



APRIL 2017

2017/2018 BUDGET

SUBMISSION TO THE UNIVERSITY OF BRITISH COLUMBIA
BOARD OF GOVERNORS



THE UNIVERSITY OF BRITISH COLUMBIA



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1. Executive Summary

Overview

We are pleased to present the 2017/18 Budget for the University of British Columbia.

The University is ranked amongst the leading public universities in the world, contributing extensively to the economic and wider prosperity of British Columbia, Canada and the world. The Budget for the year ahead aims to continue UBC's ongoing endeavors, in addition to identifying new opportunities for extending the University's research, teaching, student and public engagement. As such, the Operating Budget is balanced, with core revenue received fully allocated towards the cost of continuing current activities, as well as investing in new strategic initiatives. Units will be making planned one-time investments by utilizing their reserves.

UBC Operating Budget			
Fiscal Year 2017/18			
<i>(In \$millions)</i>			
	Actual	Forecast	Budget
	FY 2015/16	FY 2016/17	FY 2017/18
Operating Revenue			
Provincial government grants	589	598	611
Tuition	467	520	579
Investment income	41	44	44
Research indirects	41	40	37
Business revenue	19	23	24
Land development proceeds	17	19	22
Faculty revenue	178	183	174
Central support unit revenue	367	382	402
Total Operating Revenue	1,717	1,808	1,894
Operating Expenses			
Salaries & benefits	1,060	1,103	1,168
Operating costs - other	402	436	484
Cost of goods sold	40	43	44
Grants to third parties	1	14	16
Interest expense	39	48	56
Total Operating Expenses	1,542	1,645	1,768
Capital spending	(119)	(123)	(121)
Interfund transfers	(33)	(31)	(16)
Reserve (drawdowns) / additions	23	9	(12)

The University's consolidated budget (which includes the Operating Budget, in addition to revenue from the external research grants, the endowment, and group entities) reflects a modest surplus of under 2% of total revenue, noting that this follows accounting standards and includes a number of non-cash elements (e.g. depreciation).

Economic and Funding Environment

The overall economic environment facing the University in the year ahead, although constrained in a number of aspects, includes positive uplift in funding from the Provincial Government for general wage increases, a



continuing commitment to improving routine capital funding (deferred maintenance on academic facilities), as well as significant contributions to a number of building projects in partnership with the Federal Government's "Strategic Investment Fund."

In March 2017, the provincial government announced that funding will be increased to support post-secondary technology degree programs. The goal is to graduate an additional 1,000 students annually across the sector. Details are yet to be confirmed but the expectation is that this will result in an increase in funded seats particularly in the Faculties of Applied Science and Science.

International

UBC is an important contributor and participant in international education. This has assisted the University in becoming more engaged in global challenges, and has helped the University achieve diversity by attracting students from around the world. International enrolment continues to show strong demand, and combined with increases in international tuition, has provided an important and growing source of revenue. This revenue base now supports the UBC Excellence Fund.

Strategic Investments

The 2017/18 Budget includes a number of new investments in strategic priorities and operating initiatives. Operating revenue increases provided the capacity to meet a wide number of important needs and opportunities. The recommendations are the result of consultations across campus that included academic Department Heads and Directors, Students, Deans, Associate Vice-Presidents and the Senate Budget Sub-Committee. A budget advisory group that consisted of a number of Deans and Associate Vice-Presidents conducted a thorough review of the detailed proposals and provided their recommendations to the Provost and the Vice-President Finance and Operations.

Areas for new funding include:

- Faculty Support
- Aboriginal initiatives
- Library
- Information Technology Major Projects
 - Systems implementations
 - Infrastructure
 - Cybersecurity
- Research and Innovation
- Teaching and Learning
- Student Experience
- Maintaining Core Services:
 - Building and Energy operations
 - Staff pension plan

There are a wide number of important investments, but some of the most notable include: IT systems and infrastructure; the Faculty of Medicine; Library (exchange rate equalization); Innovation; Sexual Assault policy implementation; Diversity and Wellness; and Classroom upgrades (ongoing).



UBC Excellence Fund

The University established the UBC Excellence Fund in February 2016 to support its ambition to be among the very best of public universities worldwide. The anticipated funding envelope for 2017/18 across both campuses is \$20.2m and will increase to approximately \$35m by 2018/19.

The key areas of focus for investment next year are:

- Strategic faculty hires, including the establishment of the President's Excellence Chairs
- Research infrastructure
- Student recruitment and retention
- Graduate student support
- Experiential learning and career preparation

Operating Costs

The Operating Budget, covering the core academic operations of the University, is balanced and includes elements of new investments in programs and services, as well as providing resources necessary to maintain current activities.

The University continues to be challenged in meeting the other growing costs of our teaching, research, and support services. The Canadian dollar continues to trade at relatively low levels in relation to the U.S. currency. This provides challenges in key import costs, including Library subscriptions and monographs, and research equipment. A concerning deficiency in the basis of our funding, is the low level of support (relative to most of our global peers) of the indirect and support costs associated with research funding. This continues to be a significant area of discussion with stakeholders, and needs to be addressed in order for leading Canadian universities to compete internationally.

With the end of mandatory retirement and the resultant aging of our faculty, the University is focusing on identifying strategic funding to support faculty renewal. This is particularly pressing in the Faculty of Medicine, and we have set aside \$3m in ongoing funding to invest in junior faculty to ensure that strategic priorities can be advanced.

Savings from efficiencies continue to make an important contribution to providing the capacity for both new investments and maintaining current activity levels. The University will need to continue to focus on the delivery of ongoing efficiencies to optimize its teaching, learning and research outcomes.

Capital Expenditure

The Capital program for 2017/18 continues to be extensive, with \$377m of total expenditure budgeted. A notable feature in the year ahead is the continued expansion of funding from the Provincial Government for "routine capital." This is expenditure principally focused on the deferred maintenance associated with our teaching, learning and facilities, and is budgeted to move to \$50m in 2017/18. (Note that this expenditure includes a 25% contribution from UBC.)

Major building projects under development include the Undergraduate Life Sciences Teaching Labs, the Stuart Blusson Quantum Matter Institute, the National Soccer Development Centre, Museum of Anthropology Northwest Coast Masterworks Gallery, Brock Commons Tallwood House Student Residence, Totem Park Student Residence, the Sports Medicine Centre, the Indian Residential School History & Dialogue Centre, UBC Okanagan Teaching & Learning Centre, and UBC Vancouver Bus Exchange and Residence.

The University's student finance and human resources enterprise IT systems were implemented over 20 years ago and are in desperate need of renewal. We are committing \$4m of recurring funds in this year's budget to begin the replacement of these systems.



2. Introduction

The University's Budget is presented for the approval of the Board of Governors, and covers the fiscal year from April 1, 2017 to March 31, 2018.

The Budget represents the financial plan for the University and is based on a wide number of projections including:

- Government funding
- Tuition levels
- Student numbers
- Revenue forecasts from other sources
- Salary and benefit increases
- Other cost increases, based on changes to the consumer price index (CPI) and exchange rates

Details on these assumptions are summarized in Appendix I.

The operating projections include all proposed budget allocations, as well as projections made by faculties and units across campus about expected results for the year, including any plans for drawdowns on reserves.

The primary focus of the Budget Report is on the Operating Budget, which covers the core academic operations of UBC. In addition, the Budget Report covers all other areas comprising the consolidated financial statements of the University, including research, endowment, and all capital expenditure.

Plans for capital expenditure are summarized in Section 9, which includes projections for major projects approved separately by the Board, as well as a wide range of other capital expenditure.

The budget process followed this year has combined university-wide projections and analysis with faculty and unit plans, and included widespread consultation and engagement about resourcing and strategic priorities. As part of the budget process, meetings and discussions have been held with:

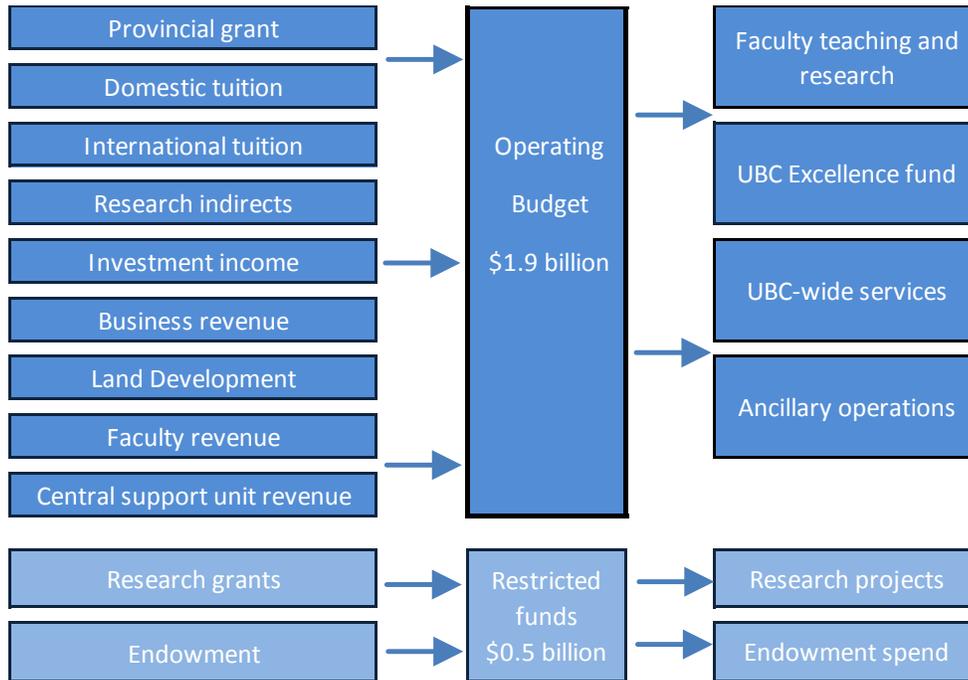
- Deans
- Senate Budget Sub-Committees of the Budget Committee of the Council of Senates (Vancouver and Okanagan)
- Elected student leadership
- Heads and Directors of academic departments and schools
- Associate Vice-Presidents (and equivalent)
- Executive

The final Budget is submitted for approval to the Board of Governors on April 13, 2017.

3. Budget Framework

The University's Consolidated Budget contains several components, with the most significant being the Operating Budget. This report provides detail of how these components link, as well as the financial targets for each.

The following chart illustrates the key components of the University's Consolidated Budget:



The Operating Budget includes income received by the University to support the core academic operations of the University. This revenue includes the Provincial Operating Grant, Domestic and International tuition, investment income earned on cash and investments, research overheads and indirect costs of research funds received from the federal government, and investment income earned from land development. It also includes business and other revenue generated by central units and ancillaries across campus that directly support those operations. These include student housing, food services, the bookstore, and parking. Many faculties also receive funding directly from non-core activities, which are managed locally to directly support their operations.

The financial target for the Operating Budget is to achieve a balanced result. This means that operating revenue and expenditures (which include ongoing capital costs and internal loans for capital projects) are at equivalent levels.

The Province provides an operating grant totaling \$611m to the University to support the teaching of domestic undergraduate and graduate students. Of this, \$543m is designated for the Vancouver campus and \$68m for the Okanagan. In return, the Province expects the University to enrol 29,641 full-time domestic undergraduates and 5,812 graduate students in Vancouver, and 6,971 students overall in the Okanagan. There are some specific enrolment targets, primarily in the health sector and in line with the Province's Skills for Jobs Blueprint. However, the majority of this funding is untargeted and can be used for programs that the University chooses, as long as the enrolment targets set by the Province are met. UBC has consistently exceeded its targets, by as many as 1,000 domestic undergraduate students and 2,000 graduate students.

The University allocates tuition received via formula to the faculties and to Student Financial Aid (SFA). In Vancouver, we allocate roughly 7.5% to support student financial aid of incremental tuition for both international



and domestic students. Of the remainder, 75% of graduate and domestic undergraduate tuition and 65% of international undergraduate tuition flows directly to the faculties to support direct teaching costs. In the Okanagan, after SFA, 60% of domestic and 50% of international tuition is allocated to the faculties. The remainder is allocated for strategic priorities and core and support services. Since 2015/16, both campuses have set aside two-thirds of the international undergraduate tuition rate increases to support the UBC Excellence Fund, which is described in Section 5.



4. Operating Budget

The Operating Budget is balanced as summarized in the statement below.

Fiscal Year 2017/18 (In \$millions)	Actual FY 2015/16	Forecast FY 2016/17	Budget FY 2017/18
Revenue			
Provincial government grants	589	598	611
Undergraduate tuition			
Domestic	213	220	227
International	189	231	277
Graduate tuition	64	69	75
Investment income	41	44	44
Research indirects	41	40	37
Business revenue	19	23	24
Land development proceeds	17	19	22
Faculty revenue	178	183	174
Central support unit revenue	367	382	402
Total Operating Revenue	1,717	1,808	1,894
Expenses			
Salaries & benefits	1,060	1,103	1,168
Operating costs - other	402	436	484
Cost of goods sold	40	43	44
Grants to third parties	1	14	16
Interest expense	39	48	56
Total Operating Expenses	1,542	1,645	1,768
Excess of revenue over expenses	175	163	125
Capital spending	(119)	(123)	(121)
Interfund transfers	(33)	(31)	(16)
Reserve (drawdowns) / additions	23	9	(12)

Total revenue is budgeted to increase by \$86m (5%) with the most significant increase arising from international tuition. Expenses are expected to increase by approximately 7%, with a range of factors including salary settlements, merit and progression obligations.



Operating Revenue

The Operating Budget includes all unrestricted revenue received by the University. The majority of this revenue is managed and allocated through the budget process, but a smaller portion is generated directly by faculties and central support units. The total revenue managed through the budget process in 2017/18 is \$1,318m, with an additional \$576m of operating revenue generated directly by units.

Operating Revenue <i>(in \$millions)</i>	UBC Vancouver				UBC Okanagan				UBC Total			
	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget
	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast
Provincial government grants	522	530	543	12	67	67	68	1	589	598	611	13
Undergraduate tuition												
Domestic	182	188	193	5.5	32	33	34	1	213	220	227	7
International	170	207	247	40.2	19	24	30	6	189	231	277	47
Graduate tuition	60	65	71	6.1	4	4	4	-	64	69	75	6
Investment income	41	44	44	-	-	-	-	-	41	44	44	-
Research indirects	40	39	36	(2)	1	1	1	-	41	40	37	(2)
Business revenue	18	22	23	1	1	1	1	-	19	23	24	1
Land development proceeds	17	19	22	3	-	-	-	-	17	19	22	3
Subtotal	1,050	1,113	1,179	65	123	130	139	9	1,173	1,243	1,318	74
Faculty revenue	177	182	173	(8)	1	1	1	-	178	183	174	(9)
Central support unit revenue	358	373	392	19	9	9	10	1	367	382	402	20
Total Operating Revenue	1,585	1,668	1,744	76	132	140	149	10	1,717	1,808	1,894	86

Provincial government grant

The government grant is the primary source of funding. Provincial support is up \$13m in 2017/18 largely due to general wage increase (GWI) funding from the Province, and there is a modest increase in targeted funding for the Speech-Language Pathology program (i.e., more student places). The GWI funding includes funding for all eligible employees according to the economic stability mandate of the Provincial government.

