



2020/21 Budget Framework

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1. 2020/21 Planning Context

Financial planning for 2020/21 began in late summer s2019 but was delayed due to the labour disruption and significant, unexpected turnover at the senior executive level. Final planning was also disrupted by the COVID-19 pandemic and the resulting impact on the University and the world around us.

The information provided in this document represents planning in the context of a “pre COVID-19” environment. Continued planning is underway to assess the impact of the pandemic on the University and updated information for 2020/21 as well as projections for the next 2 years will be provided to the Board of Governors over the next few months.

The plans incorporated in this document were developed based on three core principles:

- Current expenses cannot exceed current revenues
- Dependency on one-time (non-recurring) adjustments and funding must be eliminated
- Continuing to invest strategically in areas furthering the core mission of the University is critical

The Strategic Road Map outlines and articulates the vision, mission and values of the University and the strategic priorities used to ensure the operations of the University are aligned to support organizational goals.

Strategic Road Map:

Stewarding our Resources to Support our Vision, Mission and Signature Areas



In the context of recurring financial deficits, the University is continuing efforts to support Strategic Priorities 1 – 3 but planning for the near term will have increased focus on Strategic Priority 4: *Ensure financial accountability, sustainability and operational effectiveness*. To achieve financial sustainability, the University will implement a financial plan over the next 2 - 3 years that is structurally balanced, i.e. current expenditures will not exceed current revenues. The 2020/21 budget is the first of the multi-year planning approach.

Revitalizing an Integrated Planning approach across the University is critical to achieve financial sustainability. This approach will involve significant consultation across the University community, to

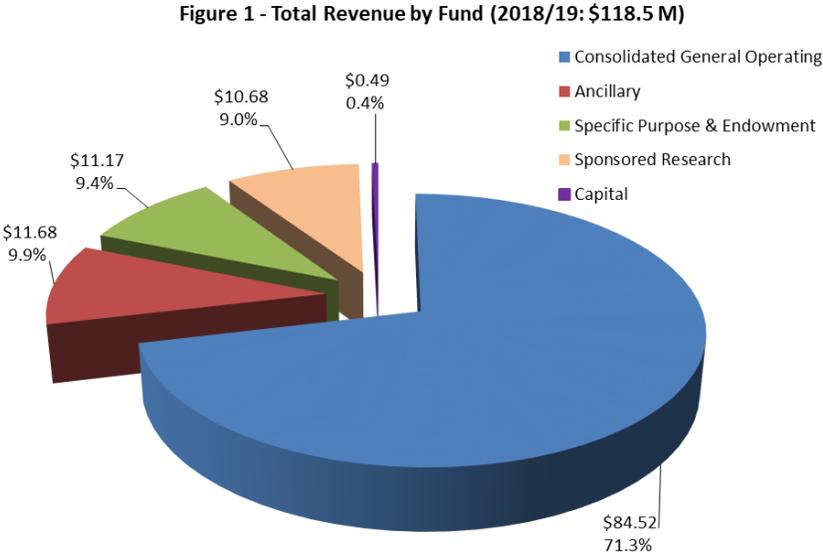
promote transparency and buy-in and to ensure the best information possible is available to evaluate and prioritize decisions required to move the University forward in the next few years.

2. Comprehensive Financial Operations

UNBC is responsible for the financial stewardship of over \$110 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 2018/19, the total actual revenue for UNBC covering this comprehensive picture was \$118.5 million, distributed across the funds shown in Figure 1.



