

University of Northern British Columbia

**General Operating Fund
2012/13 Budget Planning
Framework**

Budget Planning Context

The fiscal environment facing the University of Northern British Columbia for 2012/13 is not significantly different than that of one year ago. The Provincial grant remains flat at the 2010/11 level (Appendix 1). Tuition from domestic undergraduate students for 2010/11 was more than 5% under the budgeted level. Efforts to bolster enrolment are underway and early statistics indicate that there may be a slight improvement for Fall 2011. There is still much work to be done, however, to ensure that the University maintains some budget flexibility and maintains a balanced budget.

Expenses tend to rise more quickly than revenues. Without concomitant increases in revenues, institutions face choices, sometimes difficult ones, in their allocation of resources. This is especially true for the post-secondary sector in British Columbia (BC), since Provincial revenues are static or declining and tuition fees are limited to increases of 2%. Since tuition fees are only about 25% of total operating revenues, a 2% tuition fee increase results in about 0.5% increase in overall operating revenues. Many expenses are anticipated to increase by 2% or more.

In recognition of these facts and based on input from various members of the UNBC community during the 2011/12 planning process, President's Executive Council (PEC) recommends to the Board of Governors that the planning process for 2012/13 begin about three months earlier than it has in most of the University's history. This additional time will allow for more detailed discussions to take place at various levels and provide time to plan for and implement the best possible allocation of resources for this coming year. .

Beginning the budget planning processes earlier means that some information normally used in preparing the financial projections for the next three years is not available. For example, enrolment numbers for the Fall are still in flux. The normal mid-year review to determine potential budget pressures will not be complete for at least six weeks. In addition, the impact of the long-term investments the University has made are just beginning to be realized. These investments include the new bioenergy facility and changes in recruitment and retention activities such as the utilization of digital marketing and "On the Spot" admissions. As a result, the assumptions used to prepare the planning projections may fluctuate more significantly than in previous years, over the course of the planning process.

Financial Risks and Assumptions

For initial planning stages of the 2012/13 general operating budget, certain key assumptions with regard to revenue and expenditures have been made. Based on those assumptions, a deficit of just over \$900,000 is currently projected for 2012/13 (Appendix 2), if nothing else changes. However, as noted above, the assumptions will be reviewed and evaluated over the course of the planning process; depending on the general economic conditions, actual enrolment levels for the fall and winter terms and

other factors, changes in these assumptions may occur which will have a significant impact on anticipated revenue and expenditure levels. The preliminary planning for the 2012/13 operating budget has been developed based on the following key assumptions:

- **Provincial government funding** – no change to the funding level for 2012/13 indicated in the funding letter.
- **Federal Indirect Costs of Research Grant** – funding level will remain constant at the 2011/12 level.
- **Tuition fees** - undergraduate and graduate tuition will increase by 2% in keeping with the provincial government's tuition and fees policy.
- **FTE growth** – Domestic undergraduate levels are estimated based on 10/11 budgeted enrolments. This assumes that there will be some recovery from 10/11 declines resulting from current recruitment activities. International undergraduate levels are also estimated at 10/11 budgeted levels. Graduate student enrolment is based on 10/11 actual enrolment.
- **Salary and benefit increases** - compensation amounts include estimated progression through the ranks (PTR) only. Benefit levels are expected to remain constant at the 2011/12 level.
- **Operating expenditures** – includes provision for cost pressures in areas such as utilities, software licensing, library acquisitions, which are critical to operating the institution as a whole and in excess of the general inflation rate.
- **Strategic Investment Fund (SIF)** – in 2011/12, the SIF funding was allocated totally to projects that had received multi-year funding in 2008/09. These projects are subject to review in 2011/12. Depending on the outcome of the review, the funds may be reallocated for 2012/13 but no change in the funding level is currently anticipated.
- **Contingency** – No contingency has been allocated to deal with issues that may arise during the fiscal year. However, a recommendation may be made to the Board of Governors to allocate an enrollment contingency at year end to mitigate the risk of not meeting revenue targets in 12/13. This will be determined as planning progresses through February and March.

Budget Planning Process

Due to the early issuance of the Budget Planning Framework, the specific details of the planning process are not yet available. It is expected that these details will be available by early October.



