

**2017 – 2018
Financial Planning Overview**



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1. 2017/18 Financial Planning Context

1.1. Foundation for a Sustainable Future

Building on the theme of transition and new beginnings, the University of Northern British Columbia continues to make progress towards our vision. Our focus this year was the development of an integrated planning process that provides a mechanism to integrate our financial planning, academic planning and administrative planning. At the heart of this initiative is the strategic road map that connects our budget expenditures to who we are as a university. Under this umbrella, there are mechanisms for each portfolio to develop action plans to support the strategic direction of UNBC.

At the core of our strategic direction are our Academic priorities. Senate has tasked five Action Planning Groups (Faculty Renewal and Development, Academic Structure, Academic Administrative Organization, Enrolment Initiatives, and Student Experience and Pedagogy) with developing and presenting their priorities in May, 2017. The groups have been working diligently on engaging our community and have been working together to develop these plans. The university is grateful to the faculty, students and staff who led and lent their voices to the planning process.

Work continues to refresh UNBC's Research Action Plan, which will be finalized in the spring of 2017. In the summer of 2016, UNBC undertook its first Employee Opinion Survey, and it was clear that we have a very engaged and dedicated workforce at UNBC. While we are pleased with the outcome, we continue to explore ways to address opportunities for improvement.

UNBC's biggest risk is declining enrolment. To address this, UNBC has retained two experts to aid us in developing action plans for both domestic and international recruitment. Both plans should be complete in time for the 2018/19 recruitment cycle.

In 2016/17, a new Vice President Finance and Business Operations and a Vice President of University Advancement joined UNBC, bringing much-needed leadership and capacity to these portfolios. In the coming year, searches for the Provost and Vice-President Academic and the Vice-President Research and Graduate Programs will be undertaken. Bringing these searches to successful completion will further strengthen the leadership team.

The newly formed Senior Leadership Forum (SLF) developed a set of action plans that supported the strategic priorities, and have been integrated into the budget for next year. The first cycle of integrated planning has provided a number of opportunities for collaboration and improved communications among units. However, we look to improve upon the process next year by refining the overall timing of the process and enhancing the engagement opportunities through better communication.

As we look forward to the coming year, our emphasis will be on integrating the Academic Plan into the university's Integrated Plan and working to achieve the desired outcomes outlined in the Integrated Plan.

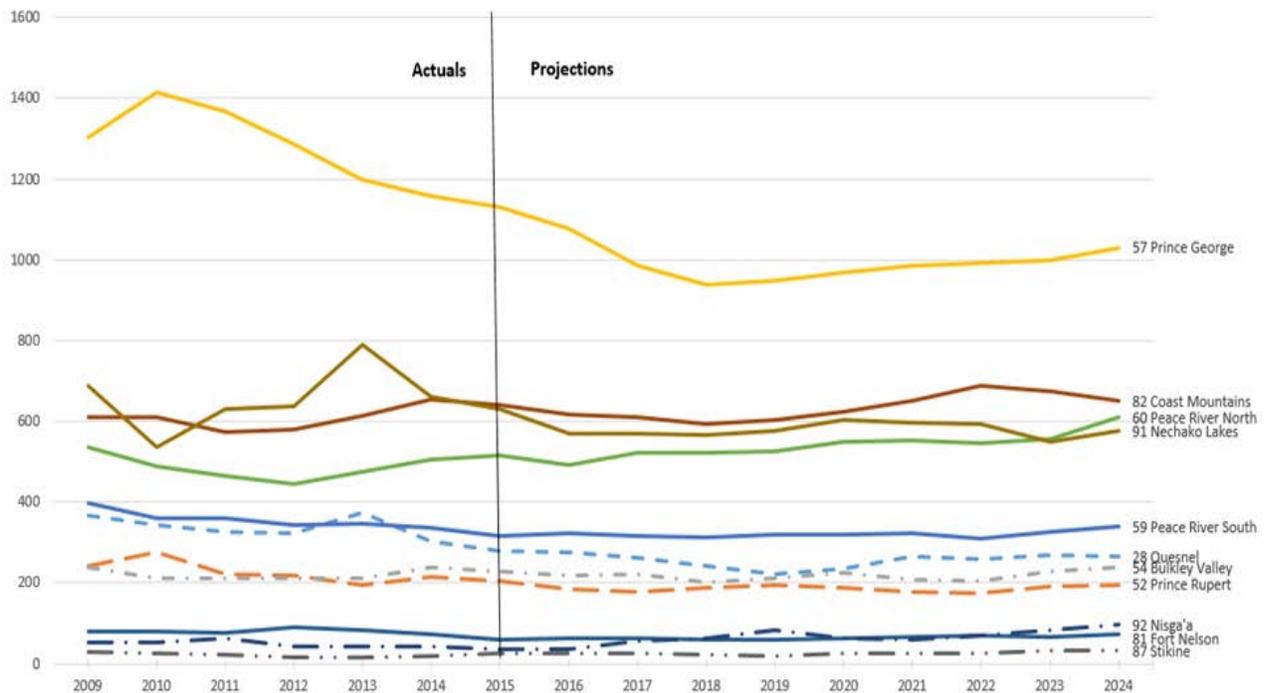
This report has several purposes:

- Present the 2017/18 Financial Overview and Budget Framework to the Board of Governors for approval
- Highlight the planning themes that will be the foci for the University in 2017/18
- Explain the use of non-recurring adjustments as interim solution to resolve the financial deficit until the planning process is complete
- Highlight the 2017/18 short-term priorities, issues and projects at the department and institutional levels funded through the Strategic Priorities Fund (one-time)

1.2. Environmental Scan

British Columbia continues to experience a decline in the number of grade 12 high school graduates, particularly in Northern BC, as depicted in Figure 1, below. It will be a number of years before this trend begins to reverse.

Figure 1: High School Students in Northern British Columbia



- After several years of declining domestic FTE enrolment and the associated tuition fee revenue at UNBC, we experienced a slight uptick in autumn 2016. This may be due to the

positive media coverage resulting from our No. 1 ranking in the Primarily Undergraduate category in the annual MacLean's Magazine university rankings.

- International enrolments at the undergraduate and graduate level, including the associated ancillary services revenue from ELS programs, continued its steep decline. This was despite growing and healthy international enrolments at other B.C. research universities.
- Domestic tuition and fee increases are mandated by the provincial government to be no more than 2.0% annually.
- The provincial operating grant is projected to remain flat and will only provide for increases that fall under the provisions for the Economic Stability Mandate.
- The Ministry of Advanced Education is redirecting some of the provincial operating grant to meet the evolving requirements of the Skills for Jobs Blueprint that directs funds to academic programs that address shortages of particular occupations and skills that are in demand to support economic growth in the province.
- Research funding (federal and other) has been declining at UNBC, in part due to increased competition from other provincial and national universities, at a time when the overall funding available has been growing slowly. This could change over the next two years, depending on federal government's policy and resource allocation directed to science, technology, skills training and innovation. The government has already demonstrated a commitment to the advanced education sector through Strategic Infrastructure Fund grants to multiple institutions across Canada.
- The value of the Canadian dollar continues to slide in relation to the U.S. dollar, and many of the goods and services purchased by academic institutions like UNBC are priced in U.S. dollars.
- The provincial election is May 9, 2017, and it is not known what impact the result will have on government support for post-secondary education.
- The impact of the 2016 U.S. election and "Brexit" vote in the United Kingdom on the Canadian and provincial economies is still unfolding. While the results may have a negative effect on employment, taxes and foreign exchange values, there may be a positive influence from the newfound attractiveness of British Columbia and Canada to international students and scientific talent.

1.3. Destination University: Strategic Enrolment Planning

The general demographic context that UNBC finds itself in remains largely unchanged: the university faces increasing competition from post-secondary institutions across the province and an aging demographic in the region. However, in Academic Year 2016/2017, we experienced an increase in domestic enrolment (3% to 5% with final numbers being available in April 2017). This is largely due to our renewed focus on recruitment.

While this increase is positive, UNBC has much left to do to increase enrolment. We are currently developing a tactical recruitment plan for the next three years and incorporating the recommendations from the Academic Action Planning groups into a Strategic Enrolment Action Plan.

Our current focus includes investments in process, marketing and recruitment as reflected in the budget. Our next focus areas will be continuing the development of the recruitment office, and expanding our student success efforts.

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2. Integrated Planning Overview

2.1. Academic: Quality through Planning

Phase II of the Academic Planning process has been under way since November 2016. Since then, the Academic Planning teams have been meeting and working on developing a suite of recommendations to present at the May 2017 Senate meeting. The teams have been very diligent at understanding what our Faculty, Staff and Students are passionate about, and have identified a number of directions which, upon approval of Senate, will provide significant guidance to our Strategic Priorities and budget investments over the next five years.

Some of the highlights being considered include restructuring the colleges, commitment to the regions, the importance of experiential learning, and the critical nature of faculty development and renewal, among others.

Once the Academic Priorities are approved at Senate, they will guide and inform the Strategic Priorities, which in turn will guide the budgetary investments in forthcoming budgets.

Many significant and challenging discussions remain once the Academic Priorities are in place. However, this is an exciting time for UNBC, and when we are done, we will have a renewed framework upon which to continue building UNBC.

2.2. Research – Developing Local Solutions that are Globally Relevant

Research is an integral part of UNBC:

- It helps the university attract and retain the very best faculty and students
- It has an indisputable impact on students
- It highlights UNBC's value as a research-intensive university in B.C.
- It engages and encourages faculty at UNBC to become leaders in their field

UNBC offers outstanding opportunities for undergraduate and graduate students to meaningfully engage in significant research initiatives. The experiential learning opportunities enable students to develop the leadership capacity required to succeed in an ever-changing world.

The following are some examples of engagement in research at the university:

- UNBC researchers conducted a Bioenergy and Cash Crop Feasibility Study with funding from the Governments of Canada and British Columbia, Nak'azdli Whut'en First Nation and Chan Sisters Foundation. The study determined whether specialty crops such as medicinal and natural health products, and traditional First Nations crops could be successfully grown in the Bulkley-Nechako Regional District.

