

2015/16 Financial Overview & Budget Framework



Part 1: Planning Context and Financial Overview

Part 2: Initiatives for 2015/16

Part 3: Budget Framework and Three Year Plan

Table of Contents

Part 1: Planning Context and Framework.....	3
1.1. A time of transition after 25 years.....	3
1.2. Environmental scan.....	3
1.3. New planning models and processes.....	4
1.4. UNBC finances.....	4
1.5. Concluding observations on the state of UNBC finances	9
2. Part 2: 2015/16 Initiatives.....	10
2.1. Student success.....	10
2.2. Innovation – in programs and operations.....	10
3. Part 3: 2015/16 Budget Framework and Three Year Plan	13
3.1. Comprehensive financial operations	13
3.2. Resource allocation recommendation and fund information	14
3.3. Consolidated general operating budget	15
3.4. Operating and revenue adjustment plan.....	23
3.5. One time funding allocations.....	25
3.6. Sponsored Research.....	26
3.7. Ancillary budgets.....	28
3.8. Specific Purpose and Endowment Funds.....	40
3.9. Conclusion.....	42

Part 1: Planning Context and Framework

1.1. A time of transition after 25 years

UNBC will celebrate its 25th anniversary in the next few weeks. The beginning has been outstanding. Regarding itself as British Columbia's university in the North, for the North, UNBC has become a vital part of supporting this region's evolution as a knowledge-based, resource economy connected to the world.

UNBC is Canada's premier small, research-intensive university, with internationally recognized academic and research programs that prepare its graduates in select areas of high relevance to the peoples of our region, province, and beyond. We are proud of our history in this regard and eager to play an expanded role now and in the future.

Its mission, vision, values, and many successes and current challenges are laid out in a number of documents:

- The 2010 University Plan
- UNBC Core Review - May 2014
- 2014 Annual Report (2014 - 2017 Institutional Accountability Plan and Report)
- The Senate SCUB Report

While the UNBC mission, vision and values are very much alive, there are environmental, demographic and leadership realities that spell out the urgent need for a period of transition and the need for a "new" beginning to a great start. President Weeks has been emphasizing and working towards new structures; new relationships; new academic and integrated plans; and a budget that aligns resources to priorities, as critical next steps.

The purposes of this report are to:

- Present to the Board of Governors for approval the 2015/16 Financial Overview and Budget Framework;
- Recognize and address the current fiscal challenges;
- Develop a status quo budget to "buy time" for transitions to occur;
- Inform, explain, and introduce more transparency into finance and budget;
- Show that status quo does not mean "standing still";
- Set the context for dealing with significant deficits in this three year plan; and
- Illustrate new approaches for future budget documents.

1.2. Environmental scan

The following bullets set out some key elements of UNBC's internal and external environment:

- Northern BC is experiencing a consistent and dramatic decline in the number of youth.
- This decline is contributing to discomfort about the North's preparedness for what is expected to be a period of significant growth and economic development in the region.

- Government policy and priorities are a significant external factor for UNBC. Three areas of action by the Government of BC have had a profound effect on UNBC's planning and operations:

Grant Reduction: The Government of BC reduced UNBC's operating grant for 2013/14 by \$128,000, \$512,000 in 2014/15, and a further \$665,000 in 2015/16 (excluding an amount for new programming and funded compensation increases).

Skills Blueprint: The Government's promise to redirect funding to the education and training of "high-demand occupations" has the potential to shape UNBC's academic profile in significant ways.

New Universities: The expansion of degree-completion options in southern BC has had the effect of eroding UNBC's ability to attract students from southern BC.

- Significant FTE enrolment and related tuition fee revenue declines in the past few years.
- New leadership will bring both new directions and stability.
- Research funding has declined for many universities including UNBC.
- The university has been working with the Faculty Association to reach a first collective agreement; negotiating a new collective agreement with its CUPE staff; and will be working with non-unionized employee groups to address terms of employment in the next few months.
- The internal community has expressed a desire to have a better understanding of UNBC finances.

1.3. New planning models and processes

Over the past several years, there have been attempts at updating the university plan (including an academic plan). The absence of a new plan makes identifying priorities for financial change (addition or reduction of programs and services) difficult. The university must renew its effort to articulate and implement its plans.

Strategic planning, integrated planning, and budgeting do not only provide the basis for financial choices, they are critical to student success, program and service planning, and to the further development of the university.

Over the next months, new planning processes will be introduced.

1.4. UNBC finances

A key element of the planning context is the need to inform the university community of the state of our finances. The following sections attempt to do that.

1.4.1. Actual expenditures greater than budgeted expenditures

The significant variance between the expenditures shown in the audited financial statements and in the budget documents has created the sense that the budgets are not accurate. The following information helps to reconcile the major differences between these reports.

The audited financial statements include all of the following:

- General operating expense and revenue;
- Ancillary Services like Retail Services (includes Food Services, Copy Services and Bookstore), Conference & Events, Continuing Studies, Residence, Parking & Security, Northern Sport Centre, and English Language Studies (ELS);
- Northern Medical Program;
- Research expenses funded by various agencies; and
- Certain capital expenses and related depreciation of assets.

In contrast to the financial statements, the “budget documents” do not include the last two bulleted items. By definition then, expenditures in the financial statements will exceed those in the budget documents.

The following table provides a high-level reconciliation of the March 31, 2014 reports.

Table 1 - A bridge between the financial statements and the budget documents for the 2013/14 fiscal year:

Categories	Budget 000's	Actual 000's	Variance 000's
Revenue			
Per 2013/14 audited financial statements	81,963	109,166	27,203
Less: Unbudgeted funds - Specific Purpose, Sponsored Research & Capital		(22,800)	(22,800)
Total revenue - Ancillary, NMP, General Operating	81,963	86,366	4,403
Expenses			
Per 2013/14 audited financial statements	78,545	105,498	26,953
Less: Unbudgeted funds - Specific Purpose, Sponsored Research & Capital		(26,518)	(26,518)
Total expenses - Ancillary, NMP, General Operating	78,545	78,980	(435)
Total variance - Ancillary, NMP, General Operating	3,418	7,386	3,968

Notes – Table 1:

1. The above table shows a comparable actual expense to budget expense variance of \$435,000 on a budget of \$78.98 million or 0.5%.
2. The revenue variance was greater at 5%. However, the areas of revenue variance are cost of goods sold, gifts, non-government grants and contracts.
3. To clarify Note 1, this analysis includes three areas: Operating, Ancillary, and NMP. See below for the variance on the Operating fund alone.

1.4.2. Accumulated surplus

Table 2 - Accumulated surplus as of March 31, 2014 (see note 13 of the 2013/14 Audited Financial Statements <http://www.unbc.ca/finance/statements>)

Category	March 31, 2014 Balance 000's	Notes
Investment in capital assets	\$ 44,059	UNBC's equity in land, buildings and equipment
Endowments	43,719	Donations restricted in perpetuity with investment earnings restricted to use in accordance with the donor requirements
University general surplus	43,337	See details below
Total accumulated surplus	\$ 131,115	
University general surplus breakdown:		
Departmental carry forwards	\$ 5,054	Internally restricted funds set aside under policy from operational savings for use at the discretion of departments
Minor capital projects, equipment purchases and special projects	9,312	Internally restricted funds set aside under approval of President's Executive Council for various projects
Specific Purpose	13,162	Internally and externally restricted funds for various purposes including conferences, Green Fund, graduate awards, multi-year projects and reserves required under employee agreements
Unrestricted surplus	3,517	Unrestricted funds available for use at the discretion of the Board of Governors
Total general operating surplus	31,045	
Ancillary Services	713	Internally restricted funds set aside from Ancillary Operations to fund future capital and operating projects
Capital	7,184	Internally restricted funds set aside for replacement of capital assets
Professional development and internal research funds	4,395	Internally restricted funds set aside pursuant to employee agreements and terms of employment to be used in accordance with guidelines, at the discretion of individual employees.
Total University general surplus	\$ 43,337	

Notes – Table 2:

1. The above sums represent the accumulation over all of the years that UNBC has been in operation.
2. Each year, the new surpluses are allocated to various projects that are of a one-time versus ongoing nature.
3. In describing the nature of UNBC finances, these funds provide a valuable source for “projects” but they themselves are not available to offset operational deficits.
4. While the numbers for 2014/15 are not yet finalized, they are projected to be approximately \$4.2 million as shown in the following table.
5. The above type and quantity of accumulated surpluses are consistent with other universities.

