

Operating Budget
Year End Variance
Report

Prepared For:
Board of Governors
As at April 30th, 2017

*Our mission is to create
the premier university
environment for our
students, faculty and
staff in which to learn,
work and live.*

2016-2017

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Executive Summary

Budget Objective

The Board of Governors approves a \$2.6 million net operating deficit, after one-time items in its 2016-17 Operating Budget. The budget included one-time costs of \$8.0 million that were funded from internally restricted net assets. \$9.5 million was budgeted for transfer from internally restricted accounts to fund both these one-time items and to reduce the ongoing structural deficit from \$4.1 million to \$2.6 million. The one-time expenses included funding for the recruitment marketing campaign, tuition rebate for NB students and support for sustainability items that were subsequently added to the approved base budget in 2017-18.

Revenues and expenses designated as “one-time” are those amounts that are not expected to continue from year to year. This is an important distinction as one-time revenues cannot be counted on to fund ongoing expenses. If ongoing expenses are expected to exceed ongoing revenues, the University has what is known as a structural deficit. In the 2016-17 operating budget, this was \$4.1 million. One-time transfers from internally restricted reserves are finite and cannot be relied on to cover ongoing expenses.

Year End Results

As shown in the consolidated operating budget (page 5), the University of New Brunswick has ended the year with a net operating deficit of \$1.5 million versus a budgeted net deficit of \$2.6 million.

Revenue was under budget by \$3.7 million comprising:




























- (\$2.3 million) of tuition revenue on the Fredericton campus
- \$0.5 million of tuition revenue on the Saint John Campus
- (\$0.4 million) related to the Provincial Operating Grant related to the funding formula
- (\$1.5 million) related to other revenue, mainly due to lower than budgeted net income from CEL.




Overall total expenses were under budget by \$2.4 million. \$750 thousand of the variance resulted from not using the entire one-time contingency amount. The remaining most significant factors include.

- \$1.0 million of salary savings in excess of budget (Fr \$0.1 million plus SJ \$0.9 million)
- \$0.6 million under budget for utilities (Fr \$0.8 million less SJ over budget \$0.2 million)

One-time items were under budget by \$2.3 million, related to.

- \$0.3 million under budget for the Why UNB campaign
- \$1.3 million additional funds transferred from Departmental reserves
- \$1.3 million under budget related to support for sustainability (Libraries)
- (\$0.3 million) reallocated from unspent Library support to fund overage of the multi-use greenhouse project (SJ)
- (\$0.3 million) surplus transferred to IRNA for academic development fund (SJ)

Highlights: Projected Results and trends as compared to Budget	Consolidated	Fredericton Campus and University-wide	Saint John Campus
Revenue			
Provincial Operating Grant			
Student Fee Income			
Other			
Expense			
Faculties & Departmental Costs			
Academic and Student Support			
Administration & Development			
Maintenance and Utilities			
Ancillaries (Net)			
In-Year Salary Savings			

Enrolment Trend			
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Legend:  On Track  Concern  Significant Concern

Compared to the March 2017 outlook

At the March Finance Committee, a deficit in the region of \$3.5 million was expected. Final results show a more favourable consolidated deficit of \$1.5 million compared to the budgeted deficit of \$2.5 million.

Each \$1 million change represents approximately 0.5% of budgeted revenue, so the \$1 million variance from budget is approximately 0.5% of budgeted revenue and the variance from the March outlook is approximately 1% of budgeted revenue.

The change of \$2 million from March can be explained by four significant items, these being:

- \$1.3 million of one-time funding intended to support library acquisitions was not required. The funds were to be used to backstop contracts that continued into the 2017/18 fiscal year. When the ongoing library acquisitions budget was increased for 2017/18, the need was removed.
- \$(0.3) million reallocated from unused Why UNB funding and Library support to fund cost over-runs on the Multi-use Greenhouse project on the SJ campus (pending Board approval).
- \$0.75 million of contingency funding was not used in year. While this was planned for, it was not reflected in the March variance report pending the year-end results being known.
- \$0.25 million better than expected results for ancillary operations. This mostly related to steam costs being lower than expected.
- On a campus specific basis, it is worth noting the SJ Campus will end the year with no net deficit assuming a recommendation to internally restrict \$0.29 million for an academic development fund is approved.

