



Royal Roads  
UNIVERSITY

# Operating & Capital Budget Plan

2023 • 2024



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# Letter From the President



## Dear Colleagues,

As we move into the the next fiscal year, I want to take this opportunity to recognize your ongoing commitment and collaborative efforts. Your dedication and hard work have allowed us to navigate the COVID-19 pandemic and will continue to lead us through the ongoing global challenges currently impacting the post-secondary sector.

In 2021, RRU crafted Learning for Life: 2045 and beyond to chart our vision and values for the next 25 years. The budget for 2023/24 was developed with our foundational purpose in mind – acknowledging that we must balance financial pressures stemming from decreased enrolment and rising costs while continuing to invest in key strategic initiatives that support our ability to deliver a transformational learning experience for our students

## Key highlights of this year's budget include:

- \$44.3M to continue construction of the West Shore Initiative, a visionary collaboration between three postsecondary institutions—Camosun College, Royal Roads University and the University of Victoria.

The new campus will accommodate 1,300 full-time students at full capacity and greatly increase access to post-secondary education in the West Shore and other communities on southern Vancouver Island.

- \$6.0M for capital technology initiatives to support our students and colleagues, including the development of a new Student Information System (SIS) that will improve the registration experience for our students and streamline processes for our colleagues.
- \$1.0M for a multi-year project to install energy meters in campus buildings, including a direct digital control system, in alignment with management's commitment to prioritize initiatives to meet climate action goals.
- \$2.9M allocated to fund increases for bargaining and excluded members in line with government's 2022 Shared Recovery Mandate.
- More than \$3.6M in research revenue—a 55 per cent increase since 2018/19—that showcases the growth of our dynamic research culture.
- Launch of the Emerging Indigenous Scholars Circle, creating opportunities to support Indigenous doctoral graduates in the early stages of their academic careers.
- \$0.1M in funding for innovative projects and forward thinking initiatives.

I wish to thank our faculty and staff who have contributed to the development of the operational and capital plan and to all my colleagues for continuing to come together and support each other in times of change. Your innovation, expertise and commitment to our vision and values is our greatest strength.

Sincerely,

Philip Steenkamp, PhD  
President and Vice-Chancellor



# Executive Summary

Royal Roads University's (the University) approach to operating and capital planning is designed to align financial operating and capital resources with RRU's vision and values. In doing so, the planning process is able to meet changing institutional needs and remain responsive to new opportunities and challenges. In keeping with its commitment to financial stability and sustainability, the 2023/24 operating and capital budget is taking a risk-based financial management approach including consideration of key economic environmental factors.

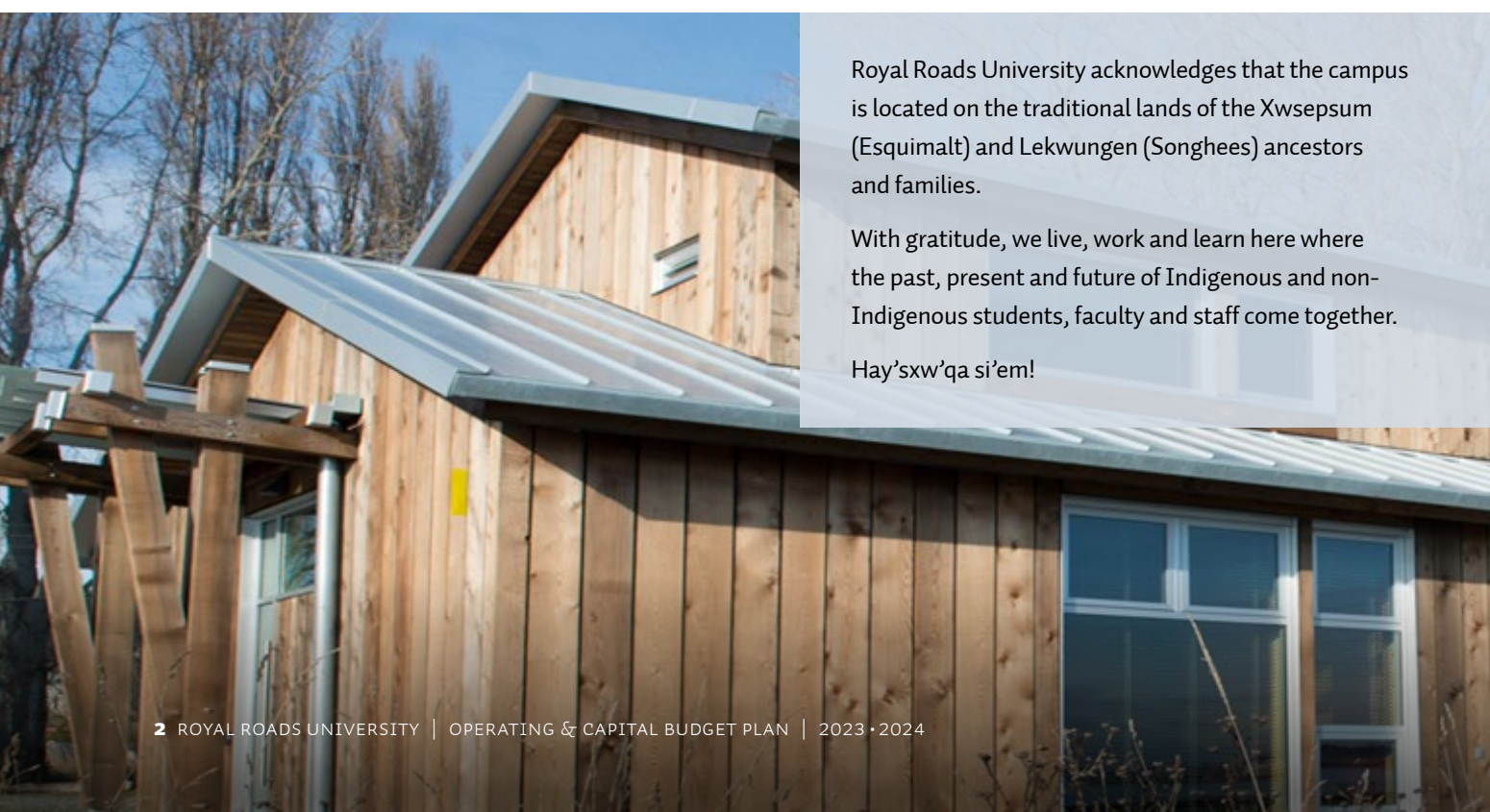
Over the past decade, post-secondary institutions (PSIs) have navigated an era of unprecedented change. From a financial lens, there has been a substantial shift in the makeup of general operating revenues with core government grants contributing a smaller proportion of total university funds. Consequently, PSIs are becoming increasingly more reliant on tuition, fees and ancillary revenues to fill funding gaps.

Considering the relative importance that tuition and other fees have contributed to university revenues in recent years, managing and planning for the impacts of the pandemic has been an ongoing challenge. From an international

perspective, while concerns over disruptions in travel and entry restrictions in Canada did not materialize in lower enrolments at the start of the pandemic, many Canadian institutions started observing declines in 2022, the full impact of which will be seen over the coming years.

In response to the pandemic and enrolment challenges, the University has exercised caution over discretionary spending with the goal of achieving a balanced budget. With academic and operational activities normalizing, the general expenditure decline observed in 2020/21 and 2021/22 is now reversing. Against a backdrop of high inflation, exceptionally tight labour markets and global supply shocks, it is anticipated that the University will continue to face a year of slow economic growth.

Within this context, the 2023/24 budget for the University is presented in this operating and capital plan. The purpose of this plan is to support the vision and values laid out in [Learning for Life: 2045 and beyond](#), balancing long-term financial sustainability and responsible resource allocation to meet the University's strategic mission.



Royal Roads University acknowledges that the campus is located on the traditional lands of the Xwsepsum (Esquimalt) and Lekwungen (Songhees) ancestors and families.

With gratitude, we live, work and learn here where the past, present and future of Indigenous and non-Indigenous students, faculty and staff come together.

Hay'sxw'qa si'em!

# 2022/23 Forecast

As the University enthusiastically welcomed its students back to campus over the past year, the pandemic continued to influence the global economy and impact the University's activities in new and uncertain ways. Throughout 2022 a decade of ultra-low interest rates ended, labour shortages emerged, and limited global supplies prevailed. These factors will likely continue to influence university revenue and expenditure trends over the coming years. At the beginning of 2022/23, the University was forecasting a deficit of \$5.3M.

## Enrolment

In 2022, the University experienced a decline in enrolment of 229 new and continuing full-time equivalent (FTE) students as compared to the prior year, including 209 fewer domestic enrolments. The overall impact for 2022/23 is forecast to be a \$3.0M (6%) decline in tuition and other academic fees. Considering the increasingly important contribution of tuition and fees to revenues, the University is focusing on enrolment activities through the Strategic Enrolment Management Steering Group.

the price of goods and services influenced every aspect of the University's academic and operational activities. The University had to react quickly to the compounding impacts of enrolment declines and rising costs to check expenditures and ensure a balanced budget. Coupled with the efforts and adaptability of faculty and staff, the University was able to continue to meet student experience and program delivery expectations while core operations maintained a vibrant campus.

## Cost Management

The total Consumer Price Index (CPI) rose sharply through 2022, peaking at 8.1% in June, and the effect of inflation on

The overall impact of these efforts is a balanced budget forecast at year end, a significant change from the \$5.3M net deficit that was being forecast at the end of the first quarter (Figures 1 to 1.2).