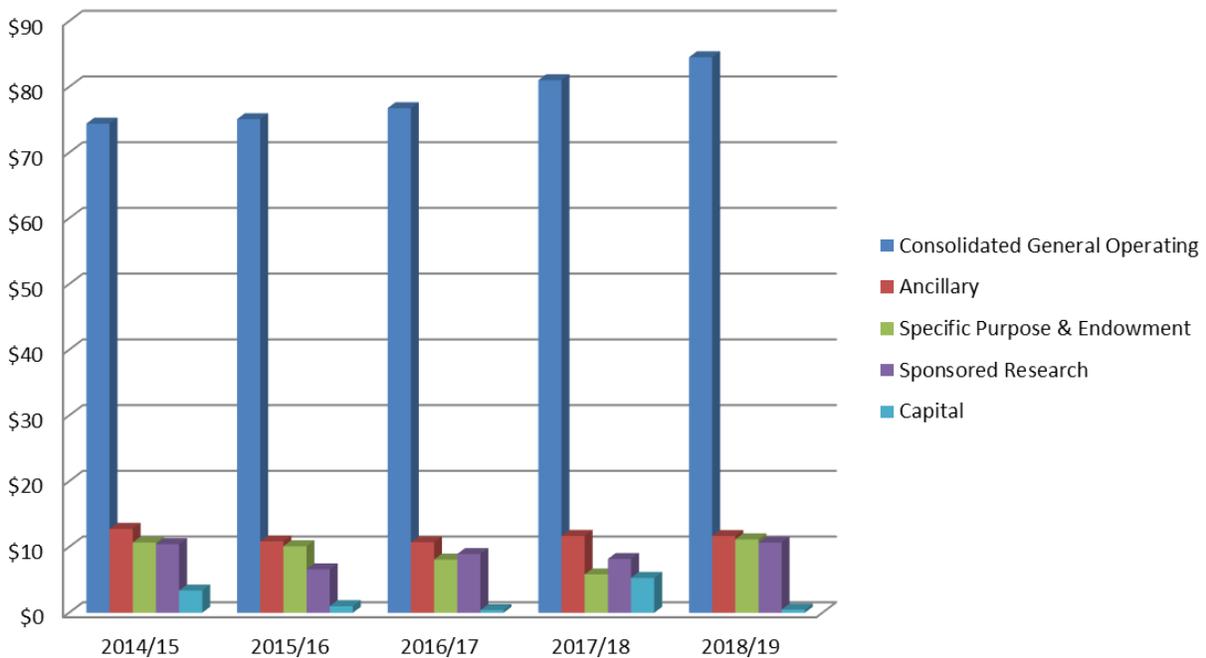
Note: For the purpose of financial statement presentation, revenue that is restricted for specific purposes other than those for the acquisition or development of depreciable tangible capital assets are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contributions have been met. Due to application of this accounting principle, the revenue reported for the fiscal 2019 financial statements was \$113.6 million.

In 2018/19 revenue across all funds increased by 5.8% or \$6.5 million from the prior year. This was the net result of an increase of \$3.5 million in general operating revenues, an decrease of \$4.5 million in Capital funding revenue, an increase of \$4.9 million in earnings on endowments, an increase of \$2.4 million in research income and an increase of \$0.2 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 decrease was due to the completion of the federal and provincial grants for Strategic Infrastructure Fund projects. Ancillary and Specific Purpose fund 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 (2014/15 - 2018/19)



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 the 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. The University has begun to develop 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 2020/21 Consolidated Budget (\$'000s)

	<i>(for approval June 19, 2020)</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	93,562	11,485	105,047	(3,830)	101,217	6,900	7,300	9,500	124,917
Labour	65,438	4,287	69,725		69,725	50	1,650	6,100	77,525
Expense	24,266	6,563	30,829	(3,830)	26,999	10,150	6,443	3,800	47,392
	89,704	10,850	100,554	(3,830)	96,724	10,200	8,093	9,900	124,917
Capital	180	112	292	(292)	-				
Transfers	3,678	523	4,201	(4,201)	-	-	-	-	-
Total surplus/(deficit)	-	-	-	4,493	4,493	(3,300)	(793)	(400)	-

*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 the fiscal year 2020/21. The focus, however, is on resource allocations for 2020/21 in columns 1 and 2 of the table above, and request for Board of Governors' approval of:

- 2020/21 Consolidated General Operating budget framework (Column 1)
- 2020/21 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 January 31, 2020. Other fees are approved by the President, on the recommendation of the Fees Committee.

