



SUBJECT	BUDGET 2018-2019
MEETING DATE	APRIL 19, 2018

Forwarded to the Board of Governors on the Recommendation of the President

APPROVED FOR SUBMISSION

Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	IT IS HEREBY REQUESTED that <i>the UBC Board of Governors approve the UBC 2018-2019 consolidated and operating budget, including the Routine Capital - Core Building Maintenance Plan.</i>
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Report Date	March 16, 2018
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Presented By Andrew Szeri, Provost and Vice-President Academic
Peter Smailes, Interim Vice-President Finance & Operations
Ian Burgess, Comptroller
Pam Ratner, Vice-Provost & AVP, Enrolment & Academic Facilities
David Shorthouse, Director, Academic Initiatives
Rob Einarson, Associate Vice-President Finance & Operations, UBC Okanagan
Stuart Mackenzie, Director, Financial Reporting & Budgeting

EXECUTIVE SUMMARY

The UBC 2018-2019 Budget (both campuses) is submitted for approval. The University is presenting an operating budget with a small deficit of \$31m due to planned one-time investments from accumulated reserves, notably the Excellence Fund, and one-time expenses for the pre-development of enterprise-wide IT systems. Operating revenue has increased by \$108m from 2017-2018 (\$1,958m) to 2018-2019 (\$2,066m). This includes increases in international tuition revenue and Provincial funding for general wage increases, which are largely allocated directly to support Faculties and operating units. A total of \$47m is available for strategic investment. The proposed allocations are reflected in this budget for approval.

An additional \$58m (including \$14m carried forward from 2017-2018) is available in the Excellence Fund to support teaching, research and student experience.

Routine Capital - Core Building Maintenance Plan identifies \$59m of expenditures, of which funding from the Province totals \$44m.

The consolidated budget reflects a projected \$35m surplus for the year. This amount is not available for spending. It derives from capitalized endowment income to maintain the purchasing power of the endowment, and from the use of current funds to support capital investment.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

- ✓ Learning
 - ✓ Research
 - ✓ Innovation
 - ✓ Engagement
(Internal / External)
 - ✓ International
- or ✓ Operational

**DESCRIPTION
& RATIONALE**

- The 2018-2019 Budget advances the University's position as one of the finest public universities in the world by providing additional resources for learning and teaching, research and student support, as well as maintaining core resources and services (e.g. library collections).
- UBC operating revenues rely heavily on the constrained sources of the Provincial grant and domestic tuition (capped at 2%).
- International tuition is being utilized to support learning and teaching, research and student support, and underpin UBC's standing as a global University.
- The University continues to seek additional revenue sources and operating efficiencies.
- The University has established the UBC Excellence fund to support the mission of becoming Canada's best university over the next decade.
- Additional resources are provided for routine capital and deferred maintenance.

CONSULTATION
Relevant Units,
Internal & External
Constituencies

UBC Executive, Senate Budget Committee (both campuses), Deans, Department heads and directors, administrative heads.



APRIL 2018

2018-2019 BUDGET

SUBMISSION TO THE UNIVERSITY OF BRITISH COLUMBIA
BOARD OF GOVERNORS



THE UNIVERSITY OF BRITISH COLUMBIA

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1. Executive Summary

Overview

We are pleased to present the 2018-2019 Budget for the University of British Columbia.

The University is ranked amongst the leading public universities in the world, contributing extensively to the economic and wider prosperity of British Columbia, Canada and the world. The Budget for the year ahead aims to continue UBC's ongoing endeavours, in addition to identifying new opportunities for extending the University's research, teaching, student and public engagement. Planned core revenues have been fully allocated towards the cost of continuing current activities, as well as investing in new strategic initiatives. The small budgeted deficit of \$31 million is the result of planned one-time investments from accumulated reserves, notably the Excellence Fund, and one-time expenses for the pre-development of enterprise-wide IT systems.

Fiscal Year 2018/19 (In \$millions)	Actual FY 2016/17	Forecast FY 2017/18	Budget FY 2018/19
Operating Revenue			
Provincial government grants	598	615	631
Tuition	523	606	667
Investment income	42	43	50
Research indirects	40	37	36
Business revenue	24	25	31
Land development proceeds	19	23	29
Faculty revenue	187	191	188
Central support unit revenue	362	418	434
Total Operating Revenue	1,795	1,958	2,066
Operating Expenses			
Salaries & benefits	1,097	1,181	1,271
Operating costs - other	425	497	557
Cost of goods sold	41	45	47
Grants to third parties	1	16	16
Interest expense	47	51	52
Total Operating Expenses	1,611	1,790	1,943
Capital spending	(122)	(146)	(137)
Interfund transfers	(17)	(31)	(17)
Surplus (deficit)	45	(9)	(31)
Transfers (to) from reserves	(45)	9	31
	-	-	-

The University's Operating Budget shown above reflects the operations of the University, including capital spending and land development proceeds, but excluding restricted funding in Research and Endowments. Revenues are forecast to increase by \$108m (from \$1,958m in 2017/18 to \$2,066m in 2018/19), which will be allocated to Faculties, the Excellence Fund and Strategic Initiatives to meet the priorities of the University.

Economic and Funding Environment

While the overall economic environment facing the University in the year ahead continues to be constrained in a number of aspects, it does include an uplift in funding from the Provincial Government for general wage increases, a continuing commitment to improving routine capital funding (deferred maintenance on academic facilities), as well as significant contributions to a number of building projects in partnership with the Federal Government's "Strategic Investment Fund."

In March 2017, the provincial government announced additional funding to increase students' access to technology-related programs. In the 2018/19 fiscal year the Ministry of Advanced Education, Skills & Training will fund an additional 100 seats for Biomedical Engineering within the Faculties of Applied Science and Science with incremental funding of \$1.4 million. In February 2018 the provincial government also announced a one-time increase of \$0.45 million for specialty teacher education, as well as adapting courses for online delivery and for piloting community-based delivery of UBC's Indigenous Teacher Education Program (NITEP).

International

UBC is an important contributor and participant in international education. This has assisted the University in becoming more engaged in global challenges, and has helped the University achieve diversity by attracting students from around the world. International enrolment continues to show strong demand, and combined with increases in international tuition, has provided an important and growing source of revenue. This revenue base now supports the UBC Excellence Fund, and contributes to Student Financial Aid and the University's strategic investments.

Strategic Investments

The 2018/19 Budget includes a number of new investments in strategic priorities and operating initiatives. Operating revenue increases will provide the capacity to meet a wide number of important needs and opportunities. The new investments support the core areas and priorities of the University's 2018-2028 Strategic Plan.

The recommendations are the result of consultations across campus that included academic Department Heads and Directors, Students, Deans, Associate Vice-Presidents and the Senate Budget Sub-Committee. A budget advisory group that consisted of a number of Deans and Associate Vice-Presidents conducted a thorough review of the detailed proposals and provided their recommendations to the Provost and the Vice-President, Finance and Operations.

Areas for new funding include:

- Core areas
 - People and Places
 - Research Excellence
 - Transformative Learning
 - Community and Global Engagement
- Strategic plan priorities
 - Inclusion
 - Collaboration
 - Innovation
- Risk mitigation
- Service improvements
- Maintaining core services

There are a wide number of important investments, but some of the most notable include: IT systems and infrastructure; Aboriginal Learning; the Faculty of Medicine; Library (exchange rate equalization); Innovation; Sexual Violence Prevention and Response Office; Diversity and Wellness; UBC Brand Positioning; and Classroom upgrades (ongoing).

UBC Excellence Fund

The University established the UBC Excellence Fund in February 2016 to support its ambition to be among the very best of public universities worldwide. The anticipated funding envelope for 2018/19 across both campuses is \$58.5m and includes approximately \$14.1m in carry forward funding from 2017/18.

The key areas of focus for investment next year are:

- Student recruitment and retention
- Student experience
- Strategic faculty hires
- Faculty retention
- Research infrastructure
- Strategic Plan implementation

Operating Costs

The Operating Budget, covering the core academic operations of the University, includes elements of new investments in programs and services, as well as providing resources necessary to maintain current activities.

The University continues to be challenged in meeting the other growing costs of our teaching, research, and support services. The Canadian dollar is currently trading at approximately \$0.80 relative to the U.S. currency, and provides challenges in key import costs, including Library subscriptions and monographs, and research equipment.

With the end of mandatory retirement and the resultant aging of our faculty, the University is focusing on identifying strategic funding to support faculty renewal. This is particularly pressing in the Faculty of Medicine, and we have set aside \$5m in ongoing funding to invest in junior faculty.

Savings from efficiencies continue to make an important contribution to providing the capacity for both new investments and maintaining current activity levels. The University will need to continue to focus on the delivery of ongoing efficiencies to optimize its teaching, learning and research outcomes.

Capital Expenditure

The Capital program for 2018/19 continues to be extensive, with \$331m of total expenditure budgeted. A notable feature in the year ahead is the continued expansion of funding from the Provincial Government for “routine capital.” This is expenditure principally focused on the deferred maintenance associated with our academic facilities, and is budgeted to be \$59m in 2018/19. (Note that this expenditure includes a 25% contribution from UBC.)

Major building projects under development include the Undergraduate Life Sciences Teaching Laboratories, UBC Okanagan Teaching & Learning Centre, UBC Life Building, UBC Vancouver Bus Exchange and Residence, and the MacInnes Field Parkade.

The University’s student, finance and human resources enterprise IT systems were implemented over 20 years ago and are in desperate need of renewal. We are committing \$12m of recurring funds in this year’s budget to begin the replacement of these systems.

2. Introduction

The University's Budget is presented for the approval of the Board of Governors, and covers the fiscal year from April 1, 2018 to March 31, 2019.

The Budget represents the financial plan for the University and is based on a wide number of projections including:

- Government funding
- Tuition levels
- Student numbers
- Revenue forecasts from other sources
- Salary and benefit increases
- Other cost increases, based on changes to the consumer price index (CPI) and exchange rates

Details on these assumptions are summarized in Appendix I.

The operating projections include all proposed budget allocations, as well as projections made by Faculties and units from both campuses (Vancouver and Okanagan) of expected results for the year, including any plans for drawdowns of reserves. The budget for each campus was determined separately and are combined in this report, with supporting details provided for each.

The primary focus of the Budget Report is the Operating Budget, which covers the core academic operations of UBC. In addition, the Budget Report covers all other areas comprising the consolidated financial statements of the University, including research, endowment, and all capital expenditure.

Plans for capital expenditure are summarized in Section 8, which include projections for major projects approved separately by the Board, as well as other planned minor capital expenditure.