FIGURE 1. NET OPERATING INCOME (\$MILLIONS)

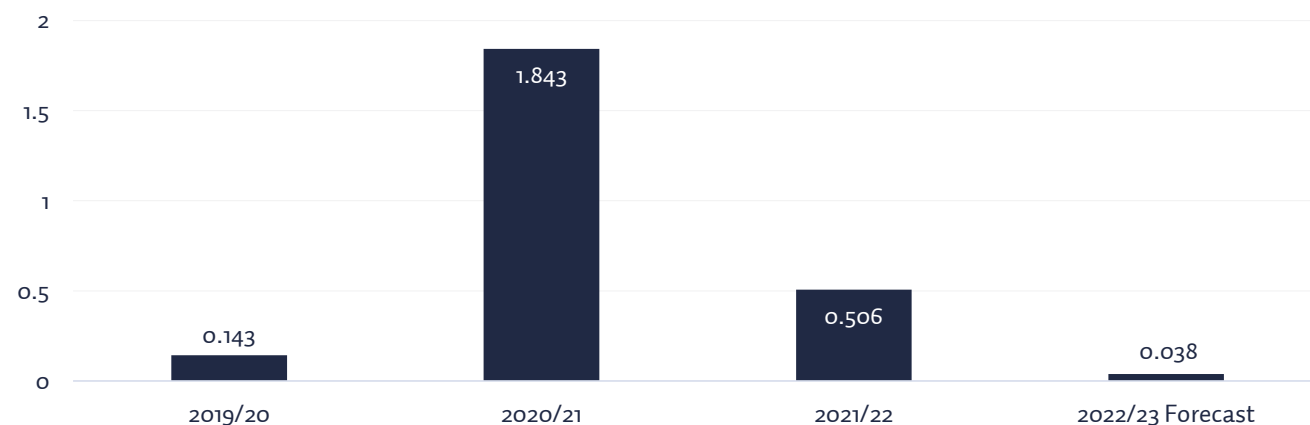


FIGURE 1.1 OPERATING REVENUE (\$MILLIONS)

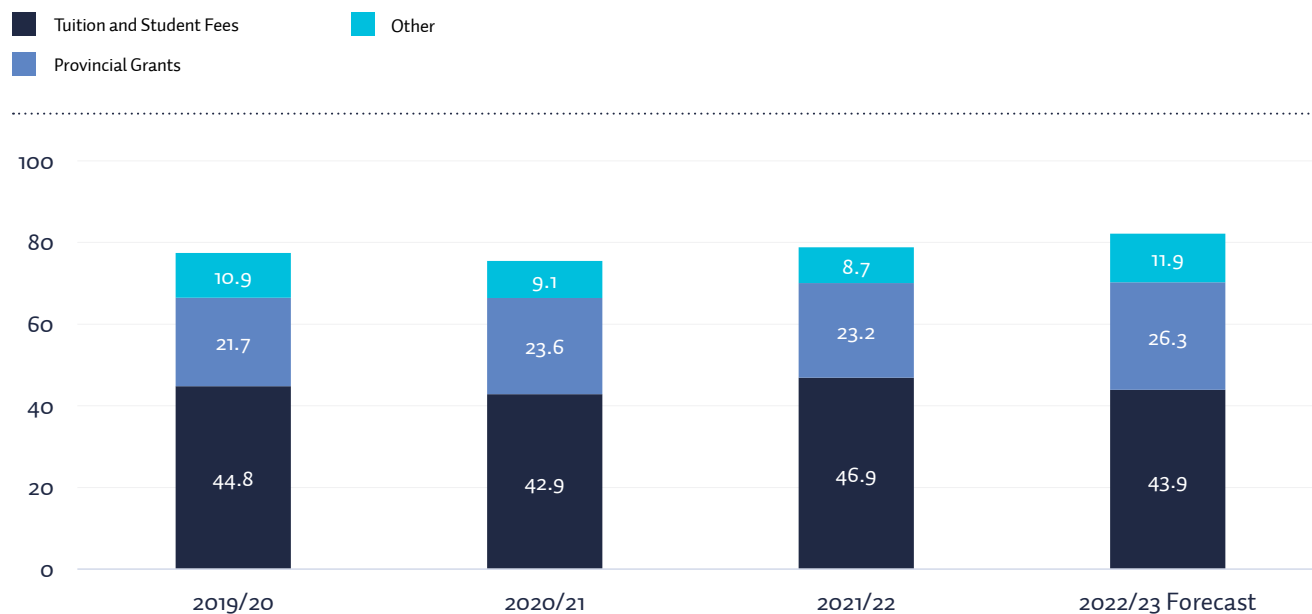
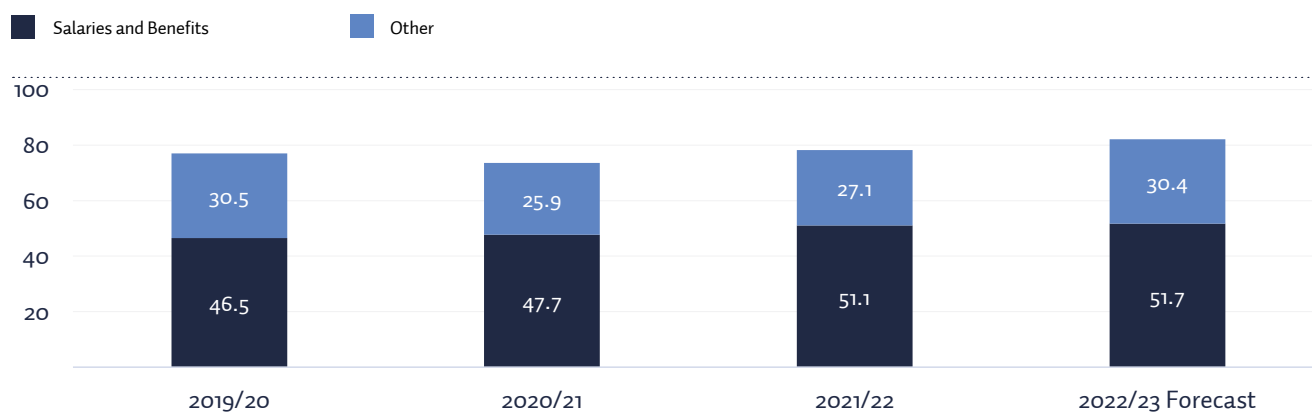


FIGURE 1.2 OPERATING EXPENDITURES (\$MILLIONS)



# Budget 2023/24

## 3.1 Balanced Budget



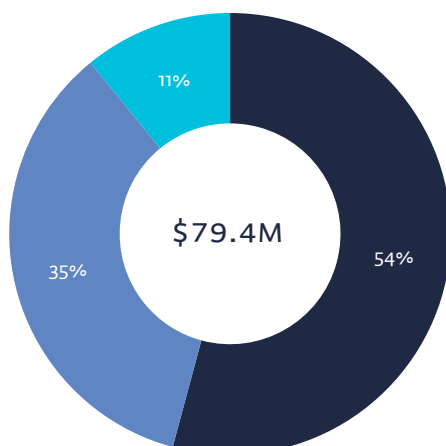
### Risk-Based Financial Management Approach

Over the last two years, the University has adjusted its budget approach to address the ongoing economic challenges and uncertainty as the long-term impacts of the COVID-19 pandemic continue to unfold. The budget 2023/24 plan (Plan) focuses on key strategic investments while balancing long-term financial sustainability and responsible resource allocation to meet the University's strategic vision. In that respect, this Plan includes moderate assumptions for revenue growth and a continuation of cost management measures through the next three-year rolling fiscal cycle.

FIGURE 2. 2023/24 OPERATING BUDGET (\$MILLIONS)

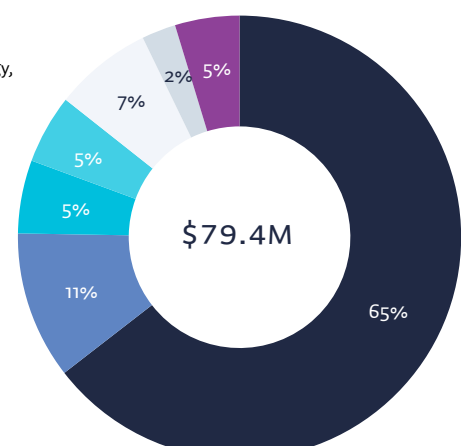
#### REVENUES

- Tuition and Other Academic Fees
- Provincial Grants
- Other



#### EXPENSES

- Salaries and Benefits
- Academic Contracts and Instructional Program Delivery
- Amortization
- Supplies and Services
- Information Technology, Grounds and Facilities
- Marketing and Student Recruitment
- Non-Academic Contracts





## 3.2 2023/24 RRU Operating Plan



The operating budget has been developed on a risk-adjusted basis. Consideration has been given to the impact of revenue assumptions and cost management measures to ensure a balanced budget. Detailed information is provided in Appendix 3 of this Plan.

The operating budget covers the operations of the University and includes provincial funding as well as tuition and fees, ancillary services, and investment revenue (Table 1). The target for the operating budget is not only to balance per the requirements of the *University Act*, but also to ensure that adequate revenues are generated to fund critical capital requirements, including investments in technology, in current and future years.

TABLE 1. OPERATING AND RESTRICTED PLAN 2023/24 (\$THOUSANDS)

	2021/22 ACTUALS	2022/23 FORECAST	2023/24 PLAN	2023/24 OPERATIONAL	2023/24 RESTRICTED	2024/25 PLAN	2025/26 PLAN	2023/24 PLAN V. 2022/23 FORECAST	
REVENUES									
Tuition Fees and Other Academic Fees	46,891	43,901	45,158	44,293	865	46,564	48,260	1,256	3%
Provincial Grants	23,191	26,326	29,006	28,263	743	31,246	32,872	2,680	10%
Other Revenues	8,654	11,920	12,229	6,887	5,341	12,554	12,889	309	3%
Total Revenues	78,736	82,147	86,392	79,443	6,949	90,365	94,020	4,245	5%
EXPENSES									
Labour	60,799	61,541	63,323	59,825	3,499	65,492	67,281	(1,781)	(3%)
Non-Labour	17,431	20,568	23,005	19,555	3,450	24,223	25,727	(2,437)	(12%)
Total Expenses	78,230	82,110	86,328	79,380	6,949	89,715	93,008	(4,218)	(5%)
Excess (deficiency) of revenues over expenses	506	38	64	64		650	1,012	27	72%



## Highlights

### REVENUES

Operating revenues are budgeted at \$86.4M, including \$6.9M in restricted revenues, an increase of \$4.2M (5%) over the 2022/23 forecast. Key operating revenue assumptions include:

- Enrolment projection of 2,619 student FTEs;
- Tuition increases of 2% and 4% for new domestic and international students, respectively;
- Increase in funding related to the provincial [2022 Shared Recovery Mandate](#);
- Increase in ancillary revenue from fee increases (i.e., accommodation and parking fees); and
- Increase in other revenue generating activities (i.e., space rental).