Consolidated Operating Budget 2016-17 Year End Results

(Thousands of Dollars)	Actual Results			Fav (Unfav) Variance	
	2015-16	Approved Budget	Actual Results	Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 111,966.4	\$ 112,336.5	\$ 111,966.5	\$ (370.1)	(0.3%)
Student Fee Income	55,688.4	58,659.1	56,848.8	(1,810.4)	(3.1%)
Other	16,446.1	17,685.5	16,200.9	(1,484.6)	(8.4%)
Total Revenue	184,100.9	188,681.2	185,016.1	(3,665.1)	(1.9%)
Expense					
Academic and Research					
Faculties and Departmental Costs	105,105.7	106,431.4	106,329.1	102.2	0.1%
Academic and Student Support	32,966.1	33,505.5	33,459.0	46.4	0.1%
Sub-Total	138,071.8	139,936.8	139,788.2	148.7	
Administration and Support Services					
Administration and Development	31,534.5	30,976.0	31,313.6	(337.6)	(1.1%)
Maintenance and Utilities	22,121.7	21,850.3	21,320.8	529.5	2.4%
Sub-Total	53,656.2	52,826.3	52,634.4	191.9	
Total Operating Expense	191,728.0	192,763.1	192,422.6	340.5	0.2%
Ancillary Operation (Net)	581.5	1,223.2	974.9	248.3	20.3%
In-Year Contingency	1,500.0	1,500.0	750.0	750.0	50.0%
In-Year Salary Savings	(5,649.0)	(3,769.4)	(4,796.4)	1,027.0	(27.2%)
In-Year Priority Allocations	1,214.0	1,028.0	1,028.0	-	0.0%
Sub-Total	(2,353.5)	(18.1)	(2,043.4)	2,025.3	
Total Expense	189,374.5	192,745.0	190,379.1	2,365.8	1.2%
Net Position before One-Time Items	(5,273.6)	(4,063.8)	(5,363.0)	(1,299.2)	32.0%
One-Time Costs					
Why UNB Campaign	(4,250.0)	(3,998.0)	(3,670.7)	327.3	(8.2%)
Tuition Rebate for NB Students	-	(943.8)	(939.2)	4.6	(0.5%)
Support for Sustainability	-	(3,091.0)	(1,760.6)	1,330.4	(43.0%)
Sub Total Including One-Time Costs	(4,250.0)	(8,032.8)	(6,370.4)	1,662.4	(20.7%)
Net Position Including One-Time Costs	(9,523.6)	(12,096.6)	(11,733.4)	363.2	(3.0%)
Transfers from (to) Internally Restricted Net Assets					
From Departmental Carry-forwards	-	601.2	1,906.0	1,304.8	217.0%
From Central Internally Restricted Net Assets	6,379.9	8,936.2	8,936.2	-	0.0%
For Multi-use Greenhouse	-	-	(331.5)	(331.5)	0.0%
For Academic Development Fund	-	-	(292.8)	(292.8)	0.0%
Net Transfers from (to) Internally Restricted Net Assets	6,379.9	9,537.4	10,217.9	680.5	7.1%
Net Position	(3,143.7)	(2,559.2)	(1,515.5)	1,043.6	
Net Position as a % of Budgeted Revenue	(1.7%)	(1.4%)	(0.8%)	(0.6%)	

Fredericton Campus and University-wide Units Operating Budget 2016-17 Year End Results