The budget process followed this year has combined University-wide projections and analysis with Faculty and unit plans, and included widespread consultation and engagement about resourcing and strategic priorities. As part of the budget process, meetings and discussions have been held with:

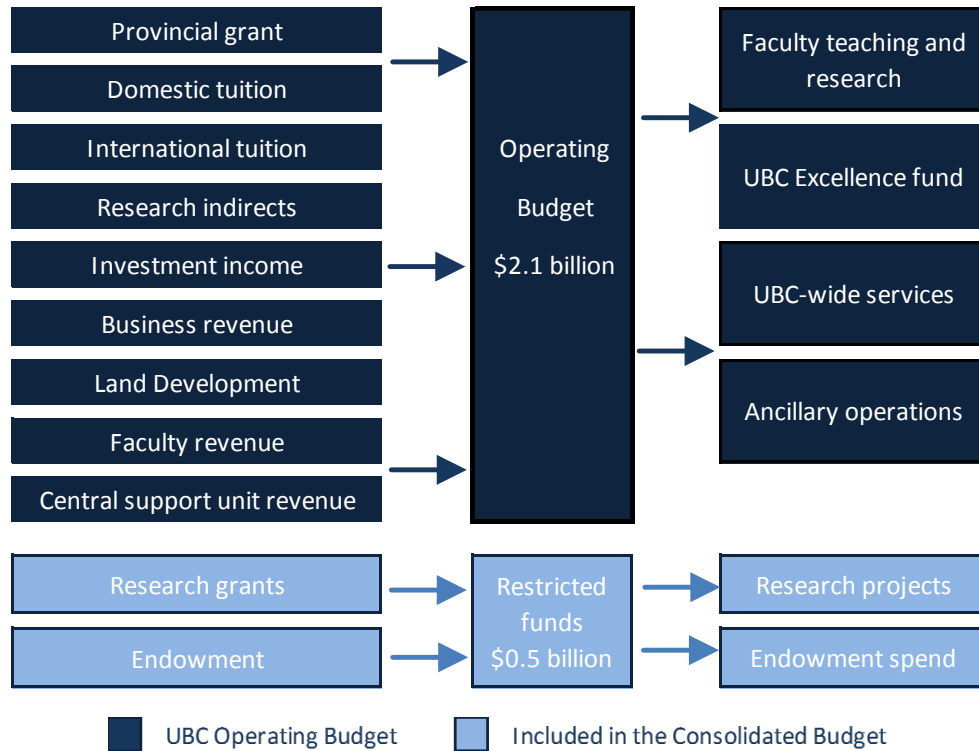
- Deans
- Senate Budget Sub-Committees of the Budget Committee of the Council of Senates (Vancouver and Okanagan)
- Elected student leadership
- Heads and Directors of academic departments and schools
- Associate Vice-Presidents (and equivalent)
- Executive

The final Budget is submitted for approval to the Board of Governors on April 19, 2018.

3. Budget Framework

The University's Consolidated Budget contains several components, with the most significant being the Operating Budget. This report provides detail of how these components link, as well as the financial targets for each.

The following chart illustrates the key components of the University's Consolidated Budget:



The Operating Budget includes income received by the University to support the core academic operations of the University. This revenue includes the Provincial Operating Grant, Domestic and International tuition, investment income earned on cash and investments, research overheads and indirect costs of research funds received from the federal government, and investment income earned from land development. It also includes business and other revenue generated by central units and ancillaries across campus that directly support those operations. These include student housing, food services, the bookstore, and parking. Many Faculties also receive funding directly from non-core activities, which are managed locally to directly support their operations.

The financial target for the Operating Budget is to achieve a balanced result. This means that operating revenue and expenditures (which include ongoing capital costs and internal loans for capital projects) are at equivalent levels.

The Province provides an operating grant totaling \$631m to the University to support the teaching of domestic undergraduate and graduate students. Of this, \$561m is designated for the Vancouver campus and \$70m for the Okanagan. In return, the Province expects the University to enrol 29,504 full-time domestic undergraduates and 5,949 graduate students in Vancouver, and 6,971 students overall in the Okanagan. There are some specific enrolment targets, primarily in the health sector and in line with the Province's Skills for Jobs Blueprint. However, the majority of this funding is untargeted and can be used for programs that the University chooses, as long as the enrolment targets set by the Province are met. UBC expects to exceed its targets, by as many as 1,600 domestic undergraduate students and 2,300 graduate students.

The University allocates tuition received via formula to the Faculties and to Student Financial Aid (SFA). In Vancouver, we allocate approximately 7.5% of incremental tuition to support student financial aid for both international and domestic students. Of the remainder, 75% of graduate and domestic undergraduate tuition and 65% of international undergraduate tuition flows directly to the faculties to support direct teaching costs. In the Okanagan, after SFA, 60% of domestic and 50% of international tuition is allocated to the Faculties. The remainder is allocated for strategic priorities and core and support services. Since 2015/16, both campuses have set aside two-thirds of the international undergraduate tuition rate increases to support the UBC Excellence Fund, which is described in Section 5.

4. Operating Budget

The Operating Budget (Vancouver and Okanagan combined) is summarized in the statement below.

Fiscal Year 2018/19 <i>(In \$millions)</i>	Actual FY 2016/17	Forecast FY 2017/18	Budget FY 2018/19
Revenue			
Provincial government grants	598	615	631
Undergraduate tuition			
Domestic	225	229	236
International	233	300	351
Graduate tuition	65	77	80
Investment income	42	43	50
Research indirects	40	37	36
Business revenue	24	25	31
Land development proceeds	19	23	29
Faculty revenue	187	191	188
Central support unit revenue	362	418	434
Total Operating Revenue	1,795	1,958	2,066
Expenses			
Salaries & benefits	1,097	1,181	1,271
Operating costs - other	425	497	557
Cost of goods sold	41	45	47
Grants to third parties	1	16	16
Interest expense	47	51	52
Total Operating Expenses	1,611	1,790	1,943
Excess of revenue over expenses	184	168	123
Capital spending	(122)	(146)	(137)
Interfund transfers	(17)	(31)	(17)
Reserve (drawdowns) / additions	45	(9)	(31)

Total revenue is budgeted to increase by \$108m (5.5%) with the most significant increase arising from international tuition. Expenses are expected to increase by approximately 6.6%, with a range of factors including salary obligations.

Operating Revenue

The Operating Budget includes all unrestricted revenue received by the University. The majority of this revenue is managed and allocated through the budget process, but a smaller portion is generated directly by Faculties and central support units. The total revenue managed through the budget process in 2018/19 is \$1,444m, with an additional \$622m of operating revenue generated directly by units.

Operating Revenue (in \$millions)	UBC Vancouver				UBC Okanagan				UBC Total			
	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget
	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast
Provincial government grants	531	546	561	15	67	69	70	1	598	615	631	16
Undergraduate tuition												
Domestic	188	194	199	5	37	35	37	2	225	229	236	7
International	209	268	312	44	24	32	39	7	233	300	351	51
Graduate tuition	65	72	75	3	-	5	5	-	65	77	80	3
Investment income	42	43	50	7	-	-	-	-	42	43	50	7
Research revenue	39	36	35	(1)	1	1	1	-	40	37	36	(1)
Business revenue	23	24	29	5	1	1	2	1	24	25	31	6
Land development proceeds	19	23	29	6	-	-	-	-	19	23	29	6
Subtotal	1,116	1,206	1,290	84	130	143	154	11	1,246	1,349	1,444	95
Faculty revenue	186	190	187	(3)	1	1	1	-	187	191	188	(3)
Central support unit revenue	353	408	424	16	9	10	10	-	362	418	434	16
Total Operating Revenue	1,655	1,804	1,901	97	140	154	165	11	1,795	1,958	2,066	108

Provincial government grant

The government grant is the primary source of funding for domestic graduate and undergraduate teaching. Revenue is up \$16m in 2018/19 largely due to Economic Stability Mandate (ESM) funding from the Province. The ESM funding includes funding for all bargaining units according to the mandate established by the Provincial government.

Student enrolment

The University is projecting a total enrolment of 57,275 student FTEs in 2018/19 across both campuses; details as follows:

Student Enrolment

Student FTE	17/18			18/19 (Projected)			Change
	Vancouver	Okanagan	Total UBC	Vancouver	Okanagan	Total UBC	
Undergraduate							
Domestic	31,316	6,322	37,638	31,123	6,475	37,598	-0.1%
International	9,216	1,003	10,219	9,632	1,063	10,695	4.7%
Total	40,532	7,325	47,857	40,755	7,538	48,293	0.9%
Graduate	8,161	708	8,869	8,279	702	8,981	1.3%
Total	48,693	8,033	56,726	49,034	8,240	57,274	1.0%

Undergraduate Student Intake

Student Headcount	17/18			18/19 (Target)			Change
	Vancouver	Okanagan	Total UBC	Vancouver	Okanagan	Total UBC	
Domestic	11,442	2,021	13,463	11,634	2,108	13,742	2.1%
International	3,439	446	3,885	3,611	390	4,001	3.0%
Total	14,881	2,467	17,348	15,245	2,498	17,743	2.3%

Domestic undergraduate tuition

The Vancouver campus enrolled 31,316 FTEs in 2017/18. This is projected to remain relatively constant. The 2018/19 budget reflects a 2% increase in tuition rates.

The Okanagan campus enrolled 6,322 FTEs in 2017/18. The 2018/19 budget assumes a 2% increase in tuition rates and a 2.4% increase in FTEs.

International undergraduate tuition

Faculties are planning that the total international enrolment will increase by 4.7%. In combination with increases in international student tuition (average 10%, applied to all international students), this will result in an increase by \$51m across both campuses. Intake for 2018/19 is expected to increase by 3%, compared to the 2017/18 intake of first-year and transfer students.

Graduate tuition

The Vancouver campus budget reflects a 2% tuition rate increase for domestic students and higher increases in certain professional programs for international students. It also includes growth in professional programs, largely in the Faculty of Arts, Sauder School of Business, Science, Applied Science and Law. The Okanagan campus budget reflects a 2% tuition rate increase, partially offset by a slight decrease in enrolment.

Investment income

Investment income represents income earned on Cash and Operating Investments, Internal Loans and Construction Project Financing. The earnings are netted against interest payments on External Debt, the Student Housing Finance Endowment and the Endowment Borrowing for Orchard Commons. Overall volatility is mostly a function of the variability in working capital balances and the distribution of those balances; for example, delays in construction will reduce the interest earned on construction deficits whilst increasing interest earned on operating investments. The exposure to interest rate risk is minimal due to fixed rates of interest on internal loans and external debt.

Investment revenue in 2018/19 is higher than 2017/18. This is due to revision of the “Working Capital Fund Statement of Investment Policies and Procedures”, which resulted in turnover of the investment portfolio in 2017/18 and one-time capital losses. The new portfolio asset mix results in higher interest earnings in 2018/19.

Research revenue

Research revenue included in the Operating Budget includes the federal Research Support Fund (which contributes to the overhead or indirect costs of Tri-Council grants and is calculated as a percentage of total federal research funding, based on a formula), a share of royalty revenue, and cost recoveries from corporate research funding. The decrease reflects the indirect costs from Canada Research Chair funding being transferred to the Faculties and now reflected in the Faculties’ revenue.

Business revenue

Business revenue includes the net return to the University from ancillaries, as well as lease income and the General Municipal Service Levy (GMSL) charged to businesses on campus. Ancillaries are expected to be self-sustaining (including setting aside funds for capital renewal) and will provide an additional \$6m return to the University to be invested in important strategic priorities. The operating revenue of ancillaries is included under “Central support unit revenue,” and includes Student Housing and Hospitality Services, Bookstore, and Parking.

Land development proceeds

The proceeds from land development are derived from long-term leases and from the net proceeds of market rental activities. This enterprise is managed by the UBC Properties Trust. Revenue received from long-term leases is held in perpetuity in our endowments (invested at Investment Management Trust Inc. [IMANT] and in our Student Housing Financing Endowment) to support strategic investments. This is expected to generate

\$21m in 2018/19 and the net proceeds of rental activities are expected to generate \$8m. Please refer to Appendix II for further details.

Faculty revenue

Faculty revenue represents operating revenue generated by the Faculties that flow directly to them (rather than being allocated via the tuition model or the budget process). Examples include revenue generated by Faculty of Arts' business development contracts / grants for Canadian International Resources and Development Institute (CIRDI), and Real Estate pre-licensing courses in the Sauder School of Business, as well as analytical and core services that Faculties bill on a fee-for-service basis.

Central support unit revenue

Vancouver central support unit revenue includes Extended Learning, Vantage College, Information Technology, Building Operations, Energy and Water Services, and ancillary units. The increase arises in Student Housing & Hospitality Services, Food Services, and Athletics, made possible through additional student residences with the completion of Brock Commons Tall Wood, Totem Park Student Residence In-fill Phase 2, and c'əsnaʔəm House, as well as in Vantage College and Vancouver Summer programs due to increased enrolment and a tuition increase.