In addressing the state of UNBC finances, the amount of accumulated surpluses gives some useful information, however, the more significant factor is – where do these surpluses come from within the Operating fund and are those sources available to address ongoing fiscal challenges in future years?

The following table sets out the major sources of surpluses for the past three years.

Table 3 – Major sources of surpluses over past three years – Operating Fund.

	2014/15* (000's)			2013/14 (000's)			2012/13 (000's)		
	\$	% of budget allocation	% of total surplus	\$	% of budget allocation	% of total surplus	\$	% of budget allocation	% of total surplus
Revenues									
Interest income	398	126.2%	9.4%	321	102.0%	7.8%	458	179.6%	7.0%
Tuition and fees	(1,818)	-9.5%	-43.0%	(530)	-2.8%	-12.8%	840	4.8%	12.9%
Other revenues	77	0.2%	1.8%	(86)	-0.2%	-2.1%	(75)	-0.2%	-1.2%
	(1,343)	-2.0%	-31.8%	(295)	-0.4%	-7.2%	1,223	-2.0%	18.8%
Labour									
Salary turnover savings	2,970	7.0%	70.3%	1,756	4.2%	42.6%	2,416	5.8%	37.1%
Employee benefit savings	952	11.5%	22.5%	603	7.3%	14.6%	915	11.0%	14.0%
	3,922	7.7%	92.8%	2,359	7.7%	57.2%	3,331	6.7%	51.1%
Operating Expenses									
Supplies	150	3.1%	3.5%	508	10.0%	12.3%	432	8.8%	6.6%
Utilities	588	26.3%	13.9%	529	23.6%	12.8%	596	26.0%	9.1%
Travel & Personnel Costs	354	21.7%	8.4%	365	21.4%	8.8%	417	23.8%	6.4%
Contingency	118	100.0%	2.8%	232	100.0%	5.6%	176	100.0%	2.7%
Other expenses	(286)	-5.4%	-6.8%	(67)	-1.6%	-1.6%	565	10.2%	8.7%
	924	6.5%	21.9%	1,567	6.5%	38.0%	2,186	14.9%	33.6%
Transfers	723	22.5%	17.1%	494	22.5%	12.0%	(225)	-7.2%	-3.5%
Total surplus	4,226	-	100.0%	4,125	-	100.0%	6,515	-	100.0%

Notes – Table 3:

1. The largest source of surplus is from the salaries and benefit savings from vacant and turnover positions. The % from that source varies from year to year between 50 and 90%. These savings are only available to address fiscal challenges if positions were removed from the budget. The goal is to review that possibility when priorities are set during the new planning processes. Capturing positions savings (other than for one time) from those positions that happen to be vacant is not a strategic step (see table 4 below).
2. The efforts of reducing utilities costs are paying off and these savings will be explored in the future to see if they are ongoing.
3. This past two years have seen a significant drop in tuition revenue, demonstrating the need to be cautious on projecting that revenue number.
4. There appears to be some room for recording greater interest revenue into the budget.

Given the significant amount of surpluses coming from vacant positions, the following chart gives a snapshot of the number of vacancies at a point in time in each year.

Table 4 – Total Vacant Positions as at April 1

	2013	2014	2015
Staff	22	22	21
Faculty	12	17	17
	34	39	38

Notes - Table 4:

1. There is considerable consistency to the number of vacant positions (this is a snapshot as of April).
2. Within these numbers, some positions happen to be open on that date and some are longer term vacancies.
3. The planning process will assess priorities and review vacant positions along with other positions. For the next budget cycle the goal is reduce the surplus from vacant positions.
4. The current budget uses significant salary savings to balance the budget. If the savings are reduced this will impact that strategy.

1.4.3. Structural versus one-time source of surplus or deficit

To understand surpluses and their value, it is not only helpful to look at which accounts generate the variances but also to look at the cause of the surplus, for example was it structural variance or a one-time variance?

1.4.4. The need for and value of three year projections

University expenditure and revenue patterns seldom match exactly at the year-end date of March 31. As a result, in order to make effective and meaningful financial plans it is necessary to consider the impact of expenditures and revenues over more than one year.

1.4.5. Primary variables that influence a financial plan over three years

- provincial grants
- investment revenue
- tuition revenue
- salaries and benefit
- utilities costs

1.4.6. Changes to financial planning presentation – A comprehensive view

This budget presentation has been amended to:

- show a comprehensive financial picture versus only an operating budget.
- provide greater explanation and clarity to the financial tables.

1.5. Concluding observations on the state of UNBC finances

- For 2015/16, the operating financial position has significantly deteriorated due to three factors: 1) declining tuition revenue; 2) declining government grants; and 3) increasing compensation costs (see Part 3).
- The current unadjusted budget projection includes \$833,000 in salary savings to help balance the budget. When the vacant position issues are addressed this practice will be of concern.
- Over the next three years, the base budget projections identify the need for a reduction of approximately \$4.0 million or 4 - 6%. The single biggest contributing factor is declining tuition revenue.
- The university has accumulated surpluses that can be used to address strategic and transitional one-time costs, however, these funds are not available to address ongoing operating shortfalls.
- While some non-salary savings are available to offset the cost pressures, the significant budget adjustments needed to address the above shortfalls will have to come primarily from reduced compensation costs. That means priorities need to be set on which programs and services or delivery mechanisms should change.
- Overall conclusion: there are some significant financial concerns.

Part 2: 2015/16 Initiatives

The 2015-16 budget does not forecast an increase in overall funding. Nevertheless, this does not mean that the University is failing to invest in continued improvement and success. For example, the University continues to invest in career development for faculty and staff and in cultivating research and regional engagement opportunities for our faculty and students.

This section illustrates some of the initiatives that are currently being pursued; it is not an exhaustive list. The goal of future planning processes will be to align budgets with priorities. The following activities illustrate the kinds of priorities that could influence future budgets.

2.1. Student success

A key priority for UNBC is the recruitment and retention of students. Currently we attract the majority of the high school graduates in Northern BC who choose to attend University and in order to grow; UNBC must maintain its current recruitment activities in the North while expanding its reach into other markets.

- The University is renewing a Memorandum of Understanding (MoU) with School District 57 that will engage high-performing grade 12 students in university courses by providing dual credit.
- New in 2015, the Spring into Transitions program provided opportunities for Northern BC Aboriginal students in grades 11 and 12 to become oriented to the university and gain three credits – by completing ARTS 101 – that can be applied to future degree completion.
- UNBC has revamped its orientation program for new students to better prepare them for the university experience. The University continues to invest in undergraduate research experiences and in enhancing student service coordination on the Prince George campus and in the regions.
- A new student leadership program enhances opportunities for students to be involved in the campus community, developing skills in public speaking and project management.
- The Geoffrey Weller Library is aiming to continue improving its first floor to enhance technical infrastructure and promoting the relationship between student engagement and library use.

2.2. Innovation – in programs and operations

In order to ensure the University's programming remains attractive to students and serves the evolving needs of society new academic programs are currently in development. These include:

- Master of Science in Engineering and a Master of Engineering in Integrated Wood Design. These degrees complement ongoing plans for developing an undergraduate Engineering program at UNBC.

- International Northern Development stream in the IDIS MA, a joint degree program with University of Nordland in Norway.

Activities are also underway to enhance existing programs:

- The Inter-professional Education (IPE) project in health service professions to define and design an Inter-professional Education curriculum that fosters the linkages between the Northern Medical Program, Nursing, Health Sciences, Education, and Social Work.
- The reworked Master's program in First Nations Studies will offer classes in a format and schedule that more closely fits the needs of working individuals.
- International and Global Studies have reworked its undergraduate curriculum so that it includes and encourages students to take the IASK program in their first year of study.
- In addition to the MBA program at Langara College, UNBC now delivers a BSW program with Langara College in Vancouver.

Innovation in the operations of the Prince George campus have resulted in significant fuel cost savings while serving as a platform for demonstrating enhanced energy security in rural and remote communities:

- Following the establishment of two bioenergy systems on campus, the third phase – the Sustainable Communities Demonstration Project – is connecting the residences, daycare, and I.K. Barber Enhanced Forestry Laboratory to the biomass gasification and wood pellet systems. This will reduce fuel costs for heating the residences and demonstrate energy distribution infrastructure that is unique in North America
- A campus revolving loan program is re-investing savings from energy-efficiency projects into additional sustainability projects at UNBC sites.

