

# UBC 2015-2016 Operating Budget

April 2015

Board of Governors meeting



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THE UNIVERSITY OF BRITISH COLUMBIA

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# Context: Emerging Strategic Plan

- Our Aspiration

*UBC counted among the best global institutions*

- How?

- Maintain, build, and enhance the core academic mission
- Recruit **the best faculty**; protect Student:Faculty ratios
- Enhance **stakeholder** community (students, alumni, donors)
- Broaden **experiential learning** to boost outcomes
- Attract the best **graduate students** and **post-doctoral fellows**
- Build a robust **internationalization** strategy
- Dovetail **innovation** into the core mission of the University
- Develop broad-based **community engagement** framework



# Context: **The Challenge**

- **Fiscal Environment**

- Provincial grant declining
- Domestic tuition capped below rate of inflation
- Provincial restriction on use of consolidated reserves
- Research funding becoming more competitive

- **Strategy**

- Enhance programming that supports core academic mission
- Administrative best-practices focused on outcomes
- Align fundraising activities towards emerging University's priorities
- Position UBC for research funding success
- Continual evaluation of fees



# 14/15 Operating Budgets (per Q3 Forecast \$m)

	Funding	Unit Revenue	Total
<b>Faculties</b>	<b>573</b>	<b>164</b>	<b>737</b>
Faculty of Applied Sciences	65	5	70
Faculty of Arts	121	9	130
Sauder School of Business	46	24	70
Faculty of Dentistry	11	18	29
Faculty of Education	40	4	44
Faculty of Forestry	13	4	17
Graduate & Postdoctoral Studies	2	1	3
College of Health Disciplines	1	-	1
Faculty of Land & Food Systems	11	4	15
Faculty of Law	12	1	13
Faculty of Medicine	138	83	221
Faculty of Pharmaceutical Sciences	14	2	16
Faculty of Science	99	9	108
<b>Provost and VP Academic</b>	<b>49</b>	<b>28</b>	<b>77</b>
<b>Information Technology</b>	<b>37</b>	<b>35</b>	<b>72</b>
<b>Library Services</b>	<b>37</b>	<b>1</b>	<b>38</b>
<b>Office of the President</b>	<b>7</b>	<b>-</b>	<b>7</b>
<b>Resources &amp; Operations</b>	<b>96</b>	<b>87</b>	<b>183</b>
<b>VP Finance</b>	<b>24</b>	<b>3</b>	<b>27</b>
<b>VP Development and Alumni Engagement</b>	<b>25</b>	<b>-</b>	<b>25</b>
<b>VP Communications and Community Partnership</b>	<b>8</b>	<b>4</b>	<b>12</b>
<b>VP Research &amp; International</b>	<b>23</b>	<b>16</b>	<b>39</b>
<b>VP Students</b>	<b>16</b>	<b>165</b>	<b>181</b>
<b>Student Financial Aid</b>	<b>58</b>	<b>-</b>	<b>58</b>
<b>VP Human Resources</b>	<b>14</b>	<b>7</b>	<b>21</b>
<b>Campus Wide Expenses</b>	<b>18</b>	<b>8</b>	<b>26</b>
<b>UBC Okanagan</b>	<b>119</b>	<b>8</b>	<b>127</b>
<b>Total</b>	<b>1,104</b>	<b>526</b>	<b>1,630</b>



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# Go-Forward Budgetary Principles

- More conservative budgetary assumptions
  - Ensure we are not making major mid-year adjustments
  - Built in contingencies as shock absorbers
  - Move towards pay-as-you-go philosophy wherever prudent
  - Rethink IT system amortization to be more conservative
- Annual review of all administrative units
  - Core review on a rotating schedule (outcome oriented, value-for-money)
  - Encourage streamlining of functionality wherever possible
  - Benchmark ancillaries both on expenses and dividend return
  - Explore further UBCV/UBCO integration to streamline costs
- Annual review of all revenue sources
  - Core review on a rotating schedule (fees, programs, etc)
  - Move towards competitive student fees but...
    - Fees must reflect value to students
    - Reflect conservative assumptions around government support





An aerial, wide-angle photograph of the UBC Vancouver campus. The campus is situated on a lush green hillside, surrounded by dense forest. In the background, the city of Vancouver and the surrounding water are visible under a clear blue sky. The text "UBC Vancouver" is overlaid in large white letters across the center of the image.

