

Operating Budget
Year End Variance
Report

Prepared For:
Board of Governors
Finance Committee
As at 30 April 2018

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

2017-2018

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Executive Summary

Budget Objective

The Board of Governors approved the 2017-18 Operating Budget with a structural deficit of \$4.8 million and a net deficit after one-time items of \$2.3 million. The one-time items consisted of budgeted expenses for the final year of the Why UNB project (\$4.1 million) and transfers from internally restricted net assets to fund those one-time costs and reduce the 2017-18 operating deficit from \$4.8 million to \$2.3 million. Recruitment Marketing has been added to the ongoing budget starting in 2018-19.

The distinction of one-time versus ongoing items is important as one-time items are not anticipated to continue in future years. Therefore one-time costs can be funded from finite reserves or one-time revenues without putting a strain on future operations. Similarly, one-time revenues cannot be relied on in future years to fund ongoing costs, although they do have an impact on the results in the year received. When ongoing expenses exceed ongoing revenues, the University has what is termed a structural deficit and steps must be taken to align the two amounts and balance the budget in order to ensure long-term financial sustainability. UNB is currently on track to balance its annual operating budget by the year 2020-21.

Year End Results

As shown in the consolidated operating budget (page 6), the University of New Brunswick has ended the year with a net operating deficit of \$1.9 million versus a budgeted net deficit of \$2.3 million. The variance comprises of \$1.3 million less revenue than budget, offset by \$1.6M less expenses and a small variance in one-time transactions.

Revenue was under budget by \$1.3 million comprising:




























- (\$2.4 million) less tuition revenue on the Fredericton campus
- \$1.9 million more Provincial Operating Grant funding than budget
- (\$0.8 million) less other revenue, mainly due to \$1.3 million lower than budgeted net income from CEL offset by short term investment income, SJ MBA management fees and room rentals







Overall total expenses were under budget by \$1.6 million

- \$0.5 million more salary savings than budget (Fr \$0.4 million plus SJ \$0.1 million)
- (\$0.2) million more utility expenses than budget
- \$1.0 million less than budget fringe benefit expenses

One-time items are close to budget with offsetting variances comprising:

- (\$0.3) million of transfers to internally restricted net assets on the SJ campus. This is to transition a new VP and to increase funds to support deficits while implementing the plan to balance budgets.
- \$0.3 million not used for the Why UNB project.

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 April 2018 outlook

At the April Finance Committee, a deficit in the region of \$2.0 million was projected. Final results show a slightly more favourable consolidated deficit of \$1.9 million compared to the budgeted deficit of \$2.3 million.

Each \$1 million change represents approximately 0.5% of budgeted revenue.

The change of \$0.1 million since the last report can be explained by these significant items:

- Increased Salary savings of \$250k
- Savings on Fringe Benefits of \$500k
- Reduced CEL revenue of (\$300k)
- Actuarial fees exceed budget by (\$100k)
- Increased costs in Facilities Management of (\$300k)

Fringe benefit costs have been allocated from the administration and development slice to other expense areas to reflect the areas where the related salary costs have been charged. This results in additional variances from the April 3 report by slice, but not overall.

