

2024/25 UBCO Operating Budget

CONFIDENTIAL

Okanagan Senate

February 29, 2024



2023/24 Operating Budget: Key Takeaways



- For the 2nd year in a row, projected tuition revenue is lower than planned, due to reductions in international student enrolment
- Proactive measures and prudent financial management are underway to enable long-term financial sustainability, including reduced spending to help mitigate some of the reduced revenues
- Significant effort and focus is being undertaken by leadership and all units to gain operational efficiencies, diversify revenue sources, and ensure balanced structural budgets across all units so as to not rely on reserve balances for operations

2023/24 Q3 Forecast – UBCO Current Financial State



(\$ millions)	Full Year				
	FY24 Forecast	FY24 Plan	Variance	FY23 Actual	Variance
Government Grants	106	101	4	88	18
Tuition&Student Fees - Dom	54	53	1	52	2
Tuition&Student Fees - ISI	82	88	(6)	82	(0)
Other Revenue	13	10	2	12	0
Total Revenue	254	253	1	234	19
Salaries and Benefits	186	190	4	163	(23)
Other Operating Expenses	49	49	(0)	47	(3)
Net Interfund Transfers	6	12	6	11	5
Capital	27	29	1	16	(11)
Total Expenses	269	280	10	237	(32)
Net Surplus (Deficit)	(16)	(27)	11	(3)	(13)

- **Overall** projected deficit of \$16m, lower than budget by \$11m, mainly driven by increased ministry funding, reduced bursary need and expenses, offset by reduced international tuition.
- **Government grants and Other revenue** increased by \$4m from additional seat funding (Nursing and Tech Expansion), funding for Child Care Center, and Parking services.
- **Tuition revenue** decreased from plan by \$6.8m for international undergraduate tuition, offset by slight increase in domestic and graduate tuition.
- **Salaries and benefits** lower than budget by \$4m as a result of Academic failed searches, change in hiring plans and position vacancies.
- **Net Interfund transfers** lower than Plan due to additional one time transfer in.
- **Capital** increased from prior year due to investment in UBC Downtown Kelowna



UBCO's Priorities for Budget Planning

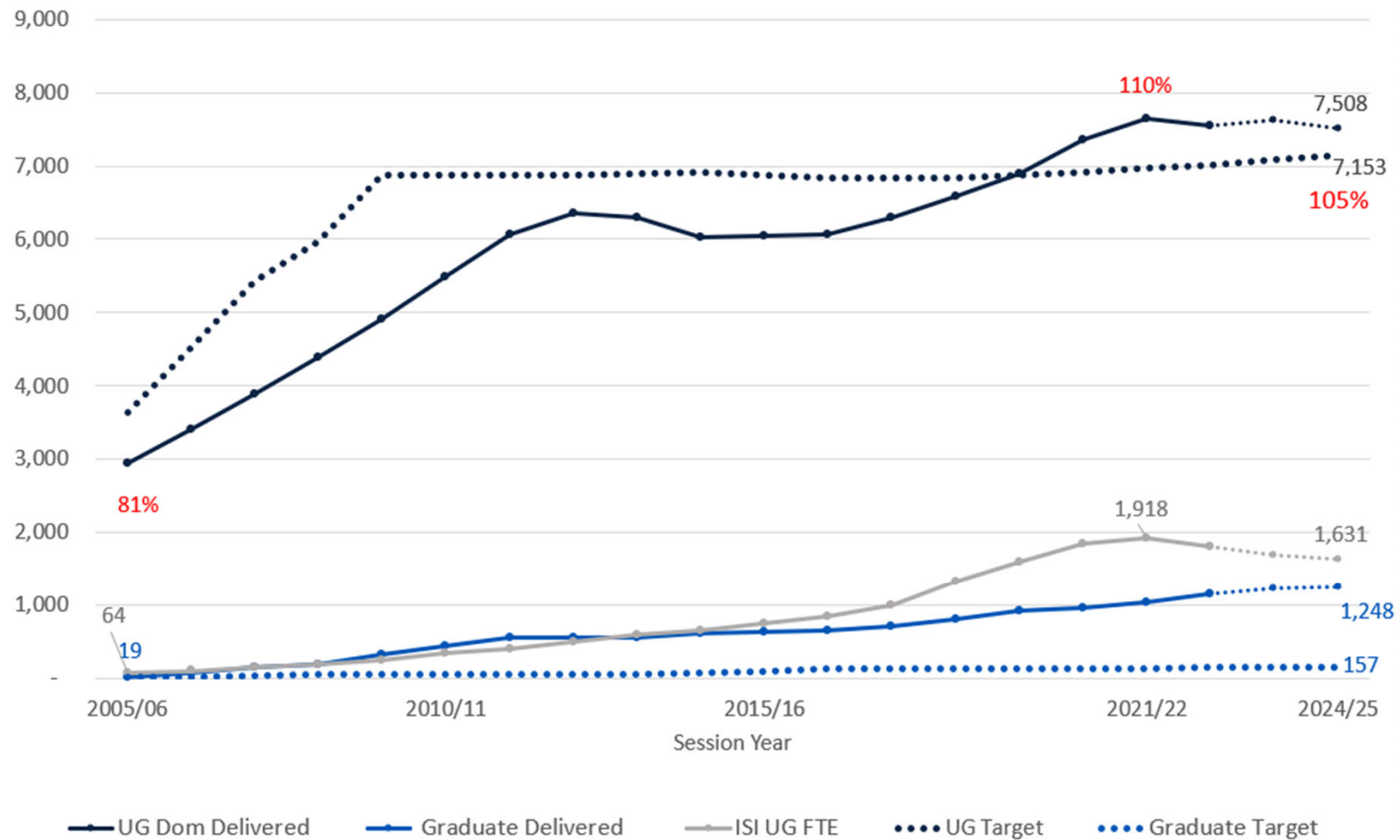
- Delivering on excellence in teaching, learning, research and student experience
- Monitoring and focused recruitment and retention of students
- Support of faculties with financial challenges with a view to develop strategies to ensure their ongoing sustainability and success
- Sustaining the university's commitments to the Indigenous Strategic Plan
- Equity, Diversity and Inclusion (EDI) initiatives
- Sustainability and Climate Change
- Continued investment in our central reserve balance for strategic investment in infrastructure; UBC Downtown Kelowna and x̓əl sic snpax̓nwix̓w̓tn



