

Fiscal 2025-26 Budget Presentation

Polytechnic University Executive
KFA & BCGEU Unions
SSCUB/SSCAPP
President's Circle
Board Finance Committee
Senate
Board of Governors



Good Morning

I am here to present the 2026 fiscal year draft budget. The budget will be consulted with all interested parties noted on this slide before it is taken to the Board of Governors for approval on March 26. As part of my presentation, I will be expanding on the information on each slide to provide additional context.

The budget process supports us in presenting a budget ahead of the beginning of the following fiscal year. The intention is to provide budget holders their approved budgets ahead of April 1, 2025.

Budget Development Approach

- [Fiscal 2025-26 Budget Principles and Priorities](#)
- KPU's strategic priorities:
 - [Vision 2026](#)

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The budget process started in the Spring by identifying the Budget Principles and Priorities. They are used to guide and support the decision making throughout the budget development process. The Fiscal 2026 Budget Principles and Priorities were approved in June 2024 and can be accessed by following the link on this slide

This years budget planning has been extremely challenging as we are trying to balance our budget with a significant decrease in revenues. The budget contemplates targeted changes in expenditures at an institutional level, but the details on exactly where those savings will be found are still being evaluated. The draft budget we are presenting today still needs the University to make some hard decisions.

The general approach and key assumptions used in developing the budget are reflected over the next 2 slides.

General Approach and Assumptions

- Increases in Operating Grant
- Decline in “New” International enrolment
- Status quo Domestic enrolment
- Investment and Interest income

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Grants: An increase in the operating grant has been factored in for anticipated collective agreement bargaining, as well as both the health and tech expansion seats that are part of a multi-year funding initiative; this assumption is consistent with our FY25 funding letters but is not guaranteed given government's fiscal situation. Until we get our FY26 Funding letter, we won't know for certain.

International Enrolment:

As Dr. McElroy presented, we have seen a significant reduction in international students and that converts to a significant decline on KPU total revenues. Overall, **estimated** international headcounts are down 26% in 2026 compared to 2025, while domestic are about the same as last year. New International students are not fully replacing the continuing students, who graduate, leading to a declining overall student population. Based on our current projections, the 2026 Fiscal year will see a drop of \$49M in budgeted international revenue. In FY2024 International revenue made up 43% of KPU's total revenue budget and it is projected to be only 26% of total revenue by 2026. **This is equivalent to seeing a 20% reduction in total revenues in just two years. This is a significant financial challenge for KPU.**

Domestic student enrolment has been relatively stable in recent years although we are projecting a small decline in FY26. The tuition amounts have been increased by 2% for FY26 which is the maximum allowed under the tuition limit policy. Although we are planning stable domestic enrollments we know we are competing with other post secondaries who are trying to fill their seats left open by declining international students.

Investment & Interest Income: In 2024 KPU disposed of a parcel of land at the Cloverdale campus. The proceeds have been invested and their earnings have been earmarked to support indigenous funds, student awards and capital renewal reserves that were approved by the Board of Governors last year.

General Approach and Assumptions

- Collective Agreement and other salary increases
- Employee Retirement Incentive Plans
- Adjusting Faculty levels in context of enrolments
- Began with Roll-over divisional budgets
- One Time Only Budgets
- Contingency considers risk in both revenues and non-salary expenses
- Budget Reduction targets

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Collective Agreements: The KFA (Faculty) agreement expires on March 31, 2025 and the BCGEU collective agreement expires on June 30, 2025. The budget reflects the potential increases estimated in FY26 and the prior year increases which have also been built in on a cumulative basis.

The total anticipated increase from all Collective agreements and administration is estimated at \$6M annually, with the expectation that the Operating grant is increased to offset this cost for Faculty and GEU.

Other changes in staffing budgets include an estimated \$8M savings from both the Employee Retirement positions, which will not be replaced or replaced at lower levels, and from the savings from reduction in the number of faculty required, due to adjusting staffing levels to reflect the decreased demand and classes offered. The severance costs for these positions will be expensed in FY25 when notices are given.