Student enrolment

The University is projecting a total enrolment of 55,462 student FTEs in 2017/18 across both campuses; details as follows:

Student Enrolment							
Student FTE	16/17			17/18 (Projected)			Change
	Vancouver	Okanagan	Total UBC	Vancouver	Okanagan	Total UBC	
Undergraduate							
Domestic	30,901	6,140	37,041	30,917	6,290	37,207	0.4%
International	8,046	846	8,892	8,746	953	9,699	9.1%
Total	38,947	6,986	45,933	39,663	7,243	46,906	2.1%
Graduate	7,851	670	8,521	7,852	704	8,556	0.4%
Total	46,798	7,656	54,454	47,515	7,947	55,462	1.9%



Undergraduate Student Intake							
Student FTE	16/17			17/18 (Target)			Change
	Vancouver	Okanagan	Total UBC	Vancouver	Okanagan	Total UBC	
Domestic	10,870	1,885	12,755	10,733	2,217	12,950	1.5%
International	3,405	329	3,734	3,442	340	3,782	1.3%
Total	14,275	2,214	16,489	14,175	2,557	16,732	1.5%

Domestic undergraduate tuition

The Vancouver campus enrolled 30,901 FTEs in 2016/17. This is projected to remain relatively constant. The budget reflects a 2% increase in tuition rates.

The Okanagan campus enrolled 6,140 FTEs in 2016/17. The 2017/18 budget assumes a 2% increase in tuition rates and a 2% increase in FTEs.

International undergraduate tuition

Faculties are planning that our total international enrolment will increase by 9%. In combination with increases in international student tuition (approximately 15% for new undergraduate students, with some exceptions), this will result in an increase of \$47m across both campuses. Intake for 2017/18 is expected to increase by 1.3%, compared with the 2016/17 intake of first-year and transfer students.

Graduate tuition

The Vancouver budget reflects a 2% tuition increase for domestic students and higher increases in certain professional programs for international students. It also includes growth in professional programs, largely in the Faculty of Arts, Sauder School of Business, Science, and Forestry. The Okanagan budget reflects a 2% rate increase and 5% FTE growth.

Investment income

Investment Income represents income earned on Cash and Operating Investments, Internal Loans and Construction Project Financing. The earnings are netted against interest payments on External Debt, the Student Housing Finance Endowment and the Endowment Borrowing for Orchard Commons. Interest rate risk is currently minimal due to the fixed nature of most components and the active interest rate floors in place. Overall volatility is mostly a function of the variability in total working capital as well as the distribution of those balances; for example, delays in construction will reduce the interest earned on construction deficits whilst increasing interest earned on operating investments. Volatility may also be caused by realized gains/(losses) on the sale of Operating Investments since projected gains/(losses) are not included in the investment income budget.

Research indirects

Research revenue included in the Operating Budget includes the federal Research Support Fund (which contributes to the overhead or indirect costs of Tri-Council grants and calculated as a percentage of total federal research funding, based on a formula), a share of royalty revenue, and cost recoveries from corporate research funding. The decrease reflects the indirect costs from Canada Research Chair funding being transferred to the faculties and now reflected in the faculties' revenue. Research revenue received to support research projects is included in the Research Fund (Section 10).

Business revenue

Business revenue includes the net return to the University from ancillaries, as well as lease income and the General Municipal Service Levy (GMSL) charged to businesses on campus. Ancillaries are expected to be self-sustaining (including setting aside funds for capital renewal) and to provide a modest return to the University to be invested in

strategic priorities. The operating revenue of ancillaries is included under “Central support unit revenue,” and includes Student Housing and Hospitality Services, the Bookstore, and Parking.

Land development proceeds

The proceeds from land development are derived from long-term leases and from the net proceeds of market rental activities. This enterprise is managed by the UBC Properties Trust. Revenue received from long-term leases is held in perpetuity in our endowments (invested at IMANT and in our Student Housing Financing Endowment) to support strategic investments. This is expected to generate \$16m in 2017/18 and the net proceeds of rental activities are expected to generate \$6m. Please refer to Appendix II for further details.

Faculty revenue

Faculty revenue represents operating revenue generated by the faculties that flow directly to them (rather than being allocated via the tuition model or the budget process). Examples include revenue generated by Real Estate and Executive Education programs in Sauder School of Business as well as analytical and core services that are provided on a fee-for-service basis.

Central support unit revenue

Vancouver central support unit revenue includes Continuing Studies, Vantage College, Information Technology, Building Operations, Energy and Water Services, and ancillary unit revenue. The increase arises in Student Housing & Hospitality Services and Food Services, made possible through additional residences with the completion of Ponderosa Commons and Orchard Commons (enabling more students to live on campus), and in Vantage College through increased enrolment and a tuition increase.

Okanagan central support unit revenue primarily includes Information Technology, Project Services, Utility chargebacks, and ancillary unit revenue. The increase is mainly attributable to higher revenue under Project Services due to higher capital spending.

Operating Expenditures

Operating Expenses <i>(in \$millions)</i>	UBC Vancouver				UBC Okanagan				UBC Total			
	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget	Actual	Forecast	Budget	Budget
	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast	Fiscal 15/16	Fiscal 16/17	Fiscal 17/18	vs. Forecast
Salaries & benefits	969	1,008	1,065	57	91	95	103	8	1,060	1,103	1,168	65
Operating costs - other	378	409	456	46	24	27	28	1	402	436	484	48
Cost of goods sold	40	43	44	1	-	-	-	-	40	43	44	-
Grants to third parties	1	14	16	2	-	-	-	-	1	14	16	2
Interest expense	37	46	54	8	2	2	2	-	39	48	56	8
Total operating expenses	1,425	1,521	1,635	114	117	124	133	9	1,542	1,645	1,768	123
Capital spending	111	118	113	(5)	8	6	8	3	119	123	121	(2)
Interfund transfers	27	20	7	(13)	7	11	9	(2)	33	31	16	(15)
Total Operating expenses & transfers	1,563	1,658	1,755	97	131	141	150	9	1,695	1,799	1,905	106

Salaries and benefits

The increase in salaries and benefits includes general wage increases (GWI) of 1.5%, progress through the ranks (PTR) for faculty, and merit increases for staff. This amounts to roughly one-third of the increase, with the remainder planning to support new faculty and staff, including expenditures arising from the UBC Excellence Fund. This increase will be invested largely in staff and faculty committed to research, teaching, and student support, and in building services as we add to our student residences and academic facilities.



The Province has committed to funding salary increases that fall within the Province's Economic Stability Mandate. The University has renewed collective agreements in place for seven of the eight staff bargaining units on its campuses, and is currently in collective bargaining with the Faculty Association and IUOE 882.

Interest expense

The increase in interest expense is due primarily to internal loans for new projects in student housing (\$5.5m) and IT (\$1.6m).

Capital spending

The amounts identified as capital spending in this budget have been identified at the departmental level across the University. These are largely funded from current revenue, though, in some cases, units have reserve funds to support this spending. It does not include any spending on major capital buildings, except to the extent that portions of those costs come from accumulated reserves. This includes Library acquisitions, routine equipment and furnishings, and minor renovations funded locally. It also includes the principal payments on any internal loans that will be repaid during the year. Please refer to Section 9 for further details.

Interfund transfers

The Operating Budget includes interfund transfers to and from other University funds that form part of the Consolidated Budget, including Research and Capital (e.g. the provision of support for research projects contained in the Research Fund [per Section 10]).

Strategic Investments

UBC Vancouver

Operating revenues are projected to increase by \$65m for 2017/18. As described, some of that increase is allocated by formula to the faculties but the remaining \$40m of additional revenue available for 2017/18 has created an opportunity for the University to fund various strategic priorities and operating initiatives (see table on page 13). The recommendations that follow are the result of consultations across campus over the winter that included academic Department Heads and Directors, students, Deans, Associate Vice-Presidents and the Senate Budget Sub-Committee. A budget advisory group that consisted of 3 Deans and 2 Associate Vice-Presidents conducted a thorough review of the detailed proposals and provided their recommendations to the Provost and the Vice-President Finance and Operations.

Aboriginal initiatives

This includes continued funding to implement UBC's Aboriginal strategy, as well as funding for educational programming, audio-visual equipment, and building operating costs for the new Indian Residential School History and Dialogue Centre.

Faculty support

Funding will be allocated to the Faculties of Medicine, Pharmaceutical Sciences, Law, and Education in a targeted manner to support key academic priorities.

IT major projects

This includes initial funding for the Student Academic Systems Initiative (SASI), and Human Resources and Finance systems replacement.



IT operations

This funding is to refresh our virtual server hardware as well as to meet increased demand for this service. Additional funding will provide service enhancements including base funding for Web Services, and improvements to the existing Student System to address Faculty needs. To support the development and implementation of systems replacement, new investments in Data Governance and Information Security will be required. Please refer to Appendix IV for additional information.

Maintaining core services

The major items here include funding for the library collections, including monographs, which is impacted by fluctuations in the US\$ exchange rate. Additionally, funding will be available to support market adjustments to some administrative salaries, and an alignment of contributions to the staff pension plan. Our Student Development and Enrolment Services units will receive new funding to expand support they provide to existing and prospective students. In order to increase the university's engagement with all levels, of government, funding has been allocated to augment our Government Relations team.

Research and Innovation

This includes matching funding for Federally-funded research projects, plus an investment in UBC's innovation strategy to provide space and additional resources. Additionally, funding has been allocated to expand support for UBC's nominations for external awards.

Service improvements

This includes funding to implement the various recommendations made following the review of UBC's procurement and payment processes.

Student experience

The major items here include continued funding for UBC's Commitment to Diversity, further investment in the Wellbeing program, and increased funding for the student Work Learn program. Funding has also been allocated to finance the construction of a new fitness facility in the old Student Union Building.

Teaching and Learning experience

This includes funding for classroom renovations and audio-visual upgrades.

Other Priorities

Other priorities include funding for communications related to UBC's strategic plan, and UBC's response to sexual assaults.

In addition to these investments, \$18m from the Excellence Fund will be invested at UBC Vancouver. Please refer to Section 5 for more details.



The following table summarizes the calculation of the discretionary revenue available for allocation and the proposed allocations for the Vancouver campus:

UBC at Vancouver - Operating Budget		<i>(In \$ millions)</i>		
Fiscal 2017/18 Budget on a Differential Basis				
Fiscal 2017/18 Outlook	Recurring	One-time	Total	
<i>Incremental revenue</i>				
International tuition	40	-	40	
Domestic tuition (includes all Graduate tuition)	12	-	12	
Provincial grant	13	-	13	
Others	3	(3)	-	
Total incremental revenue	68	(3)	65	
Less:				
Faculty share of tuition growth	(24)	-	(24)	
Excellence Fund	(12)	-	(12)	
Student Financial Aid	(3)	-	(3)	
General Wage Increase funding to Faculties & Units	(12)	1	(11)	
	16	(2)	14	
Surplus from 16/17 contingency	4	9	13	
Existing funding allocations to be redirected	8	5	13	
Total available for allocations	28	12	40	
<i>Proposed allocations</i>				
Aboriginal initiatives	.2	.3	.5	
Faculty support	3	2	5	
IT major projects	4	-	4	
IT operations	5	1	6	
Maintaining core services	5	2	7	
Research and Innovation	1	3	4	
Service improvements	1	2	3	
Student experience	3	-	3	
Teaching & learning experience	-	2	2	
Other priorities	5	1	6	
Total proposed allocations	27	13	40	
Net of revenue and allocations (balanced)	1	(1)	-	



UBC Vancouver Funding Allocations from Operating Funds and Investment Income on Land Development

The following tables show the 2017/18 operating budget allocations reflecting the recommended allocations by portfolio in comparison the 2016/17 operating budget allocation at the start of 2016/17.

The \$88m increase includes the \$40 million allocation recommended in the 2017/18 budget. It also includes budgeted student fee revenue and indirect research funding increases allocated formulaically to faculties and to student financial aid as well as additional funding received from the Province of BC for general wages increases. This increase also includes one-time funding carried forward from 2016/17, which is not reflected in the revenue increase identified on page 8.

Note that the Excellence Fund, which increases from \$5m in 2016/17 to \$18m 2017/18 is allocated at the outset to the VP Academic portfolio, but is ultimately reallocated to support academic initiatives in the faculties and to student initiatives.

Summary

UBC Vancouver (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Faculties	675,370	630,655	44,715
Student Financial Aid	69,071	64,991	4,080
Central support units (including ancillaries)	434,451	394,838	39,614
Total UBC Vancouver	1,178,893	1,090,484	88,409

Faculties

UBC Vancouver (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Faculties	675,370	630,655	44,715
Faculty of Applied Science	77,684	72,910	4,774
Faculty of Arts	155,732	137,979	17,753
Sauder School of Business	56,489	53,063	3,427
Faculty of Dentistry	12,456	11,973	483
Faculty of Education	44,409	42,652	1,757
Faculty of Forestry	16,238	14,160	2,079
Graduate and Postdoctoral Studies	2,499	2,458	40
Faculty of Land and Food Systems	14,209	13,240	970
Allard School of Law	13,162	13,143	19
Faculty of Medicine	145,819	141,412	4,407
Faculty of Pharmaceutical Sciences	19,835	17,745	2,090
Faculty of Science	116,838	109,921	6,917



Central Support Units (including ancillaries)

UBC Vancouver (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Total Central Support Units	434,451	394,838	39,614
Provost and VP Academic	158,531	134,765	23,766
Library	41,717	39,493	2,224
Information Technology	48,638	43,761	4,877
Enrolment Services	12,052	10,951	1,100
International Student Initiative	7,935	7,081	854
Excellence Fund	17,895	5,574	12,321
Other Provost and VP Academic units	30,296	27,905	2,391
VP Students	28,390	25,881	2,509
Athletics and Recreation	1,884	2,027	(143)
Student Development and Services	15,246	14,879	367
University Community Services	7,076	6,736	340
Other VP Students units	4,183	2,238	1,945
VP Finance and Operations	117,251	110,728	6,524
Energy and Water	27,906	26,763	1,142
Building Operations & Infrastructure Devl't	66,714	64,715	2,000
Other VP Finance and Operations units	22,631	19,249	3,382
President's Office	8,570	7,508	1,062
VP Development and Alumni Engagement	25,296	24,853	444
VP External Relations	15,765	13,804	1,961
VP Research	23,980	21,581	2,399
VP Human Resources	11,558	10,826	732
Campus Wide Expenses	45,109	44,893	216

The numbers on this table are slightly different from those reflected in the Funding Allocations column in Section 6, as this table includes the allocation of investment income on land development.



