

Sauder Building Renewal Fee

Can I have some background information?

The sequence of events began in 1999 with arrival of Dean Dan Muzyka to the Faculty of Commerce and Business Administration at UBC. There he found that alumni and key members of the business community on the Faculty Advisory Board, the university administration, and the provincial government, were seeking to increase the prominence and reputation of the faculty. In fact, they had been continually lobbying and negotiating with the government for over 10 years in a bid to increase funding to the faculty.

When hiring managers came to Sauder from major corporations, they were not shy to report that the space looked more like a high school than a Business School educating top quality professionals. The Accreditation agencies (AACSB and EFMD) echoed this sentiment and pointed out that the physical space was a definite weakness in the school. They highlighted the need for the physical structure to be modernized and updated, and asked us to commit to an endeavour that would work towards fulfilling that need.

The initial plan was to fund a new building through fund-raising and government support (Plan A). However, despite years of lobbying, the government has still not committed capital funding to the Sauder renewal. Instead, it has provided substantial capital funding of the expansion of the Medical School, the building of a new campus for the University of British Columbia-Okanagan, and a number of other projects at UBC and around the province. Understandably, the government has been faced with difficult decisions to make and has chosen to prioritize healthcare and broader access.

How much should the fee be?

Of the \$65 million needed for the new building, \$45 million was available. \$20 million was therefore still needed. The \$500 annual fee for undergraduates and \$1000 for MBAs was what was needed to support a mortgage for \$20 million.

If we assume a steady state of 2700 BCOM students per annum (although this may fluctuate, we hope this is a conservative estimate), paying 5.75% mortgage interest rate over 35 years, this would support a little less than a 20 million dollar mortgage.

Therefore, the fee will be \$500 in constant 2012 dollars—in “real” dollars, students will pay the same over time. The nominal increase (from \$500) will be used to maintain the building so that future students who pay the fee get a good facility for their money.

A substantial donation beyond the fund-raising target or government grant would lead to a reduction of the fee accordingly.

Should we be building the building?

For many years the members of the Faculty Advisory Board, who represent influential alumni and the business community, have believed that building renewal was necessary. It was based on the observed need for an updated teaching space, increased group-work space, and a more professional school image that would keep us esteemed in the eyes of the business community.

It was not the accreditation bodies that told Sauder to renovate but both accreditation bodies made it clear that the building was out-dated and lacked adequate space for teaching, group work, and informal interaction. The 2006 referendum provided strong evidence that students were of a similar opinion.

How do other faculties and universities do it?

In a March 2008 referendum, AMS members passed the SUB Renewal Fee for the purpose of constructing a new Student Union Building. This fee, levied on all active members on a yearly basis, will be \$20 in 2008/09 and will increase by an increment of \$10 per year (\$30 - 2009/10) up to and including 2016/17 after which the fee will remain constant. This fee will continue to be levied until the financing obligations of the new building have been completed. AMS Council will establish a process for members demonstrating need for a refund of the Fee.

In addition, the Architecture faculty (SALA) recently held a referendum to raise student fees by \$300 (\$50 to \$350) (item 10, page 11 AMS Council Minutes January 2009). The justification given for the fee was "It's an IT fee to cover a deficit in the IT budget and create a buffer for the future. It's being passed on to the School."

Our system of provincially-funded higher education means that it is difficult to compare across provinces. For example, Ontario has deregulated professional program tuition and provided substantial capital grants for new building construction at business schools. Quebec has deregulated tuition for MBA programs but has kept undergraduate tuition very low. Queen's University has an opt-out provision in its student building fee, but only because it is required to do so by government regulation. Also, rather than supporting a mortgage, this fee is fundraising a fixed amount. In any case, the more students opt out from paying the fee, the longer the fee will be in place until that fixed amount is raised.

What is this accreditation thing anyway?

Accreditation is a stamp of approval from a major association of university business schools. We have two types of approval—from government oversight and from independent accreditation bodies.

American Association of Collegiate Business Schools (AACSB) and EFMD (European Federation of Management) are the two accreditation bodies that we work with. Virtually all of our exchange partners are accredited by one of these two bodies.