Roll Over Budget: As part of the initial budget development we started with rolling forward, ongoing, divisional operating budgets rather than starting from a zero-based budget. Then any amounts that were allocated as one-time-only in Fiscal 2025 were removed and new one-time-only amounts for Fiscal 2026 were added. Before requesting additional funds, divisions and portfolios were encouraged to review budgets and identify budget room for reallocation. I will touch on the one time only initiatives on the next slide.

Contingency: In prior years, KPU has built in a contingency to address unforeseen changes in the year. Normally this contingency was set at 2% of overall operating revenues and given the high-level of inflation, a buffer for inflationary pressures was also added based on 4% of all non-salary expense categories that are likely to be impacted by inflation such as Supplies, Fees and Services, Utilities, Travel, etc..

This year, through the budget request process, several areas have identified inflationary and contractual increases that cannot be absorbed within existing budgets and are over and above this contingency. In previous years, KPU has been fortunate not to need to dip into our Contingency and therefore it has contributed to our year-end surplus. Again given this years budget challenge, the contingency has also been reduced by \$3M from ~\$8M down to only ~\$5.M.

Budget Reduction Targets – New for FY26, based on FY25 spending and the need to have a balanced budget for Ministry approval, we have also included some budget targets that will be allocated to divisions following a more detailed analysis. These targets are needed to bring the University's budget to balanced. I will provide more in details on this later in the presentation.

One Time Only Initiatives

Academic ~\$725K

Administration~\$986K

External Affairs ~\$192K

Human Resources~\$913K

Indigeneity~\$221K

President ~\$628K

Student Services ~\$2,015K

TOTAL \$5,680K

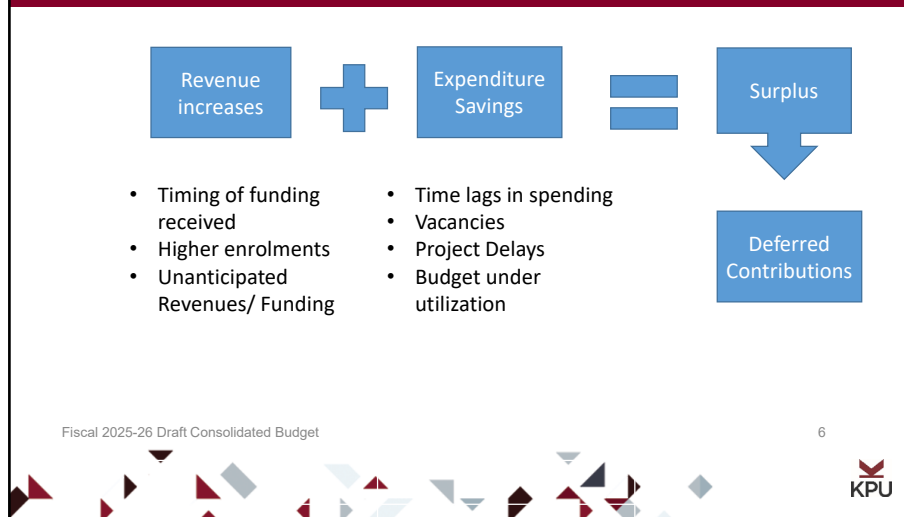
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This next slide details the One Time Only initiatives by portfolio. The OTO budgets were approved at \$11.3M in FY25 and have been reduced by ~½ to only \$5.7M. The majority of the OTO budgets are related to salary and benefits for positions to support the University continuous improvement and these amounts have been included in the different expense lines within divisional budgets. All OTO spending will be supported by the targeted Deferred Project funds that have been built into the budget. If any of these positions are required to be permanent we will need to generate additional revenues and/or find additional savings to fund them ongoing. Of the \$5.7M in OTO, about \$3.4M in One-Time Only positions being added to help support areas such as recruitment, retention and academic accommodations. The balance of \$2.3M is non-salary related to increased bursaries, international field representatives, recruitment and professional fees.

Why Did We Have Budget Surpluses and How Can We Use Them?



