



Board of Governors  
May 26, 2015  
Agenda Item 11.3.2

# University of New Brunswick

## 2015-16 Budget

---

## Executive Summary



Presented by the Acting Vice-President (Administration & Finance)  
*Karen Cunningham, C.A.*



The 2015-16 University budget submission contains detailed budgets for university operations, capital activity, spending from university endowments, residence operations, as well as a multi-year financial outlook. The Executive Summary for these follows:

## **Operating Budget**

### **Highlights of the 2015-16 Operating Budget**

Ongoing Revenue	\$ 183.8 million
One-time Outreach Revenue	\$ 1.9 million
Ongoing Expenses	\$ 191.6 million
Operating Deficit before one-time use of reserves	\$ 5.8 million
Net Operating Deficit	\$ 3.6 million

- **Key Contributing Factors to the deficit:**
  - Provincial government budget announcement of a freeze to the operating grant.
  - Domestic tuition fees frozen in keeping with request from the Province of New Brunswick.
  - Additional revenue from outreach programs on the Fredericton campus (one-time revenue) has been reflected in the ongoing budget and reduces the deficit.
  - Anticipated enrolment declines are reflected:
    - . Fredericton campus decrease of 47 from 2014-15 budget (increase of 26 from actual)
    - . Saint John decrease of 278 from 2014-15 budget (decrease of 129 from actual)
  - Freeze of non-salary spending reduced the budgeted deficit by \$0.6million.
  - Reductions to the base budget in Saint John of \$1.2 million in the following areas:
    - 3 non-academic positions
    - priority funding
    - capital renewal funding
  - Salary costs represent 75-80% of the budget and continue to increase.
  - Availability of one-time risk reserves to mitigate deficit.
- **Overall operating revenue decrease of 1.1%**
  - Reflects provincial grant funding freeze and tuition fee freeze recommendation
  - Student enrolment budgeted to decrease by 103 FTE from 2014-15 actual level, or 1.2%
- **Operating expense growth limited to 3.1% overall.**
  - \$1.2 million in budget reductions, compared to \$1.0 million last year.

▪ **History of Budget Deficits**

- 2 of last 10 years have had break even or small surplus budgets
- 2 of the last 10 years have had deficit budgets after using reserves
- 6 of the last 10 years have had break even budgets after one-time funds and use of reserves

▪ **Other Matters**

- Risk reserves of \$6 million were identified in 2014-15 budget process to be released to campuses for one-time expenditures to be informed by campus prioritization processes.
- The Board directed that these funds be held to address the impact of the faculty arbitration award and other budget pressures.
- A portion of these funds (\$2.2 million) are being used to reduce the 2015-16 budgeted operating deficit.
- Decisions will be required regarding the further use of these reserve funds to invest in the future of UNB (e.g. one-time investments in Why UNB campaign)

**Capital Budget**

- \$11.5 million capital budget,
  - Less than last year primarily due to completion of the Central Heating Plant refurbishment.
  - A mix of infrastructure renewal, improvements to facilities and spaces, new technology and equipment.
- Deferred maintenance will go up despite these investments as not every dollar directly addresses deferred maintenance. Also facilities age and require more renewal each year.
- Funding sources for all capital projects in the budget have been secured.

**Spending from University Endowments**

- Long-term spending rate of 4%, after inflation, is continued
- Investment portfolio returns have continued to be strong (11.28% in the last year and 13.21% over the last 2 years), well exceeding the nominal returns of 6.5% required to support endowment spending at 4.0%
- Total scholarships and student aid funding budget at \$8.8 million, up by 8.6% from last year
- Scholarship spending is topped up to a 4.25% spending rate from reserve funds

## **Residence Budgets**

### **UNB Fredericton Campus (includes conference services)**

- Residence room rate increasing by 2.75%
- Budgeted occupancy 91% of rentable beds
- Meal plan increasing by 2.59%
- Residence system budgeted at a surplus before capital allocations.
- Continue the strategy of allocating \$1.4 million that was previously required for debt servicing (but now repaid) to residence infrastructure renewal fund.
- Conference services operations budgeted at a surplus of \$112 thousand
- Net budgeted deficit \$878,500, similar to last year.