### EXPENDITURES

Operating expenditures are budgeted at \$86.3M, including \$6.9M in restricted expenses, an increase of \$4.2M (5%) over the 2022/23 forecast.

Key operating expenditure assumptions include:

- Consideration of inflationary pressures;
- Targeted cost management strategies for non-essential activities;
- Reallocation of budget to ensure university core functions remain supported;
- 5.5% base salary increase for bargaining members;
- Continuation of merit pay;
- 4% average contracted faculty rate increase; and
- \$0.5M in additional funding to support technological and communication upgrades and to strengthen cybersecurity.

2023/24 net operating income is projected at \$0.1M, comparable to the 2022/23 forecast and in line with moderate student FTE growth projections and a continued focus on cost management. The impacts of the current forecast and next year's budget on the University's financial sustainability are presented in Appendix 2.

## 2022 Shared Recovery Mandate\*

### Key Priorities:

- Protecting the services that people in British Columbia depend on
- Improving health care and preparing for future needs and challenges
- Supporting a strong economic recovery that includes everyone in B.C.

### Elements of the 2022 mandate include:

- Three-year term
- General wage increases

- ▶ **YEAR 1** – a flat increase of \$0.25/hour which provides a greater percentage increase for lower paid employees, plus 3.24%
- ▶ **YEAR 2** – 5.5% plus a potential Cost of Living Adjustment to a maximum of 6.75%
- ▶ **YEAR 3** – 2% plus a potential Cost of Living Adjustment to a maximum of 3%
- A negotiable Flexibility Allocation of up to 0.25% in years 1 and 2 to support mutually beneficial outcomes for both parties

For reference [Public Sector Bargaining Mandates & Agreements – Province of British Columbia \(gov.bc.ca\)](#)

\*2023/24 compensation rate increases for excluded staff are subject to government directive with anticipated announcement in early fiscal 2023

## 3.3 Operating Plan Assumptions

### Revenue

#### ENROLMENT

##### KEY PERFORMANCE INDICATORS

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 FORECAST	2023/24 PLAN
Student FTEs – Credit Programs	3035	2832	2932	2613	2619
Program/Student Mix for Graduate/Undergraduate	71/29	72/28	75/25	81/19	92/8
Program/Student Mix for Domestic/International	67/33	72/28	74/26	75/25	75/25
Credit Programs – Revenue from Domestic Students (\$millions)	\$26.3	\$27.2	\$29.3	\$26.1	\$27.2
Credit Programs – Revenue from International Students (\$millions)	\$13.2	\$11.9	\$12.3	\$11.8	\$12.4
Non-Credit Programs – Tuition Revenues (\$millions)	\$3.4	\$2.3	\$3.4	\$3.7	\$3.5

#### CREDIT PROGRAMS

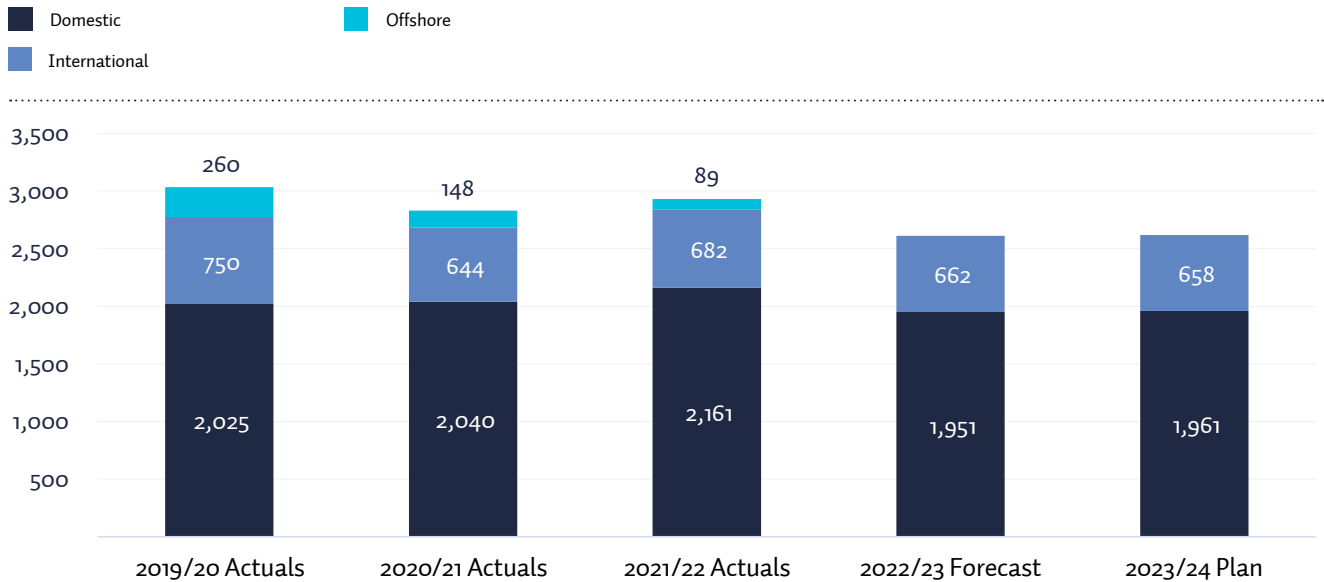
2023/24 tuition revenue from credit programs at \$39.6M is 4% higher than the 2022/23 forecast. Lower student FTEs in 2022/23 will have ongoing impacts on future years as the number of students continuing their programs in subsequent years drop relative to prior years. A target of 2,619 FTEs assumes higher growth in new student enrolments compared to the current year. Revenues are also subject to proposed 2% domestic and 4% international tuition rate increases.

The projected increase in new student enrolments will materialize through higher, focused growth in the Master of Global Management and other programs (Figures 3.1 to 3.4).

With the decrease in domestic enrolments in 2022/23, there is a potential risk that increased international enrolments in future years could cause the University to exceed the 70/30 domestic to international enrolment ratio set by the Board.



FIGURE 3.1 STUDENT FTE TREND DOMESTIC/INTERNATIONAL



FIGURES 3.2 STUDENT FTE TREND UNDERGRADUATE/GRADUATE

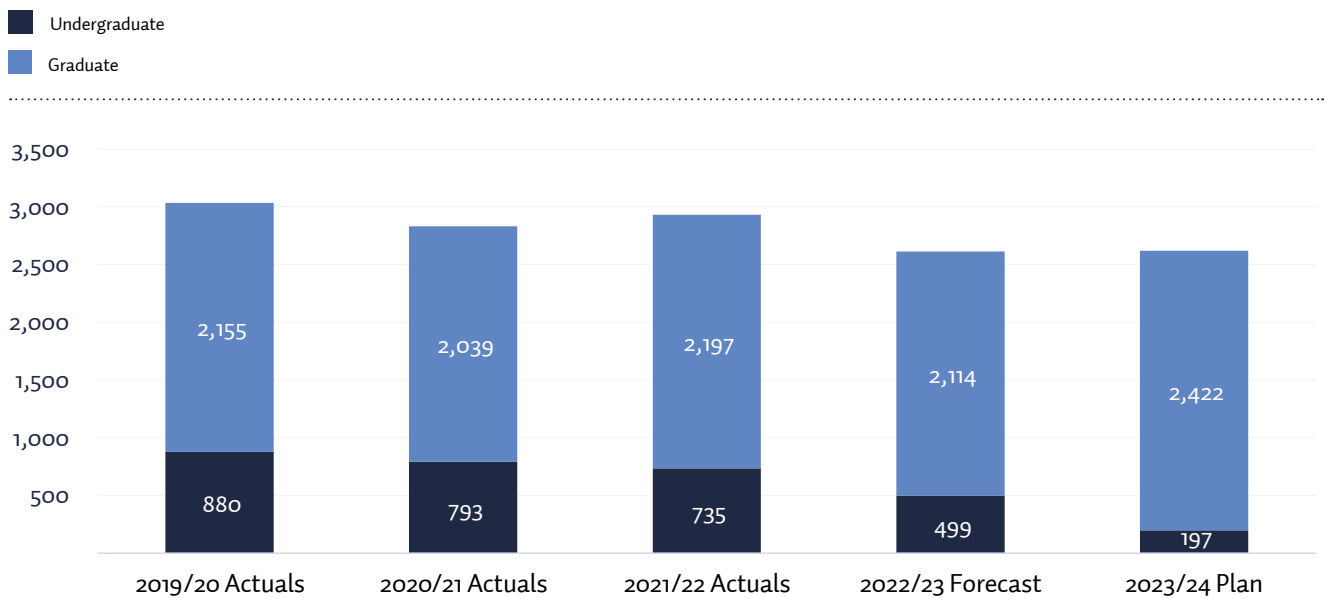


FIGURE 3.3 TUITION REVENUE DOMESTIC/INTERNATIONAL (\$MILLIONS)

