, clearly stated, and widely understood, if any further confusion is to be avoided.

These recommendations, if implemented, should be accompanied by a simultaneous commitment to the continued existence of a University Fund.

- We recommend that the elimination of the hold harmless payments, when it occurs, should not be viewed as negating the ability of the University's senior leadership team to continue to allocate funds to specific Faculties through the University Fund in a non-formulaic way when this is deemed appropriate.

This recommendation may seem to some superfluous because York does have a University Fund, but we include it nonetheless to make clear that we are not advocating "every tub on its own bottom". This is, as noted earlier, an extreme version of activity-based budgeting that none of us deems appropriate, which is why we suggested that the notion of a University Fund should have been enshrined in the SHARP principles. This observation in turn serves as a perfect segue to our next topic, the University Fund itself.

VII. University Fund

Most universities that adopt activity-based budgeting include provision for a university fund, which is typically funded through a tax on Faculties' gross revenues, and sometimes supplemented by revenue that is not attributable (e.g., interest income).

Opinions vary on how big such a fund should be, but there is agreement that its purposes include support for university-wide initiatives, broadly defined, for other strategic investments, and often support for some Faculties, especially, but not necessarily only, in the period of transition to activity-based budgeting.

York's University Fund is funded from a variety of sources that together yielded $69M in 2018–2019, over $16M more than was predicted ($52.8M). The projections for the present budget year and the next two suggest a severe reduction: $45.2M this year, $35.8M in 2020–2021, and $27.8M in 2021–2022.[13]

It is also pertinent at this point to mention again that, presumably because no decision has yet been made about how long hold-harmless payments will continue, provision is made through 2021–2022 for $15M of the University Fund to be used for the associated "transition funding" (except that, as already noted, it has yet to be determined what transition means in this context), leaving less than $13M in the final year for strategic investments.

It is easy to identify one of the primary reasons for the significant decline. Enrolments at York have recently been below base levels but not so low that York's core operating grant has been reduced. On the other hand, revenue attributed to Faculties is down because attribution is based on the lower enrolments. As a result, $22.9M of unattributed revenue went into the University Fund instead of into Faculty budgets in 2018–2019 (against a projection of $15.4M). The projections for the current and future years are that this will fall to $9.4M this year, then fall again to $2.2M in 2020–21, and will disappear completely in 2021–2022 (the number is actually negative to the tune of $4.8M, but we are not at all sure what is meant by this).

Furthermore, little if any of the money supporting what are referred to as "strategic investments" ($14.8M in 2019–2020) could actually be thus described. For a variety of reasons, most of the "strategic investments" actually involved providing support to shared services' budgets. This was not lost on Faculties, a number of which, when they met with us, expressed concern with this use of the University Fund, although it bears mentioning that none of the Faculties that raised the matter with us acknowledged the hardship borne by the shared services that led to the decision to support their budgets.

We do not want to belabour these many current challenges. The outcome is though that, as it stands, York's University Fund is simply not sustainable. Even if it were, it

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[13] See York's Multi-Year Budget Plan 2019–2020 to 2021–2022 (https://sharp.info.yorku.ca/files/2019/08/2019-20-Multi-Year-Budget-Plan.pdf), page 46.

would not be sufficient to address the stated purpose of the University Fund, namely to support strategic initiatives, which will become ever more important, not least because York must find ways to respond appropriately to the provincial government's increased desire to link funding to performance.

What has been described in the previous paragraphs has another implication too with respect to how and when the Faculties respond to the incentives inherent in SHARP to grow their revenue. In particular, considerable growth of enrolment of domestic students will yield no additional grant revenue for the university, only a transfer to the Faculties from the University Fund as the $22.9M of unattributed grant revenue currently in the Fund is allocated instead to the Faculties taking more students.

The obvious implication of these considerations is that York needs to turn its mind to how it will ensure that the University Fund is of sufficient size to serve its stated purpose. Our associated recommendation is therefore general rather than specific:

- We recommend that the University determine the size of University Fund that is needed to support its strategic priorities and ensure that the sources of revenue that provide the Fund are appropriately sustainable for this purpose.