- The internal General Research Fund opportunity from the Office of Research saw 17 applications from faculty members of both colleges apply for funding to acquire data to support external grant applications with the Natural Sciences and Engineering Research Council of Canada (NSERC) and Social Sciences and Humanities Research Council (SSHRC). Following a review by the committee, 16 applications were funded, totaling \$88,993.00.
- The Research Data Centre, located in the Geoffrey Weller Library, is in its final implementation phase. The centre will benefit researchers in the north by:
 - Enhancing UNBC’s research credentials and grant opportunities
 - Supporting solid evidence-based decision-making in Northern British Columbia
 - Strengthening our ability to understand the environment in which we work and live in
 - Improving data access by giving researchers across the country access, free-of-charge, to detailed micro-data from an increasing range of survey, census and administrative data

The UNBC Strategic Research Action Plan has been revised and is currently undergoing final internal reviews. The revised plan aligns with the development and implementation of the Academic Plan, while reflecting the ongoing direction of existing areas of research and also new areas of focus.

2.3. Prioritizing Aboriginal Initiatives

The Truth and Reconciliation Commission’s recommendations identify some of the most meaningful areas where action must be taken in order to truly reconcile Canada’s relationship with Aboriginal people. This re-emphasizes that engagement on priorities related to Aboriginal affairs is essential. To help advance this priority at UNBC, we are actively engaging Aboriginal community partners and building on UNBC’s Aboriginal-related program and services strengths to develop a more cohesive and unified approach to strategically enhancing opportunities in the following key areas:

- Academic Preparedness: delivering a renewed Aboriginal transitions program, set to be launched in September 2017 with the Northern Transitions Program;
- Academic Program Delivery: increasing UNBC’s position to be more responsive to Aboriginal community desires. For example, one way UNBC is positioned to accomplish this is as a partner in the provincial-wide Indigenous Languages Fluency Degree Partnership – this directly relates to overall efforts to Indigenize the academy and is specifically responding to TRC Call to Action #16 that states, “[The TRC] call upon post-secondary institutions to create university and college degree and diploma programs in Aboriginal languages”;
- Community Partnership and Relationship Building: creating further MOUs and research/academic-specific opportunities in more remote communities within the UNBC region. This also highlights UNBC’s efforts to continue to grow inter-institutional relations between colleges and Aboriginal Post-secondary institutes to maximize UNBC’s outreach and impact;

- Institutional Readiness: giving high deliberation to Aboriginal considerations within multiple institutional governance areas, from priority integration of Indigenous-related goals and outcomes through the academic planning process to increased focus on Indigenous pedagogical practices and learning strategies;
- Student Support: continuing growth of student-related supports and activities, including Aboriginal Service Plan funded programming such as the Aboriginal Alumni Speaker Series and Elders in Residence Program.

This work contributes to an important area of Aboriginal enhancement at UNBC and provides support for UNBC as the institution moves forward with building relationships, sustaining programming, and providing unique and innovative opportunities for students, staff, faculty and communities in the UNBC region.

2.4. Regional - Serving the People of Northern British Columbia

UNBC was founded with a mandate to serve the people of Northern British Columbia through advanced education and research. Through academic leadership and strengthened coordination promised by the development of a new Academic Plan, the university can renew its commitment towards program innovation and better integration with Northern British Columbia communities.

Work is progressing through collaborative initiatives such as:

- Discussions with the northern colleges about complementarity course offerings are progressing with a goal of jointly offering an Associate of Arts Degree fully by distance. We are working with Alexander College, Coquitlam College, and Selkirk College on enhanced student transfer, and we have signed an MOU with Langara College on Guaranteed Admission. We have also just started to develop an MOU with Nicola Valley Institute of Technology (IAHLA).
- The Provost's Committee on Pedagogical Practice working groups are assisting with broadening course delivery modes to include hybrid or blended approaches, and a pilot of "web and coach" delivery was completed last year for MATH 220 (Linear Algebra), with a second currently in progress for STAT 240.
- Other successes include the offering of the MBA and BSW at Langara College in Vancouver, and initiating discussions to offer the MSW there in September 2018.
- In progress is the development of a Northern Transitions Program to help aboriginal, rural and mature students transition successfully into university programs.
- Carrier and Tsilhqot'in Language Certificate programs, funded by the Ministry of Advanced Education, concluded in March 2017. These students are eligible to ladder into various UNBC programs. First Nations Studies Certificates in the Haida Language were awarded to 13 recipients in Skidegate in June 2016. This program is externally funded. Twelve of the students are now in the diploma program in Skidegate. Students who complete the diploma will be eligible to ladder into UNBC's DSTC program.

- Through academic leadership provided by the Dean of Regional Programs, the university's commitment towards integration of regional offerings will continue to be strengthened.

2.5. Internationalization: Enhancing the University's Global Presence and Prominence

Internationalization is integral to UNBC. It enhances campus life and advances the institution's external frames of reference, partnerships and relations.

"There's no questioning the value international students bring to our campuses, both from a student enrolment perspective as well as the impact they have on our domestic students. The cultural diversity and exposure to differing perspectives and traditions make UNBC a richer environment while exposing us all to the realities of operating educational and business ventures on a global scale." – UNBC President Daniel Weeks

This commitment to internationalization enhances UNBC's global presence and prominence, and we are taking the following actions to infuse international and comparative perspectives across UNBC:

- Enhancing the university's value proposition globally through teaching, research and service missions;
- Responding to international student demand for Canadian learning opportunities;
- Providing exchange opportunities for students, staff, and faculty;
- Ensuring international engagement and raising cultural awareness;
- Working with the Ministry of Advanced Education to support British Columbia's International Education Strategy, which aims to position the province and its residents to benefit from the resulting socio-cultural and economic opportunities;
- Enhancing current international programming and services to increase enrolment and retention; and
- Achieving brand recognition and international prominence.

In autumn 2016, UNBC also retained an expert in international recruitment, Cyndi McLeod. Ms. McLeod has been working with our international team to identify our strengths and weakness, and collaboratively developing a suite of initiatives and strategies to enhance UNBC's approach to Internationalization.

At the core of this is a strategic action plan (which is being finalized at this point) is a renewed understanding of the structure required for UNBC's International Education Office, and a suite of opportunities that we are currently considering.

2.6. Connecting to Action - Integrated Planning

2017 - 2021 Strategic Road Map

Stewarding our Resources to Support our Vision, Mission and Signature Areas



During this 2016/17 transition year, UNBC began advancing the vision of the institution and integrated planning to create a foundation for success. The introduction of the Strategic Roadmap allowed the university to complete the implementation of Phase I of the integrated planning process. The development of the action plans by the units is meant to be inclusive and engage the broader university community.

Together, the priorities and unit plans will achieve this, enabling the university to advance cross-portfolio initiatives that align with the mission of the university and support it through resource allocations and position units for success. See Appendix 1 for the 2017/18 action plans.

The Senior Leadership Forum members worked collaboratively with their teams to develop and submit 34 Unit Action Plans. Many of the submitted plans do not require new investment. Some do require new financial commitments from the university and the leadership team has been reviewing these plans and requests through the lens of the Integrative Planning Road Map. However, given the university's current financial situation, it is not possible or prudent to support all of the requests associated with the plans.

In moving towards a fully integrated university planning process that incorporates all components of the university's consolidated financial operations by 2019/20, we will be working in collaboration with units to develop a budget that is flexible and responsive to ongoing operations and priority action plans. This will help UNBC to advance its mission through the strategic allocation of resources that align with the Strategic Road Map and Academic Planning outcomes.

The academic planning process is anticipated to be completed by May 2017, which will inform and guide the 2018/19 Strategic Road Map and desired outcomes. Units will begin their in-depth planning from July through October. More specific details and guidelines will be presented in June 2017.

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3. 2017/2018 Budget Framework and Three Year Plan

This section of the report represents the proposed 2017/18 budget framework and the three-year plan for the University. It is being presented to the Board of Governors for consideration and approval.

Two key forces drove the preparation of the 2017/18 consolidated (all-funds) budget preparation process this year:

1. The discovery in May 2016 of an unexpected \$3.5 million deficit (consolidated) for the 2015/16 fiscal year, after the Board of Governors had already approved a balanced budget for fiscal 2016-17. This triggered an inquiry by the Ministry of Advanced Education, which subsequently contracted Peter Lockie of Inverleith Consulting Inc. to review UNBC's financial results, policies, procedures and controls and to analyze its year end results and identify best practices as well as opportunities for improvement.
2. The work on the Integrated Planning Process that started one year earlier, culminating in a call for the development of Action Plans from all academic and administrative units that would support the four Strategic Priorities set forth in UNBC Strategic Road Map.

The assessment provided by the external consultant noted that "UNBC has a weak financial accountability framework in place, which needs to be strengthened as a priority over the coming years. This will improve the overall financial management of UNBC and reduce the possibility of significant variances in its reported financial results going forward." The recommendations that came out of this report (highlighted below) shaped the financial planning context that led up to the preparation of the 2017/18 consolidated budget.

- Monitor 2016/17 forecast results on a monthly basis throughout the year and develop and implement a Deficit Mitigation Plan as the first step in the development of a rolling, multi-year sustainable financial plan
- Establish a policy framework that supports financial accountability
- Strengthen financial planning and reporting processes to include senior and executive management
- Upgrade financial reporting tools to support the new accountability framework and support individuals' ability to meet their obligations
- Invest in additional personnel and training to build institutional financial management capacity
- Establish and communicate the need for a culture of financial accountability and assign the overall plan to a leadership champion with the vision, capability and commitment to make it happen

A draft of the Financial Accountability Framework document has been shared with the Finance and Audit Committee (FAC) of the Board of Governors, as well as with the members of the Senate Committee on the University Budget (SCUB) for their feedback and suggestions. Some of the major components of the Framework include:

- Stewardship - The Financial Accountability Framework provides the basis under which financial planning, budgeting and performance management is undertaken. It sets the overall targets for the financial management of UNBC. It describes the approach that all faculty, administrators and staff are expected to apply in their planning and use of financial resources. UNBC's Integrated University Priorities 2016/17 Roadmap identifies integrity and stewardship of resources as core values of the institution.
- Financial Strategy - UNBC will manage its financial resources in a responsible and prudent manner that ensures the institution's long-term financial viability and consistent with the high degree of public accountability it has to the community. In order to achieve this financial strategy, UNBC has established a number of financial objectives and targets. The university will use the financial strategy and financial objectives as the basis of planning and managing its revenues and expenditures, as well as for monitoring performance.
- Financial Position - UNBC operates mainly on a cash basis, so operating units manage their activities with the cash resources allocated to them. This will include resources allocated for the current year, but will also allow for some funds unspent from prior years to be used in the current year. The Financial Accountability Framework must also ensure that the university's asset base is maintained so that UNBC can continue to deliver its primary activities of education, research and public service.

