

University of Northern British Columbia

General Operating Fund 2010/11 Budget Planning Framework

11/24/2009

The University is beginning the budget planning process for the 2010/11 fiscal year. In developing their departmental budgets, budget holders should prepare their 2010/11 operating budgets to equal their allocations for 2009/10 (not including salaries). The final budget allocations will be determined by the Budget Councils¹ and President's Executive Council (PEC) based on alignment with the strategic priorities of the University and operational needs of all departments and programs. These allocations will be recommended to the Board of Governors for approval in March 2010.

Budget Planning Context

The University received confirmation of the 2009/10 funding levels shortly after the September 1, 2009 Throne Speech. (Appendix 1) Since the update contained the same information full time equivalent (fte) student numbers and grant amount that had already been incorporated in the 09/10 plans, no changes were required to the operating budget in the 2009/10 fiscal year. The University had been notified prior to the budget day that the reduction in annual capital allowance funding was likely so a plan to deal with the reduction was in place for the 09/10 year to address that shortfall without impacting operations.

The changes announced in the budget regarding increases in the Medical Services Plan (MSP) premium level and the introduction of the Harmonized Sales Tax (HST) on July 1, 2010 will have an impact in the 2010/11 fiscal year. With regard to MSP, the impact for 2010/11 is expected to be mitigated by changes in other benefit areas but will add to overall benefit rates after 2010/11 by about 1%. The budget impact from the introduction of HST will be more significant. The University is currently working with the other members of the Research Universities Council of BC (RUCBC) to determine how the government will address the anticipated impact on the university sector. At this point, it is anticipated that the increased costs to the University will be offset in 2010/11 but it is possible that in future years, the increased costs may impact the overall expenditure level across all areas of University.

The enrolment levels for 2009/10 are expected to be at or slightly below the levels incorporated in the operating budget. While there are no significant adjustments required at this point in the year, the situation will be reviewed again when more up-to-date information is available with regard to the winter term.

The major downturn in the financial markets had a significant impact on the University's investments. As a result, there was a one time funding allocation from year end surplus to fund a portion of the amount required to maintain the funding level for several operational areas and scholarships and bursaries normally funded from investment returns. The Board also approved a change in the spending policy for long term investments that will reduce the amount available from investment returns. There has

¹ Budget Councils – The Provost and Vice President, Administration & Finance (VPAF) each lead a Budget Council, comprised of the senior leaders of the various units reporting to them (the Vice President, External Relations portfolio, reports to the President but is included with the VPAF group during the planning process). These groups meet to review unit budgets, discuss issues and areas of concern and determine priorities.

been a significant recovery to date in the financial markets but some additional funds, either operating or one time, may have to be identified to ensure that even the spending at the reduced level will be maintained.

Financial Risks and Assumptions

For initial planning stages of the 2010/11 general operating budget, certain key assumptions with regard to revenue and expenditures have been made. Based on those assumptions, it is currently anticipated that the 2010/11 budget can be balanced without significant reductions in staffing and departmental budgets. (Appendix 2) However, 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 winter term 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 2010/11 operating budget has been developed based on the following key assumptions:

- **Provincial government funding** – no change to the funding level for 2010/11 indicated in the funding letter.
- **Federal Indirect Costs of Research Grant** – funding level will remain constant at the 2009/10 level.
- **Tuition fees** - undergraduate and graduate tuition will increase by 2% in keeping with the provincial government's tuition and fees policy.
- **FTE growth** – there will be no growth above the levels planned for 2009/10.
- **Salary and benefit increases** - compensation amounts include estimated progression through the ranks (PTR) only. Benefit levels are expected to remain constant at the 2009/10 level.
- **Impact of HST** – increased costs resulting from the introduction of HST in July 2010 will be funded by the Province, either through a grant or rebate.
- **Strategic Investment Fund (SIF)** – in 2009/10, the SIF funding was allocated totally to projects that had received multi-year funding in 2008/09. This will continue in 2010/11 and no additional funding has currently been allocated.