### **UNB Saint John Campus**

- Residence room rate increasing by 4%
- Budgeted occupancy 90%
- Meal Plan price remains unchanged at \$2,600/year
- Break even budget including debt servicing costs and capital renewal reserve contribution of \$24 thousand

## **Multi-Year Operational Outlook**

- The multi-year outlook is not intended to be viewed as a budget nor as a forecast. It identifies trends based on various revenue scenarios with expenses modelled assuming no action was taken.
- The scenario presented assumes the Provincial grant is frozen at the 2015-16 level and gives an indication of the magnitude (in terms of dollars) of actions required to balance the budget in future years given that scenario (\$14 million in 2016-17).
- All the scenarios illustrate that UNB, like many universities, is facing potential funding shortfalls that must be addressed in order to achieve long-term financial sustainability.

# Schedule A

University of New Brunswick  
2015-16 Budget  
Executive Summary

## University of New Brunswick Operating Budget Statement

\$(000's)

University of New Brunswick Consolidated	BUDGET (\$000)		Increase (Decrease)	
	2014-15 Approved	2015-16 Proposed	Dollars	Percent
<b>Revenue</b>				
Provincial Operating Grant	\$ 112,018.4	\$ 112,009.4	\$ (9.0)	0.0%
Tuition Revenue	59,132.9	57,310.8	(1,822.0)	-3.1%
Other Revenue	14,665.9	14,513.6	(152.3)	-1.0%
<b>Total Revenue</b>	<b>185,817.2</b>	<b>183,833.8</b>	<b>(1,983.4)</b>	<b>-1.1%</b>
<b>Expense</b>				
<b>Academic and Research</b>				
Faculties and Departmental Costs	99,797.3	103,912.6	4,115.3	4.1%
Academic and Student Support	32,486.6	33,439.6	953.0	2.9%
Sub-total	132,283.9	137,352.2	5,068.3	3.8%
<b>Administration and Support Services</b>				
Administration and Development	30,567.4	31,483.4	916.0	3.0%
Maintenance and Utilities	22,270.0	22,549.9	279.9	1.3%
Sub-total	52,837.4	54,033.3	1,195.9	2.3%
<b>Total Operating Expense</b>	<b>185,121.3</b>	<b>191,385.5</b>	<b>6,264.2</b>	<b>3.4%</b>
Ancillary Operations (Net)	1,268.0	1,267.5	(0.5)	0.0%
In-Year Contingency	1,500.0	1,500.0	-	0.0%
In-Year Salary Savings	(3,769.4)	(3,769.4)	0.1	0.0%
In-Year Priority Allocations	1,633.3	1,214.0	(419.3)	-25.7%
Sub-total	631.9	212.2	(419.7)	
<b>Total Expense</b>	<b>185,753.2</b>	<b>191,597.7</b>	<b>5,844.5</b>	<b>3.1%</b>
<b>Net Position before One-Time Funds</b>	<b>64.0</b>	<b>(7,763.9)</b>	<b>(7,827.9)</b>	
<b>Sources and Applications of One-Time Funding</b>				
One-Time Tuition Revenue (Stretch Target)	1,074.9	-	(1,074.9)	
One-time (Additional) Outreach Revenue	2,580.7	1,934.0	(646.7)	
One-time Exceptional Retirements	133.5	-	(133.5)	
	<b>3,789.1</b>	<b>1,934.0</b>	<b>(1,855.1)</b>	
<b>Net Position After Sources of One-Time Funding</b>	<b>3,853.1</b>	<b>(5,829.9)</b>	<b>(9,683.0)</b>	
<b>Applications of One-Time Funding</b>	<b>(3,853.1)</b>	<b>-</b>	<b>3,853.1</b>	
<b>Net Position Before Transfers From Internally Restricted Net Assets</b>	<b>-</b>	<b>(5,829.9)</b>	<b>(5,829.9)</b>	
<b>Transfers From Internally Restricted Net Assets</b>	<b>-</b>	<b>2,229.9</b>	<b>2,229.9</b>	
<b>Net Position</b>	<b>\$ -</b>	<b>\$ (3,600.0)</b>	<b>\$ (3,600.0)</b>	
Net Position as a Percentage of Revenues	0.0%	-2.0%		

**Schedule B**

**University of New Brunswick  
Multi-year Pro-forma Statement of Operating Revenues & Expenses  
Combined Summary (\$000's)**