Let me describe why we came to Budget surpluses in the past, how can we use them and what are the Deferred Contributions:

It might be difficult to reconcile why prior year surpluses do not necessarily translate into ongoing financial stability and additional ongoing budget room for the future. Each year we are required to balance our revenue and expenses using new dollars, and are not allowed to consider prior year surpluses in the budget, and cannot use them to fund budget deficits.

Surpluses have been a result of various factors including:

Revenue Increases:

- **Time lag in funding versus the roll-out of plans:** for example KPU has received incremental funding for its Health Expansion, however related expenses were lagging, creating a temporary budget surplus. When the activities are fully implemented this budget gap disappears.
- **Higher than anticipated enrolments:** in prior years, KPU has been in a position where international enrolment and therefore international revenues exceeded our initial estimates.
- **Unanticipated revenues/funding:** this arises when revenue has not been

planned. A prime example is the sale of land which resulted in a one-time influx of revenue that cannot be relied upon every year.

Expenditure Savings:

- **Vacancies and hiring lags resulting in salary and benefit savings:** the tight labour market coupled with high inflation rates, like any other PSI, this has negatively affected KPU where retention and recruitment of talent is difficult. These longer vacancies are resulting in greater salary savings.
- **Project delays:** those vacancies and hiring lags, just mentioned, contribute to project delays because some teams do not have the resources available to support projects progressing at the same pace as when the budget has been granted.
- These vacancies, and project delays can contribute to a general trend in **budget under utilization.**

- **This resulted in our Deferred Contributions** – Over the past several years we have had surpluses that contributed to our accumulated surplus. However, we cannot take funds that we saved in a previous year and spend them in the next year. That creates a deficit and we are not permitted to plan for a deficit.
- Last year, fiscal 2024, the Province gave KPU permission to defer \$78M in operating and \$5M in Capital for a total of \$83M of the funds from the sale of the Tech lands to future years. These funds:
 - can only be used for specific purposes,
 - the use cannot be changed,
 - they are time limited and
 - they cannot be used to just offset a deficit.
- Last year we identified specific future initiatives that could be offset by those deferred funds and the Ministry agreed to this allocation. For example, the funds will be used to support One Time Only positions, Student awards and bursaries, and enrichments to current offerings such as efforts to improve retention of domestic students.
- The FY2026 budget plans to use \$25.8M of these funds. We will need to find the money later on if we want these things to continue once we have utilized the deferred funds.

Overall Changes - Revenues

Fiscal 2025-26 Proposed Budget – Revenues in \$'000

Account Group	Account Type	FY 2024-25 Annual Base Budget	FY 2025-26 Proposed Budget	FY 2025-26 Budget to FY 2024-25 Base Budget	
				\$	%
Revenue	Operating Grant	103,132	108,600	5,468	5%
	Grants	251	251	-	0%
	Amort of Deferred Contributions	7,777	38,708	30,931	398%
	Tuition Fees-Domestic	37,347	36,765	(582)	(2%)
	Tuition Fees-International	118,836	70,040	(48,796)	(41%)
	Student Fees	10,905	8,075	(2,830)	(26%)
	Applic and Other Fees-Domestic	761	895	134	18%
	Applic and Other Fees-International	1,564	1,114	(450)	(29%)
	Tuition - Non-Credit	940	2,330	1,390	148%
	Contract Services	200	330	130	65%
	Shop Income	338	402	64	19%
	Investment & Interest Income	11,030	12,860	1,830	17%
	Bookstores Income	2,180	2,180	-	0%
	Parking Income	905	905	-	0%
	Ancillary Commission Income	188	188	-	0%
	Amortization of Capital Contributions	14,711	15,046	335	2%
	Other income	1,938	2,164	226	12%
Revenue Total		313,013	300,863	(12,150)	(4%)

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Lets take a look at the overall budget. First, we will look at significant changes in revenues over the current fiscal year.

Operating Grant:

Most significantly, the budget shows a **\$5.5M increase** or 5% in our Operating Grant, the majority of which anticipated to receive to fund collective agreement increases.

Amortization of Deferred Contributions: \$30.9M increase. As described in the previous slide, this increase is predominately due to recognition of \$25.8M of deferred contributions that will be used to support specific approved initiatives in FY26. The balance of the \$38.7M or \$10.2M in budgeted deferred contributions relates to other grants from the province for Special Purpose Funds projects.

