



2019/20 Budget Framework

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1. 2019/20 Planning Context

This document covers the key financial decisions and overall direction for the 2019/20 budget framework and sustainable plan coming out of the integrated planning process. It is being presented to the Board of Governors for consideration, and to facilitate implementation of the University's 2019/20 budget April 1, 2019.

The Integrated Planning Framework links the academic and research aspirations to the financial reality of the University. This process continues to evolve as we implement key strategic priorities. In 2018/19, the University began implementation of the new Academic restructuring culminating from a strong Senate endorsement of the Academic Action Plan, and a unified call for change from the UNBC community. To meet the desires and needs of the community, along with other key initiatives that are advancing the strategic priorities of the University, we are presenting a modified approach to 2019/20 Integrated University Plan. This process supports and aligns with the Strategic Road Map and creates an environment of collaboration, stewardship of resources, and enhanced accountability across the University.

Over the next couple of months, details of the integrated planning components will be incorporated into the 2019/20 Integrated University Plan, and will be presented to the Board of Governors in June.

Although the Academic restructuring, Research and Advancement initiatives have been key priorities, the University has also made significant strides towards achieving the desired outcomes set out in the Strategic Roadmap, and has begun the transformational change that will set the University on its course for innovation, growth and success in the future. The following is a summary of some of the successes achieved over the last year:

- Domestic undergraduate growth has continued to increase in 2018/19, with an additional 2% growth projection in 2019/20.
- The new Director of International Education is creating new opportunities for international student recruitment.
- The first phase of the new four year Civil and Environmental Engineering programs is in the implementation phase and will be ready for its first intake in September 2019.
- The Aboriginal Service Plan continues to be strengthened through collaboration and integration across the University and its campuses. Through this approach, we anticipate additional funding to support key Indigenous initiatives.
- Research at UNBC remains engaged and vibrant with stable funding, increased activity with undergraduate and graduate students and enhanced and renewed partnerships to support the research mission and mandate. We continue to build on the research plan aligned with the strategic priorities to ensure UNBC remains one of Canada's best small intensive research universities.
- The first major capital campaign was successfully completed in 2018/19, and Advancement continues to build on these achievements.
- Several Academic programs have created renewed programming that aligns with the emerging needs and interests of students and communities. In addition to this, exciting academic programming and pathway opportunities are emerging from dialogue with the academic units and their preferred alignments to the new five Faculties.

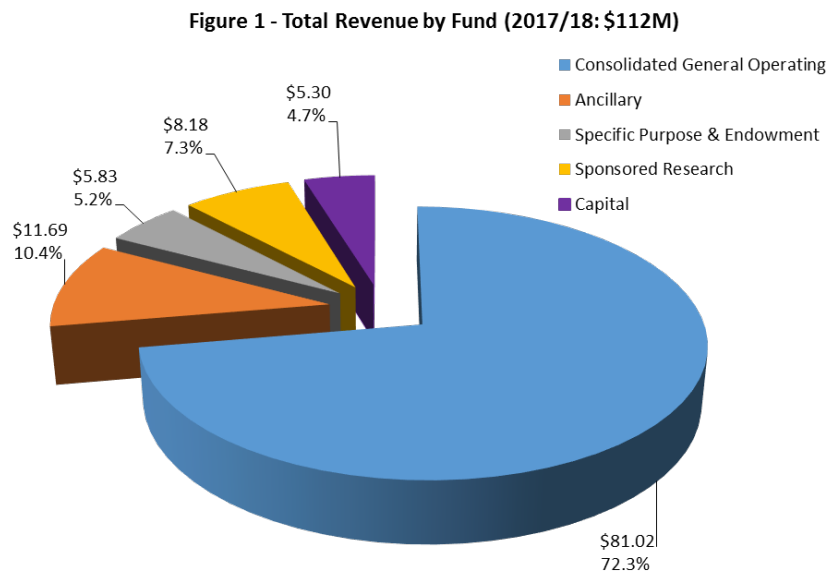
- Through Ministry funding, UNBC has begun to build its Co-operative Education Program and strengthen employer and student relations. There are currently 83 students enrolled in the program, with 13 students successfully placed in Co-op Work Terms since May 2018.