Budget Planning Process

1. The process begins with the issuance of this framework and will follow the schedule set out in Appendix 3.

2. By December 7, 2009, the Director of Finance and Budgets will identify the budgetary allocations to be assigned to the each Budget Council. Excluded from these allocations will be expenditures reserved to PEC. This includes the University Operations fund (including provision for salary increases, memberships to university-wide provincial and national organizations, estimated legal and insurance costs, etc.), payments into reserve funds such as the Capital Equipment Replacement Reserve (CERR) Fund and Library Acquisitions, internal support for scholarships and bursaries, transfer funds such as the grant to Wilp Wilxo'oshwhl Nisga'a (WWN), approved subsidies to the University Daycare and to residence operations. Also included are expenditures of a general, university-wide nature, such as energy costs (including carbon tax increases), equipment maintenance, software licensing fees, and new payments required based on the University's estimated greenhouse gas emissions.
3. The allocations provided to the Budget Councils for 2010/11 will be based on the 2009/10 allocations plus permanent adjustments that occurred during the 2009/10 fiscal year. As in the past, the provision for salary increases to take effect July 1, 2010 is included in the University Operations budget and will be allocated to units as needed.
4. The Councils have the authority to reallocate funding among operational units, eliminate positions, increase revenues or reduce operating expenditures or utilize a combination of these strategies, if necessary to address changes in funding requirements, critical needs in any area and alignment with the University strategic plan.
5. The reports from the Budget Councils to PEC are due on **February 10, 2010**.
6. Separate from their proposed operating budgets, the Budget Councils are requested to submit a list, **ordered by priority**, of one time initiatives, minor capital expenditures and critical needs that cannot be funded within budget allocations, to PEC by **February 10, 2010**. PEC will use this list to prepare allocations of any additional operating revenue or one time funding that becomes available. Since it is unlikely that any such funds identified will be adequate to fund all requests, units are encouraged to utilize alternate sources of funding to the extent possible.
7. All budget related information submitted by the Budget Councils in the middle of February will be reviewed and summarized by the Dept. of Finance & Budgets and then forwarded to PEC and the Senate Committee on the University Budget (SCUB).
8. In late February/early March, PEC will hold a special meeting of President's Council for the purposes of sharing information and seeking advice on the proposed budgets submitted by the Budget Councils to PEC. PEC will hold a

parallel meeting with NUGSS and GSS representatives and with student Senators and Board members.

9. PEC will engage in developing the proposed university budget between mid-February and mid-March. The deliberations of PEC will be based on the submissions from the Budget Councils, further information arising from the provincial budget and 2010 Ministry of Advanced Education and Labour Market Development budget letter, the advice of SCUB, input received from various stakeholder groups, and other relevant information.
10. On March 24, 2010, the President will submit a balanced budget, as required under the University Act, to the Senate and on March 26/27, 2010, to the Board of Governors.

APPENDIX 1:

Ministry Correspondence on 2009/10 Budget



September 1, 2009

On behalf of the Minister of Advanced Education and Labour Market Development (ALMD), I am writing to provide you with information regarding your institution's budget for 2009/10-2011/12. The 2010/11 and 2011/12 targets are provided for planning purposes only, and are subject to annual approval of the Legislature. Your institution's specific transfers and full-time equivalent (FTE) allocations for the next three fiscal years are provided in the Attachments. These allocations extend, for one year, foundation and health seats added to institutions' budgets on a one time basis in 2008/09 and referenced in 2008/09 GLEs.

For some institutions, student demand for some foundation and short term health programs may have shifted over the last year. If your institution anticipates not being able to deliver all sections of the foundation and health programs which have been funded again in 2009/10, funding may be reallocated for those intakes in the following order of priority:

Foundation FTEs

- Other foundation programs (not funded by the Industry Training Authority)
- Health programs
- Trades related programs
- Trades equipment

Health FTEs

- Other health programs
- Foundation programs (not funded by the Industry Training Authority)
- Health equipment

Your institution's Annual Capital Allowance has been reduced by approximately one third from the amount communicated in the interim budget letter on March 10, 2009. These revised allocations were communicated to institutional Presidents in August 2009.

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As mentioned in the interim budget letter “It will be critical to government’s fiscal plan that institutions operate within funding levels provided. Institutions will be required to manage their consolidated operating budget on a “no deficit” basis and their capital budgets within approved 2009/10 and 2010/11 allocations. Where necessary, strategies are to be developed to ensure these objectives are achieved.” These strategies include deficit management plans and monthly reporting. Institutions impacted by this requirement have already been contacted by the Ministry, and the deficit mitigation process is underway.

Thank you for the feedback which you provided this spring regarding administrative savings initiatives at your institution. The Ministry has summarized the responses received from institutions into a report outlining how the post secondary sector will collectively achieve \$11 million in annual administrative savings and re-direct these savings into post-secondary programming. This summary report has been provided to the Minister of Finance. ALMD will be following up with institutions on the realization and redirection of the administrative savings.