These funds are only one-time and limited. This source of revenue does not result in net income, rather it is matched to offset the specific expenses that the funds were provided for so that there is a nil impact to the University.

Domestic Tuition and Application fees together: (\$0.5M) decrease, the small change is a result of an anticipated continued modest decline in enrollment as realized in fiscal 2025, offset by a 2% tuition fee increase.

International Tuition and Application fees together (\$49.2M) decrease The Fiscal 2026 budget assumes that this decline in new enrollments will continue to occur as KPU works to diversify its international population and manages within Federal regulations for students attaining study permits. A 2% increase in fees has been applied which only slightly offsets the decrease in enrollments.

Student Fees: (\$2.8M) decrease as a direct reflection of the decline in both domestic and international students. This is approximately 7% on tuition plus other fees

Tuition – Non-Credit: \$1.4M increase The increase is primarily associated with Health Continuing Professional Studies to support the demand of CPS courses from Internationally Educated Nurses.

Investment Income: \$1.8M increase As mentioned earlier, this is driven by the proceeds from the parcel of land at its Cloverdale campus.

Overall Changes - Expenses

Fiscal 2025-26 Proposed Budget – Salaries in \$'000

Account Group	Account Type	FY 2024-25 Annual Base Budget	FY 2025-26 Proposed Budget	FY 2025-26 Budget to FY 2024-25 Base Budget	
				\$	%
Salaries	Salaries-Faculty	95,059	91,258	(3,801)	(4%)
	Salaries-GEU Staff	39,661	41,287	1,626	4%
	Salaries-Admin	32,367	34,987	2,620	8%
	Salaries-Other	5,348	5,959	611	11%
	Budget Reduction Targets	-	(5,000)	(5,000)	100%
	Benefits	43,562	41,654	(1,908)	(4%)
Salaries and Benefits Total		215,997	210,145	(5,852)	(3%)
Benefits as a % of Salaries		25.3%	24.0%		

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Salaries and benefits make up ~70% of KPU's expenditure budget and overall has **decreased \$5.9M** from Fiscal 2025 which represents a 3% decrease.

The overall decrease is made up of estimated increases in collective agreements and administrative salaries which are offset by decreases in the planned number of staff employed due to the decline in students.

If we were to adjust salaries in the same proportion as our revenue decline, we would need to reduce staffing by 20% or \$43M. However, KPU does not want to do this, rather we chose to purposely and carefully adjust staffing levels and the support services, even though we are forecasting a significant decline in international students revenues. This was done intentionally in order to maintain a level of staffing that will be needed to support rebounding growth. **But we still will need to reduce in order to balance.**

Salaries – Faculty:

You will notice that Faculty salaries are decreasing while GEU and administrative salaries are increasing in FY26 budget. This is a direct result of the immediate reductions in faculty and temporary faculty needed, due to fewer students. This decrease has been applied directly to the Faculty Salary Line.

Salaries GEU, Admin and Other:

While the increase in GEU and Administrative staff is because of the targeted spending of the deferred funds for the specific initiatives making up about \$2.4M of the increases shown here. Those initiatives are the One-Time Only non-faculty positions being added to help support areas such as recruitment, retention and Academic accommodations.

Budget Reduction Targets:

The Budget reduction targets of \$5M, are targeting reductions in vacant positions and overtime which will relate mostly to GEU, and Admin staff. These details are still being identified and haven't yet been applied directly to the salary lines.

For now, KPU has introduced a hiring review which means any positions will be scrutinized before posting.

The next slide shows the potential impact of the budget reduction targets.

