

University of New Brunswick

**Multi-Year Financial
Outlook and Challenges**

University of New Brunswick
Multi-Year Financial Outlook and Challenges

Although the 2006-07 operating budget is balanced and funding sources have been identified for next year's capital requirements, it is clear that UNB will face many significant financial challenges in the years ahead. While the *Forging Our Futures* campaign will provide a significant boost for new facilities, scholarships and other important priorities, clearly there are underlying systemic challenges that are of concern. These challenges can be broken down into three basic categories:

Structural Deficit - the annual challenges associated with balancing the University operating budget.

This challenge essentially relates to the costs associated with our current operating model rising faster than the rate at which our operating funding increases. Also included in this figure are activities that are ongoing but are being financed through one-time budget allotments as continuing priority funds are scarce. This structural deficit challenge amounts to about **\$2 million each year for UNB.**

Unfunded Priorities

There are currently key strategic areas of UNB operations that are being under funded in comparison to other comprehensive universities. Improvements to these areas have been identified as priorities, however, the ability to fund these priorities has been restricted due to scarcity of available resources. While progress towards these objectives has been made, there are still significant challenges. These priorities include, improvements to student services, scholarships, graduate student support, libraries, safety and classroom technology support. It is estimated that annual improvements of at least **\$2.5 million per year for the near term** are required.

Facilities and Equipment

Again, improvements have and are being made to UNB facilities and equipment, however, the sustainability and pace of these improvements are not sufficient to meet the needs and competitive challenges.

The range of annual requirements in this area are as follows:

| Annual Facilities and Equipment Funding Challenge | |
|--|---------------------|
| | <u>\$(millions)</u> |
| - Ongoing funding for Infrastructure Renewal | \$3 – 5 |
| - Funding required to systematically modernize and upgrade UNB facilities, buildings, classrooms, laboratories | \$8 – 15 |
| - Improvements required in renewing upgrading and modernizing UNB technology and equipment | \$2 – 4 |
| Total | \$13 - \$24 |

**UNB
ANNUAL FUNDING CHALLENGE**

| | <u>\$ Millions</u> |
|--|--------------------|
| - Operating Budget | \$ 2 |
| - Structural Deficit | |
| - Unfunded Priorities | 2 – 3 |
| | \$4 – 5 |
| - Capital Budget | |
| - Infrastructure Renewal | \$3 – 5 |
| - Systemically upgrade and modernize facilities | 8 – 15 |
| - Renew/upgrade and modernize technology and equipment | 2 – 4 |
| | \$13 - 24 |
| Total Annual Challenge | \$17 - 29 |

The President has initiated a high level review of the University operational model and the resulting financial framework. This review is aimed at a first step towards further framing these challenges and considering some of the possible options.

The pro-forma schedules that are attached illustrate the outlook for the baseline budget for UNB over a three-year period. These figures inform the level of the structural deficit challenges and are based on the assumptions outlined with the forecast details.

University of New Brunswick

Multi-Year Financial Outlook

2006-07 Operating Budget

- **University**
- **Fredericton Campus**
- **Saint John Campus**

**UNIVERSITY OF NEW BRUNSWICK
CONSOLIDATED
OPERATING BUDGET MULTI YEAR PROJECTION
\$ (000)**

| | Approved 2005-2006 Budget (restated) | % Change | Proposed 2006-2007 Budget | Change | 2007-2008 | Change | 2008-2009 |
|--|---|----------------|---------------------------------|--|--------------------|----------------|--------------------|
| | | | | % | | % | |
| | | | | Proforma Forecast Tuition increase 4.75% | | | |
| Revenue | | | | | | | |
| Provincial Operating Grant | \$84,226.1 | 3.62% | \$87,276.3 | 3.00% | \$89,894.6 | 3.00% | \$92,591.5 |
| Tuition Revenue | 56,126.8 | 4.52% | 58,662.3 | 3.10% | 60,480.9 | 3.01% | 62,299.2 |
| Other Revenue | 9,878.7 | 6.25% | 10,496.3 | -1.10% | 10,380.7 | 0.85% | 10,469.1 |
| Total Revenue | \$150,231.6 | 4.13% | \$156,434.9 | 2.76% | \$160,756.2 | 2.86% | \$165,359.8 |
| Expense | | | | | | | |
| Academic and Research | | | | | | | |
| Faculties and Departmental Costs | 84,184.2 | 4.13% | 87,661.2 | 4.03% | 91,194.2 | 4.17% | 94,997.9 |
| Academic and Student Support | 27,604.1 | 5.32% | 29,073.2 | 3.22% | 30,008.9 | 3.03% | 30,918.5 |
| | 111,788.3 | 4.42% | 116,734.4 | 3.83% | 121,203.1 | 3.89% | 125,916.4 |
| Administration and Support Services | | | | | | | |
| Administration & Development | 21,815.1 | 2.79% | 22,423.1 | 3.50% | 23,207.4 | 3.13% | 23,933.7 |
| Maintenance & Utilities | 14,410.7 | 7.32% | 15,466.2 | 3.79% | 16,052.1 | 3.75% | 16,653.7 |
| | 36,225.8 | 4.59% | 37,889.3 | 3.62% | 39,259.5 | 3.38% | 40,587.4 |
| Total Operating Expense | \$148,014.1 | 4.47% | \$154,623.7 | 3.78% | \$160,462.6 | 3.76% | \$166,503.8 |
| Variable One Time Funds | | | | | | | |
| Contribution to Capital | 1,825.0 | -20.55% | 1,450.0 | 450.2 | 1,370.3 | -12.43% | 347.3 |
| Net Ancillary Operations | 392.5 | -7.98% | 361.2 | 0.00% | 361.2 | 0.00% | 361.2 |
| Sub-Total | 2,217.5 | -18.32% | 1,811.2 | 20.46% | 2,181.7 | -12.52% | 1,908.5 |
| Total Expenses | \$150,231.6 | 4.13% | \$156,434.9 | 3.97% | \$162,644.3 | 3.55% | \$168,412.3 |
| (Deficit)/Funding for priorities | (\$0.0) | | (\$0.0) | | (\$1,888.1) | | (\$3,052.5) |