Budget framework and context for 2024/25

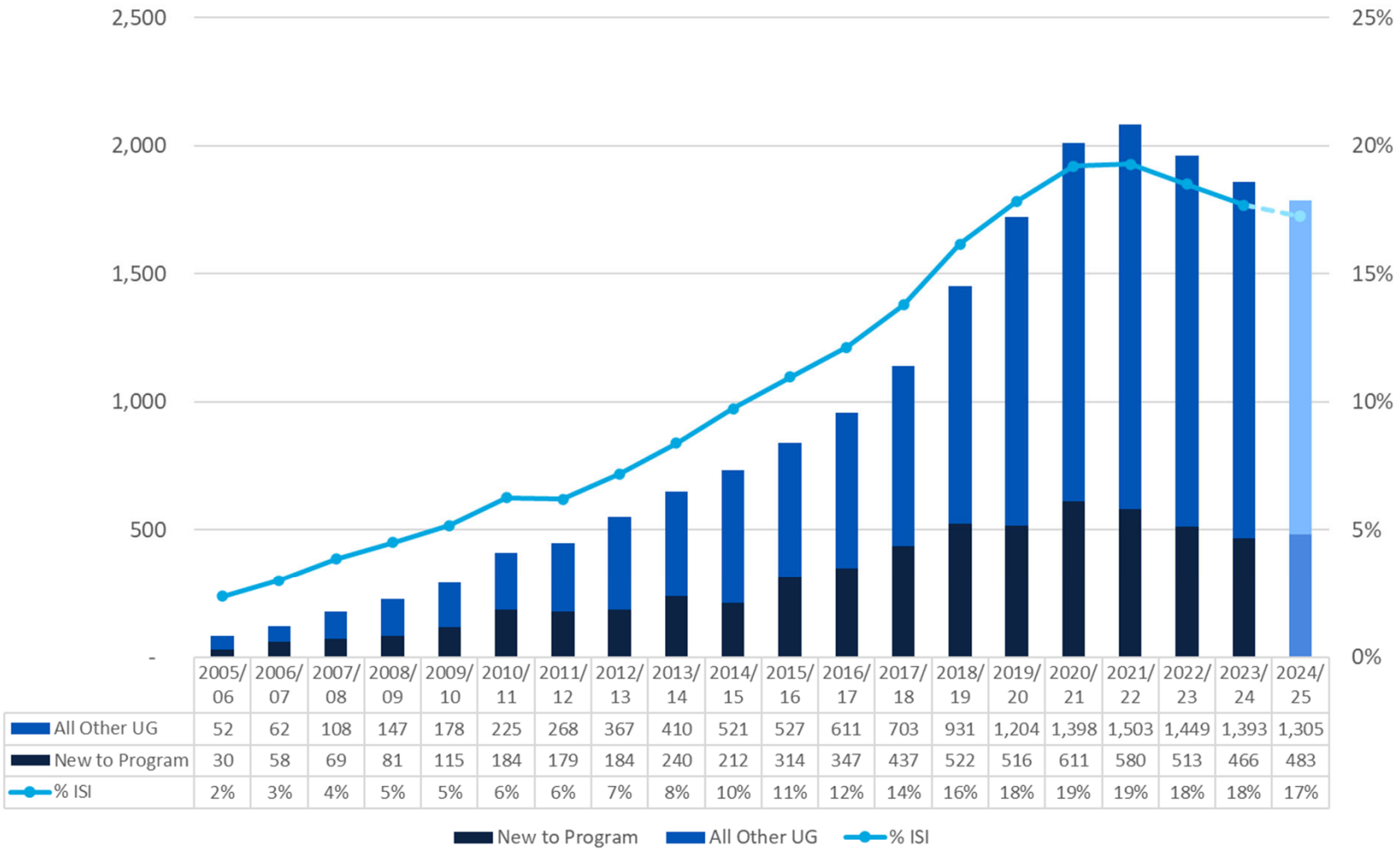
- North American universities are navigating significant challenges amid a global economic shift: inflation remains a challenge, global unrest persists, and greater competition present uncertainties and impact on international tuition.
- FY25 planned increase in tuition is likely to only partially offset anticipated growth in expenses. Prudence requires that we budget for additional shortfalls in international enrolments.
- Inflationary labour and non-labour cost pressures are rising faster than CPI.
- Additional provincial grant funding for program expansion in nursing and Tech Expansion (engineering and data science), and continued support for GWI.
- Board of Governors approved tuition rate increases for FY25 in amount of 5% for new international students, 3% for continuing, and 2% for domestic rate increases.

