

UBC 10 Year Finance Plan

September 2011



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA

Agenda

- Objectives of the Plans
- Key Drivers and Assumptions
- 10 Year Outlook
- Key Questions and Scenario Analysis



Objectives

- **Planning Culture:** “Institutionalizes” longer-term, strategic approach to planning, increases transparency and enables input from University leaders and governing bodies on key planning issues
- **Economic Sustainability:** Provides visibility on long-term financial outlook and risks, enabling management to proactively impact key drivers
- **Place and Promise :** Drives alignment of resources and priorities across Faculties, Administration and Ancillaries



Vancouver



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA

Key Drivers & Assumptions

Key Driver Cont'd	Assumption
Revenues	
Domestic Tuition	2% rate increases (CPI)
ISI Tuition	8% enrolment growth in 11/12 (current forecast) Then 3% enrolment growth 2% tuition rate increases
Government grant	Flat base grant New additional FTE targets per funding letter
Research	1% growth of Indirect Cost Program
Dividends	2% annual increase in ancillary dividends except SHHS SHHS dividend decreases by an average of \$1.4m/year for a period of 17 years starting in 2013/14 to reflect financing costs of Ponderosa Hub (see appendix).
Summer use of campus	Expansion of the Jumpstart (next year) and ELI programs (subject to a change in conditional admission) in 2 years improving ISI retention from 81% to 87% and SHHS summer occupancy from 44% to 51% (see appendix)



Key Drivers & Assumptions

Key Driver Cont'd	Assumption
Expenses	
Student Financial Aid (SFA)	Domestic – Flat in \$ ISI – 7.6% of ISI revenue (net of credit card and bad debt)
Administrative Salaries	Increased funding allocation for Administrative units and for the Library of 1% of their M&P salary from 2013/14 – this will cover half of the merit & mid-point progression No market or equity adjustments
Progress through the Ranks (PTR)	No central impact (\$4m annual impact to be funded at the Faculty level, net of turnover savings)
Building Operating Costs (Existing Buildings)	\$11.6m shortfall in annual funding to be phased in over 9 further years (first increment was in 11/12)
Building Operating Costs (New Buildings)	\$8.38 per square foot
Commodities	Increased electricity rates (3.9% for 2013/2014, then 2%) Consumption savings from District Energy and Bio-energy



Key Drivers & Assumptions

Key Driver Cont'd	Assumption
Capital Financing (BOG Approved)	Projects partially financed from the central operating fund (e.g., CIRS, Law, Comparative Medicine, Bio-energy)
Capital Financing (Pre BOG)	Central funding for District Energy, Ponderosa Hub, Brock Hub, Off-site Data center, Aquatic centre (and field), Old SUB, Integrated Research Library; Transit station funded by IICs; Excludes Community Health and International House
Trek Endowment	UBCPT contribution of \$203m over 3 years starting in 11/12, \$36m per year thereafter; Enables financing for student housing; Also, allows the TREK endowment to contributing as soon as 13/14
New academic priorities	Policy School and Vancouver School of Economics self-funded
Campaign	\$2m recurring funding to support current team structure but no further increase. Work underway to assess long-term implication and fine-tune resources as needed
Communication	Recurring increase of \$0.5m over 11/12 forecast (\$1m over 11/12 budget)
Contingency	\$3m as forecasted in 11/12



10 Year Outlook (Incremental vs. 11/12 forecast)

(in \$ millions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Funding										
Prov. Govt Grant - Program Expansion	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Domestic tuition	1.1	2.2	3.4	4.5	5.7	6.9	8.1	9.4	10.7	12.0
ISI tuition	2.7	4.2	5.8	7.5	9.3	11.2	13.1	15.2	17.4	19.7
Program Expansion Tuition	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Research royalties	(0.1)	(0.2)	0.3	0.6	0.6	0.3	0.3	0.3	0.3	0.3
Federal Indirect Cost Program	0.1	0.2	0.3	0.5	0.6	0.7	0.8	0.9	1.1	1.2
Dividend	0.1	(1.5)	(1.2)	(1.9)	(1.6)	(1.3)	(1.0)	(0.7)	(0.3)	(0.0)
Investment income (net)	5.7	7.1	8.0	9.3	8.6	7.0	5.5	4.9	5.3	5.7
TREK	1.0	1.7	3.7	5.1	6.5	7.8	9.2	10.6	12.0	13.4
Summer Campus Use	0.3	0.6	1.0	2.0	2.5	3.0	4.0	4.0	4.0	4.0
Total funding	11.3	15.3	22.2	28.4	33.0	36.5	41.0	45.6	51.3	57.1
Expenses:										
SFA Undergrad - ISI	(0.5)	(0.8)	(1.2)	(1.5)	(1.9)	(2.3)	(2.6)	(3.1)	(3.5)	(4.0)
Utilities Commodities	0.5	1.8	2.9	3.1	4.0	3.7	3.3	2.9	2.5	2.1
Capital Financing (BOG Approved)	(2.1)	(1.8)	(1.9)	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)	(2.1)	(1.8)
Capital Financing (pre-BOG)	0.0	(1.5)	(5.6)	(6.7)	(8.1)	(9.5)	(9.5)	(11.7)	(13.0)	(15.8)
Building Operating costs (Existing)	(1.2)	(2.4)	(3.6)	(4.8)	(6.0)	(7.2)	(8.4)	(9.6)	(10.8)	(10.8)
Building Operating costs (new)	(3.9)	(7.5)	(8.3)	(8.5)	(8.5)	(8.5)	(10.7)	(10.7)	(11.1)	(11.1)
Campaign Costs	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
ICR share to hospitals	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
Bad debt and credit card fees	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)	(0.8)	(0.9)	(1.1)	(1.2)	(1.4)
Salaries (AAPS merit)	0.0	(0.9)	(1.8)	(2.8)	(3.7)	(4.7)	(5.6)	(6.6)	(7.6)	(8.6)
Communication	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Total Expenses	(10.0)	(16.2)	(22.6)	(26.5)	(29.7)	(34.3)	(39.6)	(44.9)	(49.9)	(54.5)
Incremental Operating Surplus / (Deficit)	1.3	(0.9)	(0.4)	2.0	3.3	2.1	1.4	0.7	1.4	2.6
Total Annual contingency	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0