Consolidated Operating Budget 2017-18 Year End Results

(Thousands of Dollars)				Fav (Unfav) Variance	
	Actual Results 2016-17	Approved Budget*	Actual Results	Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 111,966.5	\$ 113,086.2	\$ 114,939.3	\$ 1,853.1	1.6%
Student Fee Income	56,848.8	59,402.7	57,009.4	(2,393.3)	(4.0%)
Other	16,200.9	17,508.9	16,732.9	(776.0)	(4.4%)
Total Revenue	185,016.2	189,997.8	188,681.6	(1,316.2)	(0.7%)
Expense					
Academic and Research					
Faculties and Departmental Costs	106,329.1	107,558.7	106,586.8	971.9	0.9%
Academic and Student Support	33,459.1	33,773.7	33,786.7	(13.0)	(0.0%)
Sub-Total	139,788.2	141,332.4	140,373.5	958.9	
Administration and Support Services					
Administration and Development	31,313.6	32,704.0	32,302.0	402.0	1.2%
Maintenance and Utilities	21,320.8	22,425.6	22,658.0	(232.4)	(1.0%)
Sub-Total	52,634.4	55,129.6	54,960.0	169.6	
	192,422.6	196,462.0	195,333.5	1,128.5	0.6%
Ancillary Operation (Net)	975.0	1,117.9	1,152.3	(34.4)	(3.1%)
In-Year Contingency	750.0	-	-	-	
In-Year Salary Savings	(4,796.4)	(3,789.4)	(4,297.4)	508.0	(13.4%)
In-Year Priority Allocations	1,028.0	994.0	994.0	-	0.0%
Sub-Total	(2,043.4)	(1,677.5)	(2,151.1)	473.6	
Total Expense	190,379.2	194,784.5	193,182.4	1,602.1	0.8%
Net Position before One-Time Items	(5,363.0)	(4,786.7)	(4,500.8)	285.9	(6.0%)
Sources and Applications of One-Time Funding					
One Time Costs	(3,324.1)	-	(336.9)	(336.9)	
Expenses for Why UNB Project	(3,670.7)	(4,104.7)	(3,731.0)	373.7	(9.1%)
Transfers From Internally Restricted Net Assets	10,842.2	6,629.7	6,629.7	-	0.0%
Net Position	\$ (1,515.6)	\$ (2,261.7)	\$ (1,939.0)	\$ 322.7	\$ (0.2)
Net Position as a % of Budgeted Revenue	(0.8%)	(1.2%)	(1.0%)	0.2%	(0.0%)

* the approved budget is restated throughout the year due to budget allocations

Fredericton Campus and University-wide Units Operating Budget 2017-18 Year End Results

(Thousands of Dollars)	Actual Results 2016-17	Approved Budget *	Actual Results	Fav (Unfav) Variance	
				Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 93,584.4	\$ 94,520.3	\$ 96,002.7	\$ 1,482.4	1.6%
Student Fee Income	42,333.2	44,716.2	42,362.7	(2,353.5)	(5.3%)
Other	12,628.4	13,969.3	12,907.8	(1,061.5)	(7.6%)
Total Revenue	148,546.0	153,205.8	151,273.2	(1,932.6)	(1.3%)
Expense					
Academic and Research					
Faculties and Departmental Costs	83,925.6	85,532.1	84,800.3	731.8	0.9%
Academic and Student Support	28,414.1	28,435.8	28,485.6	(49.8)	(0.2%)
Sub-Total	112,339.7	113,967.9	113,285.9	682.0	
Administration and Support Services					
Administration and Development	25,622.6	26,871.8	26,247.5	624.3	2.3%
Maintenance and Utilities	16,322.8	17,520.2	17,607.2	(87.0)	(0.5%)
Sub-Total	41,945.4	44,392.0	43,854.7	537.3	
	154,285.1	158,359.9	157,140.6	1,219.3	0.8%
Ancillary Operation (Net)	975.0	1,117.9	1,152.3	(34.4)	(3.1%)
In-Year Contingency	750.0	-	-	-	
In-Year Salary Savings	(3,165.8)	(3,044.4)	(3,444.5)	400.1	(13.1%)
In-Year Priority Allocations	969.3	935.3	935.3	-	0.0%
Sub-Total	(471.5)	(991.2)	(1,356.9)	365.7	
Total Expense	153,813.6	157,368.7	155,783.7	1,585.0	1.0%
Net Position before One-Time Items	(5,267.6)	(4,162.9)	(4,510.5)	(347.6)	8.3%
Sources and Applications of One-Time Funding					
One Time Costs	(1,606.8)	-	-	-	
Expenses for Why UNB Project	(2,936.6)	(3,283.8)	(2,984.8)	299.0	(9.1%)
Transfers From Internally Restricted Net Assets	8,295.4	5,556.3	5,556.3	-	0.0%
Net Position	\$ (1,515.6)	\$ (1,890.4)	\$ (1,939.0)	\$ (48.6)	\$ (0.0)
Net Position as a % of Budgeted Revenue	(1.0%)	(1.3%)	(1.3%)	(0.0%)	(0.0%)

