



Board of Governors
Agenda Item 11.4.2

2013-14 Budget

Executive Summary

Presented by the Vice-President (Finance and Corporate Services)
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University of New Brunswick
2013-14
Executive Summary

The 2013-14 budget submission package consists of operating, capital, residence and endowment budgets that are integrated and aligned for consistency using realistic assumptions and reflecting the current economic context.

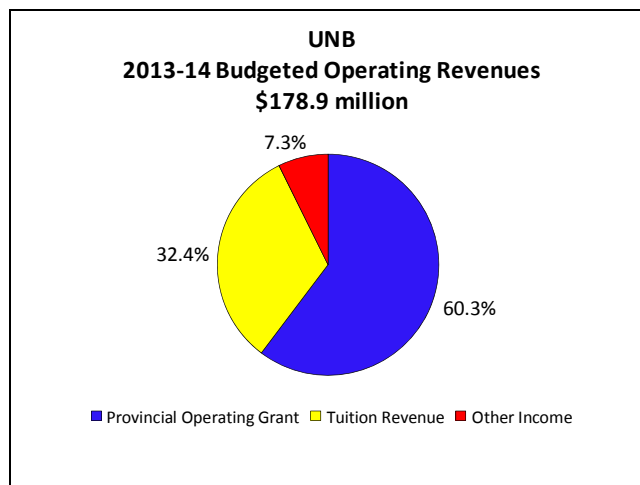
Operating Budget

Summary

The key aspects of the 2013-14 operating budget are:

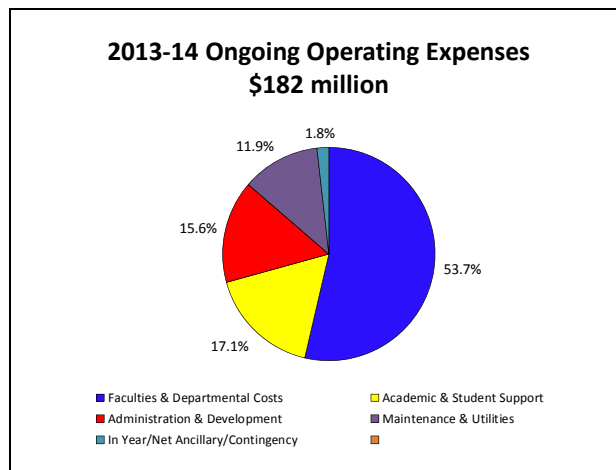
- It is a balanced budget proposal, in total and for each campus
- The budget reflects very low growth in operating revenue
 - A freeze in provincial operating grant funding
 - A \$219, or 2.31%, budgeted decline in student FTE enrolment
 - \$150, 2.56%, increase in basic tuition fees
- There were \$3.8 million, or 2%, in expense reductions in order to limit the overall expense budget increase to 1.7%.
- One-time funding of \$3.0 million was utilized to balance the budget, therefore, this level of structural imbalance carries forward into future years.

Revenue Highlights - \$178.9 million, a \$124,600 increase, or .1%



- Base Provincial operating grant \$107.9 million – Frozen for a second year
- Enrolment budget decreased by 219 FTE students, or 2.31% Total FTE 9,275
- \$150 increase, 2.56%, in basic tuition fees Base Tuition fee \$6,007
Similar increases in other tuition fees
- Revenue from alternative sources \$12.9 million, a 40% increase over 5 years 1.2% increase in 2013-14 budget

Expense Highlights - \$182 million increase, \$3.0 million or 1.7% increase



- Expense reductions of \$3.8 million, or 2.0%, were made to limit overall expense increase to 1.7%. Total level of budget expense reductions over an eight-year period, \$25.5 million, or 14%
- Largest element of net expense growth was for salaries and benefits, which increased, net after reductions, of \$2.4 million, or 80% of the total net increase.
- Budget decrease of \$755,000, 3.4%, in maintenance and utilities costs mainly due to energy management initiatives, including cleaner, greener, lower-priced fuels, reduced utility consumption, and lower costs than estimated in new facilities.

Other Key Elements in the Operating Budget

- One-time operating funding from the Province of \$1.8 million, or 1.7% (continued in 2013-14).
- Budget includes \$250,000 in additional funding (included in the Administration and Development budget line) to stabilize funding for the University Development Office entering into impending fundraising campaign.
- 26 vacant faculty positions discontinued on the UNB Fredericton campus, a minimum of five and no more than nine positions will be strategically filled.

Campus Considerations:

- The Fredericton campus budget, including University-wide units, contains a structural shortfall of \$2.9 million, or 2%, which was funded from one-time sources to bring about a balanced position. The Saint John campus budget contains a structural shortfall of \$61,600, or .17%, which was funded by one-time sources in order to balance.
- There is an interim adjustment in the level of allocation of University-wide shared services of \$200,000, or 8.7%, to the Saint John campus after an initial review of cost allocation mechanisms.

