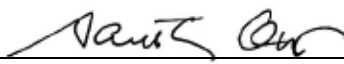


SUBJECT	UNIVERSITY NEIGHBOURHOODS ASSOCIATION ANNUAL UPDATE AND 2019-2020 OPERATING BUDGET
MEETING DATE	JUNE 5, 2019

Forwarded on the Recommendation of the President

APPROVED FOR SUBMISSION



 Santa J. Ono, President and Vice-Chancellor

FOR INFORMATION

Report Date	April 23, 2019
Presented By	Robin Ciceri, Vice-President External Relations Peter Smalles, Vice-President Finance & Operations Hubert Lai, Q.C., University Counsel Michael White, Associate Vice-President Campus + Community Planning

STRATEGIC CORE AREAS SUPPORTED

- People and Places Research Excellence Transformative Learning Local / Global Engagement

EXECUTIVE SUMMARY

This report provides the University Neighbourhoods Association 2019-2020 Operating Budget and Annual Update, in accordance with the Neighbours Agreement between UBC and the UNA. The report also provides an update on developments related to evolving UNA governance, including the UNA’s proposed amendments to their Bylaws, and consequential amendments required to the UBC-UNA Neighbours Agreement.

The UNA Board of Directors has approved its \$6.2M operating budget for fiscal year 2019-2020. Overall, the UNA’s 2019-2020 budget has increased by 12% from last year. This 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 (storm water levy and water rates), an increase in fire service fees, an increase in recreation and service costs, and an increase in general operation services (communications, professional services, and staffing costs attributable to bringing all positions in line with market salary levels). Of these costs, 97% are non-discretionary to support the core operating needs of the organization.

The majority of the UNA’s funding comes from Services Levy revenue collected from campus leaseholders. Since the UNA’s 2019-2020 budget was finalized, UBC has received 2019 assessment values and tax rates: the UNA now projects a 15% increase in revenue over last year and a \$680,000 budget shortfall. This is an improvement from last year’s deficit due to the first increase in Services Levy revenue in six years. In 2019, the UNA is projected to receive more than \$4.3M in Services Levy revenue, a significant increase from the \$3.5M received in 2018 and \$2.8M received in 2017. In future years, Services Levy revenue is projected to grow even further owing to the fact that Vancouver’s residential tax rate will be increasing – UBC residential leases are pegged to Vancouver’s tax rate per provincial decision when UBC sought provincial approval to develop residential neighbourhoods. Current projections show the UNA’s overall budget shortfall will be eliminated in 2021-2022.

To manage UNA funding pressures in the interim, UBC and the UNA have continued to implement recommendations of the 2016 Joint Financial Task Force, namely:

- UBC reducing various service charges to the UNA through 2021 by \$800k annually to address the provincial download of fire service costs;
- UBC providing the UNA an annual Community Services Grant through 2021 (estimated \$0.5M for 19/20) funded through land development proceeds to address the temporarily declining Services Levy revenue;
- Shared services between UNA and UBC to reduce UNA costs (e.g., UBC Athletics managing UNA fields to enable additional revenue); restructuring UNA administration staff to optimize efficiencies; reducing office space; and reviewing operational costs for efficiencies; and,
- The prudent use of UNA rate stabilization reserves.

UBC and the UNA continue to monitor Services Levy assumptions and budget projections using the UNA five-year financial model. This report also describes UBC administration's assessment of alternative Services Levy methodologies and importance of close monitoring of Vancouver's residential tax rate in future years.

In addition to managing the organization's financial health, the UNA has also been focusing on best practices for organizational governance as part of a new Strategic Plan, actioned through a recently-completed comprehensive bylaw review. Many of the proposed amendments relate to operational efficiencies of the UNA Board. The UNA is also requesting changes to Board composition, which presents a fundamental change to the relationship between the UNA and UBC. Currently, five resident directors are elected by the community, two directors are appointed by UBC and one by the AMS. The UNA is now requesting a transition to a fully-elected Board that would result in the removal of the AMS-appointed Director, and replacing voting rights of UBC appointed Directors with Observer status. This would allow UBC to continue attending and engaging in open and closed Board discussions, unless expressly excluded by the UNA Board.