There may be value in going further and establishing terms of reference for the use of the University Fund. These would set out the purpose of the fund and make clear who makes decisions on allocations from the fund.

The only way to implement our recommendation is to divert revenue that, in the absence of a University Fund, would remain with the Faculties. Most universities do this with a tax on Faculties' revenues, which adds to the University Fund as revenues rise. The contribution Faculties currently make to York's University Fund are not, however, the result of such a tax. Instead, at some point in the SHARP planning process, it was determined that the Faculties would collectively pay a lump sum of $15.4M,[14] and the amounts paid by individual Faculties were then calculated using weights based on full-time enrolment numbers.

This was called the SHARP tax, but it is perhaps more appropriately called the SHARP charge (which was the term we used earlier in our report) because it is a lump-sum tax. Simply put, this needs to change. Our previous recommendation, part of which asserted the importance of sustainability of the University Fund, ***requires*** that the

[14] The figure of $15.4M is actually for 2018–2019, and is projected to be lower still in subsequent years. See York University Multi-Year Budget Plan 2019–2020 to 2021–2022 (https://sharp.info.yorku.ca/files/2019/08/2019-20-Multi-Year-Budget-Plan.pdf), page 46.

method used to determine the Faculties' contribution be a proportional tax on revenues, hence our next recommendation.

- We recommend that the University impose a proportional tax on Faculties' revenue to generate the Faculties' contribution to the University Fund.

We readily acknowledge that the budgetary challenges facing York, notably the 10 percent reduction in domestic tuition rates, might make it difficult in the short term to expect a considerable increase in the amount contributed to the University Fund by the Faculties. One possible way to address this would be to calculate the proportional tax rate on current revenues that would generate roughly the same total amount contributed to the University Fund now by Faculties. Some Faculties would find themselves paying more than before, others less, but the differences should not be too great. This tax rate on existing revenue would then be accompanied by a higher tax rate on incremental revenue.

There is precedent elsewhere for such an approach: as we noted earlier, Faculties at the University of Toronto now pay a higher tax rate on incremental revenue. It is also worth repeating that the Deans at Toronto expressed widespread approbation for this higher tax, the introduction of which was accompanied by an explicit statement from the university on how the new funds would be spent.

Relatedly, we understand that the University Fund also serves as a contingency fund. We readily acknowledge that any university needs a contingency fund, but it seems at odds with the stated purpose of the University Fund that it be expected to provide also for unforeseen events. This prompts our next recommendation.

- We recommend that the University establish a contingency fund of appropriate size and provide for it as a shared service, funded through a separate proportional tax on Faculties' revenues.

The reason we argue for a proportional tax in this case is that the contingency fund should of necessity remain proportionate to the University's overall operating budget.

There is one final observation we feel it is important to make on the subject of supporting strategic initiatives. On a number of occasions, we were told that the budget model itself could usefully be modified to provide for this or that purpose. We have counselled against such an approach already, but want to add at this point a somewhat different reason for not asking the budget model to do what we would regard as too much. One of the virtues of activity-based budgeting is its simplicity, and it is this simplicity that ensures the budget model is transparent, the allocation methodologies are clear and straightforward, and the framework for budget planning is predictable and sustainable. If too much responsibility is invested in the budget model to address strategic priorities, the model will increasingly fail to live up to these qualities, all of which are, of course, guiding principles.

An example of this is provided by how the university addresses space costs, which is one of the issues we address in our final substantive section. First, though, we have something to say about governance.

VIII. Governance

We heard a lot about governance, some of which could have been addressed in section VI (University Fund). For example, it was with respect to governance (and transparency) that we first learned of a significant part of the allocations from the University Fund being used to support shared service budgets rather than strategic priorities, although, and as we have already noted, the reasons why the shared services were thus favoured, namely to offset to some degree significant reductions in their base budgets, were not acknowledged when the complaints were aired.