**UNIVERSITY OF NEW BRUNSWICK
FREDERICTON & UNIVERSITY WIDE
OPERATING BUDGET MULTI YEAR PROJECTION
\$ (000)**

| | Approved 2005-2006 Budget (Restated) | Proposed 2006-2007 Budget | Proforma Forecast Tuition Increase 4.75% | | |
|--|---|---------------------------------|--|--------------------|--------------------|
| | | | Change % | 2007-2008 | 2008-2009 |
| Revenue | | | | | |
| Provincial Operating Grant | \$71,207.1 | \$73,911.1 | 3.00% | \$76,128.4 | \$78,412.3 |
| Tuition Revenue | \$38,858.1 | \$41,111.2 | 4.29% | \$42,876.7 | \$44,534.4 |
| All other non -departmental revenue | \$8,221.0 | \$8,479.0 | -1.36% | \$8,363.5 | \$8,451.9 |
| Total Revenue | \$118,286.2 | \$123,501.3 | 3.13% | \$127,368.6 | \$131,398.6 |
| Expense | | | | | |
| Academic and Research | | | | | |
| Facilities and Departmental Costs | 66,546.3 | 69,635.2 | 3.76% | 72,254.9 | 75,093.6 |
| Academic and Student Support | 22,483.3 | 23,798.0 | 3.21% | 24,561.4 | 25,318.5 |
| | 89,029.6 | 93,433.2 | 3.62% | 96,816.3 | 100,412.1 |
| Administration and Support Services | | | | | |
| Administration & Development | 17,154.8 | 17,689.2 | 3.21% | 18,236.6 | 18,820.3 |
| Maintenance & Utilities | 11,234.3 | 11,937.7 | 3.73% | 12,382.9 | 12,846.0 |
| | 28,389.1 | 29,606.9 | 3.42% | 30,619.5 | 31,666.3 |
| Total Operating Expense | 117,418.7 | 123,040.1 | 3.57% | 127,435.8 | 132,078.4 |
| Variable/One Time Funds | | | | | |
| Contribution to Capital -One Time | 625.0 | 250.0 | -31.87% | 450.2 | 347.3 |
| Net Ancillary Operations | 242.5 | 211.2 | 0.00% | 170.3 | 0.0 |
| Sub-Total | 867.5 | 461.2 | 80.36% | 211.2 | 211.2 |
| | | 831.7 | -32.85% | 831.7 | 558.5 |
| Total Expenses | \$118,286.2 | \$123,501.3 | 3.86% | \$128,267.6 | \$132,636.9 |
| (Deficit)/Funding for priorities | \$0.0 | (\$0.0) | | (\$899.0) | (\$1,238.3) |

