



## Open Letter to the Board of Governors

October 7, 2009

Dear Mr. Perraton and Members of the Board of Governors:

The recent disclosures regarding the President's pension plan have alarmed and angered many within the University community. The Faculty Association has been asked by many of our own members and others to be a conduit for their comments. With the release of the Auditor General's Report, we imagine that your focus will be on the issues raised there. However, that is not the only essential focus for you.

The University of Calgary is bracing for a freeze of funding from the provincial government, plus the need for internal cuts to meet inflationary pressures and solve the internal financial problems. In the past when such a crisis emerged, the campus community united to meet the challenge: sacrifices were made and we all worked together for a stronger, if leaner, campus. What is different this time is that there is not a spirit of trust in the Board of Governors and senior administration; there is no sense that there is a common good we are all working towards.

The President's supplementary pension plan, and the issues related to its disclosure, have been the trigger for the current storm of protests about the Governors' financial decision-making. However, they are merely the last straw: the latest, albeit most glaring, example of a fundamental weakness. Unfortunately, this is not the first time that the Auditor General has raised concerns, nor is it the first time we have sounded the alarm over the lack of budgetary processes and transparency: there is a disturbing pattern over time. This letter is intended to address this latest incident as well as some of the inadequate and inappropriate processes that led to it.

### **A. Financial Decision Making**

The Auditor General described in some detail the events that led to the recent disclosure of the President's supplementary pension. These events reflect a systemic lack of transparency and due process in the financial decision making and reporting systems within the University. If the campus community had underlying faith in these systems and this series of events was seen as an abnormality, this letter would likely not be necessary. Unfortunately, the widespread belief is that there are all sorts of undisclosed expenditures hidden within the budget – slush funds to support the pet projects of the powerful few within the University administration – while the core programs are left to wither through continuous erosion of funding.

The bungling associated with the President's contract seems to point to either incompetence or malicious intent (in the sense of a specific desire to keep significant expenditures secret.) Neither alternative is comforting when we are dealing with processes for making multi-million dollar decisions that affect the lives of everyone who works and studies within this institution.

**Recommendations:**

- 1. That an external forensic audit of the finances of the University be undertaken with the results disclosed to the campus community.**
- 2. That a special task force composed of members of the Governors, along with representatives of the Faculty Association and student associations, be established to examine the financial decision making processes and make recommendations to better ensure transparency and due process.**
- 3. That TUBC's membership be changed to make it an effective body and an appropriate check on budgetary practices, by eliminating the voting membership from within the administration.**
- 4. That the newly constituted Budget Committee, as its first task, be directed to thoroughly review the results of the forensic audit as well as the University budget to ensure expenditures are consistent with academic priorities.**
- 5. That the provincial government be asked to appoint some Governors with non-profit and governmental experience to ensure that these communities are more effectively represented within the decision-making processes.**
- 6. That a thorough examination of the Board's governance practices be undertaken to improve transparency and due process. The cursory attempts to date have done little to address the fundamental problems. This must include a re-organization that puts people with university experience on the committees of the Board which consider issues that require an understanding of how a University works. Moreover, all decisions of any import should ultimately be made by the full Board.**

**Rationale:**

- a) The University Budget Committee

The core of the accountability processes within the University of Calgary is the University Budget Committee (TUBC). It is intended to be where the Board of Governors, academic governance and the administration meet. The dominance of the administration within TUBC, the limited information provided to that committee, and the curtain of confidentiality that is imposed upon it, ensures that the discussions regarding budgets and planning remain within the limits imposed by the senior administration. The

failures within the process are compounded by the consistent failure of the Board of Governors representative to attend any of TUBC's meetings. An extreme example of this approach to TUBC can be seen in what happened this summer, where the administration decided that the budget TUBC approved included only the need to balance the budget, and not any of the specifics on revenue and expenditures. Therefore, they argued that they did not need to go to TUBC to change the allocation to the faculties and other units. Decisions seem to be made by administrative whim rather than through due process. The true financial state of the University is hidden behind spin and rhetoric.

The Faculty Association has repeatedly called for a more transparent process for TUBC. Now we see the need also for a significant change in the voting membership. TUBC cannot act as an effective body or an appropriate check if it is dominated by administrators who are part of or beholden to the central administration.