Sincerely,

ORIGINALLY SIGNED BY

Ruth Wittenberg
Assistant Deputy Minister

Attachments

Attachment 1

As at September 1, 2009

UNIVERSITY OF NORTHERN BRITISH COLUMBIA

**2009/10 - 2011/12 Operating Transfers
and Overall Student FTE Targets**

University of Northern British Columbia Operating Transfers	2009/10		2010/11		2011/12	
	FTEs	\$	FTEs	\$	FTEs	\$
ALMD FTEs/Operating Grants *	3,396	\$ 46,067,341	3,431	\$ 47,058,296	3,451	\$ 47,488,296
Change from Prior Year	42	\$ 3,225,748	35	\$ 990,955	20	\$ 430,000
Annual Capital Allowance (ACA) **	-----	\$ 813,483	-----	TBD	-----	TBD

Student FTE Graduate and Undergraduate Targets			2009/10		2010/11		2011/12	
	FUNS Code	CIP Code						
Undergraduate	UNGR	Multiple	2,942		2,948		2,948	
Graduate	GRAD	Multiple	426		455		475	
Undesignated			28		28		28	
Overall Student FTE Targets			3,396		3,431		3,451	

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

** ACA is determined on an annual basis, so is shown as TBD in 2010/11 and 2011/12.

Priority FTE Targets

University of Northern British Columbia	FUNS Code	CIP Code	2009/10		2010/11		2011/12	
			Change	Total	Change	Total	Change	Total
Health								
RNs, LPNs and RCAs								
BSN - Bachelor of Science in Nursing	NURS	51.1601	6	272	6	278		278
Nurse Practitioner	NURS	51.1605	-	30	-	30	-	30
Masters in Nursing	NURS	51.1601	-	10	-	10	-	10
Subtotal			6	312	6	318	-	318
Allied Health								
Physiotherapy (1)	HLTH	51.2308	-	-	-	-	20	20
Other Graduate Level Health Sciences	HLTH	51.0000	-	21	-	21	-	21
Subtotal			-	21	-	21	20	41
Total Priority FTE Targets			6	333	6	339	20	359

1) Program approval is pending a review of program delivery options.

Attachment 2
As at September 1, 2009
University of Northern British Columbia
2009/10 to 2011/12 Operating Transfers and Student FTE Targets

Operating Grants

	Original 2009/10 Allocations		2009/10 Budget Allocations			
	Operating Transfer	Change in \$ over prior year	Variance from 08/09 Budget Letter amounts	Adjusted Operating Transfer	Change in Adj. Operating Transfer	% Change in Adj. Operating Transfer
2008/09	\$ 42,841,593		\$ -	\$ 42,841,593		
2009/10	\$ 45,269,314	\$ 2,427,721	\$ 798,027	\$ 46,067,341	\$ 3,225,748	7.5%
2010/11	\$ 46,690,269	\$ 1,420,955	\$ 368,027	\$ 47,058,296	\$ 990,955	2.2%
2011/12	\$ 46,690,269 *1	\$ -	\$ 798,027	\$ 47,488,296	\$ 430,000	0.9%

*1 The 2011/12 starting base budget is held constant at 2010/11 levels.

FTEs

	2009/10	2010/11	2011/12
FTEs			
2008/09 Planned	55	55	-
Growth Added (Removed)	(13)	(20)	20
Growth Added	-		
Net Growth	42	35	20

2009/10 Budget Letter *2

	2009/10			2010/11			2011/12		
	FTEs	\$/FTE	\$	FTEs	\$/FTE	\$	FTEs	\$/FTE	\$
Base	3,354		\$ 42,841,593	3,396		\$ 46,067,341	3,431		\$ 47,058,296
Graduates	36	\$ 20,000	\$ 720,000	29	\$ 20,000	\$ 580,000	-		\$ -
Nursing / Health	6	\$ 12,000	\$ 72,000	6	\$ 12,000	\$ 72,000	20	\$ 21,500	\$ 430,000
Negotiating Framework			\$ 1,345,721			\$ 338,955			\$ -
Budget Adjustment			\$ 1,088,027						\$ -
Change	42		\$ 3,225,748	35		\$ 990,955	20		\$ 430,000
Total	3,396		\$ 46,067,341	3,431		\$ 47,058,296	3,451		\$ 47,488,296
% Growth	1.3%		7.5%	1.0%		2.2%	0.6%		0.9%

Additional Detail

	2009/10	2010/11	2011/12
Health			
BSN (4 year)	6 \$ 12,000 \$ 72,000	6 \$ 12,000 \$ 72,000	
Physiotherapy			20 \$ 21,500 \$ 430,000
Sub-total	6 \$ 12,000 \$ 72,000	6 \$ 12,000 \$ 72,000	20 \$ 21,500 \$ 430,000

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

APPENDIX 2:

