



University of New Brunswick

2006-07 Budget Planning

Fiscal Framework

UNB Fredericton Campus

March 1, 2006

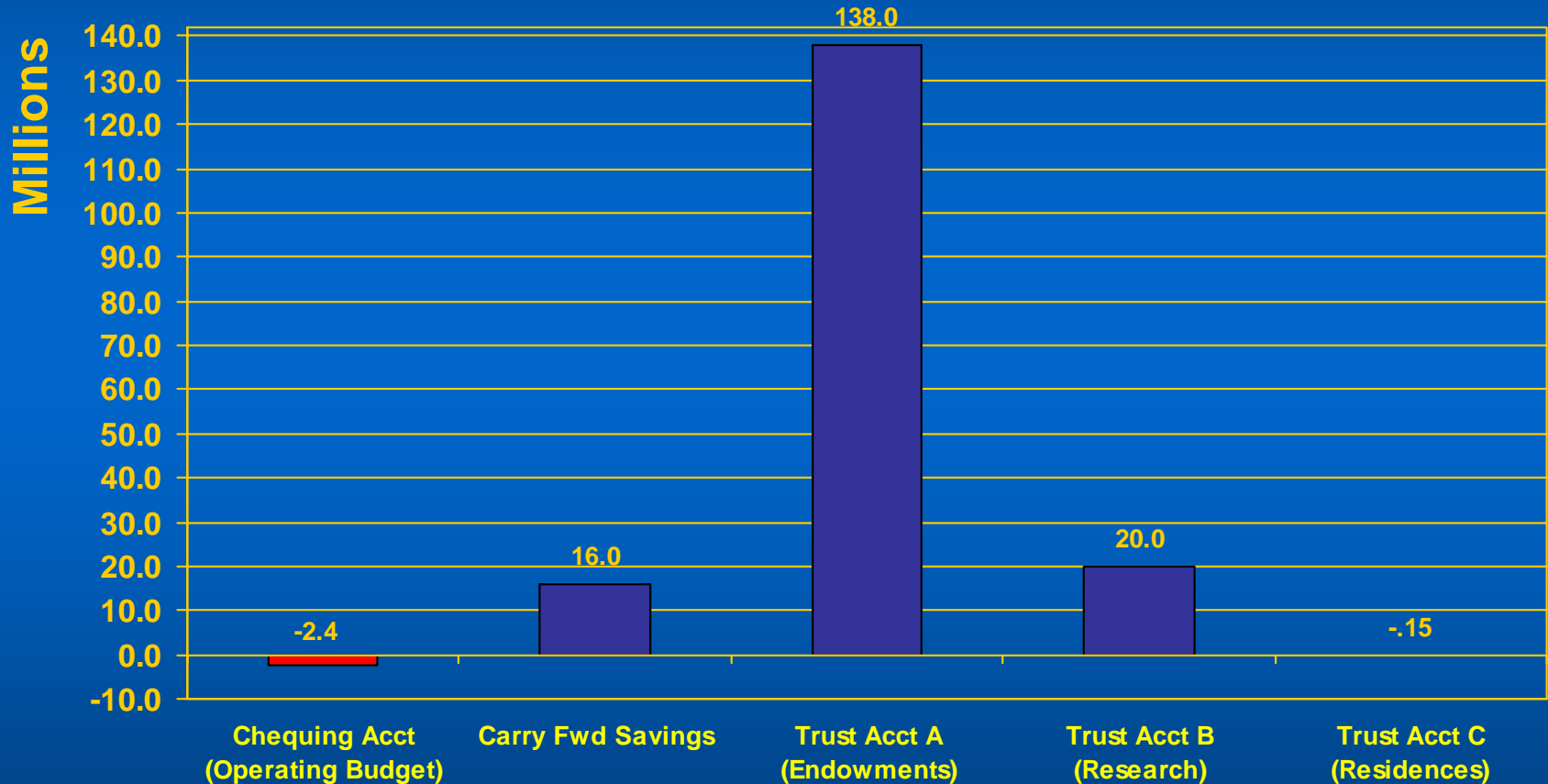


Agenda

- ⊕ Conceptual Overview of UNB Finances
- ⊕ Outlook for the 2005-06 Fiscal Year
- ⊕ Outlook for key items in 2006-07 Budget
- ⊕ Basic Budget Strategy
- ⊕ Multi-year Outlook