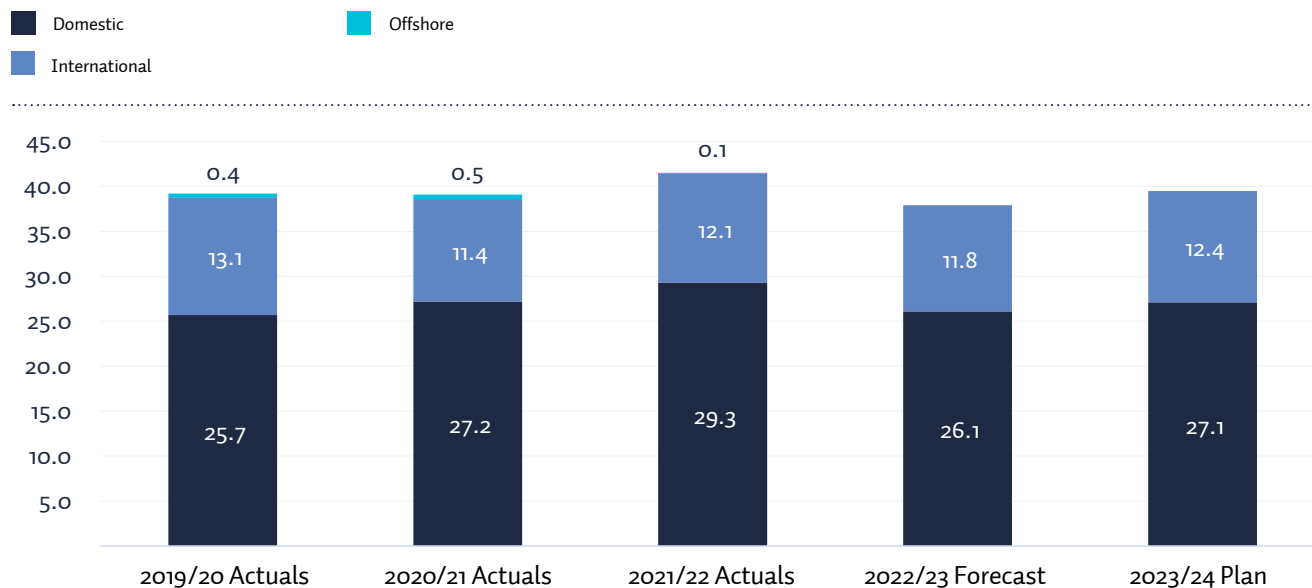
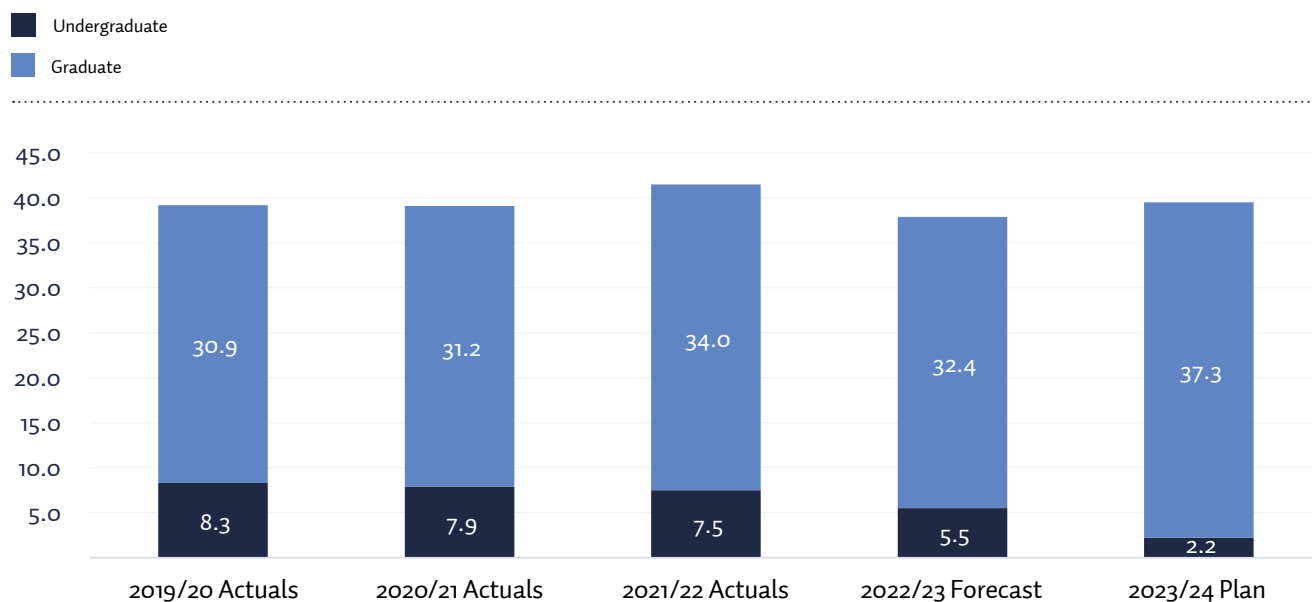


FIGURE 3.4 TUITION REVENUE UNDERGRADUATE/GRADUATE (\$MILLIONS)



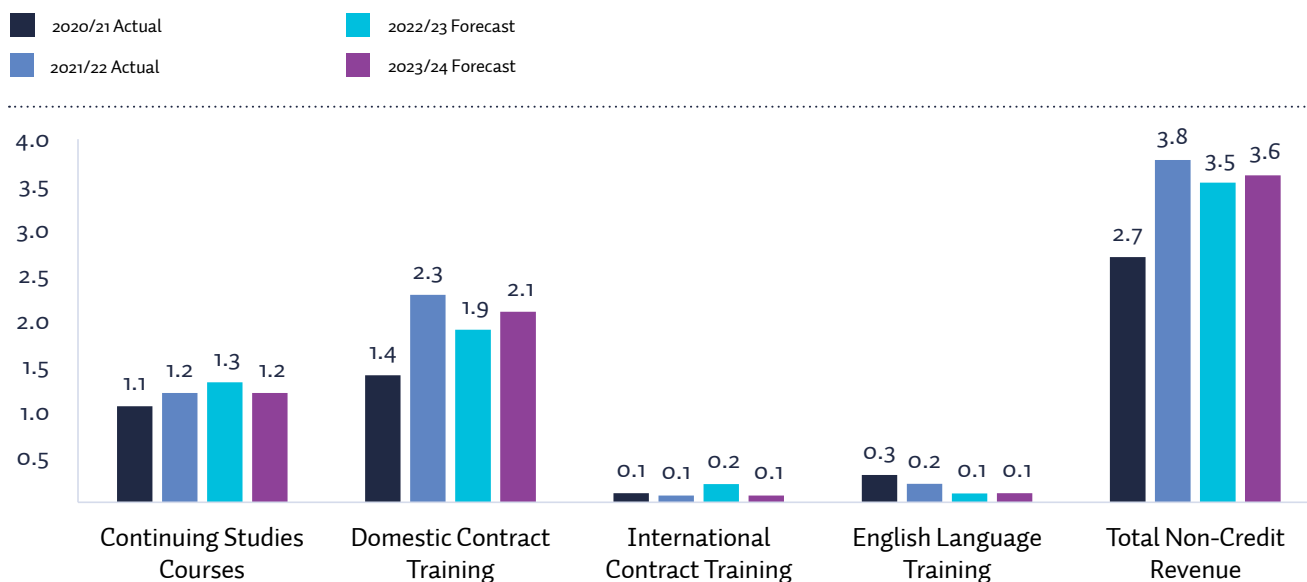


### NON-CREDIT PROGRAMS

Revenue from non-credit programs offered through Professional and Continuing Studies (PCS) at \$3.5M is comparable to the 2022/23 forecast and assumes enrolment will remain relatively flat, in line with assumptions and trends observed in the University's credit programs (Figure 4).

An adjustment has also been made to reflect the conclusion of the University's 4-year contract with the Toronto Metropolitan University (formerly Ryerson University) in September 2023.

FIGURE 4. PCS NON-CREDIT REVENUE (\$MILLIONS)



### OTHER REVENUE

Other revenue budgeted at \$12.2M is a marginal increase of \$0.3M over the current year forecast and includes an increase in research revenues, deferred amortization revenue increases related to provincially funded completed capital projects, and additional revenue from rental contracts.

The increase in other revenue for 2023/24 is offset by a decrease in investment revenues due to lower investment balances and an expected decrease in other restricted donations.

## Expenditures

### WORKFORCE AND COMPENSATION

An increase of \$1.9M (4%) in salaries and benefits in the 2023/24 budget plan is driven primarily by government's Shared Recovery Mandate. As the University continues to observe higher employee to student FTE ratios due to lower enrolments, a continued focus on position management will reflect a workforce that is better positioned to adapt to future enrolment trends.

Contracted services are set to remain relatively constant as the University continues with cost management measures to offset significantly higher contracted rates, driven by inflation, observed across most providers including consulting, legal and financial services (Table 2).

TABLE 2. WORKFORCE ANALYSIS (\$THOUSANDS)

\$ IN THOUSANDS	2021/22 ACTUALS	2022/23 FORECAST	2023/24 PLAN	VARIANCE TO	
				2022/23 FORECAST	%
Salaries	41,258	40,983	41,852	(869)	(2%)
Benefits	8,538	9,142	9,357	(215)	(2%)
	49,796	50,125	51,209	(1,084)	(2%)
<b>CONTRACTED SERVICES</b>					
Academic	7,224	7,022	6,944	78.3	1%
Non-Academic	2,487	2,776	2,784	(9)	(0%)
	9,711	9,798	9,728	69.8	1%
Total Labour	59,507	59,922	60,937	(1,015)	(2%)

### WORKFORCE POSITIONS

For 2023/24, the University is seeking approval to fill one new permanent position, a new energy manager funded

through a partnership with B.C. Hydro's Energy Manager Program and existing capital project funds (Table 3).