UBC Okanagan

The total projected incremental revenue for 2017/18 is \$9.7m. This includes tuition revenue growth and additional funding received from the Province of BC for general wage increases (GWI). After allocations to Faculties, Student Financial Aid, and the Excellence Fund, \$4.7m remains for strategic allocations in 2017/18.

The Excellence Fund will increase from \$0.8m in 2016/17 to \$2.3m in 2017/18. Certain allocations from the Fund have been included in 2017/18 under relevant units for planning purposes, with the remainder to be allocated throughout the year.

The following tables show the 2017/18 operating budget allocations reflecting the recommended allocations by portfolio in comparison to the 2016/17 operating budget allocations.

Summary

UBC Okanagan (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Faculties	71,133	66,921	4,212
Student Financial Aid	8,426	6,076	2,350
Central support units (including ancillaries)	59,357	56,268	3,090
Total UBC Okanagan	138,916	129,265	9,651

Faculties

UBC Okanagan (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Faculties	71,133	66,921	4,212
Arts and Science	29,279	27,555	1,724
Applied Science	11,270	9,868	1,403
Creative and Critical Studies	9,934	9,482	452
Education	3,217	3,297	(80)
Graduate Studies	892	878	14
Health and Social Development	11,635	11,167	468
Management	4,602	4,270	332
Faculty Initiatives Fund	305	405	(100)

**Central Support Units (including ancillaries)**

UBC Okanagan (in \$Thousands)	Fiscal 17/18 Total Funding	Fiscal 16/17 Total Funding	Increase / (Decrease)
Total Central Support Units	59,357	56,268	3,090
Provost and Vice-Principal Academic	12,691	11,313	1,378
Provost Office	2,170	1,864	306
Centre for Teaching and Learning	906	770	135
Library	3,751	3,600	151
Enrolment Services	3,333	3,193	140
International Student Initiative (ISI)	860	842	18
Excellence Fund	1,350	754	596
Other Provost units	322	290	31
Vice-Principal Research	3,640	2,329	1,310
Deputy Vice-Chancellor and Principal	3,088	2,633	455
Finance and Operations	20,171	18,278	1,894
AVP Finance and Operations Office	411	408	2
Finance	1,789	1,744	45
IT, Media and Classroom Services	6,151	5,292	860
Campus Planning and Development	1,203	809	394
Campus Operations and Risk Management	10,618	10,025	592
Students	6,331	5,786	545
Athletics and Recreation	1,522	1,522	-
Student Development and Services	4,809	4,264	545
Equity Office	145	130	14
Development and Alumni Engagement	1,729	1,630	99
Human Resources	1,335	1,282	53
Campus Wide Expenses	10,228	12,886	(2,658)

The allocation of the \$4.7m for 2017/18 is summarized into the following categories:

Strategic investments

These investments focused on the campus “Aspire” vision with resources allocated to key areas. These include funding for research infrastructure and institute development, student supports, recruiting, health and wellbeing, investment for future academic and research growth, and campus program advertising.

Risk areas

Funding is allocated to IT to support the resiliency and capacity of network storage, as well as enhanced network security.

Maintaining core services

Funding is allocated to these areas to support the continued operation of fundamental components of the campus, and to avoid jeopardizing the University’s ability to maintain adequate core services and support key personnel. The main components of this category are funding for space planning, sustainability initiatives, facilities operations and staff salary increases. Many units have absorbed general wage increases without additional funding over the last three years; for 2017/18, funding has been allocated to administrative units to assist with staff salary progression.



The following table summarizes the calculation of the discretionary revenue available for allocation, and the recommended allocations for the Okanagan campus:

UBC at Okanagan - Operating Budget

(In \$ millions)

Fiscal 2017/18 Budget on a Differential Basis

Fiscal 2017/18 Outlook	Recurring	One-time	Total
<i>Incremental revenue</i>			
International Tuition	6.6	-	6.6
Domestic Tuition	1.9	-	1.9
Provincial Grant	1.2	(0.1)	1.1
Others	0.1	-	0.1
Total incremental revenue	9.8	(0.1)	9.7
Less:			
Faculty share of tuition growth	(3.4)	-	(3.4)
Excellence Fund	(1.6)	-	(1.6)
International Student Financial Aid (SFA)	(0.5)	-	(0.5)
General Wage Increase (GWI) funding	(1.3)	0.2	(1.1)
	3.0	0.1	3.1
International tuition retained risk - 2017/18	(1.3)	-	(1.3)
International tuition retained risk - 2016/17	0.8	-	0.8
Redistribution of unspent administrative surplus - current year	-	0.5	0.5
Redistribution of unspent administrative surplus - prior years	-	1.6	1.6
Total available for allocations	2.5	2.2	4.7
<i>Proposed allocations</i>			
Strategic Investments			
Teaching and learning experience	0.4	0.1	0.6
Research excellence	0.3	0.5	0.8
Student engagement	0.2	0.5	0.7
Faculty and staff engagement	0.2	-	0.2
Innovation and service enhancements	0.3	0.3	0.7
Community engagement	0.2	-	0.2
Total Strategic Investments	1.7	1.4	3.0
Risk Areas	-	0.6	0.6
Maintaining Core Services	0.8	0.3	1.1
Total proposed allocations	2.5	2.2	4.7
Net of revenues and allocations (balanced)	0	0	0



5. UBC Excellence Fund

UBC is a globally recognized centre of research and educational excellence, and our goal is to enhance this excellence through targeted strategic investments on both campuses. The UBC Excellence Fund was established in February 2016 to support the University's ambition to become Canada's best university over the next decade.

The fund supports strategic initiatives that will enhance and amplify current efforts in key areas, to ensure UBC is:

- a) Recruiting and retaining exemplary faculty members, students and staff
- b) Building and supporting world class research infrastructure to enable innovative, cutting-edge research
- c) Providing an excellent student learning experience for domestic and international students, at the graduate and undergraduate levels, both inside and outside the classroom

The key principles underlying the allocation of the funds are:

Excellence - funds must support UBC's goal of being Canada's pre-eminent university

Sustainability - funds may not be invested in permanently recurring expenditures

Strategic nimbleness - the allocation process will recognize the need to capitalize on new opportunities and changing circumstances

Effectiveness - funds may be used to leverage additional funding - for example, donations or grants that require matching funds

Openness - members of the academic community will be invited to attend forums to provide advice to the Provosts on strategic uses of the funds and prioritization of initiatives

Accountability - metrics will be developed to measure the impact and outcomes of all allocations

Transparency - the Provosts will report annually to the University community and especially to the Board of Governors and Senate Budget Committees on the impact and outcomes of the funds.

Achievements in Year 1 (FY 2016/17)

In 2016/17, we estimated that \$5.8m would be available for allocation. However, as a result of stronger than anticipated demand for our programs, enrolment of international students was greater than expected, and the value of the UBC Excellence Fund rose to \$6.3m. This allowed the university to make additional commitments in areas that would further strengthen our core mission of academic excellence. It also provided us with reserve funding to invest opportunistically in keeping with the principle of strategic nimbleness.

Examples of some of the investments that UBC made in 2016/17 are noted below:

Recruiting and Retaining Exemplary Students and Staff

Student recruitment and retention: The recruitment and retention of Aboriginal undergraduate students is a top priority for UBC. To further support Aboriginal students, funds were committed to hire an advisor dedicated to addressing their academic needs. The diversification of the domestic undergraduate pool is also a priority for UBC and we have invested funds to market the university to students outside of the province - most notably in Ontario. Investment was also made in support of the "scholars' community" through the provision of needs-based financial support and a community home for the scholars. These commitments will continue over the next several fiscal years.

UBC Vancouver Student Wellbeing Promotion: UBC committed \$300k to position UBC as a wellbeing-promoting university that supports people to succeed - in turn allowing UBC to better achieve its strategic goals. This commitment comprises part of UBC's announcement to be one of four Canadian universities to sign the *Okanagan*



Charter: An International Charter for Health Promoting Universities and Campuses. The funding will create two to three FTE positions to build capacity within faculties to support: student wellbeing in learning environments; student resiliency to successfully navigate environments of academic rigour; evaluation and assessment; education and communications; and bridging research into practice. In addition, there will be special initiatives funding to support innovative student projects.

Investment: \$1.1m

Recruiting and Retaining Exemplary Faculty members

To attract the best academic talent to UBC, funds were allocated to recruit and support strategic faculty hires in the area of Biomedical Engineering, one of our Tier 2 research clusters and across a number of emerging clusters at Okanagan campus. In addition, in recognition and support of our very best existing faculty members, six new University Killam Professorships were conferred, and the Distinguished University Scholars program was relaunched. **Investment: \$2.0m**

Building and supporting world-class research teams and infrastructure

Research clusters: Support for research clusters is a major initiative for the university, and accordingly the most significant investment was made in the “Tier 2” clusters (those that are nationally ranked and show great potential for further achievement). Financial support also was given to the establishment of a Sequencing and Bioinformatics Consortium, and the Indigenous Peoples' Collaborative Research Support Unit. **Investment: \$2.2m**

Providing an excellent student learning experience

Support for experiential learning: Significant investment was made for undergraduate academic programs to support experiential and integrative learning opportunities. This includes the development of pathways to capstone experiences and interdisciplinary opportunities with local and international components. Investment also was made in the development of a central hub, to support all faculties and to provide a coordinated strategic approach to experiential and integrative learning. Further resources were allocated to help strengthen experiential learning through mutually beneficial community-university relationships to ensure UBC has a solid foundation for continued and enhanced success. At Okanagan campus, investment was made to launch the co-op program across all Faculties, giving all students the opportunity to participate. **Investment: \$0.7m**

Commitments for Year 2 (FY 2017/18)

Recruiting and Retaining Exemplary Students and Staff

Student recruitment: An outstanding university is defined by the quality and diversity of students that it attracts. For 2017/18, we are committing \$2.5m to attract the very best domestic and international undergraduate and graduate students, which is the focus of the 2017/18 allocation.

- To assist UBC in recruiting outstanding doctoral students, we are proposing the establishment of the following two awards: The University Doctoral Fellowship is designed to recruit international students similar in calibre to domestic Tri-council awardees. This award would support 35 new students per year and 140 students when fully implemented. The Doctoral Recruitment Fellowship is a four-year fellowship allocated to new assistant professors, for them to use to recruit domestic or international doctoral



students. These awards will be \$30,000/year for four years plus tuition, which would support 25 new students per year and 100 students at steady state.

- New in 2017/18 is the establishment of the *UBC Tuum Est Experiential Award*. This entrance award is valued at \$3,000 per student, and is available for outstanding domestic students entering the university directly from secondary schools to support their participation in experiential learning opportunities. We will provide 100 of these awards in each of the next two years as a pilot project. These awards will be offered to incoming students in 2017 and the awards will be available when students are in their second year and beyond.
- Pilots will occur in at least two faculties to provide an orientation and transition experience for domestic students.

Student retention: In 2017, the Sauder School of Business and the Faculty of Land & Food Systems will collaborate with the First Year Experience team to pilot the integration of domestic students into Jump Start, with the aim to create for them significant results similar to those we are seeing in the international student population who attend Jump Start: increased retention and positive connection to UBC. In higher education literature, creating intentional opportunities for students to interact with faculty members is one of the most frequently cited approaches that a university can take to improve academic engagement for undergraduate students. Multi-day Orientations experiences create the opportunity for first year scholars to connect to UBC through relationship-building with faculty members, upper-year peers, campus resources, and each other; these relationships form a web of support that continues throughout their first year.

Allocation: \$3.7m

Recruiting and Retaining Exemplary Faculty members

Faculty recruitment: UBC has announced the creation of six President's Excellence Chairs that are senior leadership positions aligned with our top research areas. Recruitment will be underway in late summer 2017 and we are hopeful to have at least one of the Chairs recruited and in place by early 2018. Significant funding has been set aside this year to provide the necessary research support required to support these hires, with the majority of these funds being expended in 2018/19. The School of Biomedical Engineering will receive funding to hire and provide research start-up for two new faculty members in 2017/18.

Faculty retention: Funds have been committed to support awards for existing exemplary faculty. We have committed funds to recognize the achievements of our faculty by reinstating the Distinguished University Scholars Program. In 2016/17, 11 of these awards were conferred with an additional 10 being awarded in 2017/18 and every second year thereafter. The Excellence Funds will also support research activities of three Killam Professors starting in 2018/19 and every second year thereafter.

Allocation: \$10.0m

Building and supporting world-class research teams and infrastructure

Research clusters: The research action plan developed by the VP Research identifies support for research clusters, including innovation and knowledge mobilization as major initiatives for the university. Our goal is to continue to support clusters at a range of levels of development: Tier 1 clusters are world-leading, while Tier 2 are close to and have the potential to reach that status with targeted investments. Tier 3 clusters mostly represent new, emerging, interdisciplinary teams showing promise, and must be supported to leverage opportunities for growth.

Through the externally validated search for Canada First Research Excellence Fund (CFREF) awards, Tier 1 and 2 (primarily, but not exclusively) STEM clusters have been identified. The VP Research initiated a similar process for



non-STEM disciplines this past summer. Additional investments will be made to catalyze and facilitate the growth of successful research clusters across both campuses.

Funding approved in 2016/17 for the Indigenous Peoples’ Collaborative Research Support Unit, and Sequencing and Bioinformatics Consortium will continue in 2017/18. **Total allocation for teams and infrastructure: \$3.5m**

Providing an excellent student learning experience

Support for experiential learning:

Students desire a career path that is integrative of all that they have become at UBC. An action plan has been developed through consultation with students and faculties by the VPS. This will be achieved through:

1. Re-alignment and expansion of our expertise to offer customized career education for special populations: a) discipline-specific b) international students, c) graduate students, and d) students with disabilities, for example. This includes developing enhanced service in these areas through integration with discipline-specific curriculum, working closely with departments, investing in population specific advisors/expertise, and larger faculty-specific initiatives to connect careers to disciplines.
2. Expanding career education and service for non- Co-op students. Deepening career education embedded in current high impact learning experiences (e.g. Student Leaders, AMS Clubs, Student Teams, etc.), expanding career advising, increasing the opportunities for curricular integration and supporting academic departments to better understand and translate discipline learning to career readiness.
3. Focus on online resources, academic systems and relationship management tools to better serve our students, programs, employers, and community partners.

Allocation: \$1.0m

Strategic Plan Implementation

Support for Strategic Investments: As the University embarks on the development of a new strategic plan, it is imperative that funds are made available to support those initiatives that are identified out of the plan. A funding envelope has been set aside to address these, once the strategic plan has been fully developed in 17/18.