2.3. Regional engagement and advancement

- The revamped Office of Regional Programs is reviewing and implementing various course delivery options to enhance the availability of Academic and Continuing Studies courses.
- UNBC has been working with the Northern Development Initiative Trust to foster opportunities for internships in local government, planning, and economic development. Fifty interns have been selected to date, with 86% being UNBC alumni.
- UNBC's three research institutes – in Community Development, Natural Resources and Environmental Studies, and Health – are partnering in the creation of a Community and Cumulative Effects Research Consortium that will intersect with multiple groups and communities in northern British Columbia.
- A new Research Data Centre will be based in the Library and enhance access to information for UNBC researchers as well as regional organizations and industries.
- As part of regional outreach related to the 25th anniversary, UNBC is producing a unique "northern report" highlighting local graduates, local award-winners, local research projects, and local courses for northern communities and regions outside of Prince George.
- The culmination of the 25th anniversary will feature a community celebration that will enhance relationships with donors, founders, government officials, alumni, students,

faculty, staff, and citizens by highlighting elements in the UNBC history that have shaped the University's unique culture and how the University's future can be built on this foundation.

Approved by the Board of Governors

Part 3: 2015/16 Budget Framework and Three Year Plan

Part 3 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.

As outlined in Part 1, this is a transition year for UNBC and as such the 2015/16 budget framework is not based on the kind and level of consultative and integrated planning processes that are preferred.

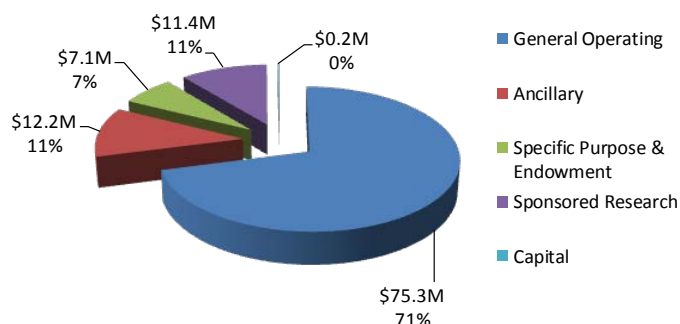
3.1. Comprehensive financial operations

UNBC is responsible for the financial stewardship of approximately \$108 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 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 & Events, Residence, Parking & 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** – all minor and major capital projects funded by both internal and external sources, and the cost of depreciation of capital assets.

For 2013/14, the total actual revenue for UNBC covering this comprehensive picture was \$106.2 million and was distributed across the above funds as follows:

Figure 1 - Total Revenue by Fund (2013/14: \$106.2 million)

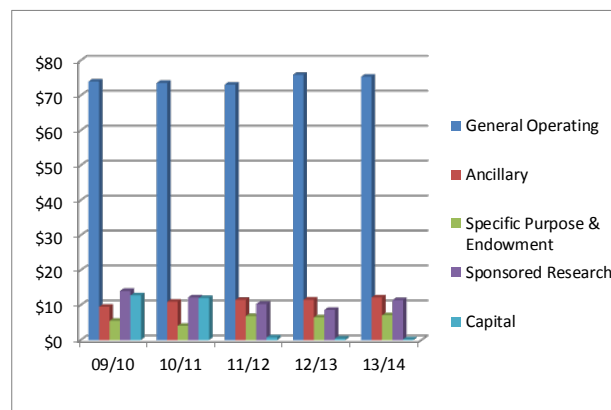


Note: For the purpose of financial statement reporting, revenue that is restricted for specific purposes other than those for the acquisition or development of depreciable tangible capital assets are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contributions have been met. Due to application of this accounting principle, the revenue reported for the fiscal 2014 financial statements was \$109.2 million.

Total revenue across all funds increased by \$3.30 million or 3.2% from the prior year. The majority was a result of growth in research funding of \$2.80 million. The Consolidated General Operating Fund experienced a moderate net decrease primarily due to the operating grant reduction and the changes in enrolment levels. Ancillary, Specific Purpose, and Endowment Funds enjoyed increases mainly because of additional revenues from conferences and investment income, and from strong financial markets respectively. The capital fund revenue reflects a decrease in interest revenue due to declining capital fund balances as a result the completion of capital projects. The sponsored research revenue increase was mainly due to corporate funding for the Pacific Trail Pipelines project.

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

Figure 2 – Total Revenue by Year (2009/10 – 2013/14)



3.2. Resource allocation recommendation and fund information

This document outlines the high-level financial plans for a three year planning cycle; however, the focus is on resource allocations for the 2015/16 year, and specifically requests Board of Governors' approval of:

- 2015/16 Consolidated general operating budget framework; and
- 2015/16 Ancillary budgets.

Note: The tuition and fee revenues included in the above are based on the fees approved at the March 2015 Board of Governors meeting.

Budgets for Sponsored Research Funds are individually approved 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. Budgets that are approved externally are included in this plan to provide a more complete financial picture of the institution.

Activities related to Sponsored Research, Capital and Specific Purpose Funds, and their impact on the general operating budget are estimated and reflected in the operating budget where appropriate.

3.3. Consolidated general operating budget

3.3.1. Planning assumptions

The 2015/16 Budget has been developed based on the following assumptions:

- UNBC must present a balanced budget.
- 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. The only Government funded graduate growth will be in the new Master of Engineering program.
- 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.
- A further reduction of \$665,000 to the provincial operating grant (excluding the amounts targeted for the Master of Engineering program and compensation increases). It is assumed that the province will fund 100% of salary increases which fall within the current provincial bargaining mandate.
- A reduction of approximately \$95,000 to the 2015/16 Federal Research Support Fund (formerly indirect costs of research program) compared to the budgeted level for the previous year.
- The Routine Capital will remain at the 2013/14 levels of \$242,000.
- Salary savings at least equal to last year’s amount will be used to balance the budget.
- FTE enrolment levels will remain at the same level as in 2014/15 for the three year period, this will result in a tuition revenue reduction of \$925,000 compared to last year’s budget (see Figures 3 and 4). Any future changes to this forecast will be based on the new academic, enrolment, and faculty action plans.

Figure 3 – Annualized FTE Enrolments

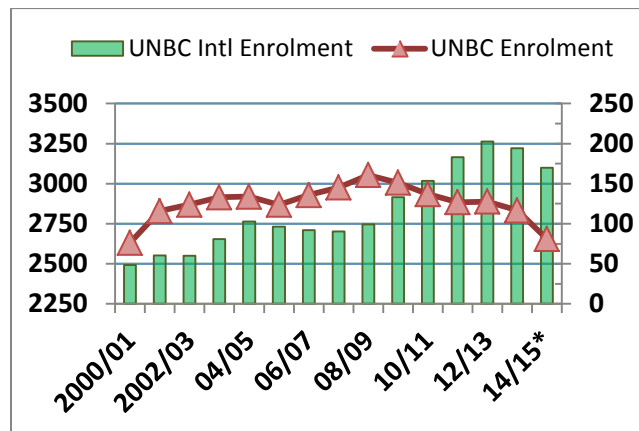
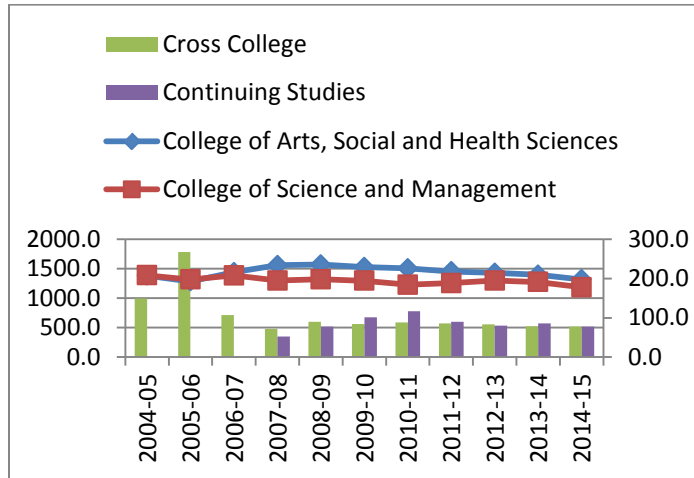


Figure 4 – Annualized FTE by fiscal year



Note 1: FTE definition

Annualized FTE short definition:

UG + Continuing studies = total semester FTE / 2

GR = total semester FTE / 3

PhD= total semester FTE / 3

Semester FTE:

Semester FTE is calculated by taking a student's semester credit total and dividing by the standard full course load credit total. Generally speaking for undergraduate students this would be semester total/15. For graduate students if they are taking 6 or more credits they are 1FTE and if they are taking less than 6 credits they are 0.333FTE. PhD students get 1 FTE per semester regardless of credit totals. There are some finer points involved with calculating FTE but for the purpose of a general description they need not be discussed.