Multi-Year Outlook

The detailed budget documents outline what the multi-year baseline financial outlook would be with the same level of funding changes going forward compared to regular expense growth. Under this scenario, the current structural shortfall between revenue and expenses would quickly widen and could grow to over \$26 million over the next four years. There is currently a high degree of uncertainty regarding ongoing levels of provincial operating funding and levels of tuition fees. The Presidents from four publicly-funded universities and the Province are expected to continue discussions about a possible multi-year funding arrangement in early fiscal 2013-14. There are also many uncertainties related to expenses as the University enters into collective bargaining with several bargaining groups including, full-time faculty, professional librarians and contract academic employees in fiscal 2013-14.

Capital Budget

Summary

- Overall University capital budget is \$16.5 million, compared to \$20.8 million in 2012-13. Funding comes from a variety of sources including, annual specific purpose capital grants from the province, proceeds from specific ongoing capital ancillary fees, student technology fee and facilities improvement fee, as well as \$1 million from provincial deferred maintenance program, the University's energy management program and a multi-year program to renew the Central Heating Plant.
- The capital budget reflects \$9.5 million of expenditures related to deferred maintenance type projects. This funding is approximately \$10 million short of what is required, therefore, the accumulated deferred maintenance balance will continue to grow in 2013-14.
- The budget includes a balance of deferred maintenance and classroom upgrade projects.
- There are no new building projects proposed as part of the 2013-14 budget. However, options are currently being reviewed to potentially refurbish and repurpose the former Ward Chipman Library building on the Saint John campus in the near future.
- The following table summarizes the University capital budget.

University of New Brunswick 2013-14 Capital Budget Summary \$(000's)				
	<u>Fredericton Campus</u>	<u>Saint John Campus</u>	<u>2013-14 Total</u>	<u>2012-13 Total</u>
Buildings and Space				
-Major maintenance, improvements and infrastructure renewal	\$12,053	\$1,750	\$13,803	\$18,173
Equipment and Technology	2,434	413	2,847	2,670
-(including \$650K in library acquisitions)	<u>\$14,487</u>	<u>\$2,163</u>	<u>\$16,650</u>	<u>\$20,843</u>

Residence Budget

Summary

- The operating budget contains the net result of UNB's student residences, including conference services and contracted out food services on both campuses.
- There is a net cost of \$877,000 to operate the University residences. The budgeted cost for 2013-14 is \$13,000, or 1.4% lower than the 2012-13 budget.
- The net financial results for each campus residence systems are summarized below:



	<u>UNB Fredericton Campus</u>			<u>UNB Saint John Campus</u>		
	<u>2012-13 Budget</u>	<u>2013-14 Budget</u>	<u>% Change</u>	<u>2012-13 Budget</u>	<u>2013-14 Budget</u>	<u>% Change</u>
<i>Financial</i> \$(000's)						
Revenues	\$12,282	\$12,394	0.9%	\$1,422	\$1,453	2.2%
Expenses	<u>13,172</u>	<u>13,271</u>	0.8%	<u>1,613</u>	<u>1,453</u>	(9.9%)
Net shortfall	<u>(\$890)</u>	<u>(\$877)</u>		<u>\$(191)</u>	<u>\$0</u>	
Budgeted Occupancy %	<u>85.6%</u>	<u>83.0%</u>		<u>90%</u>	<u>90%</u>	

- The following tables summarize proposed rate changes proposed for 2013-14 in comparison to the previous year:

UNB Summary of Residence Rate Proposals		
	<u>2012-13</u>	<u>2013-14</u>
<u>UNB Fredericton</u>		
- Meal plan	4.8%	2.1%
- Average room increase	2.5%	3.1%
- Combined increase	<u>3.6%</u>	<u>2.5%</u>
<u>UNB Saint John</u>		
- Meal card	0%	0%
- Average room increase	3%	3%

Spending from University Endowments

The University Investments Committee has recommended that the spending rate from University endowment funds remain at 4.0% in 2013-14.

Due to the importance of scholarship and student aid spending in the context of the recruitment and retention of students, the University will supplement the spending from endowment accounts with a top-up to bring the spending to an equivalent of 4.25%. The additional .25%, or roughly \$250,000, will be obtained from other University sources.

UNB Endowment Spending Rate		
	<u>2012-13</u>	<u>2013-14</u>
Spending rate (non-scholarship accounts)	4.0%	4.0%
Spending rate (scholarship and student aid accounts)	4.25%	4.25%

Total University spending on undergraduate scholarships and bursaries is estimated to be \$7.7 million in 2013-14, in comparison to \$7.45 in 2012-13. Approximately 50% of this spending is funded from endowed accounts with the remainder funded from the operating budget. Total annual spending on all forms of student support (including work study, research activities, student employment, and bursaries), funded from all sources (including operating, endowment, research, trust, etc.) amounts to approximately \$26 million.