Allocations from the University Fund are ultimately made by the President, who receives recommendations from the University Budget Advisory Committee (UBAC), which the President chairs. We were led to understand that there was not a great deal of transparency surrounding either the allocations UBAC makes, subject to the President's final say, or the process by which a request might be made for such an allocation.[15]

Whether or not all this is true is, we are sure, debatable. Neither are we sure that it makes sense to encourage individual Faculties to request allocations from the University Fund. We did though hear such issues raised often enough to believe more could be done in support of transparency.

A more fundamental issue that warrants comment has to do with the mandate and responsibilities of UBAC, which are extensive,[16] as befits such a committee. So far as we could determine, UBAC does not, however, meet with sufficient frequency to fulfil either its mandate or its responsibilities. A major factor in this regard is surely the availability of the President, and we would not presume to suggest that the President should make herself available for additional meetings. That said, from the universities

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[15] More generally, a briefing document we received suggests the "York community does not have a clear understanding" of UBAC's mandate.
[16] See https://sharp.info.yorku.ca/university-budget-advisory-committee/.

with which we are familiar, we know how much time is needed for such a committee to work effectively.

We have already suggested that the Provost assume responsibility for budget and planning, and we would further suggest that consideration be given to the Provost being accorded the title of vice-chair of UBAC, which we believe is sufficiently important to be framed as a recommendation:

- We recommend that the Provost be formally recognized as the vice-chair of UBAC.

One benefit of this recommendation, if implemented, would be that UBAC could meet more often, with the Provost to assume the chair of UBAC for all but a small number of these meetings (perhaps roughly the number of meetings UBAC has now). There is, however, an alternative, and perhaps a preferable, approach, which would be to establish a sub-committee of UBAC, chaired by the Provost. This sub-committee would make recommendations to UBAC on many matters while leaving UBAC, with the President in the chair, making the most important decisions, for example, the uses of the University Fund, and the approval of the budget prior to its consideration by the board.

Such a sub-committee might also address a need, expressed in one of the briefing documents we received, for a group that bridges "the gap between SHARP-related issues as they arise and UBAC". If there were a sub-committee chaired by the Provost, it would ideally have a broad membership, including, besides others who sit on UBAC itself, a significant number of Deans and leaders of larger shared services. The shared services could present their budgets to the sub-committee, as could Faculty Deans. We have earlier preached the virtues of such an arrangement, notably the considerably enhanced transparency around the budget process, which, as we have noted already, is one of SHARP's guiding principles.

IX. Other Issues

A number of other issues were identified by our terms of reference as worthy of our consideration, some of which were also the subject of conversations during our meetings. Four of these are briefly dealt with below, beginning with Glendon College.

i. Glendon College

Our terms of references asked that we comment on the attribution of shared service costs to Glendon College. For the costs of most services, the attribution is quite standard, and the share borne by Glendon varies between a low of 3 percent of the total and a high of 6 percent. In four cases, the situation is, however, quite different: the college bears all, or almost all, of the cost of assigned space at Glendon, common/unassigned space at Glendon, teaching space at Glendon, and other campus services at Glendon. This of course makes eminent sense: Glendon is a stand-alone campus, so grounds, maintenance and other costs incurred at Glendon are attributed to Glendon. These four items together cost Glendon around $3 million.

Additionally, SHARP as implemented recognizes that to some extent Glendon incurs incremental costs to operate student services, and in consequence a discount of 25 percent is applied to the attribution of the administration of student services and to the costs of student recruitment. The resulting reduction in costs to Glendon in 2018–2019 was a little less than $200,000.

Other universities that have adopted activity-based budgeting have dealt with the issue of separate campuses. The University of Toronto, for example, recognizes the campus costs (those directly tied to outfitting and running a separate campus) of its Mississauga and Scarborough campuses separately from shared service costs. Recognizing them means applying specific discounts to some shared service costs where a campus is independently delivering the service in question.