Cross College:

Joint majors where the majors fall in both colleges (e.g., Joint Anthropology & Geography) AND undeclared students.

3.3.2. Unadjusted three year budget projections

Table 5 provides a financial summary of the projected operating revenues and expenses for 2015/16, and the following two years based on the above assumptions and before making adjustments required to balance the budget.

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

- 2015/16: deficit of \$2.24 million plus \$833,000 anticipated salary savings to offset the budget resulting in a total deficit of \$3.07 million.
- 2016/17: assuming no adjustments are made to reduce the 2015/16 deficit the two deficit numbers shown above would grow to \$2.92 million and \$3.75 million respectively.
- 2017/18: assuming no adjustments are made to reduce the 2016/17 deficit the two deficit numbers shown above would grow to \$3.47 million and \$4.30 million.

In percentage terms, in the third year, this amounts to \$4.30 million over \$80.86 million or 5.3%.

Table 5 – Unadjusted Budget Projections (Revenue and Expenditures for 2014/15 to 2017/18)

Consolidated General Operating Fund*	2014/15 Approved Operating Budget (000's)	2015/16 Proposed Operating Budget (000's)	2016/17 Projected Operating Budget (000's)	2017/18 Projected Operating Budget (000's)
Revenues				
Provincial Base Operating Grant	46,787	47,692	48,034	48,817
Provincial Grants - Capital, One-time & Other	499	500	500	500
Federal Grant - Research Support Fund	1,241	1,145	1,145	1,145
Grants from other universities	5,805	5,805	5,940	6,077
Interest	315	315	315	315
Tuition & Student Fees	19,003	18,078	18,423	18,814
Sales & Service	480	450	450	450
Miscellaneous	173	123	123	123
ICR - Administrative Overhead	416	576	576	576
Other Cost Recovery	360	571	571	571
Total Revenues	75,079	75,255	76,077	77,388
Expenditures				
Labour (Salaries, Wages & Benefits)	53,445	54,510	55,538	56,969
Operating Expenditures	17,947	17,879	18,350	18,780
New allocations:				
Instruction & support for new programs	-	1,250	1,250	1,250
Strategic Priorities	-	-	-	-
Transfers	3,687	3,856	3,856	3,856
Total Expenditures	75,079	77,495	78,994	80,855
Budget Shortfall before adjustments		(2,240)	(2,917)	(3,467)
TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS	-	-	-	-

*Comprised of General Operating, Northern Medical Program, Routine Capital, Carryforward and Professional Development Funds

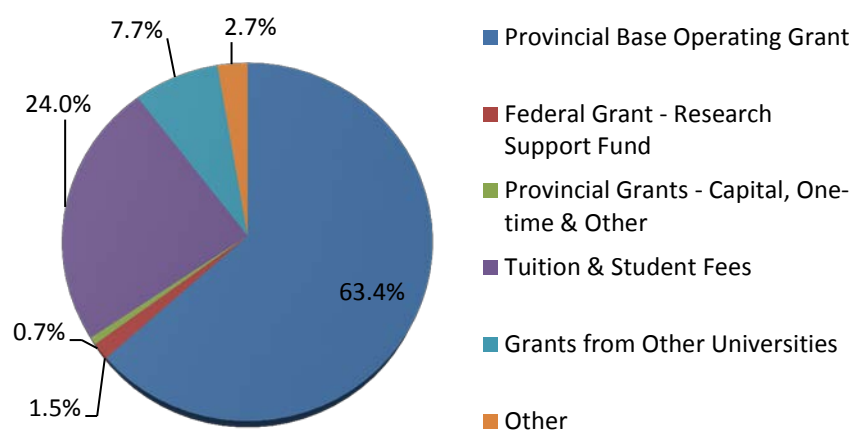
The following sections provide the details on revenue and expenditure changes in the above projection.

3.3.2.1. Revenue projections (as per Table 5)

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

- Federal and Provincial government grants, which account for 66% of revenues in 2015/16;
- Grants from other universities which account for 8% of revenues in 2015/16; and
- Student tuition and fees which account for 24% of revenues in 2015/16.

Figure 5 - 2015/16 Consolidated General Operating Revenue



The total Consolidated General Operating Fund revenue for 2015/16 is projected at \$75.26 million. The major changes are by area as follows:

Provincial Base Operating Grant (\$47.69 million) has been adjusted from the 2014/15 approved budget to reflect final confirmation of the 2014/15 amount, the grant reduction for 2015/16, funding for salary increases included within the provincial mandate, and the base funding for the Master of Engineering program.

Table 6 – Adjustments to 2014/15

Adjustments	(000's)
2014/2015 approved amount	\$ 46,787
Confirmation of 2014/15 grant	(37)
2014/15 confirmed (adjusted) amount	46,750
2015/16 grant reduction	(665.00)
M.Eng program funding	1,200
Mandate funding	407
2015/16 budgeted amount	\$ 47,692

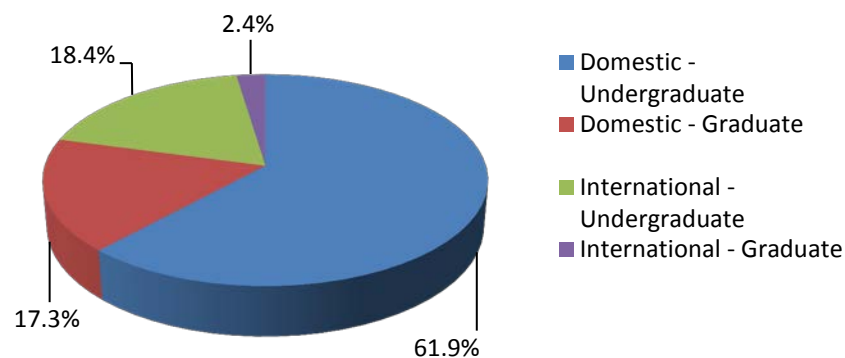
Tuition & Student Fees (\$18.08 million) represent fees paid by students (undergraduate and graduate, domestic and international) including application fees, course fees, student service fees, and other mandatory fees. The University is currently reviewing the policy on international student fees. The total tuition fees budgeted for 2015/16 is based on:

- 2% increase to the actual tuition revenue of 2014/15; and
- an amount for projected tuition fees from the new Master of Engineering Program.

Despite the above increases, the overall projected tuition is still \$925,000 less than the total budgeted for last year. This represents a significant decrease in total revenue compared to the 2014/15 budget.

For planning purposes, a 2% tuition increase is also used for 2016/17 and 2017/18. Student fees have been held constant. The following graph illustrates the proportionate share of tuition revenue budgeted for each student group.

Figure 6 – 2015/16 Tuition by student group



Provincial Grants – Capital, One-time & Other (\$500,000) 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’oskwhl Nisga’a, the University’s grant-in-lieu of taxes, and routine capital.

Other Revenue - (\$8.99 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 & 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. Other Cost Recovery includes inter-departmental chargebacks for items such as postage, long distance, lab supplies, and personnel services.

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

Table 7 – 2015/16 Revenue Plan Changes

	(000's)
Provincial grant reduction / confirmation adj.	\$ (702)
Additional FTE funding (M.Eng)	1,200
Mandate funding	407
Federal research support fund reduction	(96)
Tuition increase (2%)	318
Estimated tuition for new program	50
Enrolment adjustment	(1,293)
ICR – Administrative Overhead	161
Other Revenue	131
Total revenue increase 2015/16	\$ 176

3.3.2.2. Expenditure projections (details of Table 5)

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

- Labour which accounts for 70% of all expenditures;
- Operating & Minor Capital Expenditures which account for 23%;
- Instruction & Support which accounts for 2%; and
- Transfers which account for 5% of the total.