Overall Changes – Salaries & Benefits (potential allocation)

Salary Changes by Employee Group (\$'000)

	FY25 Budget	FY26 Salary increase estimates	Benefit % changes	Estimated			Total net change FY25 to FY26	FY26 Estimated Budget
				Net changes in OTO positions/ Prior years Ongoing changes	Layoffs and Employee Retirements	Target Vacancy, hiring review and other reductions (estimated split)		
Faculty	\$ 95,059	\$ 2,793		\$ (302)	\$ (6,292)	\$ (3,801)	\$ 91,258	
BCGEU	39,661	920		706		(1,575)	39,712	
Admin	32,367	957		1,750	(87)	(2,400)	32,587	
Other	5,348	45		566			5,959	
Benefits	43,562	1,200	(2,191)	741	(1,658)	(1,025)	40,629	
Total	\$ 215,997	\$ 5,915	\$ (2,191)	\$ 3,461	\$ (8,037)	\$ (5,000)	\$ (5,852)	\$ 210,145

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The slide provides a more detailed breakdown of the components that make up the changes in the FY2026 Proposed Budget by Employee Group. Because the Savings Target for Vacancies and Overtime has not been assigned to specific departments yet it had not been applied directly to the salary groupings in the previous slide. However for **demonstration purposes**, this chart shows the **potential allocation** of those targets as many of the vacancies and overtime are within administration and BCGEU

- **Faculty <\$3.8M> overall decrease** made up of anticipated reductions in the number of faculty and related support positions required as a result of declining enrollments offset collective agreement increases. The major changes are:
 - A \$2.8M Collective agreement increase
 - A <\$0.3M> Net decrease in One Time Only and term positions from FY25 to FY26
 - A <\$6.3M> savings from faculty position reductions starting in Sep 2025
- **BCGEU BC General Employees Union estimated change \$51K**
 - \$0.9M Collective agreement increase
 - \$0.7M Net increase in One Time Only and term positions from FY25 to FY26 being spent from the Deferred project funds
 - Less \$1.5M in potential savings from vacancies and overtime
- **Administrative Employees estimated change \$220K**


- \$0.9M in Admin increases
 - \$1.7M in strategic, One time only positions supported by deferred project funds
 - Less \$2.4M in potential savings from vacancies and overtime
- **Benefits (\$3M):**
 - The benefit %'s are estimated for each employee group and have been reduced from an overall 25.3% to 24% in 2026 reflecting current actual benefit costs as a % of salaries
 - For the most part, the change in benefits are a function of the salaries above

Overall Changes - Expenses

Fiscal 2025-26 Proposed Budget – Non- Salary Expenditures in \$'000

Account Group	Account Type	FY 2024-25 Annual Base Budget	FY 2025-26 Proposed Budget	FY 2025-26 Budget to FY 2024-25 Base Budget	
				\$	%
Non-salary Expenditures	Supplies	5,358	5,311	(47)	(1%)
	Repairs and Maintenance	4,741	4,765	24	1%
	Software and Subscriptions	11,306	10,254	(1,052)	(9%)
	Contracts	2,118	2,117	(1)	(0%)
	Leases/Rentals	718	716	(2)	(0%)
	Travel and PD	4,455	4,718	263	6%
	Student Awards	4,121	4,696	475	12%
	Utilities	2,549	2,549	-	0%
	Communications	1,699	1,653	(46)	(3%)
	Fees and Services	27,632	26,449	(1,183)	(4%)
	Cost-of-Sales	1,563	1,563	-	0%
	Contingency	7,765	4,677	(3,088)	(40%)
	Budget Reduction Targets	-	(3,000)	(3,000)	100%
Non-salary Expenditures Total		74,025	66,368	(7,657)	(10%)
Amortization	Amortization of Capital Assets	22,991	24,350	1,359	6%
Net income (loss)		-	-	-	0%

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This next slide shows the year over year budget for non salary expenses. The overall proposed decrease of <\$7.7M> in non–salary and an increase of \$1.4M in amortization, equates to an overall \$6.3M decrease in total non-salary or 6% decrease overall. In the same vain as salaries, if we were to adjust non-salary at the same proportion as our revenue decline, we would need to reduce by 20% or \$19M.

The main changes in budgeted expenditures are:

Software and Subscriptions <1.1M>:

- Mainly due to a coding reclassification of a budget related to Hosted Advantage Capital Lease <0.9M> which is offset by the impact to amortization budget

Student awards \$0.5M:

Student awards budget has been increased by 12% as KPU continues to invest in its students utilizing the funds earned from the dollars set aside from the land sale in FY24.