At Toronto, the discounts actually indicate the proportion of the shared service unit cost that is assigned only to the University's central campus (St. George). Toronto calls these proxy discounts. There are 11 such discounts in all, ranging from 100 percent to 7 percent. For utilities, maintenance and services, the figure is 100 percent, the reason for which is that Mississauga and Scarborough both bear their own such costs for these services.

This is exactly how such costs at Glendon are treated. Toronto's proxy discount for student life and student affairs is also 100 percent, but any comparison with the different treatment of Glendon is rendered invalid because Mississauga and Toronto both run their own student life and student affairs operations. Glendon does not.

This last observation highlights an important distinction between Glendon vis-à-vis York and either Mississauga or Scarborough vis-à-vis Toronto. Full-time equivalent student enrolment at Glendon in 2018–2019 was 1940, which represented less than 5 percent of York's total enrolment that year of 42,000. By contrast, Mississauga had 17 percent, and Scarborough 15 percent, of Toronto's total enrolment of over 91,000 in the same year.

This leads us to the observation that there are substantial scale economies associated with stand-alone campuses. Certainly, it could be argued that Glendon's specific mission with respect to French language programming precludes taking advantage of such economies. On the other hand, and for completeness, it is necessary to note that over 50 percent of the revenue attributed to Glendon in different ways is what might be described as mission-specific: in 2018–2019, total attributed revenue of $20.5 million included various grants, broadly categorized as bilingualism, French language access and French language support, totaling $10.7 million. All of this is of course over and above the tuition and grant revenue associated with students at Glendon, which makes up the other $9.8 million of the total.

The foregoing description provides context for our response to the request that we comment on the attribution of shared service costs to Glendon, which is that, in our view, the attribution is appropriate. The question we were not asked was whether there are other ways within SHARP to support Glendon College. Our answer to this question, if asked, would be no, for all the reasons we previously mentioned, notably simplicity and transparency. If, however, Glendon is an institutional priority for York University, the University Fund is where further support might be found. This would enhance transparency, not detract from it.

ii. Space

To some degree, we began addressing the issue of space in the previous sub-section, but that was in the context of shared service costs for a stand-alone campus. Here, therefore, we are focusing on space issues more generally, including questions of deferred maintenance and capital needs.

It is perhaps not surprising that, when the price of space is zero, everyone wants more of it. This extends, of course, to the claim that there is also a crying need for more classroom space. Activity-based budgeting puts a price on space, which forces those who use the space to reconsider their needs, and to look for different ways to use existing space more intensively. Both the University of Toronto and Queen's have seen this happen to a significant extent since the introduction of activity-based budgeting.

The price on space does though also impinge negatively on those units that are less able to reduce their use of space easily. The representatives of the Faculty of Arts, Media, Performance and Design who met with us made just such an argument, and our terms of reference asked that we address the appropriateness of subsidizing space in cases where space use is of necessity high.

Our response is to counsel against taking this course of action. The use of subsidies when space use is necessarily intensive only serves to conceal the level of use without regard to either the strategic importance to the university or the true cost of the space. The issue of strategic importance should in our opinion be dealt with explicitly, rather than indirectly by modifying the space charge, which is yet another example of our oft-repeated advice that the budget model should not itself be asked to do too much. If a Faculty of strategic importance to York of necessity uses space intensively, the solution is to recognize this explicitly by an appropriate allocation from the University Fund, ideally along with an expression of explicit expectations of the Faculty.

It bears mentioning, for completeness, that a single price across campus for assigned space ignores the possibility that the actual cost per net assignable square metre will vary significantly from building to building. Consider, for example, the probable difference in cost, between a modern, well-insulated building and an older, draughty one. In this case, it might be appropriate to give consideration to the feasibility of differential prices, specifically ones that more accurately reflect true operating costs, if the true cost is easily measured (e.g., when utility costs are measured building by building). The counter-argument is of course that units do not usually have the opportunity to select the space they occupy and charging them extra for using an older, draughty building would be seen as a case of double jeopardy.