Figure 7 – 2015/16 Consolidated General Operating Expenditures by Function

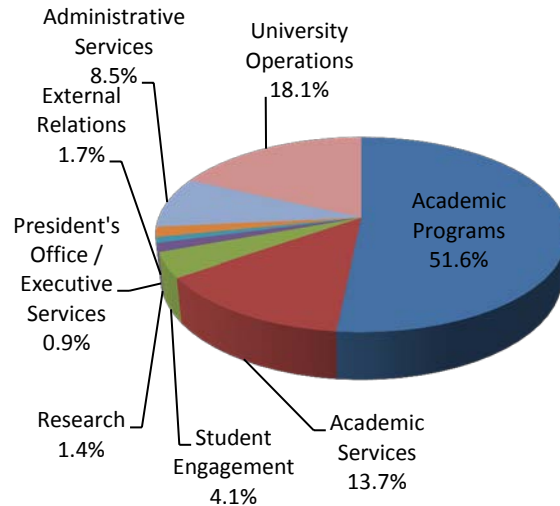
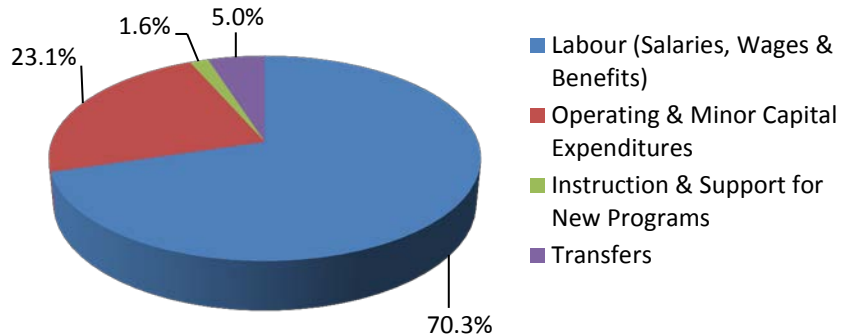


Figure 8 – 2015/16 Consolidated General Operating Expenditures by Category



The total Consolidated General Operating Fund expenditures are projected at \$77.50 million before adjustments.

Labour (\$54.51 million) has been increased by \$1.07 million to reflect benefit changes resulting from current collective agreements, collective bargaining or statutory obligations.

Operating Expenditures (\$17.88 million) are comprised of all non-salary expenses required to support programs and services including supplies, utilities, travel, and maintenance. The total has declined slightly from 2014/15 (\$68,000) due primarily to changes in the accounting treatment of certain items resulting in corresponding changes in revenues or transfers.

Instruction & Support (\$1.25 million) is new funding for the Masters of Engineering program; the detailed allocation of this funding is not yet complete.

Transfers (\$3.86 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 \$169,000 primarily due to the expiry of some CRC Chairs and the change in accounting treatment in expenditures noted above.

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

Table 8 – 2015/16 Expenditure Plan Changes

Expenditures	(000's)
Labour (salaries, wages, and benefits)	\$ 1,065
Operating expenditures	(68)
Instruction & support for new programs	1,250
Transfers	169
Total	\$ 2,416

3.4. Operating and revenue adjustment plan

The previous sections identify the revenue and expenditures prior to the adjustments required to balance the 2015/16 budget. This section outlines the adjustments proposed to balance the budget (totaling **\$2.24 million**):

Table 9 – Budget adjustments

	<u>(000's)</u>
• 2015/16 Deficit prior to following adjustments	(2,240)
○ <i>One time elimination of allocation to reserves with sufficient accumulated balances to maintain activities at the same level as prior years:</i>	
▪ Scholarships & Awards	707
▪ Faculty Recruitment and Retention Awards	93
▪ Faculty Travel and Publication Awards	83
▪ Miscellaneous Transfers	84
○ One time elimination of allocation to Capital Equipment Replacement Reserve (CERR); timing of CERR purchases can be postponed to accommodate funding available	800
○ Temporary increase to investment income based on prior years' experience	200
○ Temporary increase to estimated salary savings. A more complete analysis will be conducted during the new planning processes.	200
○ Temporary decrease to the utilities budget based on last year's results	173
○ Creating of a strategic priority pool to provide some degree of flexibility to address emergent issues during the transition to the new planning processes (<i>Note 1</i>)	(100)
• 2015/16 revised surplus/(deficit) after adjustments	<u>\$ 0</u>

Note 1:

The first \$25,000 allocation from these funds will be to support the annual costs of new research software.

3.4.1. 2015/2016 proposed budget and two year projections

Based on the initial budget in Table 5, combined with the adjustments in Table 9, the following Table 10 represents the Consolidated Operating Budget for 2015/16 and the projections for 2016/17 and 2017/18.

Table 10 – 2015/16 Proposed Budget and Two Year Projection

Consolidated General Operating Fund*	2014/15 Approved Operating Budget (000's)	2015/16 Proposed Operating Budget (000's)	2016/17 Projected Operating Budget (000's)	2017/18 Projected Operating Budget (000's)
Revenues				
Provincial Base Operating Grant	46,787	47,692	48,034	48,817
Provincial Grants - Capital, One-time & Other	499	500	500	500
Federal Grant - Research Support Fund	1,241	1,145	1,145	1,145
Grants from other universities	5,805	5,805	5,940	6,077
Interest	315	515	315	315
Tuition & Student Fees	19,003	18,078	18,423	18,814
Sales & Service	480	450	450	450
Miscellaneous	173	123	123	123
ICR - Administrative Overhead	416	576	576	576
Other Cost Recovery	360	571	571	571
Total Revenues	75,079	75,455	76,077	77,388
Expenditures				
Labour (Salaries, Wages & Benefits)	53,445	54,310	55,538	56,969
Operating Expenditures	17,947	17,706	18,228	18,587
New allocations:				
Instruction & support for new programs	-	1,250	1,350	1,400
Strategic Priorities	-	100	100	100
Transfers	3,687	2,089	3,856	3,856
Total Expenditures	75,079	75,455	79,072	80,912
Budget Shortfall before adjustments		-	(2,995)	(3,524)
TOTAL REVENUE LESS EXPENDITURES AND REDUCTIONS	-	-	-	-

*Comprised of General Operating, Northern Medical Program, Routine Capital, Carryforward and Professional Development Funds

Note 1: 2016/17: projected deficit of \$2,995 plus \$833,000 anticipated salary savings built into the budget results in a total deficit of \$3.828 million.

Note 2: 2017/18: projected deficit of \$3,524 plus \$833,000 anticipated salary savings built into the budget results in a total deficit of \$4.36 million.

3.5. One time funding allocations

There are many strategic and operational one-time expenditures required to keep UNBC in operation. Each year the savings from the past year are included in the “accumulated surplus account” and allocated to such uses. As outlined in Part I, accumulated surpluses are one-time funds (savings) and these funds are not available to address ongoing operational requirements.

Over the past several years the following kinds of one-time allocations have been made from these funds:

- CERR reserve funds
- Tall Wood Chair
- Classroom furniture
- Campus wireless
- Research software
- Emergency Notification System
- 25th Anniversary
- Capital Campaign costs
- Video Conferencing
- Records Management
- Canada Winter Games tuition waiver
- Smart Loop capital project
- Provost and VPAF offices to allocate to various activities

The projected new funds available for such purposes total approximately \$2.20 million.

Given this is a transition year the following will be used to allocate the funds during this next budget year:

1. Urgent university wide allocations known at budget time - off the top.
2. Transitional costs associated with the budget deficit plans for 2016/17 - allocate 40% total minus [Item 1].
3. Hold for University wide allocations during the year - 30% of total minus [Item 1].
4. Balance to be allocated to the Provost (70% of balance) and VPFA (30% of balance).

Future allocation process:

The allocation of future one time funds will be done consistent with the new integrated budget process.

3.6. Sponsored Research

As one of BC's research universities, research is an integral part of the mission of UNBC. There are five major categories of sponsored research funds:

- Competitively adjudicated funding from the Tri-Agencies;
- Research Support Fund from the Tri-Agencies;
- Canada Research Chairs program;
- Competitively awarded major research infrastructure support from the Canada Foundation for Innovation (CFI), the BC Knowledge Development Fund (BCKDF), and
- Other sources including research agreements with governments, foundations and industry as shown in the Table below.

The University of Northern British Columbia was established as a Research University in British Columbia, approximately 25 years ago. The total research revenue received by a Research University is used as a major indicator of both research success and research intensity/competitiveness by external assessors of University Performance. Research Competitiveness is measured as the ability of the researchers to attract external and peer reviewed funding.

In 2014/15, UNBC received \$12.0 million in external research funding. As outlined in the table below, the university has seen a decline in total research funding over the last 5 years.