How does the process work? Prior to the Accreditation visit, the school fills out a 50-page report that describes the operation of the school, including majors and minors, all courses, all professors and their training and publications, the office and advising structure, the career centre and relationship with major employers, etc. Then, 3-4 deans from comparable business schools visit for 2-3 days and interview students, professors, and staff; tour classrooms and libraries; visit with the dean, provost, and university president; and examine financial records, class outlines, and discuss teaching philosophy.

They are completely independent. However, for many rankings you must be accredited before you can be measured in the rankings.

What is the total building cost?

As noted in the Board of Governors document, the Phase 1 budget was 46.1 million and the proposed Phase 2 capital budget is 17.9 million. Phase 2 was originally approved conditional on the 2006 student fee being approved, then conditional on provincial funding in the amount of 18 million dollars in lieu of the student fee that has been turned down. Now that this previously promised government funding has been withdrawn, Phase 2 will only be approved conditional on the current student referendum. The university has provided bridge funding and loan guarantees in the amount of 20.1 million dollars. This amount must be paid back. Fund-raising has provided about 24 million dollars. Another 12 million dollars will be sought through further fund-raising. An MBA student fee along with several small on-campus funding sources will yield a further \$8 million. A \$20 million mortgage will be raised through the annual student fees to support the Sauder building renewal to cover the rest of the total building cost of just under 65 million.

In the next two years, Phase 2 will renovate existing classrooms in Henry Angus floors 2 through 4, provide an expanded and updated Learning Commons; develop a trading room; and provide additional conference rooms.

Who has funded the project to this point?

Phase 1		
Sauder Fundraising (confirmed)	21,226	
Sauder Fundraising (verbal commitment)	850	
Sauder Fundraising (underway)	<u>1,815</u>	
	23,891	(1)
MBA Student Fee (Bridge financed by GPOF)	5,500	
Sauder Borrowing (for façade)	4,400	
BCom Student Fee (Bridge Financed by GPOF)	<u>10,224</u>	
	20,124	(2)
UBC Match	1,985	
Classroom Services (Social Space FF&E)	250	
Provincial Grant (Allocation to Phase 1)	<u>100</u>	(3)
	2,335	
Total Phase 1	<u>46,350</u>	

What is the time-line?

It is not ideal that a decision of this magnitude be made within such a limited time and as your student reps, we deeply regret the fact that the Dean did not keep us informed on the issues pertaining to this decision. Although he was initially relying on the government to keep its commitment of funding the project, they informed the Dean's office the last week before the extended Olympic reading break that they would not be funding the project anytime soon despite the fact that they had it as part of their election campaign (BC Liberals Party). However, the fact remains that we should have been informed, especially given the grandiosity of the issue and the implications it now has on the student body. We apologize for the ill-timed nature of these proposals, however we urge you to understand that this is the situation we now find ourselves in and consider the reasons why we must act swiftly:

1. Phase II has to begin over the summer to avoid class interruptions in September 2011.
2. Phase II cannot begin without secured funding
3. Referendum results need to be sent to the AMS 21 days before they can discuss them and then, following their approval (if the case), they have to then go to the Board of Governors to approve the fee as well.

Pro's and Con's: Where do we get that?

Dialogue on Tuesday; 1-2pm Sauder Exchange Café

What are the options if the fee does not go through?

If the student referendum is not passed, the renewal and renovation of the school will continue, but will take longer and will be far more disruptive. Fund-raising in the business community is becoming increasingly difficult. Money from the operating budget will have to be found and diverted to keep the project moving forward, even in a slower and less efficient way.

Is there room for student input in Phase II?

There is certainly time for student input on finishing issues. That is why we added 4 students to the group advising on classroom design issues (liked tiered seating or flat, tables or tablets, types of chairs etc). There are not a lot of big structural issues for anyone to decide in phase 2 (there was more of that in Phase 1 which had a lot of new space, but this is essentially a renovation of existing space). We are not moving external walls or the hallway walls in this work so that limits what we can do. The only real new space will be the conference centre. We do not have a great deal of flexibility when it comes to classroom sizes or the number of classrooms – we have certain needs that we have to meet or we will not be able to keep all Sauder classes in our buildings. However, we have a number of other issues we would like to consult with students about – beyond classrooms -- including lockers and computer labs, and I think you know we are getting student input on the café and the bookstore.