2024/25 Budget - Forecast Enrolment (FTE)



Undergraduate
Ministry
Utilization

2024/25 Budget – Forecast ISI UG Composition (HC)





Budget Process for 2024/25

- Budget process implemented no additional funding for new initiatives for the upcoming budgetary cycle (i.e. no new budget asks).
- Any new incremental funding will be used to meet service contract increases, compliance needs and to fulfill pre-approved commitments.
- Administrative budgets planned for a 4% recurring reduction, in amount of \$2.8m. Measures taken include: limiting general operating expenses, revisiting service standards; delaying recruiting for vacant positions; and, in certain areas, position eliminations.
- Term initiatives were not extended in amount of \$1.9m.
- A hiring review and approval process has been implemented for new and replacement hires across all academic and administrative units.

Total Campus Operating Revenues



(\$millions)

Revenues

	Q3 Forecast 2023/24	Plan ¹ 2024/25	Increase/ (Decrease)
Domestic Undergraduate Tuition	47.5	48.4	0.9
International Undergraduate Tuition	73.5	73.1	(0.4)
Graduate Tuition	11.6	12.8	1.2
Total Tuition Revenues	132.6	134.3	1.6
Provincial Government	102.8	109.4	6.6
Research Revenues	1.9	2.1	0.2
Business Revenues	1.7	1.7	(0.0)
Total Central Revenues	106.4	113.2	6.8
Faculty Revenues	2.8	2.9	0.1
All Other Unit Revenues	11.7	11.5	(0.2)
Total Campus Revenue²	253.5	261.9	8.4

¹ FY25 Plan is based on proposed allocations and budget reductions, subject to Board approval; Draft as of Feb 21, 2024

² Includes departmental operating revenues

Total Allocation and Operating Revenues by Unit

(\$millions)