High level observations

- Stable outlook thanks to solid academic revenues, tight operating expense management, land proceeds and summer use opportunity but no room to maneuver and no budget for general wage increases
- Place and Promise explicitly delivered on the capital projects side. Other commitments must be delivered by focusing faculty and administrative resources
- Continuing stability of faculty funding (no cuts, PTR is more than covered by tuition increases), and strong encouragement for Faculties to spend their reserves
- Significant risks and opportunities (next slide)

Risks and opportunities

Known issues and potential risks

1. Government grant.
2. Salaries. No ability to fund General Wage Increases, nor market and gender adjustments
3. Other revenues. Uncertainty around Indirect Cost Program, Investment income, Land proceeds (TREK).
4. Unfunded aspirations. No acceleration of Building Maintenance funding and no central classroom improvement fund due to government cut of ACA funding; no further Development expansion and no further IT investments.

Opportunities

1. ISI: potential upside from current 3% assumption. Need for comprehensive plan (admission and retention). Government's target is +50% by 2015
2. Summer use of the campus: regularize initiative with Arts and Science; sustainability minor; specific programs. Critical for viability of student housing
3. Continuing studies: not yet quantified, but could be significant
4. Faculty reserves: significant opportunity for one-time funding (e.g. collegia, classroom improvements...). Need for transparency, flexibility and accountability at the faculty and departmental level



Progress on UBC-wide reforms

Financial reforms

- Endowment spending and investment 100% -
- Budgets: Annual reviews, Balanced, Zero based (admin), Revenue based (faculties) 95% -
- 10-year plan at faculty level 80% Refine
- Accounting simplification (COA, Funds) 50% 2011/12
- Reserve spend down 0% **Priority**
- Departmental training and support 10% SDS

Operational reforms

- Building Ops, Procurement, IT 95% -
- Distributed integrated model for Development, IT, Finance, HR 40% IT/Fin
- Xerox deployment 30% Pursue
- Paperless expense and travel 5% 2012

Revenue diversification

- ISI 60% **+50%**
- Campaign 30% Launch
- Summer use of campus 5% **Priority**
- Continuing studies 0% 2012/13



Faculty reforms – Science example

- Reduced number of required credits in all Science majors to 120 and all Science Honours to 132
- Increased number of instructors (tenure-track teaching faculty) by redeploying faculty salary budget. Reallocated federally funded CRC Tier 2 faculty positions to support existing and emerging areas of research excellence
- Improved student learning through the evidence-based Carl Wieman Science Education Initiative
- Constructed new Life Sciences, Biodiversity and Biosciences buildings with flexible open-lab configurations
- Increasing cross-faculty cooperation, both teaching (40% of Science undergraduate teaching is for students from other Faculties) and research (interdisciplinary research groups including the Life Sciences Institute, Biodiversity Research Centre, AMPEL for materials science and engineering)



Okanagan



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA

Key Drivers & Assumptions

Key Driver	Assumption
Revenues	
Domestic Undergraduate Tuition	2% (CPI); FTE growth to 6,401 by 2014/15; further FTE growth depends on government support
Domestic Graduate Tuition	2% (CPI); FTE growth to 570 by 2012/13; further FTE growth depends on government support
ISI Tuition	2% (CPI); FTE growth to 767 by 2016/17 and 800 by 2021/22; ISI student ratio growth from current 6% rate to 11%
Program Expansion	Provincial grant at \$4,000 per FTE for Southern Medical Program and \$12,900 per FTE for BSN Expansion based on a 48 FTE increase
Ancillary Dividends	Dividends from Parking and Food Services starting in 2012/13; assumptions to be validated