Okanagan central support unit revenue primarily includes Information Technology, Project Services, utility chargebacks, and ancillary unit revenue.

Operating Expenditures

Operating Expenses (in \$millions)	UBC Vancouver				UBC Okanagan				UBC Total			
	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget
	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast	Fiscal 16/17	Fiscal 17/18	Fiscal 18/19	vs. Forecast
Salaries & benefits	1,001	1,078	1,160	82	96	103	111	8	1,097	1,181	1,271	90
Operating costs - other	400	467	522	55	25	30	35	5	425	497	557	60
Cost of goods sold	41	45	47	2	-	-	-	-	41	45	47	2
Grants to third parties	1	16	16	-	-	-	-	-	1	16	16	-
Interest expense	45	49	50	1	2	2	2	-	47	51	52	1
Total operating expenses	1,488	1,655	1,795	140	123	135	148	13	1,611	1,790	1,943	153
Capital spending	117	133	125	(8)	5	13	12	(1)	122	146	137	(9)
Interfund transfers	25	24	8	(16)	(8)	7	9	2	17	31	17	(14)
Total Operating expenses & transfers	1,630	1,812	1,928	116	120	155	169	14	1,750	1,967	2,097	130

Salaries and benefits

The increase in salaries and benefits includes general wage increases (GWI), progress through the ranks (PTR) for faculty, merit increases for staff, market adjustments (APPS and CUPE 116), and economic stability mandate. The remainder of the increase is primarily due to the support for new faculty and staff, including expenditures arising from the UBC Excellence Fund. This increase will be invested largely in staff and faculty committed to research, teaching, and student support, and in building services as we add to our student residences and academic facilities.

Operating costs - other

The increase in operating costs-other is primarily due to an increase in operational expenses related to items such as supporting various strategic initiatives, increased IT support costs, building maintenance, expenditures related to the pre-development of IT major projects as well as increased scholarship, fellowship and bursaries amounts related to undergraduate and international students, and support from UBC's Excellence Fund.

This category also includes the use of proceeds from land development that are derived from long-term leases and from the net proceeds of market rental activities. In the past, the majority of these funds were used to support the costs of priority building investments, and other University strategic investments.

Capital spending

Capital spending in this budget has been identified at the departmental level across the University. These are largely funded from current revenue, though, in some cases, units have reserve funds to support this spending. It does not include any spending on major capital buildings, except to the extent that portions of those costs come from accumulated reserves. This includes Library acquisitions, routine equipment and furnishings, and minor renovations funded locally. It also includes the principal payments on any internal loans that will be repaid during the year. Please refer to Section 8 for further details.

Interfund transfers

The Operating Budget includes interfund transfers to and from other University funds that form part of the Consolidated Budget, including Research and Capital (e.g. the provision of support for research projects contained in the Research Fund).

UBC Vancouver

The following table summarizes the calculation of the discretionary revenue available for allocation (after pre-determined allocations to Faculties, the Excellence Fund and Student Financial Aid) and the proposed allocations for the Vancouver campus:

UBC at Vancouver - Operating Budget Fiscal 2018/19 Budget on a Differential Basis		<i>(in \$ millions)</i>		
Fiscal 2018/19 Outlook	Recurring	One-time	Total	
Incremental revenue				
International Undergraduate Tuition	44	-	44	
Domestic Tuition (includes all Graduate Tuition)	8	-	8	
Provincial Grant	15	-	15	
Land development proceeds	8	-	8	
Other revenues	10	-	10	
Operating and Land development proceeds' prior year surplus	7	9	16	
	92	9	101	
Less				
Faculty share of tuition growth	(20)	-	(20)	
Excellence fund	(18)	-	(18)	
Student Financial Aid	(4)	-	(4)	
General Wage Increase funding to Faculties and Units	(14)	2	(12)	
	(56)	2	(54)	
Total available for allocations	37	11	47	
Proposed allocations				
People & Places	6	(1)	5	
Research Excellence	4	1	5	
Transformative Learning	3	(1)	3	
Community and Global Engagement	1	5	6	
Strategic Plan Priorities	6	-	6	
Risk	19	(6)	13	
Service Improvement	2	2	4	
Maintaining Core Services	3	1	4	
Total proposed allocations	44	1	45	
Operating contingency fund balance	5	(7)	(2)	
Land development proceeds balance	2	(2)	-	
Net of revenue and allocations	-	-	-	

Incremental revenues are projected to increase by \$122m for 2018/19, of which \$114m is recurring. As previously described, some of that increase is allocated to prior commitments, with the remaining \$47m of additional revenue available for 2018/19 creating an opportunity for UBC Vancouver to fund various strategic priorities and operating initiatives (see table on page 12).

The recommendations that follow are the result of consultations across campus over the winter that included the Executive, academic Department Heads and Directors, students, Deans, Associate Vice-Presidents and the Senate Budget Sub-Committee. A budget advisory group that consisted of three Deans and three Associate Vice-Presidents conducted a thorough review of the detailed proposals and provided their recommendations to the Provost and the Vice-President, Finance and Operations. The recommendations also follow the Strategic Planning the University is currently undertaking.

Core Areas:

People and Places

Funding will be allocated to the new Indian Residential School History & Dialogue Centre; Mental Health and Wellbeing initiatives; support for workplace practices; and housing support. Additionally, funding will be available to support market adjustments to some administrative staff salaries, and an alignment of contributions to the staff pension plan.

Research Excellence

Funding for strategic faculty renewal within the Faculty of Medicine; matching funding for research projects; increased funding for industry sponsored research and commercialization of UBC research discoveries. Also included is funding for the library collections, including monographs, which is impacted by fluctuations in the US\$ exchange rate.

Transformative Learning

Funding for the Undergraduate Teaching Labs; continued upgrading of classroom and learning spaces; and faculty support in a targeted manner to support key academic priorities.

Community and Global Engagement

Funding for the University to brand and position itself both domestically and internationally; establishing a transit office to promote the extension of the transit corridor to UBC; support for the University Neighbourhoods; and various campus initiatives that will enhance the student, faculty and staff experience.

Strategic Plan Priorities:

Inclusion / Collaboration / Innovation

Funding for Student Diversity and ongoing support of the Director of Investigation Office; the Sexual Violence Prevention and Response Office; and the Equity and Inclusion Office. Additionally, innovation initiatives at Robson Square, and support of e@UBC for the next generation of UBC entrepreneurs is included.

Risk Mitigation

Funding the upgrading, replacement and renewal of the major IT platforms that have campus wide impact. These include the Student, Human Resources and Finance systems that are outdated, require upgrading to current technology and present a significant risk if failure of the systems occur. Also included is funding for the University Counsel and Internal Audit as part of the University's risk mitigation.

Service Improvements

Funding to implement and sustain the Procurement Modernization Initiative following the review of UBC's procurement and payment processes. The initiative will implement process improvements, transition to a new service delivery model and realize savings through strategic sourcing. Establishing a Strategic Initiatives Office within the Provost's Office to enable implementation of the strategic plan is also included.

Maintaining Core Services

While funding the University's strategic initiatives is important, the maintenance of the core services at the level of a world class university also requires additional funding as the number of students, faculty and staff, and buildings increase. This section includes additional funding for increased costs of the new facilities, utilities rate increases and required environmental services.

UBC Okanagan

The total projected incremental revenue for 2018/19 is \$11.3m. This includes tuition revenue growth and additional funding received from the provincial government for general wage increases (GWI). After allocations to Faculties, Student Financial Aid, and the Excellence Fund, \$6.5m remains for strategic allocations in 2018/19.

The Excellence Fund will increase from \$2.8m in 2017/18 to \$5.4m in 2018/19. Certain allocations from the Fund have been included in 2018/19 under relevant units for planning purposes, with the remainder to be allocated throughout the year.

The following table summarizes the calculation of the discretionary revenue available for allocation, and the recommended allocations for the Okanagan campus:

UBC at Okanagan - Operating Budget (in \$millions)

Fiscal 2018/19 Budget on a Differential Basis

Fiscal 2018/19 Outlook	Recurring	One-time	Total
Incremental revenue			
International Tuition	7.5	-	7.5
Domestic Tuition	2.4	-	2.4
Provincial Grant	1.2	(0.2)	1.0
Others	0.3	0.1	0.4
Total incremental revenue	11.4	(0.1)	11.3
Less:			
Faculty share of tuition growth	(4.1)	-	(4.1)
Excellence Fund	(2.6)	-	(2.6)
International Student Financial Aid (SFA)	(0.8)	-	(0.8)
General Wage Increase (GWI) funding	(1.2)	0.2	(1.0)
	2.7	0.1	2.8
International tuition retained risk - 2018/19	(1.5)	0.3	(1.2)
Redistribution of unspent administrative surplus	3.2	1.7	4.9
Total available for allocations	4.4	2.1	6.5
Proposed allocations			
Strategic Investments			
People & Places	2.5	0.3	2.8
Research Excellence	0.1	0.1	0.2
Transformative Learning	0.7	0.4	1.1
Community & Global Engagement	0.1	0.1	0.2
Strategic Plan Priorities	0.4	0.6	1.0
Total Strategic Investments	3.8	1.5	5.3
Risk Areas	0.1	0.1	0.2
Service Improvements	0.0	0.1	0.1
Maintain Core Services	0.5	0.4	0.9
Total proposed allocations	4.4	2.1	6.5
Net of revenues and allocations (balanced)	0.0	0.0	0.0

The allocation of the incremental revenue available of \$6.5m for 2018/19 is summarized into the following categories:

People & Places

For 2018/19 funding allocations, significant focus was placed on space planning, with resources allocated to create an additional 82,000 square feet of learning and research space. Major projects include the new Teaching and Learning Centre, development of 1540 Innovation Drive, and renovations at the Mountain Weather Office to create new research and undergraduate teaching lab space. Funding allocations to this area also include support for key personnel as well as increased allocations required to meet the additional demand for needs-based student funding in both domestic and international undergraduate aid. The ongoing increase in demand is putting pressure on available funding.

Research Excellence

These investments focus on the development of research excellence with funding allocated for research infrastructure and institute development. Funding also supports the continuation of initiatives started in 2017/18, such as the establishment of the e@UBC program on campus as well as a physical presence in downtown Kelowna, which helps support closer community engagement and collaboration while offering strong synergies with the downtown node of the Innovation Library.

Transformative Learning

Starting in 2018/19, a multi-year plan to reallocate grant allocations between Faculties will be initiated. The purpose of the reallocation is to ensure a more equitable distribution of fixed grant funding amongst the Faculties. Central finance will invest \$0.5m to kick start the process and support the strategic initiatives within the Faculties. Funding allocations to this area also focus on the development of Aboriginal Programs and Services, creating capacity for increasing demand in International Programs and Services, along with other strategic learning experience objectives.

Community & Global Engagement

Funding in this area focuses on alumni relations priorities to increase alumni engagement with the campus. As the campus is just approaching its 13th anniversary there is a need to ensure strong connections are maintained to the growing alumni base of the campus as they progress through their careers and life milestones. Funding also targets areas where we continue to have strong success around Aboriginal outreach and other specific community events and initiatives.

Strategic Plan Priorities

Funding allocations to these areas will support strategic priorities on the Okanagan campus, including the setup of the new Sexual Violence Prevention Office on campus, addressing funding shortfalls for the Disability Resource Centre, and continued development of innovative energy saving initiatives while leveraging successful community partnerships.

Maintain Core Services

Funding is allocated to these areas to maintain adequate core services and support key personnel. In addition to salary support for strategic hires, the main components of this category are funding for routine capital expenditures, facilities management, and campus planning and development.

Risk

A significant portion of the revenue growth for the campus is forecasted to come from international tuition. As a result, consistent with prior years, a contingency amount for non-Faculty support units has been established. Once actual enrolment data is known the recurring portion of funds will be allocated in the following year.