Our Ref. 88543

July 8, 2011

Dr. George Iwama, President and Vice-Chancellor
 University of Northern British Columbia
 3333 University Way
 Prince George BC V2N 4Z9

Dear Dr. Iwama:

On behalf of the Minister of Advanced Education, I am writing to provide you with information regarding your institution's budget for 2011/12 – 2013/14. Your institution's operating transfers and full-time equivalent (FTE) targets for the next three fiscal years are provided in the Attachments. The 2012/13 and 2013/14 allocations are provided for planning purposes only, and are subject to annual approval of the Legislature.

In April of this year, institutions were invited to submit requests for funding to deliver new one-time student spaces in 2011/12 for short duration health and foundation programs. Decisions regarding health program funding requests for 2011/12 were made in consultation with the Ministry of Health and were based on criteria including employer demand, availability of clinical placements, past FTE utilization performance, program delivery costs, and available funding. Foundation program funding decisions were made in consultation with the Industry Training Authority (ITA), at ITA funding rates and were based on assurance of student demand, past performance and availability of funding. The Attachments reflect these decisions and include incremental funding for foundation and health spaces added to institutions' budgets and FTE targets on a one-time basis for 2011/12.

As required under the Canada-BC Immigration Agreement, the Province of British Columbia must meet the accountability requirements for funding received under the Agreement. This will require Ministry staff to work closely with those institutions that deliver English as a Second Language programs to ensure that these obligations are met. Additional information will follow under separate cover.

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**Ministry of
Advanced Education**

Decision Support and
Accountability Division

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As part of the 2007 Aboriginal Post-Secondary Education Strategy, the Ministry provided funding for new FTE spaces targeted to Aboriginal students in program areas identified as priorities by government and through consultation with Aboriginal partners. The recently completed evaluation of the 2007 Strategy found that this element of the strategy had mixed results, and recommended that the Ministry consider redistributing this funding to ensure that it is being most effectively used to benefit Aboriginal students. The Ministry intends to reallocate this funding in order to fund partnerships between public post-secondary institutions and Aboriginal communities for community-based delivery of programs that meet Aboriginal community needs. Over the next six months we will be working with the sector to discuss reallocation of funding.

In the event that FTE utilization for targeted programs has been, and remains, substantially below 100 percent, Ministry staff will consult with your institution to develop a plan for achieving greater enrolment in the affected program(s) in future years. Further, the Ministry may review funding allocations for targeted programs with low enrolment, which may result in reallocation of resources to higher demand programming.

Your institution's Annual Capital Allowance (ACA) allocation has been confirmed and remains the same as communicated to your institution's Vice-President of Finance in the interim budget letter dated April 4, 2011. As a component of each institution's operating transfer, the ACA is for Capital Maintenance and Capital Improvement projects which maintain and may extend the life of the physical plant, and for minor renovations and upgrade projects as defined in the Ministry of Advanced Education's ACA Program guidelines. Please see the following link for a copy of the ACA Program Guidelines:

http://www.aved.gov.bc.ca/cppm/related_documents.htm

During 2010, Government Letters of Expectations (GLEs) were agreed to by each Board Chair and the Minister responsible for Advanced Education. These were agreements on respective roles and responsibilities. For fiscal 2011/12 the GLEs will continue to apply. For the purposes of the section on compliance with government tuition policy, the reference to 2010/11 should be read as 2011/12, as the limit on tuition increases remains at two percent. A copy of the tuition limit policy is available at: http://www.aved.gov.bc.ca/tuition/welcome.htm#tuition_policy

Additionally, the annual reporting requirements have been updated for the current fiscal year and can be located at the following link: <http://www.aved.gov.bc.ca/budget/>.

The Province of British Columbia Budget and Fiscal Plan for 2011/12 includes a Post-Secondary Education Sector forecasted surplus of \$73 million. It is critical to the Province's fiscal plan that this sector-wide surplus be achieved.