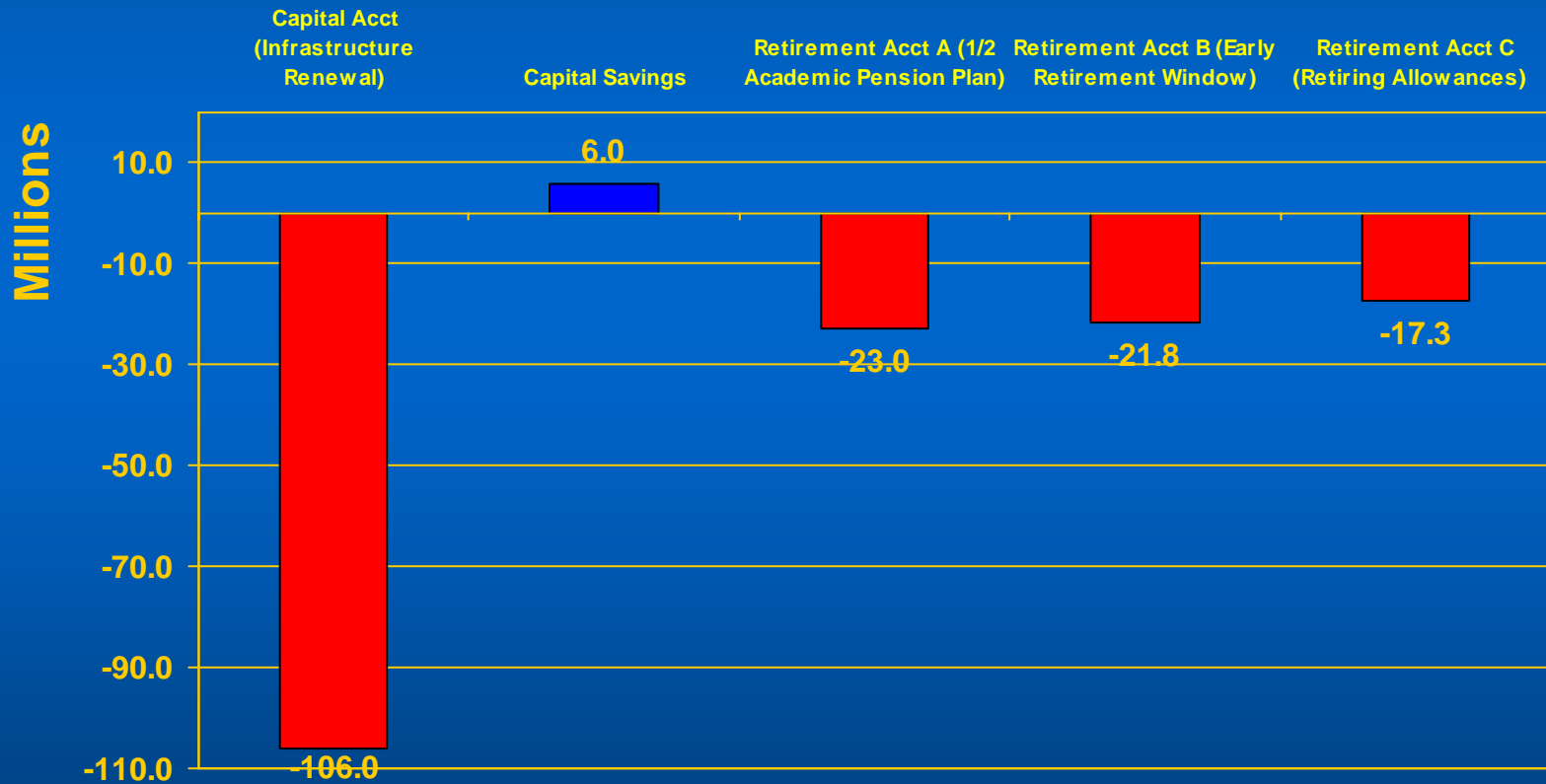
UNB FINANCES

Conceptual Overview



UNB FINANCES

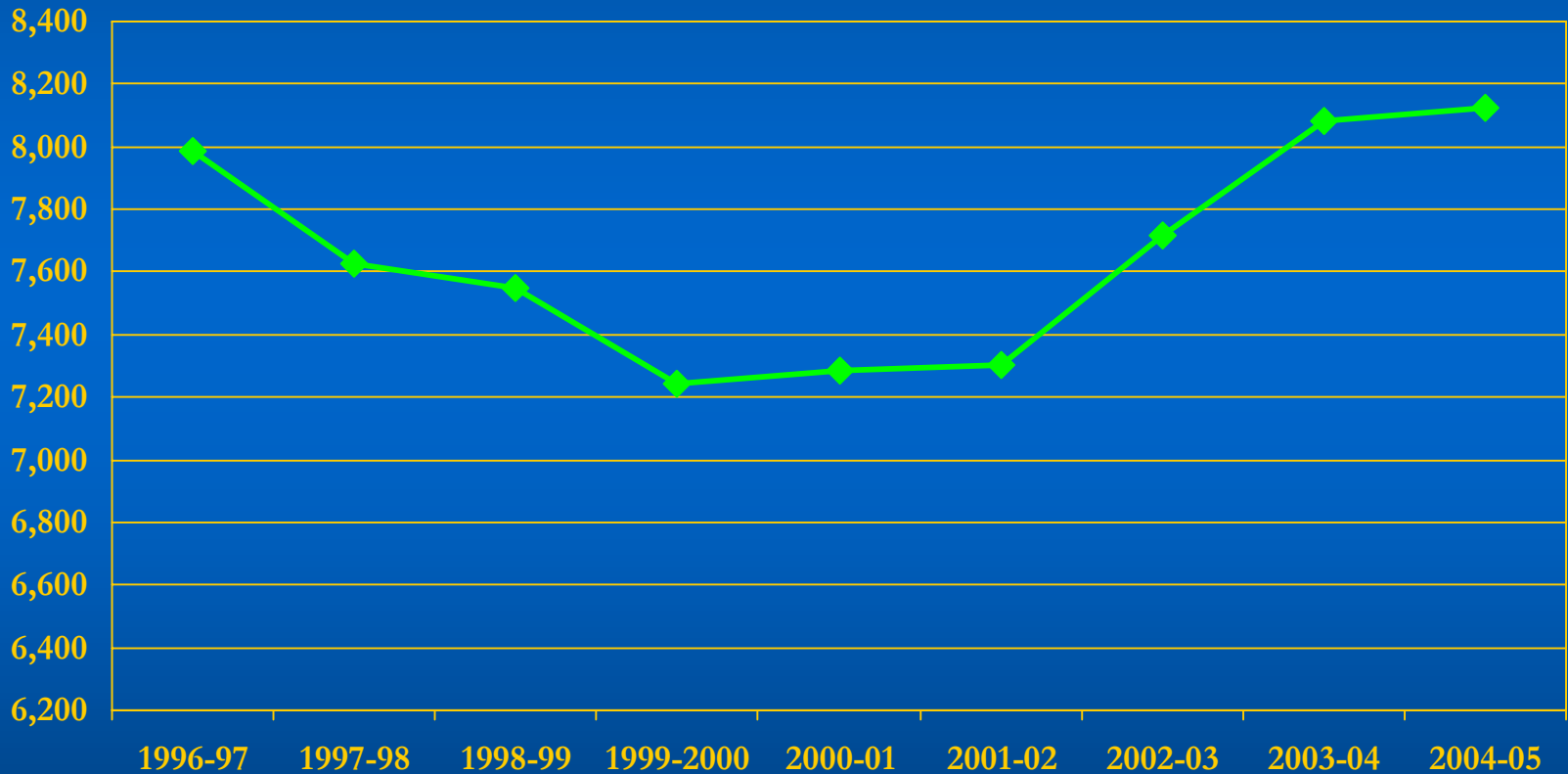
Conceptual Overview



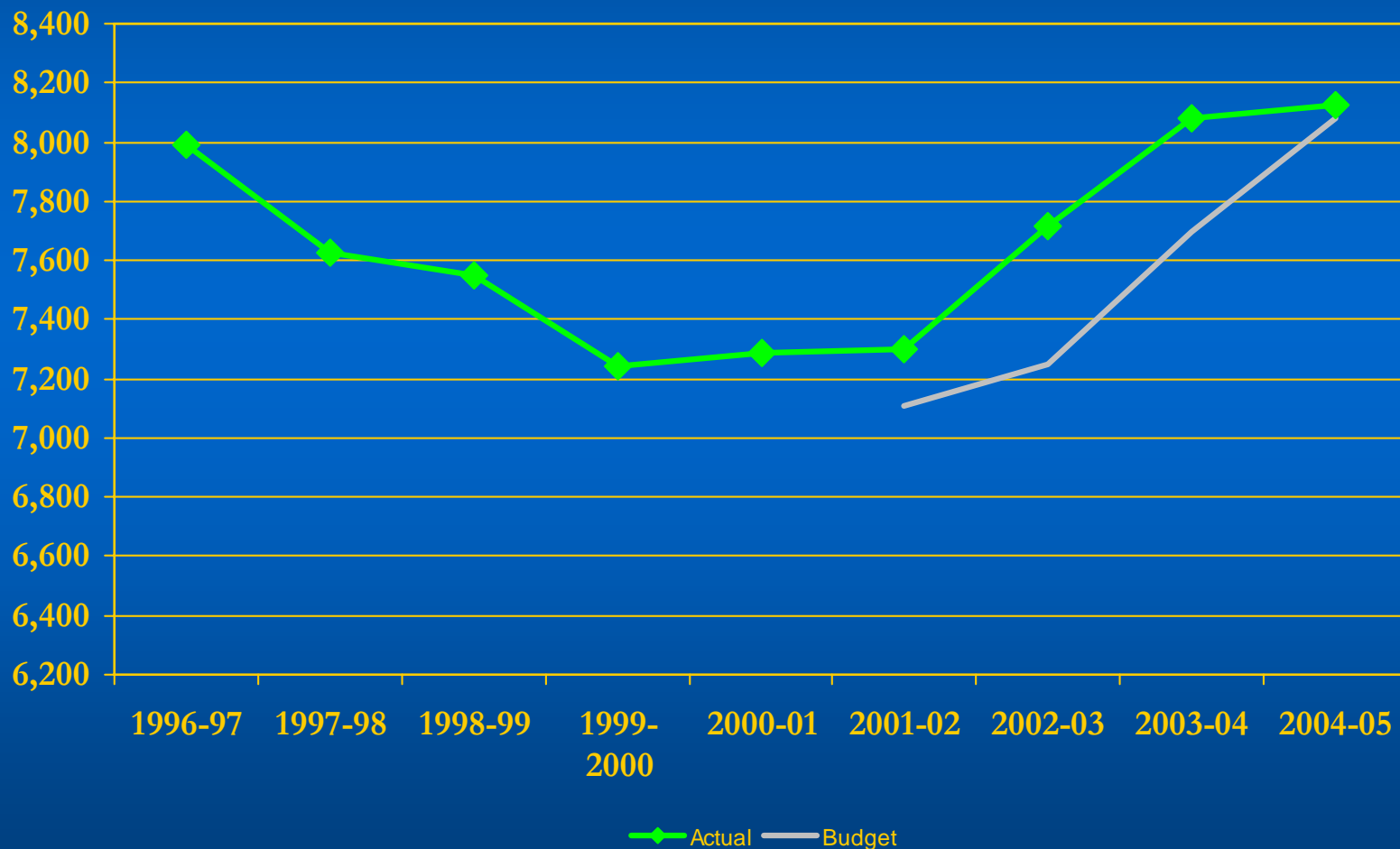


Fredericton Campus Undergraduate & Graduate Enrolment (FT)

Actual



Fredericton Campus Undergraduate & Graduate Enrolment (FT) Actual and Last 4 Year's Budget



Financial Outlook for 2005-06

Fredericton Campus

(\$000's)

