



The following Motions and Documents were considered by the Board of Governors at its Friday, June 20, 2014 meeting:

Agenda Title: **Saskatchewan Drive Student Residence: Borrowing Resolution and Order in Council**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

a) execute a Borrowing Resolution requesting approval of mortgage financing for the design and construction of the Saskatchewan Drive Student Residence project for a total borrowing amount not to exceed seventeen million five-hundred thousand dollars (\$17,500,000.00) in Canadian funds for a term of not more than twenty-five (25) years at an interest rate of not more than five and one-half percent (5.5%); and

b) make application to the Minister of Infrastructure for the required approval of the Lieutenant Governor in Council.

Final Item: 8ci.

Agenda Title: **Saskatchewan Drive Student Residence: Capital Expenditure Authorization Request (CEAR)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve an expenditure of seventeen million five hundred thousand dollars (\$17,500,000.00) in Canadian funds for a total project cost of forty million dollars (\$40,000,000.00), for the design construction of the Saskatchewan Drive Student Residence. This is subject to confirmation of Institutional and/or Donor funding (Philanthropic) commitment of twenty-two million, five hundred thousand dollars (\$22,500,000.00) prior to commencement of construction.

Final Item: 8cii.

Agenda Title: **Chemical and Materials Engineering Building: Capital Expenditure Authorization Request (CEAR)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve a capital expenditure of seventeen million dollars (\$17,000,000.00) in Canadian funds as provided through the Faculty of Engineering and the Province of Alberta in the support of the functional renewal of the Chemical and Materials Engineering Building.

Final Item: 8ciii.

Agenda Title: **Clinical Sciences Building – Lease of Office Space to the University Hospital Foundation**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

a) Approve a lease of office space to the University Hospital Foundation for a term of ten (10) years with an option for two (2) additional terms of five (5) years each; and

b) Make application to the Minister of Infrastructure for the required approval of the Lieutenant Governor in Council for the granting of this long term lease.

Final Item: 8civ.

Agenda Title: **Dissolution of UDI Subsidiary Holding Corporation**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, subject to the prior approval of the Minister of Innovation and Advanced Education under section 77 of the Post-Secondary Learning Act and approval of the Lieutenant Governor in Council under section 80 of the Financial Administration Act, authorize and approve the dissolution of University Design Inc.

Final Item: 8cv.

Agenda Title: **Proposed Changes to the UAPPOL Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility (UAPPOL)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Human Resources and Compensation Committee and the GFC Executive Committee, approve proposed changes to the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility in UAPPOL, to take effect immediately.

Final Item: 8di.

Agenda Title: **University of Alberta Annual Report to the Government of Alberta**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board University Relations Committee, approve and adopt the University of Alberta 2013-14 Annual Report for submission to the Government of Alberta and empower the Associate Vice-President (Audit & Analysis) to incorporate the University of Alberta Financial Statements for the year ended March 31, 2014 and to make any editorial changes to the Report, as needed, as long as the changes do not have the force of policy.

Final Item: 8ei.

Agenda Title: **Land Asset Strategy: Authorize and Approve the Establishment of a Land Trust**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, subject to the approval of the Minister under section 77 of the Post-secondary Learning Act and approval of the Lieutenant Governor in Council under section 80 of the Financial Administration Act, authorize and approve the incorporation of a subsidiary, a land development company, to act as the trustee of a Trust, to hold and develop certain university lands that may be transferred to it by the Board of Governors, subject to the terms and conditions of the Trust and the composition of the Trust Board and governance structure coming back to the Board of Governors for approval.

Final Item: 9a.

Agenda Title: **University Funds Investment Policy**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Funds Investment Policy effective April 1, 2014, as set forth in Attachment 1 to the agenda documentation.

Final Item: 10a.

Agenda Title: **Committee Appointments**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Chair, Mr Douglas Goss, approve the appointments and reappointments to the Board and other Committees as set forth in Attachment 1 to the agenda documentation.

Final Item: 11a.

OUTLINE OF ISSUE

Agenda Title: **Saskatchewan Drive Student Residence: Borrowing Resolution and Order in Council**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

- a) execute a Borrowing Resolution requesting approval of mortgage financing for the design and construction of the Saskatchewan Drive Student Residence project for a total borrowing amount not to exceed seventeen million five-hundred thousand dollars (\$17,500,000.00) in Canadian funds for a term of not more than twenty-five (25) years at an interest rate of not more than five and one-half percent (5.5%); and
- b) make application to the Minister of Infrastructure for the required approval of the Lieutenant Governor in Council.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President, Facilities and Operations
Presenter	Don Hickey, Vice-President, Facilities and Operations
Subject	Saskatchewan Drive Student Residence – Financing

Details

Responsibility	Facilities and Operations
The Purpose of the Proposal is (please be specific)	To obtain financing for a portion of the design and construction of the Saskatchewan Drive Student Residence. A borrowing resolution and borrowing motion requires the approval of the Board of Governors, based on the recommendation of the Board Finance and Property Committee, in order that the required Order in Council may be obtained from the Government of Alberta prior to undertaking construction of the facility.
The Impact of the Proposal is	Facilitates the construction of a 143 bed residence adding to the University’s goal of housing 25% of its full-time enrolment in purpose built student housing.
Replaces/Revises	n/a
Timeline/Implementation Date	Subject to approval, substantial completion is scheduled for August of 2016.
Estimated Cost	Total project cost is estimated at forty million (\$40,000,000.00) in Canadian funds.
Sources of Funding	Institutional funding and Alberta Capital Finance Authority
Notes	(Please see Opportunity Paper attached with the “Saskatchewan Drive Student Residence – Capital Expenditure Authorization Request (CEAR)” item for additional background information, if required.) Given current trending of Alberta Capital Financing Authority interest rates, it is likely that the prevailing interest rate at the time of borrowing will not exceed 5.5%. Financial assumptions are built on an interest rate of 5.5% amortized over 25 years.

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Academic Plan (Dare to Deliver), Long Range Development Plan
Compliance with Legislation,	<i>Post-Secondary Learning Act</i>

Item No. 8ci

<p>Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)</p>	<p><i>The Post-secondary Learning Act, Section 73(1) Subject to the approval of the Lieutenant Governor in Council, a board, for the purposes of the public post-secondary institution, may from time to time borrow any sums of money the board requires and may from time to time issue notes, bonds, debentures or other securities that (a) bear interest at a rate or rates determined by the board,(b) are in a denomination or denominations determined by the board,(c) are payable as to principal and interest(i) in the currency or currencies of any country or countries,(ii) at any place or places,(iii) at any time or times, and(iv) in any manner, determined by the board,(d) may be made redeemable in whole or in part in advance of maturity (i) at any time or times,(ii) on any terms, and(iii) at any price or prices, either with or without premium, determined by the board, and (e) may be issued in amounts that will realize the net sum required by the board for the purposes of the public post-secondary institution.</i></p> <p><u>BFPC Terms of Reference – Sections 3 and 4 state:</u></p> <p>3. <u>MANDATE OF THE COMMITTEE</u></p> <p><i>Except as provided in paragraph 4 and in the Board’s General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University(...)</i></p> <p><i>Without limiting the generality of the foregoing, the Committee shall:</i></p> <p><i>g) review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million.</i></p> <p>4. <u>LIMITATIONS ON DELEGATION BY THE BOARD</u></p> <p><i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</i></p> <p><i>(c) approve capital expenditures of more than \$7 million or more or expenditures which, when combined with other expenditures for the same period, would equal more than \$7 million.</i></p>
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Routing (Include meeting dates)