Allocation: \$2.0m

Excellence Fund Summary (In \$thousand)	16/17 Forecast			17/18 PLAN		
	UBCV	UBCO	Total	UBCV	UBCO	Total
Total Funding Available	5,574	754	6,328	17,895	2,300	20,195
Recruiting and retaining exemplary students and staff	931	150	1,081	3,033	700	3,733
Recruiting and retaining exemplary faculty members	1,999	-	1,999	9,127	895	10,022
Building and supporting world-class research infrastructure	2,000	150	2,150	3,333	150	3,483
Providing an excellent student learning experience	390	300	690	750	310	1,060
Strategic Plan Enablement	-	-	-	2,000	-	2,000
Total Expenses	5,320	600	5,920	18,243	2,055	20,298
Net Surplus (Deficit)	254	154	408	(348)	245	(103)
Opening Carryforward	-	-	-	254	154	408
Ending Carryforward	254	154	408	(94)	399	306



6. Faculties and Departments – Allocations and Projected Expenses

The following tables show the 2017/18 projected funding and expenses by unit, including both allocations from the government grant and tuition, as well as revenue generated directly by the faculties and central support units.

Vancouver

Faculties

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	668,961	173,420	842,380	837,983	4,397	155,752	
Faculty of Applied Science	77,489	4,090	81,580	81,188	392	19,619	
Faculty of Arts	155,342	8,737	164,080	156,543	7,536	25,135	
Sauder School of Business	56,348	25,237	81,585	81,086	500	15,224	
Faculty of Dentistry	12,425	18,844	31,269	31,085	183	5,111	
Faculty of Education	44,298	4,519	48,817	49,600	(783)	2,325	
Faculty of Forestry	16,198	4,613	20,811	21,978	(1,167)	6,385	
Graduate and Postdoctoral Studies	2,493	1,107	3,599	3,538	61	538	
Faculty of Land and Food Systems	14,174	4,347	18,520	17,966	554	4,675	
Allard School of Law	13,129	677	13,806	14,552	(746)	(568)	
Faculty of Medicine	142,461	88,519	230,980	231,281	(300)	63,043	
Faculty of Pharmaceutical Sciences	18,059	2,484	20,543	22,069	(1,527)	3,586	
Faculty of Science	116,545	10,246	126,791	127,097	(306)	10,679	

Overall, the net position of the faculties is projected to be positive. However, some of the faculties project deficits for 2017/18 as a result of using reserves to fund one-time expenditures for strategic priorities.

The addition to the Faculty of Arts reserve is primarily due to tuition rate increases for new international students plus forecasted growth of 346 international undergraduate students, which is partially offset by increases in salary costs. The Faculty has initiated planning of new academic facilities to support its aspirations, including a significant increase to its faculty complement.

Drawdown for the Faculty of Education is recurring, and is roughly the same level as the prior year. The Faculty is implementing the Program Budgeting & Marginal Analysis (PBMA) process in 2017/18, with a goal of reducing the structural deficit and bringing the Faculty back to a balanced budget.

The Faculty of Forestry drawdown is primarily due to one-time expenses of \$1.2m to support new faculty member recruitment as well as new academic programs development.

The Peter A. Allard School of Law drawdown is recurring, mainly as a result of hiring seven new faculty members in 2017/18.

The Faculty of Medicine had originally projected a substantive deficit, but now is a nearly balanced budget, with \$231.3m of expenditures against \$231m of funding. This financial improvement represents concerted efforts by the Faculty in constraining costs as well as identifying and eliminating elements of budget conservatism inherent in previous estimates. Please refer to Appendix III for further details.

The Faculty of Pharmaceutical Sciences drawdown is primarily due to recurring debt service of approximately \$1.0m for a building mortgage as well as the cost of research start-up funding for anticipated faculty renewals.

The Faculty of Science drawdown is immaterial; however, it is recurring as the current projected tuition increases are not adequate to fully cover the general wage increases. There may be sufficient one-time savings resulting in a small surplus rather than a small deficit in 2017/18.



Although the Faculty budgets remain constrained, the overall financial position is projected to improve in fiscal 2017/18. This is largely the result of growth in undergraduate international student enrolment and tuition rate increases of approximately 15% for international undergraduate students entering UBC in 2017/18. Additionally, opportunities related to the development of professional programs and enhanced summer programming have allowed many faculties to grow and diversify their revenue base. The provincial funding of general wage increases within the mandate has provided an important lift and is greatly appreciated.

Faculties are continually examining their cost structures by finding more effective ways to deliver their core academic programs while enhancing the quality of teaching, research and student support. For example, the Faculties of Medicine and Education have undergone intensive reviews of their academic and non-academic programs and have found opportunities that have considerably improved their budget outlook without compromising quality.

However, these and other professional faculties (Peter A. Allard School of Law, Pharmaceutical Sciences, and Dentistry) are constrained because of their inability to enrol international students and, in the cases of Law and Medicine, tuition fees being considerably below that of peer institutions. This complicates the path forward for these faculties because they do not have the same international revenue opportunities to offset the annual costs of merit and career progression that our direct-entry faculties have.

Some faculties are utilizing carry-forward reserves, but this is the first time in many years that the faculties as a whole are projected to be in a positive position, overall.

Student Financial Aid

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Student Financial Aid	69,071	-	69,071	70,865	(1,794)	7,063	
SFA Graduate	21,938	-	21,938	22,237	(299)	2,179	
SFA Undergraduate Domestic	17,577	-	17,577	17,551	26	3,340	
SFA Undergraduate International	18,141	-	18,141	19,546	(1,405)	1,168	
Workstudy, Go Global-SFA, Int'l Tuit Award	11,415	-	11,415	11,531	(116)	376	

The SFA Undergraduate International drawdown is to utilize prior year reserves.

Student financial aid for both domestic and international undergraduate students is allocated formulaically and increases are in line with tuition revenue. Graduate financial aid is currently under review, although discretionary increases have been allocated in the 2017/18 budget. The Work Study program is also currently under review and has been allocated increased funding in 2017/18; this program pays part of the salaries of students employed by ancillary and other units on campus. The drawdowns in 2017/18 represent the use of reserves.



Central Support Units (including ancillaries)

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Total Central Support Units	415,720	392,252	807,971	821,233	(13,262)	70,349	
Provost and VP Academic	158,061	75,544	233,605	238,269	(4,663)	11,668	
Library	41,577	1,163	42,740	42,710	31	2,225	
Information Technology	48,475	31,447	79,922	81,378	(1,457)	2,749	
Continuing Studies	21	17,065	17,087	17,046	41	(5,207)	
Enrolment Services	12,011	360	12,371	12,525	(154)	271	
International Student Initiative	7,908	-	7,908	8,050	(142)	601	
Vantage College	-	14,000	14,000	13,511	489	1,519	
Centre for Teaching, Learning & Technology	7,568	615	8,183	8,351	(168)	560	
Excellence Fund	17,895	-	17,895	18,243	(348)	(135)	
Other Provost and VP Academic units	22,606	10,894	33,500	36,455	(2,956)	9,084	
VP Students	28,295	248,259	276,554	273,330	3,224	25,356	
Athletics and Recreation	1,878	28,890	30,768	31,069	(301)	(1,962)	
Housing and Hospitality Services	836	178,573	179,409	175,648	3,762	21,937	
Student Development and Services	15,195	2,803	17,998	18,405	(407)	958	
University Community Services	7,052	37,994	45,046	44,753	293	4,086	
Other VP Students units	3,333	-	3,333	3,457	(124)	337	
VP Finance and Operations	114,866	36,238	151,104	153,592	(2,488)	2,699	
Energy and Water	27,813	23,425	51,237	51,840	(603)	(1,331)	
Building Operations & Infrastructure Dev't	64,498	11,288	75,786	77,303	(1,517)	1,688	
Other VP Finance and Operations units	22,556	1,525	24,081	24,449	(368)	2,341	
President's Office	8,541	63	8,604	8,717	(113)	1,491	
VP Development and Alumni Engagement	25,212	728	25,939	26,324	(385)	7,233	
VP External Relations	15,712	2,062	17,774	21,822	(4,048)	1,124	
VP Research	21,369	19,564	40,933	41,435	(502)	2,938	
VP Human Resources	11,520	7,552	19,071	19,179	(108)	437	
Campus Wide Expenses	32,144	2,242	34,386	38,565	(4,179)	17,403	

Although there are several units budgeting a deficit for 2017/18, these are for one-time expenditures utilizing accumulated reserves:

The Information Technology (IT) drawdown is one-time, due to the volume of small and mid-size capital projects identified to go through Executive approval and prioritization process that exceeds current recurring funding envelope. The total expected capital requirement is \$8.5m for fiscal 2017/18.

Within VP Provost and VP Academic, the other VP Provost units' drawdown is one-time, primarily due to increased commitments for dual career hires, research support, and the shared cost component related to the Housing Plan for new faculty recruitment.

Under VP Student Services, the Student Housing and Hospitality Services reserve addition is primarily due to a reduction in capital expenditures as certain large one-time projects have been completed, and partially offset by costs related to the opening of two new residence complexes. Athletics and Recreation Units drawdown is due to an equal combination of a one-time temporary revenue loss during construction of the new SUB fitness facility, as well as recurring increased travel and other related expenditures. Student Development and Services drawdown is one-time, for minor renovations, tenant improvements and furniture for the "Old SUB" and Collegia, conducting a review of Student Health Services prior to hiring a new director and additional physician hours, shared contribution to Teaching and Learning Enhancement Fund (TLEF) projects and term student and short-term staff positions.



Within VP Finance and Operations, the Energy and Water drawdown is recurring as part of their multi-year plan. The closing of the old steam Powerhouse and the completion of the new District Energy System (DES) for campus heating has increased costs in fiscal 2017/18. DES efficiencies and sustainability initiatives will eliminate this deficit in the future years. Building Operations and Infrastructure Development reserve drawdown is one-time, due to new investments in a preventative maintenance program as well as reduced funding due to delays in the Old SUB Renewal project. Operations will be adjusted to ensure that the ending carryforward is in a balanced position. Other VP Finance and Operations units' drawdown is mainly due to Comptroller's one-time funding of positions in Medicine, in addition to strategic investments in the areas of Financial Reporting and CPA student training.

The VP Development and Alumni Engagement drawdown is one-time, to utilize the prior year carry forward for deferred capital costs and new initiatives.

The VP External Relations drawdown is one-time, primarily due to delayed projects (Point Grey cliffs remediation, transportation, and the climate action plan) for Campus and Community Planning from the prior year.

The VP Research drawdown is due to an almost equal combination of both one-time (timing of revenue received versus payments) as well as recurring elements in University-Industry Liaison Office (UILO), Ethics, and the Research Finance team.

Campus Wide Expenses include debt repayment funded centrally as well as research support funds transferred to teaching hospitals. The drawdown is primarily due to the planned usage of the prior year surplus of \$9.1m. This is offset by funding set aside for management and professional staff resulting from expected commitments to be paid out at a future date.

Overall, central support units receive 36% of the allocation of operating funds (\$416m), and generate an additional \$392m in revenue from their individual operations. This revenue is mostly driven by ancillary services, including Student Housing and Hospitality Services and Athletics and Recreation.

Drawdowns in the central support units are expected to total \$13m during the year, as units plan to utilize a portion of their accumulated surpluses. These are committed to one-time items and do not reflect ongoing commitments.

Summary

UBC Vancouver (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	668,961	173,420	842,380	837,983	4,397	155,752	
Student Financial Aid	69,071	-	69,071	70,865	(1,794)	7,063	
Central support units (including ancillaries)	415,720	392,252	807,971	821,233	(13,262)	70,349	
Total UBC Vancouver	1,153,751	565,671	1,719,423	1,730,081	(10,658)	233,163	

Of the funding allocations made for the 2017/18 Budget, 58% have been made to the faculties, 6% to student financial aid, and 36% to central support units.

The total reserve drawdowns for the Vancouver campus are \$11m. Aside from the faculties, almost all of the drawdowns represent the use of opening surpluses set aside for capital projects or other one-time initiatives except in the case of Law, Education, Pharmaceutical Sciences and Medicine, which have structural deficits.



Okanagan

Faculties/School/College

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	71,133	771	71,904	73,014	(1,111)	5,260	
Arts and Sciences	29,279	208	29,487	29,565	(78)	214	
Applied Science	11,270	184	11,455	11,388	67	1,227	
Creative and Critical Studies	9,934	133	10,067	10,052	15	1,568	
Education	3,217	75	3,292	3,601	(309)	281	
Graduate Studies	892	-	892	839	53	99	
Health and Social Development	11,635	149	11,784	12,466	(682)	249	
Management	4,602	21	4,623	5,104	(481)	413	
Faculty Initiatives Fund	305	-	305	-	305	1,210	

The Okanagan financial position is generally stable. The Irving K. Barber School of Arts and Sciences, the Faculty of Creative and Critical Studies, and the Faculty of Management are planning for revenue growth of about 3.5% when compared with the prior year. The Faculty of Health and Social Development is expecting a slightly lower growth rate of about 1.5%, primarily due to a majority of enrolments being domestic students. The School of Engineering is projecting an increase in tuition revenue of 11% over the prior year, contributing to a 68% increase to overall funding over the past five years. This increase is due to continued enrolment growth; international student enrolment, including Vantage College, has increased by 56% over the past five years in Engineering.

The Faculty of Education has undertaken a significant change to its curriculum, with 2017/18 being both the final year of the Elementary and Secondary Education Programs and the first year of the new integrated 18-month degree program. As the new program ramps up in 2017/18, enrolment targets are conservative, during transition, with the objective to increase to a more sustainable level going forward, resulting in a one-time drawdown.

The Faculty of Health and Social Development drawdown is primarily due to a one-time capital expenditure for renovations to the Mountain Weather Office in fiscal 2017/18 and two new faculty hires in anticipation of growth in the Health and Exercise Science program.

The Faculty of Management drawdown is primarily due to one-time costs during undergraduate program redesign, in addition to one-time investment for the introduction of the Masters of Management program.

Central Support Units (including ancillaries)

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Total Central Support Units	59,358	9,579	68,937	68,723	214	15,666	
Provost and Vice-Principal Academic	12,691	100	12,791	12,883	(92)	1,156	
Vice-Principal Research	3,640	194	3,834	3,634	200	957	
Deputy Vice-Chancellor and Principal	3,088	3	3,091	3,220	(130)	39	
Finance and Operations	20,171	6,587	26,759	25,777	981	5,134	
Students	6,331	2,683	9,014	9,527	(513)	695	
Equity Office	145	-	145	145	-	10	
Development and Alumni Engagement	1,729	4	1,732	1,792	(60)	(14)	
Human Resources	1,335	9	1,344	1,344	-	(2)	
Campus Wide Expenses	10,228	-	10,228	10,401	(173)	7,690	



Central support units have been experiencing increased pressure due to constraints on government funding. For fiscal 2017/18, administrative units will be allocated funding for staff progression increases, however all other cost escalations must be absorbed within current funding levels. Some units have been allocated one-time funding for projects which span multiple years, adding to reserve balances on a temporary basis. Where drawdowns are occurring, units are planning to utilize a portion of their accumulated surpluses for one-time items as opposed to recurring ongoing commitments.