2. Comprehensive Financial Operations

UNBC is responsible for the financial stewardship of over \$100 million in total annual revenue. To enhance accountability, budgetary control and stewardship of resources, UNBC maintains separate funds for its many diverse activities:

- Consolidated General Operating Fund – includes the general operations of the University, Routine Capital funding and the Northern Medical Program.
- Ancillary Services Fund – includes the operation of service areas that are considered self-funding such as: Retail Services, Continuing Studies, Conference and Events, Residence, Parking and Security, and English Language Studies.
- Specific Purpose & Endowment Funds – includes conferences, special projects, Aboriginal Service Plan allocations, endowed chairs, student awards and the Northern Medical Programs Trust.
- Sponsored Research Fund – includes external grants provided specifically for research.
- Capital Fund – includes all minor and major capital projects funded by both internal and external sources, and the cost of depreciation of capital assets.

For 2017/18, the total actual revenue for UNBC covering this comprehensive picture was \$112 million, distributed across the funds shown in Figure 1 below:



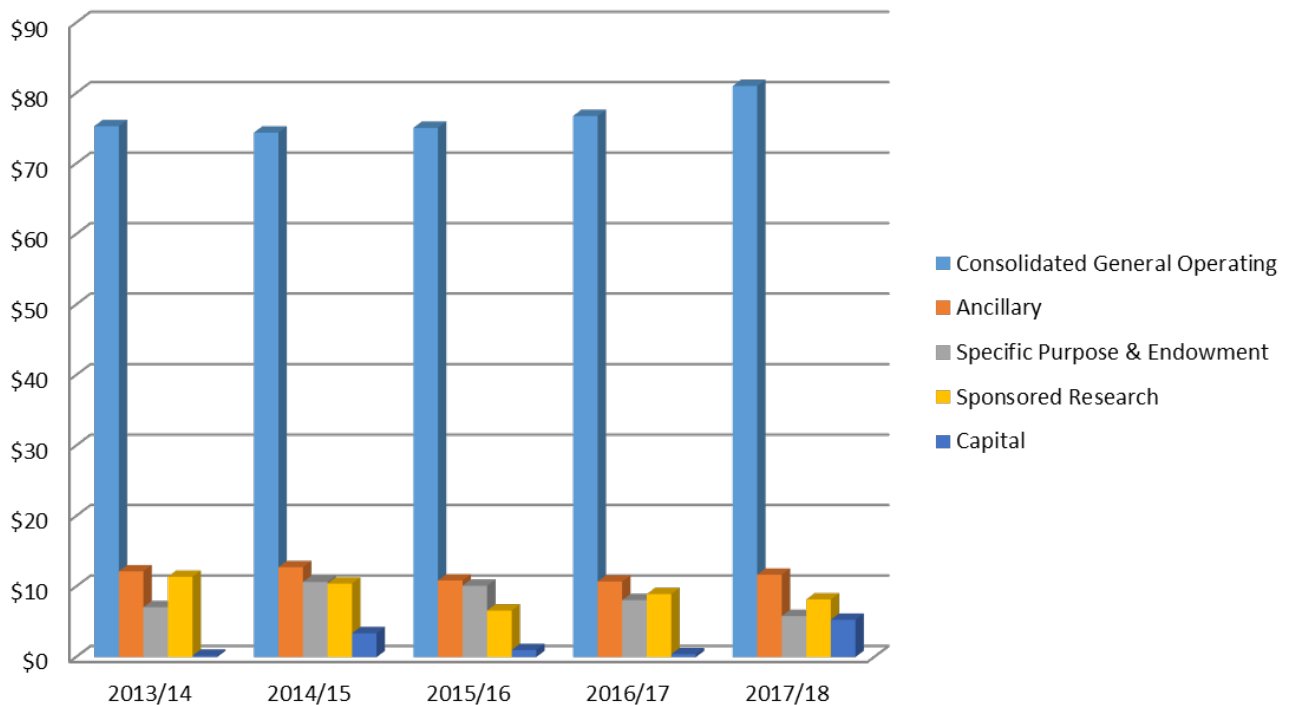
Note: For the purpose of financial statement reporting, revenue that is restricted for specific purposes other than those for the acquisition or development of depreciable tangible capital assets are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contributions have been met. Due to application of this accounting principle, the revenue reported for the fiscal 2018 financial statements was \$109.3 million.