<p>Consultative Route (parties who have seen the proposal and in what capacity)</p>	<ul style="list-style-type: none"> • September 10, 2013 – Garneau representatives attend focus group to review draft material for North Campus Long Range Development Plan, which includes information about past and future plans for East Campus Village. • September 16, 2013 – Garneau focus group attend meeting with U of A staff to review 5-year development plans for East Campus Village. • September 25, 2013 – North Campus Long Range Development Plan Open House • January 8, 2014 – Open House showing site options and conceptual design • January 23, 2014 – President’s Executive Committee – Operational (PEC-O) • March 6, 2014 – Meeting with Garneau community focus group to review preliminary design • April 2, 2014 – Second Open House showing preliminary design
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Item No. 8ci

Approval Route (Governance) (including meeting dates)	Board Finance Property Committee (BFPC) – May 27, 2014 (for recommendation to Board of Governors) Board of Governors (BG) – June 20, 2014 (for approval)
Final Approver	Board of Governors

Attachments:

1. Proforma (Most likely case)
2. Borrowing Resolution

Prepared by:

Doug Dawson, Executive Director
Ancillary Services
Telephone: 780-492-1421
Email: doug.dawson@ualberta.ca

Net Cash Flow	(\$131,250)	(\$84,891)	(\$56,836)	(\$28,303)	\$712	\$30,213	\$60,205	\$90,692	\$121,679	\$153,170	\$185,167	\$217,676	\$250,700	\$284,241	\$318,302
Cumulative Cash Flow	(\$131,250)	(\$216,141)	(\$272,977)	(\$301,280)	(\$300,568)	(\$270,356)	(\$210,151)	(\$119,458)	\$2,221	\$155,390	\$340,558	\$558,234	\$808,934	\$1,093,174	\$1,411,477

25 year Amortization Table									
Interest Rate		5.50%							
Semi-Annual Payment		\$648,216							
Year	Beginning Balance	Period Interest	Payment	Interest Payment	Capital Payment	Ending Balance		Annual Payment	
						\$17,500,000		\$1,296,432	
1	\$17,500,000	\$481,250	\$648,216	\$481,250	\$166,966	\$17,333,034			
1	\$17,333,034	\$476,658	\$648,216	\$476,658	\$171,558	\$17,161,476			
2	\$17,161,476	\$471,941	\$648,216	\$471,941	\$176,275	\$16,985,201			
2	\$16,985,201	\$467,093	\$648,216	\$467,093	\$181,123	\$16,804,078			
3	\$16,804,078	\$462,112	\$648,216	\$462,112	\$186,104	\$16,617,974			
3	\$16,617,974	\$456,994	\$648,216	\$456,994	\$191,222	\$16,426,752			
4	\$16,426,752	\$451,736	\$648,216	\$451,736	\$196,480	\$16,230,272			
4	\$16,230,272	\$446,332	\$648,216	\$446,332	\$201,884	\$16,028,388			
5	\$16,028,388	\$440,781	\$648,216	\$440,781	\$207,435	\$15,820,952			
5	\$15,820,952	\$435,076	\$648,216	\$435,076	\$213,140	\$15,607,813			
6	\$15,607,813	\$429,215	\$648,216	\$429,215	\$219,001	\$15,388,811			
6	\$15,388,811	\$423,192	\$648,216	\$423,192	\$225,024	\$15,163,788			
7	\$15,163,788	\$417,004	\$648,216	\$417,004	\$231,212	\$14,932,576			
7	\$14,932,576	\$410,646	\$648,216	\$410,646	\$237,570	\$14,695,005			
8	\$14,695,005	\$404,113	\$648,216	\$404,113	\$244,103	\$14,450,902			
8	\$14,450,902	\$397,400	\$648,216	\$397,400	\$250,816	\$14,200,086			
9	\$14,200,086	\$390,502	\$648,216	\$390,502	\$257,714	\$13,942,372			
9	\$13,942,372	\$383,415	\$648,216	\$383,415	\$264,801	\$13,677,571			
10	\$13,677,571	\$376,133	\$648,216	\$376,133	\$272,083	\$13,405,488			
10	\$13,405,488	\$368,651	\$648,216	\$368,651	\$279,565	\$13,125,923			
11	\$13,125,923	\$360,963	\$648,216	\$360,963	\$287,253	\$12,838,670			
11	\$12,838,670	\$353,063	\$648,216	\$353,063	\$295,153	\$12,543,517			
12	\$12,543,517	\$344,947	\$648,216	\$344,947	\$303,269	\$12,240,248			
12	\$12,240,248	\$336,607	\$648,216	\$336,607	\$311,609	\$11,928,638			
13	\$11,928,638	\$328,038	\$648,216	\$328,038	\$320,179	\$11,608,460			
13	\$11,608,460	\$319,233	\$648,216	\$319,233	\$328,983	\$11,279,476			
14	\$11,279,476	\$310,186	\$648,216	\$310,186	\$338,030	\$10,941,446			
14	\$10,941,446	\$300,890	\$648,216	\$300,890	\$347,326	\$10,594,120			
15	\$10,594,120	\$291,338	\$648,216	\$291,338	\$356,878	\$10,237,242			
15	\$10,237,242	\$281,524	\$648,216	\$281,524	\$366,692	\$9,870,550			
16	\$9,870,550	\$271,440	\$648,216	\$271,440	\$376,776	\$9,493,774			
16	\$9,493,774	\$261,079	\$648,216	\$261,079	\$387,137	\$9,106,637			
17	\$9,106,637	\$250,433	\$648,216	\$250,433	\$397,784	\$8,708,853			
17	\$8,708,853	\$239,493	\$648,216	\$239,493	\$408,723	\$8,300,130			

18	\$8,300,130	\$228,254	\$648,216	\$228,254	\$419,963	\$7,880,168			
18	\$7,880,168	\$216,705	\$648,216	\$216,705	\$431,511	\$7,448,656			
19	\$7,448,656	\$204,838	\$648,216	\$204,838	\$443,378	\$7,005,278			
19	\$7,005,278	\$192,645	\$648,216	\$192,645	\$455,571	\$6,549,707			
20	\$6,549,707	\$180,117	\$648,216	\$180,117	\$468,099	\$6,081,608			
20	\$6,081,608	\$167,244	\$648,216	\$167,244	\$480,972	\$5,600,636			
21	\$5,600,636	\$154,018	\$648,216	\$154,018	\$494,199	\$5,106,438			
21	\$5,106,438	\$140,427	\$648,216	\$140,427	\$507,789	\$4,598,649			
22	\$4,598,649	\$126,463	\$648,216	\$126,463	\$521,753	\$4,076,896			
22	\$4,076,896	\$112,115	\$648,216	\$112,115	\$536,101	\$3,540,794			
23	\$3,540,794	\$97,372	\$648,216	\$97,372	\$550,844	\$2,989,950			
23	\$2,989,950	\$82,224	\$648,216	\$82,224	\$565,992	\$2,423,957			
24	\$2,423,957	\$66,659	\$648,216	\$66,659	\$581,557	\$1,842,400			
24	\$1,842,400	\$50,666	\$648,216	\$50,666	\$597,550	\$1,244,850			
25	\$1,244,850	\$34,233	\$648,216	\$34,233	\$613,983	\$630,867			
25	\$630,867	\$17,349	\$648,216	\$17,349	\$630,867	\$0			

**RESOLUTION OF
THE BOARD OF GOVERNORS OF THE UNIVERSITY OF ALBERTA**

Whereas:

- A. The Board of Governors, to carry out the purposes of the University of Alberta, deems it appropriate and necessary to proceed with the construction of the Saskatchewan Drive Student Residence at a currently budgeted cost of Forty Million Dollars in Canadian funds (\$40,000,000.00) (the “Project”);

And

- B. The Board of Governors considers it appropriate and necessary that the University of Alberta, in accordance with this Resolution, fund a portion of the Project by borrowing an amount not to exceed Seventeen Million Five-Hundred Thousand Dollars in Canadian funds (\$17,500,000.00) from the Lender defined herein.