Unit Revenues, Allocations & Interfund Transfers In	Q3 Forecast ¹ 2023/24	Plan ² 2024/25	Increase/ (Decrease)
Faculties	128.0	128.4	0.3
Provost and Vice-Principal Academic	18.9	19.4	0.5
Excellence Fund	13.4	15.7	2.2
Vice-Principal Research and Innovation	8.3	11.0	2.7
Innovation Precinct	1.1	1.1	0.1
AVP Students	23.4	20.9	(2.5)
Student Financial Aid	18.0	17.2	(0.8)
Deputy Vice-Chancellor and Principal	1.9	1.9	(0.0)
Human Resources	2.8	2.5	(0.2)
Development and Alumni	1.8	2.4	0.7
AVP University Relations & Ceremonies	3.9	3.7	(0.3)
AVP Finance and Operations	34.4	34.4	(0.0)
Business Operations	5.3	5.9	0.6
Contribution to UBCV	6.5	7.5	0.9
Campus Wide Expenses	13.3	13.0	(0.3)
Total Revenues and Interfund Transfers In	281.0	285.0	4.0
Less: Total Interfund Transfers In	27.5	23.2	(4.3)
Total Allocations and Unit Revenues	253.5	261.9	8.4



¹ FY24 Forecast at Q3, balances have been reduced by estimated carryforward available to be **returned**

² FY25 Plan is based on proposed allocations and reductions, subject to Board approval
Draft as of Feb 21, 2024

2024/25 UBCO Campus Budget



(\$ millions)

	Full Year			
	FY23 Actual	FY24 Forecast	FY25 Budget	Variance Budget to Forecast
Government Grants	88	106	113	7
Tuition & Student Fees - Dom	52	54	55	1
Tuition & Student Fees - ISI	82	82	82	0
Other Revenue	12	13	12	(0)
Total Revenue	234	254	262	8
Salaries and Benefits	163	186	195	(9)
Other Operating Expenses	47	49	49	0
Net Interfund Transfers	11	6	11	(5)
Capital	16	27	6	21
Total Expenses	237	269	262	8
Net Campus Surplus (Deficit)	(3)	(16)	(0)	16

- **Net Surplus (Deficit)** represents an increase of \$16m over 2023/24 forecast, largely due to one-time transfer out to capital in 2023/24 for UBC Downtown Kelowna.
- **Government grants** increased by \$7m from prior fiscal due to additional seat funding (Nursing, Data Science and Engineering) & Ministry funding for GWI.
- **Tuition revenue** rate increases are forecast to be offset by a projected reduction in overall ISI FTE due to an observed decrease in new international student applications, recent IRCC announcement, and impact of reduced 1st year enrolment over the past two years.
- **Salaries and benefits** greater than prior fiscal due to contractual salary increases, vacant positions in 2023/24 (including leaves) expected to be filled in 2024/25, and new Child Care Center in 2024/25.
- **Net Interfund transfers** greater than prior fiscal due to one-time amounts received in FY24.
- **Capital** less than prior fiscal due to investment in¹UBC Downtown Kelowna.

2024/25 UBCO Campus Reserves



(\$ millions)

	Full Year			Change Budget to Forecast
	FY23 Actual	FY24 Forecast	FY25 Budget	
Beginning Campus Reserves ¹	67.6	64.5	48.5	(15.9)
Net Campus Surplus (Deficit)	(3.1)	(15.9)	-	15.9
Ending Campus Reserves	64.5	48.5	48.5	(0.0)

¹ Opening reserves at
FY24 Forecast at Q3

Breakdown of Ending Campus Reserves

Central Reserves	22.9	7.6	14.6	7.0
Central Support Units	13.9	11.9	9.1	(2.8)
Faculties	25.1	26.1	23.5	(2.7)
Student Financial Aid	2.7	2.9	1.3	(1.5)
Total Ending Campus Reserves	64.5	48.5	48.5	(0.0)

2024/25 Plan UBCO Central Reserves (Slide 1/3)



(\$millions)

Central Reserves Available for Allocation

Beginning Balance

Recurring Deficit from 2023/24

Incremental 2024/25 tuition

Incremental 2024/25 grant (program expansion & GWI)

Estimated returned FY24 Admin Carryforwards

Incremental Revenues

Transfer from other reserves

Total Before TAM and Contractual Increases

	Operating Reserve			Capital Reserve	Total Central Reserves
	One-time	Recurring	Fiscal	Fiscal	Fiscal
Beginning Balance	7.1	-	7.1	0.5	7.6
Recurring Deficit from 2023/24	-	(1.0)	(1.0)	-	(1.0)
Incremental 2024/25 tuition	-	1.6	1.6	-	1.6
Incremental 2024/25 grant (program expansion & GWI)	-	6.6	6.6	-	6.6
Estimated returned FY24 Admin Carryforwards	3.5	1.3	4.8	-	4.8
Incremental Revenues	-	0.2	0.2	-	0.2
Transfer from other reserves	(5.4)	-	(5.4)	9.3	3.9
Total Before TAM and Contractual Increases	5.2	8.8	14.0	9.8	23.8