The university leadership prepared four potential financial projections based on varying assumptions regarding revenue and expense growth. The criteria below were used to evaluate each of the four scenarios:

1. Minimize immediate negative effects on Academic Mission, Faculty, Staff, Students, Community
2. Flexibility to implement Academic Planning recommendations
3. Support Strategic Priorities
 - Investments to increase enrolment
 - Investments to increase research activities
 - Achieve financial equilibrium
4. Acceptable to the Board of Governors and Ministry of Advanced Education

The preferred and recommended course of action, as endorsed by the Senate Committee on the University Budget (SCUB) and the Senior Leadership Forum (SLF), is "moderate revenue targets, moderate cost reductions, and investments in critical positions." In the event that sufficient enrolment growth is not achieved, the university has identified areas to reduce expenditures. Caution is being exercised to not make drastic changes too quickly that would endanger the quality of academic programs and services and impair the university's ability to implement the marketing and recruitment strategies. This scenario also provides flexibility to implement the academic planning recommendations that are forthcoming.

This section outlines the budget framework for those areas of the university that require a Board-approved budget. It also sets out a financial plan for other areas of UNBC’s comprehensive financial operation.

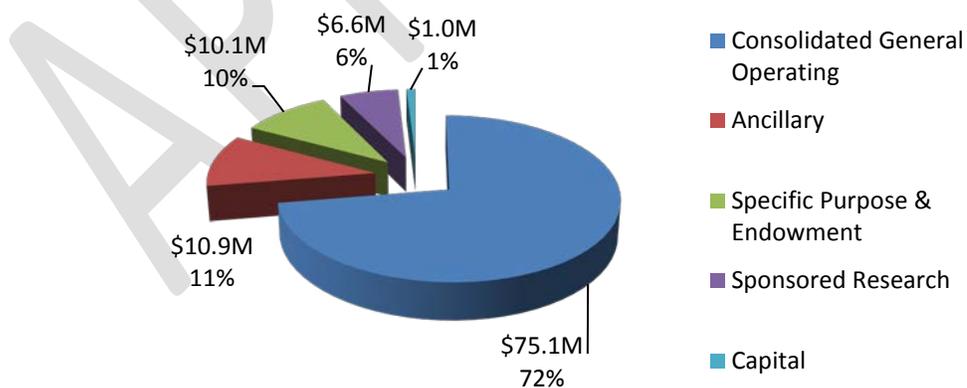
3.1. Comprehensive Financial Operations

UNBC is responsible for the financial stewardship of more than \$100 million in total annual revenue. To enhance accountability, budgetary control and stewardship of resources, UNBC maintains separate funds for its many diverse activities:

- Consolidated General Operating Fund – includes the general operations of the university, Routine Capital funding and the Northern Medical Program.
- Ancillary Services Fund – includes the operation of service areas that are considered self-funding such as: Retail Services, Continuing Studies, Conference and Events, Residence, Parking and Security, and English Language Studies.
- Specific Purpose & Endowment Funds – includes conferences, special projects, Aboriginal Service Plan allocations, endowed chairs, student awards and the Northern Medical Programs Trust.
- Sponsored Research Fund – includes external grants provided specifically for research.
- Capital Fund – includes all minor and major capital projects funded by both internal and external sources, and the cost of depreciation of capital assets.

For 2015/16, the total actual revenue for UNBC covering this comprehensive picture was \$103.7 million and was distributed across the funds above as follows:

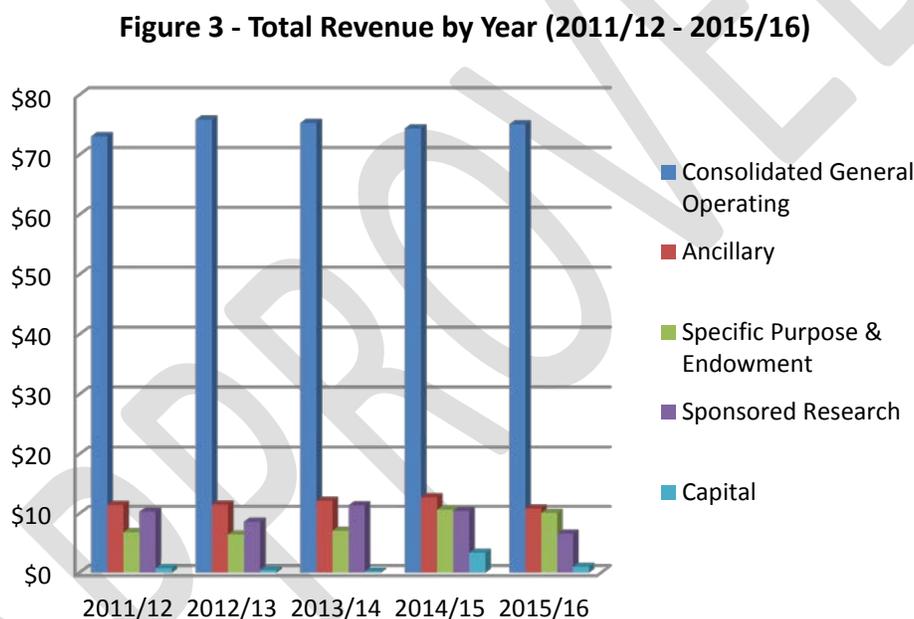
Figure 2 - Total Revenue by Fund (2015/16: \$103.7M)



Note: For the purpose of financial statement reporting, revenue that is restricted for specific purposes other than those for the acquisition or development of depreciable tangible capital assets are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contributions have been met. Due to application of this accounting principle, the revenue reported for the fiscal 2016 financial statements was \$103.9 million.

Total revenue across all funds decreased by 7.2% or \$8.0 million from the prior year. This decline was the net result of an increase of \$0.7 million in general operating revenues plus a decrease of \$8.7 million in revenues across all other funds. The Consolidated General Operating Fund experienced a small net increase, primarily due to targeted funding increases for the new Masters of Engineering program, mandated employee salary increases, and routine capital maintenance expenses. This small increase was offset by a 1.42% reduction to the provincial operating grant and decreases in other revenue sources (e.g. donations, interest, and student tuition and fees). The Sponsored Research revenue decrease was due to a large one-time grant in the previous fiscal year plus a net decrease in research grants across a number of other research projects. Specific Purpose and Endowment revenues remained relatively even overall compared with the previous year. The Ancillary Fund revenue decrease was primarily due to lower conference, guest accommodations, English Language Studies, and bookstore activity. Capital Funds revenue decreased due to large one-time grants in two projects in the previous fiscal year.

The following chart summarizes revenue by fund over the past five years:



3.2. Resource Allocation Recommendation and Fund Information

The university administers the fund types noted above in a manner relevant to the nature of the operations of each fund. For the Consolidated General Operating and Ancillary funds, detailed budgets are prepared based on annual operating requirements and planning activities, and submitted to the Board of Governors for approval. All other funds (Capital, externally funded Specific Purpose and Sponsored Research) are financially managed project-by-project or individual fund bases based on funding agreements or contracts.

The activity in all funds must be included in audited financial statements on a consolidated basis each year. The university’s financial statements are prepared using Public Sector Accounting Standards (PSAS) on a compliance basis that require approved budgets to be included in the statement of operations and statement of changes in net debt. Beginning with the 2016/17 fiscal year, the university is starting to

develop a completely consolidated budgeting process. As a transition to the full process, UNBC has developed a template, noted in Table 1 below, to approximate a fully consolidated budget. For funds other than the Consolidated General Operating and Ancillary funds, estimated results are based on four-year trends adjusted for potential results that could affect those trends.

Budgets for Sponsored Research Funds are approved individually by external organizations, such as federal and provincial granting agencies. Budgets for Specific Purpose Funds are either approved by external agencies (when funded externally) and/or by individual programs and internal committees (when funded internally). Budgets for Endowment funds are based on projected investment income. The Board of Governors, prior to project commitment, approves each major capital project. The potential accumulated results from all these areas are included in the total budget below.

Table 1: Draft 2017/18 Consolidated Budget

| | <i>(for approval March 31, 2017)</i> | | <i>(adjustments required for PSAS reporting)</i> | | <i>(projected based on previous 4 year actual)</i> | | | | |
|------------------------------------|--------------------------------------|-----------|--|--|--|----------------|-------------------------------------|-----------------------|-----------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| | Consolidated General Operating | Ancillary | Proposed Total | Eliminate Internal Cost Recovery | Adjusted Total | Capital | Specific Purpose & Expendable | Sponsored Research | Total Budget |
| Revenue | 79,896 | 11,399 | 91,295 | (1,505) | 89,790 | 6,100 | 3,790 | 7,850 | 107,530 |
| Labour | 57,262 | 4,363 | 61,625 | | 61,625 | 200 | 1,400 | 4,500 | 67,725 |
| Expense | 18,514 | 6,972 | 25,486 | (1,505) | 23,981 | 10,900 | 3,670 | 3,850 | 42,401 |
| | 75,776 | 11,335 | 87,111 | (1,505) | 85,606 | 11,100 | 5,070 | 8,350 | 110,126 |
| Capital | 175 | 55 | 230 | - | - | - | - | - | - |
| Transfers | 3,945 | 9 | 3,954 | - | - | - | - | - | - |
| Total surplus/(deficit) | - | - | - | - | 4,184 | (5,000) | (1,280) | (500) | (2,596) |

NOTES:

1. Columns 1 and 2 show the proposed budget framework for the Consolidated General Operating and Ancillary funds presented in more detail in this document. It is expected that the budget in these areas must be balanced from an internal perspective.
2. Columns 4 and 5 show adjustments required for PSAS reporting – eliminating internal cost recoveries, capital and transfers.
3. On a consolidated basis, the University is projecting a deficit for 2017/18. This issue has been discussed separately with the Board and the Ministry of Advanced Education. The University will continue to review and update with the Board and Ministry throughout the year and will seek approval from the Province to carry a deficit for the 2017/18 fiscal year.

This document outlines the high-level financial plans for a three-year planning cycle; however, the focus is on resource allocations for the 2017/18 year in columns 1 and 2 of the table above, and specifically requests Board of Governors' approval of:

- 2017/18 Consolidated General Operating budget framework/and
- 2017/18 Ancillary budgets

Note: The tuition and fees revenue included in the above are based on fees approved separately by the Board of Governors on March 31, 2017.

A more detailed consolidated budget, prepared on the same basis as the financial statements, will be presented to the Board for approval in September 2017.