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

4. Consolidated General Operating Budget

4.1. Planning Assumptions

The 2020/21 unadjusted budget projections (Table 2) were developed in late summer 2019 and updated continuously through May 2020, based on the following assumptions:

- UNBC's Consolidated General Operating total budget must balance
- 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
- Federal Research Support Fund is adjusted to the 2020/21 level communicated by the federal government
- Routine Capital funding will be approximately \$1.7 million
- Salary savings from recruitment lag, unplanned leaves and absences, etc. will continue to be used to assist in balancing the budget. Savings resulting from differentials upon permanent replacement of faculty members leaving the University under the Early Retirement Offer/Voluntary Exit Plan will be used to support the new faculty compensation model
- Undergraduate Domestic and Graduate Enrolment levels are set at 2019/20 actual levels for 2020/21. For the proposed budget, international undergraduate levels are expected to grow by 5% per year
- No impacts resulting from the COVID-19 pandemic have been incorporated in this information

4.2. Unadjusted Projection

Table 2 provides a financial summary of the projected operating revenues and expenses for 2020/21 based on the assumptions above and prior to incorporating adjustments required to balance the budget.

The projections indicate that, without significant ongoing budget adjustments, flat tuition revenue and provincial grants, combined with increasing costs, will result in a \$3.4 million deficit in 2020/21.

Table 2: Unadjusted Budget Projection (Revenue and Expenditures for 2020/21)

Consolidated General Operating Fund*	2019/20 Approved Operating Budget (000's)	2020/21 Preliminary Operating Budget (000's)
Revenues		
Provincial Base Operating Grant	52,257	55,174
Provincial Grants - Capital, One-time & Other	1,484	1,484
Federal Grant - Research Support Fund	2,978	2,978
Grants from other universities	6,699	6,841
Interest	355	355
Tuition & Student Fees	21,511	21,788
Sales & Service	1,020	1,020
Miscellaneous	104	104
ICR - Administrative Overhead	1,557	1,531
Other Cost Recovery	279	317
Total Revenues	88,244	91,592
Expenditures		
Labour (Salaries, Wages & Benefits)	62,310	66,579
Operating Expenditures	22,556	24,032
New allocations:		
Instruction & support for new programs	-	-
Strategic Priorities	-	-
Minor Capital	186	186
Transfers	3,192	4,160
Total Expenditures	88,244	94,957
Budget Shortfall before adjustments	-	(3,365)

4.3. Operating and Revenue Adjustment Plan

The University has developed a plan to address the projected deficit for 2020/21. Table 3 below outlines the adjustments proposed to balance the consolidated general operating budget (netting to a total of \$3.365 million):

Table 3: Budget adjustments

	(000's)
2020/21 Consolidated general operating shortfall prior to following adjustments:	<u>(3,365)</u>
Ongoing adjustments	
• Eliminate positions - various areas	1,387
• Reduce departmental operating expenses - various areas	154
• Increase central interest income estimate	100
• Reduce allocation for centralized software purchases	57
Total ongoing adjustments	<u>1,698</u>
One-time (non-recurring) adjustments	
• Freeze hiring for academic administrative position	185
• Reduce allocation for advertising & marketing initiatives (to be funded from other one-time funding sources)	425
• Eliminate contribution to Capital Equipment Replacement & Renewal reserves	800
• Transfer from NMP	128
• Decrease allocation required for Engineering	129
Total one-time adjustments	<u>1,667</u>
2020/21 budget shortfall after adjustments	<u>-</u>

4.4. 2020/2021 Proposed Budget

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 2020/21; projections for 2021/22 and 2022/23 are under development and will be presented at a later date.