Key Drivers & Assumptions

Key Driver	Assumption
Expenses	
Student Financial Aid (SFA)	Domestic Undergraduate – maximum of \$6m by 2015/16 Graduate – maximum funding of \$1.5m by 2012/13 ISI – 7.47% of gross ISI revenue
ISI and Other Strategic Allocations	ISI revenue allocated to faculties/admin units/DVC decreasing from 68% to 50% by 2017/18; allocation model under review
Program Expansion Allocation	Direct program costs allocated to the faculty; indirect overhead costs (25%) remain central
Professional Program Allocation	Master of Management program breakeven assumed at 20 FTE; ≤20 FTE - 100% tuition revenue allocated to the faculty; >20 FTE – tuition is split 70/30 (faculty/central)



Key Drivers & Assumptions

Key Driver	Assumption
Expenses cont'd	
Capital Financing (pre-BOG)	Assumed financing of capital projects over the next 10 years will be fully funded through donations, grants, reserves or excess operating capacity
Building Operating Costs (New/Existing Buildings)	Currently funded at \$6.70 per square foot; \$8.25 per square foot by 2021/22 adjusted for inflation and expected utility rate increases; provision for cyclical maintenance increasing from \$0.4m to \$2.4m by 2016/17; CPI at 2% thereafter
Operating Inflation	2% on base of \$10m covering operating supplies, travel, and library acquisitions
Salaries including New Hires, Merit and Progress through the Ranks (PTR)	New hires: 14 new hires over 4 years; Merit – 2% of eligible administrative salaries, eligibility % growing from 31% to 46% by 2014/15; PTR – 3.1% of faculty salaries subject to PTR decreasing to 2.5% by 2013/14
CIS / Canada West	Increase funding from existing \$0.9m to \$1.1m by 2015/16



10 Year Outlook (Incremental vs. 11/12 Base)

	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Revenues:										
Provincial Grant	-	-	-	-	-	-	-	-	-	-
Domestic Tuition Fees	2.6	3.4	4.2	4.9	5.6	6.3	7.1	7.9	8.6	9.4
ISI Tuition Fees	1.4	3.1	5.0	7.2	9.8	10.3	10.8	11.4	12.0	12.7
Program Expansion	0.1	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Ancillary Dividends	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Revenues	4.3	7.6	10.7	13.6	16.9	18.1	19.4	20.8	22.1	23.6
Expenses:										
Student Financial Aid	(0.7)	(1.0)	(1.5)	(2.3)	(2.5)	(2.6)	(2.6)	(2.6)	(2.7)	(2.7)
ISI and Other Strategic Allocations	(1.0)	(1.5)	(1.8)	(2.2)	(3.4)	(3.5)	(3.8)	(4.1)	(4.4)	(4.7)
Program Expansion Allocation	-	(0.3)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Professional Program Allocation	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Building Operating Costs (existing buildings)	(0.6)	(1.2)	(1.8)	(2.3)	(2.5)	(2.7)	(2.9)	(3.1)	(3.3)	(3.5)
Building Operating Costs (new buildings)	-	(0.1)	(0.1)	(0.1)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(1.3)
Operating Inflation	(0.2)	(0.4)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(1.7)	(1.9)	(2.2)
Salaries	(1.5)	(2.7)	(3.8)	(4.7)	(5.6)	(6.5)	(7.4)	(8.3)	(9.3)	(10.2)
CIS / Canada West	-	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Total Expenses	(4.3)	(7.6)	(10.7)	(13.6)	(16.8)	(18.5)	(20.1)	(21.8)	(23.6)	(25.9)
Incremental Operating Surplus (Deficit)	-	-	-	-	0.1	(0.4)	(0.7)	(1.0)	(1.5)	(2.3)



4 Key Objectives

1. Strategic Enrolment Management: Manage domestic growth to funded FTE target of 6,923
2. ISI & Graduate: Develop a plan to grow and manage ISI and Graduate enrolment over the next 10 years
3. Place and Promise and Okanagan Strategic Action Plan: Delivering on priorities identified within limited resources
4. Budget Model: Develop campus budget model that supports sustainable decision-making in alignment with long-term strategic priorities



Risks and opportunities

Known issues and potential risks

1. Government grant
2. ISI: Planned FTE target not met.
3. Salaries: No ability to fund General Wage Increases and market adjustments
4. Other revenues: Ancillary dividends, assumptions to be validated.
5. Unfunded aspirations: Capital expansion, sustainable cyclical maintenance funding.

Opportunities

1. ISI: Accelerated growth compared to plan would result in higher incremental revenue in earlier years.
2. Government grant and domestic tuition: Negotiate with government to restore FTE target to 7,283
3. Government grant: Negotiate with government to fund graduate students at national average
4. Summer use of the campus.
5. Professional and executive programs.
6. Campaign fundraising.





a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA