



SUBJECT	UNIVERSITY NEIGHBOURHOODS ASSOCIATION ANNUAL UPDATE AND BUDGET
MEETING DATE	JUNE 14, 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 the UBC Board of Governors receive for information the University Neighbourhoods Association 2018-2019 Operating Budget and Annual Update.
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Report Date	May 11, 2017
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Presented By Philip Steenkamp, Vice-President External Relations
Peter Smailes, Interim Vice-President Finance & Operations
Michael White, Associate Vice-President, Campus + Community Planning

EXECUTIVE SUMMARY

The University Neighbourhoods Association (UNA) provides campus neighbourhood services on UBC’s behalf and represents residents’ interests. This report provides an overview of how UBC and the UNA have been working in partnership to strengthen the management of the UNA and ensure its long term financial health. It includes an update on the University Neighbourhoods Association activities over the past year and highlights from the UNA’s 2018-2019 budget. The UNA budget is presented to the Board of Governors for information annually, in accordance with the terms of the Neighbours Agreement between UBC and the UNA.

UBC and the UNA work together on a variety of initiatives to respond to the needs of residents and to enhance engagement and communication. Examples of this include a resident member of the Development Permit Board, quarterly meetings between the UNA Board and UBC Executive, the Joint Financial Task Force, daily engagement between UNA and UBC administration, bi-annual co-hosted UBC-UNA community conversations, specific consultation on projects and most recently the creation of a Neighbourhood Liaison Committee of the UBC Board of Governors to identify and discuss common interests and resolve areas of concern.

The UNA also delivers community services in campus neighbourhoods such as recreation programs and facilities, landscaping and road maintenance. The majority of funding to deliver these services comes from the Services Levy UBC collects from campus residents, which is one of the two property tax-like charges paid by property owners in the university neighbourhoods.

The UNA Board of Directors has approved its \$5.5m operating budget for fiscal year 2018-2019 to deliver these services. Overall, the UNA’s 2018-2019 budget has increased by 6% from last year.

This year’s budget enables the UNA to continue to deliver on its mandate and support the needs of a growing community including increases in Engineering and Operation Services costs (landscaping and infrastructure operation), staffing costs attributable to bringing all positions in line with market salary levels and professional services (legal fees, consultants, etc.) as well as investment in IT and communications.

One of the key challenges facing the UNA has been a decline in revenues from the Services Levy. This revenue has decreased by 30% since 2012 even as UBC assessed values have increased by 70%. This is primarily the result of the Services Levy paid by leaseholders being tied to City of Vancouver residential tax rate (as required by UBC leases), which has been decreasing with the extreme rise in property values in Vancouver combined with a transfer of tax burden from residential to commercial properties (although that trend appears now to be slowing and potentially reversing). At the same time, UNA expenses are increasing to keep pace with the growing community, including the province’s recent download of neighbourhood fire costs.

To manage these pressures, a UBC-UNA Joint Financial Task Force was created. The first phase of the Task Force focused on the fire protection cost pressures and resolved this in 2016 through a 5 year commitment to reduce UNA costs by \$800,000 annually. The second phase of the Task Force took place in 2017 and focused on the UNA’s continued funding pressures, with a number of strategies created (and being enhanced) including:

- a UNA Service Review to increase efficiency of service delivery including shared services with UBC, restructuring UNA operations, and reducing office space;
- continued engagement with the province on the tax framework including clarity on use of rural tax revenue;
- benchmarking of municipal community service levels to better understand operating costs;
- a three-year commitment from UBC to provide a Community Services Grant, funded by land development proceeds. The size of the Grant for 2018-2019 will be finalized once the City of Vancouver residential tax rates and BC Assessment values are established later in June, but staff anticipate up to \$500k.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

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

DESCRIPTION & RATIONALE *Background*

The UNA was established in 2002 as a not-for-profit entity to provide campus neighbourhood services on UBC’s behalf and represent UBC neighbourhood residents’ interests. This partnership between UBC and the UNA was created to, amongst other things:

- Support the UNA in delivering community services, amenities and facilities to residents,
- Enable the UNA to act as an advisory board to the Board of Governors in matters related to the functioning of this quasi-municipality,

- Facilitate engagement, communication and community building partnerships between UBC and the UNA.