5. UBC Excellence Fund

UBC is a globally recognized centre of research and educational excellence, and our goal is to enhance this excellence through targeted strategic investments on both campuses. The UBC Excellence Fund was established in February 2016 to support the University's ambition to become Canada's best university over the next decade.

The fund supports strategic initiatives that will enhance and amplify current efforts in key areas, to ensure UBC is:

- a) Recruiting and retaining exemplary faculty members, students and staff
- b) Building and supporting world class research infrastructure to enable innovative, cutting-edge research
- c) Providing an excellent student learning experience for domestic and international students, at the graduate and undergraduate levels, both inside and outside the classroom.

The key principles underlying the allocation of the funds are:

1. **Excellence** – funds must support UBC's goal of being Canada's best university
2. **Sustainability** – funds may not be invested in permanently recurring expenditures
3. **Strategic nimbleness** – the allocation process will recognize the need to capitalize on new opportunities and changing circumstances quickly
4. **Effectiveness** – funds may be used to leverage additional funding – for example, donations or grants that require matching funds
5. **Openness** – members of the academic community will be invited to attend forums to provide advice to the Provosts on strategic uses of the funds and prioritization of initiatives
6. **Accountability** – metrics will be developed to measure the impact and outcomes of all allocations
7. **Transparency** – the Provosts will report annually to the University community and especially to the Board of Governors and Senate Budget Committees on the impact and outcomes of the funds.

Total UBC Excellence Fund (UBCV and UBCO)

EXCELLENCE FUND SUMMARY (in \$thousands)

	17/18 Forecast			18/19 PLAN		
	UBCV	UBCO	Total	UBCV	UBCO	Total
Total Funding Available	21,564	2,801	24,365	39,288	5,093	44,381
Recruiting and retaining exemplary students and staff	1,261	600	1,861	5,036	2,212	7,248
Recruiting and retaining exemplary faculty members	1,538	513	2,051	13,851	753	14,604
Building and supporting world-class research infrastructure	5,161	750	5,911	20,454	1,350	21,804
Providing an excellent student learning experience	871	535	1,406	2,000	750	2,750
Strategic Plan Enablement	-	-	-	4,000	-	4,000
Total Expenses	8,831	2,398	11,229	45,341	5,065	50,406
Net Surplus (Deficit)	12,733	403	13,136	(6,053)	28	(6,025)
Opening Carryforward	854	132	986	13,588	535	14,123
Ending Carryforward	13,587	535	14,122	7,535	563	8,098

Achievements in FY 2017-2018

In 2017/18, we estimated that \$20.2m would be available for allocation system wide. Because of stronger than anticipated demand for our programs, enrolment of international students was greater than expected, which increased the value of the UBC Excellence Fund to \$24.4m. This allowed the University to make additional commitments in areas that would further strengthen our core mission of academic excellence. It also provided us with reserve funding to invest opportunistically in keeping with the principle of strategic nimbleness and to implement initiatives from the new strategic plan.

Examples of some of the investments that UBC made in 2017-2018 are noted below:

Recruiting and Retaining Exemplary Students and Staff

The recruitment and retention of Aboriginal undergraduate students continues to be a top priority for UBC. To further support Aboriginal students, funds continue to be committed to support the hiring of an advisor dedicated to addressing their academic needs. The diversification of the domestic undergraduate pool is also a priority for UBC and we have invested funds to market the University to students outside of the province – most notably in Ontario. Investment was also made in support of the “scholars’ community” through the provision of needs-based financial support and a community home for the scholars. These commitments have continued over several fiscal years.

New in 2017/18, UBC launched the Blue & Gold Campaign for Students, with the goal of raising \$100 million in student support over three years to support those students who are determined to make the world a better place. Not all students have the same opportunities; hence, support from UBC is available to help them realize their potential by giving them access to a life-changing education. The Excellence Fund is committed to providing matching funds of up to \$5 million over a five-year period to support specific Blue & Gold campaign priorities to kick-start the campaign.

The International Doctoral Fellowship is a new award developed to recruit international students who are similar to the calibre of domestic Tri-council awardees. The fellowship provides funding for a total of five years: a \$30,000 stipend plus tuition for four years. Thirty-five students received the award in its inaugural year at UBCV with the award extended to UBCO in 2018/19.

The Doctoral Recruitment Fellowship is a four-year fellowship that is allocated to new assistant professors to support them in the recruitment of domestic or international doctoral students. The fellowship provides funding for a total of four years: a \$30,000 stipend plus tuition. Three students received this award in its inaugural year.

Investment: \$1.9m

Recruiting and Retaining Exemplary Faculty Members

To attract the best academic talent to UBC, funds were allocated to recruit and support strategic faculty hires in the area of Biomedical Engineering to support the new School of Biomedical Engineering. Recruitment for the President’s Excellence Chairs began in 2017/18 in the areas of precision oncology, media studies, brain health, global development policy, biodiversity studies, forest bio-products and healthy aging. We expect to conclude most of these searches by spring 2018. With the Federal government’s announcement of the results of the Canada 150 research chairs in December 2017, UBC was granted four chairs for recruitment with which UBC has successfully attracted world-renowned academic experts in the fields of medical genetics, computer systems, psychology and biodiversity. Investment of funds is committed to support these chairs over the next seven years. All hires will be joining UBC by Fall 2018.

Specific to UBCO, seed funding was provided to recruit faculty to support the creation of a Master of Data Science program that will be launched in 2018/19. In addition, the Aspire Research Fund was established to provide one-time matching funds to support the hiring of strategic faculty hires across the campus.

Investment: \$2.1m

Building and Supporting World-class Research Teams and Infrastructure

Support for research clusters is a major initiative for the University, and accordingly the most significant investment was made in the established and emerging clusters of research (those that are nationally ranked as global leaders and those that show great potential for further achievement). Financial support was also given to maintain the Sequencing and Bioinformatics Consortium and the Indigenous Peoples' Collaborative Research Support Unit, as well as establishing the foundation for the Advanced Research Computing (ARC).

Investment: \$6.0m

Providing an Excellent Student Learning Experience

Significant investment continues to be made for undergraduate academic programs to support experiential and integrative learning opportunities. This includes the development of pathways for capstone experiences and interdisciplinary opportunities with local and international components. Investment was made in the development of a central hub, to support all Faculties and to provide a coordinated strategic approach to experiential and integrative learning. Further resources were allocated to help strengthen experiential learning through mutually beneficial community-university relationships to ensure UBC has a solid foundation for continued and enhanced success. At the Okanagan campus, investment was made to launch the co-op program across all Faculties, giving all students the opportunity to participate.

Investment: \$1.4m

Commitments for FY 2018/19

Recruiting and Retaining Exemplary Students and Staff

An outstanding university is defined by the quality and diversity of students that it attracts. We continue to commit funds to support the attraction of the very best undergraduate and graduate students by providing both merit and needs based funding. UBC had established the Youth in Care Tuition Waiver Program to provide financial support to youth who age out of care and face financial barriers to pursuing a post-secondary education. As more students take advantage of this opportunity, the University is committed by ensuring support is available to guide them in achieving a positive educational outcome. Funds continue to be allocated to provide campus support to Aboriginal students as enrolment continues to climb.

The Excellence Fund continues to support the Blue & Gold Campaign for Students, by providing matching funds of up to \$5 million over a 5-year period for new gifts to selected Blue & Gold campaign priorities. Award infrastructure of \$500k has also been committed to support the campaign.

Funds have been committed to support the creation of a fourth Collegium on campus. The first Collegia have been well received and fully subscribed by first year commuter students and have helped to improve their UBC experience.

Total funds allocated to above initiatives: \$7.3m

Recruiting and Retaining Exemplary Faculty Members

Recruitment for the six President's Excellence Chairs is well underway with expectation that they will be on board by the fall of 2018. Significant funding has been set aside to provide the necessary research and salary support required to support these scholars, with the majority of these funds being expended in 2018/19. Salary support for the four successfully recruited Canada 150 Research Chairs will also start in 2018/19. Recruitment for the School of Biomedical Engineering is continuing with a commitment from the Excellence Fund to provide research funding starting in 2018/19. Funding has also been committed to support the Law School for faculty renewal to complement the school's growth.

Funds have been committed to support awards for retention of exemplary faculty. We have committed funds to recognize the achievements of our faculty by reinstating and expanding the Distinguished University Scholars Program. The Excellence Fund will continue to support research activities of Killam Professors starting in 2018/19 and Canada Research Chair renewals (CRC's). To enable UBC's commitment of recruiting and retaining exemplary faculty, funding has also been committed to support the updated Housing Action Plan, which is one of the main barriers the University faces in retaining and attracting faculty to Vancouver.

Total allocation: \$14.6m

Building and Supporting World-class Research Teams and Infrastructure

The research action plan developed by the VP Research and Innovation identifies and continues to support established and emerging research clusters, including innovation and knowledge mobilization as major initiatives for the University. Our goal is to continue to support clusters at a range of levels of development: Global Research Excellence Institutes (GREx) clusters are world leading, while Established Clusters are close to and have the potential to reach that status with targeted investments. Emerging Clusters mostly represent new, emerging, interdisciplinary teams showing promise, and must be supported to leverage opportunities for growth. With the recent success of Canada Excellence Research Chair (CERC) and Canada Excellence Research Fund (CFREF) awards, UBC provides matching institutional funds to support these areas of research excellence.

UBC is committed to supporting the development of digital research infrastructure to provide faculty the ability to enhance their research productivity and accelerate time to discovery and innovation. This is crucial in the support of recruiting and retaining outstanding faculty whose research requires digital research infrastructure support. The project will be a three-year, \$32m undertaking before it is fully developed and operational.

Investment has also been committed at both campuses to establish and support the e@UBC initiative, which has important connections to the external community with the establishment of a downtown Vancouver presence.

Total allocation for teams and infrastructure: \$21.8m

Providing an Excellent Student Learning Experience

Students desire a career path that is integrative of all that they have become at UBC. An action plan has been developed through consultation with students and Faculties by the Vice-President, Students. This will be achieved through:

1. Re-alignment and expansion of our expertise to offer customized career education for special populations: a) discipline-specific, b) international students, c) graduate students, and d) students with disabilities, for example. This includes developing enhanced service in these areas through integration with discipline-specific curricula, working closely with departments, investing in population-specific advisors/expertise, and larger Faculty-specific initiatives to connect careers to disciplines.
2. Expanding career education and service for students not in co-op programs. Deepening career education embedded in current high impact learning experiences (e.g. Student Leaders, AMS Clubs, Student Teams), expanding career advising, increasing the opportunities for curricular integration and supporting academic departments to better understand and translate discipline learning to career readiness.
3. Focus on online resources, academic systems and relationship management tools to better serve our students, programs, employers, and community partners.

Investment in a classroom scheduling project has been committed, which will improve the student experience as more course selection and fewer schedule conflicts can enable better access to required and preferred courses. It will also improve transparency and enable better access to data for more effective decision making by the academic community.

UBC continues to support the expansion of experiential learning programs in the areas of clinical legal and health education. At UBCO, matching funds have been committed to build upon the success of the Aspire Learning and Teaching Fund to support and foster innovative teaching practices to promote more flexible, interdisciplinary, and experiential programs. In addition, funds are committed to further support the expansion of co-op programs so that all students have the option to participate in experiential learning opportunities. Continued focus to enhance Aboriginal programs and services through community outreach activities and campus supports is a priority.

Allocation: \$2.8m

Strategic Plan Implementation

As the University finalizes the development of a new UBC Strategic Plan, it is imperative that funds are made available to support initiatives that are identified in the plan. A funding envelope has been set aside.