2024/25 Plan UBCO Central Reserves (Slide 2/3)



(\$millions)

	Operating Reserve			Capital Reserve	Total Central Reserves
	One-time	Recurring	Fiscal	Fiscal	Fiscal
Total Before TAM and Contractual Increases	5.2	8.8	14.0	9.8	23.8
Less Allocations:					
Tuition allocation to Faculties	-	(1.3)	(1.3)	-	(1.3)
Tuition allocation to Excellence Fund	-	(1.6)	(1.6)	-	(1.6)
Tuition allocation to Student Financial Aid and other	-	(0.2)	(0.2)	-	(0.2)
Faculty allocation of incremental grant	-	(0.5)	(0.5)	-	(0.5)
Allocation of GWI & admin unit salary increases	1.4	(4.4)	(3.0)	-	(3.0)
Prior year commitments ¹	(2.4)	(0.1)	(2.5)	-	(2.5)
2024/25 Service Contract Increases	(0.0)	(0.9)	(1.0)	-	(1.0)
New investment in ISI Awards	(0.5)	-	(0.5)	-	(0.5)
	(1.6)	(9.0)	(10.6)	-	(10.6)
Balance Remaining before budget reductions	3.7	(0.3)	3.4	9.8	13.2

¹ See appendix for detailed listing of prior year commitments

2024/25 Plan UBCO Central Reserves (Slide 3/3)



	Operating Reserve			Capital Reserve	Total Central Reserves
	One-time	Recurring	Fiscal	Fiscal	Fiscal
<i>(Millions)</i>					
Balance Available before budget reductions	3.9	(0.3)	3.6	9.8	13.4
Proposed Budget Reductions (Allocations)					
AVP Finance and Operations	(0.3)	1.0	0.7	-	0.7
AVP Students	-	0.5	0.5	(0.9)	(0.4)
AVP University Relations	-	0.1	0.1	-	0.1
AVP Research & Innovation	-	0.2	0.2	-	0.2
College of Graduate Studies	-	0.1	0.1	-	0.1
Deputy Vice Chancellor	-	0.3	0.3	-	0.3
Innovation Precinct	-	-	-	(0.5)	(0.5)
Provost and VP Academic	-	0.1	0.1	-	0.1
Student Financial Aid	-	0.6	0.6	-	0.6
Total Proposed Portfolio Reductions	(0.3)	2.8	2.5	(1.4)	1.1
Ending Central Reserve Balance	3.6	2.5	6.1	8.5	14.6

Summary of Portfolio Budget Reductions



(\$thousands)	FY24 Budget	Proposed Recurring Budget Reductions			Term Initiatives
	Total	Salaries & Benefits	Other Operating	Total	Total
AVP Finance and Operations	31,114	799	162	961	-
Provost and Vice-Principal Academic	17,330	40	653	693	408
AVP Students	13,627	258	267	524	813
Vice-Principal Research and Innovation	4,917	127	70	197	287
AVP University Relations & Ceremonies	3,192	63	64	128	382
Deputy Vice-Chancellor and Principal	1,902	173	99	272	-
College of Graduate Studies	1,826	52	20	72	16
Total Portfolio Budget Reductions	73,908	1,512	1,335	2,847	1,907

2024/25 Excellence Fund Allocations



<i>(\$thousands)</i>				
Excellence Fund	FY23 Actual	FY24 Forecast	FY25 Plan	Variance Plan to Forecast
Total Funding Available	17,038	17,937	19,494	1,556
Central Reserves/Off-Campus Space	8,774	5,069	4,273	(796)
Faculties	5,300	6,184	4,885	(1,299)
Vice-Principal Research and Innovation	4,623	2,685	5,027	2,342
AVP Students	1,747	1,113	1,375	262
Provost & VP Academic	1,370	455	739	284
College of Graduate Studies	551	1,710	2,388	678
Student Financial Aid	435	540	620	80
AVP University Relations	107	-	-	-
AVP Finance and Operations	65	-	-	-
Deputy Vice-Chancellor and Principal	-	66	110	(44)
Total Commitments	22,972	17,822	19,417	1,506
Net Surplus / (Deficit)	(5,934)	116	77	(39)
Opening Carryforward	5,881	(53)	62	116
Ending Carryforward	(53)	62	139	77