Table 4: 2020/21 Proposed Budget

Consolidated General Operating Fund*	2019/20 Approved Operating Budget	2020/21 Proposed Operating Budget
	(000's)	(000's)
Revenues		
Provincial Base Operating Grant	52,257	56,000
Provincial Grants - Capital, One-time & Other	1,484	1,977
Federal Grant - Research Support Fund	2,978	3,211
Grants from other universities	6,699	7,065
Interest	355	635
Tuition & Student Fees	21,511	21,769
Sales & Service	1,020	1,016
Miscellaneous	104	84
ICR - Administrative Overhead	1,557	1,526
Other Cost Recovery	279	279
Total Revenues	88,244	93,562
Expenditures		
Labour (Salaries, Wages & Benefits)	61,509	63,825
Operating Expenditures	22,457	23,644
New allocations:		
Instruction & support for new programs	900	2,235
Minor Capital	186	180
Transfers	3,192	3,678
Total Expenditures	88,244	93,562
TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS	-	-

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

4.5. Revenue projections (details of Table 4)

The Consolidated General Operating Fund is supported by revenues from three main sources in 2020/21:

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

The total Consolidated General Operating Fund revenue for 2020/21 is projected to be \$93.6.2 million. Below is a summary of major changes by area, as compared to the 2019/20 approved budget.

Provincial Base Operating Grant (\$56.0 million) increased from the 2019/20 approved budget to reflect final confirmation of the 2019/20 grant, estimated funding for salary increases included within the provincial mandate, an anticipated amount for second year of the new Civil and Environmental Engineering programs, as well as funding for the expansion of seats in the Family Nurse Practitioner (FNP) program.

Tuition and Student Fees (\$21.8 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 2020/21 includes the following assumptions:

- tuition rate increase of 2%, as approved by the Board January 31, 2020 and other fee increases approved by the President for 2020/21, based on recommendations from the Fees Committee
- enrolment at the 2019/20 level, which includes a 2% decline in domestic undergraduate enrolment compared to the planned level, an estimate for the new Engineering programs and FNP seats as well as an estimated 5% increase in undergraduate international enrolments

Table 5: Changes to Tuition and Fees Budget

Adjustments	(000's)
2019/20 approved amount	\$ 21,511
2% increase on tuition and other fees	377
Enrolment decline - Domestic undergraduate, including new Engineering program	(350)
Enrolment growth - International undergraduate	222
New International Student Services Fee	89
MBA projected changes	(80)
2020/21 budgeted amount	\$ 21,769

Provincial Grants: Capital, One-time and Other (\$2.0 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 maintenance. The significant increase in this area reflects the expected grant from the Province restricted for Routine Capital projects and maintenance.

Other Revenue (\$13.8 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.
- 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: 2020/21 Revenue Plan Changes

Adjustments	(000's)
Adjustment re confirmed 2019/20 grant	\$ 74
Mandate funding	2,334
Nurse Practitioner expansion	320
New funding for Engineering	1,015
Provincial grants - Capital, one-time & other	493
Research Support Fund adjustment	233
Grants from other universities (NMP funding from UBC)	366
Interest	280
Tuition & student fee increases	258
ICR - Administrative overhead	(31)
Other	(24)
Total revenue increase 2020/21	\$ 5,318

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 2019/20, 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 2020/21 for the new Civil and Environmental Engineering programs and expanded seats in the FNP program. 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 for these new endeavours.

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: 2020/21 Expenditure Plan Changes

Adjustments	(000's)
Labour (salaries, wages & benefits)	\$2,316
Operating expenditures	1,187
Instruction & support for new programs	1,335
Minor Capital	(6)
Transfers	486
Total	<u>\$5,318</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 2020/21 is projected to total over \$11.4 million. Table 8 below shows the combined proposed budgets for all ancillary areas. Ancillary operations will be significantly impacted financially by COVID-19 pandemic effects. Additional planning is currently underway to estimate these financial impacts and additional details for each of the areas will be provided in an update in Fall 2020.

Table 8 – 2020/21 Consolidated Proposed Ancillary Operations Budgets

	Approved Budget 2019/20	Proposed Budget 2020/21
	(\$000's)	(\$000's)
Total Revenue	11,494	11,485
Expenditures:		
Salaries and Benefits	4,136	4,287
Operating Expenses	6,880	6,675
Transfers	478	523
Total Expenditures & Transfers	11,494	11,485

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.