3.3. Consolidated General Operating Budget

3.3.1. Planning Assumptions

The 2017/18 unadjusted budget projections (Table 3) were developed based on the following assumptions:

- UNBC's Consolidated General Operating budget must be balanced.
- Budget allocations will allow units to maintain existing service levels and will provide time to enable the development and implementation of new planning processes that will establish future priorities.
- There will be no government funded undergraduate FTE growth.
- Undergraduate and graduate tuition rates will increase by 2% as per the Ministry of Advanced Education's Letter of Expectation and as previously approved by the Board of Governors.
- There will be no change to the provincial operating grant (excluding the amounts targeted for compensation increases). It is assumed that the province will fund 100% of salary increases that fall within the most recent provincial bargaining mandate.
- The Federal Research Support Fund (formerly indirect costs of research program) will decrease slightly from the previous year's budgeted level.
- The Routine Capital Maintenance funding will be just over \$1.0 million.
- Salary savings at least equal to last year's amount will be used to balance the budget.
- Tuition revenue will remain at the same budgeted level as in 2016/17 for the three-year period. Some growth in enrolments and a 2% tuition rate increase applied annually will result in closing the gap between actual and budgeted tuition revenues over the three-year planning cycle. Any future changes to this forecast will be based on the new academic, enrolment and faculty action plans.

Table 2: Annualized FTE by fiscal year

FTE Enrolment - college, level

annualized Full-Time Equivalent by fiscal year

| college, level | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| College of Arts, Social & Health Sciences | | | | | | | | | | | | | | | | |
| undergraduate | 758.07 | 846.42 | 1,018.68 | 1,111.60 | 1,175.30 | 1,090.68 | 1,225.22 | 1,295.40 | 1,296.42 | 1,234.28 | 1,177.67 | 1,106.23 | 1,102.78 | 1069.72 | 1024.28 | 962.55 |
| graduate | 211.78 | 220.07 | 206.00 | 208.44 | 216.22 | 206.89 | 225.56 | 275.67 | 285.56 | 304.22 | 336.22 | 364.11 | 343.44 | 348.56 | 310.89 | 295.78 |
| CASHS total | 969.85 | 1,066.49 | 1,224.68 | 1,320.05 | 1,391.52 | 1,297.57 | 1,450.77 | 1,571.07 | 1,581.97 | 1,538.51 | 1,513.89 | 1,470.34 | 1,446.23 | 1418.27 | 1335.16 | 1258.33 |
| College of Science & Management | | | | | | | | | | | | | | | | |
| undergraduate | 1,420.32 | 1,430.17 | 1,365.49 | 1,315.87 | 1,286.17 | 1,248.28 | 1,298.93 | 1,180.53 | 1,185.93 | 1,203.13 | 1,171.35 | 1,225.12 | 1,284.67 | 1224.13 | 1093.37 | 1103.27 |
| graduate | 69.78 | 79.33 | 84.22 | 97.89 | 138.06 | 147.00 | 157.67 | 182.89 | 208.56 | 203.00 | 191.44 | 193.11 | 192.56 | 213.89 | 228.11 | 200.44 |
| CSAM total | 1,490.09 | 1,509.51 | 1,449.71 | 1,413.75 | 1,424.22 | 1,395.28 | 1,456.60 | 1,363.42 | 1,394.49 | 1,406.13 | 1,362.79 | 1,418.23 | 1,477.23 | 1438.02 | 1321.48 | 1303.72 |
| Cross College | | | | | | | | | | | | | | | | |
| undergraduate | 167.33 | 247.34 | 189.27 | 177.97 | 151.90 | 266.77 | 109.17 | 76.93 | 96.77 | 89.50 | 89.13 | 83.87 | 83.80 | 79.20 | 86.43 | 72.13 |
| graduate | 4.00 | 5.89 | 6.11 | 3.89 | 5.89 | 4.89 | 4.67 | 4.11 | 2.78 | 3.78 | 5.67 | 4.89 | 3.33 | 5.67 | 3.89 | 4.56 |
| X Coll total | 171.33 | 253.23 | 195.38 | 181.86 | 157.79 | 271.66 | 113.83 | 81.04 | 99.54 | 93.28 | 94.80 | 88.76 | 87.13 | 84.87 | 90.32 | 76.69 |
| Continuing Studies | | | | | | | | | | | | | | | | |
| Con St undergraduate credit | | | | | | | | 52.10 | 77.53 | 101.47 | 116.80 | 89.67 | 80.47 | 86.20 | 76.33 | 46.80 |
| UNBC | | | | | | | | | | | | | | | | |
| undergraduate | 2,345.72 | 2,523.93 | 2,573.44 | 2,605.43 | 2,613.37 | 2,605.73 | 2,633.32 | 2,604.97 | 2,656.65 | 2,628.38 | 2,554.95 | 2,504.88 | 2,551.73 | 2459.25 | 2280.41 | 2184.76 |
| graduate | 285.56 | 305.29 | 296.33 | 310.22 | 360.17 | 358.78 | 387.89 | 462.67 | 496.89 | 511.00 | 533.33 | 562.11 | 539.33 | 568.11 | 542.89 | 500.78 |
| UNBC total | 2,631.27 | 2,829.22 | 2,869.77 | 2,915.66 | 2,973.53 | 2,964.51 | 3,021.21 | 3,067.63 | 3,153.54 | 3,139.38 | 3,088.28 | 3,066.99 | 3,091.06 | 3027.36 | 2823.30 | 2685.54 |
| change from previous year | | | 1.4% | 1.6% | 2.0% | -0.3% | 1.9% | 1.5% | 2.8% | -0.4% | -1.6% | -0.7% | 0.8% | -1.3% | -8.7% | -11.3% |
| undergraduate international tuition FTE (included above) | | | | | | | | | | | | | | | | |
| | 48.44 | 60.37 | 60.10 | 80.74 | 102.77 | 96.50 | 91.80 | 90.47 | 99.30 | 133.10 | 153.50 | 183.13 | 202.77 | 194.17 | 169.93 | 147.90 |

Notes:

- 1) annualized Full-Time Equivalent converts enrolment to the number of students carrying a normal full credit load for the year
- 2) student = person who was enrolled in at least one UNBC credit course during the year
- 3) fiscal year - FTE was calculated from course enrolments in Summer semester (at September 1) + Fall semester (at November 1) + Winter semester (at March 1)
- 4) undergraduate international tuition FTE were included; Northern Medical Program was excluded

3.3.2. Unadjusted Three-Year Budget Projections

Table 3 provides a financial summary of the projected operating revenues and expenses for 2017/18 and the following two years based on the assumptions above and before making adjustments required to balance the budget.

The projections indicate that, unless significant ongoing budget adjustments are made, the combination of flat tuition revenue and provincial grants and increasing costs produce the following results:

- 2017/18: deficit of \$3.25 million
- 2018/19: deficit of \$4.04 million, assuming no adjustments are made to permanently reduce the 2017/18 deficit
- 2019/20: deficit of \$4.917 million, assuming no adjustments are made to permanently reduce the 2018/19 deficit

In percentage terms, in the third year, this amounts to \$4.92 million over \$86.08 million or 5.7%.

Note: If the projected labour costs did not include estimated salary savings of \$833,000, the deficit would be correspondingly higher each year and the percentage would rise to 6.6% in 2019/20.

Table 3: Unadjusted Budget Projections (Revenue and Expenditures for 2016/17 to 2019/20)

| Consolidated General Operating Fund* | 2016/17 Approved Operating Budget (000's) | 2017/18 Preliminary Operating Budget (000's) | 2018/19 Projected Operating Budget (000's) | 2019/20 Projected Operating Budget (000's) |
|--|--|---|---|---|
| Revenues | | | | |
| Provincial Base Operating Grant | 48,211 | 49,082 | 49,745 | 50,523 |
| Provincial Grants - Capital, One-time & Other | 502 | 1,494 | 1,494 | 1,494 |
| Federal Grant - Research Support Fund | 1,145 | 1,075 | 1,075 | 1,075 |
| Grants from other universities | 5,968 | 6,909 | 7,043 | 7,181 |
| Interest | 415 | 315 | 315 | 315 |
| Tuition & Student Fees | 17,748 | 18,001 | 18,001 | 18,001 |
| Sales & Service | 450 | 456 | 456 | 456 |
| Miscellaneous | 123 | 107 | 107 | 107 |
| ICR - Administrative Overhead | 676 | 1,719 | 1,719 | 1,719 |
| Other Cost Recovery | 661 | 288 | 288 | 288 |
| Total Revenues | 75,899 | 79,446 | 80,242 | 81,158 |
| Expenditures | | | | |
| Labour (Salaries, Wages & Benefits) | 55,152 | 57,399 | 58,627 | 60,053 |
| Operating Expenditures | 16,624 | 18,798 | 19,158 | 19,525 |
| New allocations: | | | | |
| Instruction & support for new programs | 1,250 | 1,250 | 1,250 | 1,250 |
| Strategic Priorities | 100 | 75 | 75 | 75 |
| Transfers | 2,774 | 5,173 | 5,173 | 5,173 |
| Total Expenditures | 75,899 | 82,696 | 84,283 | 86,076 |
| Budget Shortfall before adjustments <i>(in 2016/17, this amount (\$2,622) included in above totals)</i> | (0) | (3,250) | (4,040) | (4,917) |
| TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS | - | - | - | - |

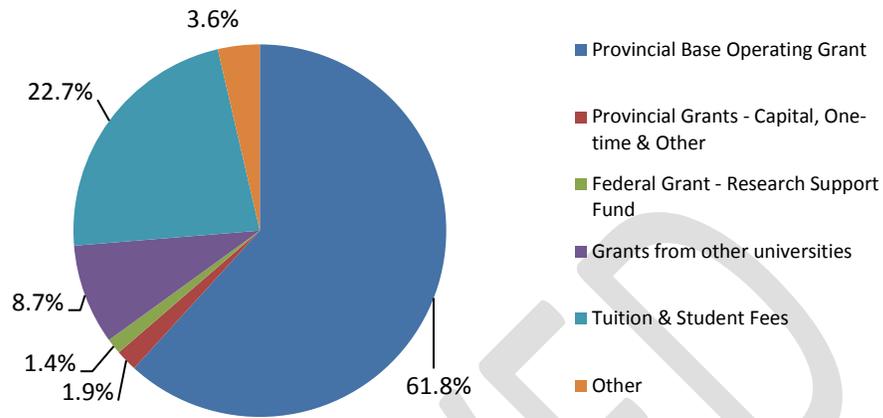
The following sections provide the details on revenue and expenditure changes in the above projection.