The Provost and Vice-Principal Academic reserve balance is committed for specific academic initiatives, including the Excellence Fund.

The Office of the Vice-Principal Research received an increase in budget for the upcoming year reflecting enhanced capacity to support research, with funding for research infrastructure, institute development, and the recently hired Associate Vice-Principal Research. The increased allocation reflects several multi-year funding commitments.

Within Finance and Operations, Food Services and Parking Services carry reserves for future capital projects. The contribution to reserves in 2017/18 primarily relates to ancillary activity and projected surpluses from reduced utility costs due to investment in energy savings initiatives.

Within the Students portfolio, Athletics and Recreation are projecting a drawdown primarily due to one-time renovations in the gymnasium, and conservative budget estimates for team playoff travel and student awards support.

Overall, central support units receive 18% of the allocation of operating funds, and generate an additional \$10m in revenue from their individual operations. This revenue is mostly driven by ancillary services, including Food and Parking Services, as well as Athletics and Recreation.

Student Financial Aid

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Student Financial Aid	8,426	-	8,426	8,495	(70)	913	
SFA Graduate	2,105	-	2,105	1,985	120	108	
SFA Undergraduate Domestic	3,597	-	3,597	3,935	(338)	289	
SFA Undergraduate International	2,124	-	2,124	1,949	175	404	
Workstudy, Go Global-SFA, Int'l Tuit Award	600	-	600	627	(27)	113	

The SFA Undergraduate Domestic drawdown is due to a projected increase in need-based student funding. Investments were made in 2017/18 to support the ongoing pressure on need-based funding; these pressures fluctuate year-to-year and will be monitored closely to address any structural deficits.

International Student Financial Aid received a 30% increase over the prior year, resulting from higher international tuition and enrolments. Overall demand for student financial aid is increasing, putting pressure on the available funds.



Summary

UBC Okanagan (in \$Thousands)	Funding Allocations	Unit Revenue	Total Funding	Total Expenses	Reserve (Drawdowns) /Additions	Ending Reserve Balance	(Drawdowns) Additions
Faculties	71,133	771	71,904	73,014	(1,111)	5,260	
Student Financial Aid	8,426	-	8,426	8,495	(70)	913	
Central support units (including ancillaries)	59,358	9,579	68,937	68,723	214	15,666	
Total UBC Okanagan	138,916	10,350	149,266	150,233	(966)	21,839	

For 2017/18, incremental revenue is allocated with 44% to the faculties, 6% to student financial aid, 20% to the Excellence Fund, 12% to research support, and 18% to central support units.

The total reserve drawdowns for the Okanagan campus are \$1.0m, of which \$1.4m relates to the faculties, offset by additions from central support units of \$0.5m. Central support surpluses are primarily from one-time multi-year commitments.



7. Consolidated Financial Budget

The Consolidated Statement of Operations (by function) and the Consolidated Statement of Net Debt require formal Board approval since these components are required for inclusion in the financial statements under Public Sector Accounting Board guidelines (see Section 15). The Consolidated Statement of Operations (by object) and Consolidated Statement of Financial Position are provided below for information only.

CONSOLIDATED STATEMENT OF OPERATIONS (By Object)

(In \$millions)

	Forecast 2016/17	Budget 2017/18	Variance
Revenues			
Government grants and contracts			
Government of Canada	\$ 282	283	1
Province of British Columbia	772	785	13
Other governments	16	16	-
Other contributions	179	176	(3)
Student fees	619	681	62
Investment income	68	82	14
Income from Gov't Business Enterprises	2	2	-
Sales and services	358	367	9
Amortization of deferred capital contributions	83	85	2
	<u>\$ 2,379</u>	<u>2,477</u>	<u>98</u>
Expenses			
Salaries & benefits	1,381	1,452	71
Operating costs - other	418	454	36
Capital asset amortization	194	202	8
Cost of goods sold	41	41	-
Scholarships, fellowships and bursaries	119	133	14
Grants to third parties	139	144	5
Debt service costs	17	18	1
	<u>2,309</u>	<u>2,444</u>	<u>135</u>
Annual surplus from operations	<u>\$ 70</u>	<u>33</u>	<u>(37)</u>

The consolidated statement of operations reflects a 2017/18 surplus of \$33m. This is an accounting surplus only and does not reflect funds available for spending. The components are as follows:

**Income Statement Analysis***(in \$millions)*

	2016/17	2017/18
UBC Vancouver faculties	16	4
UBC Vancouver administrative units	(8)	(12)
UBC Okanagan	(1)	(1)
Sub-total Operating Units	7	(9)
Deferred land sales	7	7
Endowment surplus	11	8
Net investment in capital	45	28
Surplus	<u>70</u>	<u>33</u>

- Reserve drawdowns represent spending by units from reserves on capital projects, apart from the faculties that have a structural deficit
- Deferred land lease income, \$7m: proceeds from leasing land for development is allocated to the endowment as it is received, and the revenue is recognized in the Statement of Operations over the period of the lease, 99 years
- Endowment surplus, \$8m: this represents amounts that will never be spent, but are added to the principal of endowments to ensure that the spending allocation increases in future years to keep up with inflation
- Surplus from net investment in capital: when UBC acquires tangible assets, this spending appears as a surplus in the Statement of Operations in the year of acquisition (although the cash is spent), and the expense flows through as depreciation in subsequent years. The breakdown is as follows:

Net Investments in Capital*(in \$ millions)*

	2015/16 Actuals	2016/17 Forecast	2017/18 Budget
Capital asset additions	371	402	377
Funded externally	(84)	(139)	(130)
Increase in internal loans	(159)	(107)	(102)
Capital additions from operations	<u>128</u>	<u>156</u>	<u>145</u>
Depreciation	(182)	(194)	(202)
Amortization of deferred capital contributions	76	83	85
Net depreciation	<u>(106)</u>	<u>(111)</u>	<u>(117)</u>
Net investment in capital	<u>22</u>	<u>45</u>	<u>28</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)**

Presented in Classified Statement of Financial Position Format

<i>(in \$millions)</i>	Forecast Mar 31, 2017	Budget Mar 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 101	\$ 101
Accounts receivable	176	180
Operating investments	422	397
Investments in government business enterprises	17	17
Other current assets	16	18
	<u>732</u>	<u>713</u>
Non-Current Assets		
Endowment investments	1,468	1,533
Capital assets	3,309	3,483
	<u>4,777</u>	<u>5,016</u>
TOTAL ASSETS	<u>5,509</u>	<u>5,729</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	285	291
Current portion of debt	8	8
	<u>293</u>	<u>299</u>
Non-Current Liabilities		
Employee future benefits	12	12
Deferred other restricted contributions	327	320
Non-current portion of debt	351	347
	<u>690</u>	<u>679</u>
Total Liabilities	983	978
Net Assets		
Accumulated surplus	1,852	1,915
Deferred capital contributions	1,470	1,515
Deferred land lease revenue	642	714
Deferred endowment contributions	562	607
	<u>4,526</u>	<u>4,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>5,509</u>	<u>5,729</u>



8. Liquidity

The University requires approval from the Ministers of Advanced Education and Finance to borrow. UBC has been unable to borrow since 2007 because any additional borrowing by UBC would impact the provincial Debt to GDP ratio and provincial borrowing costs. In 2007, UBC Treasury contracted a US investment bank to provide an assessment of UBC’s capacity to invest working capital in longer-term capital projects. The recommendation was to establish an “internal bank” and to lend excess working capital to help finance capital priorities.

All funds are invested in liquid instruments. The short investments are banker’s acceptances and government money market paper and the core working capital invested by IMANT is government backed bonds and money market paper. In addition, the University has a line of credit that is \$40m from September to June and \$60m from July and August when balances are at their low point. Past Board policy defines minimum liquidity as \$100m in liquid investments and \$25m excess line of credit in July and August. Throughout the rest of the year, liquidity is much higher.

Projected liquidity

UBC Treasury regularly provides a liquidity update to the Board of Governors. The presentation includes a projection of liquidity to the August low point, which is significantly lower than the March 31 projection. Liquidity to March is projected as follows:

Projected Cash and Investments

(in \$millions)

	March 31, 2017	March 31, 2018
Per Treasury		
Cash at bank (HSBC)	10	10
Short term operating investments	18	15
Funds on deposit with the Province of BC Central Deposit Program	16	16
Callable UBC Properties Trust loans	33	20
Core working capital invested by IMANT	446	436
	<u>523</u>	<u>497</u>
Per Financial Statements		
Cash and cash equivalents	85	85
Operating investments	438	412
Total	<u>523</u>	<u>497</u>

Projected liquidity at March 2017 has increased by \$103m over the prior year (\$523m at March 2017 less \$420m at March 2016). This increase is the result of:

- \$100m borrowing from Endowment Capital to replenish working capital after completion of the Orchard Commons Capital Project

The external financing of \$60m of the AMS’s portion of the Nest (Student Union Building) and borrowing approval from the Province would further improve liquidity but have not been included in the 2017/18 projection.

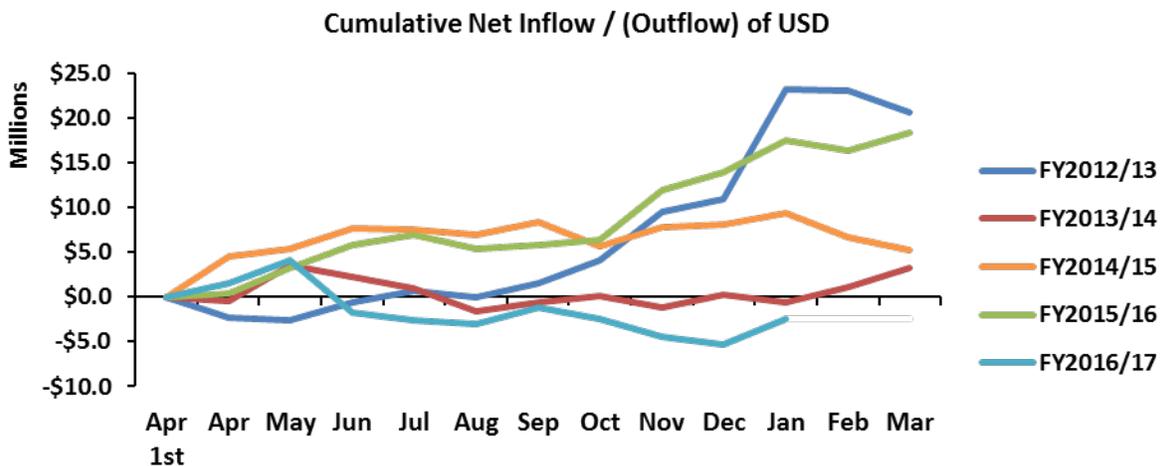


Sources of financing

There are four sources of internal financing currently available to the University: working capital, the Student Housing Financing Endowment (SHFE), the Faculty Housing Financing Endowment (FHAFE) and investment from the endowment. Working capital is composed of Faculty, department and central reserves, and research monies and funds on hand that result from a delay from receipt to disbursement. In 2011, the Board of Governors established an endowment called the Student Housing Financing Endowment (SHFE) to deposit net investment income on land development generated by the University through UBC Properties Trust (UBCPT). SHFE is currently financing the expansion of the University’s student housing. In December 2016 the Board of Governors additionally established the Faculty Housing Financing Endowment (FHAFE), to finance UBC’s housing assistance program to facilitate recruitment and retention of outstanding faculty members. In May 2014, the UBC Board of Governors approved a \$100m investment from the endowment into the Orchard Commons student housing project. The funds were transferred in August 2016. UBC has provided UBC Properties Trust with a revolving loan of \$20m to enable efficient cash management in the Trust. This is expected to continue for at least the next several years.

Foreign currency exchange

The University primarily operates in Canadian funds but also has US dollar, Euro and Rupee bank accounts. US funds are deposited to the US bank account and US payments are made in the same currency. University depositors are credited with the Canadian dollar equivalent of the US funds received and payments are debited at the Canadian equivalent of the US dollars. For FY2017 year to date, \$38m was received in US dollars and \$43 m was paid out. During the year, UBC Treasury sold \$2.6 m of US funds and US cash decreased by \$2.4 m. The majority of US funds received are from research grants and donations. The Library is the largest payer of US funds, but researchers also purchase equipment in US funds on a fairly regular basis. Of the 4,644 US dollar denominated payments that have been made year to date, only 52 were greater than \$100,000. Treasury provides a foreign exchange hedging service (all currencies), but decisions are made at the Faculty or department level. As of Jan 2017, Treasury has arranged USD 7.9 m of internal forward contracts (mostly with the Library), of which 5.9 m are for FY2018. In addition, Treasury has arranged EUR 0.194 m of internal forward contracts.





9. Capital Expenditure

The University makes significant on-going capital investments to support its learning and research mission, and to create an outstanding student experience.

Capital Expenditure for 2017/18 is budgeted as follows:

Capital Expenditure (in \$millions)	2015/16 Actuals	2016/17 Forecast	2017/18 Budget
Building and Property:			
Major Buildings	176	204	159
Building Renovations & Additions	60	54	58
Capital Infrastructure ¹	45	28	30
	281	286	248
Research equipment	22	45	37
Other equipment & furnishings	37	26	28
Information Technology	14	27	47
Library	18	18	18
	372	402	377

¹ Capital Infrastructure includes improvements to roads, lots, sewer, gas, water and electrical assets

Capital Funding (in \$millions)	2015/16 Actual	2016/17 Forecast	2017/18 Budget
Funding Source:			
Ministry (KDF/COA)	16	11	38
Ministry -Routine capital	16	35	38
Federal - CFI	11	11	18
Federal - SIF	-	22	28
Donations	53	60	8
	97	139	130
Internal Sources			
Unit/Central	106	146	137
ICC's	11	10	8
Internal Loans	159	107	102
	276	263	247
Total Funding	372	402	377

Buildings and Property

The majority of buildings and property capital expenditure is under the management and control of Infrastructure Development, with additional capital expenditures overseen by Student Housing & Hospitality Services. Faculties and administrative departments also commission other building projects, normally of a minor nature. The design, construction, renovation and upgrades of all buildings and property projects is project managed by either UBC Properties Trust or UBC Project Services (Infrastructure Development).



Projects are organized according to type, scope and required approval level:

- Major buildings - this includes new building or major renewal projects greater than or equal to \$5.0m, approved by the Board of Governors. The Board approval threshold was changed from \$2.5m to \$5.0m in 2016/17.
- Routine capital - includes core maintenance projects funded in part by the Ministry of Advanced Education (AVED), with projects typically less than \$5.0m. This program is approved by the Board of Governors. Building Operations and Energy & Water Services identify and prioritize projects under this program based on facility condition and building user input.
- Infrastructure Impact Charge (IIC) and Community Amenity Charge (CAC) Program - this includes utility, public and community infrastructure projects funded through charges on campus development. This program is approved by the Board of Governors.
- Department-funded capital - includes renovation and upgrade projects less than \$5.0m that are commissioned and funded by faculties and administrative departments. This work is recorded under "Funded from available reserves." Projects greater than or equal to \$2.5m require UBC Executive approval.

