

University of New Brunswick

Budget Planning

2008-09

Environmental Scan/Context

- Nationally

- University cost inflation – pressure on budgets
- Regions with compounding impact of enrolment growth or decline
- Tuition fee environment tight (Canadian average increase 2.8% in 2007)
- \$5 billion in deferred maintenance
- Pension funding issues
- UBC, McMaster, Université du Québec à Montréal, budget shortfalls
- International enrolment challenges – visa issues
- Utilization of bond financing at big schools
- Rising cost inflation on capital projects

- Regionally

- Demographic pressure on enrolment, out migration issues
- Tuition fees higher than National averages
- Provincial subsidies of tuition (Newfoundland, NS and PEI)
- Residence closures, re-dedication, sales
- Older facilities than National averages
- Labor issues (Acadia and STU)

Environmental Scan/Context (cont'd..)

- New Brunswick
 - Enrolment decreases and out migration
 - Post-Secondary review focused on system change
 - Tuition currently not subsidized
 - Provincial budget in March
 - Utility costs rising
- University of New Brunswick
 - Enrolment decreases
 - International student decrease (impacts on UNBSJ undergraduate and UNBF graduates)
 - Residence occupancy and type of inventory issues
 - Older facilities, higher deferred maintenance
 - Two new bargaining groups
 - Costs to support research growth

Financial Context UNB

- Balanced operating budgets for 10 consecutive years
- Increasing cost pressure, decreasing flexibility, structural deficit (MacDonald/Betts)
- Enrolment decrease of 4.9% in 2006-07 reduces ongoing revenue base by \$5 million
- In-year budget actions (mainly one-time) mitigate impact in 2006-07
- Current year, 2007-08, budget deficit \$2.4 million
- Tuition fees competitive regionally (but slipping), above National averages
- Enrolment decrease has large impact on residence in Fredericton, actual occupancy 85%, break even level 96%.
- Saint John campus deeply impacted by enrolment decrease, especially international decline
- Cost cutting began in 2006-07 \$3 million, again in 2007-08 \$4 million

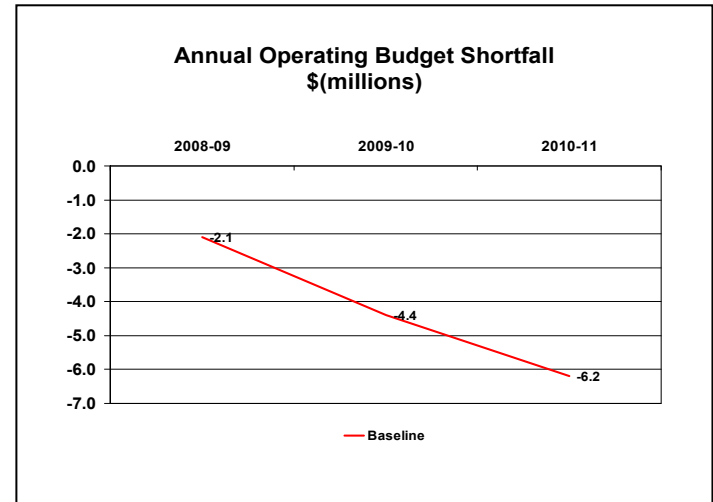
UNB Operating Budget Initial Forecasts 2008-09 and Beyond (baseline)

- Continued challenges as expenses would surpass revenues
- Current base assumptions:
 - Provincial grant increase 3%
 - Tight tuition fee environment
 - Enrolment decline (baseline)

	<u>UNBF</u>	<u>UNBSJ</u>
2008-09	(1.2)%	(7.4)%
2009-10	(1.0)%	(5.3)%
2010-11	(0.6)%	(4.0)%