The UNA is responsible for services such as public landscaping, noise control, infrastructure maintenance, parking regulation, child care, and managing public parks and community centres. UBC remains responsible for land use planning and related regulatory matters such as building permits.

The UNA has eight directors. Five are elected resident members from the neighbourhood housing areas on campus, two are appointed by UBC, and one is appointed by the AMS.

The UNA's current directors are:

- Ying Zhou (Chair, Elected Resident)
- Richard Alexander (Elected Resident)
- Laura Cottle (Elected Resident)
- Raymundo Escalona (Elected Resident)
- Rose Wang (Elected Resident)
- Cristina Initchi (AMS-Appointed)
- Carole Jolly (UBC-Appointed)
- Michael Shakespeare (UBC-Appointed)

UBC-UNA Engagement

UBC and the UNA work together on a variety of initiatives to respond to the needs of residents and enhance engagement and communication. Examples of this include: a resident member of the Development Permit Board, quarterly meetings between the UNA Board and UBC Executive, the Joint Financial Task Force, daily engagement between UNA and UBC administration, bi-annual co-hosted UBC-UNA community conversations, and specific consultation on projects.

Most recently, a Neighbourhood Liaison Committee of the UBC Board of Governors Property Committee was created to provide regular engagement between the UNA Board, campus residents and the UBC Board of Governors to identify and discuss common interests and resolve areas of concern.

Summary of 2017-18 UNA Activities

As a corporate entity under the *Societies Act*, the UNA files an annual report and financial statement within six months of its March 31 year-end. The 2018 report will be available later this year. The report will highlight the UNA's priorities over the past year:

- Operations: Ongoing service delivery; delivery of childcare spaces; ongoing budget management, organization and service review, growing recreation programs and their delivery.

- Governance: Strengthening Board governance and organizational effectiveness; bylaw review and updates for compliance to the new BC Societies Act.
- Finance: Ongoing 5-year financial planning and budget management strategy to address external funding pressures and ensure long term fiscal health along with year-end financial statement.
- Community engagement and volunteerism: Continuing strong community participation from nearly 300 volunteers contributing to UNA committees such as multiculturalism and community gardens.

2018-2019 Budget Highlights

The UNA’s \$5.5M 2018-2019 budget includes \$3.7M in local service expenses such as landscaping and community centre operations. UBC retains the remaining \$1.8M directly in the Neighbours Fund for reserve fund contributions, access to UBC athletics facilities, utility costs, and the province’s fire protection charge. The UNA’s 2018-2019 expenses reflect projected costs as UNA-administered neighbourhoods are completed and services are expanded.

The chart below shows the UNA’s \$5.5M in 2018-2019 expenses by category, described in more detail in Attachment 1. Overall, the UNA’s 2018-2019 budget has increased by 6% from last year. This year’s budget enables the UNA to continue to deliver on its mandate and support the needs of a growing community including:

- An increase in Engineering and Operation Services resulting from a growing community and an increase in water rates from Metro Vancouver.
- A decrease in Recreation and Culture Services costs resulting from a reduction in UBC Athletics Fee and Community Access Fee reductions.
- An increase in General Operation Services that are required to support the needs of a growing community, including increases in the communications budget to support enhanced resident engagement, increases in staffing costs attributable to bringing all positions in line with market salary levels, and the addition of professional fees to be used where it is more cost effective than having internal staff.

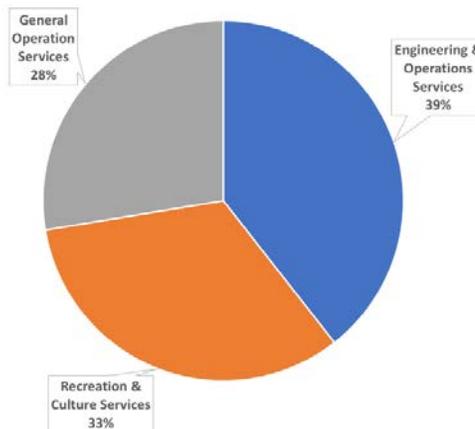


Chart: UNA Approved Operating Budget 2018-2019

Managing UNA Financial Pressures

The UNA's budget is under pressure due to external factors beyond UBC's and the UNA's control.