IT IS HEREBY RESOLVED THAT:

1. Pursuant to Section 73 of the *Post-Secondary Learning Act* and subject to the prior approval of the Lieutenant Governor in Council, the Board of Governors, for the purposes of the University of Alberta, authorizes and approves the borrowing of an amount to fund a portion of the Project not to exceed Seventeen Million Five-Hundred Thousand Dollars in Canadian funds (\$17,500,000.00) (the “Loan”).
2. The Loan be:
 - (a) from a lender (the “Lender”) which is the Alberta Capital Finance Authority in an amount not to exceed Seventeen Million Five-Hundred Thousand Dollars in Canadian funds (\$17,500,000.00);
 - (b) for a term not to exceed twenty-five (25) years;
 - (c) at an interest rate not to exceed five and one-half percent (5.5%) per annum;

and that within the foregoing parameters, the establishment of the amount, term and interest rate be made by the Vice-President (Finance and Administration).

3. To secure the repayment of the Loan, the University of Alberta grants to the Lender such security as may be required by the Lender and agreed to by the Vice-President (Finance and Administration).

4. The Vice-President (Finance and Administration) be and is hereby authorized for and on behalf of the University of Alberta:
 - a) to negotiate, execute and deliver to the Lender such notes, bonds, debentures or other securities in such form, with or without seal, and containing such terms and conditions related to the Loan including amount, denomination, time and place of payment, principal and interest and redemption as agreed with such Lender;
 - b) to include in the security agreed with such Lender in conjunction with the Loan all such securities, debentures, charges, pledges, mortgages, conveyances, assignments and transfers to or in favour of the Lender of all or any property, real or personal, moveable or immovable, owned by the University of Alberta or in which it may have an interest as may be agreed with such Lender;
 - c) to give to the Lender any other documents or contracts necessary to give or furnish to the Lender the security or securities required by the Lender including without limiting the generality of the foregoing, all or any receivables, book debts due or growing due, stocks, bonds, insurance policies, promissory notes, bills of exchange and securities of all kinds.
5. All agreements, securities, documents and instruments purporting to be signed, made, drawn, accepted, executed or endorsed as hereinbefore provided shall be valid and binding upon the University of Alberta.
6. The Lender shall be furnished with a certified copy of this Resolution.

I hereby certify that this Resolution has full force and effect on the ____ day of _____, 2014.

Chair of The Board of Governors of the
University of Alberta

OUTLINE OF ISSUE

Agenda Title: **Saskatchewan Drive Student Residence: Capital Expenditure Authorization Request (CEAR)**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve an expenditure of seventeen million five hundred thousand dollars (\$17,500,000.00) in Canadian funds for a total project cost of forty million dollars (\$40,000,000.00), for the design construction of the Saskatchewan Drive Student Residence. This is subject to confirmation of Institutional and/or Donor funding (Philanthropic) commitment of twenty-two million, five hundred thousand dollars (\$22,500,000.00) prior to commencement of construction.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President, Facilities and Operations
Presenter	Don Hickey, Vice-President, Facilities and Operations
Subject	Saskatchewan Drive Student Residence – Capital Expenditure Authorization Request (CEAR)

Details

Responsibility	Facilities and Operations																		
The Purpose of the Proposal is (please be specific)	To obtain the Board of Governors' approval for an expenditure of \$17,500,000.00 for a total expenditure of \$40,000,000.00 to complete the construction of the Saskatchewan Drive Student Residence in East Campus Village.																		
The Impact of the Proposal is	The project will increase access to university residences and the living-learning opportunities they provide in accordance with the university's goal of accommodating 25% of students in residences. The project also supports institutional goals as they relate to recruitment and retention of students and support of student achievement, and fostering community. A total of seven houses will be removed to accommodate the new building with one of those houses being relocated elsewhere in East Campus Village.																		
Replaces/Revises (eg, policies, resolutions)	n/a																		
Timeline/Implementation Date	The project is anticipated to commence construction upon confirmation of the donor commitment of twenty-two million, five hundred thousand dollars (\$22,500,000.00) and upon approval of borrowing and receipt of an Order In Council from the Government of Alberta and targeted to reach substantial completion in August 2016.																		
Estimated Cost	Total project cost is estimated at \$40,000,000.00.																		
Sources of Funding	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">CEAR Funding Information</th> </tr> <tr> <th style="text-align: center;">Number</th> <th style="text-align: center;">Funding Source</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">13-104</td> <td>Mortgage ACFA</td> <td style="text-align: right;">\$17,500,000.00</td> </tr> <tr> <td style="text-align: center;">13-104</td> <td>Institutional and Donor Funding</td> <td style="text-align: right;">\$22,500,000.00</td> </tr> <tr> <td colspan="2" style="text-align: right;">TOTAL</td> <td style="text-align: right;">\$40,000,000.00</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	CEAR Funding Information			Number	Funding Source	Amount	13-104	Mortgage ACFA	\$17,500,000.00	13-104	Institutional and Donor Funding	\$22,500,000.00	TOTAL		\$40,000,000.00			
CEAR Funding Information																			
Number	Funding Source	Amount																	
13-104	Mortgage ACFA	\$17,500,000.00																	
13-104	Institutional and Donor Funding	\$22,500,000.00																	
TOTAL		\$40,000,000.00																	
Notes	Board Finance and Property Committee (BFPC) will be notified of any substantive changes as outlined in the motion.																		

Item No. 8cii

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Academic Plan (Dare to Deliver), Long Range Development Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)	<p>PSLA Act, Section 60 (1) (b) refers: <i>The Board of a public post-secondary institution shall develop, manage, and operate, alone or in co-operation with any person or organization, programs, services and facilities for the educational or cultural advancement of the people of Alberta.</i></p> <p>BFPC Terms of Reference, Section 3) g states: 3. MANDATE OF THE COMMITTEE <i>Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing, the Committee shall:</i> g) review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million.</p> <p>BFPC Terms of Reference, Section 4) c states: 4. LIMITATIONS ON DELEGATION BY THE BOARD <i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</i> (c) approve capital expenditures of more than \$7 million or expenditures which, when combined with other expenditures for the same project, would equal more than \$7 million;</p>

Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	<ul style="list-style-type: none"> • September 10, 2013 – Garneau representatives attend focus group to review draft material for North Campus Long Range Development Plan, which includes information about past and future plans for East Campus Village. • September 16, 2013 – Garneau focus group attend meeting with U of A staff to review 5-year development plans for East Campus Village. • September 25, 2013 – North Campus Long Range Development Plan Open House. • January 8, 2014 – Open House showing site options and conceptual design. • January 23, 2014 – President's Executive Committee - Operational (PEC-O). • March 6, 2014 – Meeting with Garneau community focus group to review preliminary design. • April 2, 2014 – Second Open House showing preliminary design.
Approval Route (Governance) (including meeting dates)	Board Finance and Property Committee (BFPC) – May 27, 2014 (for recommendation to Board of Governors) Board of Governors – June 20, 2014 (for approval)
Final Approver	Board of Governors

Attachments

1. Briefing Note (2 pages)
2. Saskatchewan Drive Student Residence Opportunity Paper (16 pages)

Prepared by:

Pat Jansen, Executive Director, Planning and Project Delivery
Facilities and Operations
Telephone: 780-492-1747
Email: pat.jansen@ualberta.ca

Saskatchewan Drive Student Residence – Capital Expenditure Authorization Request (CEAR)

Background

The intent of this capital project is to initiate the construction of a student housing development located on Saskatchewan Drive in East Campus Village, and formally known as part of Sector 7/8.