In 2017/18, revenue across all funds increased by 6.8% or \$7.1 million from the prior year. This was the net result of an increase of \$4.3 million in general operating revenues, an increase of \$4.6 million Capital funding revenue, and a decrease of \$1.7 million in revenues across all other funds.

The Consolidated General Operating Fund increase was primarily due to targeted funding for mandated employee salary increases, tuition increases and a one-time tax recovery. The Capital fund increase was due to federal and provincial grants for Strategic Infrastructure Fund projects. Ancillary, Research, Specific Purpose and Endowment funds revenues remained relatively even compared with the previous year.

Figure 2 summarizes revenue by fund over the past five years:

Figure 2 - Total Revenue by Year (2013/14 - 2017/18)



3. Resource Allocation Recommendation

For the Consolidated General Operating and Ancillary funds, detailed budgets are prepared based on annual operating requirements and planning activities for approval by the Board of Governors. All other funds (Capital, externally funded Specific Purpose and Sponsored Research) are managed on a project-by-project or as individual funds in accordance with funding agreements or contracts.

The activity in all funds must be included in audited financial statements on a consolidated basis each year. The University's financial statements are prepared using Public Sector Accounting Standards (PSAS) on a compliance basis that require approved budgets to be included in the statement of operations and statement of changes in net debt. In 2016/17, the University began a completely consolidated budgeting process. As a transition to the full process, UNBC has developed a template, noted in Table 1 below, to approximate a fully consolidated budget. For funds other than the Consolidated General Operating and Ancillary funds, estimated results are based on four-year trends adjusted for potential results that could affect those trends.

Budgets for Sponsored Research Funds are approved individually by external organizations, such as federal and provincial granting agencies. Budgets for Specific Purpose Funds are either approved by external agencies (when funded externally) and/or by individual programs and internal committees (when funded internally). Budgets for Endowment funds are based on projected investment income. The Board of Governors, prior to project commitment, approves each major capital project. The potential accumulated results from all these areas are included in the total budget below.

Table 1: Draft 2019/20 Consolidated Budget

	<i>(for approval March 15, 2019)</i>		<i>(adjustments required for PSAS reporting)</i>		<i>(projected based on previous 4 year actual)</i>				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Consolidated General Operating	Ancillary	Proposed Total	Eliminate Internal Cost Recovery, Transfers & Capital	Adjusted Total	Capital	Specific Purpose & Expendable*	Sponsored Research	Total Budget
Revenue	88,244	11,494	99,738	(3,120)	96,618	6,900	4,150	8,500	116,168
Labour	62,318	4,136	66,454		66,454	50	1,050	4,700	72,254
Expense	22,548	6,880	29,428	(3,120)	26,308	10,150	3,456	4,000	43,914
	84,866	11,016	95,882	(3,120)	92,762	10,200	4,506	8,700	116,168
Capital	186	-	186	(186)	-				
Transfers	3,192	478	3,670	(3,670)	-	-	-	-	-
Total surplus/(deficit)	-	-	-	3,856	3,856	(3,300)	(356)	(200)	-

*Includes endowment

Notes:

1. Columns 1 and 2 show the proposed budget framework for the Consolidated General Operating and Ancillary funds presented in more detail in this document. It is expected that the budget in these areas must be balanced from an internal perspective.
2. Columns 4 and 5 show adjustments required for PSAS reporting – eliminating internal cost recoveries, capital and transfers.
3. Columns 6, 7 and 8 show the potential results for the other funds of the University, projected based on a review of the past 4 years of actual performance.

This document outlines the high-level financial plans for a three-year planning cycle. The focus, however, is on resource allocations for 2019/20 in columns 1 and 2 of the table above, and request for Board of Governors' approval of:

- 2019/20 Consolidated General Operating budget framework (Column 1)
- 2019/20 Ancillary budgets (Column 2)

Note: The tuition and fees revenue included in the above are based on tuition approved by the Board of Governors on February 1, 2019 and other fees to be approved separately on March 15, 2019.

A more detailed, updated consolidated budget, prepared on the same basis as the financial statements, will be presented to the Board for approval prior to March 31, 2020.