UBC staff are supportive of transitioning UBC appointed Directors to Observer status so long as UBC's financial interests are maintained through updated provisions of the Neighbours Agreement. This includes the requirement that UBC sign off on the UNA annual budget, UNA Financial Reserve Policies and UNA Financial Reserve withdrawals. UBC is also exploring what role the UBC Neighbourhoods Liaison Committee may play in these financial decisions. The development of appropriate changes to the Neighbours Agreement is being led by UBC Legal Counsel with input from Treasury and Campus and Community Planning.

As part of the bylaw review process, the UNA consulted broadly within its community on proposed Bylaw amendments, including a community survey, a community information forum, and targeted conversations with the AMS. Based on this consultation, there is general support amongst community members for the proposed Bylaw amendments. The AMS, however, has expressed concern with the proposal to remove the AMS appointed Director. The UNA has acknowledged this perspective and is actively in discussions with the AMS to explore other opportunities to formalize a UNA/AMS relationship.

Attachments

University Neighbourhoods Association 2019-2020 Operating Budget

DESCRIPTION & RATIONALE

In accordance with the terms of the Neighbours Agreement between the UBC and the UNA, this report provides for information the University Neighbourhoods Association 2019-2020 Operating Budget and reports 2018 annual activities. The report also provides an update on priorities identified by the UBC Neighbourhoods Liaison Committee in 2018. UBC and the UNA created the UBC Neighbourhoods Liaison Committee in 2018 as a mechanism to provide regular engagement between the UNA Board of Directors, campus residents, and the UBC Board of Governors.

This Committee is an important evolution in the relationship between UBC and the UNA to collectively address challenges and discuss common interests. Early priorities include the UNA's financial framework and fiscal resiliency, and opportunities to evolve the UNA's governance to reflect the needs of a growing community, as described in this report.

UNA Mandate

The UNA was established in 2002 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, childcare operations, and managing public parks and community centres. UBC remains responsible for land use planning and related regulatory matters such as building permits.

The UNA developed its first Strategic Plan in 2018 to identify priorities in four key areas over the next two years:

- **UNA Governance:** explore opportunities to evolve governance to meet the changing needs of a growing population.
- **Financial Sustainability:** explore opportunities to address the cost of core operations, potential revenue generation, and alignment of resource allocation within the mandate and identified priorities.
- **Operational Capacity:** continue the foundational work to streamline processes, build staff skills and ensure adequate resources to support the organization.
- **Community and Stakeholder Relations:** identify and implement initiatives and processes to identify community needs and engage the community in ways that support the UNA's vision of being "The place people choose to live."

The UNA is a not-for-profit society managed under the *BC Societies Act* and has a Board of Directors made up of five elected resident directors from the neighbourhood housing areas on campus, two UBC-appointed directors, and one AMS-appointed director.

The UNA's current directors are: Ying Zhou (Chair, Elected Resident); Laura Cottle (Elected Resident); Terry Mullen (Elected Resident); Matthew Delumpa (Elected Resident); Nataliya Jatskevich (Elected Resident); Cristina Ilnitshi (AMS-Appointed); Carole Jolly (UBC-Appointed); and Tor Album (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: the UBC Neighbourhoods Liaison Committee, a resident member of the Development Permit Board, quarterly meetings between the UNA Board and UBC Executive, daily engagement between UNA and UBC administration, co-hosted UBC-UNA community conversations, partnerships on programs to help build and shape community, and specific consultation on key neighbourhood planning initiatives.