3.3.2.1. Revenue projections (as per Table 3)

The Consolidated General Operating Fund is supported by revenues from three main sources:

- Federal and Provincial government grants, which account for 65% of revenues in 2017/18
- Grants from other universities, which account for 8.7% of revenues in 2017/18
- Student tuition and fees, which account for 22.7% of revenues in 2017/18

Figure 4 - 2017/18 Consolidated General Operating Revenue



The total Consolidated General Operating Fund revenue for 2017/18 is projected at \$79.4 million. The major changes by area are as follows:

Provincial Base Operating Grant (\$49.08 million) has been adjusted from the 2016/17 approved budget to reflect final confirmation of the 2016/17 amount and funding for salary increases included within the provincial mandate.

Table 4: Adjustments to 2016/17

| Adjustments | (000's) |
|---------------------------------------|-----------|
| 2016/17 approved amount | \$ 48,211 |
| Adjustment re confirmed 2016/17 grant | 24 |
| Mandate funding | 847 |
| 2017/18 budgeted amount | \$ 49,082 |

Tuition and Student Fees (\$18 million) represent fees paid by students (undergraduate and graduate, domestic and international) including application fees, course fees, student service fees, and other mandatory fees. The total tuition fees budgeted for 2017/18 is based on the following:

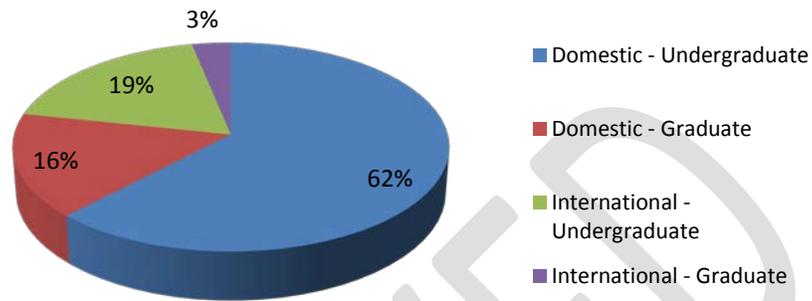
- A 2% increase to tuition rates, but budgeted tuition revenue maintained at the 2016/17 level (See Planning Assumptions above)
- Planned enrolments for the Master of Business Administration Program
- An amount for projected tuition fees from the new Master of Engineering Program

The overall projected tuition is \$253,000 greater than the total budgeted for last year, due to the changes in planned enrolments for the MBA Program.

For planning purposes, a 2% tuition increase but flat tuition revenue budget is also used for 2018/19 and 2019/20, per the Planning Assumptions. Student fees have also been held constant. The following

graph illustrates the proportionate share of tuition revenue budgeted for each student group.

Figure 5: 2017/18 Tuition by student group



Provincial Grants: Capital, One-time and Other (\$1,494,000) are grants received for specific items such as funding for a province-wide computer network infrastructure (ORAN), a portion of the annual program delivery costs for Wilp Wilxo'oskwahl Nisga'a, the University's grant-in-lieu of taxes, and routine capital.

Other Revenue (\$10.87 million) comprises a variety of different sources.

- Interest is from university cash balances invested in short term investments such as money market and bond funds.
- Sales and Service includes items such as administrative fees, rent charged to external groups, and sales of a variety of goods and services.
- Miscellaneous includes non-research grants and donations.
- Internal Cost Recovery – Administrative Overhead represents a percentage of gross sales charged to Ancillary operations and the MBA program for administrative and operational services, plus other contributions from Ancillary operations.
- Other Cost Recovery includes inter-departmental chargebacks for items such as postage, long distance, lab supplies, and personnel services.
- Grants from Other Universities is the portion of funding for the Northern Medical Program that is flowed to the University via UBC.

Revenue Change Summary - The following table summarizes all of the above changes to revenue in this budget framework.

Table 5: 2017/18 Revenue Plan Changes

| Adjustments | (000's) |
|---|-----------------|
| Adjustment re confirmed 2016/17 grant | \$ 24 |
| Mandate funding | 847 |
| Routine Capital adjustment | 992 |
| Research Support Fund adjustment | (70) |
| ICR - Administrative overhead | 1,043 |
| MBA enrolment adjustment | 253 |
| Grants from other universities (NMP funding from UBC) | 941 |
| Other | (483) |
| Total revenue increase 2017/18 | \$ 3,548 |

3.3.3. Expenditure Projections (details of Table 3)

The expenditures of the Consolidated General Operating Fund fall into four main categories:

- Labour, which accounts for 69% of all expenditures
- Operating and Minor Capital Expenditures, which account for 23%
- Instruction and Support, which accounts for 2%
- Transfers, which account for 6% of the total

Figure 6: 2017/18 Consolidated General Operating Expenditures by Function

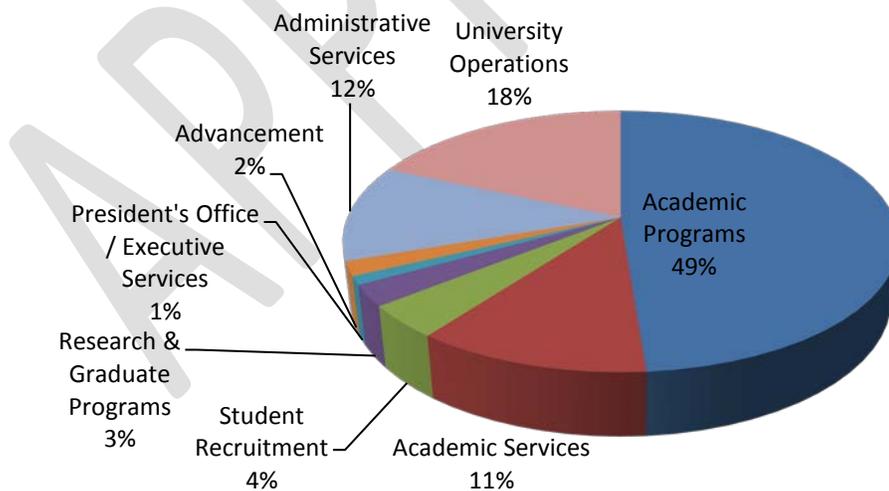
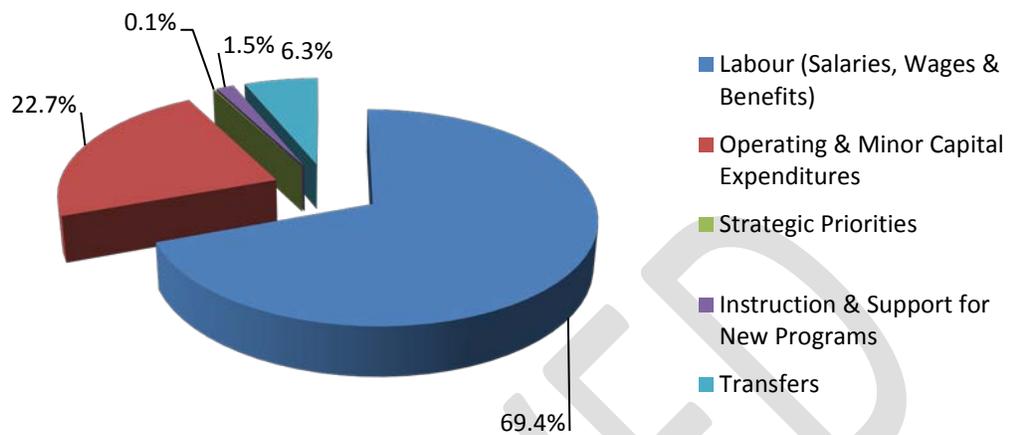


Figure 7: 2017/18 Consolidated General Operating Expenditures by Category



The total Consolidated General Operating Fund expenditures are projected at \$82.7 million before adjustments.

Labour (\$57.4 million) has been increased by \$2.25 million to reflect changes resulting from current collective agreements, collective bargaining or statutory obligations, as well as rollback of one-time adjustments made to the 2016/17 budget.

Operating Expenditures (\$18.8 million) are comprised of all non-salary expenses required to support programs and services including supplies, utilities, travel and maintenance. The total has increased from 2016/17 (\$2,175,000), due primarily to increased Routine Capital expenditures and changes in the Northern Medical Program and MBA Program budgets, as well as rollback of one-time adjustments made to the 2016/17 budget.

Instruction and Support (\$1.25 million) is the amount funded by the 2015/16 funding increase for the Masters of Engineering program; allocation of this funding is not yet complete. It has been partially allocated to labour and operating expenditures, but shown at the gross amount in Table 3 to illustrate that the total expenses have been maintained in the budget.

Strategic Priorities allocation (\$75,000) has been maintained at the amount approved in 2016/17 net of the \$25,000 allocated to the Information Technology Services managed allocation budget to support the ongoing annual licensing costs of the Romeo research software package. This \$25,000 now forms part of the Operating Expenditures total.

Transfers (\$5.17 million) represent the exchange of funds to and from other areas of the comprehensive financial operation. For example, transfers to scholarships and bursaries, and transfers from Endowments for program support. Total net transfers have increased by \$2,399,000 primarily due to changes in the Northern Medical Program and coding changes for contributions from Ancillary operations, as well as rollback of one-time adjustments made to the 2016/17 budget.

Expenditure Change Summary – The following table summarizes all of the above changes to expenditures in this budget framework.

Table 6: 2017/18 Expenditure Plan Changes

| Adjustments | (000's) |
|--|-----------------|
| Labour (salaries, wages & benefits) | \$ 2,248 |
| Operating expenditures | 2,175 |
| Instruction & support for new programs | - |
| Strategic Priorities allocation | (25) |
| Transfers | 2,399 |
| Total | \$ 6,797 |

3.3.3.1. Operating and Revenue Adjustment Plan

The previous sections identify the revenue and expenditures prior to the adjustments required to balance the 2017/18 budget. This section outlines the adjustments proposed to balance the consolidated general operating budget (totaling **\$3.25 million**):

Table 7: Budget adjustments

| | (000's) |
|---|----------|
| 2017/18 Consolidated general operating deficit prior to following adjustments: | (3,250) |
| ◇ <i>One time elimination of contributions to reserves with sufficient accumulated balances to maintain activities at the same level as prior years:</i> | |
| ▪ Scholarships & Awards | 300 |
| ▪ Capital Equipment Replacement (CERR) (Note 1) | 800 |
| ◇ Temporary Adjustment to Salary and Benefits re anticipated savings from change in benefits carrier, and increased oversight of vacancy management | 872 |
| ◇ Temporary Reduction to Wood Engineering academic program unallocated funding (Note 2) | 300 |
| ◇ Tuition Revenue Increase | 450 |
| ◇ NMP One-time Transfer | 128 |
| ◇ Temporary Adjustment to Operating Budgets | 200 |
| ◇ Temporary Adjustment to University Central Operations | 200 |
| 2017/18 revised surplus / (deficit) after adjustments | - |

3.3.4. 2017/2018 Proposed Budget and Two-Year Projections

Based on the initial budget in Table 3, combined with the adjustments in Table 7, the following Table 8 represents the Consolidated Operating Budget for 2017/18 and the projections for 2018/19 and 2019/20. The projections below for 2018/19 and 2019/20 do not reflect any adjustments for potential changes that may arise from planning scenarios under discussion.