# UBC Vancouver



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# Vancouver Summary

- Central budget balanced
  - ⇒ Plans include reduction of spending in central units totaling \$6.1m
  - ⇒ We are starting to invest in strategic initiatives
  - ⇒ Additional revenues from Student housing are being directed to Student mental health initiatives and financial aid
- Faculties continue to feel pressure related to limited domestic tuition rate increases
  - ⇒ Second entry programs (Medicine, Education, Law, Pharmaceutical Sciences, Dentistry) have limited ability to offset inflationary cost increases with international enrolment
    - ⇒ Central funding this year allocated to Medicine, Law to alleviate growing structural deficits
  - ⇒ Many Faculties have curtailed hiring, leading to increased class sizes
- The long-term sustainability of the University requires government flexibility (e.g. on domestic tuition and program fees) and further revenue diversification from international tuition, professional programs and innovation





# Vancouver Core Assumptions

- Provincial government grant recurring cut 1.35% (\$7m)
- General wage increases funded by the provincial government (estimated \$11m fiscally)
  - Neither costs nor additional revenues have been reflected herein
- Domestic enrolment constant
  - Exception: Professional programs
- Domestic rate increases limited to 2%
- International enrolment 14% growth (including Vantage flowthrough; 2.9% intake growth)
- International rate increase 10%
- Vantage enrolment 350 for 15/16
- Building maintenance kept at \$9.8m



# Vancouver Operating revenues (\$m)

<i>Core revenues</i>	<b>2014-15f</b>	<b>2015-16b</b>
Government grant	521	513
Domestic tuition	234	241
International tuition	137	160
Research indirect <sup>1</sup>	40	37
Investment income	40	39
Ancillary dividends	16	23
<b>Total:</b>	<b>987</b>	<b>1,013</b>

Fiscal revenue increase of \$26m:

- Increase in International tuition (\$23m), Domestic tuition (\$8m)
- Student housing expansion and rate increases
- Decrease of \$8m in Government grant (of which, \$7m is recurring cut to the grant, \$1m recurring increase for FTE growth, and \$2m is reduction in one time funding)



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1. Indirect cost of research to fund research infrastructure (central share reduced from 50% to 25%).

# Vancouver Operating allocations (\$m)

	2014-15f	2015-16b
Faculty allocation	577	592
Student Services and Financial Aid	74	80 <sup>1</sup>
Facilities	108	109
Learning Infrastructure	123	121 <sup>2</sup>
Administration	56	54
Research support	30	31
Development, Alumni	25	26
Community, Industry	8	7
<b>Operating allocations:</b>	<b>1,001</b>	<b>1,021</b>
Use of Prior Year Surplus	(14)	(8)
<b>Total:</b>	<b>987</b>	<b>1,013</b>

Total fiscal allocations up \$20m:

- Faculty expense increases by \$15m for faculty salaries and teaching cost
- \$6m increase in student financial aid and student mental health support



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1. \$80m budget is comprised of \$61m Student financial Aid and \$19m Student Services.
2. Learning Infrastructure includes IT, the Library, Centre for Teaching, Learning and Technology and other Central investments in teaching.





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# Okanagan Summary

- Central budget balanced for the 9<sup>th</sup> year
  - ⇒ Revenues are split 53-47 between Faculties and UBC-wide services
  - ⇒ 100% of government grant cut absorbed centrally (\$0.9m)
  - ⇒ Strategic investments to be made for building research excellence and support for learning (align with Aspire and UBC priorities)
- Faculties projecting balanced budgets for FY16
  - ⇒ Successfully implemented a tuition allocation model and 5-year financial forecasts to align revenues with activity and identify cost drivers
  - ⇒ Faculties are working to refine 5 year outlooks in the context of the new driver based budget model
- The long-term sustainability of the University requires government flexibility (e.g. on domestic tuition and program fees) and further revenue diversification from international tuition, professional programs and innovation