Major Buildings

In 2016/17, five major building projects were completed including Ponderosa Commons Phase 2, District Energy System - Steam to Hot Water Conversion, Orchard Commons/Vantage College, New Aquatic Centre and Henry Angus Tower Seismic Upgrade.

There are currently 11 major building projects in design or construction and for which capital expenditures will be incurred in 2017/18. These include:

Building Project	Total Budget	2017/18 Estimated Cost	Completion Date
Stuart Blusson Quantum Matter Institute	\$30m	\$2.2m	April 2017
National Soccer Development Centre - UBC Athletics/Vancouver Whitecaps	\$27m	\$6.8m	May 2017
Museum of Anthropology Northwest Coast Masterworks Gallery	\$4m	\$2.0m	Jun 2017
Brock Commons Tallwood House Student Residence	\$52m	\$6.1m	Jun 2017
Totem Park Student Residence In-Fill Phase 2	\$30m	\$11.0m	Aug 2017
Sports Medicine Centre - Chan Gunn Pavilion	\$11m	\$5.8m	Sep 2017
Indian Residential School History & Dialogue Centre	\$6m	\$2.4m	Jul 2017
Undergraduate Life Sciences Teaching Labs	\$80m	\$40.0m	Nov 2018
UBC Okanagan Teaching & Learning Centre	\$35m	\$25.6m	Jul 2018
UBC Bus Exchange	\$22m	\$7.6m	Aug 2019
Exchange Student Residence	\$77m	\$26.0m	Aug 2019

These projects provide renewed or expanded infrastructure to address the following needs:

- Academic program changes and enrolment growth
- Research activity and grant awards
- Student housing demand



- Deferred maintenance and seismic upgrade requirements to ensure safe and reliable facilities
- Transportation and utility infrastructure capacity requirements

Further details on major building projects are provided in the Capital Projects Update report, which is included in the docket for each meeting of the Board of Governors.

Routine Capital - Core Building Maintenance

The Ministry of Advanced Education (AVED) has increased Routine Capital funding to address much needed capital maintenance in campus buildings. UBC received \$34.4m from AVED in 2016/17 and is currently scheduled to receive \$37.8m in 2017/18 and \$42.0m in 2018/19. AVED has specified that these funds are to be directed toward the reduction of deferred maintenance in core academic facilities and that the overall package of projects in each year must be cost-shared between AVED and UBC on a 75%/25% basis. A small portion of the funding (\$1.7m) is allocated toward Carbon Neutral Capital Program projects.

Infrastructure Development coordinates the development of the annual plan with Building Operations and Energy & Water Services, who set the program of specific projects based on facility condition assessment and input from department administrators regarding building user priorities. Synergies are sought with other infrastructure renewal and modernization requirements such as learning space upgrades, accessibility upgrades, and seismic upgrades. Due to the shorter than normal planning phase, the plan for the first fiscal year (2016/17) consisted of projects that had a reduced level of disruption and developed swing space to accommodate more comprehensive building renewals in the subsequent two fiscal years.

The first category, Major Maintenance and Rehabilitation Projects, includes campus-wide maintenance and rehabilitation projects consisting of roof and envelope repairs, elevator retrofits, electrical infrastructure projects, fire and life safety system retrofits, minor interior refit projects (such as flooring replacements and washroom refurbishments), and utilities infrastructure improvements. Individual projects in this category will cost less than the \$5.0m Board approval threshold.

Example projects in this category for 2017/18 include:

- Biomedical Research Centre roof replacement \$1m
- NCE generator decoupling \$1.5m
- Music electrical distribution, panelboards and feeders - 800A 208V/120V renewal \$250k
- Asian Centre fire alarm renewal \$283k
- Food Nutrition and Health elevator renewal \$322k
- Pumphouse Emergency Generator replace diesel driven pumps \$355k

The second category focuses on the development of swing space at "Old SUB" to enable future, whole-building renewal projects that will address the full range of deferred maintenance items in targeted buildings. The first of these buildings, starting in 2017/18, will be the Hebb Building. The Hebb teaching spaces will need swing space to allow for the renewal of the building. The best-identified option for that swing space is the second floor of the Old SUB.

Renewal of the building systems in Old SUB to facilitate swing space use reduces the backlog of deferred maintenance. Addressing the significant deferred maintenance and seismic risk in the Hebb Building will improve the safety, extend the useful life, and improve the system reliability of this core academic building.



These whole building renewal projects are larger in scope and will fall above the \$5.0m threshold. The Hebb Tower project, for example, is estimated at approximately \$28m. Given the necessity to plan and execute these projects in very tight timelines, it is proposed that they be approved by the Board, as part of the annual University Budget approval process.

The following table provides a high-level breakdown of the 2017/18 AVED-supported Routine Capital programs for the UBC Vancouver and Okanagan campuses. AVED has allocated funding using a formula based on the amount of deferred maintenance at each campus.

2017/18 Routine Capital Projects (\$m)

AVED 75%	UBC 25%	TOTAL
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Vancouver Campus

Major Maintenance & Rehabilitation Projects	22.9	7.6	30.5
Old SUB Building Renewal to Develop Swing Space	11.3	3.8	15.0
Design for 2018/19 and 2019/10 Routine Capital Projects	1.5	0.5	2.0
Carbon Neutral Capital Program	1.7	0.6	2.2
Routine Capital Total	37.3	12.4	49.7
Additional Routine Capital Work not Eligible for AVED Funding	-	2.3	2.3
Total – Vancouver Campus	37.3	14.7	51.9

Okanagan Campus

Major Maintenance & Rehabilitation Projects	0.5	0.2	0.7
Additional Routine Capital Work	-	0.8	0.8
Total – Okanagan Campus	0.5	1.0	1.5

2016/17 Routine Capital Projects (\$m) - UBC Total

37.8	15.7	53.4
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The UBC matching funding is available from existing sources identified in the operating budget. UBC Vancouver matching funding of \$12.42m for 2017/18 consists of the following existing operating budget allocations: \$10.4m capital maintenance and \$2.62 seismic upgrades. The seismic upgrade work will be undertaken as part of the routine capital plan. The \$2.25m for additional work on the UBC Vancouver campus not eligible for AVED-funding will be internally financed and repaid from the operating budget. UBC Okanagan total capital funding will continue at \$1m as in previous years.

The above strategy has been reviewed and endorsed by the UBC Executive. Board approval is requested for the Routine Capital – Core Building Maintenance Plan as part of the 2017/18 University Budget approval.



Student Housing

Upgrade, Renovation and Asset Replacement Plan, 2012 - 2018 (\$m)

Capital Maintenance	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Cyclical Renovations	\$13.7	\$17.0	\$15.0	\$ 7.9	\$13.3	\$9.4
Building Refurbishments	-	-	3.7	11.4	9.7	5.2
Total	\$13.7	\$17.0	\$18.7	\$19.3	\$23.0	\$15.1

Student Housing & Hospitality Services (SHHS) continues to invest in the older existing housing stock to meet the needs of today's students and to prudently manage the assets. Normal cyclical renovations averaging \$12.7m annually can involve some combination of mechanical, electrical, plumbing, bathroom, building envelope, and life system or suite upgrades to modernize existing student housing facilities. Cyclical renovations with costs above \$1m include:

- 2011-12: Walter Gage Commons block renovation and East Tower electrical, plumbing, and elevators for \$6m.
- 2012-13: Totem Park phase 1 of house renovation for \$6m. Walter Gage studios and roof for \$3m.
- 2013-14: Totem Park phase 2 of house renovation for \$5m. Ritsumeikan-UBC house envelope, window and roof replacement for \$5m. University Apartments envelope and window replacement for \$3m.
- 2014-15: Totem Park 3rd and final phase of house renovation for \$6m.
- 2015-16: Acadia Park townhouse renovation phase 2 for \$3m.
- 2016-17: Thunderbird residence refurbishment of all blocks for \$4m. Acadia Park townhouse renovation phase 3 for \$3.5m.
- 2017-18: Thunderbird residence refurbishment completion for \$1.6m. Acadia Park townhouse renovation for \$2.2m.

To address the significant demand for on-campus housing at UBC Vancouver, SHHS initiated 5-year growth plans in 2010 and 2015. These combined growth plans span a 10-year period and will see the construction of over 4,000 new student bed spaces. As the housing inventory grows so will the requirement for increased annual capital investment in cyclical maintenance.

Information Technology

Major Systems Project

This line item represents UBC's capital investments in systems either to create new capabilities or upgrade existing systems to extend useful life. The major cost items over the period are:

a) **Student Academic System Initiative (SASI)**

Planned 17/18 Spend: \$23.4m

This is the program of activity to replace the Student Information System (SIS). After re-baselining to remove pre-SASI expenditures, the current envelope is in the \$76m range. This may change depending on the outcome of vendor negotiations. Final budget envelope will be presented at the December 2017 Board meeting. While changes in approach have occurred over the past year, the procurement activity for a new system/provider will be completed early into the new fiscal.

b) **Enterprise Data Integration (EDI)**

Planned 17/18 Spend: \$2m

A project to implement an integration service to deliver data between applications and create a more coherent data integration strategy. This will replace the hundreds -- if not thousands -- of individual integration points that exist today posing security risk and reducing analytic capability for the institution.



Currently, UBC is moving forward with several enterprise system refresh programs, specifically Student Academic Systems Initiative, Human Resource-Finance, Customer Relationship Management, Learning Technology Environment and many others. Inherent in all system implementations is the ability to trade business information between systems. These system refreshes will impact thousands of integration points within the UBC information system ecosystem and externally to hundreds of other communities of interest. To compound the issue, each system has a different business problem and data model – exacerbated by years of technical implementations and tools. In short, all of these integrations must be replaced and should be rationalized and updated into a common framework.

c) Customer Relationship Management (CRM) System *Planned 17/18 Spend: \$2m*

A project to replace the current undergraduate student recruitment system with a goal of creating highly effective, personalized interactions for prospective students and applicants. A vendor will be selected shortly and implementation is expected in 2017/18.

d) Privacy and Information Security Management (PRISM) *Planned 17/18 Spend: \$4.5m*

This is the program of activity focused on reducing the IT security risk to the institution with the provision of the required tools, technologies and support. The program has two components: technology and community. The overall budget envelope is \$8.4m in capital.

e) Learning Technology Ecosystem *Planned 17/18 Spend: \$3.4m*

The core of UBC’s ecosystem of tools and applications to support teaching and learning is the Blackboard Learn product, locally badged as Connect, which was procured and deployed in 2012/13. Since then there have been significant changes in the hardware and software landscape, including the arrival of cloud-based hosting, the growth of mobile as a channel and an increasing range of other applications and tools providing additional and alternative functionality through integration with the core Learning Management System (LMS). The LTE program has been undertaken to review options and, if appropriate, replace the existing Learning Management System, currently offered by BlackBoard Learn.

f) Learning Analytics *Planned 17/18 Spend: \$1.13m*

A project to create a system for the collection, use, analysis and presentation of data about learners, context and their interactions.

g) Research Data Centre *Planned 17/18 Spend: \$930k*

Part of the Advanced Research Computing project, this phase of the program is aimed at increasing capacity to accommodate the Digital Research Infrastructure needs of UBC. Phase 2 of the build-up will be completed in FY18.

h) HR Finance System Renewal Project *Estimated budget envelope: \$70-75m*

A project to replace the current 25-year-old HR and Finance system with a best-of-breed solution which provides one source of data and real-time information to enable faster, better decision-making. There is no firm estimate yet on year 1 (2017/18) spend, but we will be working during the year to establish a budget for the project.

Lifecycle

Lifecycle investments represent expenditures relating to cyclical refresh of main IT infrastructure, mainly including voice, network and storage. Included in this year’s budget is planned expenditure of \$9m for lifecycle investments, including \$2m to support the growth and refresh cycle of the virtual environment.



Research

Research projects contain a wide range of capital expenditure commitments, primarily related to major and minor equipment needs, and also IT equipment and software. Some major projects include building adaptations or renovations. Further explanation of Research is contained in the following section (Section 10).

Library

The Library collections are integral to the past and future success of UBC, and underpin the academic mission of world-leading learning, teaching and research. Because the majority of the University's collections are purchased in US currency, Canadian currency depreciation has placed pressure on the Library's ability to maintain its collection acquisition levels. Consequently, an additional \$2m has been allocated to maintain the current collection.



10. Research

The Sponsored Research Fund accounts for all research transactions, the majority of which are funded externally. The use of these funds is restricted by the sponsor, donor or granting agency and is intended to support each principal investigator's research activities in his/her area of expertise. The Sponsored Research Fund also includes some unrestricted activities funded from internal sources. These activities are typically for start-up purposes or represent residual balances from expired research projects, which are retained by the principal investigators.

We project a balanced budget in Research for 2017/18. This includes revenue of \$418m, expenses of \$403m, and capital investments of \$15m. There are over 10,000 active research projects as at February 2017 and which are substantially restricted in nature; the funds can only be used for the purposes noted by the granting agency. Restricted funds are only recognized as income when the funding received is spent in accordance with the restrictions imposed by the granting agency, so that revenue matches expenditures for these awards. Since it can often take two or more years to complete a research project, accounting revenue reflected in our financial statements will lag behind the actual award date.

Further, research funds received specifically for the purpose of capital expenditures, such as from the Canada Foundation for Innovation, will not be taken into research income since this revenue is deferred as capital contributions to be matched against the future depreciation of the related asset purchased or constructed.

For these reasons, the research revenue reported in our consolidated statements will vary considerably from the amounts awarded to UBC during any given year.

The Sponsored Research Fund also includes projects that are not restricted in nature, such as start-up funds provided by the faculty to support new faculty members. The related revenue and operating expenditures are recognized into income when incurred and therefore will have an immediate impact on the reported surplus each year. Changes in these activities may result in small variances in the reported surplus year over year.

For the purpose of our consolidated budget, we have estimated the future research surplus (deficit) based on prior year results.

(in \$millions)	Fiscal 15/16 Actuals	Fiscal 16/17 Forecast	Fiscal 17/18 Budget
Revenues			
Government grants and contracts	283	266	265
Non-government grants, contracts and donations	99	121	121
Sales and services	5	3	4
Transfers into research	28	22	25
	415	412	415
Expenses			
Salaries and benefits	234	228	238
Grants and reimbursements to other agencies	32	34	36
Operating costs	131	130	129
	397	392	403
Excess (deficiency) of revenues over expenses	18	20	12
Capital Investments	(9)	(15)	(12)
Net change in fund balances during the year	9	5	-



Awards

The research funding landscape is complex and fast evolving. In the past federal budget, \$76m additional funds are to flow this fiscal year to the Tri-Council agencies and an additional \$19m will be provided for the Research Support Fund. As a result, UBC has received more funding from these two programs. Investment in new programs such as the Canada First Research Excellence Fund (CFREF) and significant re-investment in the Canada Foundation for Innovation (CFI) is also expected to benefit UBC by more research dollars flowing to researchers.