The final part of this sub-section covers two issues we were asked to address, deferred maintenance and capital needs. With respect to deferred maintenance, this is most commonly supported by either an appropriate augmentation of the occupancy charge, that is, the cost per unit of space attributed, or the University Fund. The University of Toronto adopted the former approach, and it has never been seen as controversial. Queen's adopted a blended approach: its deferred maintenance budget comes from both an elevated occupancy charge and its University Fund. All we would add is that using the occupancy charge relates units' total contributions to deferred maintenance directly to the amount of space they occupy, whereas using the University Fund relates the contributions to revenue (assuming, of course, that the University Fund itself comes from a tax on units' revenues).

As to capital needs, we are presuming that the needs in question have been identified as institutional priorities. How to finance these needs is an issue of resource allocation that lies outside the budget model. A tax on revenue of the type that typically generates the University Fund could be imposed, but for obvious reasons this would be neither appropriate nor popular when a particular Faculty would be the primary occupant of the new building. In such cases, a more appropriate approach involves a combination of advancement activities and suitably encumbered reserves held by the Faculty in question.

This last observation might be observed as wishful thinking but the experience at the University of Toronto, and more recently at Queen's University, has been otherwise. The incentives inherent in activity-based budgeting do not only drive revenue generation. They also encourage the accumulation of reserves because the devolution of budget authority and accountability to the Deans eliminates any concern that the "centre" will claw back Faculties reserves. Furthermore, these reserves serve to support advancement activities by providing matching funding.

iii. Inter-Faculty teaching

During our three days of meetings, we did on a few occasions hear suggestions that SHARP has led to a reduced willingness to support inter-Faculty teaching. We were also made aware of a recent document that provides a framework for cross-Faculty degree programs. This document apparently suggests that the Provost has some latitude to clarify or adjust "the normal application of the budget model" without indicating how, or how often, this might be done. Some could view this as subverting the budget model, but we were not provided with enough information regarding the framework to say anything definitive.

It is undeniable that cross-teaching in all its many manifestations at a university is potentially challenged by an activity-based budget model. Reward it too well and the Faculty paying for it will consider doing the teaching itself. Reward it too poorly and the Faculty being paid for teaching will be less willing to continue the teaching. Our point here is not that other types of budget models manage the issue any better. They do not. It is though important that SHARP find the sweet spot, not least because interdisciplinarity is a cornerstone of York University.

Many implementations of activity-based budgeting adopt a simple formula for inter-Faculty teaching. Queen's is one example of this approach. Initially, 60 percent of the grant and tuition went to the Faculty teaching the course, and the other 40 percent went to the Faculty in which the student is registered. Beginning in 2018–2019, this was changed to favour slightly more the Faculty in which the student was registered.[17] Whatever the proportions, they take as given that the revenue associated with a domestic student may vary across the university. For example, a student in business

[17] Earlier, we noted that a commitment was actually to reconsider the formula after three years, as part of a broader review of the activity-based budget model. The review actually recommended that modifications to the formula should not be introduced until 2018–2019, the year any hold-harmless payments were to end.

who takes a course in arts or sciences results in a sharing of the higher tuition charged to business students.

The University of Toronto for a long time elected not to address the issue of inter-Faculty teaching at all, leaving it to the units involved to find their own mutual sweet spot. This approach was perhaps optimistic, and eventually there was general agreement that it was not working. Instead of adopting a single formula, Toronto developed a two-by-two matrix of revenue transfers for inter-Faculty teaching reflecting high and low revenues (appropriate because for the reasons mentioned in the previous paragraph) and high and low program costs.

According to our briefing documents, York has been using a simple formula that assigns 40 percent of the grant and tuition to the Faculty teaching the course, and the other 60 percent went to the Faculty in which the student is registered. This treats the teaching Faculty less generously than even the modified approach adopted by Queen's, which could explain why concerns have been expressed about the willingness to engage in inter-Faculty teaching at York.