(Thousands of Dollars)	Actual Results			Fav (Unfav) Variance	
	2015-16	Approved Budget	Actual Results	Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 93,584.4	\$ 93,898.5	\$ 93,584.4	\$ (314.1)	(0.3%)
Student Fee Income	41,109.4	44,655.0	42,333.2	(2,321.9)	(5.2%)
Other	12,996.4	14,120.2	12,628.4	(1,491.8)	(10.6%)
Total Revenue	147,690.2	152,673.8	148,546.0	(4,127.8)	(2.7%)
Expense					
Academic and Research					
Faculties and Departmental Costs	82,617.8	84,025.9	83,925.6	100.3	0.1%
Academic and Student Support	27,605.0	28,401.1	28,414.1	(13.0)	(0.0%)
Sub-Total	110,222.8	112,426.9	112,339.7	87.3	
Administration and Support Services					
Administration and Development	25,704.3	25,329.1	25,622.6	(293.5)	(1.2%)
Maintenance and Utilities	16,681.5	17,049.2	16,322.8	726.4	4.3%
Sub-Total	42,385.8	42,378.3	41,945.4	432.9	
	152,608.6	154,805.2	154,285.1	520.1	0.3%
Ancillary Operation (Net)	581.5	1,223.2	974.9	248.3	20.3%
In-Year Contingency	1,500.0	1,500.0	750.0	750.0	50.0%
In-Year Salary Savings	(3,809.3)	(3,044.4)	(3,165.8)	121.4	(4.0%)
In-Year Priority Allocations	955.3	969.3	969.3	-	0.0%
Sub-Total	(772.5)	648.2	(471.5)	1,119.7	
Total Expense	151,836.1	155,453.4	153,813.6	1,639.8	1.1%
Net Position before One-Time Items	(4,145.9)	(2,779.6)	(5,267.6)	(2,488.0)	89.5%
One-Time Costs					
Why UNB Campaign	(4,250.0)	(3,198.4)	(2,936.6)	261.8	(8.2%)
Tuition Rebate for NB Students	-	(717.8)	(713.2)	4.6	(0.6%)
Support for Sustainability	-	(1,957.8)	(893.6)	1,064.2	(54.4%)
Sub Total Including One-Time Costs	(4,250.0)	(5,874.0)	(4,543.3)	1,330.7	(22.7%)
Net Position Including One-Time Costs	(8,395.9)	(8,653.6)	(9,810.9)	(1,157.3)	13.4%
Transfers from (to) Internally Restricted Net Assets					
From Departmental Carry-forwards	-	601.2	1,906.0	1,304.8	217.0%
From Central Internally Restricted Net Assets	4,866.4	6,389.4	6,389.4	-	0.0%
For Multi-use Greenhouse	-	-	-	-	0.0%
For Academic Development Fund	-	-	-	-	0.0%
Net Transfers from (to) Internally Restricted Net Assets	4,866.4	6,990.6	8,295.4	1,304.8	18.7%
Net Position	(3,529.5)	(1,663.0)	(1,515.5)	147.4	
Net Position as a % of Budgeted Revenue	(2.4%)	(1.1%)	(1.0%)	(0.1%)	