Forecast

| | <u>Budget</u> | <u>(Best Case)</u> | <u>(Worst Case)</u> |
|--|------------------|--------------------|---------------------|
| Operating Budget | | | |
| Budget Plan | \$ - | \$ (470) | \$ (845) |
| Accumulated Operating Deficit, April 30, 2005 | (3,200) | (3,200) | (3,200) |
| Accumulated Operating Deficit, April 30, 2006 | <u>\$(3,200)</u> | <u>\$(3,670)</u> | <u>\$(4,045)</u> |

Fredericton Campus Operating Budget Projections

\$(000's)

| | 2005-06 <u>Budget</u> | 2006-07 <u>Pro-forma</u> (No tuition fee increase) | \$ <u>Change</u> | % <u>Change</u> |
|-----------------------------|--------------------------|---|---------------------|--------------------|
| Revenue | \$118,286.3 | \$120,508.9 | \$2,222.6 | 1.88% |
| <u>Expenses</u> | | | | |
| Operating Expenses | 117,418.7 | 123,002.0 | 5,583.3 | 4.76% |
| Other | 867.5 | 854.5 | 12.5 | (1.44) |
| Total Expenses | \$118,286.2 | \$123,856.5 | \$5,570.3 | 4.71% |
| (Structural Deficit) | \$0 | \$(3,347.6) | \$(3,347.6) | |



UNBF

Summary of Revenue Forecast

\$(000's)


| | 2005-06 <u>Budget</u> | 2006-07 <u>Pro-forma</u> No Tuition Fee Increase | \$ <u>Change</u> | % <u>Change</u> |
|--------------------------------|--------------------------|---|---------------------|--------------------|
| Provincial Operating Grant | \$71,207.1 | \$73,911.1 | \$2,704.0 | 3.8% |
| Tuition Revenue (Base) | 37,535.1 | 37,535.1 | 0 | 0 |
| Tuition Revenue (Above Base) | 1,323.0 | 784.0 | (539) | (40.74%) |
| Other Non-departmental Revenue | 8,221.1 | 8,278.6 | 57.5 | .70% |
| | <u>\$118,286.3</u> | <u>\$120,508.8</u> | <u>\$2,222.5</u> | <u>1.88%</u> |

Provincial Grant (@ 60% Funding)

Pro-forma 2006-07

Actual to Actual

| | |
|---|-------|
| ⊕ Estimated System-wide Increase (Government year end) | 3.0% |
| ⊕ Estimated System-wide Increase (University year end) | 2.65% |
| ⊕ Estimated UNB Share Increase | 2.73% |
| ⊕ Estimated UNBF Share Increase | 2.82% |



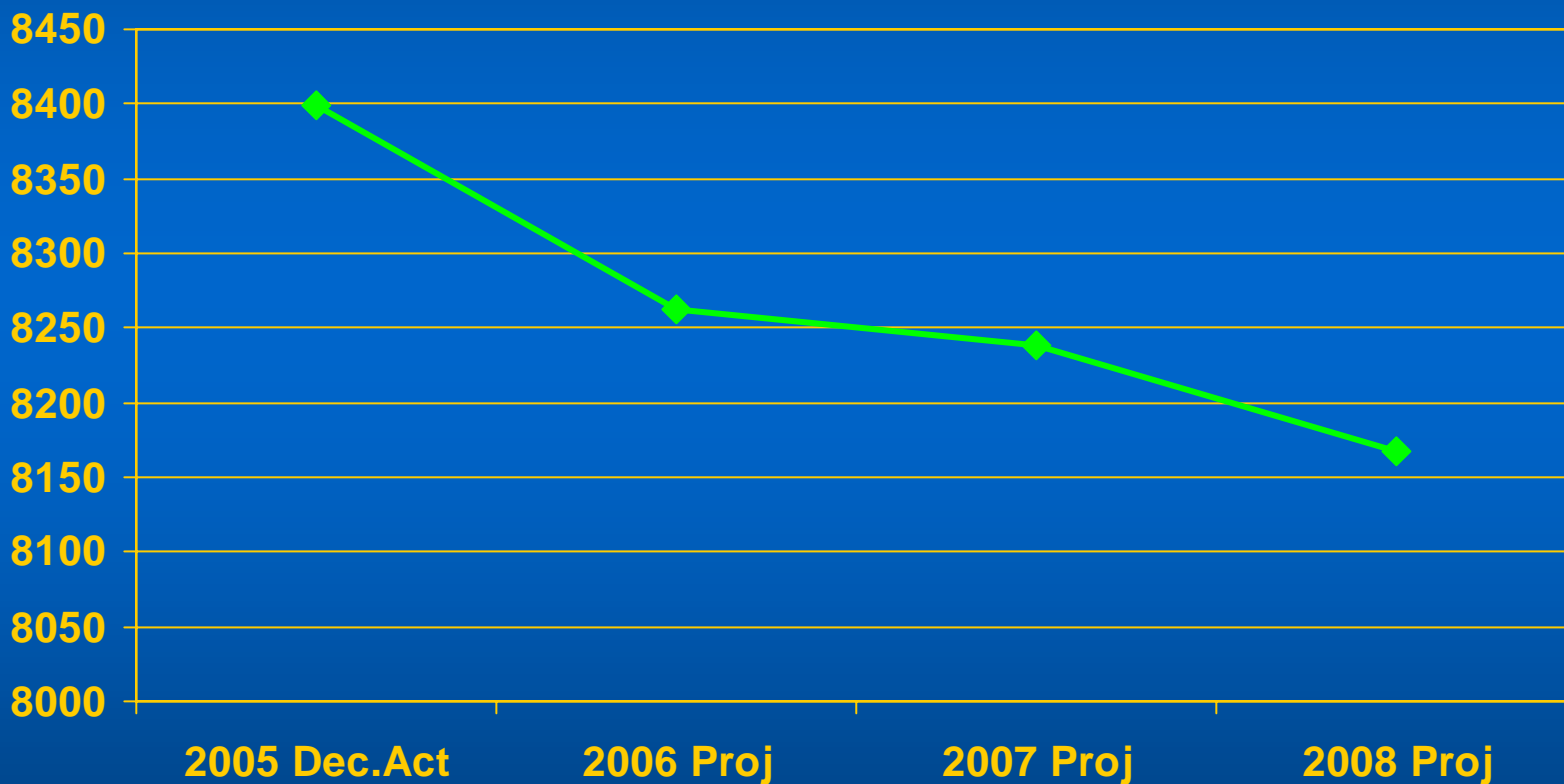
Tuition Revenue (@33% of Funding)

- ⊕ What are expected enrolments?
- ⊕ What will tuition fee be?

Status Quo Pro-forma Enrolment Forecast

UNBF Campus Enrolment Forecast

Full-time Undergraduate and Graduate



Source: Registrar's Office



UNB Tuition Fees

Decisions by Board of Governors

 Basic Tuition Fees

 International Supplemental Fees

 Differential Fees

 Supplemental Fees

Tuition Fee Environment

- ⊕ Average Canadian Increase Last Year 1.8%
 - ⊠ Freezes or restrictions in return for more \$
- ⊕ Nova Scotia increase was 3.9%
- ⊕ UNB increase was 5.0%
- ⊕ UNB still competitive regionally, however, region is high

UNB Tuition Fees

⊕ Current Modeling:

⊗ Basic Fees 4%-5%

- Upper end competitive zone

⊗ International Supplemental 4% - 7.5%

- Competitive Zone

⊗ Differential

- Law Proposal
- Engineering Proposal

⊗ Supplemental

- No anticipated changes



Other Revenue

- ⊕ No major changes anticipated
- ⊕ Assumes Federal Indirect Cost Program Continues

UNBF Operating Expenses

\$(000's)

| | 2005-06 <u>Budget</u> | 2006-07 <u>Pro-forma</u> | \$ <u>Change</u> | % <u>Change</u> |
|------------------------------|--------------------------|-----------------------------|---------------------|--------------------|
| Faculties and departments | \$66,547.3 | \$70,146.1 | \$3,598.8 | 5.41% |
| Academic & Student Support | 22,636.9 | 23,167.4 | 530.5 | 2.34% |
| Administration & Development | 16,988.6 | 17,550.8 | 562.2 | 3.31% |
| Maintenance & Utilities | 11,245.9 | 12,137.7 | 891.8 | 7.93% |
| | <u>\$117,418.7</u> | <u>\$123,002.0</u> | <u>\$5,583.3</u> | <u>4.76%</u> |