First, the UNA has little control over revenue. Services Levy revenue has decreased by 30% since 2012 even as UBC assessed value has increased 70%. This is because the formula in UBC leases connects the Services Levy rate to Vancouver's tax rate; Vancouver rates have decreased significantly in recent years due to a rapid increase in single-family house values. The province required this connection to Vancouver rates when UBC began residential development. The formula is embedded in 3,700+ leases and UBC is unable to alter it without provincial legislation.

At the same time, expenses have continued to increase due primarily to increased population, which affects cost of services (e.g. water and sewer), capital investment (e.g. new recreation centre), and the province's decision to recover fire services costs from UBC neighbourhoods.

A Joint Financial Task Force was created in 2016, with representatives from the UNA, UBC, and UBC Properties Trust to address the growing financial pressures caused by the funding deficit.

Phase One of the Task Force focused on the province's \$1M fire cost download, which included a) UBC's commitment to reduce UNA costs by \$800,000 annually for five years by reducing fees and administrative costs that the UNA pays UBC for service delivery and b) UNA reductions in administration costs, generating new revenue through enhanced programming, and c) drawing on existing UNA financial reserves.

Phase Two of the Joint Financial Task Force began in 2017 and focused on identifying UNA cost savings and revenue opportunities, in light of a continued decline in Service Levy revenue. A number of strategies are being implemented:

- **Shared services.** UNA and UBC are exploring a number of options to collaborate on a variety of services. For example, community centre and neighbourhood field rentals are now managed by UBC Athletics and Recreation, reducing UNA costs and improving services.
- **Restructuring UNA administration staff.** The UNA has restructured from an Executive Director and an Operations Director to a management team of an Executive Director and three managers –Recreation, Operations and Finance. This was accomplished without cost increases and provides support for more responsive service delivery.
- **Reduce office space.** The UNA recently moved into a smaller office space which reduced rent costs by 40%.
- **Operations Review.** A more detailed operations review is in progress to review internal resource allocation and maximize staff skills and expertise. In the interim, two staff vacancies have not been filled.

- **UBC Community Services Grant.** UBC has committed to 3 years of additional financial support for neighbourhood service delivery through a Community Services Grant, funded by land development proceeds. The size of the Grant for 2018-2019 will be finalized once the City of Vancouver residential tax rates and BC Assessment values are established later in June, but staff anticipate up to \$500k.

Together, these strategies improve the efficiency of operations and enhance the resiliency of the UNA's finances.

BENEFITS	UBC's campus neighbourhoods are an integral part of the University community. A mix of campus housing and services help UBC meet its academic, sustainability and wellbeing objectives.
Learning, Research, Financial, Sustainability & Reputational	The UNA provides important community services that keep quality of life high for UBC's neighbourhood residents.

RISKS	There is a risk that the funding amount required to fill the UNA's current financial gap will grow in future years. For example, this would be the case if Services Levy revenue continues to decline. Staff have a number of strategies to manage this risk:
Financial, Operational & Reputational	<ol style="list-style-type: none"> 1. Commitment to an annual Community Services Grant through Phase Two of the Task Force, for three years, to align with Phase One service delivery subsidies through to 2020/2021. This will be monitored and grant amount confirmed through the UNA and UBC annual budget process. 2. Reconvening the Joint Financial Task Force as needed to explore additional revenue generation and cost saving strategies. 3. Continued exploration of additional efficiencies in operations, for example further collaboration with UBC Athletics and Recreation on service delivery. 4. Supporting UNA on an analyses of benchmarking of community service levels to better understand operating costs. 5. Continued engagement with the province on the tax framework for campus neighbourhoods, including clarity on the province's use of rural tax revenue. 6. Supporting UNA on refining their five-year budget projections, including ongoing monitoring of market conditions for changes in revenue projections. 7. Ongoing participation in the UBC/UNA Neighbourhood Liaison Committee, which has prioritized the UNA financial framework as its initial focus, exploring options to ensure continued success of the UNA and its long term fiscal health.