TABLE 3. WORKFORCE ANALYSIS

	2022/23 POSITIONS	2023/24 PLAN POSITIONS	VARIANCE POSITIONS
<b>WORKFORCE</b>			
Full-Time	483	484	0
Part-Time	21	21	-
Total Workforce	504	505	0

### NON-LABOUR EXPENSES

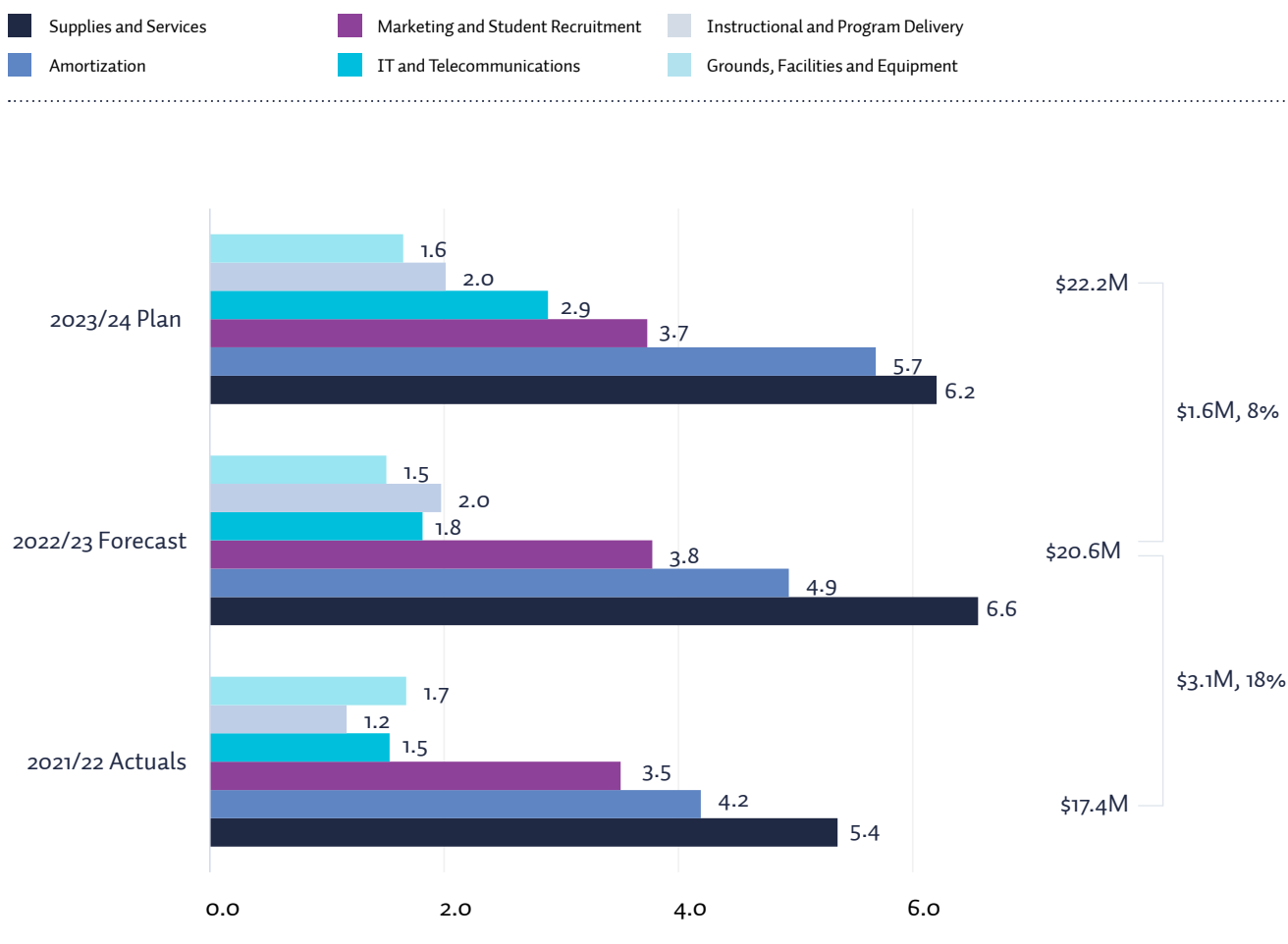
All other expenses will rise to \$23.0M in the 2023/24 budget plan, an increase of \$2.4M over the current year forecast. This includes \$22.2M in regular operating expenses and \$0.1M for innovation projects (Figure 5).

Costs driven by student FTEs (e.g., instructional and program delivery) are forecast to remain fairly constant. Technology and amortization costs are expected to rise, driven by higher software licensing fees, an increasing number of licenses required for cloud-based software,

and amortization of technology-related capital assets.

Starting in 2023/24, investment revenue will be internally restricted for the purpose of funding future capital projects and reinvested to generate additional investment revenue until needed. This will ensure that the University has the means to invest in future self-funded projects without drawing down significantly on investment capital.

FIGURE 5. OTHER EXPENSES (\$MILLIONS)

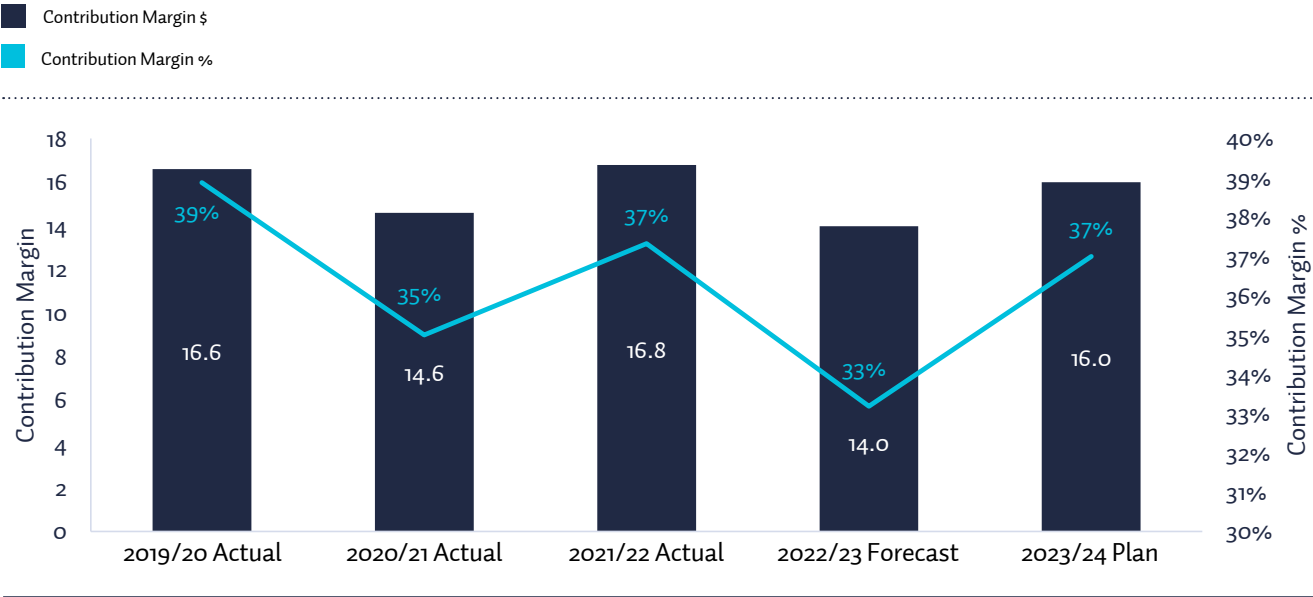


### Contribution Margin

The contribution margin<sup>1</sup> for 2022/23 is forecast to be 33%, down 4% from 2021/22 (Figure 6). This decrease results primarily from reduced revenues in credit programs (Figure 6.1) and relatively higher academic costs per student FTE. Higher associate faculty costs are impacted by a lower teaching ratio for core faculty.

The 2023/24 contribution margin is largely influenced by credit programs. Figures 6.1 and 6.2. The contribution margin for the 2023/24 budget plan is expected to return to 40% for credit and 5% for non-credit programs, in line with historical performance through workload management and increased student enrolment.

FIGURE 6. CONTRIBUTION MARGIN, ALL ACADEMIC PROGRAMS (\$MILLIONS)



<sup>1</sup> Contribution margins consist of operating revenues less direct teaching salaries and contracted services, program support salaries and benefits, academic administrative salaries and benefits, and departmental non-labour costs for academic programming and professional and continuing studies programs.



FIGURE 6.1 CONTRIBUTION MARGIN, CREDIT PROGRAMS (\$MILLIONS)

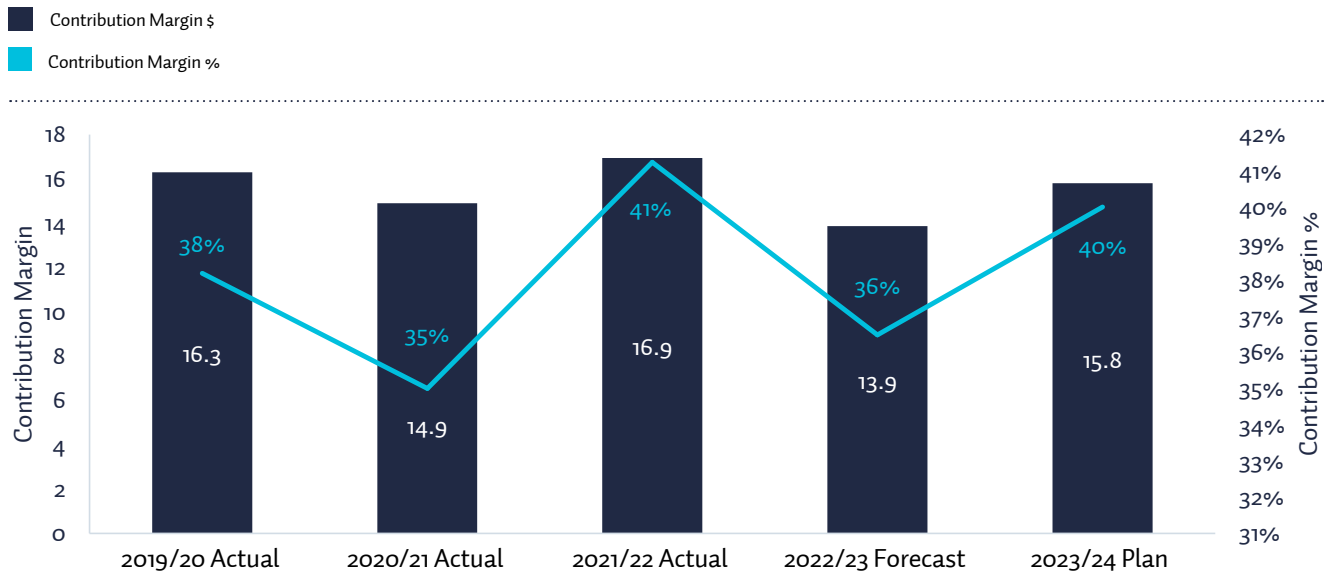
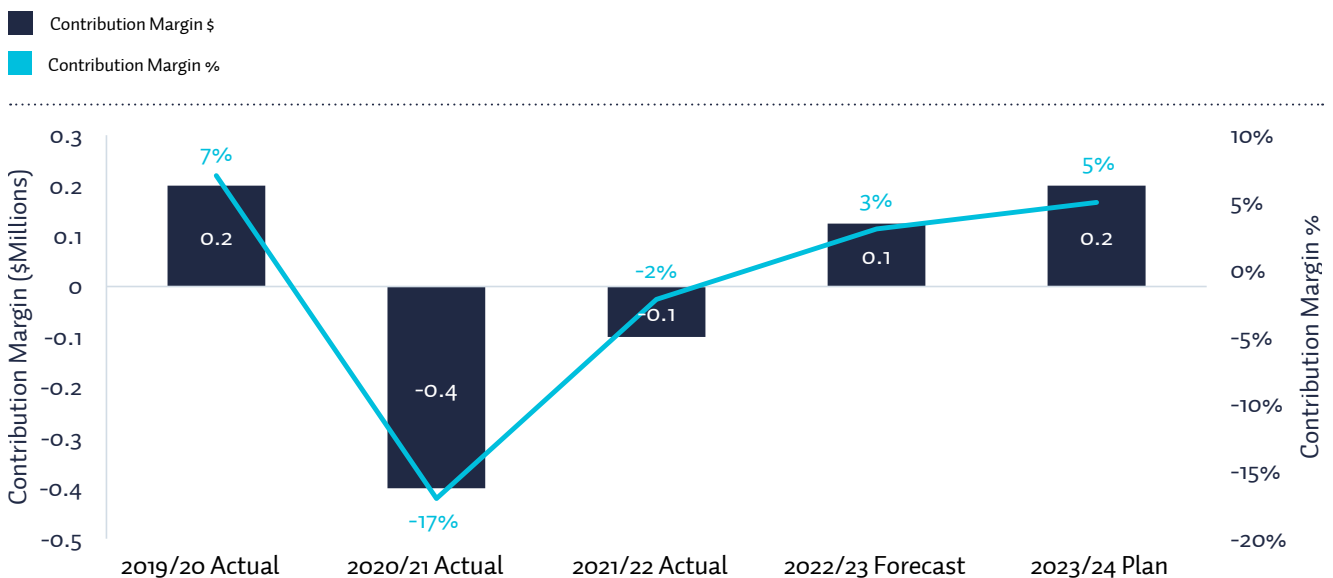