Table 8: 2017/18 Proposed Budget and Two Year Projection

| Consolidated General Operating Fund* | 2016/17 Approved Operating Budget (000's) | 2017/18 Proposed Operating Budget (000's) | 2018/19 Projected Operating Budget (000's) | 2019/20 Projected Operating Budget (000's) |
|---|---|---|--|--|
| Revenues | | | | |
| Provincial Base Operating Grant | 48,211 | 49,082 | 49,745 | 50,523 |
| Provincial Grants - Capital, One-time & Other | 502 | 1,494 | 1,494 | 1,494 |
| Federal Grant - Research Support Fund | 1,145 | 1,075 | 1,075 | 1,075 |
| Grants from other universities | 5,968 | 6,909 | 7,043 | 7,181 |
| Interest | 415 | 315 | 315 | 315 |
| Tuition & Student Fees | 17,748 | 18,451 | 18,001 | 18,001 |
| Sales & Service | 450 | 456 | 456 | 456 |
| Miscellaneous | 123 | 107 | 107 | 107 |
| ICR - Administrative Overhead | 676 | 1,719 | 1,719 | 1,719 |
| Other Cost Recovery | 661 | 288 | 288 | 288 |
| Total Revenues | 75,899 | 79,896 | 80,242 | 81,158 |
| Expenditures | | | | |
| Labour (Salaries, Wages & Benefits) | 55,152 | 56,527 | 58,627 | 60,053 |
| Operating Expenditures | 16,624 | 18,398 | 19,158 | 19,525 |
| New allocations: | | | | |
| Instruction & support for new programs | 1,250 | 950 | 1,250 | 1,250 |
| Strategic Priorities | 100 | 75 | 75 | 75 |
| Transfers | 2,774 | 3,945 | 5,173 | 5,173 |
| Total Expenditures | 75,899 | 79,896 | 84,283 | 86,076 |
| Budget Shortfall before adjustments | (0) | 0 | (4,040) | (4,917) |
| TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS | - | - | - | - |

Note 1: 2018/19 and 2019/20 projected labour costs include \$833,000 anticipated salary savings; if the estimated salary savings were eliminated, the deficit would be correspondingly higher.

3.4. Ancillary Operations Budgets

This section outlines the budget framework for three ancillary areas:

- Business Services and Continuing Studies
- English Language Studies
- Parking and Security

An ancillary operation is a unit or department within the university that is required to be financially self-sufficient. That is, each operation must generate sufficient revenue to not only cover its annual operating costs, including utilities and maintenance, but also provide for the renovation and replacement of its physical assets, including any required debt servicing costs.

Total revenue from all three areas of ancillary operations in 2017/18 is projected to total nearly \$11.4 million. Table 9 below shows the combined proposed budgets for all ancillary areas.

Table 9: Consolidated Proposed Ancillary Operations Budgets

| | Approved Budget (000's) | Proposed Budget (000's) |
|---|-------------------------------|-------------------------------|
| Total Revenue | 11,837 | 11,399 |
| Salaries and Benefits | 4,352 | 4,363 |
| Operating Expenses | 6,948 | 7,027 |
| Transfers | 537 | 9 |
| Total Expenditures & Transfers | 11,837 | 11,399 |

For information, English Language Studies (ELS) and Parking and Security (PS) report through International Education and Parking and Security, respectively, while all other units report through the Director of Business Services and Continuing Studies.

Each section below outlines the proposed budgets for the various ancillary units for 2017/18.

3.4.1. Business Services and Continuing Studies: Overview

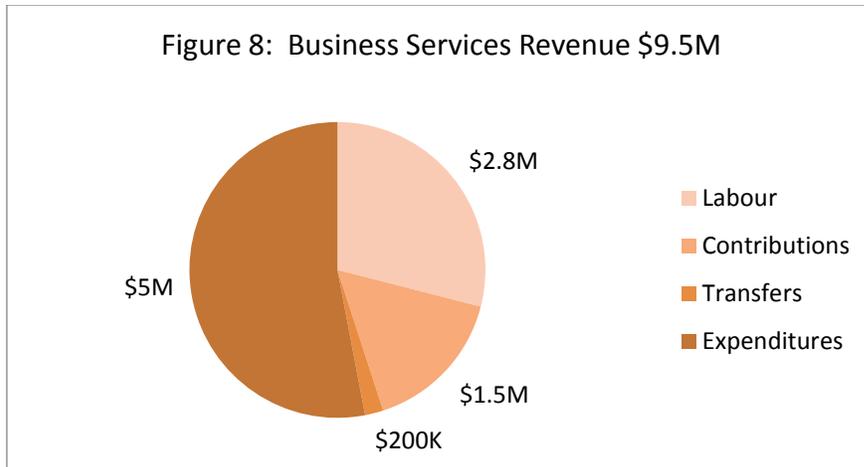
UNBC Business Services include the following departments: Business Services Central, Residence, Food Services, Continuing Studies, Conference and Events Services, Retail Services (Bookstore, Print and Copy Services) and the Charles Jago Northern Sports Centre.

Overall, UNBC Business Services:

- Enhance the student experience at UNBC
- Provide quality and sustainable ancillary services that support the core academic mission of UNBC
- Offer unique points of contact for future students, alumni, and community members
- Generate revenue, which builds capacity overall; almost half of Business Services revenue remains within UNBC

The last few years in Business Services have been characterized by much-needed change, resulting in increased revenue. This year, the focus is on solid business planning and stewarding resources to support continued and sustainable growth. Planning within Business Services is directly aligned with the UNBC Strategic Road Map, contributing to all four strategic priorities with specific action plans that will be executed this year.

In 2017/18, UNBC Business Services revenue is projected at \$9.5 million. The breakdown of expenditures is shown below.

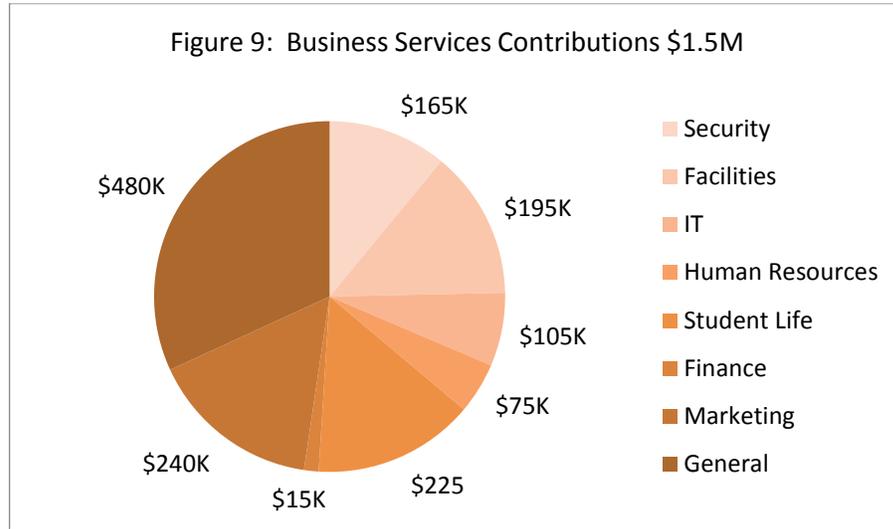


3.4.2. Business Services Contribution Summary

In prior years, UNBC Business Services contributed funds to General Operations in a number of ways: general percentage-of-revenue contributions, fixed internal support service amounts realized as an operating expense, and transfers to other departments.

This year, contributions are consolidated into a percentage-of-revenue formula, realized as an operating expense. This new model makes managing department budgets simpler, yet maintains contribution levels from Business Services that support key areas in the university’s general operating budget.

In 2017/18, UNBC Business Services contribution is projected at \$1.5 million. The breakdown is shown below.



3.4.3. Business Services Central

UNBC Business Services Central (BSC) supports Business Services and Continuing Studies with the following: overall leadership, business development, project management, marketing, and administration assistance. Transfers to support this department originate from Business Services units.

Table 10: 2017/18 Proposed Business Services Central Budget

| Business Services Central | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 0 | 0 |
| Salaries and Benefits | 423 | 390 |
| Operating Expenses | 451 | 152 |
| Capital | 5 | 5 |
| Transfers | (879) | (547) |
| Total Expenditures & Transfers | 0 | 0 |

3.4.4. Residence

UNBC Residence Services provide on-campus accommodations for students and visitors. UNBC has two buildings, organized into 129 four-bedroom and 14 two-bedroom apartments, totalling 544 beds for students and visitors.

Table 11: 2017/18 Proposed Residence Budget

| Residence | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 2,477 | 2,514 |
| Salaries and Benefits | 257 | 209 |
| Operating Expenses | 1,085 | 1,265 |
| Debt Servicing | 270 | 270 |
| Capital | 0 | 0 |
| Transfers | 865 | 770 |
| Total Expenditures & Transfers | 2,477 | 2,514 |

Business Services will continue to partner with Student Services to provide funds for essential support services in residences. The combined focus is to enhance student experience and safety.

Residence continues with much-needed preventative maintenance and renovations in 2017/18. Costs will be covered by a combination of Board of Governors' approved funding and provisions for capital for an estimated residence renovation budget of \$11 million. Payback of Board of Governors' approved funding (Residence and Food Service Renovation) will be approximately 10 years from completion of the residence project.

3.4.5. Food Services

UNBC Food Services is comprised of student-operated, self-operated, and contracted services located at a variety of locations on campus. Student-run locations are comprised of the Thirsty Moose Pub and two Degrees Coffee locations. Business activities conducted in these locations are not reflected in the financial summary below.