Summary of 2018-2019 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 Annual Report will be available later this year and presented at the UNA Annual General Meeting. The report will highlight the UNA's priorities over the past year:

- Operations: Ongoing service delivery; delivery of new childcare programs including out of school care programs, in partnership with the YMCA; ongoing budget and financial risk management; organization and service review; revised HR program including professional development, training, and enhanced staff engagement; growing recreation programs and their delivery; partnering with UBC Athletics to leverage facility management capacity.
- Governance: Developed first UNA strategic planning process; implemented Executive Director evaluation, consultant review and recommendations for creation of Community Advisory Committees, UNA Bylaw and Neighbours Agreement review.
- Finance: Ongoing five-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 300 volunteers contributing to UNA committees such as multiculturalism and community gardens, enhanced engagement with strata chairs, participation in Stadium Neighbourhood Planning Advisory Committee, improved relationships with UBC and UBCPT senior staff, ongoing exploration of opportunities to enhance town/gown relationships.

2019-2020 Budget Highlights

The UNA's \$6.2M 2019-2020 budget includes \$4.3M in local service expenses such as landscaping and community centre operations. UBC retains the remaining \$1.9M 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 2019-2020 expenses reflect projected costs as UNA-administered neighbourhoods are completed and services are expanded.

The chart below shows the UNA's \$6.2M in 2019-2020 expenses by category, described in more detail in Attachment 1. Overall, the UNA's 2019-2020 Operating Budget has increased by 12% from last year, and revenues have increased by 15% over last year primarily due to projected increases in the Services Levy. Additionally, the UNA continues to see growth in recreation and culture programming revenue. Despite this, the UNA is projecting a \$0.68M budget shortfall, largely due to financial pressures beyond the UNA's control, described in more detail below.

Within its budget, 97% of expenses are non-discretionary and enable 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, including an increase in the storm water levy and water rates from Metro Vancouver.
- An increase in the fire services fee due to population growth.
- An increase in recreation and service costs due to growing operational costs.
- 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, more digital tools to support external communication and internal operations in a cost-effective manner, 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.

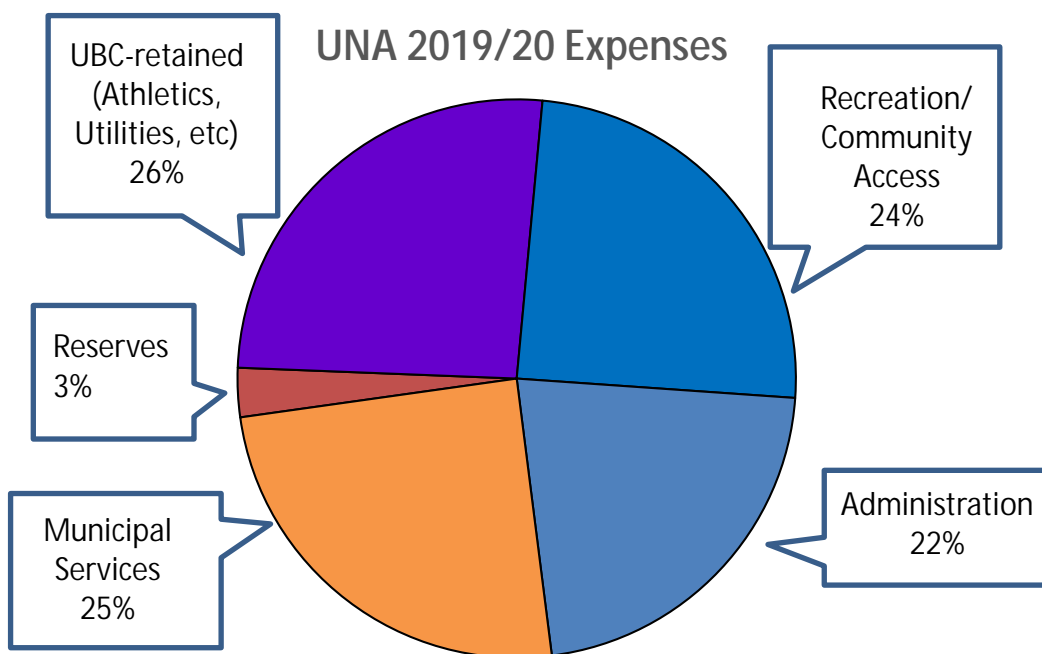


Chart: UNA Approved Operating Budget 2019-202020

Managing UNA Financial Pressures

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

First, the UNA has little control over revenue. From 2012-2017, Services Levy revenue decreased by 30% even as UBC assessed value were increasing. This is because the formula in UBC leases connects the Services Levy rate to Vancouver's tax rate, which has decreased significantly in past 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.