UNBF Expenses

| | 2005-06 | 2006-07 | |
|----------------------------|----------------|------------------|------------------|
| | <u>Budget</u> | <u>Pro-forma</u> | <u>\$ Change</u> |
| <u>OTHER</u> | | | |
| Sustainability Issues | | \$250.0 | \$250.0 |
| Contribution to Capital | \$625 | 64.5 | (560.5) |
| Unallocated Variable Funds | | 297.5 | 297.5 |
| Net Ancillary Operations | 242.5 | 242.5 | 0 |
| | <u>\$867.5</u> | <u>\$854.5</u> | <u>\$(12.5)</u> |

⊕ Salaries

⊗ Faculty

- Reflects collective agreement

⊗ PTR and Attrition

- @ 80% receive PTR cost @ \$900,000
- Attrition savings @\$900,000 offset PTR's

⊗ Vacancies

- Assumes Academic vacancy savings of @\$500,000 per year, these savings used for Academic transition/priorities

⊕ Staff Salaries

⊕ UNBEA

- 3% per collective agreement

⊕ Benefits

⊕ Basic benefits 5% increase

⊕ Faculty Pension Plan

- Current UNB funding rate 10.22%
- New rate July 01, 2006 11.30%
(increase of 10.6% @\$500,000 per year)

Baseline Expense Modeling

- Utilities

| | | | |
|-------------|--------------|-------|----------|
| Electricity | \$390 K more | 19.4% | increase |
| Heat | \$252 K more | 11.1% | increase |

- **Insurance** \$100 K more 23.2% increase

- **Basic Non-Salary Inflation** 2.5%

- **New Priorities** None in modeling

Budget Sensitivity Analysis

Modeling Impact of Tuition Fee Increase

| | | 2006-07 |
|--------------------------------|----------------|----------------|
| | Impact on | Structural |
| | <u>Revenue</u> | <u>Deficit</u> |
| No Tuition Fee Increase | \$0 | \$<3,348> |
| Basic Tuition Fee Increase of: | | |
| 4.0% | 1,488 | <1,860> |
| 4.5% | 1,671 | <1,677> |
| 5.0% | 1,854 | <1,495> |

UNB Budget Sensitivity Analysis

☒ Balance UNB budget with:

☒ Only tuition fee increase,
no expense reduction

11.0% Fee Increase

☒ Only Government grant increase,
No tuition fees increase or
expense reduction

9.5% Grant Increase

☒ Tuition fees in 4%-5% zone,
no expense reduction


6.5% Grant Increase

2006-07 Basic Budget Strategy

- ⊕ Sustain recent key strategic investments
 - ⊕ Student services/scholarships

- ⊕ Manage growth in expenses to match level of growth in total revenue
 - ⊕ Selective budget caps to achieve \$1.5-\$19 million

- ⊕ Currently modeling basic tuition fee increases in a competitive zone
 - ⊕ Less than 2005
 - ⊕ Range 4-5%
 - ⊕ No changes in /or new supplemental fees



UNBF Campus Approach to 2006-07 Expense Restriction

Baseline Budget Caps (target \$1.5 - \$1.9 million)

| | |
|---|------|
| Faculties & Departments | 3.0% |
| Academic & Student Support | 1.4% |
| Administration & Development | 1.4% |
| Library and Branches (non acquisitions) | 0.5% |
| Student Affairs & Services | 0.5% |

(no reductions to scholarships, School of Graduate Studies, Library acquisitions, maintenance & utilities)

Operating Budget Multi-Year Forecast

\$(000's)

| | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> |
|--------------------|----------------|----------------|----------------|
| Structural Deficit | \$<1,860> | \$<2,504> | \$<3,527> |

Main Assumptions:

- Status Quo Operations
- Basic Tuition Fee increase of 4%
- Current Enrolment forecast

University of New Brunswick

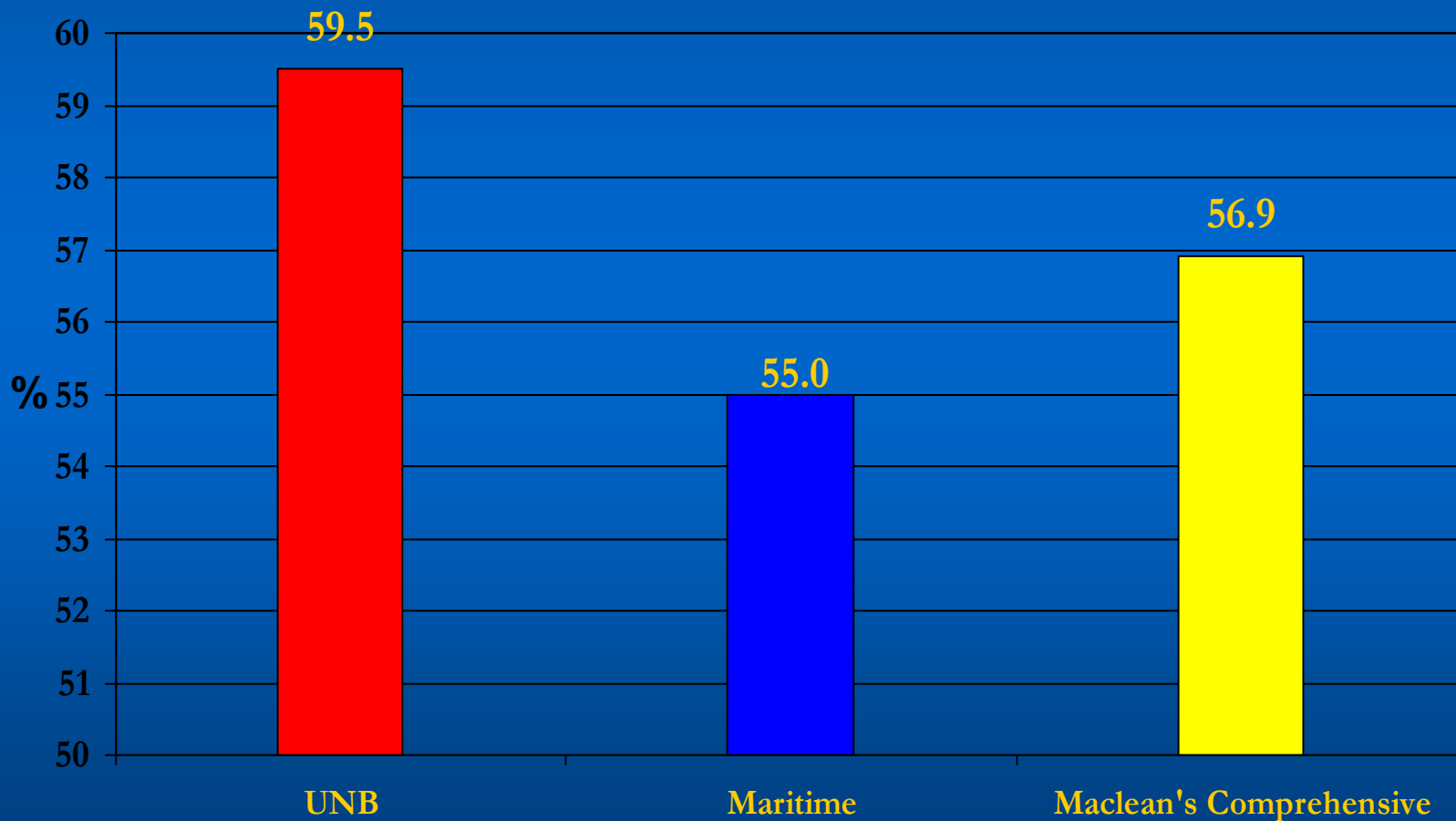
Capital Fiscal Framework

Fredericton Campus

| <u>Source of Funds</u> | <u>2005-06 Budget</u> | <u>2006-07 Pro-forma</u> |
|---------------------------------------|---------------------------|------------------------------|
| <u>Ongoing</u> | | |
| Provincial A & R Grant | \$1,827,029 | \$1,881,840 |
| Land Revenues | 71,000 | 71,000 |
| Ongoing Operating Budget Contribution | 250,000 | 250,000 |
| Supplemental Infrastructure Fee | 1,575,000 | 1,575,000 |
| Subtotal | 3,723,029 | 3,777,840 |
| <u>One-time</u> | | |
| Previous Year's Enrolment Spread | 675,000 | 650,000 |
| Funding from UITF | 1,200,000 | |
| Funding From Capital Assistance | - | 1,366,700 |
| Academic Priority Fund | 80,500 | TBD |
| Contributions from Funded Reserve | 324,500 | n/a |
| Subtotal | 2,280,000 | 2,016,700 |
| Total | \$6,003,029 | \$5,794,540 |
| Amount Required to: | | |
| - Hold Overall FCI Position | | \$6.3 million |
| - Reduce FCI Overtime | | \$8.1 million |