Saint John Campus Operating Budget 2016-17 Year End Results

(Thousands of Dollars)	Actual Results		Actual Results	Fav (Unfav) Variance	
	2015-16	Approved Budget		Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 18,382.0	\$ 18,438.0	\$ 18,382.1	\$ (55.9)	(0.3%)
Student Fee Income	14,579.0	14,004.1	14,515.6	511.5	3.7%
Other	3,449.7	3,565.3	3,572.5	7.2	0.2%
Total Revenue	36,410.7	36,007.4	36,470.2	462.8	1.3%
Expense					
Academic and Research					
Faculties and Departmental Costs	22,487.9	22,405.5	22,403.5	2.0	0.0%
Academic and Student Support	5,361.1	5,104.4	5,045.0	59.4	1.2%
Sub-Total	27,849.0	27,509.9	27,448.5	61.4	0.2%
Administration and Support Services					
Administration and Development	5,830.2	5,646.9	5,691.0	(44.1)	(0.8%)
Maintenance and Utilities	5,440.2	4,801.1	4,998.0	(196.9)	(4.1%)
Sub-Total	11,270.4	10,448.0	10,689.0	(241.0)	(2.3%)
Total Operating Expense	39,119.4	37,957.9	38,137.5	(179.6)	(0.5%)
Ancillary Operation (Net)	-	-	-	-	-
In-Year Contingency	-	-	-	-	-
In-Year Salary Savings	(1,839.7)	(725.0)	(1,630.6)	905.6	(124.9%)
In-Year Priority Allocations	258.7	58.7	58.7	-	0.0%
Sub-Total	(1,581.0)	(666.3)	(1,571.9)	905.6	(135.9%)
Total Expense	37,538.4	37,291.6	36,565.6	726.0	1.9%
Net Position before One-Time Items	(1,127.7)	(1,284.2)	(95.4)	1,188.8	(92.6%)
One-Time Costs					
Why UNB Campaign	-	(799.6)	(734.1)	65.5	(8.2%)
Tuition Rebate for NB Students	-	(226.0)	(226.0)	-	0.0%
Support for Sustainability	-	(1,133.2)	(867.0)	266.2	(23.5%)
Sub Total Including One-Time Costs	-	(2,158.8)	(1,827.1)	331.7	(15.4%)
Net Position Including One-Time Costs	(1,127.7)	(3,443.0)	(1,922.5)	1,520.5	(44.2%)
Transfers from (to) Internally Restricted Net Assets					
From Departmental Carry-forwards	-	-	-	-	-
From Central Internally Restricted Net Assets	1,513.5	2,546.8	2,546.8	-	0.0%
For Multi-use Greenhouse	-	-	(331.5)	(331.5)	0.0%
For Academic Development Fund	-	-	(292.8)	(292.8)	0.0%
Net Transfers from (to) Internally Restricted Net Assets	1,513.5	2,546.8	1,922.5	(624.3)	(24.5%)
Net Position	385.8	(896.2)	(0.0)	896.2	
Net Position as a % of Budgeted Revenue	1.1%	(2.5%)	(0.0%)	(2.5%)	

Enrolment Update 2016-17 (Actuals and Historical)

Term	Academic Level	Immigration Status	2011/12	2012/13	2013/14	2014/15	Actual 2015/16	Budget 2016/17	Actual 2016/17
			Fredericton Campus						
Fall	Undergraduate	Domestic	5,597	5,479	5,468	5,343	5,230	5,135	5,174
		International	484	530	581	564	521	546	471
	Total Undergraduate		6,081	6,009	6,049	5,907	5,751	5,681	5,645
	Graduate	Domestic	851	774	720	741	764	845	760
		International	360	376	381	355	329	384	302
	Total Graduate		1,211	1,150	1,101	1,096	1,092	1,229	1,062
Total Fall		7,292	7,159	7,150	7,003	6,843	6,910	6,707	
Winter	Undergraduate	Domestic	5,277	5,252	5,222	5,122	4,998	4,878	4,980
		International	463	483	509	473	438	524	401
	Total Undergraduate		5,740	5,735	5,731	5,595	5,436	5,402	5,381
	Graduate	Domestic	803	747	696	742	738	758	741
		International	362	364	379	343	304	372	289
	Total Graduate		1,165	1,111	1,075	1,085	1,041	1,130	1,030
Total Winter		6,905	6,846	6,806	6,680	6,477	6,532	6,410	

Term	Academic Level	Immigration Status	2011/12	2012/13	2013/14	2014/15	Actual 2015/16	Budget 2016/17	Actual 2016/17
			Saint John Campus						
Fall	Undergraduate	Domestic	1,674	1,664	1,571	1,441	1,413	1,391	1,451
		International	524	501	419	348	336	266	263
	Total Undergraduate		2,199	2,165	1,990	1,789	1,749	1,657	1,714
	Graduate	Domestic	112	92	81	64	70	70	76
		International	73	78	97	71	62	50	56
	Total Graduate		185	170	178	135	132	120	132
Total Fall		2,384	2,334	2,168	1,924	1,880	1,777	1,846	
Winter	Undergraduate	Domestic	1,550	1,529	1,416	1,359	1,297	1,321	1,360
		International	534	471	418	355	292	253	243
	Total Undergraduate		2,084	2,000	1,834	1,714	1,589	1,574	1,603
	Graduate	Domestic	105	95	83	86	74	70	80
		International	67	80	93	69	66	50	59
	Total Graduate		172	175	176	155	140	120	139
Total Winter		2,256	2,175	2,010	1,869	1,729	1,694	1,742	

Notes:

Fall

The official snapshot of Fall enrolment was taken the first week after the exam period in December 2016.