If this is in fact true, a case could be made for modifying the formula in favour of the teaching Faculty, especially given the strategic importance to York of interdisciplinarity. We are though reluctant to make a formal recommendation to this effect. Instead, we would suggest that the university might find it instructive to spend time collecting more information about how well the different approaches at Queen's and Toronto are working. The outcome of this exercise could then form the basis for further consideration of York's current formula.

iv. Shared service cost attribution

We were asked in our terms of reference to address the question of whether "the bins and drivers [are] still appropriate for the attribution of revenues and expenses". In respect of revenues, we have little to add to what we have included in the previous sub-section, because, aside from issues of inter-Faculty teaching, direct revenue attribution is in our view completely appropriate. All we would say is that, according to a briefing document we received, York is currently attributing revenue according to the old funding formula. This formula is "old" in the sense that it is no longer in effect, given which the revenue attribution is not in fact currently "direct". The briefing document indicated that the effect of using the new formula instead was being modelled.

With regard to the attribution of costs, we did look briefly at the drivers, which appeared to be reasonable. We could perhaps make an argument for some adjustment that would simplify the attribution somewhat, but it is our view that at present there are many other issues, all of which we have identified in the various sections of our report, that require more urgent attention. Additionally, even modest adjustments would result in winners and losers, which could in turn lead to arguments for reconsideration of the provisions for hold harmless.

This is not to say we believe a reconsideration of the current drivers should never be countenanced. Rather our advice is that York University's initial response to our many recommendations be the development of a timetable for adjustments to SHARP that address the issues that led to our making these recommendations. The timetable should be achievable while at the same time acknowledging the urgency with which some of the changes need to be made.

Once these changes are all implemented, the new improved SHARP should be left alone for a while to support the revenue growth that York needs. If revenues do eventually begin to grow strongly from year to year, the changes that would then result from a reconsideration of the cost drivers would generate many fewer objections, especially if the reconsideration leads to a simplification of the attribution of shared service costs that is widely seen to bring with it greater transparency.

X. Concluding Comments

There is not the slightest doubt in our minds that activity-based budgeting, when fully implemented, will serve York University very well indeed. Embedded within SHARP, York's version of activity-based budgeting, are the incentives that will drive revenue growth, the diversification of revenue sources, and cost containment. The basics of SHARP are sound, but our use of the words "when fully implemented" signals that work is still needed on the budget model.

Our report's formal recommendations, as well as the many suggestions within the text of the report, will, if adopted, contribute significantly to full implementation of activity-based budgeting. Evidence from many universities, not just Toronto and Queen's, demonstrates unequivocally that this full implementation will, in turn, yield major benefits to York University.

It is furthermore heartening that so many of those we spoke with support this course of action. This support will only be strengthened by our report's recommendations and suggestions. Some will bear fruit quickly; others will take a little longer. All will contribute to a budget model that is both transparent and trusted and will take York University where it needs, and wants, to go.

Appendix A

Budget Model Review Committee
Terms of Reference

At a strategic level:

1. Are the principles underpinning York's model still appropriate?
2. Does the model support the academic mission of the University?
    - What are the strengths of the model and its processes?
    - What are the challenges of the model and its processes?
    - How might any challenges be best addressed?

In terms of specific areas and deliverables:

1. To what extent should revenue allocations be aligned to the new government funding formula and associated performance metrics.
2. Is the hold harmless adjustment relevant, and if not, how should the University proceed into the future?
3. How can the model be modified to promote cross Faculty teaching and collaboration at both the undergraduate and graduate levels?
4. Are the bins and drivers still appropriate for the attribution of revenues and expenses?
    - Is there a case to be made for simplification of bins and drivers?
5. The methodology for space charges:
    - Common space, dedicated space, shared space.
    - Glendon college space attribution methodology.
    - New space charges.
    - Deferred maintenance charges.
6. Should there be space subsidizations for space intensive programs?
7. Does the model provide incentives to promote innovation and the optimal use of resources?
8. Are there any unintended consequences as a result of the model?
9. Staff support and resource requirements to effectively support budget planning and budget administration.
10. Attribution of costs for Shared Services, for Glendon College, which is a separate campus.
11. University Fund and administration.
12. Governance framework for SHARP.