FIGURE 6.2 CONTRIBUTION MARGIN, NON-CREDIT PROGRAMS (\$MILLIONS)



# RRU 2023/24 Capital Plan

The University's capital investment program for 2023/24 is valued at \$56.8M, including \$12.3M for the Colwood campus and \$44.3M to support completion of the first building at

the new Langford campus (Table 4). It is anticipated that all investments in the Langford campus will be fully funded by the provincial government and other external sources.

TABLE 4. CAPITAL PLAN (\$THOUSANDS)

IN \$THOUSANDS	EXPENDITURES		FUNDING SOURCES			
	FORECAST 2022/23	PLAN 2023/24	EXTERNAL FUNDING 2023/24	INTERNAL FUNDING 2023/24	EXTERNAL FUNDING %	INTERNAL FUNDING %
<b>COLWOOD CAMPUS</b>						
<b>MAJOR CAPITAL</b>						
New Construction	100	1,000	400	600	40%	60%
Building Repurpose and Upgrade	3,274					
<b>Major Capital Total</b>	<b>3,374</b>	<b>1,000</b>	<b>400</b>	<b>600</b>	<b>40%</b>	<b>60%</b>
<b>MINOR CAPITAL</b>						
Campus Horizontal Infrastructure	534	981	487	494	50%	50%
Other Deferred Maintenance	3,891	1,004	619	385	62%	38%
Hatley Castle Upgrades	349	50		50		100%
Space Reconfigurations	166	1,350	1,300	50	96%	4%
Asset Lifecycle Renewal	792	1,037		1,037		100%
Other Initiatives < \$501K	547	453	50	403	11%	89%
Asset Retirement		620		620		100%
<b>Minor Capital Total</b>	<b>6,279</b>	<b>5,496</b>	<b>2,457</b>	<b>3,039</b>	<b>45%</b>	<b>55%</b>
<b>TECHNOLOGY</b>						
Web Presence Renewal	377					
Student Information System Implementation	3,700	2,700		2,700		100%
HR and Financial System Enhancements	477	500		500		100%
Network Infrastructure & Technology Asset Purchases	2,415	2,770	1,385	1,385	50%	50%
<b>Technology Total</b>	<b>6,969</b>	<b>5,970</b>	<b>1,385</b>	<b>4,585</b>	<b>23%</b>	<b>77%</b>
<b>Colwood Campus Total</b>	<b>16,621</b>	<b>12,466</b>	<b>4,242</b>	<b>8,224</b>	<b>34%</b>	<b>66%</b>
<b>LANGFORD CAMPUS</b>						
Phase 1 Development	10,330	44,300	44,300		100%	
<b>Langford Campus Total</b>	<b>10,330</b>	<b>44,300</b>	<b>44,300</b>		<b>100%</b>	
<b>Grand Total</b>	<b>26,951</b>	<b>56,766</b>	<b>48,542</b>	<b>8,224</b>	<b>86%</b>	<b>14%</b>

## Colwood Campus



### MAJOR CAPITAL INITIATIVES

#### **Student Accommodation:**

\$900K to commence the architectural design process for a proposed housing initiative, including a facility to accommodate the short-stay student population and a conventional student residence facility designed to accommodate long-stay students in an affordable, community-based approach.

**Rose Garden Cottage Upgrade:** \$3.5M 2-year renovation will be complete by March 2023. The building will be fully operationalized as an important research hub for the Cascade Institute by the end of April 2023.



### CAMPUS LAND, FACILITIES AND BUILDING RESILIENCE

**Japanese Gardens:** Funded through donor contributions, revitalization of the Japanese Gardens will commence with the first phase of the construction of a traditional teahouse in April 2023.

**Other Deferred Maintenance:** \$1.0M for a multi-year project to install meters (gas, electric and water) in buildings on the campus. This will include a direct digital control system in line with management's commitment to prioritize initiatives to meet climate action goals.

**Hatley Castle Upgrades:** \$50K to finalize network upgrades in the castle to support positive learning experiences.

**Asset Retirement:** \$500K to address an immediate health and safety risk, the University will work with the Department of National Defense for approval to have an unsafe dock at the lagoon removed.



### FURNITURE, FIXTURES AND EQUIPMENT

\$1.0M towards asset lifecycle renewal, including upgraded audio visual equipment to enhance in-person and virtual learning experiences. Where feasible, the lifecycles of furniture, other equipment and vehicles in 2023/24 will be extended to mitigate the pressure on the University's budget.



### TECHNOLOGY INVESTMENT

**Student Information System Implementation:** \$2.7M to continue implementation of a new student information system, consistent with the direction from the Board of Governors in June 2022.

**Financial and HR Systems Enhancements:** \$500K to upgrade the payroll system to enhance functionality and extend the lifecycle of this core business system.

#### **Network Infrastructure and Technology Asset Purchases**

The University invests each year in upgrades and renewal of network infrastructure, technology assets and associated services. Planned expenditures of \$2.8M in 2023/24 include:

- infrastructure upgrades and the purchase of technology equipment and related assets;
- completion of the first phase of the multi-year campus security system upgrade project; and
- a comprehensive upgrade of the campus phone system.



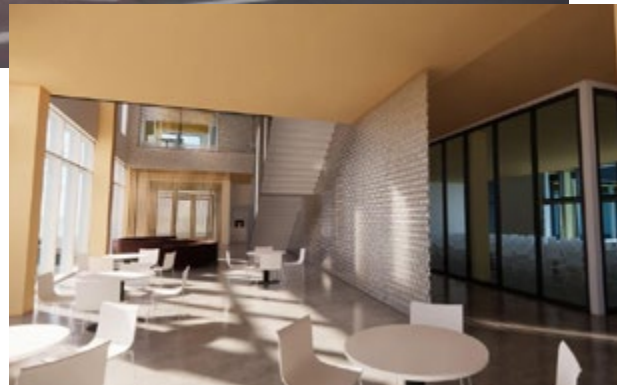
## Langford Campus



### PHASE I DEVELOPMENT

The University is working to ensure the first building on the Langford campus is ready for students by September 2024.

The drawdown of provincial funds dedicated to the construction project will accelerate in 2023/24. Management is monitoring key risks including supply chain disruptions and construction labour shortages.





## Statement of Operations

TABLE 5. STATEMENT OF OPERATIONS (\$THOUSANDS)

	2021/22 ACTUALS	2022/23 FORECAST	2023/24 PLAN	2023/24 OPERATIONAL	2023/24 RESTRICTED	2024/25 PLAN	2025/26 PLAN	2023/24 PLAN V. 2023 FORECAST	
Tuition Fees and Other Academic Fees	46,891	43,901	45,158	44,293	865	46,564	48,260	1,256	3%
Provincial Grants	23,191	26,326	29,006	28,263	743	31,246	32,872	2,680	10%
Research Grants	3,178	3,360	3,624		3,624	3,697	3,771	264	8%
Amortization of Deferred Capital Contributions	2,827	3,312	3,324	3,324		3,450	3,582	12	0%
Ancillary Revenues	771	2,095	2,282	2,255	27	2,327	2,373	187	9%
Investment Revenue	470	842	736		736	751	766	(105)	(13%)
Other Revenue	1,407	2,310	2,261	1,308	953	2,329	2,397	(49)	(2%)
<b>Total Revenues</b>	<b>78,736</b>	<b>82,147</b>	<b>86,392</b>	<b>79,443</b>	<b>6,949</b>	<b>90,365</b>	<b>94,020</b>	<b>4,245</b>	<b>5%</b>
Salaries & Benefits	51,088	51,744	53,595	51,209	2,386	53,399	54,537	(1,851)	(4%)
Contracted Services - Non Academic	2,487	2,776	2,784	1,973	811	2,883	3,008	(9)	(0%)
Contracted Services - Academic	7,224	7,022	6,944	6,643	302	9,210	9,737	78	1%
Instructional & Program Delivery	1,167	1,973	2,012	1,901	111	2,077	2,146	(39)	(2%)
IT and Telecommunications	1,534	1,814	2,885	2,768	117	2,745	2,862	(1,070)	(59%)
Marketing	1,936	2,098	1,869	1,869		1,925	1,983	229	11%
Student Recruitment	1,570	1,678	1,864	1,864		1,916	1,969	(186)	(11%)
Supplies and Services	5,357	6,558	6,204	4,240	1,964	6,543	6,733	353	5%
Grounds, Facilities and Equipment	1,676	1,506	1,650	1,228	421	1,710	1,772	(144)	(10%)
Amortization	4,191	4,941	5,685	5,685		6,457	7,397	(744)	(15%)
Investment Revenue			736		736	751	766	(736)	
Innovation Fund			100		100	100	100	(100)	
<b>Total Expenses</b>	<b>78,230</b>	<b>82,110</b>	<b>86,328</b>	<b>79,379</b>	<b>6,949</b>	<b>89,715</b>	<b>93,008</b>	<b>(4,218)</b>	<b>(5%)</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>506</b>	<b>38</b>	<b>64</b>	<b>64</b>		<b>650</b>	<b>1,012</b>	<b>26</b>	<b>69%</b>

