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<b>SUBJECT</b>	Trek Endowment Flat Spend Increase Recommendation
<b>SUBMITTED TO</b>	Finance Committee
<b>MEETING DATE</b>	March 22, 2023
<b>SESSION CLASSIFICATION</b>	Recommended session criteria from Board Meetings Policy: Open
<b>REQUEST</b>	<b>APPROVAL REQUESTED</b> IT IS HEREBY RESOLVED that the Finance Committee recommends to the Board of Governors approval of: <ul style="list-style-type: none"><li><i>i.</i> an increase of \$3.0 million in the Trek Endowment Flat Real Spend to \$54.2 million for fiscal 2023-2024, increasing at 2.0% annually; and,</li><li><i>ii.</i> a one-time allocation of \$12 million from the Trek Endowment Flat Spend in support of approved budgeted operating asks for fiscal 2023-2024.</li></ul>
<b>LEAD EXECUTIVE</b>	Frank Laezza, Vice-President Finance & Operations
<b>SUPPORTED BY</b>	Yale Loh, Interim Vice-President Finance and Treasurer Gage Averill, Provost and Vice-President Academic, UBC Vancouver Rob Einarson, Associate Vice-President Finance & Operations, UBC Okanagan Matthew Boydston, Interim Comptroller Doug Cheung, Director, Treasury Sarah Goold, Manager, Financial Planning & Analysis

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#### **PRIOR SUBMISSIONS**

The subject matter of this submission was most recently considered on [December 5, 2022](#) (Open Session).

The following Executive Summary provides a status update from the date of the most recent submission.

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#### **EXECUTIVE SUMMARY**

In conjunction with the development of the fiscal year 2023-2024 (FY24) budget and support of approved budgeted asks, the administration is seeking approval of a \$3.0 million increase to the flat real spend to \$54.2 million for FY24, increasing by 2.0% annually, together with a one-time allocation of \$12m from the flat real spend. The flat real spend is a fixed absolute dollar amount that grows with an annual inflation adjustment of 2%, and does not change with any changes in the underlying market value of the Trek Endowment. The Flat Real Spend is a result of interest income from student housing and faculty housing loans combined with market investment returns for other funds within the Trek Endowment. The Trek Endowment fund encompasses all of the land revenue distributions, both strata and rental property, resulting from land development on the UBC Vancouver campus.

At the closed November 2022 Finance Committee meeting, analysis was presented that showed that a small increase from the recommended \$51.2m flat spend was sustainable and did not put the Trek Endowment at risk. With budget pressures and only small incremental amounts of recurring funding available, accessing additional spend from the Trek Endowment is deemed appropriate and beneficial to the academic mission.

In keeping with the Trek Endowment allocation guiding principles established in June 2021, the recommended increase to the flat spend will be split 85%/15% between UBCV/UBCO, roughly in line with student population. Going forward, this allocation principle will be reviewed in an effort to incorporate consideration of strategic priorities of the broader university.

If approved, the additional Trek Endowment flat spend funds will be allocated as follows in support of the FY24 budget:

- UBCV - Privacy & Information Security \$2.025 million
- UBCV – Sustainment of Indigenous Support \$525 thousand
- UBCO – Student Financial Aid \$450 thousand

When the Flat Real Spend Policy was first approved in June 2021, \$12m of the initial \$49.2m flat spend was ringfenced in anticipation of funding needs for the President’s Academic Excellence Initiative (“PAEI”). In addition, a commitment was made to seek further Board approval to use those funds once additional clarity around the PAEI program and the funding needs were established. As a result, \$12 million for FY22 and \$12 million for FY23, for a total of \$24 million, were set aside and are being held for use.

Given the funding requirements of PAEI going forward (to be presented in the June Finance Committee), the administration is seeking approval to release \$12m of the ringfenced PAEI funds on a one-time basis in support of cross-campus expenses within the FY24 operating budget. Specifically, the \$12m will primarily be used to cover:

- Insurance Reserve Funding \$5.05 million
- PrISM Sustainment \$1.74 million
- Integrated Service Centre Stabilization \$2.40 million
- IT staff and support systems/licence costs \$1.50 million
- Operational excellence team stabilization \$1.31 million

Updated Flat Real Spend Funding and allocations can be seen in the table below.

In notional \$ millions	FY22 Actuals	FY23 Forecast	FY24 <sup>1</sup> Forecast
<b>Total Funding</b>	<b>\$49.2</b>	<b>\$50.2</b>	<b>\$54.2<sup>2</sup></b>
<b>Funding Allocations</b>			
On-going debt service	14.4	14.4	14.4
President’s Academic Excellence Initiative	<b>12.0</b>	12.0	12.0
Integrated Renewal Program	12.0	12.0	12.0
Medicine Faculty Renewal	6.7	6.9	6.7
UBCO Student Financial Support <sup>2</sup>	4.1	5.2	<b>5.2</b>
Privacy & Information Security Management <sup>2</sup>			<b>2.0</b>
Rent Geared to Income Program	0.5	0.8	0.9
Pharmaceutical Sciences Building - Debt relief	0.5	0.5	0.5
Indigenous Support <sup>2</sup>	0.0	0.0	<b>0.5</b>
<b>Total Funding Allocations<sup>3</sup></b>	<b>\$51.6</b>	<b>\$51.8</b>	<b>\$54.2</b>

<sup>1</sup> FY24 forecast is subject to budget approval

<sup>2</sup> \$3m additional funding subject to Board approval

<sup>3</sup> Reserves were used to offset funding shortfall in FY22