Appendix B (part 1)
Meeting List

Monday, September 30, 2019

8:30 am – 10:00 am	Co-Chairs, SHARP Review Steering Committee
10:30 am – 11:00 am	Faculty of Graduate Studies
11:00 am – 11:30 am	Osgoode Hall Law School
11:30 am – 12 noon	Libraries
1:00 pm – 1:30 pm	Lassonde School of Engineering
1:30 pm – 2:00 pm	Vice-Provost Students
2:30 pm – 2:30 pm	Faculty of Science
3:00 pm – 3:30 pm	Faculty of Environmental Studies
3:30 pm – 4:00 pm	Glendon College
4:00 pm – 4:30 pm	School of Continuing Studies
4:30 pm – 5:00 pm	Faculty of Health

Tuesday, October 1, 2019

9:00 am – 10:00 am	Faculty of Liberal Arts and Professional Studies
10:00 am – 10:30 am	Faculty of Arts, Media, Performance and Design
11:00 am – 11:30 am	Schulich School of Business
11:30 am – 12 noon	Faculty of Education
1:30 pm – 2:30 pm	Administrative Units, Vice-President Finance and Administration
3:00 pm – 3:30 pm	Vice-President Research and Innovation
3:30 pm – 4:00 pm	President's Division
4:00 pm – 4:30 pm	Ancillary Operations

Wednesday, October 2, 2019

9:00 am – 10:30 am	Town Hall Meeting, Keele Campus
11:30 am – 12 noon	Advancement Services and Operations
1:00 pm – 2:00 pm	SHARP Review Steering Committee
3:00 pm – 4:00 pm	Town Hall Meeting, Glendon Campus

Appendix B (part 2)
Meeting Attendees List

Aldo DiMarcantonio	Assistant Vice-President Finance & CFO; Co-Chair	Division of Finance & Administration
Sarah Cantrell	Assistant Vice-President, Institutional Planning and Analysis	Office of Institutional Planning & Analysis
Richard Ooi	SEO/Executive Director, Academic Administration	Provost & Vice-President Academic
Carol McAulay	Vice-President, Finance & Administration	Division of Finance & Administration
Lisa Philipps	Provost & Vice-President Academic	Provost & Vice-President Academic
Jodi Tavares	Executive Officer	Faculty of Graduate Studies
Ida Condotta	Financial Officer	Faculty of Graduate Studies
Mark Hayward	Associate Dean, Academic Affairs	Faculty of Graduate Studies
Mary Condon	Dean	Osgoode Hall Law School
Phyllis Lepore Babcock	Executive Officer	Osgoode Hall Law School
Kelly Noddle Goodman	Manager, Operations	Osgoode Hall Law School
Joy Kirchner	Dean	Libraries
Colette Leier	Executive Officer	Libraries
Jane Goodyer	Dean	Lassonde School of Engineering
Paul Battistuzzi	Executive Officer	Lassonde School of Engineering
Kim Tran	Financial Officer	Lassonde School of Engineering
Lucy Fromowitz	Vice-Provost	Division of Students
Mario Verrilli	Executive Director, Resources & Strategic Planning	Division of Students
Grace Angellotti	Financial Officer	Division of Students
Buks Van Rensburg	Interim Dean	Faculty of Science
Helen McLellan	Executive Officer	Faculty of Science
Wendy Booth	Senior Financial Officer	Faculty of Science
Alice Hovorka	Dean	Faculty of Environmental Studies
Paul Elliott	Executive Officer	Faculty of Environmental Studies
Dominique Scheffel-Dunand	Co-Interim Principal	Glendon College
Ian Roberge	Co-Interim Principal	Glendon College
Patrick Banville	Executive Officer	Glendon College
Tracey Taylor O'Reilly	Assistant Vice-President	School of Continuing Studies
Richard Piticco	Executive Director, Operations & Administration	School of Continuing Studies
Andrew Brock	Financial Officer	School of Continuing Studies
Paul McDonald	Dean	Faculty of Health
Mary Verrilli	Executive Officer	Faculty of Health