Table 11 - Research revenue by category and year

	11/12	12/13	13/14	14/15
Source	Total Awards	Total Awards	Total Awards	Total Awards
NSERC	1,175,488	1,087,638	1,177,481	1,135,011
SSHRC	449,511	309,552	491,267	541,488
CIHR	562,978	549,035	453,127	514,848
CRC	875,000	925,000	1,100,000	975,000
Research Support Fund	1,733,284	1,563,503	1,365,666	1,239,661
Other	6,929,044	5,246,242	7,179,314	6,611,639
BCKDF	67,757	166,309	81,257	315,354
CFI	175,393	221,083	382,508	32,986
Endowment Allocations to Research	598,804	537,191	637,862	641,288
Total Research Funds	12,567,259	10,605,553	12,868,482	12,007,275

The total research grant and contract revenues increased in 2013/14 and 2014/15; whether or not we have reversed the declining trend noted between 2011/12 and 2012/13, by securing external funding, remains to be seen. The annual fluctuation in the number of CRCs occupying the allocated Chairs and the CFI and/or BCKDF funding represents a portion of the changes in the total annual revenue reported. The loss of three Tier 2 CRCs in 2013 (see below) has reduced annual research revenue by \$300,000; this reduction will impact total revenue for 2015 and onward. Revenue generated by UNBC Research includes overhead charged to research grants and research contracts, Research Support funding from the Federal Tri-agency and institutional operating funds provided by Canada Foundation for Innovation. UNBC has a combined \$30.0 million endowed research fund; about \$1.0 million is generated annually which covers various research expenses including items such

as salaries of endowed chairs, operations of the Quesnel River Research Centre and various ongoing research projects.

The declining Tri-Council funding resulted in a reduction of three Tier 2 CRCs at UNBC in 2013. It is important to note that UNBC was able to sustain the number of CRCs in 2015 following the reallocation exercise by the Canada Research Chair Secretariat.

A strong UNBC research ethos is critical to our future research successes. It will influence external factors and assist in making UNBC a more attractive option to external partners and funders, to our students, and to our community and other stakeholders.

Approved by the Board of Governors

3.7. Ancillary budgets

These units produce a significant service to UNBC students and to the overall mission of the university.

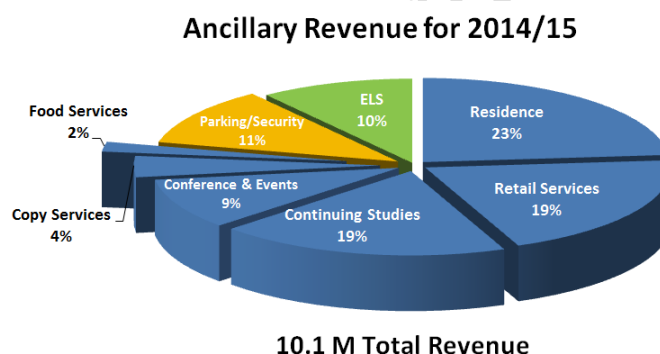
This section outlines the budget framework for three ancillary areas:

- Ancillary units including Residence; Retail Services; Continuing Studies; and Conference & Events
- Parking and Security
- English Language Studies

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 Revenues from all three areas from Ancillary Operations in 2014/15 totaled \$10.10 million. The chart below shows the different departments or units that contribute to this total.

Figure 9 – Ancillary Revenue for 2014/15



English Language Studies (ELS) and Parking/Security (PS), although an ancillary operation, reports through International Education and Parking/Security, respectively, while all other units report through the Director of Ancillary Services.

Each section outlines the proposed budgets for 2015/16 along with the corresponding fee increases that require board approval.

3.7.1. Ancillary departments

3.7.1.1. Residence

UNBC Residence Services provide on-campus accommodations for students and visitors. In all, UNBC has two buildings, organized into 129 - four bedroom and 14 - two bedroom apartments, which provide 544 total beds for students and visitors. The table below summarizes the proposed Residence Budget for the next three years.

Table 12 – 3 year proposed Residence budget

Residence	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	2,375	2,531	2,678	2,826
Salaries and Benefits ¹	521	301	303	303
Operating Expenses	652	834	844	844
Debt Servicing ²	1,601	947	844	1,205
Provision for Capital and Reserves	(427)	0	0	0
Transfers ³	28	449	474	474
Total Expenditures	2,375	2,531	2,678	2,826

The approved rates proposed for rooms to support the proposed budget for the fiscal year April 1, 2014 to March 31, 2015, represent a 2.5% increase for four and two bedroom suites. This is required to cover inflationary pressures, address deferred maintenance, and planned capital projects.

Ancillary Services will partner with UNBC Student Services to provide one-year term funding for counselling, academic, and nutrition services in residences for students living on campus. The pilot services will be in effect for one year to assess the long-term viability.

2014/15 saw the second, of three, debentures paid in full. Residence is now in a position to complete the much needed preventative maintenance and renovations over the next 2-3 years. Costs will be covered by a combination of Board of Governors' approved funding and provisions for capital (noted above) for an estimated residence renovation budget of \$14.80 million. Payback of Board of Governors' approved funding will be approximately eight years from completion of the project.

UNBC Facilities department expedited an extensive review of all UNBC buildings. The report provides guidance on all preventive maintenance that we need to address in both residence buildings.

Despite declining enrolment, UNBC Residence has been operating at over 90% occupancy for the last two years. Declining vacancy rates in Prince George have contributed to the occupancy pressures on campus. UNBC Residence will be conducting a phased approach for addressing future housing requirements on campus.

Phase 1 will address deferred maintenance in both buildings starting in the summer of 2016. Modifications to existing suite configurations in Building 1 (Neyoh) will add an additional 40 beds. Building 2 (Keyoh) will not be having current suite layouts reconfigured, however, significant upgrades will be completed during this project.

¹ Salaries to support Student Services moved to expenses starting in 2015/2016

² Debt Servicing includes: **1)** \$200,000 Annual Payment, for 10 years, to UNBC Central for payback on operating deficit from financing debentures. **2)** \$270,000 represents payment on final outstanding debenture. **3)** Remaining total to pay back \$13.0 million BOG approved residence renovations.

³ \$200,000 to Ancillary Central, \$80,000 to One Card, \$27,000 to CES for Facility Position, \$125,000 to Conference and Events Services, \$32,000 to ITS, -\$15,000 for General Wage Increase.

Phase 2 will start with extensive campus consultation during the 2015/16 school year. Gathering ideas to increase bed counts on campus and to be used in the development of a long-term housing strategic plan for UNBC is a significant priority for Residence Services in 2015/16.

Decreasing occupancy in Prince George poses a significant risk for UNBC moving forward, however, the inability to provide beds to future students will have a significant impact on UNBC's reputation.

3.7.1.2. 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 Degree Coffee locations. Business activities conducted in these locations are not reflected in the financial summary below. Ancillary Services covered expenses associated with equipment and renovations for the new student operated location.

Table 13 – 3 year proposed Food Services budget

Food Services	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	170	435	468	507
Salaries and Benefits	0	0	0	0
Operating Expenses	110	133	133	133
Debt Servicing ⁴	0	100	100	100
Provision for Capital and Reserves	4	67	57	133
Transfers ⁵	56	135	179	140
Total Expenditures	170	435	468	507

2014/15 was the first year of operations for the new dining hall on campus. 2014/15 projections of 200 meal plans was achieved (total of 209 meal plans sold). 2015/16 projections include the sale of 350 meal plans. Revenues (above) are generated from commissions paid on revenues (below) to UNBC Food Services by Chartwells.

⁴ This total represents the contribution towards Food Service/Renovation Budget.

⁵ \$60,000 to Ancillary Services, \$40,000 to One Card, \$35,000 to Conference and Event Services.

Table 14 – 3 year average Food Services revenue sales

Location	Revenues	
	Previous 3 year average	2014/15
	(000's)	(000's)
Retail Outlets (Stackers, Tim's, and C-Store)	515	444
Agora Dining Hall – Meal Plan	68	810
Agora Dining Hall – Non Meal Plan	346	297
Catering – Internal	110	195
Catering – External	177	244
Other	40	27
Total Sales Revenues	1,256	2,017

UNBC Food Services provides the following support for student services on campus:

- \$10,000 Annual Scholarship awarded through External Relations;
- \$30,000 in Annual Bursaries for students displaying financial need for meal plans; and
- \$30,000 in Annual Support for a various Student Service Events.

Although food services on campus improved tremendously over the previous year, Ancillary Services is committed to working with Chartwells to ensure that overall food quality and variety are a high priority in the upcoming year. Ancillary Services will be launching a secret shopper program that will monitor food quality on campus.

3.7.1.3. Continuing Studies

Continuing Studies provides a variety of courses ranging from industry-specific training to credit programming through partnerships with participating Colleges within UNBC. The financial statement below captures the overall activity of UNBC Continuing Studies.

Table 15 – 3 year proposed Continuing Studies budget

Continuing Studies	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	1,927	3,002	4,219	5,117
Salaries and Benefits	574	899	1,251	1,397
Operating Expenses	1,805	1,836	2,415	3,031
Debt Servicing	0	0	0	0
Provision for Capital and Reserves ⁶	(332)	15	350	494
Transfers ⁷	(120)	251	202	195
Total Expenditures	1,927	3,002	4,219	5,117

⁶ 332K draw from reserve to cover investment into Online Development.