* the approved budget is restated throughout the year due to budget allocations

Saint John Campus Operating Budget 2017-18 Year End Results

(Thousands of Dollars)	Actual Results 2016-17	Approved Budget *	Actual Results	Fav (Unfav) Variance	
				Dollars	Percent
Revenue					
Provincial Operating Grant	\$ 18,382.1	\$ 18,565.9	\$ 18,936.6	\$ 370.7	2.0%
Student Fee Income	14,515.6	14,686.5	14,646.7	(39.8)	(0.3%)
Other	3,572.5	3,539.6	3,825.1	285.5	8.1%
Total Revenue	36,470.2	36,792.0	37,408.4	616.4	1.7%
Expense					
Academic and Research					
Faculties and Departmental Costs	22,403.5	22,026.6	21,786.5	240.1	1.1%
Academic and Student Support	5,045.0	5,337.9	5,301.1	36.8	0.7%
Sub-Total	27,448.5	27,364.5	27,087.6	276.9	
Administration and Support Services					
Administration and Development	5,691.0	5,832.2	6,054.5	(222.3)	(3.8%)
Maintenance and Utilities	4,998.0	4,905.4	5,050.8	(145.4)	(3.0%)
Sub-Total	10,689.0	10,737.6	11,105.3	(367.7)	
	38,137.5	38,102.1	38,192.9	(90.8)	(0.2%)
Ancillary Operation (Net)	-	-	-	-	
In-Year Contingency	-	-	-	-	
In-Year Salary Savings	(1,630.6)	(745.0)	(852.9)	107.9	(14.5%)
In-Year Priority Allocations	58.7	58.7	58.7	-	0.0%
Sub-Total	(1,571.9)	(686.3)	(794.2)	107.9	
Total Expense	36,565.6	37,415.8	37,398.7	17.1	0.0%
Net Position before One-Time Items	(95.4)	(623.8)	9.7	633.5	(101.6%)
Sources and Applications of One-Time Funding					
One Time Costs	(1,717.3)	-	(336.9)	(336.9)	
Expenses for Why UNB Project	(734.1)	(820.9)	(746.2)	74.7	(9.1%)
Transfers From Internally Restricted Net Assets	2,546.8	1,073.4	1,073.4	-	0.0%
Net Position	\$ -	\$ (371.3)	\$ 0.0	\$ 371.3	\$ (1.1)
Net Position as a % of Budgeted Revenue	0.0%	(1.0%)	0.0%	1.0%	(0.0%)

* the approved budget is restated throughout the year due to budget allocations

Enrolment Update 2017-18 (Actuals and Historical)

Term	Academic Level	Immigration Status	Actual	Actual	Actual	Actual	Budget	Actual	Variance
			2013/14	2014/15	2015/16	2016/17	2017/18	2017/18	
UNB Total	Fall	Undergraduate Domestic	7,039	6,784	6,643	6,625	6,569	6,648	79
		Undergraduate International	1,000	912	857	734	808	700	(108)
	Total Undergraduate	8,039	7,696	7,499	7,359	7,377	7,348	(29)	
	Graduate	Domestic	801	805	833	836	817	833	16
		International	478	426	391	358	378	389	11
	Total Graduate	1,279	1,231	1,224	1,194	1,195	1,222	27	
Total Fall	9,318	8,927	8,723	8,553	8,572	8,570	(2)		
UNB Total	Winter	Undergraduate Domestic	6,638	6,481	6,317	6,339	6,240	6,395	155
		Undergraduate International	927	828	740	644	773	584	(189)
	Total Undergraduate	7,565	7,309	7,057	6,983	7,013	6,979	(34)	
	Graduate	Domestic	779	828	804	821	752	810	58
		International	472	412	366	348	368	397	29
	Total Graduate	1,251	1,240	1,169	1,169	1,120	1,207	87	
Total Winter	8,816	8,549	8,226	8,152	8,133	8,186	53		

