



SUBJECT	Budget Process Overview and Key Assumptions (FY2022-2023)
SUBMITTED TO	Finance Committee
MEETING DATE	November 19, 2021
SESSION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only
LEAD EXECUTIVE	Peter Smailles, Vice-President Finance & Operations
SUPPORTED BY	Lesley Cormack, Deputy Vice-Chancellor and Principal, UBC Okanagan Andrew Szeri, Provost and Vice-President Academic, UBC Vancouver Ananya Mukherjee Reed, Provost and Vice-President Academic, UBC Okanagan Pam Ratner, Vice-Provost and AVP Faculty Planning Rob Einarson, Associate Vice-President Finance & Operations, UBC Okanagan Karamjeet Heer, Comptroller David Shorthouse, Executive Director, Academic Initiatives Matt Boydston, Assistant Comptroller Steve Bow, Assistant Comptroller Lucy Li, Associate Director, Strategic Implementation

The Finance Committee receives the Budget Process Overview briefing annually, most recently in [November 2020](#).

EXECUTIVE SUMMARY

The UBC Budget represents the financial plan for the university—it serves as a roadmap for allocating the university’s revenues against one-time and recurring expenses and strategic investments to ensure the long-term financial sustainability of the university, and to support UBC’s academic mandate. The budget process focuses on aligning UBC’s financial approach with the university’s strategic and operating plans.

In accordance with the *University Act*, the President must prepare and submit to the Board of Governors an annual budget. The process to develop UBC’s budget, prior to review and approval of the President, is the responsibility of the University Executive.

A primary commitment and value of the university is to deliver high-quality education and support services to all our students. As key stakeholders, students must have a voice in the budget process. Therefore, via elected student leaders and through annual consultation, students will provide input into the university’s budget priorities.

UBC is also committed to being a global leader in advancing Truth and Reconciliation with Indigenous Peoples and the United Nations Declaration on the Rights of Indigenous People through the implementation of UBC’s Indigenous Strategic Plan (ISP). Engagement and consultation on the development of the annual budget to support the ISP will occur through the annual budget process.

The attached presentation provides an update on the financial forecast, highlights key considerations for the budget process and an overview of the budget process, including a high-level overview of the pathway to the FY 22/23 budget.

Strategic Budget Meetings and the Financial Outlook/Forecast meetings will inform the development of the fiscal 2022-2023 budget proposal to be considered by UBC’s Executive. Following Executive review and approval by the President, the budget will be presented to UBC’s Board of Governors in March 2022.