# Financial Sustainability

The University's financial position is primarily impacted by the multi-year capital plan and annual net operating income, both of which also affect financial sustainability in the long term. The 10-year capital plan outlines the key strategic investment initiatives that the University plans to undertake with a focus on the West Shore Initiative, critical technology upgrades, and student accommodation projects. Capital investments are driven by the overarching goals of the University as well as responding to current economic challenges and shifts in labour demand. The University's capital plan will be designed to meet these goals, challenges and shifts by:

- creating more opportunities for evolving academic program needs and enrolments in light of continued global international education demands, national immigration policies and provincial future skills needs;
- developing space for students (domestic and international) in the post-pandemic world who want to complete their studies in person (continued focus on mobility/travel and accessibility);
- supporting the province's focus on housing with an emphasis on filling gaps in student accommodation needs.

Since 2021/22, the University has experienced declines in the primary reserve ratio due to lower net assets as a result of reduced cash and investment balances. The land acquisition for the Langford Campus and an increase in university-funded major IT capital projects have required significant financial commitments over the last few years. A decrease in enrolments in 2022/23 is driving revenues down while inflationary pressures continue to drive expenditures up. This combination of factors has had a dampening impact on the University's net income ratio and return on net assets.

## Looking Forward

The University's efforts to address its current enrolment challenges and prioritizing investments through the 10-year capital plan will have positive impacts on financial sustainability measures in the near and long term.

Despite a decreasing trend in the financial sustainability indicators impacted by net assets, they are within standard parameters and expected given the current strategic direction of the University.



## KEY PERFORMANCE INDICATORS

KPI	DEFINITION
Primary Reserve Ratio <sup>1</sup>	How long the university would be able to function using only its current net expendable resources without relying on additional net assets generated from operations.
Net Income/Loss Ratio <sup>2</sup>	If and by how much the university's revenues exceed its expenses.
Return on Net Assets <sup>3</sup>	How well the university is using its existing resources to generate additional resources.
Contribution Margin <sup>4</sup>	Contribution margin measures the profitability of a product or service after deducting expenditures.

TABLE 6. FINANCIAL SUSTAINABILITY KPIs AND TREND INFORMATION

KEY PERFORMANCE INDICATORS	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 FORECAST	2023/24 PLAN
Net Operating Income (\$Thousands)	\$114	\$742	\$506	\$1	\$64
Net Operating/Loss Ratio Net Operating Income	0.3%	2.4%	0.8%	0.0%	0.0%
Primary Reserve Ratio	273	286	253	127	109
Return on Net Assets (3-year average)	1.4%	3.5%	2.60%	1.4%	-4.8%
Total Cost per Student FTE	\$25,471	\$26,040	\$26,704	\$31,426	\$32,296
Contribution Margin	39%	35%	37%	33%	37%

<sup>1</sup> Primary Reserve Ratio – Calculated by dividing Expendable Net Assets (Net Assets excluding Tangible Capital Assets, Deferred Capital Contributions and Deferred Revenue) by Total Expenses (excluding Amortization), to get a number in years which is converted to months or days.

<sup>2</sup> Net Income/Loss Ratio: calculated by dividing the Net Income or Net Loss by Total Revenue. Because this ratio can be volatile year over year, it is averaged over a three-year period to give a smoother picture.

<sup>3</sup> Return on Net Assets: Calculated by dividing the Change in Net Assets for the year by the Net Assets at the beginning of the year. Because this ratio can be volatile year over year, it is averaged over a three-year period to give a smoother picture.

<sup>4</sup> Contribution Margin: Operating revenues less direct teaching salaries and contracted services, program support salaries and benefits, academic administrative salaries and benefits, and departmental non-labour costs for academic programming and professional and continuing studies programs.

## Financial Risk Assessment

### Financial Risk Assessment Post-COVID Analysis

The following analysis relates to the assumptions associated with the 2023/24 budget through a post-COVID lens and a focus on new challenges emerging in the last 12 months. Potential mitigation strategies are presented to ensure the University is prepared for alternate scenarios and can continue to provide support for the students, faculty and staff that make up the RRU community in any scenario.

### What Happened in 2022/23?

#### 2022/23 FORECAST

In 2022/23, the University experienced a decline in enrolment of 8.1% which translated into a forecasted

\$5.3M deficit in the first quarter of the fiscal year (Table 7). The revenues for tuition and academic fees were primarily impacted by shortfalls in credit program revenue from domestic students. In response, the University implemented cost management strategies with the goal of achieving a balanced budget through managed staffing and controls over discretionary spending.

### Looking Forward to 2023/24

#### 2023/24 PLAN TO 2022/23 FORECAST

Efforts to increase enrolment are being prioritized across campus and cost management strategies will continue to ensure a balanced budget.

TABLE 7. STUDENT ENROLMENT FORECAST AND PLAN

	2022/23 FORECAST	2023/24 PLAN	INCREASE FTEs	INCREASE %
<b>FTEs</b>				
New - Domestic	585	718	133	22.7%
Continuing - Domestic	1,366	1,244	(122)	-8.9%
<b>Total Domestic FTEs</b>	<b>1,951</b>	<b>1,961</b>	<b>11</b>	<b>1%</b>
New - International	268	305	37	13.8%
Continuing - International	394	352	(42)	-10.5%
<b>Total International FTEs</b>	<b>662</b>	<b>658</b>	<b>(4)</b>	<b>-0.7%</b>
<b>Total FTEs</b>	<b>2,613</b>	<b>2,619</b>	<b>6</b>	<b>0.2%</b>



# Risk Analysis

Several risks could potentially impact the operating results for 2023/24 as follows:

## New Student Enrolments

- Continued economic pressures, including lack of affordable housing and inflationary pressures defer students from seeking out post-secondary opportunities
- Continued delays in issuing student visas due by Immigration, Refugees and Citizenship Canada (IRCC)
- Sponsoring organizations' ability to fund employees' higher education diminishes in the wake of high inflationary costs and a strong labour market

## Continuing Students

- Increase in study leaves and reduced course loads due to financial and economic factors

## Economic Uncertainty

- Spiking inflation, exceptionally tight labour markets and global supply shocks, continue to impact operating costs at rates higher than anticipated

## IT Capital and Operational Cost Escalation

- Inflation is affecting IT budgets disproportionately, bringing significantly higher cost increases in all areas including servers, storage and professional services
- Increased reliance on cloud computing resources presents higher licensing costs

## FINANCIAL IMPACT SENSITIVITY ANALYSIS

The analysis prepared for 2023/24 (Table 8) shows two scenarios with the first scenario resulting in a reduction of \$3.0M in net operating income and the second scenario showing a reduction of \$5.0M in net operating income. Following this analysis, Table 9 shows potential cost management measures ranging from \$1.2M to \$3.1M to offset the net income reductions. Table 10 provides mitigation strategies to reduce the potential revenue reductions.

TABLE 8. SCENARIOS AND NET INCOME REDUCTIONS

Dollars in Millions	Category of Enrolment	Scenario 1	Scenario 1 \$ impact	Scenario 2	Scenario 2 \$ impact
Credit Programs	New Students	Student intakes are 10% below plan	\$0.6M	Student intakes are 20% below plan	\$1.2M
Credit Programs	Continuing Students	Additional 5% added for attrition, study leaves and reduced course loads (compared to historical 10% to 15%)	\$0.4M	Additional 10% added for attrition, study leaves and reduced course loads (compared to historical 10% to 15%)	\$0.9M
Operating Costs	N/A	Additional 2% increase in operating costs (5% compared to 3% budgeted)	\$0.6M	Additional 5% increase in operating costs (8% compared to 3% budgeted)	\$1.0M
Total			\$1.6M		\$3.1M

TABLE 9. COST MANAGEMENT MEASURES

Category of Expenditure	Cost Management Measure	Maximum Potential Savings
Non-labour expenditures (other than instructional and program delivery and marketing)	<ul style="list-style-type: none"> <li>Reductions to professional development, travel, consulting, university-hosted events, meetings, and awards throughout the year in addition to the reductions already captured in budget</li> </ul>	\$0.5M to \$1.2M
Reduction in consulting, contracted and other services	<ul style="list-style-type: none"> <li>Reductions in non-academic consulting services for non-capital projects</li> </ul>	\$0.5M to \$1.6M
Instructional and program delivery	<ul style="list-style-type: none"> <li>Reductions to program events</li> </ul>	\$0.2M to \$0.3M
Potential Savings		\$1.2M to \$3.1M

TABLE 10. MITIGATION STRATEGIES

Category of Expenditure	Cost Management Measure
Lower than anticipated new and continuing enrolments in credit programs	<ul style="list-style-type: none"> <li>Launch new programs in response to the demands of the labour market and the government's new Future Ready: Skills for the Jobs of Tomorrow Building initiative</li> <li>Enhance enrolments through the Alumni Lifelong Learning program</li> <li>Focus on diversification in international recruitment efforts and build strategic partners in key target markets</li> <li>Continue to develop new relationships and enhance existing relationships with agents situated in other countries to mitigate ability to travel for recruitment</li> </ul>
Operating cost escalation	<ul style="list-style-type: none"> <li>Continue to identify and take advantage of group purchase programs (i.e., BCNET) and ensure the community is informed of and utilizing programs for purchasing needs</li> <li>Continue staffing management strategies</li> <li>Prioritize analysis and identification of low-cost margin programs and activities and make informed business decisions taking account both economic and qualitative factors</li> <li>Continuously update decision makers on financial performance by providing forecasts and expenditure reports monthly</li> </ul>

## Tuition Rates and Mandatory Academic Ancillary Fees

Consistent with the provincial government tuition limit policy, tuition rates for domestic undergraduate and graduate and mandatory academic ancillary fees propose a 2% increase as reflected in the tables. International student tuition rates are not mandated under BC's policy

on tuition limits. The 2023/24 international tuition rates for undergraduate, graduate and mandatory academic ancillary fees propose a 4% increase. Proposed tuition rates for both domestic and international students would be effective September 1, 2023.