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The Ministry considers expenses as a key area of institutional control, and monitors forecasted expense fluctuations closely as an indicator of institutional accountability and forecast integrity. Your institution's budgeted expense figure as per the 3rd quarter Financial Reporting (January 2011) is a key monitoring tool. The Ministry requests that any new impacts or risks to achieving your institution's budget estimates be communicated as soon as identified.

Adjustments for own-source revenue fluctuations will be considered as acceptable adjustments to the budgeted expense figure. Institutions are encouraged to continue with their best practices in managing the areas within their control towards achieving these estimates. The Ministry will assess the 1st Quarter 2011/12 forecasts submitted by institutions in July 2011 and will work together with the sector towards achieving the sector-wide expenditure forecast.

In the coming year, the Generally Accepted Accounting Principles (GAAP) Transition Task Force will continue to explore the implications of the change in accounting policies from Not-for-profit GAAP to Public Sector Accounting Board standards. Once details have been finalized additional communication will be sent confirming direction to the various outstanding issues.

Thank you for your continued commitment to working with the Ministry and other system partners to provide students with affordable, high quality and relevant post-secondary education and training opportunities.

Sincerely,



Brian Hansen
Assistant Deputy Minister

Attachments (2)

pc: Ms. Cheryl Wenezenki-Yolland, Acting Deputy Minister
Ministry of Advanced Education

Ms. Eileen Bray, Vice-President, Administration and Finance
University of Northern British Columbia

Mr. Mark Dale, Provost
University of Northern British Columbia

Mr. Mark Gillis, Assistant Deputy Minister, Students, Institutions and Programs
Ministry of Advanced Education

Attachment 1
As at July 7, 2011

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

2011/12 - 2013/14 Operating Transfers
and Overall Student FTE Targets

University of Northern British Columbia Operating Transfers	2011/12		2012/13		2013/14	
	FTEs	\$	FTEs	\$	FTEs	\$
AVED FTEs/Operating Grants *	3,431	\$ 47,058,296	3,431	\$ 47,058,296	3,431	\$ 47,058,296
Change from Prior Year	-	\$ -	-	\$ -	-	\$ -
Annual Capital Allowance (ACA) **	-----	\$ 91,347	-----	TBD	-----	TBD

* The overall student FTE targets for the Operating Grant include specific student FTE targets as follows.

** ACA is determined on an annual basis, so is shown as TBD in 2012/13 and 2013/14.

Student FTE Graduate and Undergraduate Targets							
	FUNS Code	CIP Code					
Undergraduate	UNGR	Multiple	2,948		2,948		2,948
Graduate	GRAD	Multiple	455		455		455
Undesignated			28		28		28
Overall Student FTE Targets			3,431		3,431		3,431

Priority FTE Targets

University of Northern British Columbia	FUNS Code	CIP Code	2011/12		2012/13		2013/14	
			Change	Total	Change	Total	Change	Total
Health								
RNs, PNs and HCAs								
BSN - Bachelor of Science in Nursing	NURS	51.1601	-	278	-	278	-	278
Nurse Practitioner	NURS	51.1605	-	30	-	30	-	30
Masters in Nursing	NURS	51.1601	-	10	-	10	-	10
Subtotal			-	318	-	318	-	318
Allied Health								
Other Graduate Level Health Sciences	HLTH	51.0000	-	21	-	21	-	21
Subtotal			-	21	-	21	-	21
Total Priority FTE Targets			-	339	-	339	-	339

**Attachment 2
As at July 7, 2011
University of Northern British Columbia
2011/12 to 2013/14 Operating Transfers and Student FTE Targets**

Operating Grants

	2011/12 Allocations per 2010/11 Budget Letter Attachments		2011/12 Budget Allocations			
	Operating Transfer	Change in \$ over prior year	Variance from 10/11 Budget Letter amounts	Adjusted Operating Transfer	Change in Adj. Operating Transfer	% Change in Adj. Operating Transfer
2010/11	\$ 47,058,296		\$ -	\$ 47,058,296		
2011/12	\$ 47,058,296	\$ -	\$ -	\$ 47,058,296	\$ -	0.0%
2012/13	\$ 47,058,296	\$ -	\$ -	\$ 47,058,296	\$ -	0.0%
2013/14	\$ 47,058,296	*1 \$ -	\$ -	\$ 47,058,296	\$ -	0.0%

*1 The 2013/14 starting base budget was held constant at 2012/13 levels.