INSTRUCTION & NON-SPONSORED RESEARCH

Three-year Average ending 2003-04
as a % of General Operating





Instruction and Non-sponsored Research

⊕ Current academic model is focused on Quality

- Higher % allocated to Instruction & Non-sponsored Research
- Smaller class sizes
- Lower student to faculty ratios
- High % faculty full professor
- National salary averages – National Caliber faculty

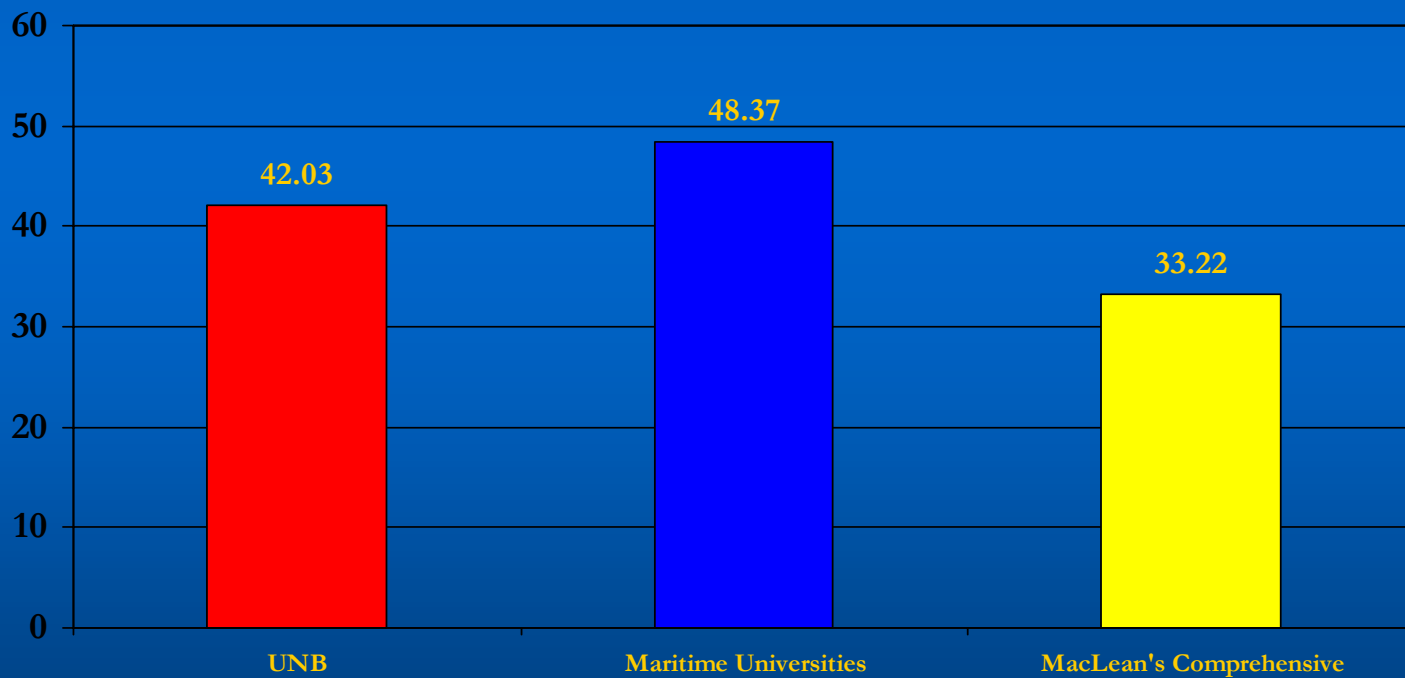


% of Students in Selected Class Size Ranges

1st & 2nd Year Level

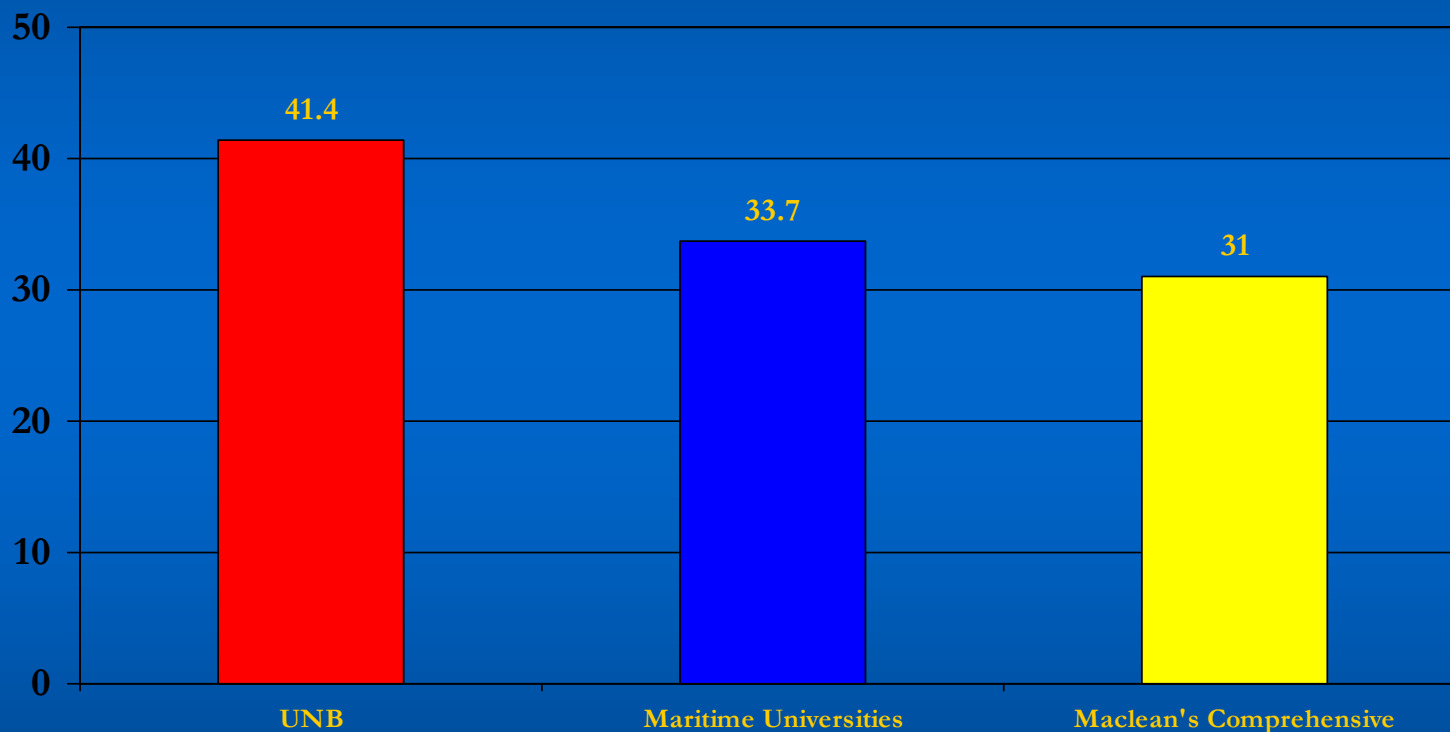
Classes of ≤ 50

2004-05



Source: MacLean's

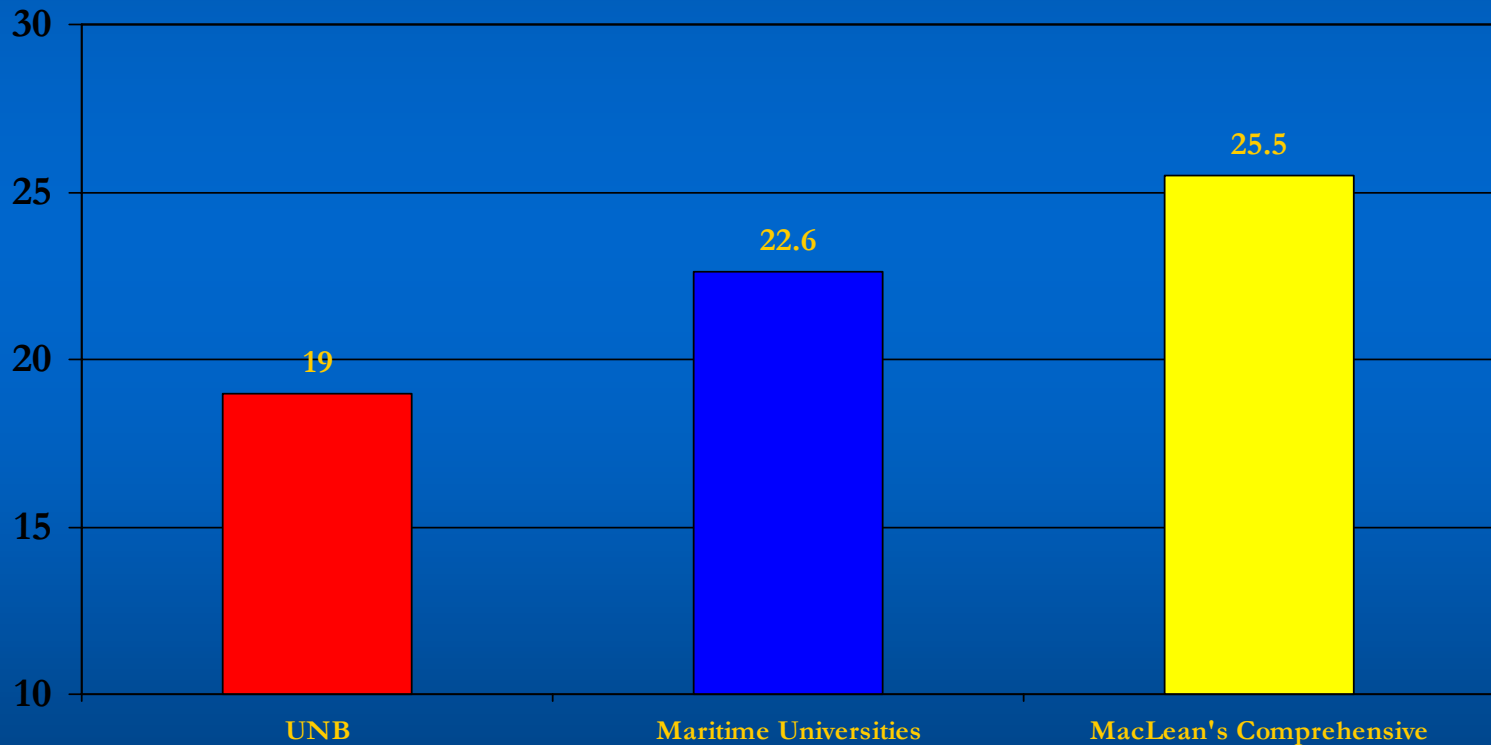
Full Professor Ranks as a % of Total Academic Ranks 2004-05



Source: Statistics Canada, Education Statistics, Salaries and Scales of Full-time Teaching Staff at Canadian Universities, 2004-05