Allocation: \$4.0m

6. Faculties and Departments – Allocations and Projected Expenses

The following tables show the fiscal 2018/19 projected funding and expenses by unit, including both allocations from the government grant and tuition, as well as revenue generated directly by the faculties and central support units.

Vancouver

Faculties and Departments

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	711,445	187,334	898,779	889,775	9,004	194,194	
Faculty of Applied Science	82,414	5,726	88,140	86,690	1,450	25,911	
Faculty of Arts	165,508	12,281	177,789	171,483	6,306	28,171	
Sauder School of Business	59,379	29,374	88,753	88,344	409	18,087	
Faculty of Dentistry	12,656	18,862	31,518	31,955	(437)	4,179	
Faculty of Education	46,510	5,651	52,161	52,090	71	4,479	
Faculty of Forestry	19,652	5,113	24,765	23,113	1,652	11,743	
Graduate and Postdoctoral Studies	2,598	1,602	4,200	3,670	530	1,878	
Faculty of Land and Food Systems	16,086	4,366	20,452	19,893	559	7,015	
Allard School of Law	13,669	507	14,176	15,260	(1,084)	(1,486)	
Faculty of Medicine	147,029	88,402	235,431	237,734	(2,303)	76,103	
Faculty of Pharmaceutical Sciences	19,498	2,391	21,889	21,455	434	6,152	
Faculty of Science	126,446	13,059	139,505	138,088	1,417	11,962	

Overall, the net position of the Faculties is projected to be positive.

The addition to the Faculty of Applied Science reserve is primarily due to the forecasted growth of 50 international undergraduate students plus related international tuition rate increases, combined with increased revenue from graduate tuitions and Summer Programs, partially offset by increases in salary costs.

The addition to the Faculty of Arts reserve is primarily due to the forecasted growth of 131 international undergraduate students plus related international tuition rate increases. Funds have been earmarked for investment in future new and renewal facility projects (i.e. Brock Commons Phase II, Kenny Building, Arts Student Centre, Buchanan D Block, Buchanan Tower, Museum of Anthropology Education Centre).

The addition to the Faculty of Forestry reserve is primarily due to the forecasted growth of 52 international undergraduate students plus related international tuition rate increases.

The drawdown to the Allard School of Law reserve is recurring, primarily as a result of hiring seven new faculty members in 2017/18 and another two new faculty hires in 2018/19, and an increase in salary costs.




The drawdown to the Faculty of Medicine reserve is recurring, primarily due to unfunded wage increases and for the new School of Biomedical Engineering.

The addition to the Faculty of Science reserve is primarily due to the forecasted growth of 292 international students plus related international tuition rate increases, and the expansion of the Master of Data Science (MDS) program, partially offset by an increase in salary costs.

Faculty budgets remain constrained; however, the overall financial position is projected to continue to improve in 2018/19. This is largely the result of growth in undergraduate international student enrolment and an average tuition rate increase of 7.5% for international undergraduate students. Additionally, opportunities related to the development of professional programs and enhanced summer programming have allowed many Faculties to grow and diversify their revenue base. The provincial funding of mandated general wage increases has also provided an important lift and is greatly appreciated.

Faculties are continually examining their cost structures by finding more effective ways to deliver their core academic programs while enhancing the quality of teaching, research and student support. The Faculty of Education now eliminates their structural deficit with various initiatives carried out from the Programmatic Sustainability Initiative (PSI) process since 2016/17. The Faculty of Medicine has undergone intensive reviews of their academic and non-academic programs and found opportunities that have considerably improved their budget outlook without compromising quality.

Student Financial Aid

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Student Financial Aid	75,111	-	75,111	79,282	(4,171)	1,028	
SFA Graduate	21,939	-	21,939	21,916	23	1,191	
SFA Undergraduate Domestic	18,021	-	18,021	20,999	(2,978)	(1,709)	
SFA Undergraduate International	23,193	-	23,193	24,188	(995)	876	
Workstudy, Go Global - SFA, Int'l Tuition Award	11,958	-	11,958	12,179	(221)	670	

The drawdown to the SFA Undergraduate Domestic reserve is due to anticipated increases in SFA awards driven by recent policy changes in the Student Loan BC program.

The SFA Undergraduate International drawdown is to utilize prior year reserves.

Central Support Units (including ancillaries)

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Total Central Support Units (including ancillaries)	473,991	424,404	898,395	926,162	(27,767)	22,207	
Provost and VP Academic	189,671	80,497	270,168	277,800	(7,632)	23,120	
Library	39,969	1,028	40,997	41,723	(726)	818	
Information Technology	55,820	29,001	84,821	85,260	(439)	3,680	
Extended Learning	131	17,249	17,380	17,318	62	(5,101)	
Enrolment Services	12,932	451	13,383	13,732	(349)	217	
International Student Initiative	8,252	-	8,252	8,260	(8)	348	
Vantage College	40	17,460	17,500	16,101	1,399	2,699	
Centre for Teaching, Learning and Technology	8,115	667	8,782	9,317	(535)	914	
Excellence Fund	39,288	-	39,288	45,342	(6,054)	6,156	
Other Provost and VP Academic units	25,124	14,641	39,765	40,747	(982)	13,389	
VP Students	31,116	264,819	295,935	296,182	(247)	30,111	
Athletics and Recreation	1,878	31,621	33,499	34,344	(845)	(2,492)	
Housing and Hospitality Services	838	190,813	191,651	190,239	1,412	27,648	
Student Development and Services	16,851	2,705	19,556	19,809	(253)	704	
University Community Services	7,089	39,680	46,769	47,727	(958)	3,815	
Other VP Students units	4,460	-	4,460	4,063	397	436	
VP Finance and Operations	125,450	38,753	164,203	164,814	(611)	1,845	
Energy and Water	28,960	25,028	53,988	53,504	484	769	
Building Operations & Infrastructure Dev't	70,996	11,634	82,630	82,314	316	1,842	
Other VP Finance and Operations units	25,494	2,091	27,585	28,996	(1,411)	(766)	
Governance	10,673	65	10,738	11,345	(607)	(1,138)	
VP Development and Alumni Engagement	25,802	209	26,011	26,011	-	10	
VP External Relations	16,487	2,975	19,462	21,386	(1,924)	1,286	
VP Research and Innovation	25,787	18,322	44,109	45,452	(1,343)	3,788	
VP Human Resources	12,983	7,536	20,519	20,918	(399)	714	
Campus Wide Expenses	36,022	11,228	47,250	62,254	(15,004)	(37,529)	

Within the Provost and VP Academic, the addition to Vantage College is primarily due to the tuition rate increase and growth in student enrolment. The drawdown to the Excellence Fund reserve is due to hiring and related research startup costs that did not happen in 2017/18, and other one-time commitments to utilize the reserves.

For VP Students, the drawdown to the Athletics and Recreation reserve is recurring and due to increased travel and other related expenses. The Housing and Hospitality Services reserve addition is due to increased revenue from new residences including Brock Commons Tall Wood, Acadia Park and Thunderbird, partially offset by increased salary costs to reflect higher business service levels. The drawdown to the Student Development & Services reserve is utilizing prior year reserves to complete several pilot programs, including the First Year Jumpstart program that is now available for domestic first-year students in addition to the current international student program. The drawdown to the University Community Services reserve is due to one-time office renovation costs in 2018/19.

For the VP Finance and Operations, the net reserve drawdown is due to an unplanned additional staffing investment being made in the Procurement and Payroll areas.

The VP External Relations drawdown is to utilize prior year reserves for delayed projects in Campus and Community Planning such as the Point Grey cliff remediation, Stadium Neighbourhood planning and transit support.

The VP Research and Innovation drawdown is utilizing prior year reserves, and is due to a combination of recurring elements in Animal Care, Ethics and Research services, and one-time renovation costs in Research Innovation.

The Campus Wide Expenses drawdown is primarily due to one-time pre-development costs of the Integrated Renewal Program.

Overall, central support units receive 38% of the allocation of operating funds (\$474m), and generate an additional \$424m in revenue from their individual operations. This revenue is mostly driven by ancillary services, including Housing and Hospitality Services and Athletics and Recreation.

Drawdowns in the central support units are expected to total \$28m during the year, as units plan to utilize a portion of their accumulated reserves. These are committed to one-time items and do not reflect ongoing commitments.

Summary

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	711,445	187,334	898,779	889,775	9,004	194,194	
Student Financial Aid	75,111	-	75,111	79,282	(4,171)	1,028	
Central support units (including ancillaries)	473,991	424,404	898,395	926,162	(27,767)	22,207	
Total UBC Vancouver	1,260,547	611,738	1,872,285	1,895,219	(22,934)	217,429	

Of the funding allocations made for the 2018/19 budget, 56% have been made to Faculties, 6% to student financial aid, and 38% to central support units.

The total reserve drawdown for the Vancouver campus is \$23m.

Okanagan

Faculties/School/College

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	77,306	652	77,958	78,315	(357)	6,512	
Arts and Science	31,281	115	31,396	32,033	(637)	665	
Applied Science	12,346	207	12,553	13,149	(596)	545	
Creative and Critical Studies	10,489	146	10,635	10,312	323	1,428	
Education	3,541	47	3,588	3,602	(14)	555	
Graduate Studies	957	-	957	977	(20)	16	
Health and Social Development	12,283	137	12,420	12,256	164	416	
Management	5,504	-	5,504	5,986	(482)	62	
Faculty Investment Fund	905	-	905	-	905	2,825	

The Okanagan financial position is generally stable. The Irving K. Barber School of Arts and Sciences and the Faculty of Health and Social Development are planning for revenue growth of about 3.7% when compared with the prior year. The drawdown in Irving K. Barber School of Arts and Sciences is primarily due to one-time costs for the development of a new Master of Data Science program and funds committed to support the construction of the new greenhouse.

The School of Engineering is projecting an increase in tuition revenue of 9% over the prior year, contributing to a 64% increase to overall funding over the past five years. This increase is due to continued enrolment growth in both domestic and international student enrolment. The projected drawdown is primarily due to one-time costs relating to equipment costs and lab expansion.

In 2017/18, the Faculty of Education experienced a significant change to its curriculum, rolling out the first year of the new integrated, 18-month degree program and phasing out the Elementary and Secondary Education Programs. Enrolment targets for 2018/19 remain conservative with the objective to increase to a more sustainable level going forward.

The Faculty of Management drawdown is primarily due to one-time costs during undergraduate program redesign. The Faculty is in the process of transitioning its undergraduate program from a 2+2 delivery format to a full 4-year program as well as the development of the Masters of Management and creation of more minors for the campus. There is also a focus to create more of a critical mass within the Faculty through a combination of joint and full-hires to increase stability and sustainability of the program.

The Faculty of Creative and Critical Studies is projecting a decrease in funding of 0.9% due to a reallocation of grant allocations to other Faculties. The purpose of the reallocation is to ensure a more equitable distribution of fixed grant funding amongst the Faculties. The Faculty is focusing on current program successes around the recently launched Bachelor of Media Studies as well as opportunities for interdisciplinary cross-campus minors.

The Faculty Investment Fund was set up to unlock excessive reserve balances being built-up within individual Faculties and encourage strategic reinvestment across all Faculties. Specific initiatives will fit within the overarching principles outlined within UBC Okanagan's Aspire vision, and will be defined further over the next couple of years.