**UNIVERSITY OF NEW BRUNSWICK
SAINT JOHN
OPERATING BUDGET MULTI YEAR PROJECTION
\$ (000)**

| | Approved 2005-2006 Budget (Restated) | Proposed 2006-2007 Budget | Change % | 2007-2008 | Change % | 2008-2009 | Change % |
|--|---|---------------------------------|--------------|-------------------|--------------|--------------------|--------------|
| Revenue | | | | | | | |
| Provincial Operating Grant | \$13,019.0 | \$13,365.2 | 3.00% | \$13,766.2 | 3.00% | \$14,179.2 | 3.00% |
| Tuition Revenue | \$17,268.7 | \$17,551.1 | 0.30% | \$17,604.1 | 0.91% | \$17,764.8 | 0.91% |
| All other non -departmental revenue | \$1,657.7 | \$2,017.3 | 0.00% | \$2,017.2 | 0.00% | \$2,017.2 | 0.00% |
| Total Revenue | <u>\$31,945.4</u> | <u>\$32,933.6</u> | <u>1.38%</u> | <u>\$33,387.5</u> | <u>1.72%</u> | <u>\$33,961.2</u> | <u>1.72%</u> |
| Expense | | | | | | | |
| Academic and Research | | | | | | | |
| Facilities and Departmental Costs | 17,637.9 | 18,026.0 | 5.07% | 18,939.3 | 5.09% | 19,904.3 | 5.09% |
| Academic and Student Support | 5,120.8 | 5,275.2 | 3.26% | 5,447.4 | 2.80% | 5,600.0 | 2.80% |
| | <u>22,758.7</u> | <u>23,301.2</u> | <u>4.66%</u> | <u>24,386.8</u> | <u>4.58%</u> | <u>25,504.3</u> | <u>4.58%</u> |
| Administration and Support Services | | | | | | | |
| Administration | 4,660.3 | 4,753.9 | 4.56% | 4,970.8 | 2.87% | 5,113.4 | 2.87% |
| Maintenance & Utilities | 3,176.4 | 3,528.5 | 3.99% | 3,669.2 | 3.77% | 3,807.7 | 3.77% |
| | <u>7,836.7</u> | <u>8,282.4</u> | <u>4.32%</u> | <u>8,640.0</u> | <u>3.25%</u> | <u>8,921.1</u> | <u>3.25%</u> |
| Total Operating Expense | <u>30,595.4</u> | <u>31,583.6</u> | <u>4.57%</u> | <u>33,026.8</u> | <u>4.23%</u> | <u>34,425.3</u> | <u>4.23%</u> |
| Contribution to Capital | | | | | | | |
| Net Ancillary Operations | 1,200.0 | 1,200.0 | 0.00% | 1,200.0 | 0.00% | 1,200.0 | 0.00% |
| Sub-Total | <u>150.0</u> | <u>150.0</u> | <u>0.00%</u> | <u>150.0</u> | <u>0.00%</u> | <u>150.0</u> | <u>0.00%</u> |
| | <u>1,350.0</u> | <u>1,350.0</u> | <u>0.00%</u> | <u>1,350.0</u> | <u>0.00%</u> | <u>1,350.0</u> | <u>0.00%</u> |
| Total Expenses | <u>\$31,945.4</u> | <u>\$32,933.6</u> | <u>4.38%</u> | <u>\$34,376.8</u> | <u>4.07%</u> | <u>\$35,775.3</u> | <u>4.07%</u> |
| (Deficit)/Funding for priorities | <u>(\$0.0)</u> | <u>\$0.0</u> | | <u>(\$989.3)</u> | | <u>(\$1,814.1)</u> | |

**Key Financial Assumptions
Used in Multi-Year Baseline
Budget Forecasts**

Revenue

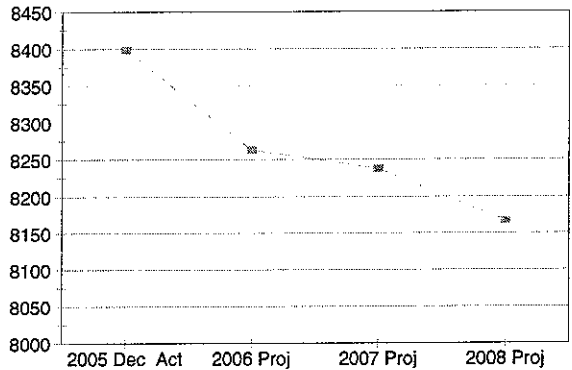
- Provincial operating grant increase 3%
 - for UNB overall and each campus

- Tuition fees
 - a continuation of basic fee increases in the range of 4-5%, 4.75% has been modeled.

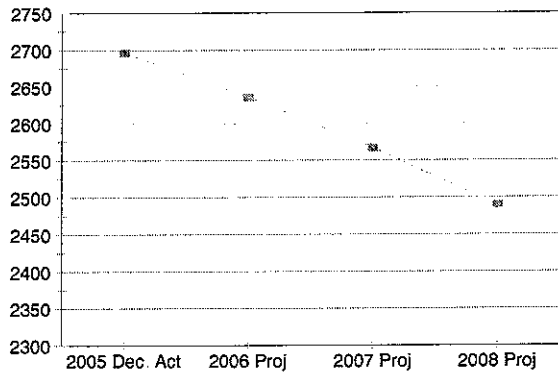
- Enrolment
 - per the following forecasts prepared by Registrars on each campus

 - Illustrates a decrease in undergraduate enrolment with graduate enrolments being sustained or slightly growing

UNB F Campus Enrolment Forecast
Full Time Undergraduate & Graduate



UNB SJ Campus Enrolment Forecast
Full Time Undergraduate & Graduate



- Other Revenues
 - Inflationary based increases

Expenses

- Collective agreement wage and salary provisions for unionized faculty and staff
- No major changes in retirement patterns due to impending removal of mandatory retirement at age 65
- Basic benefit cost increases of 5% per year
- 2006-07 complement levels for faculty and staff
- Basic inflationary (CPI) environment of 2.5%
- No significant changes to nature and scope of current operations