	Approved 2014-2015 (\$000s) (Restated \$)	Budget 2015-2016 % Change	Proforma 2016-2017 % Change	Proforma 2017-2018 % Change	Proforma 2018-2019 % Change	Proforma 2019-2020 % Change
<b>Pro-Forma Operating Statement Consolidated</b>						
<b>Revenue</b>						
Provincial Operating Grant	\$112,018.4	(0.01%) \$112,009.4	0.00% \$112,009.5	2.00% \$114,249.7	2.00% \$116,534.7	2.00% \$118,865.4
Tuition Revenue	59,132.9	(3.08%) 57,310.8	1.03% 57,899.2	2.04% 59,077.8	(1.64%) 58,110.3	5.07% 61,054.9
Other Revenue	14,665.9	(1.04%) 14,513.6	(0.72%) 14,408.6	(0.32%) 14,362.3	0.08% 14,373.4	0.08% 14,385.0
<b>Total Revenue</b>	<b>185,817.2</b>	<b>(1.07%) 183,833.8</b>	<b>0.26% 184,317.3</b>	<b>1.83% 187,689.7</b>	<b>0.71% 188,018.3</b>	<b>2.80% 194,305.2</b>
<b>Expense</b>						
<b>Academic and Research</b>						
Facilities and Departmental Costs	99,797.3	4.12% 103,912.6	4.52% 108,611.2	4.60% 113,602.8	4.36% 118,555.5	4.53% 123,924.4
Academic and Student Support	32,486.6	2.83% 33,439.6	3.27% 34,532.2	3.27% 35,662.7	3.11% 36,770.8	3.24% 37,981.1
Sub-total	132,283.9	3.83% 137,352.2	4.22% 143,143.4	4.28% 149,265.4	4.06% 155,326.3	4.22% 161,885.4
<b>Administration and Support Services</b>						
Administration and Development	30,567.4	3.00% 31,483.4	3.14% 32,471.8	2.49% 33,280.1	3.00% 34,277.2	3.09% 35,335.0
Maintenance and Utilities	22,270.0	1.26% 22,549.9	4.51% 23,567.5	3.95% 24,498.1	3.90% 25,455.1	4.01% 26,474.7
Sub-total	52,837.4	2.26% 54,033.3	3.71% 56,039.3	3.10% 57,779.2	3.38% 59,732.3	3.48% 61,809.7
<b>Total Operating Expense</b>	<b>185,121.3</b>	<b>3.38% 191,385.5</b>	<b>4.07% 199,182.7</b>	<b>3.95% 207,044.7</b>	<b>3.87% 215,058.6</b>	<b>4.02% 223,695.1</b>
<b>Ancillary Operations (Net)</b>	1,268.0	(0.04%) 1,267.5	1,264.5	(0.25%) 1,261.3	(0.25%) 1,258.1	(0.26%) 1,254.9
In-Year Contingency	1,500.0	0.00% 1,500.0	0.00% 1,500.0	0.00% 1,500.0	0.00% 1,500.0	0.00% 1,500.0
In-Year Salary Savings	(3,769.4)	(0.00%) (3,769.4)	1.99% (3,844.4)	1.95% (3,919.4)	1.91% (3,994.4)	1.88% (4,069.4)
In-Year Priority Allocations	1,633.3	(25.67%) 1,214.0	0.00% 1,214.0	0.00% 1,214.0	(0.00%) 1,214.0	0.00% 1,214.0
<b>Total Expense</b>	<b>185,753.2</b>	<b>3.15% 191,597.7</b>	<b>4.03% 199,316.8</b>	<b>3.91% 207,100.7</b>	<b>3.83% 215,036.4</b>	<b>3.98% 223,594.6</b>
<b>Net Position before One-Time Funds</b>	<b>\$ 64.0</b>	<b>\$ (7,763.9)</b>	<b>\$ (14,999.5)</b>	<b>\$ (19,411.0)</b>	<b>\$ (26,018.1)</b>	<b>\$ (29,289.4)</b>
<b>One-Time Sources (Uses) of Funds</b>	<b>(64.0)</b>	<b>4,163.9</b>	<b>1,000.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>	<b>\$ (0.0)</b>	<b>\$ (3,600.0)</b>	<b>\$ (13,999.5)</b>	<b>\$ (19,411.0)</b>	<b>\$ (26,018.1)</b>	<b>\$ (29,289.4)</b>
<b>Net Position as a Percentage of Revenue</b>	(0.0%)	(4.0%)	(16.8%)	(22.1%)	(35.0%)	(35.3%)