Central Support Units (including ancillaries)

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Total Central Support Units	65,886	9,551	75,437	78,504	(3,067)	31,428	
Provost and Vice-Principal Academic	14,914	48	15	15	374	1,887	
Vice-Principal Research	4,300	264	5	6	(1,106)	604	
Deputy Vice-Chancellor and Principal	1,304	25	1	1	-	12	
University Relations	2,394	3	2	2	149	257	
Finance and Operations	26,611	6,431	33	33	467	5,398	
Students	7,234	2,753	10	10	(305)	643	
Academic	171	-	0	0	3	8	
Development and Alumni Engagement	1,945	12	2	2	32	191	
Human Resources	1,546	15	2	2	-	(40)	
Campus Wide Expenses	5,467	-	5	8	(2,681)	22,468	

Central support units have been experiencing increased pressure due to constraints on government funding. For 2018/19, administrative units will be allocated funding for staff progression increases; however, all other cost escalations must be absorbed within current funding levels. Some units have been allocated one-time funding for projects that span multiple years, adding to reserve balances on a temporary basis. Where drawdowns are occurring, units are planning to utilize a portion of their accumulated surpluses for one-time items as opposed to recurring ongoing commitments.

The Provost and Vice-Principal, Academic reserve balance is committed for specific academic initiatives, including the Excellence Fund.

In 2017/18, the Office of the Vice-Principal, Research received an increase in budget to enhance capacity to support research, with funding for research infrastructure and institute development. The increased allocation related to several multi-year funding commitments. The projected drawdown in 2018/19 reflects the use of funding allocated in 2017/18 for multi-year commitments.

Within Finance and Operations, Food Services and Parking Services carry reserves for future capital projects. The contribution to reserves in 2018/19 primarily relates to ancillary activity and projected surpluses from reduced utility costs due to investment in energy savings initiatives.

The Campus Wide Expenses drawdown is primarily due to use of funding for capital initiatives, including several major projects planned for 2018/19. As of 2017/18, capital funding is now managed through the operating fund.

Student Financial Aid

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Student Financial Aid	10,270	-	10,270	10,801	(531)	517	
SFA Graduate	1,985	-	1,985	1,985	-	19	
SFA Undergraduate Domestic	4,927	-	4,927	5,001	(74)	16	
SFA Undergraduate International	2,758	-	2,758	3,210	(452)	326	
Workstudy, Go Global - SFA, Int'l Tuition Award	600	-	600	605	(5)	156	

The SFA Undergraduate Domestic is projecting a funding shortfall of \$1.4m due to increases in needs-based student funding. Investments from Central Finance and the Excellence Fund are planned for 2018/19 in order to offset the expected shortfall.

International Student Financial Aid is projecting a funding shortfall of \$0.5m resulting from higher international tuition and enrolments. Overall demand for student financial aid is increasing, putting pressure on the available funds. The drawdown is required to cover the expected 2018/19 shortfall.

Summary

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenues	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	77,306	652	77,958	78,315	(357)	6,512	
Student Financial Aid	10,270	-	10,270	10,801	(531)	517	
Central support units (including ancillaries)	65,886	9,551	75,437	78,504	(3,067)	31,428	
Total UBC Okanagan	153,462	10,203	163,665	167,620	(3,955)	38,457	

The total reserve drawdowns for the Okanagan campus are \$4.0m, of which \$2.7m relates to central funding for capital initiatives and one-time funding support for faculty initiatives, administrative units, and Student Financial Aid needs. \$1.1m relates to Vice-Principal, Research drawdowns for multi-year commitments funded in 2017/18, and \$0.4m relates to Faculties' use of reserves for strategic initiatives in 2018/19.

7. Consolidated Financial Budget

The Consolidated Statement of Operations (by function) and the Consolidated Statement of Net Debt require formal Board approval because these components are required for inclusion in the financial statements under Public Sector Accounting Board guidelines (see Section 12). The Consolidated Statement of Operations (by object) and Consolidated Statement of Financial Position are provided below for information only.

CONSOLIDATED STATEMENT OF OPERATIONS (By Object)

(In \$millions)

	2017/18 Forecast	2018/19 Budget	Variance
Revenues			
Government grants and contracts			
Government of Canada	\$ 279	292	13
Province of British Columbia	794	809	15
Other governments	19	20	1
Other contributions	170	173	3
Student fees	717	786	69
Investment income	76	87	11
Income from Gov't Business Enterprises	8	5	(3)
Sales and services	380	393	13
Amortization of deferred capital contributions	86	85	(1)
	\$ 2,529	2,650	121
Expenses			
Salaries & benefits	1,460	1,579	119
Operating costs - other	444	462	18
Capital asset amortization	196	214	18
Cost of goods sold	42	44	2
Scholarships, fellowships and bursaries	133	148	15
Grants to third parties	147	147	-
Debt service costs	20	20	-
	2,442	2,615	172
Annual surplus from operations	\$ 87	35	(51)

The consolidated statement of operations reflects a 2018/19 surplus of \$35m. This is an accounting surplus only and does not reflect funds available for spending. The components are as follows:

INCOME STATEMENT ANALYSIS*(in \$ millions)*

	2017/18 Forecast	2018/19 Budget	Variance
UBC Vancouver faculties	14	9	(5)
UBC Vancouver administrative units	(23)	(32)	(9)
UBC Okanagan	(1)	(4)	(3)
	(10)	(27)	(17)
Deferred land lease revenue	8	9	1
Endowment surplus	15	7	(8)
Research and other funds	5	5	1
Related organizations	(4)	(3)	1
Net investment in capital	73	43	(30)
Surplus	87	35	(52)

- Reserve drawdowns represent spending by units from reserves on capital projects
- Deferred land lease income, \$9m: proceeds from leasing land for development is allocated to the endowment as it is received, and the revenue is recognized in the Statement of Operations over the period of the lease, 99 years
- Endowment surplus, \$7m: this represents amounts that will never be spent, but are added to the principal of endowments to ensure that the spending allocation increases in future years to keep up with inflation
- Surplus from net investment in capital: when UBC acquires tangible assets, this spending appears as a surplus in the Statement of Operations in the year of acquisition (although the cash is spent), and the expense flows through as depreciation in subsequent years. The breakdown is as follows:

NET INVESTMENTS IN CAPITAL*(in \$ millions)*

	2016/17 Actuals	2017/18 Forecast	2018/19 Budget
Capital asset additions	334	363	331
Funded externally	(129)	(124)	(107)
Increase in internal loans	(48)	(57)	(53)
Investment in capital from operations	157	183	171
Depreciation	(185)	(196)	(213)
Amortization of deferred capital contributions	77	86	85
Net depreciation	(108)	(110)	(128)
Net investment in capital	49	73	43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)Presented in Classified Statement of Financial Position Format
(in \$millions)

	Mar 31, 2018 Forecast	Mar 31, 2019 Budget
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 100	\$ 96
Accounts receivable	163	166
Operating investments	512	524
Investments in government business enterprises	42	39
Other current assets	14	14
	<u>831</u>	<u>839</u>
Non-Current Assets		
Endowment investments	1,785	1,862
Capital assets	3,417	3,534
	<u>5,202</u>	<u>5,396</u>
TOTAL ASSETS	<u>6,033</u>	<u>6,235</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	297	303
Current portion of debt	8	8
	<u>305</u>	<u>311</u>
Non-Current Liabilities		
Employee future benefits	12	13
Deferred other restricted contributions	198	224
Non-current portion of debt	349	345
	<u>559</u>	<u>582</u>
Total Liabilities	864	893
Net Assets		
Accumulated surplus	2,003	2,069
Deferred capital contributions	1,502	1,524
Deferred land lease revenue	820	853
Deferred endowment contributions	844	896
	<u>5,169</u>	<u>5,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6,033</u>	<u>6,235</u>

8. Capital Expenditure

The University makes significant on-going capital investments to support its learning and research mission, and to create an outstanding student experience.

Capital Expenditure for 2018/19 is budgeted as follows:

CAPITAL EXPENDITURE <i>(in \$millions)</i>	2016/17 Actuals	2017/18 Forecast	2018/19 Budget
Building and Property:			
Major Buildings	133	153	100
Building Renovations & Additions	96	89	91
Capital Infrastructure ¹	11	10	11
	<u>240</u>	<u>252</u>	<u>202</u>
Research equipment	42	35	26
Other equipment & furnishings	21	42	41
Information technology	13	19	46
Library	18	15	16
	<u>334</u>	<u>363</u>	<u>331</u>

¹ Capital Infrastructure includes improvements to roads, lots, sewer, gas, water and electrical assets

CAPITAL FUNDING <i>(in \$millions)</i>	2016/17 Actuals	2017/18 Forecast	2018/19 Budget
Funding Source:			
Ministry (KDF/COA)	32	32	19
Ministry -Routine capital	33	38	44
Federal - CFI	28	15	5
Federal - SIF	6	27	33
Donations	30	12	6
	<u>129</u>	<u>124</u>	<u>107</u>
Internal Sources			
Unit/Central	110	125	117
Infrastructure impact charges	6	10	7
Internal Loans	89	104	100
	<u>205</u>	<u>239</u>	<u>224</u>
Total Funding	<u><u>334</u></u>	<u><u>363</u></u>	<u><u>331</u></u>

Buildings and Property

The majority of buildings and property capital expenditure is under the management and control of Infrastructure Development, with additional capital expenditures overseen by Student Housing & Hospitality Services. Faculties and administrative departments also commission other building projects, normally of a minor nature. The design, construction, renovation and upgrades of all buildings and property projects are project managed by either UBC Properties Trust or UBC Project Services (Infrastructure Development).

Projects are organized according to type, scope and required approval level:

- **Major buildings** – this includes new building or major renewal projects greater than \$5m, approved by the Board of Governors.
- **Routine capital** – includes core maintenance projects funded in part by the Ministry of Advanced Education, Skills and Training (AEST), with projects typically less than or equal to \$5m. This program is approved by the Board of Governors. Building Operations and Energy & Water Services identify and prioritize projects under this program based on facility condition and building user input.
- **Infrastructure Impact Charge (IIC) and Community Amenity Charge (CAC) Program** – this includes utility, public and community infrastructure projects funded through charges on campus development. This program is approved by the Board of Governors.
- **Department-funded capital** – includes renovation and upgrade projects less than or equal to \$5m that are commissioned and funded by Faculties and administrative departments. This work is recorded under “Funded from available reserves.” Projects greater than or equal to \$2.5m require UBC Executive approval.

Major Buildings

There are currently eight major building projects in design or construction and for which capital expenditures will be incurred in 2018/19. Three of these are partially funded through the Federal Strategic Infrastructure Funding. Projects include:

Building Project	Total Budget	2018/19 Estimated Cost	Estimated Completion Date
Undergraduate Life Sciences Teaching Labs (SIF/AEST funding)	\$88m	\$40.8m	Nov 2018
Exchange Student Residence at Gage South	\$77m	\$27.8m	Aug 2019
UBC Okanagan Housing Commons & Skeena Residence	\$61m	\$24.0m	Aug 2020
UBC Okanagan Teaching & Learning Centre (SIF/AEST funding)	\$35m	\$14.0m	Jul 2018
UBC Exchange (New Bus Terminal)	\$22m	\$5.7m	Aug 2019
MacInnes Field Underground Parkade	\$12m	\$4.0m	Sep 2020
BioEnergy Facility Expansion Project	\$14m	\$2.0m	Sep 2020
UBC Okanagan Environmental Sustainability Projects (SIF/AEST funding)	\$6m	\$0.8m	Apr 2018

These projects provide renewed or expanded infrastructure to address the following needs:

- Academic program changes and enrolment growth
- Research activity and grant awards
- Student housing demand
- Deferred maintenance and seismic upgrade requirements to ensure safe and reliable facilities
- Transportation and utility infrastructure capacity requirements

Further details on major building projects are provided in the Capital Projects Update report, which is included in the docket for each meeting of the Board of Governors.

Routine Capital – Core Building Maintenance

The Ministry of Advanced Education, Skills and Training (AEST) increased Routine Capital funding to address much needed capital maintenance in campus buildings. UBC (both campuses) received \$39.5M from AEST in 2017/18 and is notionally scheduled to receive \$43.8m in 2018/19. AEST has specified that these funds are to be directed toward the reduction of deferred maintenance in core academic facilities and that the overall package of projects in each year must be cost-shared between AEST and UBC on a 75%/25% basis. A small portion of the funding (\$1.7m) is allocated toward Carbon Neutral Capital Program projects.