Ratio of Full-time Students to Full-time Faculty

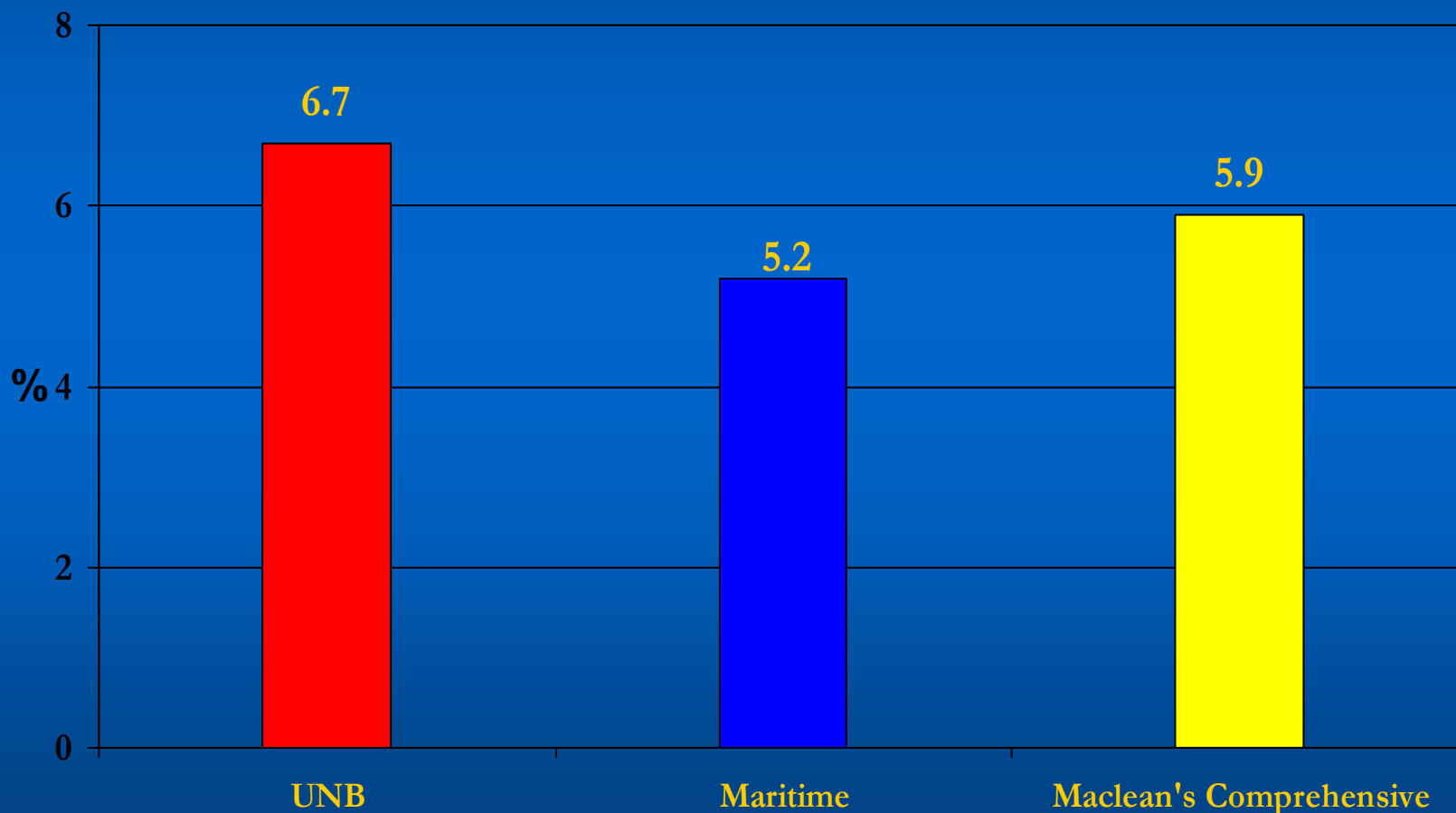
2004-05



Source: Office of Institutional Research, UNB

LIBRARY

Three-year Average ending 2003-04 as a % of General Operating



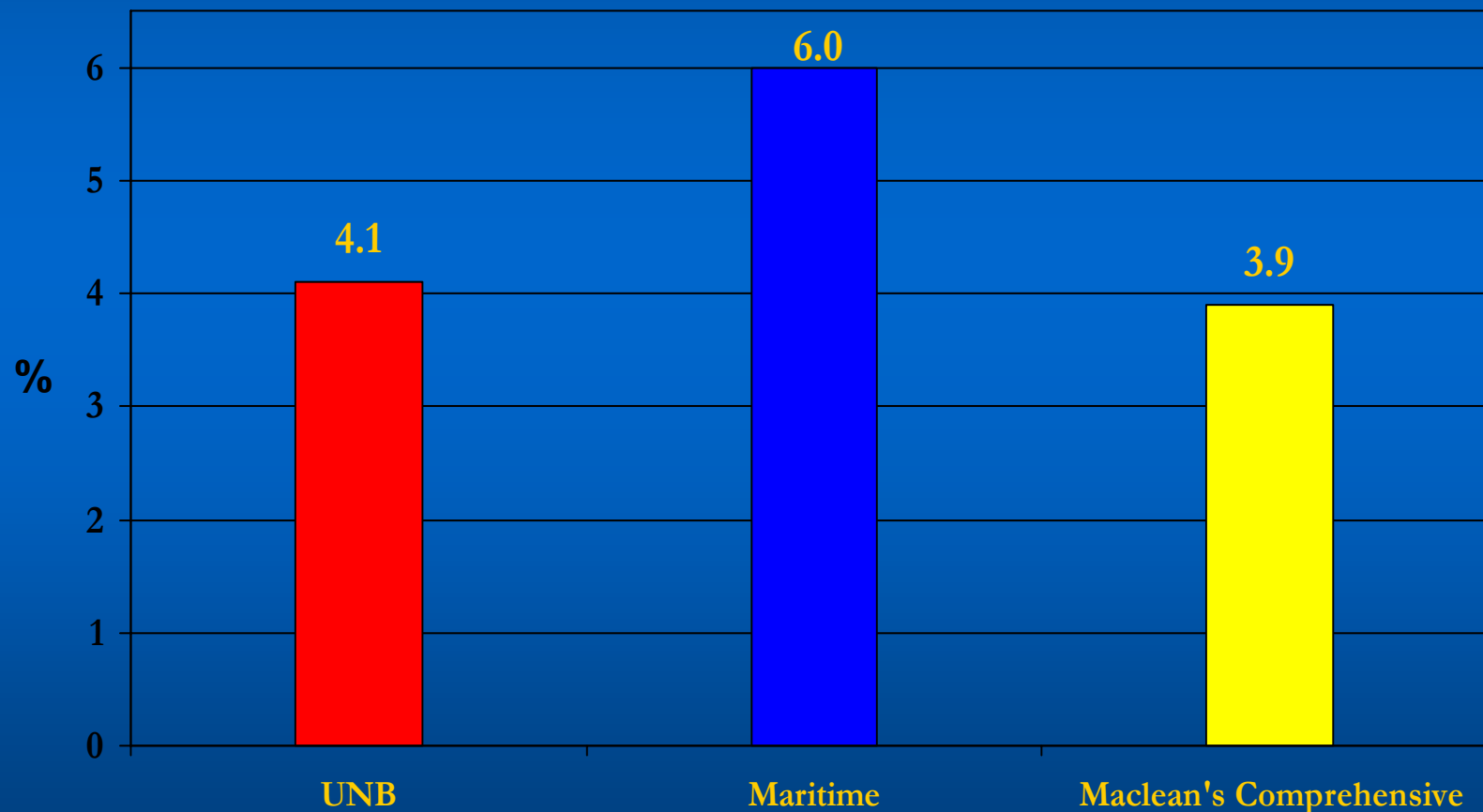
Source: CAUBO



COMPUTING & COMMUNICATIONS

Three-year Average ending 2003-04

as a % of General Operating



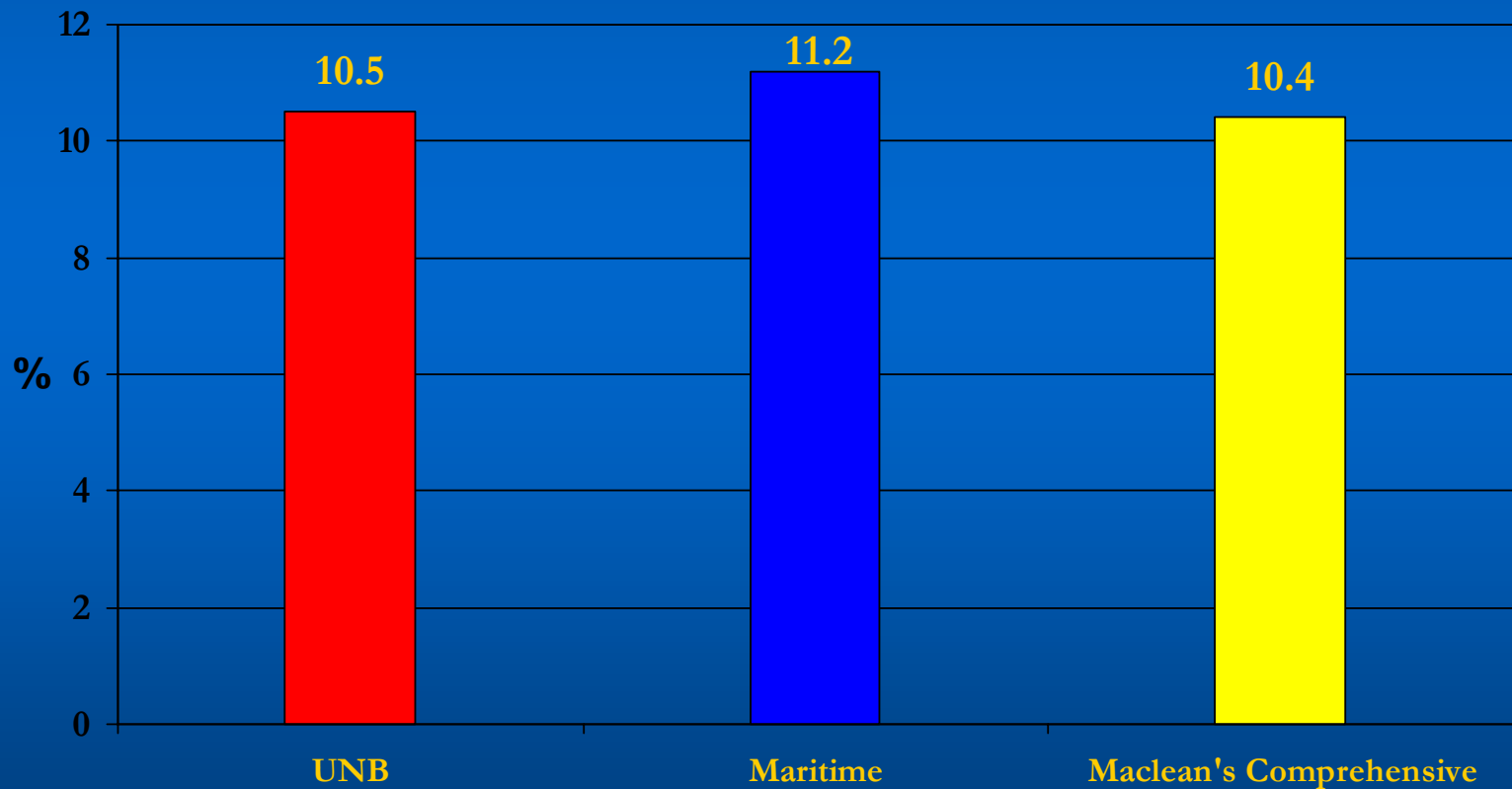
Source: CAUBO



ADMINISTRATION & GENERAL

Three-year Average ending 2003-04

as a % of General Operating