SCHEDULE	○ Spring – Fall 2018: UNA Benchmarking Review
Implementation Timeline	○ December 2018-February 2019: UNA 2019-2020 budget consultation
	○ February 2019: UNA Board of Directors 2019-2020 budget approval
	○ Spring 2019: Board of Governors update

Previous Report Date	June 15, 2017
Decision	For Information
Action / Follow Up	UNA Operating Budget 2017/2018
Previous Report Date	October 27, 2016
Decision	For Information
Action / Follow Up	UNA Annual Update
Previous Report Date	April 14, 2016
Decision	For Information
Action / Follow Up	UNA Operating Budget 2016/2017
Previous Report Date	December 3, 2015
Decision	For Information
Action / Follow Up	UNA Update and 2015 Neighbours Agreement



University Neighbourhoods Association (UNA)
Operating Budget 2018-19
Summary

	2017-18 ACTUAL PROJECTED	2018-19 PROPOSED BUDGET
FUNDING SOURCES		
Neighbours Levy (Service Levy & GMSL)	2,830,000	2,314,719
Contributions to Reserves (Outgoing Funds)		
Infrastructure Replacement Fund	(67,920)	(55,553)
Capital Replacement Fund	(33,960)	(27,777)
Rate Stabilization Fund	-	-
Contingency Reserve Fund	-	-
UNA/VSB Playing Field Replacement Reserve	(60,000)	(60,000)
Community Access Supplemental Reserve	-	-
Total Contributions to Reserves	(161,880)	(143,330)
Transfers from Reserves (Incoming Funds)		
Infrastructure Replacement Reserve	-	-
Capital Replacement Reserve	-	-
Rate Stabilization Reserve	485,000	-
Contingency Reserve	-	500,000
UNA/VSB Playing Field Replacement Reserve	-	-
Community Access Supplemental Reserve	750,000	-
Total Transfers from Reserves	1,235,000	500,000
Total Neighbours Levy & Reserves Available	3,903,120	2,671,389
REVENUE		
Recreation & Culture		
Wesbrook Community Centre	286,006	310,000
Old Barn Community Centre	123,211	99,831
Programming	537,993	542,500
Playing Fields & Park Rentals	46,902	47,840
Total Recreation & Culture	994,112	1,000,171
Other Revenue		
Parking	115,504	147,600
Miscellaneous	44,679	21,000
Total Other Revenue	160,183	168,600
Grants & Other Funding		
UBC Community Services Grant	-	907,092
Transfer from 2012-2015 Surplus Reserves	66,581	733,419
External Grants & Miscellaneous	60,183	64,000
Total Grants & Other Funding	126,764	1,704,511
TOTAL FUNDING SOURCES & REVENUE	5,184,179	5,544,671
EXPENDITURES		
Engineering & Operations Services		
Water & Sewage	376,000	394,800
Fire Services Fee	1,056,888	1,118,784
Parking & Emergency Management	97,280	123,000
Common Area Maintenance Fees		
Landscaping	242,755	232,928
Road, Gutter and Sidewalk Maintenance	12,106	21,000
Streetlights	31,827	49,840
UBCPT Management Fees	58,342	60,000
Electricity	67,102	97,500
Other Common Area Maintenance Costs	26,240	57,070
Total Engineering & Operations Services	1,968,540	2,154,922
Recreation & Culture Services		
Athletics Access Fee	212,000	173,604
Wesbrook Community Centre	266,741	277,428
Old Barn Community Centre	158,366	152,522
Recreation Salaries & Benefits	753,968	667,548
Programming	377,136	372,000
Fields	5,537	17,360
Community Access	120,203	114,430
Community Support	8,786	26,900
Total Recreation & Culture Services	1,902,737	1,801,791
General Operation Services		
GST (unrecoverable: Neighbours Levy less UBC Costs & Contributions to Reserves)	31,546	18,604
Administration Salaries & Benefits	638,063	791,584
Sustainability	9,780	12,500
General Operating Services	193,957	161,135
Professional Fees	228,429	228,500
Communications	66,928	230,000
Public Engagement	73,645	66,500
Total General Operation Services	1,242,348	1,508,823
Contingency (2% on Engineering & Ops and Recreation & Culture Services)	70,554	79,134
TOTAL EXPENDITURES	5,184,179	5,544,671
BALANCE SURPLUS (OR DEFICIT)	0	0