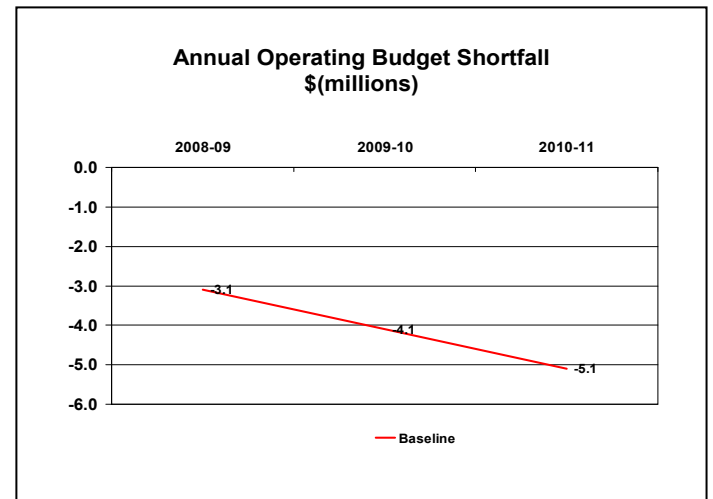
Baseline Operating Budget Forecasts Fredericton Campus

BASELINE SHORTFALL \$(millions)			
	\$	% of Budget	Cumulative Shortfall \$
	2008-09	(\$2.1)	1.6%
2009-10	(4.4)	3.2%	(6.5)
2010-11	(6.2)	4.4%	(12.7)



Baseline Operating Budget Forecasts Saint John Campus

BASELINE SHORTFALL \$(millions)			
	\$	% of Budget	Cumulative Shortfall \$
	2008-09	(\$3.1)	9.2%
2009-10	(4.1)	11.7%	(7.2)
2010-11	(5.2)	14.1%	(12.4)



Summary of UNB Basic Operating Budget Strategy 2008-09

- 1) **▶ Improve on near term financial outlook while minimizing impacts on students, quality and operations**
- 2) **▶ Execute cost reductions and implement enhanced recruitment and retention initiatives**
- 3) **▶ Retain budget flexibility in order to adapt to PSE outcomes and UNB strategic directions**

Elements of a Basic Operating Budget Strategy #1

- **Improve on near-term outlook.....**

- Strategy would move baseline from an ongoing \$5.2 million shortfall to an ongoing \$2.4 million shortfall (equal to 2007-08)
- One-time items reduce shortfall to \$1.2 million (1/2 of 2007-08)
- Basic tuition fee increase of 3.5% (4.5% in 07, 4.75% in 06, 5.0% in 05, 5.75% in 04, 5.75% in 03)

Tuition Fees			
<u>Maritime Universities 2008-09 Pro-forma</u>			
	<u>Tuition Fees</u>	<u>08-09 Rank</u>	<u>07-08 Rank</u>
Acadia	8,062	1	1
Mount Allison	6,955	2	2
Saint Francis Xavier	6,205	3	3
University of King's College	6,030	4	4
Dalhousie University	6,030	5	5
Group Average	6,656		
UNB	5,674	6	12
College of Cape Breton	5,660	7	6
Université Saint-Anne	5,660	8	7
Saint Mary's	5,580	9	8
Mount Saint Vincent	5,550	10	9
N.S. Agricultural College	5,500	11	10
N.S. College of Art & Design	5,500	12	11
UPEI	5,412	13	13
Atlantic School of Theology	5,210	14	14
Université de Moncton	5,092	15	15
Saint Thomas	4,730	16	16
Canadian Average (2007-08)	4,524		

Elements of a Basic Operating Budget Strategy # 2

- **Execute cost reductions and implement enhanced recruitment and retention initiative**

	<u>UNBF</u>	<u>UNBSJ</u>	<u>Total</u>
▪ Cost reductions	\$(1.6)	\$(.6)	\$(2.2)
as a % of gross budget	1.21%	1.75%	1.32%

- Enrolment targets currently being established
 - New recruitment initiatives both campuses
 - Related base budgets are protected, new \$ are currently on-time
- New *UNB Online* initiative to be part of budget package