PRESENTATIONS

1. Fiscal 2022-2023 Budget Process Overview and Key Considerations

FISCAL 2022-2023 BUDGET PROCESS OVERVIEW & KEY CONSIDERATIONS

November 19, 2021

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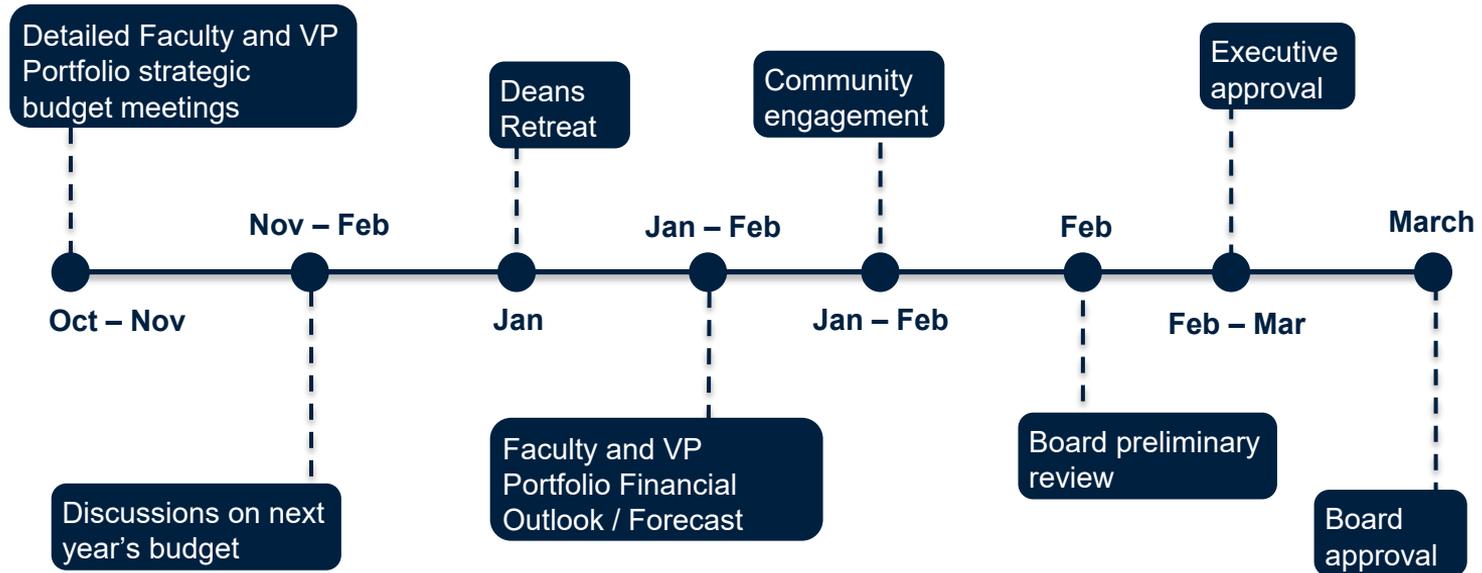


FY21-22 FORECAST UPDATE AS AT Q1



- Enrolment is consistent with the approved budget – remaining relatively flat.
- Sales and Service revenues are approaching the pre-pandemic levels with an increase in on-campus activities.
- Salaries and benefits are increasing in line with the collective agreements as well as additional staffing to support pre-pandemic campus activity levels.
- Investment income within the Endowment is higher than budget reflecting market conditions.
- The ancillary losses from the impact of COVID-19 continue to be mitigated through the deferral of loan payments and dividend holidays.
- In FY21/22 the operating funding for UBCV Administrative Units is reduced by 2% to manage the financial impact of COVID-19.
- UBC continues to make investments for the benefit of students and UBC's strategic priorities.

FY22-23 BUDGET PROCESS



- The budget process focuses on aligning UBC's financial approach with the university's strategic and operating plans.
- The UBC Budget serves as a roadmap for allocating the university's revenues against one-time and recurring expenses and strategic investments, to ensure the long-term financial sustainability of the university and to support UBC's academic mandate.

FY22-23 BUDGET PATHWAY



November 2021 Finance Committee meeting:

- Budget Process Overview and Key Considerations
- Status update on the Affordability Plan

February 2022 Finance Committee meeting:

- Preliminary review of FY22/23 Budget
 - The Key Assumptions will include information about proposed FY22/23 tuition increases

March 2022 Finance Committee → March 2022 Board meeting

- **Finance Committee**
 - FY22/23 tuition and budget proposal, along with the Affordability Plan, for deliberation and discussion
- **Board**
 - Tuition and budget recommendation from the Finance Committee for approval
 - Affordability Plan for discussion and approval
 - The Plan will include key areas of need and options for the sources and uses of funds

FY22-23 HIGH-LEVEL BUDGET CONTEXT



- Internal cost pressures will persist as a result of FY20/21's operating deficit and costs to appropriately compensate employees as codified in the relevant Collective Agreements continue to create upward pressure on expenses:
 - GWI (usually 2%) that is funded by the Province;
 - Unfunded merit and career progression salary increments (~3% for faculty and ~2% staff); and
 - Annual non-labour inflation (~2%).
- VP Portfolios (UBCV) will continue to absorb one-time budget cuts (initiated in FY20/21) for at least one more year to mitigate the impact of COVID-19.
- Next year's incremental funding will be very limited. While the government operating grant will remain relatively flat, expenses are expected to increase faster than incremental revenues (tuition rates, subject to student consultation and BoG approval, are the key driver to partially offset the unfunded cost pressures).
- Future savings opportunities are being actively explored in addition to VP Portfolios funding cuts (UBCV) to shift limited resources to continue investing in strategic initiatives that advance the academic mission.
- UBCO will be moderating incremental funding linked to critical areas of need and strategic priority areas of campus
- Recognizes the university's future commitments to PAEI, IRP repayment and centrally funded new facilities.⁵

COMPETING DEMANDS FOR LIMITED INCREMENTAL REVENUE



In order to maintain UBC's standing internationally and continue to promote excellence in teaching, learning and research, we need to continue to invest in strategic priorities while balancing operational needs.