Winter Term enrol as % of Fall **94.6%** **95.8%** **94.3%** **95.3%** **94.9%** **95.5%**

Term	Academic Level	Immigration Status	Actual	Actual	Actual	Actual	Budget	Actual	Variance
			2013/14	2014/15	2015/16	2016/17	2017/18	2017/18	
Fredericton	Fall	Undergraduate Domestic	5,468	5,343	5,230	5,174	5,109	5,089	(20)
		Undergraduate International	581	564	521	471	555	472	(83)
	Total Undergraduate	6,049	5,907	5,751	5,645	5,664	5,561	(103)	
	Graduate	Domestic	720	741	764	760	747	760	13
		International	381	355	329	302	328	310	(18)
	Total Graduate	1,101	1,096	1,092	1,062	1,075	1,070	(5)	
Total Fall	7,150	7,003	6,843	6,707	6,739	6,631	(108)		
Fredericton	Winter	Undergraduate Domestic	5,222	5,122	4,998	4,980	4,853	4,913	60
		Undergraduate International	509	473	438	401	533	381	(152)
	Total Undergraduate	5,731	5,595	5,436	5,381	5,386	5,294	(92)	
	Graduate	Domestic	696	742	738	741	682	734	52
		International	379	343	304	289	318	318	(0)
	Total Graduate	1,075	1,085	1,041	1,030	1,000	1,052	52	
Total Winter	6,806	6,680	6,477	6,410	6,386	6,346	(40)		

Winter Term enrol as % of Fall **95.2%** **95.4%** **94.7%** **95.6%** **94.8%** **95.7%**

Term	Academic Level	Immigration Status	Actual	Actual	Actual	Actual	Budget	Actual	Variance
			2013/14	2014/15	2015/16	2016/17	2017/18	2017/18	
Saint John	Fall	Undergraduate Domestic	1,571	1,441	1,413	1,451	1,460	1,559	99
		Undergraduate International	419	348	336	263	253	228	(25)
	Total Undergraduate	1,990	1,789	1,749	1,714	1,713	1,788	75	
	Graduate	Domestic	81	64	70	76	70	73	3
		International	97	71	62	56	50	79	29
	Total Graduate	178	135	132	132	120	152	32	
Total Fall	2,168	1,924	1,880	1,846	1,833	1,939	106		
Saint John	Winter	Undergraduate Domestic	1,416	1,359	1,319	1,360	1,387	1,482	95
		Undergraduate International	418	355	302	243	240	203	(37)
	Total Undergraduate	1,834	1,714	1,621	1,603	1,627	1,686	59	
	Graduate	Domestic	83	86	66	80	70	75	5
		International	93	69	62	59	50	79	29
	Total Graduate	176	155	128	139	120	154	34	
Total Winter	2,010	1,869	1,749	1,742	1,747	1,840	93		

Winter Term enrol as % of Fall **92.7%** **97.1%** **93.0%** **94.4%** **95.3%** **94.9%**

Notes:

Fall Term

The official snapshot of Fall enrolment was taken 1 week after the start of the 2017 fall exam period.

- 1) The 5,561 undergraduate students on the Fredericton Campus represent 98.2% of budget, while 1,788 undergraduate students on the Saint John Campus represent 104.4% of budget. Overall, UNB achieved 7,348 undergraduate students or 99.6% of the budgeted total.
- 2) The 1,052 graduate students on the Fredericton Campus represent 105.2% of budget, while 152 graduate students on the Saint John Campus represent 126.6% of budget. Overall, UNB achieved 1,222 graduate students or 102.3% of the budgeted total.
- 3) The 782 international students on the Fredericton Campus represent 88.5% of budget, while 307 international students on the Saint John Campus represent 101.4% of budget. Overall, UNB achieved 1,089 international students or 91.8% of the budgeted total.