- 1) Paid undergraduate students on the Fredericton Campus (5,645 FTE) represent 99.4% of budget.
Paid undergraduate students on the Saint John Campus (1,714 FTE) represent 103.4% of budget.
- 2) Paid graduate students on the Fredericton Campus (1062 FTE) represent 86.4% of budget.
Paid graduate students on the Saint John Campus (132 FTE) represents 110.2% of budget.
- 3) Paid international students on the Fredericton Campus (773 FTE) represent 83.1% of budget.
Paid international students on the Saint John Campus (319 FTE) represents 101.0% of budget.

Winter

The official snapshot of Winter enrolment was taken 2 weeks after the start of the 2016 winter exam period.

- 1) Paid undergraduate students on the Fredericton Campus (5,381 FTE) represent 99.6% of budget.
Paid undergraduate students on the Saint John Campus (1,603 FTE) represent 101.8% of budget.
- 2) Paid graduate students on the Fredericton Campus (1,030 FTE) represent 91.1% of budget.
Paid graduate students on the Saint John Campus (139 FTE) represents 116.1% of budget.
- 3) Paid international students on the Fredericton Campus (690 FTE) represent 77.0% of budget.
Paid international students on the Saint John Campus (302 FTE) represents 119.6% of budget.

Revenue

Provincial Operating Grant

The University received confirmation on June 1, 2016 that the 2016-17 Provincial Operating Grant was frozen at the 2015-16 level. However, the final allocation formula implemented by the Province resulted in a \$370.1 thousand decrease in the unrestricted operating grant.

Student Fee Income

Table 3: Major Drivers of Variance in Student Fee Income

<u>Increase (Decrease) in \$000s</u>	<u>Summer</u>	<u>Fall</u>	<u>Winter</u>	<u>Total Variance</u>
Undergraduate Tuition	\$ (252.4)	\$ (185.8)	\$ 244.6	\$ (193.6)
Undergraduate (Supplementary International Fees)	\$ (183.8)	\$ (299.2)	\$ (315.6)	\$ (798.5)
Graduate Tuition	\$ (57.3)	\$ (401.6)	\$ (344.1)	\$ (803.0)
Graduate (Supplementary International Fees)	\$ (49.5)	\$ (90.1)	\$ (74.7)	\$ (214.2)
Fee remissions, miscellaneous and forfeited fees	\$ (82.9)	\$ 131.5	\$ 150.5	\$ 199.0
Total Actual Result	\$ (626.0)	\$ (845.2)	\$ (339.2)	\$ (1,810.4)

As shown in Table 3 (above), the consolidated year-end negative result for 2016-17 is attributed to significant unfavorable results for Summer (\$626.0 thousand), Fall (\$845.2 thousand), and Winter (\$339.2 thousand)

Enrolment and student fee income were down on the Fredericton campus for all three terms; although, domestic undergraduate enrolments exceeded budget. The Saint John campus had a positive variance of \$511.5 thousand at year-end due to higher than budgeted domestic undergraduate enrolments and higher than budgeted graduate enrolment.

Other Revenue

The consolidated year end result for other revenue was a \$1,484.6 thousand negative variance. The Fredericton campus experienced a negative variance of \$1,491.8 thousand mainly related to the College of Extended Learning due to lower than expected revenue in their Health and Safety offering. This was offset by a \$7.2 thousand positive surplus from budget on the Saint John campus. While Saint John College and MBA management fees were less than budgeted this was more than offset by the increase in application fees and rental income.

Expense

Academic and Research

The consolidated results for the Academic and Research expenses were \$148.7 thousand better than budget.

This is not a material variance, and does not include a significant single item.

Administration and Support Services

The consolidated year-end result for the Administration and Support Services expenses are \$191.9 thousand better than budget.

While the net variance is not significant, there are some drivers:

Consolidated Administration and Development expenses were over budget by \$337.6 thousand. The major drivers were settlement costs being \$166.0 thousand over budget and bad debt expenses being \$150.7 thousand over budget primarily related to academic off-shore programs.