- Strategic priorities that advance the academic mission
 - Supporting implementation of the Indigenous Strategic Plan
 - Advocating for anti-racism, equity, diversity, and inclusion across UBC's campuses
 - Championing deployment of the recommendations of the Climate Emergency Task Force through the Climate Action Plan
 - Elevate UBC's overall research capacity through the PAEI
 - Major capital projects to enhance students' experience – Brock Commons, Gateway Building, Recreation Centre, Biomedical Engineering
 - Major capital projects for UBCO to address critical shortage in teaching and research space – Kelowna Downtown project and ICI Building
- Maintaining campus operations
 - Unfunded cost pressures (net of government grant increases)
 - Academic and staff salary increases as codified in Collective Agreements
 - Inflation on non-labour – e.g. cost of goods sold, supplies and sundries.
 - Integrated Renewal Project – HR, Finance and Student system upgrade
 - Routine maintenance of existing infrastructure – e.g. technology upgrades, classroom upgrades, library and learning spaces upgrades
 - Seismic upgrades of aging facilities



KEY CONSIDERATIONS FOR FY22/23 BUDGET

- Even though enrolment for this fiscal appears promising as at the end of September, a number of factors all introduce **varying degrees of uncertainty into student enrolment for next year**, including:
 - Continuously evolving travel restrictions, requirements and access;
 - Study permit availability (2.5% of international students couldn't get to Canada in time for the Fall term);
 - Impacted family income; and
 - Potential ongoing future health risks associated with possible new variants of COVID-19.
- **Student consultation for proposed general tuition and fee increases** for FY22/23 will commence in Jan. 2022.
- In order to understand the impact of tuition on budgets, tuition increases in line with last year (2% domestic, 2% returning international and 4% new international) are being assumed for modeling purposes. **The proposed tuition increase will be finalized in January 2022, prior to tuition consultation.**
- The recommended **tuition increase will, if approved, enable UBC to continue to invest in key priorities in future years.**
- **Ancillary operations will likely approach pre-pandemic activity levels** and FY20/21 carryforward losses will continue to be supported through deferral of principal payments and relief of dividend payments to Central.



EXCELLENCE AS A UBC VALUE

- UBC's Strategic Plan "*Shaping UBC's Next Century*" includes Excellence as the first of UBC's values
- The Times Higher Ed ranks UBC in the top 40 in the world; UBC's global ranking has many benefits:
 - Attracts the best and brightest faculty and students from around the world
 - Creates jobs and supports local innovation for the benefit of all of BC
 - Has significant value to students seeking jobs well beyond graduation
 - Philanthropy
 - Research
- Maintaining and advancing UBC's ranking requires sustained funding
- A UBC degree is an investment for the future – there are not only educational and lifetime advantages, but the enriching experience introduces friends, mentors, knowledge and skills that lay the foundation for a successful future.

CONCLUSION



- Committed to supporting the long-term safety, health and wellbeing of students, faculty, and staff above all other considerations.
- Committed to maintaining and advancing UBC academic mission and UBC's ranking
- Continues to make investments in driving forward the key priorities of the UBC Strategic Plan. These include providing our students with the supports they need; our ongoing goals of continuing to transform learning and push the boundaries in research; advancing our EDI goals and our commitments to Truth and Reconciliation; and our pledge in fighting against climate change.
- UBC's financial position is overseen by the university's Executive and the Board of Governors.
- While uncertainty continues in some areas, the university's liquidity is well monitored and remains in good health.