In 2018, this trend reversed, and for the first time in six years the UNA's Service Levy revenue grew. Based on recent assessment data, the UNA expects \$4.3M in Service Levy revenue for 2019-2020, compared to \$2.8M in 2017, and \$3.5M in 2018. This trend is projected to continue for future years, eliminating the UNA's current budget shortfall by 2021-2022. In the meantime, UBC will continue to support the UNA through Board approved mechanisms that were recommended by the 2016-2017 Joint Financial Task Force (UBC, UNA and UBCPT).

Phase One of the Joint Financial 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; 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 in 2017 focused on identifying UNA cost savings and revenue opportunities. Several strategies were implemented including opportunities for shared services between UNA and UBC to reduce UNA costs (e.g. UBC Athletics managing UNA fields to drive up revenue); restructuring UNA administration staff to optimize efficiencies; reducing office space; and reviewing operational costs for efficiencies. UBC also committed to 3 years of additional financial support for neighbourhood service delivery through a Community Services Grant, funded by land development proceeds. Both phase one and phase two commitments will conclude at the end of 2020-2021.

To fund the \$0.68M 2019-2020 budget shortfall, the Community Services Grant is projected at \$0.5M. UNA contingency reserves will fund the remainder. In 2018/19, the UNA budgeted \$0.9M for the UBC Community Services Grant. At year end, the UNA did not require any financial support due to higher-than-projected Services Levy revenue and a reliance on unallocated UNA financial reserves.

UBC and the UNA continue to monitor Service Levy assumptions and budget projections using the UNA five-year financial model. Based on current assumptions, the model projects financial stabilization beginning this year with an increase in Service Levy revenue. By 2021-2022, it is anticipated that the UNA will achieve a balanced budget, with surpluses occurring thereafter in subsequent years.

In addition to the financial modeling, the UBC Neighbourhoods Liaison Committee asked the Administration to explore alternative scenarios for the Services Levy formula calculation in UBC's leases. The current formula – required by the province when UBC began residential development – requires residents to pay the same “property tax” they would be charged in the City of

Vancouver: a portion to the province through the rural tax and the remainder to UBC, applied as the Services Levy. The Administration explored alternatives that would implement a new non-Vancouver property tax benchmark for *future campus development only*. These scenarios could generate additional revenue, but raise questions of fairness and governance from having two different campus property tax regimes. The UNA's budget is projected to return to a balanced position in 2021-2022. Given this, the Administration recommends an approach of maintaining the current Services Levy formula and monitoring the UNA's budget situation closely.

Over the next two years, UBC and the UNA will monitor any changes to the UNA budget assumptions and projections and report to the UBC Neighbourhoods Liaison Committee. As the UNA's financial situation stabilizes, this process will include evaluating the UNA's existing Financial Reserve policies and contribution for UBC services, including athletics facility access.

Evolving UNA Governance

The UNA's Strategic Plan identifies evolving governance as a key priority. This includes a commitment to consider substantive changes to their Bylaws such as revisions to the composition and voting rights of appointed Board members. At the November 2018 meeting of the UBC Neighbourhoods Liaison Committee, UBC committed to working in partnership with the UNA to explore this further and report back to the next UBC Neighbourhoods Liaison Committee pending the conclusion of a UNA bylaw review process.