Table 12: 2017/18 Proposed Food Services Budget

| Food Services | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 337 | 406 |
| Salaries and Benefits | 0 | 0 |
| Operating Expenses | 105 | 183 |
| Capital | 0 | 0 |
| Transfers | 232 | 223 |
| Total Expenditures & Transfers | 435 | 406 |

Although food services on campus improved tremendously over previous years, Business Services is committed to continuous improvement and working with Chartwells to ensure that overall service, including food quality and variety, are high priorities.

Long-term planning is also underway to understand the future needs of campus in terms of food services.

3.4.6. Continuing Studies

UNBC Continuing Studies provides a variety of courses ranging from industry-specific training to credit programming in partnership with participating programs within UNBC. The financial statement below outlines the overall activity of Continuing Studies.

Table 13: 2017/18 Proposed Continuing Studies Budget

| Continuing Studies | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 2,307 | 1,984 |
| Salaries and Benefits | 624 | 715 |
| 3.5. Operating | 1,516 | 1,267 |
| Capital | 0 | 0 |
| Transfers | 167 | 2 |
| Total Expenditures & Transfers | 2,307 | 1,984 |

Continuing Studies is positioned for growth through offering accessible training online. The second fully online certificate program launched in February 2017. This year, Continuing Studies will work with internal and external partners to develop customized online courses to nurture future program growth.

Continuing Studies can play a role in supporting UNBC's academic mission through unique pre-university bridging programs, post-degree professional development, and course offerings that showcase UNBC's expertise in niche areas. As Academic Planning wraps up, Continuing Studies is completing a business development plan which will align, directing program development for the next three to five years.

3.5.1. Conference and Event Services

UNBC Conference and Events Services (CES) office supports all the logistics for hosting events on campus. If these services were to be used consistently, CES has the ability to generate significant campus, economic, community and business benefits for UNBC and Prince George.

Table 14: 2017/18 Proposed Conference and Event Services Budget

| Conference and Event Services | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 359 | 314 |
| Salaries and Benefits | 245 | 232 |
| Operating Expenses | 218 | 229 |
| Capital | 0 | 0 |
| Transfers | (104) | (147) |
| Total Expenditures & Transfers | 359 | 314 |

CES has highly variable revenue sources. The fluctuations in the number of revenue-generating events combined with outside influences can greatly affect the outcome from year to year. CES serves the needs of internal clients about 80% of the time and about 20% is dedicated to external clients. However, it is the external customers that provide approximately 80% to 90% of net sales.

In addition to revenue from external customers, the CES budget shows transfers from other Business Services units for managerial and coordinating support. This allows for efficiency within all hospitality-related services in terms of labour costs, and stabilizes the CES budget so internal services are not affected.

CES is leading the implementation of a virtual event management system this year. The system will allow university users to search availability, book rooms and additional services in one system. This project provides a campus-wide benefit through a one-stop-shop for booking meetings and events easily.

3.5.2. Retail Services

Retail Services consists of Bookstore and Copy Services. Financial statements for each unit are provided below.

3.5.2.1. Bookstore

The Bookstore generates revenue through the sale of textbooks, books and general merchandise. Declining enrolment and decreased textbook sales put pressure on Bookstore operations. The goal for this year is to stabilize the Bookstore operating budget through comprehensive business planning, so it can increase contributions. The renewal of UNBC Bookstore online is also expected to increase sales.

Table 15: 2017/18 Proposed Bookstore Budget

| Bookstore | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 1,825 | 1,912 |
| Salaries and Benefits | 339 | 367 |
| Operating Expenses | 1,467 | 1,539 |
| Capital | 0 | 0 |
| Transfers | 19 | 6 |
| Total Expenditures & Transfers | 1,825 | 1,912 |

3.5.2.2. Copy Services

Copy Services consists of the Copy Centre and the multi-functional device fleet for Students, Faculty and Staff. UNBC Copy Services aims to provide affordable print services for the campus.

Table 16: 2016/17 Proposed Copy Services Budget

| Copy Services | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000s) | (000s) |
| Total Revenue | 442 | 461 |
| Salaries and Benefits | 0 | 0 |
| Operating Expenses | 420 | 438 |
| Capital | 0 | 0 |
| Transfers | 22 | 23 |
| Total Expenditures & Transfers | 442 | 461 |

3.5.2.3. Northern Sport Centre

The Northern Sport Centre (NSC) is operated by UNBC on behalf of the two primary stakeholders, the City of Prince George and UNBC. Both stakeholders provide a \$300,000 operating grant that is critical to the sustainable operation of the NSC. The NSC carries a separate reserve and the financials are provided for information purposes only.

Table 17: 2017/18 Proposed Northern Sport Centre Budget

| Northern Sport Centre | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|------------------------------------|------------------------------------|
| | (000s) | (000s) |
| Total Revenue | 2,055 | 1,856 |
| Salaries and Benefits | 850 | 799 |
| Operating Expenses | 974 | 1,224 |
| Capital | 75 | 50 |
| Transfers | 156 | (217) |
| Total Expenditures & Transfers | 2,055 | 1,856 |

UNBC's contribution to the operations of the facility provides access for all students (e.g., varsity practice/game times, gymnasium time, exam and Convocation). The City of Prince George contribution supports lower user rates for local sport organizations, ensuring that they remain at the lowest rates possible at approximately 33% of similar facilities in Western Canada.

The NSC has a generally stable operation that provides consistent contributions to the NSC Reserve. This has ensured the unit has the essential funds to cover future capital needs.

3.5.3. International Education Budgets

UNBC International Education is a unit comprised of the English Language Studies (ELS), which is cost-recovery, and International Student Services, which is funded centrally. ELS operation must generate sufficient revenue to not only cover its annual operating costs, but also contribute 2% of its gross revenue to UNBC as administrative overhead charge each fiscal year.

Table 18: 2017/18 Proposed English Language Studies Budget

| English Language Studies | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000's) | (000's) |
| Total Revenue | 820 | 730 |
| Salaries and Benefits | 735 | 755 |
| Operating Expenses | 142 | 135 |
| Transfer to/(from) Reserves | (47) | (150) |
| Other Transfers | (10) | (10) |
| Total Expenditures & Transfers | 820 | 730 |

3.5.4. Parking and Security Services

Parking and Security operate as a combined Ancillary unit. Revenue for the unit is comprised of parking fees, and security service fees charged to the University and to Ancillary Units.

Table 19: 2017/18 Proposed Security and Parking

| Security and Parking | Approved Budget 2016/17 | Proposed Budget 2017/18 |
|---|----------------------------|----------------------------|
| | (000's) | (000's) |
| Total Revenue | 1,195 | 1,195 |
| Salaries and Benefits | 878 | 896 |
| Operating Expenses | 215 | 215 |
| Transfer to/(from) Reserves | 121 | 103 |
| Other Transfers | (19) | (19) |
| Total Expenditures & Transfers | 1,195 | 1,195 |

3.6. Sponsored Research

Research is an integral part of UNBC's mission. A number of major categories of sponsored research funds exist:

- Competitively adjudicated funding from the Tri-Agencies that include the Natural Sciences and Engineering Research Council of Canada (NSERC), Canadian Institute of Health Research (CIHR) and Social Sciences and Humanities Research Council (SSHRC). UNBC's collective success in these funding programs provides percentage-based funding to the university in the form of the Research Support Fund.
- Canada Research Chairs program, of which UNBC currently has six, including five Tier two and one Tier one chairs.

- Competitively awarded major research infrastructure support from the Canada Foundation for Innovation (CFI), the B.C. Knowledge Development Fund (BCKDF).
- Other sources including research agreements with governments, foundations and industry as shown in the table below.

Table 20 below, illustrates the total research revenue by category over the past five years:

| Source | Total Awards (\$'000s) | | | | |
|-----------------------------------|---------------------------|-------------------|-------------------|------------------|------------------|
| | 12/13 | 13/14 | 14/15 | 15/16 | 16/17* |
| NSERC | 1,087,638 | 1,177,481 | 1,135,011 | 1,005,563 | 810,461 |
| SSHRC | 309,552 | 491,267 | 541,488 | 392,865 | 289,042 |
| CIHR | 549,035 | 453,127 | 514,848 | 604,966 | 525,318 |
| CRC | 925,000 | 1,100,000 | 975,000 | 725,000 | 600,000 |
| Research Support Fund | 1,563,503 | 1,365,666 | 1,239,661 | 1,145,436 | 1,075,252 |
| Other | 5,246,242 | 7,179,314 | 6,611,639 | 3,408,109 | 4,213,568 |
| BCKDF | 166,309 | 81,257 | 315,354 | 170,970 | 350,125 |
| CFI | 221,083 | 382,508 | 32,986 | 70,061 | 364,628 |
| Endowment Allocations to Research | 537,191 | 637,862 | 641,288 | 1,030,703 | 1,036,641 |
| Total Research Funds | 10,605,553 | 12,868,482 | 12,007,275 | 8,553,673 | 9,265,035 |

*16/17 amounts based on a fiscal year that is not yet complete

3.6.1. Internal Funding Programs

In follow-up to our commitments in the 2016/17 Planning and Financial Overview Report, UNBC conducted a review of the support provided to the UNBC Research Community to ensure the university is enhancing its research vision. Following the review, adjustments were made to the established core internal funding programs of Travel Grant, Seed Grant and Publication Grant, which will better address the funding needs of the UNBC Research Community. Core funding was established for the Undergraduate Research Experience (URE) and Graduate Student Tri-Council Scholarship Operating award, and the Bridge Grant Program was established to support researchers between tri-council funding. The new awards are leveraged from the university's research overhead funding as indicated in the above funding table overview.

3.6.2. External Grant Funding

External funding is vital to the success of UNBC. In recent years, the university has relied primarily on Tri-Council and established funding partners. Over the past year, UNBC continued to diversify funding partners, specifically in areas of applied and industry-linked research. UNBC has seen growth in contract-

related research, which is reflected as “other” in the research funding table. Due to on-going activities, continued growth is expected in all external funding areas in 2017/18.

3.6.3. Institutional Partnership Funding

Last year, the University entered into a partnership with the B.C. Strategy for Patient Oriented Research (SPOR) support unit and Academic Health Sciences Network (AHSN) for the Canadian Institutes of Health Research SPOR Grant. UNBC is the lead research university for this \$21 million, five year grant, with AHSN receiving \$4.3 million annually on behalf of UNBC. This will position UNBC for increases in its Canada Research Chair allocation numbers and increase in its Research Support Fund in future years.