The University proposes to construct 143 new student spaces in a multi-purpose building on Saskatchewan Drive between 110th Street and 111th Street in East Campus Village contributing to its goal of accommodating 25% of its full-time enrolment in purpose-built, on-campus housing. This building will feature multiple bedroom configurations (1 and 2 bedroom) organized in “forums” of approximately 11 students. The buildings will feature the appropriate amount of amenity or programmable space required to deliver support services for students and host lectures and/or seminars in the evenings and on weekends. In order to foster a sense of community, students will take meals together in a dining hall to be designed as a “flex” space able to accommodate guest speakers and host functions. A total of seven houses along Saskatchewan Drive between 110th and 111th Streets must be removed to accommodate this development. All students or faculty affected by the construction will be accommodated elsewhere in the residence system or alternate office environments.

The Saskatchewan Drive Student Residence will be constructed on one of the most desirable sites in the city with rooms featuring stunning views of the North Saskatchewan River valley; the Legislature and downtown Edmonton. The building will contain a fitness centre, quiet study areas, social spaces, bike lockers, Faculty-in-Residence, and furniture and fixtures reflecting the quality of the location. The residence will be constructed with a sustainability target of Green Globe 4 Stars.

Issues

Students residing on campus can derive numerous benefits from their living-learning communities. Students’ academic experiences are enriched by linking learning with other aspects of their lives and many institutional goals are met related to student recruitment, retention and achievement.

An outline of the challenges, issues and constraints related to the construction of new student housing was presented by the Vice-President, Facilities and Operations, to the President and her team in November 2011 as part of the President’s Executive Committee (PEC) 2015 visioning exercise. The 2014 Comprehensive Institutional Plan (CIP) identifies expansion of student housing as a strategic priority for the University of Alberta.

A total of seven houses on the site between 110th Street and 111th Street and between 90th Avenue and Saskatchewan Drive must be removed in order to make room for the new development. The University is exploring ways to offer these houses to interested parties for removal and reuse on other sites. One of the houses on the site is to be relocated to 89th

Saskatchewan Drive Student Residence – Capital Expenditure Authorization Request (CEAR)

Briefing Note

Avenue in East Campus Village to house services for students in the area. This proposal is in compliance with the Long Range Development Plan and will comply with the required design guidelines. As design progresses, we will continue to meet with the community in accordance with the Long Range Development Plan and the Guidelines for Infill Development created in collaboration with the Garneau community.

In order to minimize the financial risk and meet the project goals, the project must open in August of 2016; to accomplish this, various construction delivery models are under analysis.

The project cost is estimated to be \$40,000,000.00, with \$17,500,000.00 to be acquired (pending approval through an Order in Council) from the Alberta Capital Financing Authority via a traditional mortgage at a maximum interest rate of five and one half percent (5.5%) over twenty-five (25) years. The remaining \$22,500,000.00 will be provided by philanthropic donation.

Working with the newly appointed Founding Principal, the project steering committee is providing ongoing assessments related to recently defined area requirements and development scenarios.

Recommendation

Please see Motion on Outline of Issue.



Saskatchewan Drive Student Residence

Opportunity Paper

The following paper has been developed based on an outline provided by the Government of Alberta for use, along with supporting documentation, in considering projects under \$40 million in value that require capital borrowing requirements.

Project Introduction

A Place to Live – A Place to Learn

Students residing on campus – and the institution at which those students are enrolled – derive numerous benefits from their living-learning communities. The students' academic experience is enriched by linking learning with other aspects of their lives, and many institutional goals are met as they relate to student recruitment, retention and achievement.

In a time of competing needs and economic uncertainty, it is critical our limited post-secondary resources be dedicated to those areas directly relating to student achievement. That is why the provision of sufficient on-campus housing for learners is so important – because it significantly impacts and supports their success and directs limited resources to where they are needed most – and assists institutions in meeting overall goals and objectives.

In order to improve access to the University of Alberta for rural Albertans and students from abroad, and to further enhance its leadership development capacity, additional accessible and supportive purpose-built student housing is required.

It is the goal of the University of Alberta to house up to 25% of its fulltime enrolment in purpose-built student housing on its various campuses.

Student Achievement and Growth

Purpose-built student housing presents environments which are touchstones that support areas that are of strategic importance to the university.

- Academic Success – residences can assist students to achieve higher grade point averages compared to those not living on campus, resulting from programs and procedures structured to prioritize academic success. They also tend to experience higher intellectual growth concerning openness to new concepts and critical and abstract thinking and greater levels of active and collaborative learning.¹
- Leadership Development – when incorporated in residence life programs, can have a significant impact on student personal growth and achievement, community development, and overall institutional leadership development goals. They tend to demonstrate a higher sense of civic engagement and giving back to their community. Engagement – students in living-learning environments tend to demonstrate:²
 - Enhanced participation in extracurricular activities

¹ Blimling, G. (1999) A Meta-Analysis of the Influence of College Residence Halls on Academic Performance
Journal of College Student Development, 40(5), 551-561

² Center for Student Studies (2007-2011) The National Study of Living Learning Programs website may be found at: <http://www.livelearnstudy.net/contactus.html>

- More quality interactions with peers, faculty, and staff
 - Greater personal and practical learning
 - A pronounced “sense of belonging” concerning their social environment
 - Life-long support and commitment to their alma mater
- Retention – on-campus community living programs, especially those targeted at learners with a higher risk of leaving (e.g. rural students), have a significant impact on ensuring students complete their studies³
 - Recruitment – the U of A is leveraging its existing residence capacity to attract international, rural, Aboriginal peoples and graduate students to meet institutional goals.

Project Scope and Objectives

The University of Alberta is proposing to build residences focussing on leadership development. The University proposes to construct 143 new student spaces in a multi-purpose building on Saskatchewan Drive between 110th Street and 111th Street in East Campus Village.

This building will feature multiple bedroom configurations (1 and 2 bedroom) organized in “forums” of approximately 11 students. The buildings will feature the appropriate amount of amenity or programmable space required to deliver support services for students, and host lectures in the evenings and on weekends. In order to foster a sense of community, students will take meals together in a dining hall (meal plan) to be designed as a “flex” space able to accommodate guest speakers and host functions. A total of seven houses along Saskatchewan Drive between 110th and 111th Streets must be removed to accommodate this development. All students or faculty affected by the construction will be accommodated elsewhere in the residence system or alternate office environments.

See appendix 6 for site plan and appendices 7 and 8 for proposed typical room layouts.

General Needs Analysis

Despite currently having capacity to accommodate 4,459 students on its Edmonton campuses, at no time over the last decade has the University been able to address demand.

- Between 2007 and 2013, averages of over 5,000 applications for housing are received annually.
- During the same period, on average, only 2,639 spaces are available due to the number of students continuing into each term.
- Targeted growth of graduate and international student population requires supportive housing options.

³ Statistics Canada (2005) Youth in Transition Survey: Participation in Postsecondary Education website may be found at: <http://www.statcan.gc.ca/daily-quotidien/071120/dq071120b-eng.htm>

Noble, K., Flynn, N. T., Lee, J. D., & Hilton, D. (2007) Predicting Successful College Experiences: Evidence from a First Year Retention Program Journal of College Student Retention, 9(1), 39-60

- New spaces relieve pressure on other communities notably those valued by students from rural areas entering university for the first time (Lister Hall, for example).