4. Consolidated General Operating Budget

4.1. Planning Assumptions

The 2019/20 unadjusted budget projections (Table 2) were developed in September 2018, based on the following assumptions:

- UNBC's Consolidated General Operating total budget must balance.
- Budget allocations will allow units to maintain existing service levels to the extent possible while they continue to develop and implement action plans for establishing future priorities.
- Undergraduate and graduate tuition rates will increase by 2%, per the Letter of Expectation from the Ministry of Advanced Education, Skills and Training and approval of Board of Governors.
- The provincial operating grant will increase by the amounts targeted for compensation increases.
- The Federal Research Support Fund will remain at the previous year's budgeted level.
- Routine Capital Maintenance funding will be approximately \$1.2 million.
- Salary savings from recruitment lag, unplanned leaves and absences, etc. will continue to be used to assist in balancing the budget.
- Undergraduate Domestic and Graduate Enrolment levels will remain at the level projected for 2018/19 over three-years. At this point in time, international undergraduate levels are expected to grow by 5% per year.

4.2. Unadjusted Three-Year Budget Projections

Table 2 provides a financial summary of the projected operating revenues and expenses for 2018/19 and the following two years based on the assumptions above and prior to incorporating adjustments required to balance the budget.

The projections indicate that, unless the University makes significant ongoing budget adjustments, flat tuition revenue and provincial grants, combined with increasing costs, will produce the following results:

- 2019/20: deficit of \$1.4 million
- 2020/21: deficit of \$1.6 million, assuming no adjustments are made to permanently reduce the 2019/20 deficit
- 2021/22: deficit of \$1.7 million, assuming no adjustments are made to permanently reduce the 2020/20 deficit

Table 2: Unadjusted Budget Projections (Revenue and Expenditures for 2018/19 to 2021/22)

Consolidated General Operating Fund*	2018/19 Approved Operating Budget (000's)	2019/20 Preliminary Operating Budget (000's)	2020/21 Projected Operating Budget (000's)	2021/22 Projected Operating Budget (000's)
Revenues				
Provincial Base Operating Grant	50,045	50,569	50,679	50,679
Provincial Grants - Capital, One-time & Other	1,484	1,484	1,484	1,484
Federal Grant - Research Support Fund	1,041	1,041	1,041	1,041
Grants from other universities	6,984	7,123	7,135	7,280
Interest	355	355	355	355
Tuition & Student Fees	19,393	19,915	20,457	21,022
Sales & Service	456	456	456	456
Miscellaneous	113	113	113	113
ICR - Administrative Overhead	1,716	1,716	1,716	1,716
Other Cost Recovery	281	281	281	281
Total Revenues	81,868	83,053	83,717	84,427
Expenditures				
Labour (Salaries, Wages & Benefits)	58,413	59,979	60,512	60,911
Operating Expenditures	18,805	19,514	19,879	20,252
New allocations:				
Instruction & support for new programs	-	-	-	-
Strategic Priorities	-	-	-	-
Minor Capital	184	155	155	155
Transfers	4,466	4,766	4,766	4,766
Total Expenditures	81,868	84,414	85,312	86,084
Budget Shortfall before adjustments	-	(1,361)	(1,595)	(1,657)

4.3. Operating and Revenue Adjustment Plan

The University has developed a plan to address the projected deficit for 2019/20. Table 3 below outlines the adjustments proposed to balance the consolidated general operating budget (netting to \$1.36 million in total):

Table 3: Budget adjustments

	(000's)
2019/20 Consolidated general operating shortfall prior to following adjustments:	<u>(1,361)</u>
Ongoing adjustments	
• Increase tuition and fees	918
• Increase estimate for increase to RSF and research overhead	406
• Increase estimate for new endowment administration recovery	125
• Increase estimated ICR - administrative overhead	47
• Estimate provincial grant for Employer Health Tax (EHT) impact	300
• Estimate provincial grant for new undergraduate Engineering programs	1,015
• Estimated cost increase for EHT	(850)
• Estimated 2019/20 allocation for new undergraduate Engineering programs	(900)
• Increase fundraising to offset general operating fund contributions to scholarships and awards	275
• Reduce allocations for:	
- operating expenses	
- changes in program and service delivery	
- eliminate vacant positions	
- eliminate salary residuals and adjust allocations for progression and other salary changes	947
Total ongoing adjustments	<u>2,283</u>
One-time (non-recurring) adjustments	
• Reduce general operating fund contributions to scholarship and awards reserves and offset with alternate funding sources	140
• Increase allocation for estimated salary savings due to recruitment lag, unplanned leaves, etc.	300
• Eliminate contribution to Capital Equipment Replacement & Renewal reserves	800
• Reduce unallocated Wood Engineering academic program funding (Note)	129
• Increase allocations for salary and operating costs in areas of critical need	(2,291)
Total one-time adjustments	<u>(922)</u>
2019/20 budget shortfall after adjustments	<u>-</u>

Note:

Programs still in "start-up" so do not yet require full funding allocation.