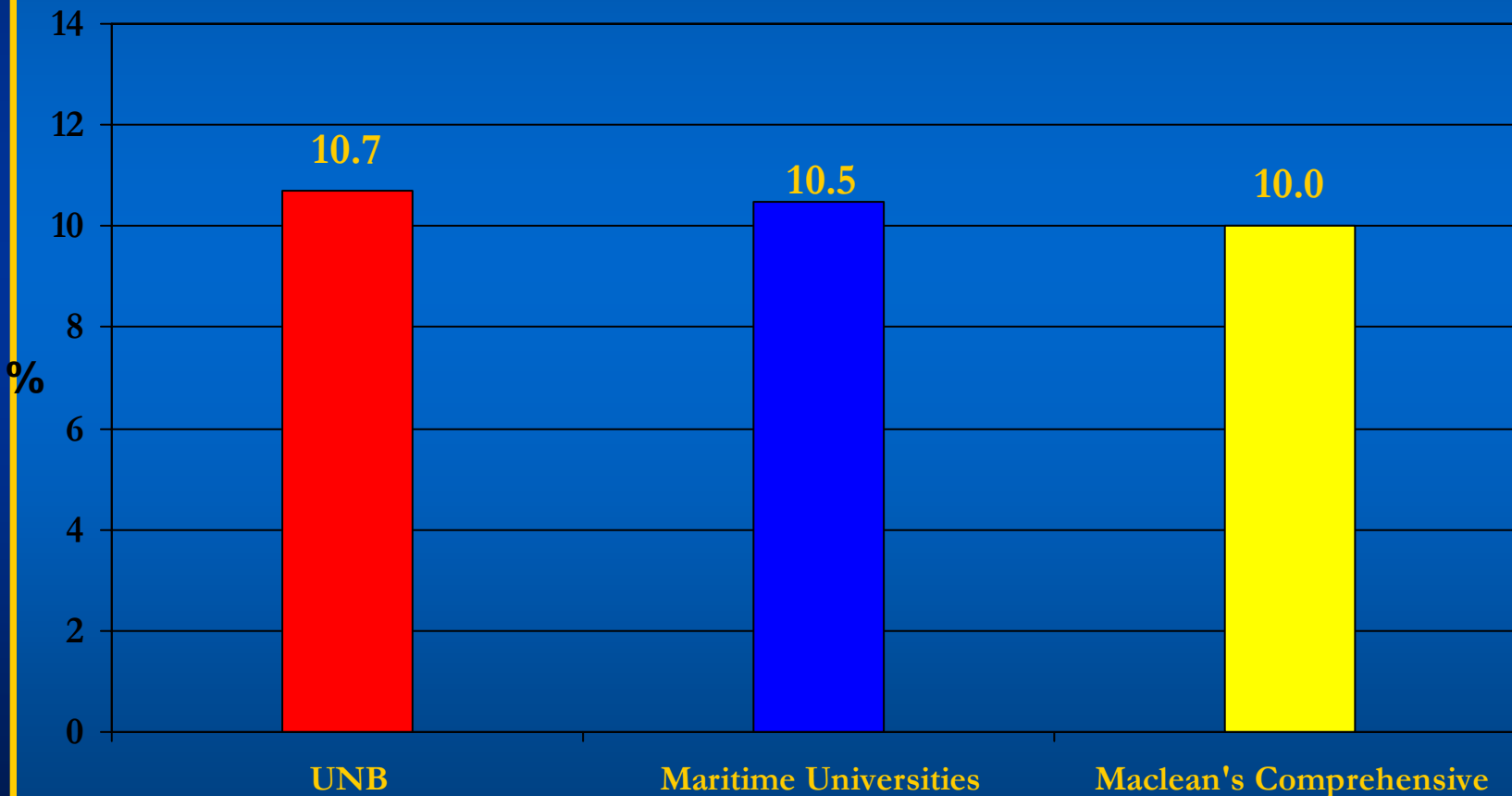
Source: CAUBO



PHYSICAL PLANT

Three-year Average ending 2003-04

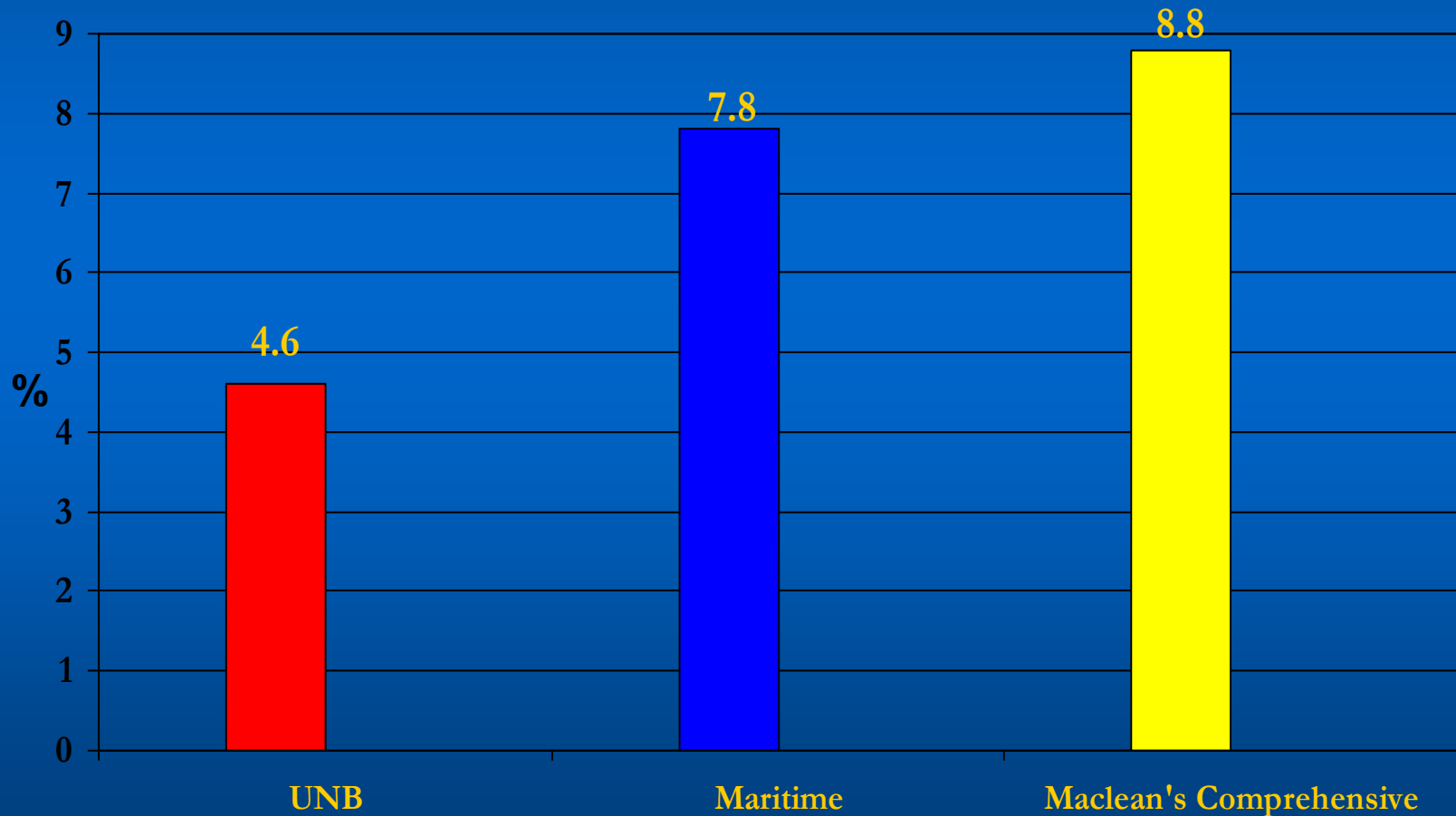
as a % of General Operating



Source: CAUBO

STUDENT SERVICES

Three-year Average ending 2003-04
as a % of General Operating



Source: CAUBO



Why Do We Always Seem to Have Financial Challenges

Unsustainable Business Model

⊕ Comprehensive Product

- ⊕ National Programs
- ⊕ National Compensation Model
- ⊕ Smaller Class Sizes
- ⊕ Lower Student/Faculty Ratios
- ⊕ Broad Research Agenda

⊕ Under Funded

- ⊕ Regional Funding Model
- ⊕ Lack of Market Growth Potential

⊕ Older Facilities

⊕ Limited Flexibility/Innovation



Result

- ⊕ Costs rise faster than revenues
 - ⊖ Structural operating deficit
- ⊕ Under Funded Priorities
- ⊕ Significant Levels of Capital and Retirement Debts

Annual Funding Challenge

Millions



■ Structural Deficit

■ Hold Current Infrastructure Position

■ Equipment Technology

■ Unfunded Priorities

■ Improvements/modernize Facilities



DISCUSSION/QUESTIONS

