



SUBJECT	2023-2024 Budget Process Overview and Key Assumptions
SUBMITTED TO	Finance Committee
MEETING DATE	November 17, 2022
SESSION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Yale Loh, Interim Vice-President Finance
SUPPORTED BY	Lesley Cormack, Deputy Vice-Chancellor and Principal, UBC Okanagan Gage Averill, Provost and Vice-President Academic pro tem, UBC Vancouver Rehan Sadiq, Provost and Vice-President Academic, UBC Okanagan Bhushan Gopaluni, Vice-Provost and AVP Faculty Planning Rob Einarson, Associate Vice-President Finance & Operations, UBC Okanagan Matt Boydston, Interim Comptroller David Shorthouse, Executive Director, Academic Initiatives Lucy Li, Associate Director, Strategic Implementation Joan Mar, Director, FP&A

PRIOR SUBMISSIONS

The Finance Committee receives the Budget Process Overview briefing annually, most recently in [November 2021](#).

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.

Numerous other stakeholders will be included in the budget process including equity-deserving groups, faculty leadership and staff leadership. Following Executive review and approval by the President, the budget will be presented to UBC's Board of Governors in March 2023.

The attached presentation provides an update on the fiscal 2022-2023 Q2 financial forecast, highlights key considerations for the budget process and provides an overview of the budget process, including a high-level overview of the pathway to the FY23-24 budget.

PRESENTATIONS

1. Fiscal 2023-2024 Budget Process Overview and Key Considerations

FISCAL 2023-2024 BUDGET PROCESS OVERVIEW AND KEY CONSIDERATIONS

November 17, 2022

GAGE AVERILL, PROVOST AND VICE-PRESIDENT ACADEMIC *PRO TEM*, UBC VANCOUVER

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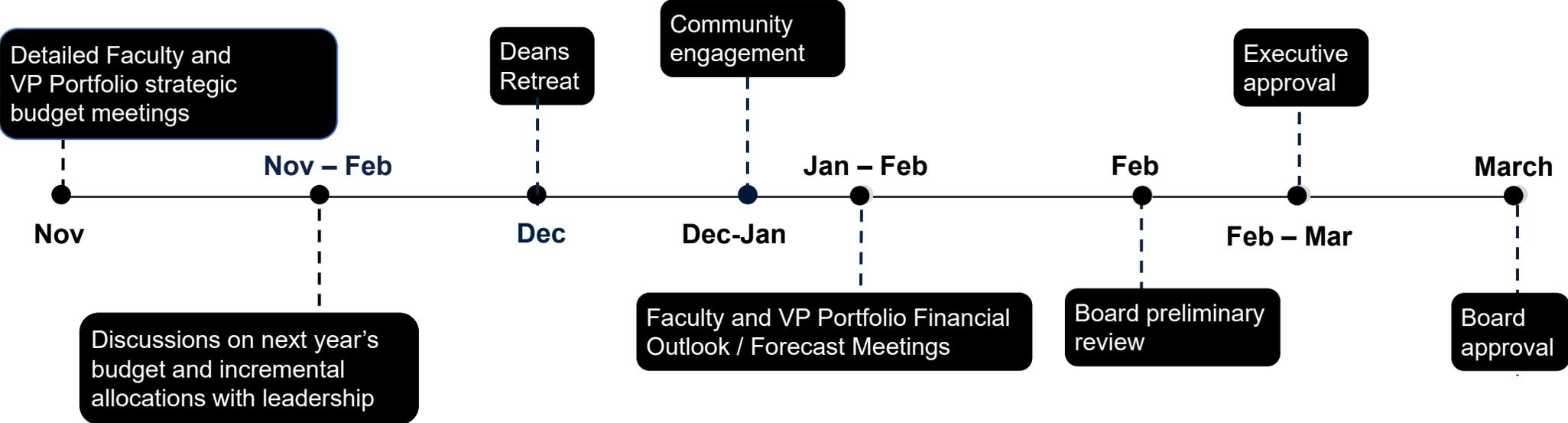


FY22-23 FORECAST UPDATE AS AT Q2



- Despite slight enrolment increases, forecasted tuition revenue is lower than budget due in part to delays in processing international study applications by the Canadian government, which resulted in higher-than-anticipated student withdrawals (prior year recurring impact).
- Investment income driven by higher investment returns on working capital due to higher than anticipated liquidity balances.
- Sales and Service revenues are above pre-pandemic levels with an increase in on-campus activities, particularly those supporting Ancillary operations.
- Salaries and benefits have increased as a result of faculty renewal and a return to pre-pandemic levels of staff and student employees levels.
- Ancillary costs are on the rise with the return to normal operations.
- Travel expenses have increased due to additional sport teams activities, in person events, and conferences.
- In FY22-23 the operating funding for UBCV Administrative Units continue to be reduced by 2% (~\$8m) to manage the financial impact of COVID-19.

FY23-24 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.