Addendum

When the 2013-14 operating budget was prepared, certain assumptions were made on both campuses with respect to what operating budget revenues and expenses would be for 2013-14. After reviewing actual financial results for 2012-13, it was deemed that the assumptions were excessively conservative in several line items. Assumptions are typically based on the concept of long-term financial sustainability and with new information resulting from year end analysis, it was deemed appropriate to recalibrate certain campus budget assumptions. Accordingly, the 2013-14 operating budget was amended and approved by the Board to reflect new campus assumptions, Schedule B. The impact of the amendments were to add \$3 million in additional funding, \$1.3 million considered to be ongoing and \$1.7 million considered to be short-term in nature. The application of these funds is also reflected in the amended budget.

University of New Brunswick
University-wide Consolidated Operating Budget

Schedule A

\$(000's)

	Approved Budget 2012-13	Proposed Budget 2013-14	Increase(Decrease)	
			Dollars	Percent
Revenue				
Provincial Operating Grant	\$108,000.1	\$107,975.5	(\$24.6)	(0.0%)
Tuition Revenue	58,007.1	57,997.6	(9.5)	(0.0%)
Other Revenue	12,828.8	12,987.5	158.7	1.2%
Total Revenue	178,836.0	178,960.6	124.6	0.1%
Expense				
Academic and Research				
Faculties and Departmental Costs	95,522.0	97,800.3	2,278.3	2.4%
Academic and Student Support	30,436.2	31,033.9	597.7	2.0%
Sub-total	125,958.2	128,834.2	2,876.0	2.3%
Administration and Support Services				
Administration and Development	27,434.0	28,337.0	903.0	3.3%
Maintenance and Utilities	22,360.1	21,604.2	(755.8)	(3.4%)
Sub-total	49,794.1	49,941.3	147.2	0.3%
Total Operating Expense	175,752.2	178,775.4	3,023.2	1.7%
Ancillary Operations (Net)	1,458.2	1,280.7	(177.4)	(12.2%)
In-Year Contingency	1,500.0	1,500.0	0.0	0.0%
In-Year Salary Savings	(1,400.0)	(1,550.0)	(150.0)	10.7%
In-Year Priority Allocations	1,633.3	2,000.3	367.0	22.5%
Total Expense	178,943.7	182,006.4	3,062.7	1.7%
Net Position before One-Time Funds	(107.7)	(3,045.8)	2,938.1	
One-Time Sources (Uses) of Funds				
Capital	(612.6)	(166.0)	446.6	
Specific Risk	(722.7)	399.0	1,121.7	
Strategic	(356.9)	0.0	356.9	
Other: One-time Provincial Operating Grant	1,799.9	1,812.8	12.9	
Other: In-Year Salary Savings	0.0	1,000.0	1,000.0	
Sub-total	107.7	3,045.8	2,938.1	
Net Position	\$0.0	\$0.0	\$0.0	

University of New Brunswick
Consolidated 2013-14 Operating Budget
 (Amended)
 \$(000's)

Schedule B

	May 1 Approved* Budget	Oct 1 Amended Budget	Changes
Revenue			
Provincial Operating Grant	\$107,975.5	\$107,975.5	\$0.0
Student Fee Income	57,997.6	57,997.6	0.0
Other	12,987.5	13,687.5	700.0
Total Revenue	178,960.6	179,660.6	700.0
Expense			
Academic and Research			
Faculties and Departmental Costs	98,348.4	98,348.4	0.0
Academic and Student Support	31,033.9	31,033.9	0.0
Subtotal	129,382.3	129,382.3	0.0
Administration and Support Services			
Administration and Development	28,337.0	28,137.0	200.0
Maintenance and Utilities	21,604.1	21,604.1	0.0
Subtotal	49,941.1	49,741.1	200.0
Total Operating Expense	179,323.4	179,123.4	200.0
Ancillary Operations (Net)	1,280.7	1,280.7	0.0
In-Year Contingency	1,500.0	1,500.0	0.0
In-Year Salary Savings	(2,098.0)	(2,498.0)	400.0
In-Year Priority Allocations	2,000.3	2,000.3	0.0
Subtotal	2,683.0	2,283.0	400.0
Total Expense	182,006.4	181,406.4	600.0
Net Position before One-Time Items	(3,045.8)	(1,745.8)	1,300.0
Sources of One-Time Funding			
<u>Operating</u>			
One-time Provincial Operating Grant	1,812.8	1,812.8	0.0
One-time (additional) Outreach Revenue	0.0	1,300.0	1,300.0
One-time (additional) Salary Savings	1,000.0	1,400.0	400.0
Subtotal	2,812.8	4,512.8	1,700.0
<u>Transfers from Internally Restricted Assets</u>			
Specific Risk	399.0	399.0	0.0
Subtotal	399.0	399.0	0.0
Application of One-Time Funding			
<u>Transfers to Internally Restricted Assets</u>			
Capital	(166.0)	(2,366.0)	(2,200.0)
Operating	0.0	(500.0)	(500.0)
Strategic	0.0	(300.0)	(300.0)
Subtotal	(166.0)	(3,166.0)	(3,000.0)
Net Position	\$0.0	\$0.0	-

*with restatements to conform to revised disclosures of impact of one-time items.