2024/25 Budget Risks



- **International enrollment** The impact of IRCC's January 22, 2024 announcement is unknown at this point. Any further reductions to FY25 tuition would require significant cuts, and Okanagan leadership would need to consider which activities / services would be eliminated.
- **Inflation** is greater than planned incremental tuition and ministry funding
- **Continuing demand on operating contingency** resources have led to significantly reduced recurring funding availability for new strategic initiatives/opportunities
- **Costs of implementing Workday Student** – This is a new and relatively untested product, and we may experience delays and/or additional costs in rolling out the system

APPENDICES



Historical Context (Footnotes on Next Page)



(\$millions)	Fiscal Allocations ¹		% of 24/25 Plan	Change over 5 Yr	
	20/21 Actuals	24/25 Plan		Fiscal (\$)	Growth (%)
Faculties	103.3	128.4	45%	25.0	24%
Provost and Vice-President Academic	15.4	19.4	7%	4.0	26%
Excellence Fund ²	2.0	15.7	6%	13.7	690%
Vice-Principal Research and Innovation	7.3	11.0	4%	3.8	52%
Innovation Precinct ³	7.6	1.1	0%	(6.5)	-85%
AVP Students	11.0	20.9	7%	9.9	90%
Student Financial Aid	17.6	17.2	6%	(0.4)	-2%
Deputy Vice-Chancellor and Principal	5.6	6.8	2%	1.2	22%
AVP University Relations & Ceremonies	2.9	3.7	1%	0.8	26%
AVP Finance and Operations	32.3	34.4	12%	2.0	6%
Business Operations ⁴	0.6	5.9	2%	5.3	900%
Contributions to UBCV	5.5	7.5	3%	2.0	37%
Campus Wide Expenses	6.3	13.0	5%	6.6	105%
Total Revenue	217.5	285.0	100%	67.6	31%
Less: Total Interfund Transfers In ⁵	6.4	23.2	-	16.8	0%
Total Campus Revenues	211.1	261.9	-	50.8	0%
Total Student HC ⁶	11,430	11,616	-	186	2%

Historical Context Footnotes



Note ¹ - Fiscal allocations include departmental revenues and interfund transfers

Note ² - Change in reporting and presentation in Excellence Fund beginning in FY23. Allocations previously allocated via one time transfer, resulting in net funding balance. FY21 Excellence Fund allocation from tuition was \$13.7m prior to allocations to units.

Note ³ - FY21 includes 7.5m transfer for tenant improvements

Note ⁴ - FY25 Includes new Child Care Center

Note ⁵ - Interfund Transfers In include Excellence Fund allocations out to units, TREK transfer-in from endowment, and other transfers between units

Note ⁶ - Total student headcount at November 1, provided by Okanagan Planning and Institutional Research. Unapproved for 24/25 Plan

2024/25 Prior Year Commitments



(\$millions)	2024/25 Prior Year Commitments		
	One-time	Recurring	Fiscal
AVP Finance and Operations (Campus Plan Update Update Scope & Visioning, Transportation Plan, Campus Security Communication Coordinator, IT Support Analyst, BMS Specialist, AP Processor)	0.4	-	0.4
AVP Students (Sexual Violence Prevention Specialist (Educator), Learning Strategist, Manager Athletics, Community Engagement & Program Coordinator, Project Coordinator)	0.4	0.1	0.5
AVP University Relations (Events Manager, Design Manager, Strategic Campus Events Coordinator, Web Strategist)	0.4	-	0.4
Deputy Vice Chancellor and Principal (Indigenous Initiative Coordinator, Legal Fees)	0.1	-	0.1
Provost and Vice-Principal Academic (Senior Academic Scheduler, Indigenous Initiatives Librarian, Term Librarian Replacement for Study Leaves, Associate International Student Recruiter/Advisor, Degree Audit Analyst, Destination UBC, Strategic Decision Support Analyst)	0.6	-	0.6
VP Research and Innovation (Internal Grants Programs Manager, Plant Growth Facility Manager, Entrepreneurship at UBC Director, Director, Business Development, Mitacs, UILO Industry Project Facilitation Officer, Animal Care Facility Technician II)	0.5	-	0.5
Total Prior Year Commitments	2.4	0.1	2.5



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