Proposed Project Timeline

Task	Approximate Date
Award Contract for Design Services	October 2013
Award Contractor	Summer 2014
Detailed Design Completion	Spring 2014
Substantial Completion	Spring 2016

Strategic Alignment

The chart below indicates how student residences support the associated strategies of the U of A's Business Plan and the cornerstones of the Dare to Discover initiative.

U of A Goal	How Student Housing Supports Goal and/or Dare to Discover Cornerstones	Impact
Attract and retain talented people	<ul style="list-style-type: none"> ▪ Provides accommodation for current and anticipated enrolment demands ▪ Assists with undergraduate and graduate recruitment by providing modern, safe, and comfortable accommodation and ancillary support facilities ▪ Positions the U of A to pursue an undergraduate to graduate/faculty student ratio comparable with other top rated universities ▪ Student housing attracts highly qualified and capable Canadian and international undergraduate students. Facilitates the development of a strong and nurturing culture within the U of A 	High
Excellence in learning, discovery and citizenship	<ul style="list-style-type: none"> ▪ Supports developing a Discovery Learning Network by working with all faculties to implement appropriate programs (e.g. 1st year introductory courses for targeted students) ▪ Drives international recruitment efforts and enriches student interaction with peers and 	High

U of A Goal	How Student Housing Supports Goal and/or Dare to Discover Cornerstones	Impact
	<p>faculty</p> <ul style="list-style-type: none"> ▪ Residence facilities assist in providing co-curricular offerings that integrate learning, discovery, and citizenship to develop the intellect and the imagination ▪ Supports mentorship and peer-based activities and dedicated facilities to inspire high achievement, improve retention, and enhance graduation rates ▪ Extensive volunteering by in-residence students in the local community 	
<p>Transformative organization and support</p>	<ul style="list-style-type: none"> ▪ Increased interaction between faculty and students, enhancing the learning experience ▪ Supports the U of A's Long Range Development Plan, Capital Plan and land asset management policies ▪ Builds on and formalizes many of the sustainability practices and approaches currently undertaken on campus 	<p>High</p>
<p>Forge strong connections with the community (locally, nationally and internationally)</p>	<ul style="list-style-type: none"> ▪ Residences promote easy and ready access to the local community and nearby facilities thereby enhancing relationships ▪ Students in residence participate in numerous community volunteer activities ▪ Enhances reputation of U of A through opportunities for ongoing dialogue and discussion ▪ Assists in the attraction and retention of international students ▪ Provides for more efficient use of site (densification) consistent with sustainable development practices 	<p>High</p>

Consultation

- September 10, 2013 – Garneau representatives attend focus group to review draft material for North Campus Long Range Development Plan, which includes information about past and future plans for East Campus Village.
- September 16, 2013 – Garneau focus group attend meeting with U of A staff to review 5-year development plans for East Campus Village.
- September 25, 2013 – North Campus Long Range Development Plan Open House
- January 8, 2014 – Open House showing site options and conceptual design

Additional/Future Meetings

- March 6, 2014 - Meeting with Garneau community focus group to review preliminary design
- April 2, 2014 – Second Open House showing preliminary design
- (TBD) – Meet with Garneau community focus group to review community responses on the project

Project Risk Assessment

Risk	Probability	Mitigation	Comments
<ul style="list-style-type: none"> • Over budget 	<ul style="list-style-type: none"> • Unlikely 	<ul style="list-style-type: none"> • The University will assign a professional Project Manager 	<ul style="list-style-type: none"> • The Project Management Office is familiar with housing projects and recently delivered Tamarack and Pinecrest Houses on budget and on-time
<ul style="list-style-type: none"> • Late delivery 	<ul style="list-style-type: none"> • Unlikely to moderate 	<ul style="list-style-type: none"> • See above • Work with GoA officials re: timing of the Order in Council 	<ul style="list-style-type: none"> • See above
<ul style="list-style-type: none"> • Insufficient demand 	<ul style="list-style-type: none"> • Unlikely 	<ul style="list-style-type: none"> • Proposed housing is being purpose-built for students “targeted” for recruitment by the university • Marketing strategies will be in place • 2010 Student Housing Market Survey showed strong preferences for living on-campus 	<ul style="list-style-type: none"> • On-campus housing remains in high demand (see above – General Needs Analysis)
<ul style="list-style-type: none"> • Students will react unfavorably 	<ul style="list-style-type: none"> • Moderate to likely 	<ul style="list-style-type: none"> • Communications strategies 	<ul style="list-style-type: none"> • Annual agreements are in place in ECV Graduate Housing, Newton Place,

to required long-term agreements		<ul style="list-style-type: none"> • Opportunities for sublet • Available options elsewhere in the system (HUB, Garneau walk-ups, etc.) 	Tamarack House, Pinecrest House and Michener Park <ul style="list-style-type: none"> • Vacancy rates remain low and within predicted ranges
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Cost Estimate

Construction Element	Estimate
Soft Costs	\$ 9,523,760
Hard Costs	\$ 25,841,303
Sub Total Soft and Hard Costs	\$ 35,365,063
Contingency	\$ 4,002,041
Sub Total	\$ 39,367,104
GST @ 1.65%	\$ 632,896 (rounded)
Total Project Cost	\$ 40,000,000

Source of Funding

University of Alberta – Donor Equity	\$22,500,000 (rounded)
Alberta Capital Finance Authority Financing <ul style="list-style-type: none"> • 5.5% interest (Likely Case) • 25 year amortization 	\$17,500,000

Operating Costs

Student residences at the University of Alberta are ancillary operations. All operating costs including debt servicing are covered by revenue generation. The financial proforma (Appendix 9) represents the “Most Likely case” scenario as the basis for funding approval. Early year operating deficits will be covered by Ancillary Services’ consolidated reserve position.

A conservative approach to vacancy has been used (5% “Likely case”).

The attached proforma anticipates 0.75% contribution to capital reserves. This represents an increase compared to other U of A projects due to the requirement to maintain a commercial kitchen in this residence. This is felt to be adequate given Ancillary Services' access to other sources of revenue, such as recoverable costs from tenants due to extraordinary damages or wear and tear.

Please note that revenue from laundry and other assessments does not accrue to the project in the attached proforma; they are credited to Ancillary Services' general revenue.

Room and Board

As mentioned above, students will participate in an "All You Care to Eat" (AYCTE) meal program in the residence. These programs are instrumental in building community and facilitate informal and formal interactions among students and faculty. The AYCTE program differs from the declining balance program in Lister Hall. In Lister, the 1,750+ students subscribe to a program where their meal cards are loaded with a predetermined cash balance and the actual cost of what they eat is deducted. In the Saskatchewan Drive Student Residence, proposed programming would suggest that the AYCTE program is more appropriate given the benefits of the smaller population of students dining together.

The Saskatchewan Drive Student Residence will be constructed on one of the most desirable sites in the City with rooms featuring stunning views of the North Saskatchewan River valley; the Legislature and downtown Edmonton. The building will contain a fitness centre, quiet study areas, social spaces, bike lockers, Faculty-in-Residence and furniture and fixtures reflecting the quality of the location. The residence will be constructed with a sustainability target of Green Globe 4 Stars.