⁷ 200K to Ancillary Services, 75K to CES for room rentals, -24K for General Wage Increase.

An assumption is that the investment made into developing an on demand, video based, asynchronous online platform to support industry-training needs will result in a significant increase in revenue for 2015/16. Furthermore, the increase in salary and benefits represents an increase in positions needed to support this growth. Positions will not be added unless target revenues are achieved.

Key dates for the online launch are as follows:

- Environmental Monitoring Certificate June 15th, 2015
- Fitness Leadership Certificate August 7th, 2015
- Occupational Health and Safety December, 2015

Focusing on industry training has allowed Continuing Studies to grow revenues from \$800,000 in 2011/12, to over \$1.90 million in 2014/15. Future revenue growth will focus on the following strategic priorities over the next 3 years:

Priority #1: Successfully launch and leverage the new Online Learning Management System.

Continuing Studies has invested in a new framework that will increase the flexibility of course delivery options. Environmental Monitoring Certificate (image right) will be the first video-based certificate offered early this summer.

Fitness Leadership, and Occupational Health and Safety will follow.

Priority #2: Establish partnerships with the academic colleges at UNBC to develop unique programming.

BC Hydro Partnership ACS secured funding to partner with BC Hydro to provide Environmental Training for aboriginal students in the North West.

Priority #3: Identify, develop, and offer new high-demand programming that is appropriately resourced to provide a net return.

Continuing Studies has grown from a staff of three in 2012 to eleven in 2015. Staffing projections for 2017/18 is twenty-two full-time and one to five part-time staff members. It is imperative for Continuing Studies to create a space plan in 2015/16.

3.7.1.4. Conference and Event Services

Conference and Event Services provides internal and external services ranging from simple bookings to full conference management. The table below is a financial summary for the unit:

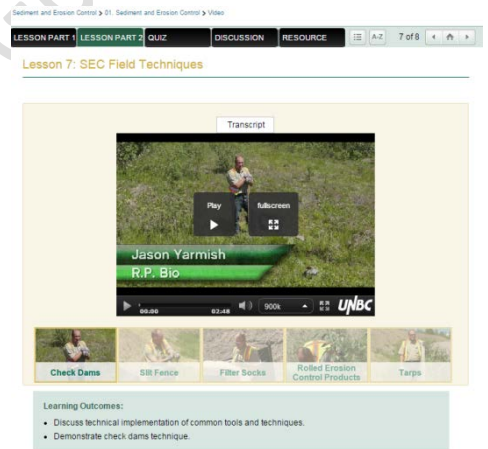


Table 16 – 3 year proposed Conference & Event Services budget

Conference and Event Services	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	975	314	314	314
Salaries and Benefits ⁸	306	344	349	358
Operating Expenses	575	241	282	282
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	171	0	9	10
Transfers ⁹	(77)	(270)	(326)	(336)
Total Expenditures	975	314	314	314

Conference and Event Services, a highly cyclical unit, experienced an abnormally high volume of business due to the large events hosted on campus in 2014/15. Surpluses from this year will be moved to the reserve to cover off operations in slower years.

Conference and Event Services is primarily base funded by contributions from other Ancillary Units. This provides financial stability for the unit to provide internal and external activities for UNBC.

Internal Services - In 2014/15 Conference and Event Services booked a total of 39,421 spaces. 85% (33,735) of those spaces were for internal/non-revenue generating clients. On average Conference and Event Services facilitates twenty internal bookings each day. Furthermore, internal customers (Faculty and Staff) accounted for 10% (\$100,000) of overall revenue for the unit.

External Services - External events hosted on UNBC campus accounted for 87% (\$845,000) of all revenue. Large one-time events were mainly responsible for this incredible year. On average the unit will realize approximately \$350,000 in revenue per year.

Future Growth - Conference and Events Services will work closely with Residence to list our guest accommodations during the summer months with Hotels.com/Expedia.

Currently guest accommodations are operating at approximately 6% of capacity in the summer months. Focusing on creating and communicating the value of our guest services during the summer months will represent a significant growth opportunity for Conference and Event Services.

Conference and Event Services (CES) and the Northern Sport Centre (NSC) played a critical role in successfully implementing the Canada Winter Games. Deb Van Adrichem (Manager CES), Kevin Nowottnick (Manager NSC), Jennifer Studney (CES) and the entire complement

⁸ Starting 2015/16 CES will be paying for the Facility Role found within the unit.

⁹ \$35,000 from Food Services, \$125,000 from Residence, \$75,000 from Continuing Studies, \$25,000 from NSC, \$54,000 from Res/NSC, \$50,000 to Ancillary Services, \$7,000 for General Wage Increase.

of staff from both CES and the NSC should be recognized for the incredible work they did during this important event for UNBC.

3.7.1.5. Retail Services

Retail Services consists of Bookstore, Print Services, Vending, and One Card. Financial statements for each unit are provided below.

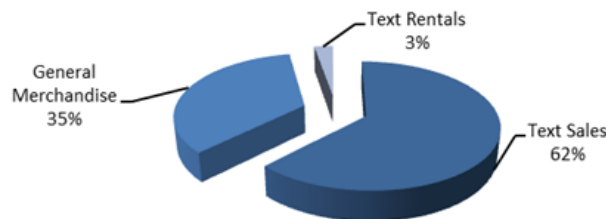
3.7.1.5.1. Bookstore

Table 17 – 3 year proposed Bookstore budget

Retail Services	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	2,030	2,049	2,014	1,979
Salaries and Benefits	454	449	456	468
Operating Expenses	1,750	1,665	1,624	1,623
Debt Servicing	0	0	0	0
Provision for Capital and Reserves ¹⁰	(138)	27	31	(19)
Transfers ¹¹	(36)	(92)	(97)	(92)
Total Expenditures	2,030	2,049	2,014	1,979

The Bookstore receives revenues through the sale of textbooks, books, and general merchandise. Shedding operations that were not sustainable was critical to establishing a stable operation in light of a continual decline in text book sales.

Figure 10 – Percentage of sales revenue



Sales deriving from textbooks have declined by 24% since 2010, an average rate of 7% per annum. 2013/14 to 2014/15 marked the largest dip in textbook sales in a single year at 10%.

Continued decreases in UNBC enrolment, a move away from traditional textbook sales, an interruption to retail traffic during the Canada Winter Games, and the UNBC Faculty Job Action had a negative impact on revenues in 2014/15.

¹⁰ \$138,000 draw on Ancillary Reserve to cover deficit for 2014/15.

¹¹ \$30,000 from One Card, \$25,000 from Print Services, \$37,000 for General Wage Increase.

Conducting market research and raising awareness about online options will be high priorities for this unit in 2015/16. Until new lines of revenue are identified, the bookstore operation will maintain a conservative outlook moving forward.

3.7.1.5.2. 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 18 – 3 year proposed Copy Services budget

Copy Services	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	409	475	475	480
Salaries and Benefits	1	0	0	0
Operating Expenses	469	418	409	408
Debt Servicing	0	0	0	0
Provision for Capital and Reserves ¹²	(61)	8	16	23
Transfers	0	50	50	50
Total Expenditures	409	475	475	480

3.7.1.5.3. Vending Services

Commissions are payable from Ryan Vending for providing vending services on campus.

Table 19 – 3 year proposed Vending Services budget

Vending	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	7	7	7	7
Salaries and Benefits	0	0	0	0
Operating Expenses	0	0	0	0
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	7	7	7	7
Transfers	0	0	0	0
Total Expenditures	7	7	7	7

¹² \$61,000 draw from Ancillary Reserve to cover transition costs associated with replacement of UNBC MFD fleet.

3.7.1.5.4. One Card

Table 20 – 3 year proposed One Card budget

One Card	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	25	50	62	74
Salaries and Benefits	0	0	55	55
Operating Expenses	8	60	60	60
Debt Servicing ¹³	0	25	35	35
Provision for Capital and Reserves	17	0	12	24
Transfers ¹⁴	0	(35)	(100)	(100)
Total Expenditures	25	50	62	74

In initiating this project, Ancillary Services is seeking to provide automated identification services of a single personalized contactless smart card that can be used for all monetary and non-monetary transactions and activities associated with day-to-day life on campus.

The system will be capable of supporting a variety of applications including but not limited to: declining balance applications such as laundry, photocopying, printing, meal plans/food service, vending, and third party point of sale systems (i.e., bookstore and print shop); integration/coexistence with building access control systems, card production, and web interfaces for users.