Consolidated Maintenance & Utilities expenses were under budget by \$529.5 thousand. This was mostly generated by \$726.4 thousand of steam savings on the Fredericton campus, offset by \$196.9 over budget utility costs on the Saint John campus.

In-Year Salary Savings

Salary savings arise due to position vacancies (resignations, retirements, etc.) that are not filled immediately. The University expects a certain level of salary savings but this can fluctuate depending on actual experience. A portion of salary savings are returned to the units to assist with hiring interim personnel.

The Fredericton Campus had a net salary savings budget of \$3,044.0 thousand. The year end results exceeded budget by \$121.4 thousand as shown in table 4.

The Saint John Campus had a net salary savings target of \$725 thousand. The year end results exceeded budget by \$905.6 thousand

Table 4: Fredericton Campus In-Year Salary Savings

	<u>Academic</u>	<u>Non-Academic</u>	<u>Total Savings</u>	<u>Returned</u>	<u>Net Savings</u>
Slice in \$000s					
Faculties & Departments	\$ 2,739.3	\$ 253.4	\$ 2,992.7	\$ 987.6	\$ 2,005.1
Academic & Student Support	187.1	341.2	528.2	174.3	353.9
Administration & Support Services	1.6	850.9	852.5	281.3	571.2
Maintenance & Utilities	-	235.2	235.2		235.2
Total	2,928.0	1,680.6	4,608.6	1,443.2	3,165.4
Total Salary Savings					\$ 3,165.4
Budget					\$ 3,044.0
Variance					\$ 121.4

Table 5: Saint John Campus In-Year Salary Savings

	<u>Academic</u>	<u>Non-Academic</u>	<u>Total Savings</u>	<u>Returned</u>	<u>Net Savings</u>
Slice in \$000s					
Faculties & Departments	\$ 1,690.1	\$ 294.0	\$ 1,984.1	\$ 706.4	1,277.69
Academic & Student Support	-	377.4	377.4	152.2	225.20
Administration & Support Services	-	237.3	237.3	110.7	126.60
Maintenance & Utilities	-	48.0	48.0	46.9	1.10
Total	1,690.1	956.7	2,646.8	1,016.2	1,630.6
Total Salary Savings					\$ 1,630.6
Budget					\$ 725.0
Variance					\$ 905.6

Ancillary Operations

Table 6 (below) outlines the multiple budgets considered to be Ancillary units on each campus.

Table 6: Ancillaries

Fredericton Campus

Deficit (Surplus) 000s	Budget	Actual Results	Favourable (Unfavourable) Variance	
	2016/17	2016/17	Dollars	Percent
Residential Life, Campus and Conference Services	\$ 911.5	\$ 283.3	\$ 628.2	69%
Aitken University Centre	474.1	713.0	(238.9)	-50%
Turf Field and Dome	(22.1)	29.8	(51.9)	235%
Wu Conference Centre	(2.1)	(24.6)	22.5	-1072%
Bookstore	(138.2)	(26.6)	(111.6)	81%
	\$ 1,223.2	\$ 974.9	\$ 248.3	

The Fredericton Campus Ancillaries had a \$248.3k positive variance from budget largely due to lower than anticipated steam costs. It is worthy to note the Fredericton residence operation includes an annual allocation for future capital renewal which contributes to the annual deficit.

Saint John Campus

Deficit (Surplus) 000s	Budget	Actual Results	Favourable (Unfavourable) Variance	
	2016/17	2016/17	Dollars	Percent
Sir James Dunn Residence	\$ 435.6	\$ 896.2	\$ (460.6)	-106%
Colin B Mckay Residence	1,529.7	1,365.7	164.0	11%
	\$ 1,965.3	\$ 2,261.9	\$ (296.6)	

While the Sir James Dunn residence shows a deficit of \$460.6k it is important to note that \$557k was spent in major capital refurbishments. These costs are included in the Residence results and were funded from amounts appropriated from prior years' surpluses. The residence operated at a \$96.5K surplus before the capital renewal costs.