Infrastructure Development coordinates the development of the annual plan with Building Operations and Energy & Water Services, who set the program of specific projects based on facility condition assessment and input from department administrators regarding building user priorities. Synergies are sought with other infrastructure renewal and modernization requirements such as learning space upgrades, accessibility upgrades, and seismic upgrades.

The first category, Major Maintenance and Rehabilitation Projects, includes campus-wide maintenance and rehabilitation projects consisting of roof and envelope repairs, elevator retrofits, electrical infrastructure projects, fire and life safety system retrofits, minor interior refit projects (such as flooring replacements and washroom refurbishments), and utilities infrastructure improvements. Individual projects in this category will cost less than the \$5.0m Board approval threshold.

Example projects in this category for 2018/19 include:

- Brock Hall West Exterior Painting \$400k
- Coal & Mineral Roofing, Fume Hood Velocity, AHU Upgrade \$950k
- Forest Science Centre replace refrigeration equipment, compressors, evaporators, controls \$400k
- Koerner Library Chiller \$800k
- Medical Block C, Belkin fire alarm renewal \$300k
- Woodward/IRC Elevator renewal \$230k

The next eligible category for work is whole-building renewal projects to address the full range of deferred maintenance items in targeted buildings. Swing space was developed on the second floor at “Old SUB” in 2016/17 and 2017/18 to enable the decanting of buildings to undertake extensive work. Hebb Building is the first of these building renewals and the design work was completed in 2017/18. Hebb teaching spaces have been moved to Old SUB for the duration of the construction in 2018/19 and 2019/20. Addressing the significant deferred maintenance and seismic risk in the Hebb Building will improve the safety, extend the useful life, and improve the system reliability of this core academic building.

Whole building renewal projects are larger in scope and fall above the \$5.0m threshold. The Hebb Tower project, for example, is estimated at approximately \$34.4m. Given the necessity to plan and execute these projects in very tight timelines, it was previously agreed that they be approved by the Board, as part of the annual University Budget approval process.

The following table provides a high-level breakdown of the 2018/19 AEST-supported Routine Capital programs for the UBC Vancouver and Okanagan campuses. AEST has allocated funding using a formula based on the amount of deferred maintenance at each campus.

2018/19 ROUTINE CAPITAL PROJECTS <i>(in \$millions)</i>	AEST 75%	UBC 25%	TOTAL
Vancouver Campus			
Major Maintenance & Rehabilitation Projects	27.9	9.3	37.2
Hebb Building Renewal	12.0	4.0	16.0
Carbon Neutral Capital Program	1.7	0.6	2.3
Minor Maintenance & Rehabilitation Projects	1.7		1.7
Total - Vancouver Campus	43.3	13.9	57.2
Okanagan Campus			
Major Maintenance & Rehabilitation Projects	0.5	0.2	0.7
Minor Maintenance & Rehabilitation Projects	0.1		0.1
Additional Routine Capital Work		1.1	1.1
Total - Okanagan Campus	0.6	1.3	1.9
2018/19 Routine Capital Projects (\$m) - UBC Total	43.9	15.2	59.1

Information Technology

Major Systems Projects

These include UBC's capital investments in enterprise-wide systems either to create new capabilities or upgrade existing systems to extend useful life. The required investments in major systems replacements and upgrades are essential for the University to maintain its level of service in a rapidly changing technology environment, and is considered a major risk factor if the systems were allowed to decline.

The Integrated Renewal Program and the Other Enterprise-Wide Systems are financed through internal loans, in accordance with Board policy, while Minor Systems Upgrades and Lifecycle investments are funded from Information Technology's annual operating budget.

The major cost items over the period are:

	Total Project Cost (Estimates) (\$ Mill)	Project Spending in 2018/19 (\$ Mill)	Estimated Competition Date (\$ Mill)	Internal Loan Repayments			
				2018/19 (\$ Mill)	2019/20 (\$ Mill)	2020/21 (\$ Mill)	2021/22 (\$ Mill)
Integrated Renewal Program							
Planning & Pre Development costs	40.00	-	Apr-18	5.32	5.32	5.32	5.32
Implementation	185.00	55.10	Apr-21			12.31	24.63
Other Enterprise-Wide Systems							
CRM	7.72	2.91	Dec-18	0.39	0.79	0.79	0.79
LTE	6.00	3.20	Apr-19		0.79	0.79	0.79
Prism 1 & 2	8.35	1.70	Apr-20			1.09	1.09
EDI	5.25	2.32	Apr-20			0.68	0.68
	252.32	65.23		5.71	6.90	20.99	33.30

Note: Internal Loans have an interest rate of 5.75% over a 10 year term to match the estimated useful life of the asset.

Traunch 1 of IRP Implementation for HR/Finance (50% cost) to start April 20, with Traunch 2 for Student to start April 21

a) Integrated Renewal Program

The Integrated Renewal Program unites previously independent projects, formerly known as Student Academic Systems Initiative (SASI), Procurement Modernization, HR and Finance Renewal to replace legacy systems. The Integrated Renewal Program will implement one core platform for students, faculty and staff to conduct administrative tasks – resulting in a better user experience, a new set of tools, a new way of working, and improved reporting for informed decision-making. The detailed planning and architect stages are expected to be completed for the Integrated Renewal Program in 2018/19 with a primary focus on the HR and Finance Systems while also laying the detailed foundation plan for the Student System.

b) Other Enterprise-Wide Systems

Other Enterprise-wide systems are being implemented in conjunction with the Integrated Renewal Program, and include the following four systems:

- **Enterprise Data Integration (EDI)**

A project to implement an integration service to deliver data between applications and create a more coherent data integration strategy. This will replace thousands of individual integration points that exist today that pose a security risk and reduce analytic capability for the institution. Currently, UBC is moving forward with several enterprise system refresh programs, specifically the Integrated Renewal Program, Customer Relationship Management, Learning Technology Environment and many others. Inherent in all system implementations is the ability to trade business information between systems. These system refreshes will impact thousands of integration points within the UBC information system ecosystem and externally to hundreds of other communities of interest. To compound the issue, each system has a different business problem and data model, exacerbated by years of technical implementations and tools. In short, all of these integrations must be replaced and should be rationalized and updated into a common framework. Expected completion is in this upcoming fiscal year with Mulesoft as the selected cloud-based solution.

- **Customer Relationship Management (CRM) System**

This project will replace the current undergraduate student recruitment system with a goal of creating highly effective, personalized interactions for prospective students and applicants. Salesforce was the selected cloud-based solution and full implementation/project completion is expected this upcoming fiscal year.

- **Privacy and Information Security Management (PrISM)**

This is a program of activity focused on reducing the IT security risk to the institution with the provision of the required tools, technologies and support. The program has two components: technology and community. The overall budget envelope is \$8.4m in capital.

- **Learning Technology Ecosystem**

The core of UBC's ecosystem of tools and applications to support teaching and learning is the Blackboard Learn product, locally badged as Connect, which was procured and deployed in FY13. Since then, there have been significant changes in the hardware and software landscape, including the arrival of cloud-based hosting, the growth of mobile as a channel and an increasing range of other applications and tools providing additional and alternative functionality through integration with the core Learning Management System (LMS). The LTE program has been undertaken to review options and replace the existing Learning Management System, currently offered by BlackBoard Learn. Canvass is the selected cloud-based solution and FY19 planned spend is to complete the migration of all remaining courses from Blackboard to Canvass.

c) Minor Systems Upgrades

Minor Systems Upgrades include Learning Analytics, Research Data Centre and Disaster Recovery, at an estimated cost of \$3.4m, will be undertaken in 2018/19.

d) Lifecycle

Lifecycle investments represent expenditures relating to cyclical refresh of main IT infrastructure, mainly including voice, network and storage. Included in this year's budget is planned expenditure of \$8.2m for lifecycle investments, including \$2m to support the growth and refresh cycle of the virtual environment.

Research Equipment

Research projects contain a wide range of capital expenditure commitments, primarily related to major and minor equipment needs, and also IT equipment and software. Some major projects include building adaptations or renovations.

Library

The Library collections are integral to the past and future success of UBC, and underpin the academic mission of world-leading learning, teaching and research. Because the majority of the University's collections are purchased in US currency, Canadian currency depreciation has placed pressure on the Library's ability to maintain its collection acquisition levels. Consequently, an additional \$1.2m has been allocated to maintain the current collection.

9. Endowment

The University's Endowment Funds consist of endowed gifts, bequests, donations, and land lease proceeds. Approximately \$1.6 billion of the Endowment Funds, including TREK and TREK Impact, are invested by UBC Investment Management Trust Inc. (IMANT). These funds support the University's academic mission, student financial awards, academic and research initiatives, student housing, and capital projects.

The land lease proceeds endowments include the TREK, TREK Impact, Student Housing Financing (SHFE) and Faculty Housing Assistance Financing (FHAFE) endowment funds. Trek and Trek Impact support the mission of the University generally and advance its charitable goals. SHFE was established in 2012 to invest in new student residences. FHAFE was established in February 2017 to facilitate the recruitment and retention of outstanding faculty members. In addition to providing financial support for student residences and faculty recruitment, the land lease proceeds endowment funds currently support research, classroom capital projects, and athletics capital projects including the Fitness Facility Expansion in the Old SUB and the new Baseball Stadium in Thunderbird Park. Please see Appendix II for further details.

Other gifts, held separately from the IMANT invested funds, include the Peter Wall Endowment, the Vancouver Foundation Funds held for the benefit of the University, and the Merilees Chair for the Study of Democracy Fund.

<i>(in \$millions)</i>	Total (including SHFE and FHAFE)		IMANT Invested Funds (excluding TREK AND TREK IMPACT)		Land Lease Proceeds (TREK, TREK IMPACT, SHFE and FHAFE)		Others	
	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
	Forecast	Budget	Forecast	Budget	Forecast	Budget	Forecast	Budget
Endowment market value								
Endowment capital account	1,886	2,011	1,099	1,148	599	675	188	188
Stabilization account	280	293	218	228	53	55	9	10
Balance	2,166	2,304	1,317	1,376	652	730	197	198
Endowment spending								
Investment income	83	89	48	52	32	34	3	3
UBCPT rental distributions	6	8	-	-	6	8	-	-
Operating expenses	(74)	(90)	(46)	(51)	(25)	(36)	(3)	(3)
Surplus (deficit)	15	7	2	1	13	6	-	-

The capital account balances represent external donor and internal University contributions plus inflation adjustments recorded to maintain the purchasing power of endowment capital over time.

The stabilization account balances reflect the value of endowments that have been generated through returns that are above target levels. It is a measure of the amount that is currently in the endowment fund above the inflation adjusted principal balances as a protection against future market downturns.

Investment income is recorded using the accrual basis of accounting. For unrestricted endowment funds, investment income includes only realized returns. For restricted endowment funds, investment income includes total returns to the extent of expenses incurred; the excess is deferred and recorded on the Statement of Financial Position until the period in which the related expenses are incurred.

10. Related Entities

The consolidated financial statements reflect the assets, liabilities, revenue, and expenses of organizations that are controlled by UBC. Controlled organizations are consolidated except for government business enterprises, which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation. All related organizations are consolidated, other than for UBC Properties Trust (UBCPT) and Great Northern Way Campus Trust, which are reported using the modified equity method.