One of the primary benefits will be to provide Ancillary Services with the ability to audit sales activity to match commissions received from vendors. Currently this is not possible and is a risk for UNBC.

3.7.1.6. Central Services

Ancillary Central Services (ACS) provides the business needs for the entire Ancillary Division except for English Language Studies (ELS) and Parking & Security (PS). Overall leadership, business development, project management, and marketing for the Ancillary Services Division are provided by this unit.

All revenues to support this unit come from contributions from other ancillary units.

¹³ Represents payback towards the project investment: See [One Card Project](#).

¹⁴ \$30,000 to Bookstore, \$40,000 from Food Services, \$80,000 from Residence, and \$55,000 to Ancillary Services.

Table 21 – Proposed 3 year Central Services budget

Ancillary Central	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	0	0	0	0
Salaries and Benefits	397	367	403	403
Operating Expenses	373	413	463	513
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	0	3	32	107
Transfers ¹⁵	(770)	(783)	(898)	(1,023)
Total Expenditures	0	0	0	0

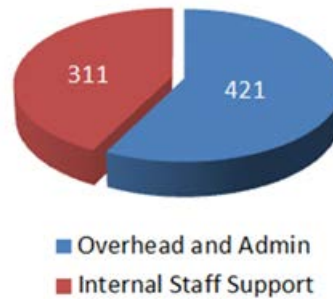
ACS successfully attracted, secured funding, and continues to work with industry to provide programming opportunities for Continuing Studies (CS).

TransCanada Funding ACS secured over \$80,000 in funding from TransCanada to provide Occupational Health and Safety training opportunities for students in Northern BC. This funding allowed CS to provide this opportunity to its students in the fall of 2014.

ACS facilitates financial contributions (see below) from the entire Ancillary Division (excluding ELS and Parking/Security) for UNBC General Operations.

¹⁵ Starting in 2015/16 contributions, from other Ancillary units, will be reported as interdivisional transfers not revenues. \$50,000 from CES, \$200,000 from CS, \$25,000 from Print, \$60,000 from Food, \$200,000 from Residence, \$200,000 from NSC, \$55,000 from One Card.

Figure 11 – 2015/16 Ancillary Contribution (000s)



Overhead and Admin are net contributions made to the UNBC General Operations from Ancillary Services.

Internal Staff Support contributions consist of a combination of Student Service and Administrative (59% and 41%) that are located outside of the Ancillary Division.

3.7.2. Northern Sport Centre

The NSC is operated by UNBC on behalf of the two primary stakeholders, City of Prince George and UNBC. Both stakeholders provide a \$300K operating grant which 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 22 – 3 year proposed Northern Sport Centre budget

Northern Sport Centre	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	1942	1,933	1,963	1,994
Salaries and Benefits	831	839	855	872
Operating Expenses	1,347	1,034	914	934
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	32	77	225	219
Transfers	(268)	(17)	(32)	(32)
Total Expenditures	1,942	1,933	1,963	1,994

UNBC contributes to the operations of the facility by providing access for all students (e.g., varsity practice/game times, gymnasium time, Convocation). City of Prince George contributes to user rates for local sport organizations ensuring that they remain at the lowest rates possible, approximately 33% of similar facilities in Western Canada.

The NSC has grown revenues to create a stable operation that provides consistent contributions to the NSC Reserve. This has ensured the unit has the essential funds to cover future capital needs. Please see Appendix B for NSC Capital Information.

Currently the NSC is operating at capacity and is struggling to meet the growing demand from all user groups. The Northern Sport Centre board is conducting a capacity report scheduled for completion in June 2015.

3.7.3. Parking and Security

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

Table 23 – 3 year proposed Parking & Security budget

Parking and Security	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	992	1125	1148	1,170
Salaries and Benefits	882	864	880	898
Operating Expenses	136	190	194	198
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	(10)	90	93	93
Transfers	(16)	(19)	(19)	(19)
Total Expenditures	992	1,125	1,148	1,170

In fiscal 2015/16, revenue from parking fees is budgeted at \$400,000 while \$725,000 is the projected amount to be received from the University and other Ancillary units for security staff services.

In 2014/15, parking fee revenue was adversely impacted by the parking meters being out of order. For 2015/16, budgeted Parking revenue has been increased to reflect the new parking system and meters which is expected to be fully operational by the end of May 2015. The projected revenue from Ancillary has also been increased to reflect the full cost of the services provided. The salaries expense budget has been increased to ensure appropriate staff levels are in place to meet service requirements and to limit overtime costs through more efficient use of resources. A 2% inflationary adjustment has been made to revenue and expenses for the 2016/17 and 2017/18.

3.7.4. English Language Studies

UNBC International Education is a unit comprised of two segments of operations – the English Language Studies (ELS) that is required to be financially self-sufficient and International Student Engagement that is funded centrally as part of the general operating fund. The ELS operation must generate sufficient revenue to not only cover its direct operating costs but also contribute

two (2%) percent of its gross revenue to UNBC as administrative overhead charge each fiscal year.

Revenues from the ELS operation in 2014/15 totaled \$1.1M. This revenue comes from a variety of areas including ELS tuition fees, course fees, student fees and application fees. The majority of revenue for the ELS operation comes from tuition fees. For 2014/15, this source of revenue accounted for about 99% of total International Education revenue. The following table outlines the proposed ELS budgets for 2015/16 to 2017/18.

Table 24 – 3 year proposed ELS budget

English Language Studies	Actual	Proposed	Proposed	Proposed
	Year End	Budget	Budget	Budget
	2014/15	2015/16	2016/17	2017/18
	(000's)	(000's)	(000's)	(000's)
Total Revenue	1,110	1,110	2,080	2,080
Salaries and Benefits	801	801	1,200	1,320
Operating Expenses	178	178	700	770
Debt Servicing	0	0	0	0
Provision for Capital and Reserves	141	141	190	500
Transfers	(10)	(10)	(10)	(10)
Total Expenditures	1,110	1,110	2,080	2,080

The proposed budgets for 2016/17 (60 MAPP students) and 2017/18 (90 MAPP students) are based on an assumption of successful inception of the Masters Academic Preparation Program (MAPP) in 2016. Therefore, the projected revenues and expenses after 2015/16 are expected to increase significantly.

3.8. Specific Purpose and Endowment Funds

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

- **Specific Purpose** - these consist of 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** – these consist of 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 2013/14, these two revenue categories respectively made up 51% and 25% of total revenue with the majority of donations revenue realized in the specific purpose funds, and almost all of the investment income 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 \$4.0 million in 2010/11, \$6.9 million in 2011/12, \$6.5 million in 2012/13, and \$7.1 million in 2013/14.

The endowment funds receive donations which are invested for endowment purposes. As of March 31, 2015, there were a total of 284 funds with a market value of \$72.1 million. This is the result of years of philanthropy and investment.

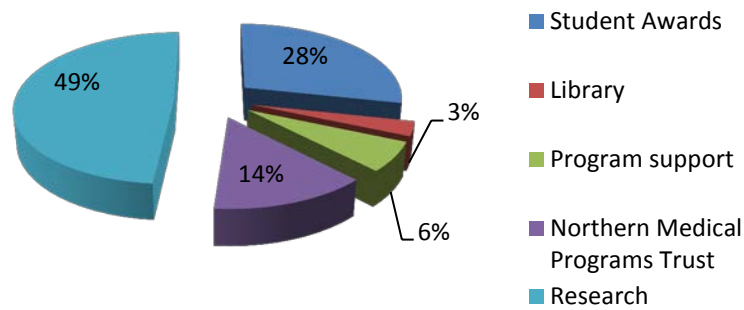
All specific purpose and endowment funds are “restricted”, meaning they can only be used for the purposes stated in the donor funding agreements and cannot be allocated to support any other activity such as offsetting deficits or addressing budgetary pressures within the general operating budget.

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 which is composed of representatives from the participating communities.

On an annual basis, the various budget holders – as shown in the chart below – are allocated their distribution income (budget) from the endowment funds. For 2013/14 and 2014/15, the total available distribution of endowment funds was \$1.8 million and \$1.9 million respectively, allocated as follows:

Figure 12 – 2013/14 and 2014/15 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.

3.9. Conclusion

The budgets and financial information in the preceding pages present a comprehensive financial picture of UNBC. The budgets are balanced and in the case of the operating budget the context has been set for some urgent fixes in the months to come. The Ancillary units continue to demonstrate sound financial growth 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.