Fees and Services <\$1.2M>:

- Decrease in anticipated International Agent Commission fees<\$4.5M> related to declines in International enrolment therefore lower fees.
- Offset by Increased spending in Special Purpose funds spending which is

- supported by increased SPF revenues \$1.3M
- And One time Only amounts of \$2.1M

Contingency <\$3.1M> decrease As previously discussed for FY26, the budget process addressed several areas which have identified inflationary and contractual increases that could not be absorbed through budget reallocations. And given that we have historically not needed the contingency, it has now been reduced to by \$3M to less than \$5M. It is still prudent for KPU to have some contingency to address unexpected changes in the year.

Budget Reduction Targets <\$3M> In addition to reducing our vacant positions and overtime by \$5M, given the decrease in revenues and rising costs we have also chosen to target reductions in non-salary discretionary spending by \$3M.

In FY25, we saw these vacancies and general underspending contribute to our surplus – In FY25 vacant positions are estimated to have savings of \$9M and budgets that are higher than needed in non-salary lines are almost \$6M. Further analysis is underway and we will be reducing discretionary funding in non-salary lines from divisional budgets as identified.

Amortization Expense \$1.4M:

- There are significant capital projects anticipated to be put into use during FY25 and FY26. Since KPU uses the half-year rule (amortization) assets put into use in FY25 would still contribute to an uptick in FY26.

Budget Summary 2026

Fiscal 2025-26 Proposed Budget change from Fiscal 2024-25 Budget

Revenue changes (in millions)		Expenditures changes (in millions)	
Grant increase	\$ 5.5	Labour savings	\$ (8.0)
International Tuition & fees	(49.2)	Collective agree & other adj	7.1
Domestic Tuition and fees	(0.4)	Professional fees	(1.2)
Non-Credit Tuition	1.4	Software & subscriptions	(1.1)
Investment income	1.8	Student Awards	0.5
Amort of Deferred Contributions	5.1	Inflation and other	0.2
Other revenues changes	(2.1)	Amortization	1.4
Use of Deferred Funds to		Contingency	(3.0)
Support Planned initiatives	25.8	Budget Reduction Targets	(8.0)
Net Revenue change	<u>\$ (12.1)</u>	Net Expenditure Change	<u>\$ (12.1)</u>

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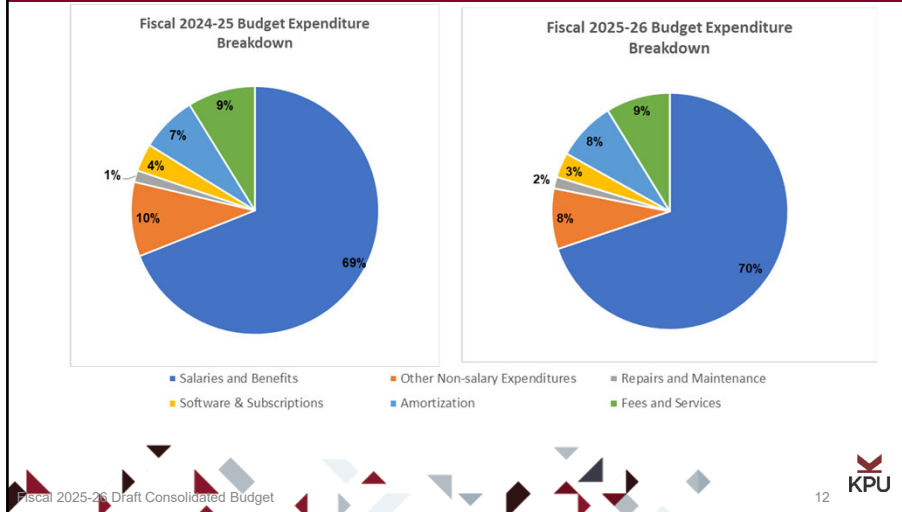
To summarize, Budget 2026 brings with it the challenge of making up for the decrease of \$49M in our international student revenues along with other normal revenue changes that continue to arise. The change in our budgeted revenues from 2025 budget is a decrease of over \$12M which includes using ~\$26M in one-time deferred funds. After we spend those targeted deferred funds, the decrease in our ongoing annual net revenues is estimated at \$38M even after the labour savings and budget targets. Ultimately we have to increase revenue and/or decrease expenditures to balance the budget in future years.