Over the past few years, we have seen significant decreases in national funding success rates for the Tri-Council programs, in particular the Canadian Institutes of Health Research program (CIHR). The university is investing in capacity that helps the institution become more competitive, and early signs are very positive.

In the first three quarters of fiscal year 2016/17, Tri-Council funding increased in value by 12% compared to the same period in the previous fiscal year. Government and non-profit funding remain steady with only the projected decrease in major new CFI/BCKDF (BC Knowledge Development Fund) funding this year as large funding competition cycles are held every 2-3 years. During the first 9 months of 2016/17, government and not-for profit contracts were up significantly from the three-year average of \$55.7 million to \$81.8 million. Industry contracts are consistent with the three-year average of \$31.2 million at \$30.6 million. The total number of contracts for the first 9 months of 2016/17 was 1,734.

Below is a summary of research awards projected for fiscal year 2016/17.

Research Award 2016/17 by Faculty (In \$ Thousands)	Government (Tri-Council)	Government (Other agencies)	Non-Profit	Industry	Total
Applied Science	23,757	7,031	6,145	10,070	47,003
Arts	15,347	8,027	3,806	142	27,323
Dentistry	2,439	591	774	-	3,805
Education	3,541	875	1,791	50	6,257
Forestry	3,220	3,250	1,404	478	8,352
Land and Food Systems	2,371	1,990	1,239	1,624	7,223
Law	564	80	277	2	923
Medicine, Faculty of	90,588	87,144	106,181	32,384	316,297
Pharmaceutical Sciences	1,543	587	1,541	513	4,183
Sauder School of Business	2,242	347	518	93	3,200
Science	51,947	14,515	17,648	7,607	91,718
UBC Okanagan	5,850	2,928	2,881	882	12,542
Other Faculties	143	13,834	843	354	15,175
Total	203,550	141,200	145,050	54,200	544,000



11. Endowment

The University's Endowment Funds consist of endowed gifts, bequests, donations, and land lease proceeds. Approximately \$1.4 billion of the Endowment Funds, including Trek, are invested by UBC Investment Management Trust Inc. (IMANT). These Funds support the University's academic mission, student financial awards, academic and research initiatives, student housing, and capital projects. The endowments created from land lease proceeds include the Trek and Student Housing Financing (SHFE) endowment funds. Prior to 2012, land lease proceeds were directed to Trek. Trek funds are invested by IMANT and are used to support University priorities. Since 2012, land lease proceeds have been directed into SHFE to invest in new student residences. Other gifts, including the Peter Wall Endowment, are held separately from the IMANT invested funds.

(in \$millions)

	Total (Including SHFE)		IMANT Invested Funds (excluding TREK)		Land Lease Proceeds (TREK and SHFE)		Others	
	2016/17 Forecast	2017/18 Budget	2016/17 Forecast	2017/18 Budget	2016/17 Forecast	2017/18 Budget	2016/17 Forecast	2017/18 Budget
Endowment market value								
Endowment capital account	1,726	1,852	1,038	1,078	511	600	177	174
Stabilization account	205	216	158	168	39	40	8	8
Balance	1,931	2,068	1,196	1,246	550	640	185	182
Endowment spending								
Investment income	65	78	41	47	21	28	3	3
UBCPT rental distributions	6	6	0	0	6	6	0	0
Operating expenses	(60)	(76)	(37)	(46)	(20)	(27)	(3)	(3)
Surplus (deficit)	11	8	4	1	7	7	-	-

The endowment capital account balances represent external donor and internal University contributions plus inflation adjustments recorded to maintain the purchasing power of endowment capital over time.

The stabilization account balances reflect the value of endowments that have been generated through returns that are above target levels. It is a measure of how much additional cover is currently in the endowment, above the inflation-adjusted principal balances as a protection against future market downturns.

Investment income is recorded using the accrual basis of accounting. For unrestricted endowment funds, investment income includes only realized returns. For restricted endowment funds, investment income includes total returns to the extent of expenses incurred; the excess is deferred and recorded on the Statement of Financial Position until the period in which the related expenses are incurred.

Several years of strong fiscal management and healthy returns have allowed the university to increase the endowment spend rate from 3.5% (of the three-year average market value) to 4%. This adds about \$7m in funds available to unit resources.

Budgeted expenditures for Trek & SHFE are \$27m, which includes \$2m professional investment management fees and administrative cost recovery. For other details, please refer to Appendix II.

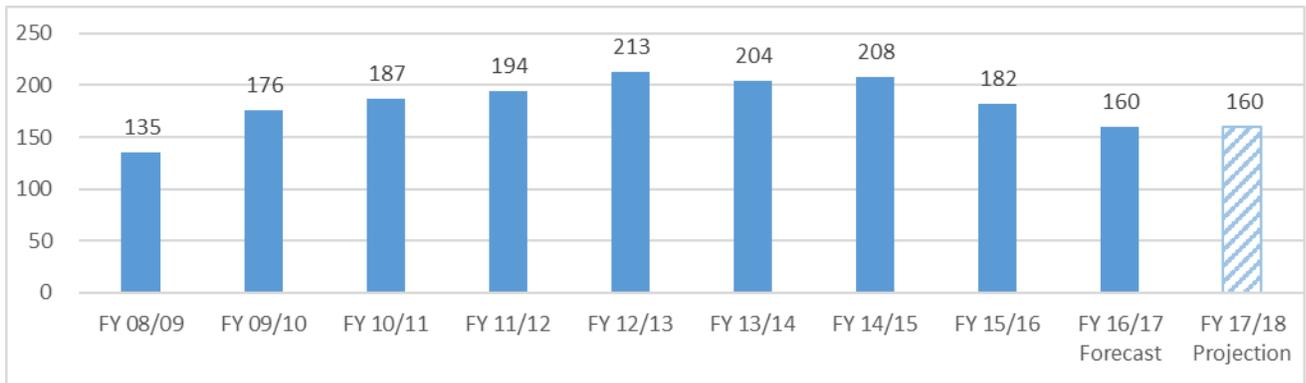


12. Philanthropy

Philanthropic contributions to UBC:

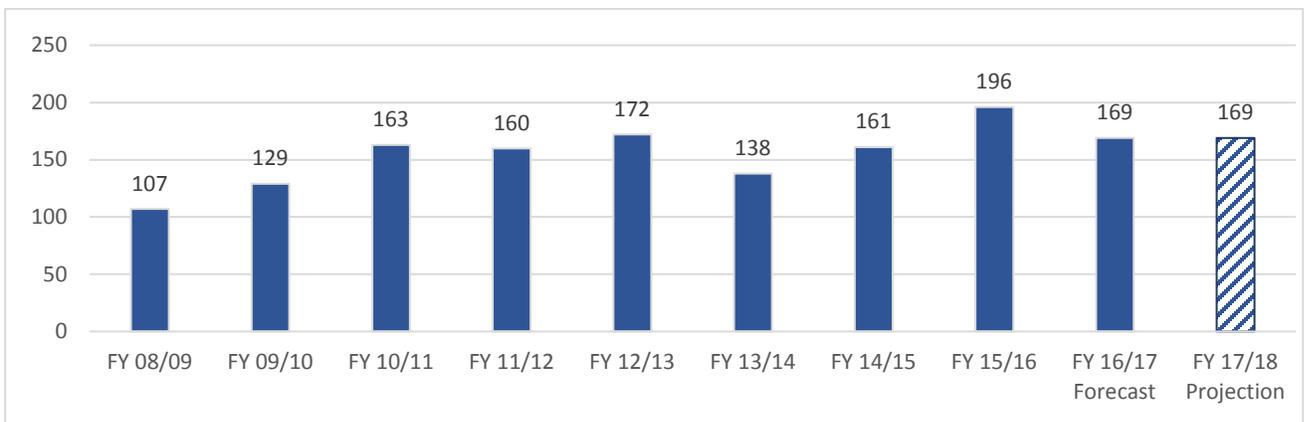
- Provide funding for university priorities that provide the margin of excellence in student learning, research and community engagement;
- Enhance UBC’s reputation and reach through high-quality engagement with alumni and donors; and
- Support a culture of productive, transparent and efficient use of resources.

Funds Raised (\$millions)



Funds raised include outright gifts and commitments made to UBC with payment schedules that may extend beyond the current fiscal year. Scheduled future payments total \$396 million.

Funds Received (\$millions)



Funds received include outright gifts and payments made on current and prior year commitments.

In addition to funds raised and funds received, more than \$400 million of future estate gifts have been identified.



Areas Supported by Philanthropy

Philanthropic contributions do not directly appear as a separate item in the financial statements. The majority of donations are restricted in nature, so are reported on the balance sheet as deferred revenue. They are taken into income when spent to match the reported expense. Capital contributions are moved from deferred revenue to deferred capital contributions on the balance sheet when spent. Endowment contributions are added to endowment principal.

Cash Receipts from Philanthropy

Fiscal 2017/18

(in \$ millions)

	Endowment	Non-Endowment	Total
Research	8	79	87
Capital	0	18	18
Student Awards	4	19	23
Academic Programs	3	16	19
Faculty Recruitment	5	1	6
Student Programs	0	7	7
Community Engagement	0	4	4
Total Projected Cash Receipts	20	144	164

Gifts-in-kind, which are not included on UBC's financial statements, are projected at \$5m totaling \$169m in projected funds received.



13. Related Entities

The consolidated financial statements reflect the assets, liabilities, revenue, and expenses of organizations that are controlled by UBC. Controlled organizations are consolidated except for government business enterprises, which are accounted for by the modified equity method. Inter-organizational transactions, balances, and activities have been eliminated on consolidation. All related organizations are consolidated, other than for UBC Properties Trust (UBCPT) and Great Northern Way Campus Trust, which are reported using the modified equity method.

The organizations that are fully consolidated into the financial statements of the University are:

- UBC Foundation - established to encourage philanthropic support for the University;
- American Foundation - established to encourage philanthropic support of the University;
- Hong Kong Foundation - established to encourage philanthropic support of the University;
- UK Foundation - established to encourage philanthropic support of the University;
- UBC Society for the Education of Young Children, a not-for-profit organization that maintains and operates an educational program for young children;
- UBC Asia Pacific Regional Office, a Hong-Kong based association formed to promote and advance the academic and research interests of the University and its partners in the Asia Pacific region;
- UBC Investment Management Trust, whose primary purpose is to manage the investment assets of the University's endowment fund and operating fund, and the staff pension plan; and
- UBC Research Enterprises Inc., which promotes the creation, testing, development, production and commercialization of intellectual property owned by the University.

UBCPT is the most significant subsidiary of the University. In addition to managing a portfolio of rental assets and providing project management services on capital projects, UBCPT was established to carry out real estate development activities for the benefit of the University. Through UBCPT, the University leases certain properties to third parties for a period of 99 years. The proceeds from land lease have historically been directed to an internal endowment fund (TREK) and used to support University priorities.



14. Financial Risks

Provincial Operating Grant

The Provincial Operating Grant has not yet been confirmed for 2017/18.

International Student Enrolment

We have been increasing the number of international undergraduate students over the past several years. We have also started to increase international tuition rates to better align with Canadian peers, resulting in a roughly 15% rate increase starting 2016/17. A significant component of our projected revenue increase is derived from the increases in international students. Should the enrolment targets not be met, we may see a shortfall in our revenue. That said, early indications are the reverse; applications submitted from international students, for our direct-entry programs, system-wide, are up 14% over 2016/17. We continue to invest to recruit a diverse student population, reducing reliance on one or two major course countries.

Faculty Collective Agreement

The current collective agreement with the Faculty Association expired June 30, 2016. We are negotiating a new agreement with the Faculty Association. The Provincial Government economic stability mandate applies.

Staff Pension Contributions

The Staff Pension Plan is currently healthy on a going concern basis but the latest estimate shows that the Plan has a modest shortfall on a solvency and a going concern plus basis. The next actuarial valuation occurred at December 31, 2016, and the report will be completed by September 2017. This valuation may have implications for the contribution and benefit levels for the Plan, in the future, which could have a minor impact on the University's operating budget.

Foreign Exchange Risk

The drop in the Canadian dollar in comparison to the US and other currencies puts financial stress in numerous areas. These include Library acquisitions, which are purchased primarily from the US, faculty recruitment, since we compete internationally for the best faculty, research equipment, construction costs, and IT systems development and maintenance costs.

At the same time, the lower Canadian dollar has made us more affordable to international students. While recent applications suggest that our tuition increases have not had a negative impact on applications, we need to track this carefully as the full impact of the approved increases are implemented, and we need to be prepared to manage potential future enrolment reductions that may occur should the Canadian dollar strengthen significantly.

15. Documents Requiring Board Approval

Under Public Sector Accounting Board guidelines, certain approved budget information is required for inclusion in the year-end financial statements. These two documents are the Consolidated Statement of Operations and Accumulated surplus and the Consolidated Statement of Changes in Net debt.

The Consolidated Statement of Operations and Accumulated surplus below reflects the same Consolidated income statement included in Section 7, although the expenses are reflected by function, rather than by object. This mirrors the way that the information is presented in the financial statements. To derive the information by function, the University makes various assumptions about which operating units should be reflected within each category, as we do not manage the data in this way in the financial system. The biggest drawback to point out is that the majority of faculty salaries are charged to the Operating fund, rather than the Research fund, regardless of whether faculty members are primarily conducting research or teaching. To that extent, it is likely that Research expense by function is understated and Learning is overstated.