Elements of a Basic Operating Budget Strategy # 3

- **Retain Budget Flexibility....**

- Current base budgets retain minimum levels of unallocated budget amounts to serve as either contingency on risks or to support priorities

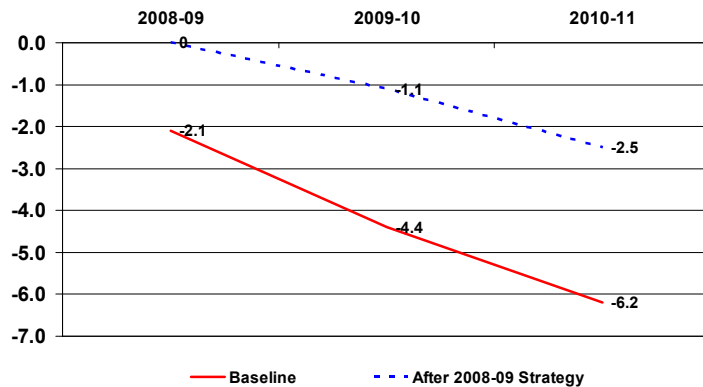
	<u>UNBF</u>	<u>UNBSJ</u>	<u>Total</u>
Unallocated budget amounts	\$1 million	\$.660 million	\$1.66 million
As a % of Budget	.76%	1.92%	.96%

- If additional Provincial funding becomes available (depending on nature of any restrictions) priorities are:
 - a) Establish stronger funding levels for UNBSJ
 - b) Funds to be used to support change agenda priorities

