

University of New Brunswick
Operational Fiscal Framework
2006-07

In order to inform the annual operating and capital budgeting and multi-year planning process, a series of pro-forma financial forecasts are prepared to provide financial context to the process. These financial forecasts are based on a series of assumptions about the outlook for revenues and status quo operational expenses. Invariably, performing these forecasts involves a degree of uncertainty. Planning for 2006-07 and beyond currently involves a great deal of uncertainty due to the current status of collective bargaining with our Faculty Association, an uncertain enrolment outlook and volatile energy prices, however, best estimate forecasts have been made and are included in this material.

As part of the budget informing process, meetings, briefings and discussions are held with Deans, Directors and other members of the university management group on both campuses. Attached to this report is a copy of a power point presentation that was delivered by the Vice-President (Finance and Corporate Services) to Deans and Directors on the Fredericton campus on September 27, 2005.

Also attached is similar information from the Saint John campus that will be communicated in upcoming budget meetings.

The forecasted figures in the presentations were based on detailed financial forecasts, based on various assumptions. The detailed forecasts and assumptions are outlined further in this report. The figures reflect the salary offer made by the University to the Faculty Association on September 22, 2005 of 3.25%, adjustments split half in July and half in January in each of the four years of the next proposed collective agreement period, as well as moving the annual pension funding to reflect more realistic to conservative pension valuation assumptions, and resulting pension funding contributions of 11.20% for each party.

Main conclusions of the Forecasts:

Revenues

- The outlook for growth in revenue is much lower than in recent years, mainly due to a tightening environment for tuition fees, uncertain enrolment, and limited status quo growth potential in other income. A forecasted growth of only 3% in Provincial operating funding further tightens the revenue outlook. The campus forecasts are based on an assumed tuition fee increase of 4%. The 2006-07 outlook for revenue growth on the Fredericton campus is 3.25%, the outlook for the Saint John campus is just slightly higher than 1%.

Expenses

- Growth in status quo expenses is expected to exceed forecasted revenue growth as energy cost pressure, funding for initiatives already underway on the Saint John campus, and the cost associated with maintaining our relative competitive position for faculty salaries, and costs to fund the Academic Pension Plan combine to 2006-07 levels of 3.87% on the Fredericton campus and 4.4% on the Saint John campus.

Many operational and capital challenges continue to exist at the University. Significant changes are required in total revenues, cost structures and approaches to operations in order to position the University on a more competitive overall national basis.

These are preliminary budget forecasts based on assumptions and best available information to date. Further academic planning and prioritization will inform future forecasts and, ultimately, the final budget and recommendations that will be presented to the Board of Governors in April of 2006.