Winter Term

The official snapshot of Winter enrolment was taken 2 weeks after the start of the 2018 winter exam period.

- 1) The 5,294 undergraduate students on the Fredericton Campus represent 98.3% of budget, while 1,686 undergraduate students on the Saint John Campus represent 103.6% of budget. Overall, UNB achieved 6,979 undergraduate students or 99.5% of the budgeted total.
- 2) The 1,052 graduate students on the Fredericton Campus represent 105.2% of budget, while 154 graduate students on the Saint John Campus represent 128.5% of budget. Overall, UNB achieved 1,207 graduate students or 107.7% of the budgeted total.
- 3) The 699 international students on the Fredericton Campus represent 82.1% of budget, while 282 international students on the Saint John Campus represent 97.3% of budget. Overall, UNB achieved 981 international students or 86.0% of the budgeted total.

Revenue

Provincial Operating Grant

The University received confirmation on April 30, 2018 that the 2017-18 Unrestricted Provincial Operating Grant would increase by 1% over the 2016-17 levels. In addition, we received confirmation of funding for pilot projects and ancillary partnerships resulting in a \$1,853.1k positive variance from budget in the operating grant.

Student Fee Income

Table 3: Major Drivers of Variance in Student Fee Income

Consolidated Increase (Decrease) in \$000s	Projected			Total Projected Result
	Summer	Fall	Winter	
Undergraduate Tuition	\$ (235.4)	\$ (90.3)	\$ (180.7)	\$ (506.3)
Undergraduate (Supplementary International Fees)	\$ (467.6)	\$ (592.6)	\$ (642.9)	\$ (1,703.1)
Graduate Tuition	\$ (231.3)	\$ (93.1)	\$ 11.2	\$ (313.2)
Graduate (Supplementary International Fees)	\$ (60.3)	\$ 83.3	\$ 113.7	\$ 136.7
Fee remissions, miscellaneous and forfeited fees	\$ (3.4)	\$ (71.9)	\$ 68.0	\$ (7.3)
Total Projected Result	\$ (998.0)	\$ (764.6)	\$ (630.6)	\$ (2,393.2)

As shown in Table 3 (above), the consolidated year-end negative result for 2017-18 is attributed to significant unfavorable results for Summer (\$998.0 thousand), Fall (\$764.6 thousand), and Winter (\$630.6 thousand)

Enrolment and student fee income were down in Fredericton in all terms resulting in a \$2,353.4K negative variance, the largest factor being lower than budgeted international enrolment. On the Saint John campus the increase in domestic enrolments largely offset the international enrolment target shortfall resulting in a negative variance of \$39.8K.

Other Revenue

The consolidated year end result for other revenue was a \$776.0 thousand negative variance. The Fredericton campus experienced a negative variance of \$1,061.5 thousand mainly related to the College of Extended Learning due to lower than expected revenue in their Health and Safety offering. On the Saint John campus the positive variance for MBA management fee, room rentals, short term investment income and application fees more than offset the shortage in the SJC management fee resulting in a positive result of \$285k.

Expense

Academic and Research

The consolidated results for the Academic and Research expenses were \$958.7 thousand better than budget.

This is due mainly to savings in Fringe Benefits.

Administration and Support Services

The consolidated year-end result for the Administration and Support Services expenses are \$169.5 better than budget.

Further analysis reveal that there were savings in Fringe Benefits, the affect of these savings were offset by actuarial fees being higher than anticipated. Facilities Management exceeded budget due to higher than expected debt repayments on capital costs that will only be recovered through future steam rates.

Saint John campus was given one-time approval to overspend some of the maintenance contracts that the Vice-President felt were a priority.