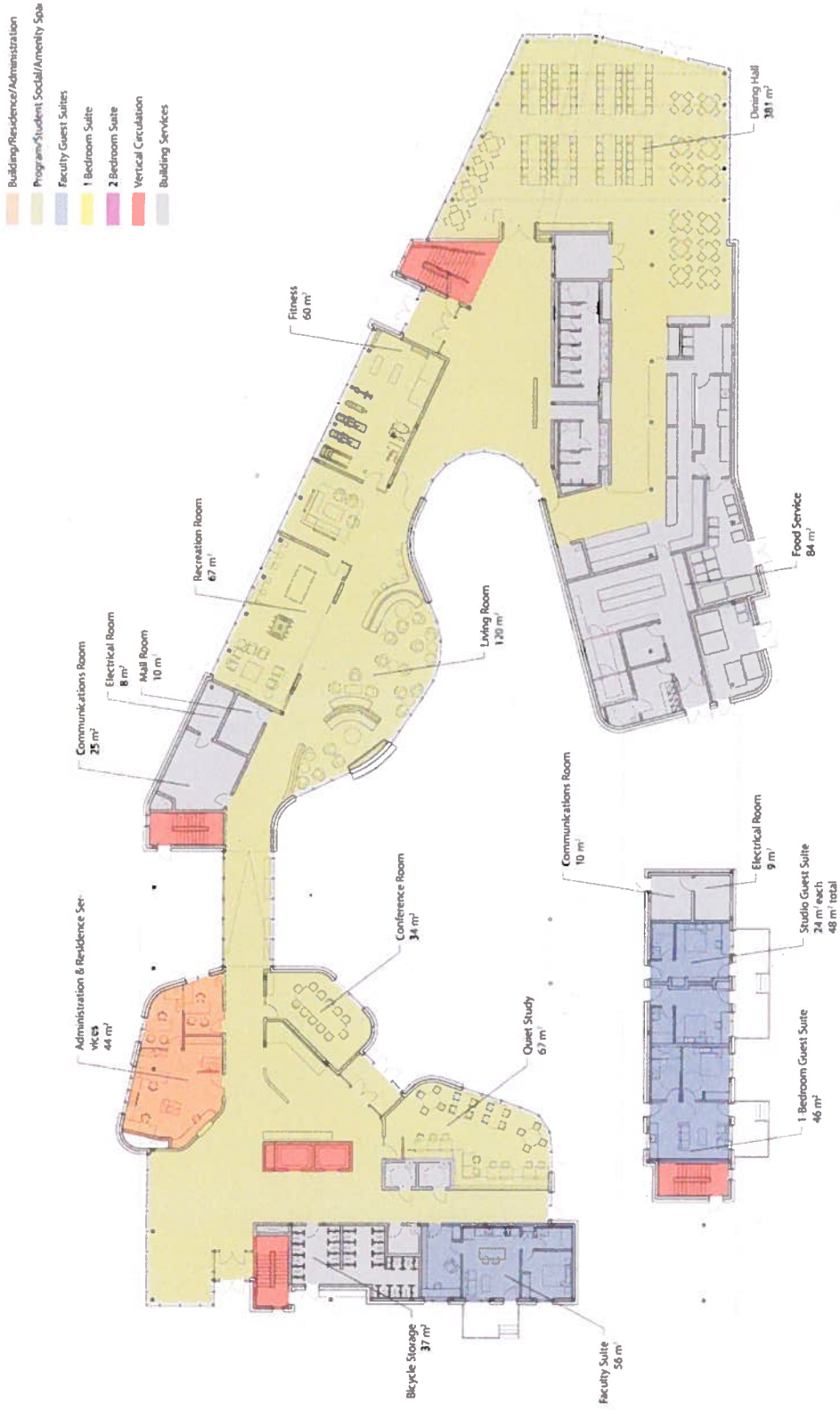
Alternatives

- **Not applicable**

Recommendation

In order to improve access to the University of Alberta for students seeking an enriched post-secondary experience, additional accessible and supportive purpose-built student housing is required. And, in order to further develop the University's successful residential leadership development cohort, it is recommended that the University of Alberta construct a residence to accommodate approximately 143 students.

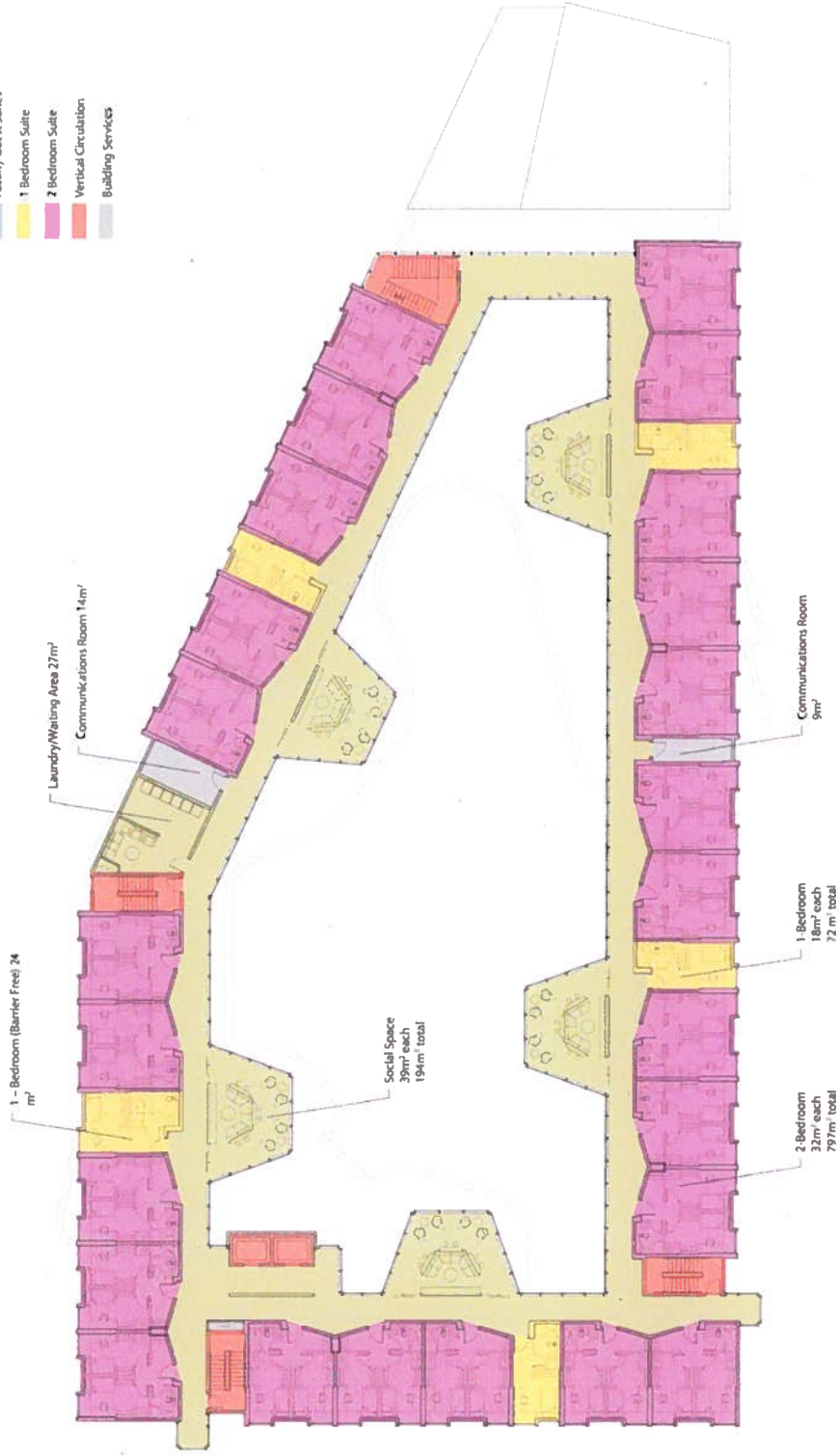
Functional Plan Level One



JANUARY 2014 | FUNCTIONAL PLAN | U OF A

Functional Plan Level Two

- Building/Residence/Administration
- Program/Student Social/Amenity Space
- Faculty Guest Suites
- 1 Bedroom Suite
- 2 Bedroom Suite
- Vertical Circulation
- Building Services