# Okanagan Core Assumptions

- 15/16 will be the first year of the driver based tuition allocation model for Faculties at Okanagan campus
- General wage increases are funded by provincial government; 15/16 grant cut absorbed entirely by central (\$0.9m)
- Domestic enrolment returns to full ministry complement; rate increases are limited to 2%
- International direct entry FTE growth is 6%; rate increases by 10% for incoming students, 2% for continuing
- No revenue assumptions regarding Vantage One; subject to on-going model refinement





# Okanagan Operating revenues (\$m)

<i>Core revenues</i>	<b>2014-15f</b>	<b>2015-16b</b>
Government grant	66.9	66.0
Domestic tuition	34.3	36.2
International tuition	15.9	17.9
Research overhead	0.9	0.9
Investment income	-	-
Ancillary dividends	0.5	0.8
<b>Total:</b>	<b>118.5</b>	<b>121.8</b>

Annual revenue increase of \$3.3m:

- Revenue growth driven by International tuition (\$2.0m), Domestic tuition (\$0.7m), and Ancillary dividends (\$0.3m) growth, offset by FY14 domestic tuition shortfall (\$1.2m)

On-going government pressure:

- Government grant down \$0.9m
- Real operating cut \$9.4m (cumulative funding reduction in real dollars since 2010<sup>1</sup>)



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1. Including the loss in maintenance funding (\$740K reduction), actual operating cut of \$0.2m in 13/14, in \$0.7m in 14/15, \$0.9m in 15/16 and assuming long-term average inflation of 2% for the sector since 2010.

# Okanagan Operating allocations (\$m)

	2014-15f	2015-16b
Faculty Allocation	63.6	65.0
Student Services, Aid <sup>1</sup>	14.2	14.0
Facilities <sup>2</sup>	14.5	14.6
Learning Infrastructure <sup>3</sup>	15.6	16.0
Administration <sup>4</sup>	7.5	6.4
Research support	2.0	2.7
Alumni, Development	1.7	1.8
Community, Industry	1.2	1.3
<b>Operating allocation:</b>	<b>120.3</b>	<b>121.8</b>
Use of Prior Year Surplus	(1.8)	-
<b>Total:</b>	<b>118.5</b>	<b>121.8</b>

Annual allocation increase of \$1.5m mainly due to:

- \$1.4m in direct Faculty investment
- \$0.7m for Research support
- Reductions in other central units of \$0.6m



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1. Student Services, Aid consists of Aid: \$7.2m in FY15 and \$7.3m in FY16, and Student Services: \$7.0m in FY15 and \$6.7m in FY16.
2. Facilities includes Campus Operations and Risk Management, Campus Planning and Development, and Debt Servicing
3. Learning Infrastructure includes IT, Library, CTL, and other investments in teaching.
4. Administration includes Deputy Vice-Chancellor's Office, Finance, Human Resources and other administrative services.

# Okanagan Historical Context (\$000s)

	12/13 Actuals	15/16 Budget	Change		
Funding Allocations	Fiscal	Fiscal	Fiscal	% of Total	Growth
Faculties	55,151	64,384	9,233	68.7%	16.7%
Provost and Vice Principal	10,467	10,375	(92)	-0.7%	-0.9%
Vice Principal Research	1,098	2,446	1,348	10.0%	122.8%
Deputy Vice-Chancellor	2,748	2,493	(255)	-1.9%	-9.3%
AVP Finance and Operations	16,775	17,834	1,059	7.9%	6.3%
AVP Students	4,809	5,787	978	7.3%	20.3%
Development and Alumni Engagement	1,438	1,631	193	1.4%	13.4%
Human Resources	1,164	1,156	(7)	-0.1%	-0.6%
Contributions to UBCV	2,183	3,006	823	6.1%	37.7%
Student Financial Aid	7,119	7,289	170	1.3%	2.4%
<b>Total Funding Allocations</b>	<b>102,952</b>	<b>116,401</b>	<b>13,449</b>	<b>100.0%</b>	<b>13.1%</b>





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