UNBF & University-wide 2013-14 Operating Budget

Schedule B1

(Amended)

\$(000's)

	May 1 Approved* Budget	Oct 1 Amended Budget	Changes
Revenue			
Provincial Operating Grant	\$ 90,380.4	\$ 90,380.4	\$ -
Student Fee Income	41,868.0	41,868.0	-
Other	9,387.7	9,887.7	500.0
Total Revenue	141,636.1	142,136.1	500.0
Expense			
Academic and Research			
Faculties and Departmental Costs	77,244.2	77,244.2	-
Academic and Student Support	25,782.4	25,782.4	-
Sub-Total	103,026.6	103,026.6	-
Administration and Support Services			
Administration and Development	22,739.7	22,539.7	200.0
Maintenance and Utilities	16,281.0	16,281.0	-
Sub-Total	39,020.7	38,820.7	200.0
Total Operating Expense	142,047.3	141,847.3	200.0
Ancillary Operation (Net)	1,280.7	1,280.7	-
In-Year Contingency	1,500.0	1,500.0	-
In-Year Salary Savings	(1,548.0)	(1,848.0)	300.0
In-Year Priority Allocations	1,340.3	1,340.3	-
Sub-Total	2,573.0	2,273.0	300.0
Total Expense	144,620.3	144,120.3	500.0
Net Position before One-Time Items	(2,984.2)	(1,984.2)	1,000.0
Sources of One-Time Funding			
<u>Operating</u>			
One-time Provincial Operating Grant	1,585.2	1,585.2	-
One-time (Additional) Outreach Revenue	-	1,300.0	1,300.0
One-time (Additional) Salary Savings	1,000.0	1,000.0	-
Sub-Total	2,585.2	3,885.2	1,300.0
<u>Transfers from Internally Restricted Assets</u>			
Specific Risk	399.0	399.0	-
Sub-Total	399.0	399.0	-
Application of One-Time Funding			
<u>Transfers to Internally Restricted Assets</u>			
Capital	-	(1,500.0)	(1,500.0)
Operating	-	(500.0)	(500.0)
Strategic	-	(300.0)	(300.0)
Sub-Total	-	(2,300.0)	(2,300.0)
Net Position	0.0	0.0	-

*with restatements to conform to revised disclosures of impact of one-time items.

UNB Saint John 2013-14 Operating Budget
(Amended)
\$(000's)

	May 1 Approved* Budget	Oct 1 Amended Budget	Changes
Revenue			
Provincial Operating Grant	\$ 17,595.1	\$ 17,595.1	\$ -
Student Fee Income	16,129.6	16,129.6	-
Other	3,599.8	3,799.8	200.0
Total Revenue	37,324.5	37,524.5	200.0
Expense			
Academic and Research			
Faculties and Departmental Costs	21,104.2	21,104.2	-
Academic and Student Support	5,251.5	5,251.5	-
Sub-Total	26,355.7	26,355.7	-
Administration and Support Services			
Administration and Development	5,597.3	5,597.3	-
Maintenance and Utilities	5,323.1	5,323.1	-
Sub-Total	10,920.4	10,920.4	-
Total Operating Expense	37,276.1	37,276.1	-
Ancillary Operation (Net)	-	-	-
In-Year Contingency	-	-	-
In-Year Salary Savings	(550.0)	(650.0)	100.0
In-Year Priority Allocations	660.0	660.0	-
Sub-Total	110.0	10.0	100.0
Total Expense	37,386.1	37,286.1	100.0
Net Position before One-Time Items	(61.6)	238.4	300.0
Sources of One-Time Funding			
<u>Operating</u>			
One-time Provincial Operating Grant	227.6	227.6	-
One-time (Additional) Outreach Revenue	-	-	-
One-time (Additional) Salary Savings	-	400.0	400.0
Sub-Total	227.6	627.6	400.0
Application of One-Time Funding			
<u>Transfers to Internally Restricted Assets</u>			
Capital	(166.0)	(866.0)	(700.0)
Operating	-	-	-
Strategic	-	-	-
Sub-Total	(166.0)	(866.0)	(700.0)
Net Position	(0.0)	(0.0)	-

*with restatements to conform to revised disclosures of impact of one-time items.