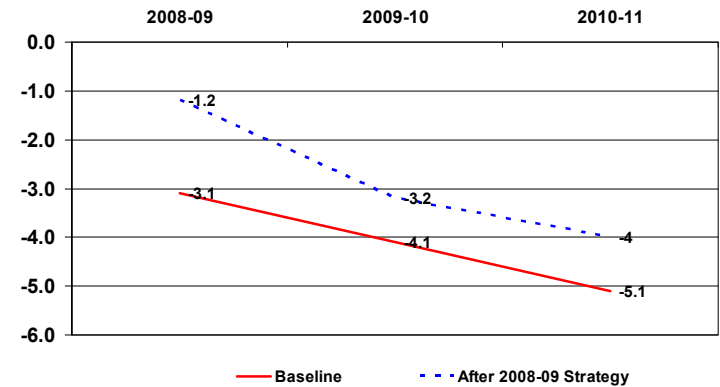
UNB

Illustration of Impact of 2008-09 Budget Strategy on Multi-year Outlook

**UNB Fredericton Campus
Annual Operating Budget Shortfall
\$(millions)**

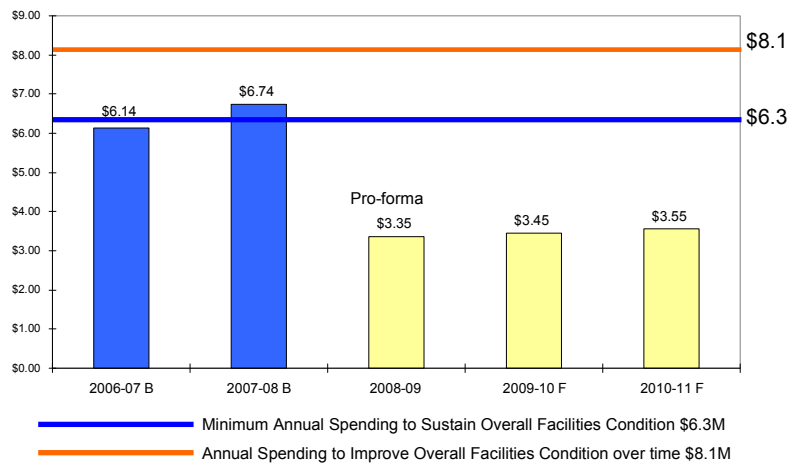


**UNB Saint John Campus
Annual Operating Budget Shortfall
\$(millions)**

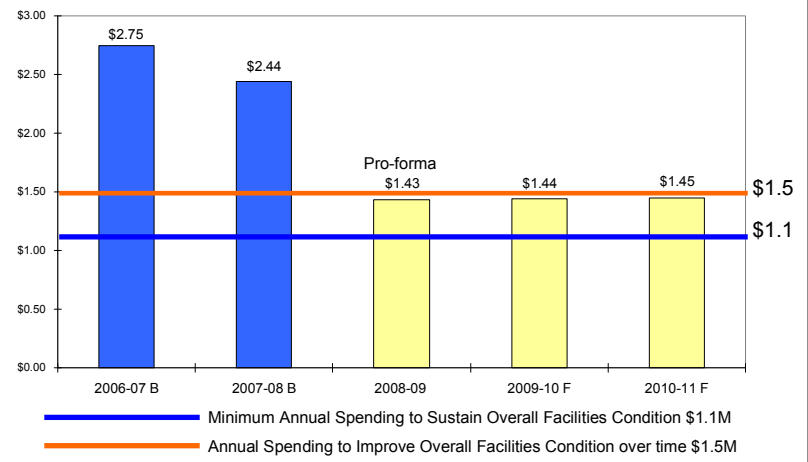


UNB Capital Budget Infrastructure Renewal and Standards

**UNB Fredericton Campus
Infrastructure Renewal Expenditure Budgets**
\$(millions)



**UNB Saint John Campus
Infrastructure Renewal Expenditure Budgets**
\$(millions)



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Spending from Endowment and Other Long-term Trust Accounts

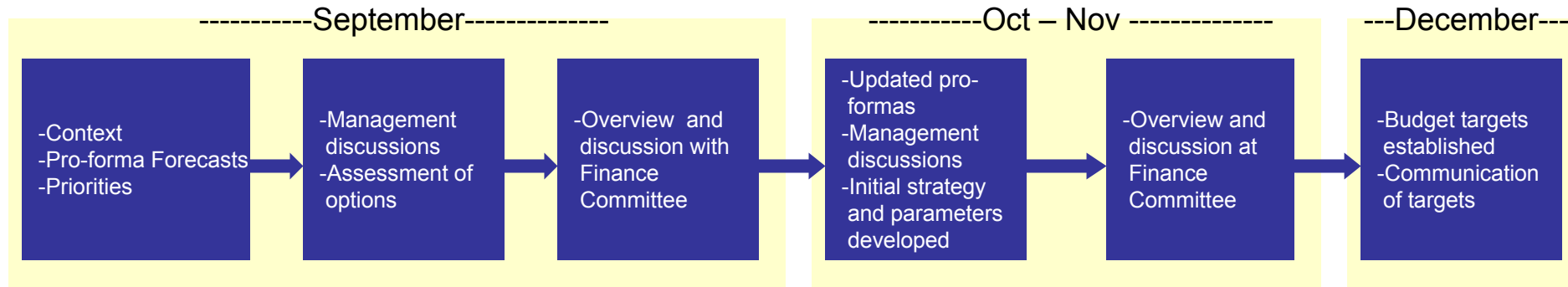
- Long-term annual spending target is 4.5% (after inflation and costs)
- Actual returns in 2007 were (.34%)
- Sufficient reserves exist to support 4.5% as 5-year average returns were 10.22% (new accounts may require special provisions)

UNB 2008-09 Budget Key Milestones/Next Steps

- Review and challenge all budget submissions February
- Finalize enrolment targets February
- Confirmation of Provincial funding March TBD
- Reassess funding and priorities March
- Complete Budget March
- Finance Committee Meeting March 28
- Board of Governors April 17

UNB Budget Key Processes and Milestones 2008-09

Complete



In Progress