On the expenditure side, even with targeted savings in labour from faculty reductions and employee retirements these reductions will likely only offset the estimated increases in labour rates as new collective agreements are negotiated.

This leaves KPU with a budget challenge still estimated at almost \$38M. Over the next two months, KPU will make the necessary detailed budget adjustments in the individual divisional budgets to reflect the \$8M in budget targets as presented today.

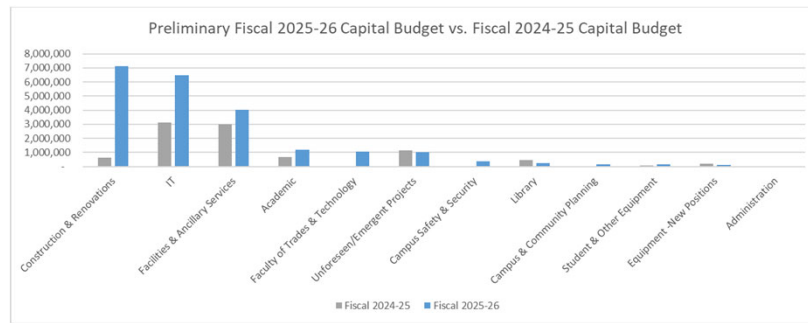
In addition, over the next year, we will need to make those decisions on how to reduce this ongoing revenue shortfall of \$38M by FY28. This will be a combination of looking for ways to increase enrolments and revenues while decreasing costs. We still have work ahead of us.

Overall Budget Comparison



This slide shows the overall comparison of the 2026 draft budget to 2025 budget – This slide is really meant to demonstrate that there are only slight differences in proportion of the expenditures across all categories in KPU’s budget and stability within the budget is being maintained.

Capital Budget Allocations



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Finally, not operating budget but impacting amortization costs and cash flow is the Capital budget allocation.

This graph shows the proposed Capital Budget Allocation for Fiscal 2026 over the prior year. As noted in the Budget Principles and Priorities “Capital asset investments in support of key areas such as teaching and learning, IT, research and innovation support will continue to be a high priority to the extent capital asset funds allocation is available ...”.

The proposed capital budget of \$20.5M focuses on replenishment and maintaining the University’s asset base. This is an increase of \$11M from FY25. We have several multi-year projects ramping up in FY26 (year 2) that were approved in FY25 accounting for \$7.2M of the total, \$7.3M is related to ongoing obligations like refreshes of Furniture Fixtures & Equipment (FF&E) and computing/AV equipment replacement cycles and there were \$6M in new asks for FY26.

This supports our 4th Budget Principle that new projects will be funded over the lifecycle of the activity so that investments will realistically span multiple fiscal years if required.

Next Steps

Fiscal 2025-26 - Draft Budget presentations:

- Polytechnic University Executive – February 12
- Kwantlen Faculty Association (KFA) – February 24
- BCGEU – TBD
- SSCAPP/SSCUB – February 14
- President's Circle – March 3
- Senate – March 3
- Board Finance Committee – March 11
- Board of Governors – March 26 (motion for approval)

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Next steps involve continued consultations as shown here with a plan of taking the draft budget to the Board of Governors on March 26.

Because the volatility of the international enrolments and the impact that they have on our budget we have waited until stable enrolment date to finalize this draft budget. January 20th was that date and we have a pretty good handle on where we believe the enrolments will come. However, there are still a lot of assumptions that are built into these estimates, but we know that waiting until now would give us our best estimate.

We are on schedule to be able to bring forward the draft Fiscal 2025-26 budget for Board of Governors consideration by March 26. Once the Budget has been approved, your VP's will reach out to you to share the details of the approved budget.

Thank you to everyone who contributed towards the 2026 budget development process. We wouldn't have gotten to this point without you.

Questions



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Now I will open it up for any questions