4.4. 2019/20 Proposed Budget and Two-Year Projections

Based on the initial budget in Table 2, combined with the adjustments in Table 3, the following Table 4 represents the Consolidated Operating Budget for 2019/20 and projections for 2020/21 and 2021/22.

Table 4: 2019/20 Proposed Budget and Two-Year Projection

Consolidated General Operating Fund*	2018/19 Approved Operating Budget (000's)	2019/20 Proposed Operating Budget (000's)	2020/21 Projected Operating Budget (000's)	2021/22 Projected Operating Budget (000's)
Revenues				
Provincial Base Operating Grant	50,045	52,257	53,272	54,287
Provincial Grants - Capital, One-time & Other	1,484	1,484	1,484	1,484
Federal Grant - Research Support Fund	1,041	2,978	2,978	2,978
Grants from other universities	6,984	6,699	6,713	6,857
Interest	355	355	355	355
Tuition & Student Fees	19,393	21,511	22,930	24,325
Sales & Service	456	1,020	1,020	1,020
Miscellaneous	113	104	104	104
ICR - Administrative Overhead	1,716	1,557	1,557	1,557
Other Cost Recovery	281	279	279	279
Total Revenues	81,868	88,244	90,692	93,246
Expenditures				
Labour (Salaries, Wages & Benefits)	58,413	61,509	61,343	61,860
Operating Expenditures	18,805	22,457	24,237	25,713
New allocations:				
Instruction & support for new programs	-	900	1,915	3,034
Minor Capital	184	186	186	186
Transfers	4,466	3,192	4,126	4,126
Total Expenditures	81,868	88,244	91,807	94,919
TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS	-	-	(1,115)	(1,673)

*Comprises General Operating, Northern Medical Program, Routine Capital, Carryforward and Professional Development Funds

The following sections provide details on revenue and expenditure changes in the above projection.

4.5. Revenue projections (as per Table 4)

The Consolidated General Operating Fund is supported by revenues from three main sources in 2019/20:

- federal and provincial government grants
- grants from other universities
- student tuition and fees

The total Consolidated General Operating Fund revenue for 2019/20 is projected to be \$88.2 million. Below is a summary of major changes by area.

Provincial Base Operating Grant (\$52.3 million) increased from the 2018/19 approved budget to reflect final confirmation of the 2018/19 amount, estimated funding for salary increases included within the provincial mandate and anticipated amount for first year of the new Civil and Environmental Engineering programs.

Tuition and Student Fees (\$21.5 million) represent fees paid by students (undergraduate and graduate, domestic and international) including tuition, application fees, course fees, student service fees, and other mandatory fees. The total budget for tuition fees in 2019/20 includes the following assumptions:

- tuition rate increase of 2%, as approved by the Board February 1, 2019
- enrolment at the 2018/19 level, plus 2% growth in domestic undergraduate enrolment, an estimate for the new Engineering programs and the estimated amount developed under the new plan for international recruitment

Table 5: Changes to Tuition and Fees Budget

Adjustments	(000's)
2018/19 approved amount	\$ 19,393
2% increase on tuition and other fees	252
Enrolment growth - Domestic undergraduate, including new Engineering program	439
Enrolment growth - International undergraduate	1,271
MBA projected changes	156
2019/20 budgeted amount	\$ 21,511

Provincial Grants: Capital, One-time and Other (\$1.5 million) are grants received for specific items such as a province-wide computer network infrastructure (ORAN), a portion of the annual program delivery costs for Wilp Wilxo'oskwhl Nisga'a, the University's grant-in-lieu of taxes, and routine capital.

Other Revenue (\$12.9 million) from a variety of different sources.