#### b) The Board of Governors

The issues relating to the use of TUBC are compounded when the Board of Governors' own processes are examined. A majority of the Governors' decisions seem to happen behind closed doors, in *in-camera* sessions. Even then, most seem to be made by a subset of the Governors, not by the full complement. When the review of the President occurred, the Governors tossed aside their own policy of a full and fair process, instead moving to a secretive internal one. The compensation issue seems to have been dealt with in the same way. A few powerful Board members, all of whom primarily have experience in the corporate world, seem to be able to make decisions without process or accountability. The Governors seem willing to accept a lack of adequate policy and a random approach to planning.

#### c) Forensic Audit

It is essential that the Board of Governors realize that this is not just a matter of sour grapes. People are suffering while "planning" processes continue to wander. The lack of provincial funding this next year will have a devastating impact on many of our academic programs, but this is on top of the self-inflicted wounds that have already been caused through the funding decisions of the past. We need to have confidence in our processes and our information.

### **B. Compensation within a Public Institution**

This University is not a private for-profit company; it is a public non-profit organization dedicated to serving the academic interests of the broader community and our world. The compensation of the University President must be consistent with the purpose and character of a publicly-funded academic institution.

**Recommendations:**

- 7. That the Board of Governors recognize the University of Calgary as a public institution and not a for-profit company.**
- 8. That the Board of Governors request that the President agree to scale back his pension plan so that only his time at the University of Calgary is reflected in his supplementary pension, particularly in light of the fiscal situation in which he is leaving the University of Calgary.**
- 9. That the compensation of any future President be consistent with the mores of a publicly funded institution – based on a fully-disclosed compensation policy, and keeping in mind reasonable budgetary limits.**

**Rationale:**

The President's compensation should be adequate, recognizing that the President, like all academic staff members, has chosen to work within a public institution. We all accept the nature of such positions, both the rewards and the sacrifices. The recent disclosures suggest that the Governors have moved the compensation of the President from generous to obscene. The Auditor General's characterization that the President has not and will not receive an inappropriate benefit from the amendment to his employment contract is not accepted by most academic staff at the University. It overlooks the fact that, far from making the President "whole", the University of Calgary was paying to increase the President's pension from McMaster to an amount that reflected his salary as President at the University of Calgary. This has nothing to do with "pension" and everything to do with additional under-the-counter benefits dressed up to look like "pension".

The Board of Governors needs to understand that some of our academic units are reporting that they can no longer afford to provide pens to academic staff members. Support and management staff are being laid off, while academic staff contracts are not being renewed and academic vacancies are not being filled. The quality of education will begin to suffer as those in the classroom are stretched thinner both to provide more teaching to more students, while covering the services previous provided by the fired support staff. We may understand the need to do this given the financial uncertainties facing the University, but not in order to provide more caviar for the President's retirement.

Furthermore, we understand that long-serving members of staff are being escorted off campus and their benefits cut off immediately. The inconsistency in the treatment of these people, many of whom have given service far longer than the President and who have shown far more loyalty to the institution, compared with the treatment of the President is appalling.

Finally, we fear what else there is to come. The Auditor General's report hinted that some institutions have exorbitant final payouts to inflate pension payouts in the future. Is

there another shoe yet to drop? The climate of secrecy means that we likely have to wait another year or more before we find out what else the Governors (or the powerful few among them) may have done.

### ***C. Looking Ahead***

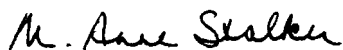
As mentioned earlier, the University already has to deal with significant internal cuts, and the prognosis for future provincial funding is not good. The fear is that the sacrifice being asked of those on the front line is not to preserve the core programs or the quality of education for students, but rather for the pet projects of the University Senior Administration.

Don't misunderstand me. There is no fat to cut in the core academic units. While there may have been budgetary increases in the last few years, these were not shared equitably. Now that there are cuts, there is the demand that everyone share the pain. So far, the cuts that have been announced this year are being absorbed so as to not harm students through the sacrifices of faculty and staff who are going above and beyond the call of duty. This can only go so far. Further cuts will necessarily harm the quality and/or accessibility of the educational enterprise. As I told the Presidential Search Committee, I believe that there is a deep well of support among the academic staff waiting for the right President to release it, but if the current climate of neglect and obfuscation continues, the well will quickly run dry.

**We call upon the Governors to make the necessary meaningful changes as listed above to restore a sense of trust within the University community.**

This letter is being sent with a sense of hope that the Governors will take the necessary steps to create a transparent, collegial model for financial decision making at the University of Calgary. We need your leadership, not your excuses. Please take the hands that are being offered to you, to restore this University as one we can all believe in.

Sincerely,



M. Anne Stalker  
President

cc: All academic staff members  
AUPE, Local 52  
Students' Union  
Graduate Students' Association