Renata Gritsyuk	Director, Financial & Academic Resources	Faculty of Health
Maz Fallah	Associate Dean, Research & Innovation	Faculty of Health
JJ McMurtry	Interim Dean	Faculty of Liberal Arts & Professional Studies
Jennifer Ankrett	Executive Director, Strategy & Administration	Faculty of Liberal Arts & Professional Studies
Rodolfo Arata	Senior Financial Officer	Faculty of Liberal Arts & Professional Studies
Sarah Bay-Cheng	Dean	Faculty of Arts, Media, Performance & Design
Diana Nuredini	Executive Officer	Faculty of Arts, Media, Performance & Design
Lucia Lo	Financial Officer	Faculty of Arts, Media, Performance & Design
Deszo Horvath	Dean	Schulich School of Business
Magda Szaki	Executive Officer	Schulich School of Business
Anwar Mustafa	Senior Financial Officer	Schulich School of Business
Cindy Zhuang	Financial Officer	Schulich School of Business
Lyndon Martin	Dean	Faculty of Education
Anrea Torre	Executive Officer	Faculty of Education
Ran Lewin	Director, Budgets & Planning	Division of Finance & Administration
Donald Ipperciel	Chief Information Officer	Division of Finance & Administration
Richard Silva	Senior Executive Officer	Division of Finance & Administration
Mary Catherine Masciangelo	Assistant Vice-President & Chief HR Officer	Division of Finance & Administration
Helen Psathas	Interim Assistant Vice-President, Facilities Services	Division of Finance & Administration
Samina Sami	Executive Director, Community Safety	Division of Finance & Administration
Charles Frosst	Assistant Vice-President, Shared Services	Division of Finance & Administration
Anthony Barbisan	Executive Director, Ancillary Services	Division of Finance & Administration/Ancillary Services
Eva Najemnikova	Director, Financial Services, Facilities Services	Division of Finance & Administration/Ancillary Services
Denise Mirabelli	Director, Service Transformation	Division of Finance & Administration
Alex Matos	Interim Internal Auditor	Division of Finance & Administration
Nicole Arsenault	Director, Sustainability	Division of Finance & Administration
Celia Haig-Brown	Assistant Vice-President, Research	Division of Research & Innovation
Rebecca Pillai Riddell	Assistant Vice-President, Research	Division of Research & Innovation
Felix Moses	Senior Executive Officer	Division of Research & Innovation
Susan Webb	Chief Communications & Marketing Officer	President's Division

Christine Silversides	Interim General Counsel	President's Division
Cheryl Underhill	Interim University Secretariat	President's Division
Ping Peng	Associate Director, Administration	President's Division
Sarah Jordan	Executive Director & Sr Executive Officer	Advancement Services & Operations
Louise Spencer	Assistant Vice-President, Development	Advancement Services & Operations
Richard Smith	Director, Institutional Research, Reporting & Analysis	SHARP Planning & Implementation Working Group
Mark Conrad	Director, Institutional Enrolment & Resource Planning	SHARP Planning & Implementation Working Group
Sahar Sheikh	Sr Institutional Analyst, Research & Special Projects	SHARP Planning & Implementation Working Group
Natacha Sam	Assistant Director, Budgets & Planning	SHARP Planning & Implementation Working Group
Jessica Yeh	Finance & Administrative Coordinator, PVPA	SHARP Review Steering Committee
Richard Irving	Area Coordinator, and Associate Professor, SSB	SHARP Review Steering Committee