The UNA Board created a Bylaw Working Group to lead this process, including a review of bylaws and recommendations for amendments to address several aspects of UNA Board governance:

- Composition of the Board
- Term of office of Directors
- Election procedures, timing of election and AGM, and transition
- Selection of Officers
- Quorum for Board meetings
- Expulsion/discipline of members
- Review of stipend for elected directors

The issue of Board composition presents a fundamental change to the relationship between the UNA and UBC. Specifically, the UNA is requesting a transition to a fully elected Board that would result in the removal of the UBC and AMS appointed Directors. As part of this recommendation, the UNA Board acknowledges the value that UBC-appointed Directors bring through their ability to share UBC's perspective on issues of mutual importance. The UNA is therefore further recommending UBC participate as an Observer to the UNA Board. This effectively removes voting rights from UBC-appointed Directors, including their fiduciary duty of care, and replaces it with Observer status. This approach still allows UBC to attend and participate in Board discussions, unless expressly excluded by the UNA Board.

UBC has participated in the bylaw review process and is supportive of this proposed evolution in Board governance, conditional upon the assurance that UBC's financial interests are being maintained.

To manage risk, UBC staff have begun discussions with the UNA on amendments to the Neighbours Agreement that would require UBC sign off on the UNA annual budget, UNA Financial Reserve Policies as well as UNA Financial Reserve withdrawals. UBC is exploring what role the UBC Neighbourhoods Liaison Committee may play in these financial decisions. Contract negotiation discussions with the UNA are being coordinated by the Office of the University Counsel, with input from Treasury and Campus and Community Planning.

As part of the bylaw review process, the UNA also consulted broadly within its community on proposed Bylaw amendments, including a community survey, a community information forum, and targeted conversations with the AMS. Based on this consultation, there is broad support amongst community members for the proposed bylaw amendments. The AMS however has expressed their concern with the proposal to remove the AMS-appointed Director position on the Board. The UNA has noted this perspective and is actively in discussions with the AMS to explore other opportunities to formalize a UNA/AMS relationship.

Next steps include continued conversations between UNA and UBC Legal Counsel to confirm proposed Neighbours Agreement amendments. Pending this, proposed Bylaw and Neighbours Agreement amendments will be brought to the UNA Board for approval. Pending UNA Board approval, UBC will seek Board of Governors approval on Neighbours Agreement amendments. Following Board of Governors approval of the amended Neighbours Agreement, the UNA will bring proposed Bylaw amendments for final approval to their membership at a Special General Meeting, the timing of which will be confirmed depending on timeline of concluding contract negotiations and various Board approvals.

BENEFITS
Learning, Research,
Financial,
Sustainability &
Reputational

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. The UNA provides important community services that keep quality of life high for UBC's neighbourhood residents.

UBC values its partnership with the UNA and acknowledges our strong history of collaboration. UBC is committed to working with the UNA on evolving its governance in a way that meets the needs of a growing community.

RISKS
Financial,
Operational &
Reputational

The UNA's budget pressure comes from financial impacts outside of its direct control. Because of this, there is a risk that the UNA budget will experience shortfalls in future years if Service Levy rates decline instead of increase. Staff have a number of strategies to manage this risk including the ongoing prioritization of the UNA financial framework as part of future UBC Neighbourhoods Liaison Committee agendas; ongoing and continued analysis of the UNA five-year budget model and its assumptions; evidence-based evaluation of services; continued financial support through the Community Services Grant and other costs subsidies until 2020-2021 at which time, additional financial strategies will be reviewed as needed; and scoping and implementation of a UNA financial reserves review to ensure long-term fiscal health.

With respect to evolving governance, the greatest risk is the assurance that UBC's financial interests are being maintained through the relationship with the UNA. To manage this, UBC staff have begun discussions with the UNA on amendments to the Neighbours Agreement that will enhance UBC oversight of UNA budget decisions.