FY23-24 BUDGET PATHWAY

November Finance Committee meeting:

- Budget process overview and key considerations
- Results of the tuition consultation with students
- Recommendation for approval of 2023-2024 tuition increases

February 2023 Finance Committee meeting:

- Preliminary review of FY23-24 budget

March 2023 Finance Committee → March 2023 Board meeting

- **Finance Committee**
 - FY23-24 tuition and budget proposal
 - Progress update on the implementation of the Student Affordability Plan
- **Board**
 - Budget recommendation from the Finance Committee for approval
 - Progress update on the implementation of the Student Affordability Plan
 - The Plan will include key areas of need and options for the sources and uses of funds



FY 23-24 HIGH-LEVEL BUDGET CONTEXT

- **There continues to be upward pressure on costs:** self-funded salary increases as codified in relevant Collective Agreements and higher-than-normal inflation (~7% in August 2022) on non-labour expenditures that impact key university operations such as library collections, utilities, electricity, water, etc. Key assumptions including upward pressure on expenses:
 - GWI (assumed @ 2% although under negotiation) that is funded by the Province
 - Self-funded merit and career progression salary increments (~3% Faculty and 2% Staff)
 - Forecast inflation to reduce to 3% by the end of 2023 (per Bank of Canada), but this will still have a significant impact to next year's budget
- **VP Portfolios (UBCV) will continue to absorb one-time budget cuts (reduced from 2% to 1%) next year** to mitigate the impact of COVID-19 and **the university continues to draw from reserves to advance its academic mission, complete routine capital maintenance, and invest in key priorities.**
- **Incremental funding continues to be very limited (~\$7m recurring and ~\$27m one-time based on Q2).** Allocations to strategic priorities will be determined through the annual budget process that commenced in the Fall, with guidance from the Executive Team and in consultation with campus community.
- **Future savings opportunities are being actively explored, including operational excellence initiatives to shift limited resources to continue investing in strategic initiatives that advance the academic mission.**
- **Project/Capital challenges:** Inflation on capital projects and global supply chain issues continue to impact UBC, in some cases causing significant delays for major equipment purchases and budget overages for capital.
- **Escalating geopolitical tensions continue to present uncertainty with potential impacts to UBC's financial position,** such as travel restrictions for incoming students, study permit availability, and family income. These events are being closely monitored, and impact assessed regularly.

COMPETING DEMANDS FOR LIMITED INCREMENTAL REVENUE



In order to maintain UBC's standing internationally and continue to promote excellence in teaching and learning and research, we need to continue investments 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 (including implementation of the ARIE Taskforce recommendations)
 - Championing deployment of the recommendations of the Climate Emergency Task Force through the Climate Action Plan and other initiatives
 - Elevate UBC's overall research capacity through the Presidents Academic Excellence Initiative
 - Major capital projects to enhance students' experience, teaching and research on the UBCV campus– (Brock Commons, Gateway Building, Recreation Centre, Biomedical Engineering)
 - Major capital projects allowing UBCO to address critical shortage in teaching and research space – Kelowna Downtown project and ICI Building
- Maintaining campus operations:
 - Self-funded 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 – 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 FY23-24 BUDGET

- Even though enrolment for this fiscal appears slightly higher than prior year as at the end of September 2022, a number of factors introduce varying degrees of uncertainty into student enrolment for next year, including:
 - Delays in processing student visas by Immigration Refugee Citizenship Canada (IRCC) has led to the following outcomes in FY22-23:
 - Loss of 104 year-1 international students at UBCV (5% of year 1 target)
 - Loss of 16 year-1 international students at Vantage College (7% of year 1 target)
 - UBCO below its campus target for total international enrolment by over 200 students. (10% of total campus target)
 - Impacted family income due to inflationary cost pressures
 - Changing global geopolitical landscape leading to potential cancellations of study permits, travel restrictions, etc.
- Student engagement for proposed general tuition and fee increases for FY23-24 commenced in October 2022
- In order to understand the impact of tuition on budgets, proposed tuition increases (5% new international, 3% returning international, and 2% domestic) are being assumed for budgeting purposes. Following student consultation, the resulting tuition increase proposal will be submitted to the Board for approval in December 2022
- The recommended tuition increases will, if approved, enable UBC to continue to invest in key priorities in future years and to mitigate the extreme inflationary cost pressures currently being experienced by the University
- Ancillary operations have resumed to pre-pandemic activity levels and will continue on that assumption for FY23-24.



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 excellence
- 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.



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 Survey ranks UBC in the top 40 in the world; UBC’s global ranking is only one index of quality—and an imperfect one at that—but our reputation, prestige and rankings bring many benefits:
 - Attracting the best and brightest faculty and students from around the world
 - Creates jobs and supports local innovation for the benefit of all of BC
 - Bringing significant value to students seeking jobs well beyond graduation
 - Attracting philanthropy
 - Strengthening our application for research funding and support.
 - Enhancing our attractiveness to other universities seeking partner institutions for programs and shared research.
- Maintaining and advancing UBC’s ranking, prestige, reputation and other indices of excellence, especially in a highly competitive landscape of global postsecondary institutions, requires sustained funding and investment in research, teaching/learning, facilities, personnel and support services
- 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.



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