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 will vary 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 \$400.1 thousand as shown in table 4.

The Saint John Campus had a net salary savings budget of \$725 thousand. The year end results exceeded that amount by \$107.9.

Table 4: Fredericton Campus In-Year Salary Savings

<u>Slice in \$000's</u>	<u>Total Salary</u>			<u>Total Savings</u>	<u>Returned</u>	<u>Net Savings</u>	<u>Net savings as a % of total</u>
	<u>budget</u>	<u>Academic</u>	<u>Non Academic</u>				
Faculties and Departments	\$ 88,761.0	\$ 2,745.6	\$ 307.6	\$ 3,053.2	\$ 798.3	\$ 2,254.9	2.5%
Academic and Student Support	20,052.5	185.5	266.9	452.4	210.9	241.5	1.2%
Administration and Support Services	22,614.8	-	835.0	835.0	275.6	559.4	2.5%
Maintenance & Utilities	7,744.5	-	388.7	388.7	-	388.7	5.0%
Total	\$ 139,172.8	\$ 2,931.1	\$ 1,798.2	\$ 4,729.3	\$ 1,284.8	\$ 3,444.5	2.5%
Total salary savings						3,444.5	
Budget						3,044.4	
Variance						400.1	

Table 5: Saint John Campus In-Year Salary Savings

<u>Slice in \$000's</u>	<u>Total Salary</u>			<u>Total Savings</u>	<u>Returned</u>	<u>Net Savings</u>	<u>Net savings as a % of total</u>
	<u>budget</u>	<u>Academic</u>	<u>Non Academic</u>				
Faculties and Departments	\$ 21,068.6	\$ 1,044.2	\$ 116.7	\$ 1,160.9	\$ 583.3	\$ 577.6	2.7%
Academic and Student Support	3,285.9	81.1	193.4	274.5	106.3	168.2	5.1%
Administration and Support Services	2,490.2	-	199.4	199.4	131.1	68.3	2.7%
Maintenance & Utilities	928.4	-	38.8	38.8	-	38.8	4.2%
Total	\$ 27,773.1	\$ 1,125.3	\$ 548.3	\$ 1,673.6	\$ 820.7	\$ 852.9	3.1%
Total salary savings						852.9	
Budget						745.0	
Variance						107.9	

Ancillary Operations

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

Table 6: Ancillaries

Fredericton Campus	Actual Results		Fav (Unfav)	
	Budget 2017/18	2017/18	Variance	
<u>Deficit (Surplus) \$000s</u>			Dollars	Percent
Residential Life, Campus and Conference Services	\$ 808.1	\$ 625.1	\$ 183.0	22.6%
Aitken University Centre	\$ 475.4	\$ 545.4	\$ (70.0)	(14.7%)
Turf Field and Dome	\$ (22.1)	\$ 54.6	\$ (76.7)	346.5%
Wu Conference Centre	\$ (1.8)	\$ (15.5)	\$ 13.7	(761.3%)
Bookstore	\$ (141.6)	\$ (57.2)	\$ (84.4)	59.6%
Total Ancillary Operations	\$ 1,117.9	\$ 1,152.3	\$ (34.3)	(3.1%)

The Fredericton Campus Ancillaries had a \$34.3K negative variance from budget. 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	Actual Results		Fav (Unfav)	
	Budget 2017/18	2017/18	Variance	
<u>Deficit (Surplus) \$000s</u>			Dollars	
Sir James Dunn Residence	\$ -	\$ (62.9)	\$ (62.9)	
Colin B MacKay Residence	\$ -	\$ 43.2	\$ 43.2	
Total Ancillary Operations	\$ -	\$ (19.7)	\$ (19.7)	

While the overall Saint John campus residence system shows a deficit of \$19.7k it is important to note that \$280k was spent on major capital refurbishment, included in the Residence results and were funded from amounts from prior years surpluses. The Residence operated at a \$260k surplus before the capital renewal costs.