- Interest is from University cash balances invested in short-term investments such as money market and bond funds.
- Sales and Service includes items such as administrative fees, rent charged to external groups, and sales of a variety of goods and services.
- Miscellaneous includes non-research grants and donations.
- Internal Cost Recovery – Administrative Overhead represents a percentage of gross sales charged to Ancillary operations and the MBA program for administrative and operational services, plus other contributions from Ancillary operations. While 2019/20 shows a decrease from 2018/19, this decrease is offset by the shift of expenses for Residence Life from the General Operating Fund to Business Services; the net positive increase to the overall General Operating fund is about \$0.05 million.
- Other Cost Recovery includes inter-departmental chargebacks for items such as postage, long distance, lab supplies, and personnel services.
- Grants from Other Universities is the portion of funding for the Northern Medical Program that is flowed to the University via the University of British Columbia.

Revenue Change Summary – Table 6 below summarizes all of the above changes to revenue in this budget framework.

Table 6: 2019/20 Revenue Plan Changes

Adjustments	(000's)
Adjustment re confirmed 2018/19 grant	\$ 4
Mandate funding	893
Estimated amount for EHT	300
New funding for Engineering	1,015
Provincial grants - Capital, one-time & other	-
Research Support Fund adjustment	1,937
Grants from other universities (NMP funding from UBC)	(285)
Interest	-
Tuition & student fee increases	2,118
ICR - Administrative overhead	(159)
Other	553
Total revenue increase 2019/20	\$ 6,376

4.6. Expenditure Projections (details of Table 4)

The expenditures of the Consolidated General Operating Fund fall into four main categories:

- Labour
- Operating and Minor Capital Expenditures
- Instruction and Support
- Transfers

The total Consolidated General Operating Fund expenditures are projected at \$88.2 million as summarized below.

Labour (\$61.5 million) has increased by \$3.1 million to reflect changes resulting from current collective agreements, collective bargaining or statutory obligations and increases in areas of critical need, as well as other adjustments noted in Table 3.

Operating Expenditures (\$22.5 million) are comprised of all non-salary expenses required to support programs and services including supplies, utilities, travel and maintenance. The total has increased \$3.6 million from 2018/19, after incorporating the increased costs in areas of critical need and making the other adjustments noted in Table 3.

Instruction and Support (\$0.9 million) is the estimated amount funded in 2019/20 for the new Civil and Environmental Engineering programs. It has been partially allocated to labour and operating expenditures, but shown as the gross amount in Table 4 to illustrate the total expenses maintained in the budget.

Transfers (\$3.2 million) represent the exchange of funds to and from other areas of the comprehensive financial operation such as transfers to scholarships and bursaries, and transfers from Endowments for program support. The decrease in total net transfers of \$1.3 million is due primarily to the one-time elimination of the transfer to the Capital Equipment Replacement and Renewal reserve (\$0.8 million) and other adjustments noted in Table 3.

Expenditure Change Summary – The following table summarizes all of the above changes to expenditures in this budget framework.

Table 7: 2019/20 Expenditure Plan Changes

Adjustments	(000's)
Labour (salaries, wages & benefits)	\$3,096
Operating expenditures	3,652
Instruction & support for new programs	900
Minor Capital	2
Transfers	<u>(1,274)</u>
Total	<u><u>\$6,376</u></u>

5. Ancillary Operations Budgets

This section outlines the budget framework for three ancillary areas:

- Business Services and Continuing Studies, which is comprised of:
 - Business Services Central
 - Student Housing
 - Food Services
 - Continuing Studies
 - Conference and Events Services
 - Retail Services (Bookstore & Copy Services)
 - Northern Sport Centre
- English Language Studies
- Parking and Security

An ancillary operation is a unit or department within the University required to be financially self-sufficient. That is, each operation must generate sufficient revenue to not only cover its annual operating costs, including utilities and maintenance, but also provide for the renovation and replacement of its physical assets, including any required debt servicing costs.

Total revenue from all three areas of ancillary operations in 2019/20 is projected to total over \$11.4 million. Table 8 below shows the combined proposed budgets for all ancillary areas.

Table 8 – 2019/20 Consolidated Proposed Ancillary Operations Budgets

	Approved Budget 2018/19	Proposed Budget 2019/20
	(\$000's)	(\$000's)
Total Revenue	11,447	11,494
Expenditures:		
Salaries and Benefits	4,244	4,136
Operating Expenses	7,003	6,880
Transfers	200	478
Total Expenditures & Transfers	11,447	11,494

For information, English Language Studies (ELS) and Parking/Security (PS), report through International Education and Safety & Security, respectively, while all other units report through the Director of Business Services and Continuing Studies.