FTEs

	2011/12	2012/13	2013/14
FTEs			
2010/11 Planned Growth	-	-	-
Growth Added (Removed)	-	-	-
Growth Added	-	-	-
Net Growth	-	-	-

2011/12 Budget Letter *2

	2011/12			2012/13			2013/14		
	FTEs	\$/FTE	\$	FTEs	\$/FTE	\$	FTEs	\$/FTE	\$
Base	3,431		\$ 47,058,296	3,431		\$ 47,058,296	3,431		\$ 47,058,296
General Growth	-		\$ -	-		\$ -	-		\$ -
Change	-		\$ -	-		\$ -	-		\$ -
Total	3,431		\$ 47,058,296	3,431		\$ 47,058,296	3,431		\$ 47,058,296
% Growth	0.0%		0.0%	0.0%		0.0%	0.0%		0.0%

*2 Operating grants are based on student FTEs x \$/FTE provided by AVED for each program plus the additional funding provided for non-program related issues.

UNBC
Preliminary Planning Projections
2011/12 - 2014/15

	Approved 11/12	12/13	13/14	14/15
Provincial Grant - general operating	47,058,296	47,058,296	47,058,296	47,058,296
Less: Provincial Grant - NMP	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Provincial Grant - one time/other	259,175	259,175	259,175	259,175
Federal Grant	1,733,284	1,733,284	1,733,284	1,733,284
Tuition & student fee revenues	17,355,490	17,672,813	18,176,448	18,694,991
Other revenues	1,490,263	1,490,263	1,490,263	1,490,263
Total Revenues	66,896,508	67,213,831	67,717,466	68,236,009
Salaries	40,405,187	40,930,454	41,462,550	42,001,563
Benefits	8,549,622	8,660,767	8,773,357	8,887,411
Other operating expenditures	13,448,711	13,852,172	14,267,737	14,695,770
Total Recurring Operating Expenditures	62,403,520	63,443,394	64,503,645	65,584,744
Strategic Investments	370,000	370,000	370,000	370,000
Contingency	-	-	-	-
Minor Capital	250,983	250,983	250,983	250,983
Capital Equipment Replacement	900,000	1,100,000	1,300,000	1,500,000
Transfers to other funds	5,991,162	5,991,162	5,991,162	5,991,162
Transfers from other funds	(3,019,157)	(3,019,157)	(3,019,157)	(3,019,157)
Total transfers to/from other funds	2,972,005	2,972,005	2,972,005	2,972,005
Surplus/(Deficit)	-	(922,551)	(1,679,167)	(2,441,723)

UNBC
Preliminary Planning Projections
2011/12 - 2014/15

Assumptions

Provincial Grant	As per Ministry communication March 11; assumed no increase for 13/14 or 14/15 (\$1,000,000 for Northern Medical program included in budget letter but removed here for the purpose of analyzing the general operating budget only)
Federal Grant	Assumed 2011/12 funding level will remain constant in subsequent fiscal years.
Tuition & student fee revenues	Tuition fee increases remain at 2% as per Provincial policy
FTE growth	FTE growth: assume 0% growth in 2012/13 and 1% in each of 2013/14 and 2014/15
Other revenues	Includes interest and internal cost recoveries, assumed no changes
Salaries	No change except normal career progression increases. (Assume any increases would be offset by provincial grant so net impact on budget is nil.)
Benefits	Assume no significant increase in benefits over 11/12 levels.
Other Expenditures	Constant Growth at 3.0% to accommodate inflationary pressures
Strategic Investments	Assumed consistent funding level over the period of the projection.
Expenditure & Enrolment Contingency	No contingency for unexpected expenditures or changes in enrollment levels included.
Capital Equipment Replacement	Added \$200,000/year to 2011/12 level. (adjustment to attain \$1.5 million target)
Minor capital	Assumed constant at 2011/12 level.
Transfer to Other funds	Assumed 2011/12 transfers in will remain constant in subsequent fiscal years.
Transfer from Other funds	Assumed 2011/12 transfers in will remain constant in subsequent fiscal years.