Functional Plan Level Three

- Building/Residence/Administration
- Program/Student Social/Amenity Space
- Faculty Guest Suites
- 1 Bedroom Suite
- 2 Bedroom Suite
- Vertical Circulation
- Building Services

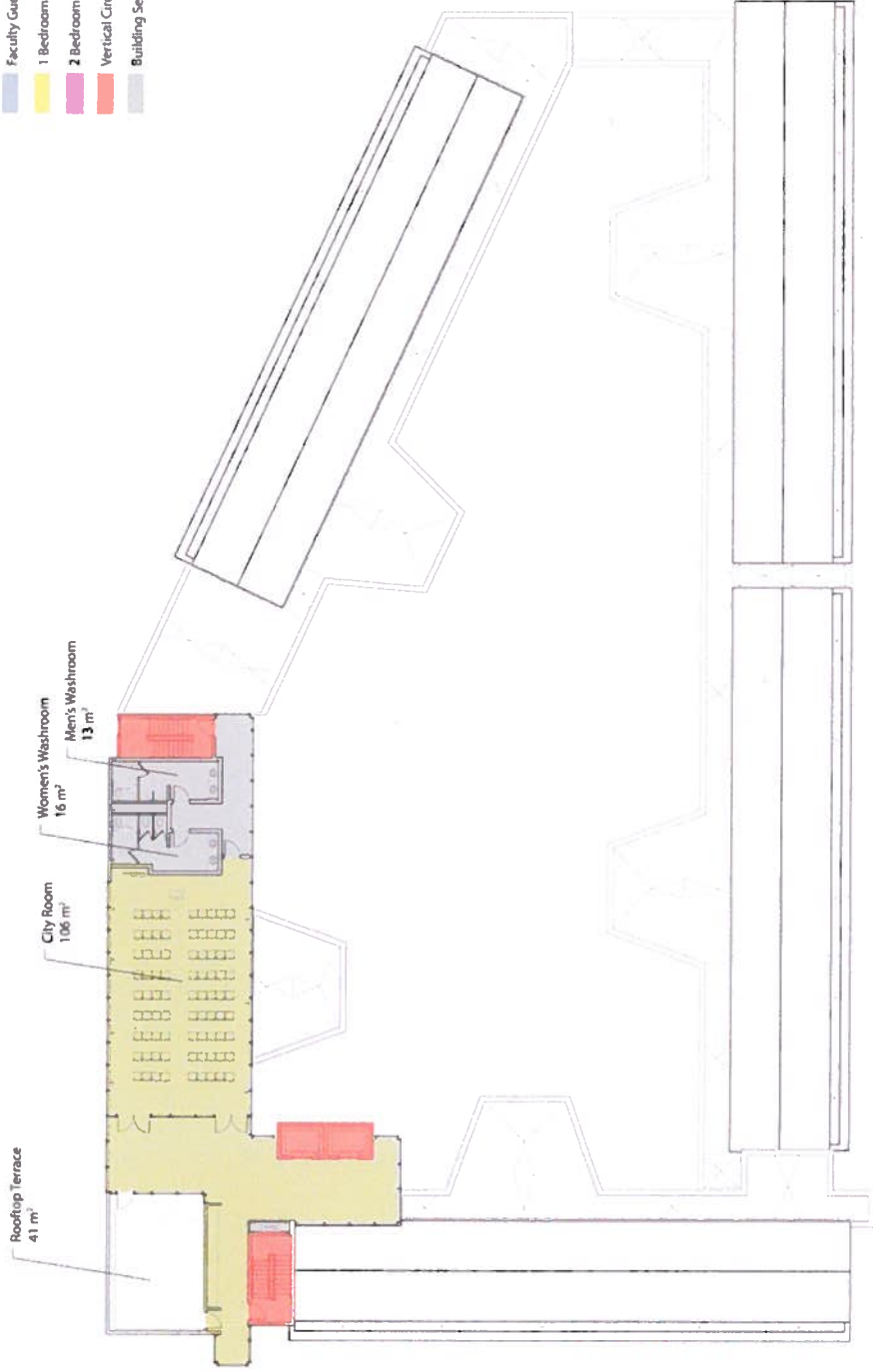


Functional Plan Level Four

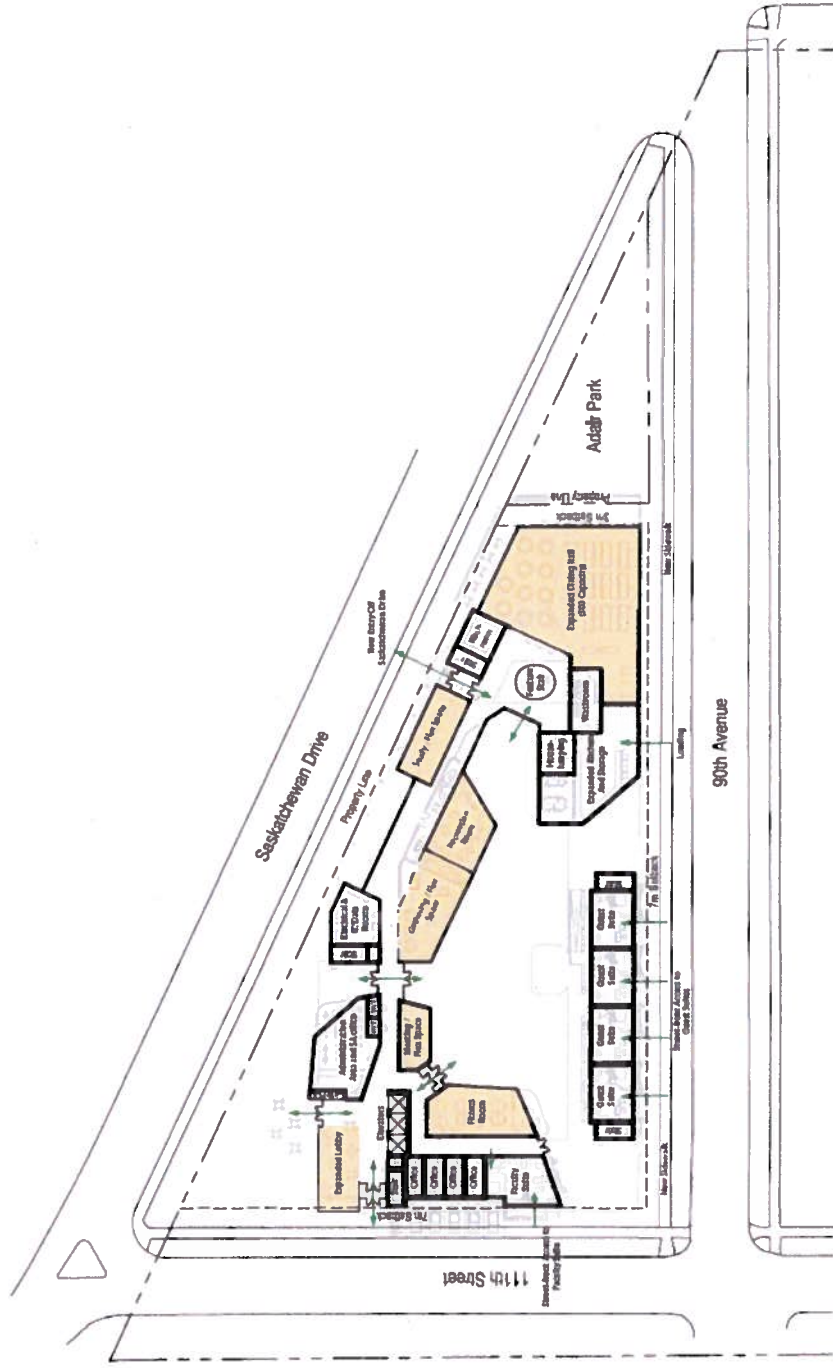


Functional Plan Level Five

- Building/Residence/Administration
- Program/Student Social/Amenity Space
- Faculty Guest Suites
- 1 Bedroom Suite
- 2 Bedroom Suite
- Vertical Circulation
- Building Services