The organizations that are fully consolidated into the financial statements of the University are:

- UBC Foundation – established to encourage philanthropic support for the University;
- American Foundation – established to encourage philanthropic support of the University;
- Hong Kong Foundation – established to encourage philanthropic support of the University;
- UK Foundation – established to encourage philanthropic support of the University;
- UBC Society for the Education of Young Children, a not-for-profit organization that maintains and operates an educational program for young children;
- UBC Asia Pacific Regional Office, a Hong-Kong based association formed to promote and advance the academic and research interests of the University and its partners in the Asia Pacific region; and
- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and operating fund, and the staff pension plan.

UBCPT is the most significant subsidiary of the University. In addition to managing a portfolio of rental assets and providing project management services on capital projects, UBCPT was established to carry out real estate development activities for the benefit of the University. Through UBCPT, the University leases certain properties to third parties for a period of 99 years. The proceeds from land leases have historically been directed to an internal endowment fund (TREK) and used to support university priorities.

11. Financial Risks

Provincial Operating Grant

The Provincial Operating Grant has not yet been confirmed for 2018/19.

International Student Enrolment

Over the past several years the University has increased the intake of international undergraduate students, and while the intake in 2018/19 is anticipated to be flat, the total enrolment is forecast to increase by 3% as cohorts move through the system. The University has also been increasing international tuition rates to better align with Canadian peers, resulting in a roughly 14% revenue increase in 2018/19. International tuition now accounts for approximately 17% (\$351m) of total operating revenue (\$2.058b).

While it is recognized that any shortfall in enrolments would result in a reduction of revenue, early indications are that applications submitted from international students are sufficient to achieve the 2018/19 intake targets. In addition, the University continues to invest in the recruitment of a diverse student population.

Information Systems Upgrade

As reported, the University is undertaking a major systems renewal program to replace the aging Student, Human Resources and Finance systems (Integrated Renewal Program). Given the magnitude of the financial investment and the scope of the installation, there is potential risk of cost overruns and negative operational impact from the required change management. To mitigate these risks, the University is implementing a robust governance structure for the project and establishing a strong Project Management Office (PMO) to monitor and report progress.

Foreign Exchange Risk

The foreign exchange rate of the Canadian dollar in comparison to the US and other currencies puts financial stress in numerous areas. These include Library acquisitions, which are purchased primarily from the US, faculty recruitment, since we compete internationally for the best faculty, research equipment, construction costs, and IT systems development and maintenance costs.

12. Documents Requiring Board Approval

Under Public Sector Accounting Board guidelines, certain approved budget information is required for inclusion in the year-end financial statements. These two documents are the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Changes in Net Debt.

The Consolidated Statement of Operations and Accumulated Surplus below reflects the same consolidated income statement included in Section 7, although the expenses are reflected by function, rather than by object. This mirrors the way that the information is presented in the financial statements. To derive the information by function, the University makes various assumptions about which operating units should be reflected within each category.

CONSOLIDATED STATEMENT OF OPERATIONS (By Function)

<i>(\$millions)</i>	2017/18 Forecast	2018/19 Budget	Variance
Revenues			
Government grants and contracts			
Government of Canada	\$ 279	292	13
Province of British Columbia	794	809	15
Other governments	19	20	1
Other contributions	170	173	3
Student fees	717	786	69
Investment income	76	87	11
Income from Gov't Business Enterprises	8	5	(3)
Sales and services	380	393	13
Amortization of deferred capital contributions	86	85	(1)
	<u>\$ 2,529</u>	<u>2,650</u>	<u>121</u>
Expenses			
Learning	1,221	1,309	88
Research	488	520	32
Facilities	279	297	18
Students	309	329	20
Community Engagement	62	64	2
Administration	82	96	14
	<u>2,441</u>	<u>2,615</u>	<u>174</u>
Annual surplus from operations	<u>\$ 88</u>	<u>35</u>	<u>(53)</u>
External endowment donations	<u>25</u>	<u>25</u>	<u>-</u>
Annual surplus	<u>113</u>	<u>60</u>	<u>(53)</u>
Accumulated Surplus, beginning of period	<u>1,822</u>	<u>2,008</u>	<u>186</u>
Accumulated Surplus, end of period	<u><u>1,935</u></u>	<u><u>2,068</u></u>	<u><u>133</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

YEAR END MARCH 31

(\$millions)

	2017/18 Forecast	2018/19 Budget	Change	
Annual surplus	\$ 113	\$ 58	\$ 55	
Exclude items not affecting net debt:				
Endowment donations and transfers	(25)	(25)	-	
	88	33	55	
Acquisition of tangible capital assets	(364)	(331)	(33)	
Amortization of tangible capital assets	196	214	(18)	
	(168)	(117)	(51)	
Acquisition of inventories held for use	-	-	-	1
Acquisition of prepaid expense	-	-	-	1
Consumption of inventories held for use	-	-	-	1
Use of prepaid expense	-	-	-	1
	(80)	(84)	4	
Net remeasurement gains	4	8	(4)	2
Self-supported subsidiary other comprehensive income	-	-	-	2
Increase in net debt	(76)	(76)	(0)	
Net debt, beginning of year	(2,288)	(2,364)	76	
Net debt, end of year	\$ (2,364)	\$ (2,439)	\$ 76	

Notes

1. UBC does not manage inventory and prepaids at a consolidated level or budget activity for these items.
2. The budget for investment income is prepared using high level assumptions around management of investment balances; this does not extend to detailed forecasts around individual investment holdings.

Killam Endowment Funds

In 1965, the University of British Columbia was fortunate in receiving various Killam Trusts, which were created pursuant to the last will and testament of the late Dorothy J. Killam. The trust funds were established at The Canada Council, Dalhousie College and University, The University of Alberta, The University of British Columbia (UBC) and The Montreal Neurological Institute. Subsequently, part of the fund bequeathed to The University of Alberta was transferred to The University of Calgary.

Annual budgets for the Killam Endowment Funds held at UBC require the approval of UBC's Board of Governors. They are based on Killam spending guidelines and calculated using a spending allocation of 3.5% of the preceding three years' average market value of the funds, as follows:

	Killam General	Killam Memorial Salary	Izaak Walton Killam Memorial for Advanced Studies	Total
<i>In \$thousands</i>				
Program spending				
Research and scholarly activities	653	-	-	653
Faculty research fellowship awards	230	-	-	230
Bridge funding for academic priorities	299	614	-	913
Post-doctoral awards	-	-	392	392
Pre-doctoral awards	-	-	392	392
Graduate Studies administration	-	-	73	73
Total 2018/19 budgeted spending allocation	1,183	614	857	2,653

Appendix I – Key Budget Assumptions

1. Provincial funding is based on funding received in 2017/18 plus increases for general wage increase (GWI) in line with the Provincial mandate.
2. Undergraduate domestic and most graduate tuition rates are budgeted to increase by 2%. International undergraduate and some international professional tuition rates will increase by greater amounts in line with the Board mandate.
3. The budget for endowment returns reflects the target return of 6.15% of which 75% is projected to be realized, and 25% is projected to be unrealized. The target is based upon our spend rate of 4.0%, administrative fees to support operations of 0.65%, and an allowance for inflation of 2%. The inflation amount is added to the endowment principal each year to protect the purchasing power of the endowment. There is potential for significant volatility in the markets, and changes of fund manager by IMANT could trigger significant realized gains.
4. Land development proceeds to be added to SHFE are projected to total \$66m during the year. As well, the distribution of rental income from UBC Properties Trust is projected to be \$8m.
5. Capital asset additions are based on the construction completion schedule of Board-approved capital projects, as well as the planned capital priorities. General additions (computers and equipment) are as projected by units across both campuses.
6. The budget includes Routine Maintenance funding from the Provincial government of \$44m.

Appendix II – Investment Income on Land Development

The Endowment Lands were given to the University a century ago to fund a “margin of excellence” beyond what a publicly funded university could achieve. The University generated proceeds through developing land starting in the 1990’s. The capital was invested and the net income was available to support discretionary strategic priorities.

At the time, the Board had two objectives: first, to maintain the capital in perpetuity; second, to ensure the use of the income was not permanently restricted to specific purposes such that the annual cash flows could be used for whatever strategic purposes the President of the day determined. This lack of restriction is illustrated in the Trek Terms of Reference dating back to 2002, which broadly states that “the income will be used to support the mission of the University.”

Four endowment funds have been established with the net proceeds of long-term leases: Trek which resides in the Main Pool of endowment funds managed by IMANT, Trek Impact in the Sustainable Future Pool managed by IMANT, the Student Housing Financing Endowment (SHFE) and more recently the Faculty Housing Assistance Financing Endowment (FHAFE).

LAND DEVELOPMENT ENDOWMENT

(in \$ millions)

	Forecast 2017/2018	Budget 2018/2019	Increase / Decrease
Trek Endowment, in the Main Pool	305	387	82
Trek Impact, in the Sustainable Future Pool	10	16	6
SHFE	326	310	(16)
FHAFE	11	17	6
	<u>652</u>	<u>730</u>	<u>78</u>

The \$16 million reduction in SHFE is comprised of a \$75 million Board approved transfer to Trek in April 2018, a \$5m transfer to Trek Impact, \$6m to FHAFE, net of \$66m million estimated land lease proceeds from UBCPT and \$4 million of capitalized interest.

Trek and Trek Impact support the mission of the University generally and advance its charitable goals. SHFE was established to support Student Housing projects while the intention of FHAFE was to facilitate the recruitment and retention of outstanding faculty members. In all cases, interest and other earnings have been used to support strategic initiatives, while preserving the principal value of the original contributions. The University also receives net proceeds from rental properties managed by UBC Properties Trust, which are combined with the income from these endowments to support strategic initiatives.

These funds are not intended to be allocated permanently, but are used to support initiatives with limited life spans to maintain flexibility as to their use for future administrations. That said, a large portion has been allocated to support building projects that are University priorities but are not fully funded from other sources. Typically, funding is allocated to finance construction costs, which are amortized over periods of up to 30 years until the debt has been repaid, at which point the funding will become available for reallocation. On-going allocations below represent debt service payments to support the construction of various University buildings, such as the Ike Barber Learning Commons, Allard Hall, the Centre for Comparative Medicine, the Life Sciences Building, and the Student Nest.

More recently, as funding has become available, these endowments have supported other types of priorities, such as research matching funds and faculty support.

The funds available from investment income on land development and funding allocations are summarized as follows:

INVESTMENT INCOME ON LAND DEVELOPMENT

(in \$millions)

	Forecast 2017/2018	Budget 2018/2019	Increase / Decrease
Funding sources, includes carryforward			
Balance carried forward	3.0	3.9	0.9
Trek 4.0% spend allocation	9.0	14.2	5.2
Trek Impact 3.5% spend allocation	0.4	0.4	0.0
SHFE 3.5% spend allocation	7.5	6.4	(1.1)
FHAFE 4.0% spend allocation	0.3	0.5	0.2
UBCPT rental distributions	6.0	8.1	2.1
Total funding	26.2	33.5	7.3
Funding allocations			
On-going debt service	13.6	13.7	
<u>New ongoing allocations</u>			
Internal loan - Enterprisewide IT renewal	2.3	6.0	
Internal loan - Fitness Expansion in old SUB		0.5	
Internal loan - Initial Integrated Program Costs		4.0	
Internal loan - Pharmaceutical Sciences Building		0.3	
Internal loan - Stem Cell Lab Biomedical Research Centre		0.3	
Medicine faculty renewal		5.0	
	15.9	29.8	13.9
<u>Limited term allocations</u>			
Baseball Stadium in Thunderbird Park	0.5		
Brain Canada applications	0.3		
Classroom	2.0		
Other research & endowment matching	1.7		
Pharmaceutical Sciences Building - Debt relief	1.5		
UBC Brand Positioning Campaign & Speaker Series Support		1.8	
University Neighbourhood Association		1.5	
VP Research - E@ubc	0.4		
	6.4	3.3	(3.1)
Total allocations	22.3	33.1	10.8
Funding available for further allocations	3.9	0.4	(3.5)