University of Northern British Columbia Planning Projections 2010/11 – 2012/13

**UNBC
Preliminary Planning Projections
2009/10 - 2012/13**

	Approved 09/10	10/11	11/12	12/13
Provincial Grant - general operating	46,067,341	47,058,296	47,488,296	47,918,296
Less: Provincial Grant - NMP	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Provincial Grant - one time/other	264,394	264,394	264,394	264,394
Federal Grant	1,422,655	1,422,655	1,422,655	1,422,655
Tuition & student fee revenues	16,636,886	16,897,366	17,423,158	17,919,863
Other revenues	1,681,459	1,681,459	1,681,459	1,681,459
Total Revenues	65,072,735	66,324,170	67,279,962	68,206,667
Salaries	39,269,913	39,568,165	40,473,751	41,257,910
Benefits	8,220,841	8,195,641	8,383,212	8,545,633
Other operating expenditures	13,433,151	13,673,817	14,302,453	14,886,840
Incremental FTE costs		652,000	430,000	430,000
Incremental scholarships		30,384	31,302	32,247
Total Recurring Operating Expenditures	60,923,905	62,120,007	63,620,718	65,152,630
Strategic Investments	280,000	280,000	280,000	280,000
Contingency	-	-	-	-
Minor Capital	598,626	598,626	298,626	298,626
Capital Equipment Replacement	650,000	800,000	950,000	1,100,000
Debt Servicing	200,000	200,000	200,000	200,000
Transfers to other funds	5,392,275	5,308,291	5,308,291	5,308,291
Transfers from other funds	(2,972,071)	(2,982,593)	(2,982,593)	(2,982,593)
Total transfers to/from other funds	2,420,204	2,325,698	2,325,698	2,325,698
Surplus/(Deficit)	-	(161)	(395,080)	(1,150,287)

**UNBC
Preliminary Planning Projections
2009/10 - 2012/13**

Assumptions

Provincial Grant	As per Ministry communication Sep 09; assumed no increase for 12/13, except second year of Physiotherapy funding (\$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 2009/10 funding level will remain constant in subsequent fiscal years.
Tuition & student fee revenues	Tuition fee increases remain at 2% as per Provincial regulation
FTE growth	FTE growth: assume 0% growth in 2010/11 and 1% in each of 2011/12 and 2012/13
Other revenues	Includes interest and internal cost recoveries, assumed no changes
Salaries	According to negotiated salary increases for 2006/07 - 2009/10; assume no GWI after contract expiry (Assume any increases would be offset by provincial grant so net impact on budget is nil.)
Benefits	Benefits are calculated at 20% of salaries.
Other Expenditures	Constant Growth at 3.0% to accommodate inflationary pressures Incremental FTE cost equal 100% of MALMD new funding
Strategic Investments	Assumed constant funding at 2009/10 level.
Expenditure & Enrolment Contingency	No contingency for unexpected expenditures or changes in enrollment levels included.
Capital Equipment Replacement	Added \$150,000/year to 2009/10 level. (\$150,000 also committed from ACA funding.) (adjustment to attain \$1.5 million target)
Minor capital	Assumed constant at 2009/10 level, net of one time expenditures.
Transfer to Other funds	Transfer for Residence subsidy increased to \$250,000 starting in 2009/10.
Transfer from Other funds	One-time transfers for 09/10 have been eliminated in future years, as these are likely not to continue.

APPENDIX 3:
Budget Schedule 2010/11

BUDGET SCHEDULE 2010/11

Task	Item	Completion By:
1	Draft budget framework reviewed and approved by PEC	November 17, 2009
2	Draft budget framework and schedule reviewed with Deans & Directors (at PC meeting)	November 18, 2009
3	Draft budget framework and schedule reviewed with SCUB by	November 20, 2009
4	Budget framework finalized by PEC	November 24, 2009
5	Budget framework presented to the Board of Governors	December 4, 2009
6	Dept. of Finance & Budgets updates budget system with current salaries for permanent, approved positions	December 7, 2009
7	Dept. of Finance & Budgets provides budget allocations to Budget Councils	December 7, 2009
8	Dept. of Finance & Budgets presents budget framework and sample budget presentation package to VP Budget Councils by	December 7, 2009
9	Budget holders prepare budgets and submit to VP's	January 13, 2010
10	Budget Councils assess priorities and prepare budget submissions	February 10, 2010
11	Budget submissions summarized by Dept. of Finance & Budgets for submission to PEC and SCUB	February 19, 2010
12	PEC reviews proposed budgets submitted by Budget Councils and prepares consolidated budget	February 22 – March 5, 2010
13	PEC meets with a special PC to discuss proposed budgets submitted by Budget Councils by	March 5, 2010
14	PEC meets with representatives of student, student Senators and Board members to discuss current status of budget planning and potential implications for students by	March 9, 2010
15	PEC meets with Chair of SCUB and receives SCUB's advice by	March 9, 2010
16	Final Proposed 2010/11 Budget prepared by PEC	March 8 - 11, 2006
17	SCUB presents its recommendations on the Proposed 2010/11 Budget to Senate	March 24, 2010
18	Proposed 2010/11 Budget to Board of Governors	March 26-27, 2010
19	PEC hosts an open forum on 2010/11 budget by	April 2, 2010
20	Notifications to budget holders re: approval	April 23, 2010