### GRADUATE PROGRAMS

B – BLENDED OC – ON-CAMPUS OL – ONLINE	1=OC starting 2020/21					
	2=Completion of Graduation		1.02	1.04	1.02	1.04
	3=Courses charged at rate/program MATM Blended or On Campus					
PROGRAM NAME	DELIVERY MODEL	PROGRAM DURATION	2022/23 PROGRAM FEE		2023/24 PROGRAM FEE	
			DOMESTIC	INT'L	DOMESTIC	INT'L
DOC Business Administration	B	4 years	\$89,464	\$89,464	\$89,464	\$89,464
DOC Social Sciences	B	4 years	89,464	89,464	89,464	89,464
MBA Executive Management	B	18 or 31 months	46,194	54,219	47,118	56,387
MA Interdisciplinary Studies	B	2 years	30,680	38,400	31,293	39,936
MA Global Leadership	B/OC <sup>1</sup>	13 or 24 months	29,236	36,928	29,821	38,405
MA Environmental Education and Communication	B	2 years	28,228	35,900	28,793	37,336
Master of Global Management	B/OC	12 to 19 months	27,846	35,511	28,403	36,931
MA Tourism Management	OC	18 months or 2 years	27,422	35,078	27,970	36,481
MA Tourism Management	B	19 months or 2 years	27,422	35,078	27,970	36,481
MA / MSc Environment and Management	B	2 years	27,390	35,045	27,938	36,447
MA Climate Action Leadership	B	2 years	26,827	34,472	27,364	35,851
MA Conflict Analysis and Management	B	2 years	26,827	34,472	27,364	35,851
MA Disaster and Emergency Management	B	2 years	26,827	34,472	27,364	35,851
MA Executive and Organizational Coaching	B	TBD	34,962	42,765	35,661	44,476
MA Human Security and Peacebuilding	B	2 years	26,827	34,472	27,364	35,851
MA Intercultural and International Communication	B/OC	18 or 22 months	26,827	34,472	27,364	35,851
MA Justice Studies	B	2 years	26,827	34,472	27,364	35,851
MA Leadership	B	2 years	26,827	34,472	27,364	35,851
MA Leadership with a Specialization in Health	B	2 years	26,827	34,472	27,364	35,851
MA Leadership - Executive Leadership Specialization	B	2 years	26,827	34,472	27,364	35,851
MA Learning and Technology	B/OL	2 years	26,827	34,472	27,364	35,851
MA Professional Communication	B	2 years	26,827	34,472	27,364	35,851
MA Educational Leadership and Management	B	2 years	26,286	33,920	26,812	35,277
MA Higher Education Administration and Leadership	B	2 years	26,286	33,920	26,812	35,277
MA / MSc Environmental Practice *Per Credit Rate	OL	3 -3+ years	844	1,098	861	1,142

<sup>1</sup> On-campus starting 2022/23

**UNDERGRADUATE PROGRAMS**

PROGRAM NAME	DELIVERY MODEL	PROGRAM DURATION	2022/23 PROGRAM FEE		2023/24 PROGRAM FEE	
			DOMESTIC	INT'L	DOMESTIC	INT'L
BA Interdisciplinary Studies	B	2-3 years <sup>2</sup>	\$19,091	\$44,125	19,473	45,890
BSc Environmental Management	B	2 years <sup>2</sup>	19,006	44,125	19,386	45,890
BA Professional Communication	B	12-24 months <sup>2</sup>	18,178	44,125	18,542	45,890
BCom Entrepreneurial Management	B	12-24 months <sup>2</sup>	18,178	44,125	18,542	45,890
BA Justice Studies	B/OC <sup>1</sup>	12 months on-campus or 2 years blended <sup>2</sup>	17,234	44,125	17,579	45,890
BSc Environmental Science	B	1 year <sup>2</sup>	15,579	44,125	15,890	45,890
BA / BSc Environmental Practice * Per credit Rate	B	2.5+ years <sup>2</sup>	299	735	305	765
BBA Sustainability and International Business	B/OC	Year 3 & 4	20,694	44,125	21,107	45,890
BA Global Tourism Management	OC	Year 3 & 4	19,463	44,125	18,542	45,890
BA International Hotel Management	B	Year 3 & 4	18,178	44,125	18,542	45,890

<sup>2</sup> Completion of graduation

**GRADUATE DIPLOMA PROGRAMS**

PROGRAM NAME	DELIVERY MODEL	PROGRAM DURATION	2022/23 PROGRAM FEE		2023/24 PROGRAM FEE	
			DOMESTIC	INT'L	DOMESTIC	INT'L
Environmental Education and Communication	B	1 year	\$16,820	\$20,710	\$17,157	\$21,538
Interdisciplinary Studies	B	Individualized	15,334	19,195	15,641	19,963
Project Management & Organizational Leadership	B	8 months	15,080	18,935	15,381	19,693
Higher Education Administration and Leadership	B	1 year	14,634	18,481	14,927	19,220
Learning and Technology	B/OL	1 year	14,634	18,481	14,927	19,220
Technology-Enhanced Learning and Design	OL	1 year	14,634	18,481	14,927	19,220
Global Leadership	B	9 months	14,613	18,459	14,905	19,198
Educational Leadership and Management	B	1 year	14,316	18,156	14,602	18,882
Conflict Analysis and Management	B	1 year	13,509	17,334	13,779	18,027
Disaster and Emergency Management	B	1 year	13,509	17,334	13,779	18,027
Human Security and Peacebuilding	B	1 year	13,509	17,334	13,779	18,027
Justice Studies	B	1 year	13,509	17,334	13,779	18,027
Climate Action Leadership	B	1 year	13,682	17,581	13,956	18,284
Leadership	B	1 year	13,414	17,236	13,682	17,925

**GRADUATE CERTIFICATE PROGRAMS**

PROGRAM NAME	DELIVERY MODEL	PROGRAM DURATION	2022/23 PROGRAM FEE		2023/24 PROGRAM FEE	
			DOMESTIC	INT'L	DOMESTIC	INT'L
Tourism Management	B	3-18 months	Footnote 3		Footnote 3	
Executive Coaching	B	6 months	\$10,506	\$12,492	\$10,716	\$12,992
Financial Analysis	OL	6 months	\$7,500	\$9,375	\$7,650	\$9,750
Financing Social Impact	OL	6 months	\$7,500	\$9,375	\$7,650	\$9,750
Indigenous Economic Development	OL	3 months	\$7,500	\$9,375	\$7,650	\$9,750
Global Leadership	B	5 months	9,742	11,713	9,937	12,181
Asia Pacific Trade and Investment	B	3-6 months	8,150	10,090	8,313	10,493
International Business and Innovation	B	3-6 months	8,150	10,090	8,313	10,493
Management and Leadership	B	6 months	8,150	10,090	8,313	10,493
Management Consulting	B	3-6 months	8,150	10,090	8,313	10,493
Personal and Professional Leadership Development	B	3-6 months	8,150	10,090	8,313	10,493
Advanced Coaching Practices	B	6 months	7,959	9,895	8,118	10,291
Change Management	B	6 months	7,959	9,895	8,118	10,291
Corporate Social Innovation	B	6 months	7,959	9,895	8,118	10,291
Organization Design and Development	B	6 months	7,959	9,895	8,118	10,291
Workplace Innovation	OL	6 months	7,959	9,895	8,118	10,291
Interdisciplinary Studies	B	Individualized	7,662	9,592	7,815	9,976
Business Development in International Education	OL	7 months	7,142	9,062	7,285	9,424
Systems Leadership in Higher Education	OL	7 months	7,142	9,062	7,285	9,424
Instructional Design	OL	7 months	7,089	9,008	7,231	9,368
Strategic Enrolment Management	B	7 months	7,169	9,251	7,312	9,621
Leadership	B	3 months	6,930	8,845	7,068	9,199
Professional Communication Management	B	6 months	6,930	8,845	7,068	9,199
Project Management	B	6 months	6,930	8,845	7,068	9,199
Science and Policy of Climate change	B	6 months	6,930	8,845	7,068	9,199
Strategic Global Communication	B	3 months	6,930	8,845	7,068	9,199
Strategic Human Resources Management	B	6 months	6,930	8,845	7,068	9,199
Sustainable Community Development	B	6 months	6,930	8,845	7,068	9,199
Values-Based Leadership	B	6 months	6,930	8,845	7,068	9,199
Transforming Child Protection to Wellbeing	TBD	TBD	6,930	8,845	7,069	9,199
Environmental Education and Communication	B	5 months	6,802	8,716	6,938	9,064

<sup>3</sup> Courses charged at rate of MA Tourism Management for either blended or on-campus delivery



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**Mandatory Academic Ancillary Fees**


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*Proposed Fees (Effective September 1, 2023)*

	2021/22	2023/24
<b>Application Fees</b>		
For-credit Program Application Fee	131.39	134.01
General Studies Courses	30.91	31.53
<b>Graduate Fees</b>		
Student Services Fee	295.89	301.81
Learning Support Services Fee (per year)	274.79	280.28
<b>Undergraduate Fees</b>		
Student Services Fee	227.44	231.99
Learning Support Services Fee (per year)	274.79	280.28
<b>Graduate Certificate Fees</b>		
Student Services Fee	132.49	135.14
Learning Support Services Fee (per year)	274.79	280.28

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