- SCHEDULE**
Implementation
Timeline
- Spring 2019: Neighbours Agreement negotiations between UNA and UBC and updates to Liaison Committee for information and direction as required.
 - Spring-Summer 2019: UNA Board approval of proposed Bylaw amendments and Neighbours Agreement amendments.
 - Summer-Fall 2019: UBC Board approval of Neighbours Agreement amendments.
 - Summer-Fall 2019: UNA Special General Meeting to approve bylaw amendments.
 - Fall-Winter 2019: Implementation of revised UNA bylaws

- CONSULTATION**
Relevant Units,
Internal & External
Constituencies
- UNA-led community consultation on proposed bylaw amendments between February 14 - March 14, 2019, including:
- Community Survey
 - Community Forum
 - AMS stakeholder conversations – ongoing

Previous Report Date	June 14, 2018
Decision	For Information
Action / Follow Up	UNA Annual Report and Operating Budget 2018-2017
Previous Report Date	November 28, 2017
Decision	UBC Neighbourhood Community Services Subsidy (CLOSED)
Action / Follow Up	For Information
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

University Neighbourhoods Association (UNA)
 Operating Budget 2019-20
 Summary

	2019-20 APPROVED BUDGET
FUNDING SOURCES	
Neighbours Levy (Service Levy & GMSL)	4,246,844
Contributions to Reserves (Outgoing Funds)	
Infrastructure Replacement Fund	(101,924)
Capital Replacement Fund	(50,962)
Rate Stabilization Fund	-
Contingency Reserve Fund	(42,468)
UNA/VSB Playing Field Replacement Reserve	(60,000)
Community Access Supplemental Reserve	-
Total Contributions to Reserves	(255,355)
Transfers from Reserves (Incoming Funds)	
Infrastructure Replacement Reserve	-
Capital Replacement Reserve	-
Rate Stabilization Reserve	-
Contingency Reserve	-
UNA/VSB Playing Field Replacement Reserve	-
Community Access Supplemental Reserve	-
Total Transfers from Reserves	-
Total Neighbours Levy & Reserves Available	3,991,489
REVENUE	
Recreation & Culture	
Wesbrook Community Centre	342,426
Old Barn Community Centre	120,617
Programming	664,803
Playing Fields & Park Rentals	93,503
Total Recreation & Culture	1,221,349
Other Revenue	
Parking	147,940
Miscellaneous	27,143
Total Other Revenue	175,083
Grants & Other Funding	
Transfer from 2012-2015 Surplus Reserves	
External Grants & Miscellaneous	38,312
Total Grants & Other Funding	38,312
TOTAL FUNDING SOURCES & REVENUE	5,426,233

	2019-20 DRAFT BUDGET
EXPENDITURES	
Engineering & Operations Services	
Water & Sewage	441,631
Fire Services Fee	1,174,723
Parking & Emergency Management	123,000
Common Area Maintenance Fees	
Landscaping	257,744
Road, Gutter and Sidewalk Maintenance	22,050
Streetlights	52,332
UBCPT Management Fees	63,000
Electricity	102,375
Other Common Area Maintenance Costs	59,924
Total Engineering & Operations Services	2,296,779
Recreation & Culture Services	
Athletics Access Fee	318,513
Wesbrook Community Centre	314,158
Old Barn Community Centre	160,072
Recreation Salaries & Benefits	856,381
Programming	350,000
Fields	17,360
Community Access	118,700
Community Support	26,600
Total Recreation & Culture Services	2,161,784
General Operation Services	
GST (unrecoverable: Neighbours Levy less UBC Costs & Contributions to Reserves)	43,504
Administration Salaries & Benefits	929,996
Sustainability	18,500
General Operating Services	189,500
Professional Fees	141,000
Communications	240,000
Public Engagement	84,000
Total General Operation Services	1,646,501
Contingency (2% on Engineering & Ops and Recreation & Culture Services)	101,171
TOTAL EXPENDITURES	6,206,235
BALANCE SURPLUS OR (STRUCTURAL DEFICIT)	(780,002)
APPROVED STRUCTURAL DEFICIT FUNDING	
Transfers from Reserves:	
Contingency Fund	80,002
UBC Community Services Grant	500,000
Surplus Reserve Funds from 2012-2015	200,000
SURPLUS (OR DEFICIT)	(0)