CONSOLIDATED STATEMENT OF OPERATIONS (By Function)

(\$millions)

	Forecast 2016/17	Budget 2017/18	Variance
Revenues			
Government grants and contracts			
Government of Canada	\$ 282	283	1
Province of British Columbia	772	785	13
Other governments	16	16	-
Other contributions	179	176	(3)
Student fees	619	681	62
Investment income	68	82	14
Income from Gov't Business Enterprises	2	2	-
Sales and services	358	367	9
Amortization of deferred capital contributions	83	85	2
	\$ 2,379	2,477	98
Expenses			
Learning	1,062	1,134	72
Research	419	432	13
Facilities	324	341	17
Students	338	361	23
Community Engagement	54	57	3
Administration	112	119	7
	2,309	2,444	135
Annual surplus from operations	\$ 70	33	(37)
External endowment donations	20	30	10
Annual surplus	90	63	(27)
Accumulated Surplus, beginning of period	1,762	1,852	90
Accumulated Surplus, end of period	1,852	1,915	63



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31**

(in \$millions)

	Forecast 2016/17	Budget 2017/18
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 101	101
Accounts receivable	176	180
Inventories for resale	6	7
Investments	984	1,004
Investments in government business enterprises	17	17
Sinking fund investments	24	27
	1,308	1,336
LIABILITIES		
Accounts payable and accrued liabilities	\$ 285	291
Employee future benefits	12	12
Deferred contributions	889	927
Deferred capital contributions	1,470	1,515
Deferred land lease revenue	642	714
Long-term debt	383	382
	3,681	3,841
Net debt	(2,373)	(2,505)
NON-FINANCIAL ASSETS		
Tangible capital assets	3,309	3,483
Investments		
Endowment (original contribution)	906	926
Inventories held for use	2	2
Prepaid expenses	8	9
	4,225	4,420
Accumulated surplus	\$ 1,852	1,915



**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR END MARCH 31**

<i>(\$millions)</i>	Forecast 2016/17	Budget 2017/18	Change	
Annual surplus	\$ 90	\$ 54	\$ 36	
Exclude items not affecting net debt:				
Endowment donations and transfers	(20)	(20)	-	
	<u>70</u>	<u>34</u>	<u>36</u>	
Acquisition of tangible capital assets	(403)	(376)	(27)	
Amortization of tangible capital assets	194	202	(8)	
	<u>(209)</u>	<u>(174)</u>	<u>(35)</u>	
Acquisition of inventories held for use	-	-	-	1
Acquisition of prepaid expense	-	-	-	1
Consumption of inventories held for use	-	-	-	1
Use of prepaid expense	-	-	-	1
	<u>-</u>	<u>-</u>	<u>-</u>	
	(139)	(140)	1	
Net remeasurement gains	11	9	2	2
Self-supported subsidiary other comprehensive income	-	-	-	2
	<u>-</u>	<u>-</u>	<u>-</u>	
Increase in net debt	(128)	(131)	3	
Net debt, beginning of year	(2,246)	(2,374)	128	
Net debt, end of year	<u>\$ (2,374)</u>	<u>\$ (2,505)</u>	<u>\$ 131</u>	

Notes

1. UBC does not manage inventory and prepaids at a consolidated level or budget activity for these items.
2. The budget for investment income is prepared using high level assumptions around management of investment balances; this does not extend to detailed forecasts around individual investment holdings.



Killam Endowment Funds

In 1965, the University of British Columbia was fortunate in receiving various Killam Trusts, which were created pursuant to the last will and testament of the late Dorothy J. Killam. The trust funds were established at The Canada Council, Dalhousie College and University, The University of Alberta, The University of British Columbia (UBC), and The Montreal Neurological Institute. Subsequently, part of the fund bequeathed to The University of Alberta was transferred to The University of Calgary.

Annual budgets for the Killam Endowment Funds held at UBC require the approval of UBC’s Board of Governors. They are based on Killam spending guidelines and calculated using a spending allocation of 3.5% of the preceding three years average market value of the funds, as follows:

	Killam General	Killam Memorial Salary	Izaak Walton Killam Memorial for Advanced Studies	Total
<i>In \$thousands</i>				
Program spending				
Research and scholarly activities	556	-	-	556
Faculty research fellowship awards	180	-	-	180
Bridge funding for academic priorities	399	589	-	987
Post-doctoral awards	-	-	376	376
Pre-doctoral awards	-	-	376	376
Graduate Studies administration	-	-	70	70
	1,134	589	822	2,545
Killam Trust administrative costs	20	10	14	44
Total 2017/18 budgeted spending allocation	1,154	599	836	2,589



Appendix I – Key Budget Assumptions

1. Provincial funding is based on funding received in 2016/17 plus increases for general wage increase (GWI) in line with the Provincial mandate.
2. The collective agreement with the Faculty Association expired on June 30, 2016. The University is currently negotiating with the Faculty Association for a new agreement. We have assumed GWI salary increases in line with the Provincial government's economic stability mandate.
3. Undergraduate domestic and most graduate tuition rates are budgeted to increase by 2%. International undergraduate and some international professional tuition rates will increase by greater amounts in line with the Board mandate. Enrolment is projected as follows:
4. The budget for endowment returns reflects the target return of 6.15% of which 50% is projected to be realized, and 50% is projected to be unrealized. The target is based upon our spend rate of 4.0% (2016/17 3.5%), administrative fees to support operations of 0.65%, and an allowance for inflation of 2%. The inflation amount is added to the endowment principal each year to protect the purchasing power of the endowment. There is potential for significant volatility in the markets, and changes of fund manager by IMANT could trigger significant realized gains.
5. Land development proceeds to be added to SHFE are projected to total \$79m during the year. As well, the distribution of rental income from UBC Properties Trust is projected to be \$6m.
6. Capital asset additions are based on the construction completion schedule of Board-approved capital projects, as well as the planned capital priorities. General additions (computers and equipment) are as projected by units across both campuses.
7. The budget includes Routine Maintenance funding from the Provincial government of \$38m.



Appendix II – Investment Income on Land Development

The Endowment Lands were given to the University a century ago to fund a “margin of excellence” beyond what a publicly funded university could achieve. The University generated proceeds through developing land starting in the 1990’s. The capital was invested and the net income was available to support discretionary strategic priorities.

At the time, the Board had two objectives: first, to maintain the capital in perpetuity; second, to ensure the use of the income was not permanently restricted to specific purposes such that the annual cash flows could be used for whatever strategic purposes the President of the day determined. This lack of restriction is illustrated in the Terms of Reference dating back to 2002, which broadly states that “the income will be used to support the mission of the University.”

The net proceeds of long-term leases received prior to 2011 have been deposited in our endowments funds, which are managed by IMANT. More recently, they have been deposited to the Student Housing Financing Endowment (SHFE) and invested in Student Housing projects. In both cases, interest and other earnings have been used to support strategic initiatives, while preserving the principal value of the original contributions. The University also receives net proceeds from rental properties managed by UBC Properties Trust, which are combined with the income from these endowments for allocation.

These funds are not intended to be allocated permanently, but are allocated to initiatives with limited life spans to ensure that we maintain flexibility as to their use for future administrations. That said, a large portion has been allocated to support building projects which are University priorities but are not fully funded from other sources. Typically, funding is allocated to finance construction costs, which are amortised over periods up to 30 years.

More recently, as new funding is freed up, we able to allocate the proceeds to other types priorities, such as research matching funds and faculty support.

Land Development Endowment

(In \$millions)

	Forecast 2016/17	Budget 2017/18	Increase / (Decrease)
Trek Endowment	213	218	5
SHFE	337	422	85
Total Market Value	550	640	90



The funds available from investment income on land development and allocations are summarized as follows:

Investment Income on Land Development

(In \$millions)

	Forecast 2016/17	Budget 2017/18	Increase / (Decrease)
Funding sources , includes carry forward			
Balance carry forward	1.3	3.1	1.8
Trek spend allocation (3.5% for 16/17; 4% for 17/18)	6.9	8.2	1.3
SHFE 3.5% spend allocation	6.3	7.7	1.3
UBCPT rental distributions	6.2	6.2	-
Total funding	20.6	25.1	4.5
Funding Allocations			
On-going debt service	12.9	13.6	
<u>New on-going allocations</u>			
IT Capital	-	2.3	
Medicine - Investment in faculty renewal	-	3.0	
Internal loan - Fitness Facility Expansion in old SUB	-	0.2	
Internal loan - Stem Cell Lab Biomedical Research Centre	-	0.1	
	12.9	19.1	6.2
<u>Limited term allocations</u>			
Brain Canada applications	0.5	0.5	
VP Research - E@ubc	0.5	0.4	
Learning space upgrades	2.0	2.0	
Pharmaceutical Sciences Building - Debt relief	0.6	1.5	
CFREF Matching	-	1.7	
Other Research Matching	1.0	-	
	4.7	6.0	1.4
Total allocations	17.5	25.1	7.6
Funding available for further allocations	3.1	-	(3.1)

Continuing allocations represent debt service payments to support the construction of various University buildings, such as the Ike Barber Learning Commons, Allard Hall, Life Sciences Building, and the Student Nest Building. These are all committed for 30 years until the debt has been repaid, at which point the funding will become available for reallocation.



Appendix III - Medicine

UBC Faculty of Medicine Budget 2017/18

The Faculty of Medicine 2017/18 operating budget is nearly balanced with \$231.3m of expenditures against \$231.0m of funding (including interfunds). This significant financial improvement over 2016/17 represents concerted efforts by the Faculty in constraining costs as well as identifying and eliminating elements of budget conservatism inherent in previous years.

Faculty Revenue

The Faculty operating revenue is constrained by tuition rates that are considerably below comparator programs and caps on grant and tuition rate increases, as well as a limited ability to enrol international students. New program revenue presents opportunities for the Faculty and these are being pursued in earnest via the recently established Office of Education Innovation. The limited discretionary funding derived from new programs and the lead-time to realize revenue limits the role of program development within the budget strategy.

Faculty revenue, inclusive of interfunds, is up \$1m in 2017/18. The Faculty received approximately \$1.0m of one-time funding from the Provost's Office (related to funding of the Office of Education Innovation, unfunded general wage increases, and other unit level commitments) in 2016/17, and also received \$2m of retroactive Alternative Payment Plan (APP) funding from the Ministry of Health (which flowed to faculty salaries). Offsetting these changes, there was an interfund transfer to support research of \$2m in 2016/17 that is not budgeted in 2017/18. The remaining \$1m variance arises from changing arrangements with Health Authorities over bill-back arrangements, and changes in Fee for Service revenue.

Faculty Expenses

With limited revenue opportunities, particularly in the short term, the Faculty has concentrated its financial efforts on cost containment activities. This focus has resulted in total expenses of \$0.8m less than the projected 2016/17 results. Faculty salary costs are up compared with 2016/17, with the incremental \$2.0m cost of unfunded general wage increases offset by the one-time APP retroactive payments made in 2016/17. At the departmental level, this reflects the achievement of the majority of the Program Budgeting & Marginal Analysis (PBMA) initiatives that the Faculty accepted and began implementing in late 2015 and a general commitment to fiscal prudence.

The 2017/18 budget process has identified several areas that have historically resulted in budget conservatism. At the unit level, a somewhat conservative approach may not appear material, but with the size of the Faculty, consolidation of these units' budgets results in a material impact. For example, staff positions are budgeted to be 100% occupied throughout the year. However, there is usually a vacancy window resulting in savings that have now been accounted for in the budget. Another adjustment has been made with respect to expected donations. Although individual donations are unpredictable, the Faculty has had a consistent level of donations that results in annual unrestricted revenue that is now accounted for. Additionally, there are Faculty-level assumptions that have been modified following detailed analyses. Projected benefits and faculty salary increases have been modified based on an analysis of the Faculty's HR data.

Challenges

The Faculty is proud of the improvements being realized through concerted cross-Faculty efforts; nonetheless, the financial turnaround is not without consequences. Largely, these results have come at the expense of faculty renewal. Overall, there has been a net loss of 52 faculty members compared to five years ago. More dramatically, junior faculty ranks have been depleted as demonstrated by the 57% decrease at the rank of Assistant Professor. New investments in faculty renewal will be built into the budget to ensure that strategic priorities can be advanced, to maintain teaching capacity in critical areas, and to develop the next generation of leadership within the Faculty.



Appendix IV – IT Operations Additional Funding Requests

Technology is increasingly a fundamental component of enabling UBC's core capabilities and strategic differentiation. Over the past 6 years there has been a deliberate emphasis on creating a more effective and unified IT ecosystem. Renovating and updating the base IT platforms - ensuring that enterprise systems are stable, and that local systems in the Faculties that chose to transition their services to the central unit, UBC Information Technology (UBC IT) were modernized and moved from older, insecure, and unstable infrastructure.

Investments have been made to enhance the support for teaching and learning -- building stronger, more collaborative relationships within the community and increasing our focus on support for classroom technologies and digital media capabilities. In the research arena, recognizing the growing demands for digital research infrastructure, domain expert knowledge, and technical support, IT services worked with the VP Research office to establish a new initiative, Advanced Research Computing (ARC).

The investment in shared services have been successful and we have seen significant growth in network and virtual server services. This has created more financial and administrative efficiencies, and improved security. With a solid foundation of shared services, we are now focusing on IT-related activities that will support strategic initiatives or reduce risk, such as the replacement of enterprise systems, data governance, privacy and information security, investment planning, and adaptation to new delivery models such as cloud computing.

With the transition of enterprise projects into operational sustainment, the consolidation of infrastructure, and the need to invest in new areas such as data governance and information security, additional investments in day-to-day operations is required to maintain or enhance systems and services.

The requests for 2017/18 fall into the following categories, with the largest spend in the Hardware and Licensing categories:

1. **Hardware and Licensing** - the majority of this request is to fund the refresh of our virtual server hardware as well as manage the increase in demand for virtual servers, at \$2 million a year. The virtual server hardware supports more than 5000 virtual servers within the UBC community. The infrastructure was first acquired beginning in 2010 and has now reached the refresh point, where year over year we need to replace aging components. A number of options were considered including cloud computing and recovering refresh cost from faculties, however it was determined the optimal approach from a financial perspective continues to be a private cloud with refresh costs funded centrally to ensure that the right economies of scale and efficiencies continue to be experienced. The proposed software licensing costs reflects the need to ensure we have sufficient licence coverage for commonly used platforms. Funding the software licences will ensure a greater use and thus better result from UBC's existing licences, as well as reduced costs for the UBC community and a benefit for both researchers and students.
2. **Service enhancements** - this area reflects the needs expressed by the community for improvements or enhancements to existing services. Items in this area include base funding for Web Services, improvements to the existing Student System to facilitate Faculty needs, and the introduction of new services in the media space. Not funding these service enhancements will result in increased frustration and costs for Faculties and administrative units.
3. **New functional requirements** - In order to support the necessary programs underway, new investment needs to be made in Data Governance and Information Security leadership. As well, the implementation of new projects has introduced new support requirements for operational sustainment.



Funding these items will not only reduce operational risk and increase efficiency; a number of faculties and units will also experience a direct reduction in cost for a number of software licences and improvements to operational support.

Type	Item	Description	2017/18 One Time	2017/18 Recurring	2017/18 Fiscal
Hardware/Licensing	Hardware and Licensing costs	Virtual environment/Adobe/Scientia/statistical applications		2,905	2,905
New functional requirements	Data Governance	3 FTEs to support Data Governance Initiative		520	520
New functional requirements	Chief Information Security Officer	Leadership role for ensuring UBC's data and overall environment is secured		240	240
Service enhancements	Web Development team	Web Development team		350	350
Service enhancements	SIS Sustainment Roadmap	To support critical functional improvements to current SIS	283	367	650
Service enhancements	Media technology communications support	Emerging Media Lab/Skype		300	300
New functional requirements	IT Operations support	Add required capacity to HR, Finance		130	130
New functional requirements	IT Sustainment	For newly implemented capital projects		100	100
New functional requirements	Workforce analysis/sourcing strategy	The number of proposed enterprise system projects will require additional staffing to support the necessary level of engagement. A workforce analysis is required to determine where additional resources will be required.	500		
		Total Budget Request (\$000):	783	4,912	5,695