3.6.4. Research and Advancement Linkages

A key priority last year was to create a stronger link between the research and advancement portfolios to support philanthropy-linked research activities at UNBC. The value of the contributions that are included in Office of Research totals, and also reported on the Office of Advancement on the Board Report for Fiscal 2017, is \$485,000, which can be broken down to:

- Tula Foundation (LiDAR) - \$475,000
- Moss Rock Park Foundation (Coxson Ancient Forest) - \$10,000

Our two offices are also bringing together approximately \$300,000 for the Cash and Bioenergy Crop projects phases 1 and 2 (phase 2 not yet approved). With ongoing activities, this funding total is expected to double in 2017/18.

3.6.5. Research Chairs and Institutes

The Research Chairs continue to be an integral component of UNBC’s research community with a current total of six Canada Research Chairs (CRC) and eight Endowed Research Chairs. Last year, UNBC added the new BCIC Tall Wood and Hybrid Structures Engineering Chair and the new UNBC-Northern Health Knowledge Mobilization Chair to complete the current complement of 14 Research Chairs.

In 2017/18, UNBC will have two additional CRC’s and likely two NSERC Industrial Research Chairs. The three main research institutes of Community Development Institute (CDI), Natural Resources Environmental Studies Institute (NRESi) and Health Research Institute (HRI) continue their outstanding work of supporting research, providing mentorship and enhancing the UNBC research community. Additionally, the work of the tri-institute Cumulative Impacts Research Consortium (CIRC) and Northern Fire continue to expand their work. Although not an institute, UNBC has become part of the Pan-Canadian Research Data Network and established a Research Data Centre on campus that will support all research that utilizes data.

3.6.6. Wood Innovation Research Lab

In 2016/17, UNBC's application to the Federal Program Strategic Investment Fund (SIF) for the Wood Innovation Research Lab was successful. The total funding for this application was \$5.1 million, with investment from federal, provincial and local partners. Additionally, researchers from the Wood Engineering program will be submitting a Canadian Foundation for Innovation grant to equip the new lab, totalling \$1.9 million if successful.

3.6.7. Continued Areas of Focus

It is vital to the success of the research mission that the university continues to be proactive and adaptable to meet the changing landscape of the research environment from the provincial, national and international perspective. Areas to include:

- Increase funding for undergraduate and graduate students to support opportunities to engage in research
- Increase the number of research chairs to broaden the strength and breadth of research at UNBC
- International Research Partnerships
- BC Interior University Partnership (UNBC, Thompson Rivers University, UBC Okanagan) on Research Exchange
- Innovation Strategy with provincial and federal partners
- Continued diversification of research funding partners

3.6.8. Research Summary

Overall, through sponsored research, institutional research partnerships and research linked to philanthropy, UNBC has been able to acquire and invest more than \$19 million towards research activities in 2016/17. Throughout the next year, there will be a continued focus to increase research funding at UNBC. The UNBC Strategic Research Plan, under the portfolio of the Vice-President Research and Graduate Programs, has been crafted over the past year and following a university wide consultation, will be launched in April 2017. The revised Strategic Research Action Plan will support the above identified research activities at UNBC.

3.7. Specific Purpose and Endowment Funds

The specific purpose and endowment funds comprise two separate series of funds:

- Specific Purpose are project funds that are externally restricted (e.g., Aboriginal Service Plan) or internally restricted (e.g., student awards, library fines and reserves), as well as expendable funds that are externally restricted (e.g., various student awards) and chiefly supported by donations to the university. External donations and internal transfers to expendable funds can be used to directly support project-related expenses. The majority of specific purpose fund revenue is generally non-recurring in nature.
- Endowments are funds that are externally restricted and supported by donations to the university and interest earned on same (e.g., student scholarships, library endowments, and endowed chairs). Donations to endowment funds cannot be spent directly; rather they are held for the purpose of generating interest (investment) income, which in turn is used to support project-related expenses in perpetuity. Revenues in these funds are cyclical by nature and therefore fluctuate, sometimes significantly, from year to year.

The majority of revenue in the specific purpose and endowment funds is usually from investment income and donations. In fiscal 2015/16, these two revenue categories respectively made up 64% and 24% of total revenue. The majority of donations revenue was realized in the specific purpose funds, while virtually all of the investment income was realized in the endowment funds.

Given the unpredictable nature of revenue within this fund, it can vary considerably from year to year. For example, total revenue in the specific purpose and endowment funds was \$6.5 million in 2012/13, \$7.1 million in 2013/14, \$10.7 million in 2014/15, and \$10.1 million in 2015/16.

The endowment funds receive donations that are invested for endowment purposes. As of March 31, 2017, there were a total of 297 funds with an estimated market value of \$73.06 million. This is the result of more than 25 years of philanthropy and investment.

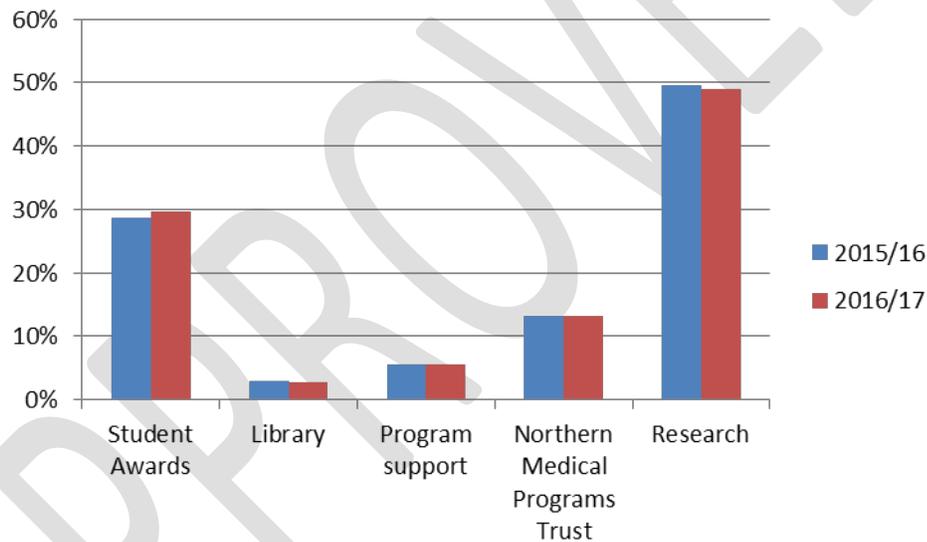
All specific purpose and endowment funds are “restricted”, meaning they can only be used for the purposes stated in the donor funding agreements or by internal decisions and cannot be allocated to support any other activity, such as offsetting deficits or addressing budgetary pressures within the general operating budget.

Spending in the specific purpose funds is limited to available fund balances in any given year and may be governed by donor agreements or internal restrictions.

The Investment Committee, a sub-committee of the Board of Governors, sets the university’s endowment objectives, policies, spending policy, and other related parameters with the aim of empowering its investment managers to generate investment income sufficient to support specific areas of the university’s activities as set out in the terms and conditions of the various donor agreements. In addition to the Investment Committee, spending from the Northern Medical Program Trust (NMPT) is determined by the NMPT Society that is composed of representatives from the participating communities.

On an annual basis, the various budget holders – as shown in the chart below – are allocated a portion of the income distributed (budget) from the endowment funds. For 2015/16 and 2016/17, the total income available for distribution from endowment funds was \$2.3 million and \$2.5 million, respectively, allocated as follows:

Figure 20: 2015/16 & 2016/17 Endowment Budget



To ensure sustainability, the spending rate for the endowment funds is currently set at 3.5% of the three-year rolling average of the market value of the endowment portfolio. The spending rate is reviewed annually by the Investment Committee.

3.8. Conclusion

The budgets and financial information in the preceding pages present a comprehensive financial picture of UNBC. The Consolidated General Operating and Ancillary are balanced and play an important role overall financial results of the University. The Ancillary units continue to demonstrate sound financial operations and provide a significant contribution to UNBC.

Presenting the financial data related to research and specific purpose areas is intended to demonstrate that these broader activities make significant contributions to the mission of UNBC.

Appendix 1: 2017/2018 Action Plans

| Strategic Priority 1 | Attract, retain and develop outstanding students, faculty, and staff | |
|---|---|-----------------------|
| Faculty Positions | Invest in six critical tenured, tenure-track and continuing faculty that ensure the academic excellence and integrity of UNBC programs. | \$497,000 - \$630,000 |
| Student Recruitment Enrolment | Increase recruitment rates through an enhanced support structure and effective application and registration processes. | \$73,000 |
| Student Recruitment International Admissions | Enhance the support structure for international admissions, streamline processes, and increase efficiencies. | \$78,000 |
| Student Recruitment International Recruitment and Retention | Increase recruitment and retention rates of international students through an enhanced support structure, and develop high quality and impactful programming in coordination with Academic departments. | \$450,000 - \$619,000 |

| Strategic Priority 2 | Enhance the quality and impact of academic programming and delivery | |
|--|---|----------|
| College of Arts, Social and Health Sciences | Continue to enhance and integrate first year experience through the IASK program. | \$70,000 |
| College of Science and Management | Replace, modernize and enhance weather data collection, and enhance and support teaching undergraduates in high-enrolment first-year Biology Lab courses. | \$58,000 |
| Centre for Teaching, Learning & Technology and Regional Programs | Support online, distance, hybrid course delivery and innovation in use of educational technology. | \$73,000 |

| Strategic Priority 3 | Enhance the research culture | |
|---------------------------------|---|-----------|
| Research | Increase international research partnerships. | \$154,200 |

| Strategic Priority 4 | Ensure financial accountability, sustainability and operational effectiveness | |
|--|---|-----------|
| Registrar | Create a sustainable organizational structure to enable existing system functionality, implement new online services, find electronic solutions to student communications, and meet Ministry mandated initiatives / projects. | \$94,700 |
| Employee Relations, Investigation, Mediation, Facilitation | Meet the requirements of collective agreements, legal, and labour responsibilities. | \$130,000 |
| Finance and Business Operations | Implement a framework for financial accountability and develop a culture of leadership and stewardship of resources. | \$124,500 |
| University Advancement | Strengthen and align Development and Alumni Programs to support the University's priorities. | \$285,800 |
| University Advancement | Improve and align the communications and marketing programs to the strategic priorities of the University. | \$98,000 |
| Human Resources, Health, Safety, and Wellness | Raise performance levels and capacity of the Human Resources department, consolidate, and streamline health and safety functions, and continue First Nations Counselling services. | \$265,000 |