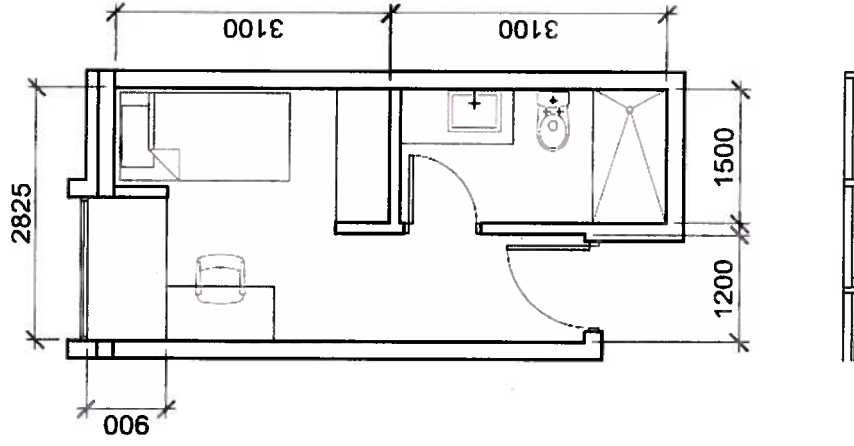


Functional Plan Site Plan

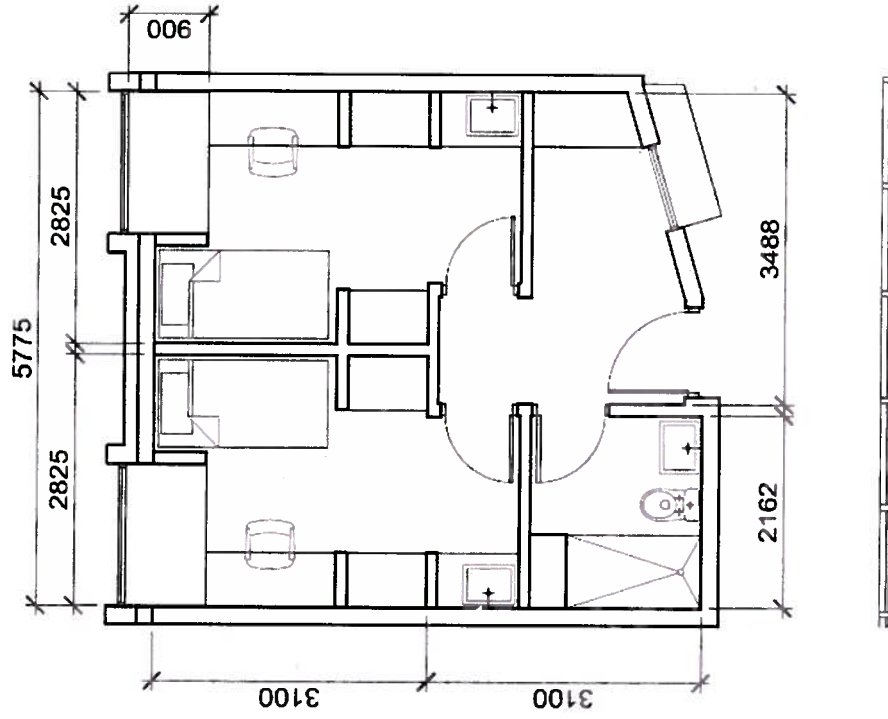


Functional Plan

Residence Units | One Bedroom



Functional Plan Residence Units | Two Bedroom



OUTLINE OF ISSUE
Agenda Title: Chemical and Materials Engineering Building: Capital Expenditure Authorization Request (CEAR)

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve a capital expenditure of seventeen million dollars (\$17,000,000.00) in Canadian funds as provided through the Faculty of Engineering and the Province of Alberta in the support of the functional renewal of the Chemical and Materials Engineering Building.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President, Facilities and Operations
Presenter	Don Hickey, Vice-President, Facilities and Operations
Subject	Approval of an expenditure of \$17,000,000.00 for the construction (Renewal) of Levels 2, 3 and 7 within the Chemical and Materials Engineering Building (CMEB).

Details

Responsibility	Facilities and Operations								
The Purpose of the Proposal is (please be specific)	To obtain approval of an expenditure of \$17,000,000.00 (\$12,500,000.00 as provided through the Faculty of Engineering and \$4,500,000.00 as provided through the Government of Alberta related to the repurposing of grant funds associated with the ECHA Project) for the construction of levels 2, 3 and 7 in CMEB.								
The Impact of the Proposal is	These funds will allow for the construction and modernization of three additional levels within CMEB. The three new levels will add an additional fifty (50) wet labs to alleviate the space constraints currently being realized by the Faculty of Engineering.								
Replaces/Revises (eg, policies, resolutions)	n/a								
Timeline/Implementation Date	The project is anticipated to commence upon approval; anticipated construction start date of August 2014 targeting substantial completion by October 2015.								
Estimated Cost	The project cost is estimated at \$17,000,000.00								
Sources of Funding	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Funding Source</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td>Faculty of Engineering</td> <td style="text-align: right;">\$ 12,500,000.00</td> </tr> <tr> <td>Government of Alberta</td> <td style="text-align: right;">\$ 4,500,000.00</td> </tr> <tr> <td>TOTAL Funding Required</td> <td style="text-align: right;">\$ 17,000,000.00</td> </tr> </tbody> </table>	Funding Source	Amount	Faculty of Engineering	\$ 12,500,000.00	Government of Alberta	\$ 4,500,000.00	TOTAL Funding Required	\$ 17,000,000.00
Funding Source	Amount								
Faculty of Engineering	\$ 12,500,000.00								
Government of Alberta	\$ 4,500,000.00								
TOTAL Funding Required	\$ 17,000,000.00								
Notes									

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Preservation Plan for Maintenance and Functional Renewal,
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section)	PSLA Act, Section 60 (1) (b) refers: <i>The Board of a public post-secondary institution shall develop, manage, and operate, alone or in co-operation with any person or organization, programs, services and facilities for the educational or cultural advancement of the people of Alberta.</i>

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<p>numbers)</p>	<p>BFPC Terms of Reference, Section 3) g states: 3. MANDATE OF THE COMMITTEE <i>Except as provided in paragraph 4 and in the Board’s General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing, the Committee shall:</i> <i>g) review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million.</i></p> <p>BFPC Terms of Reference, Section 4) c states: 4. LIMITATIONS ON DELEGATION BY THE BOARD <i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</i> <i>(c) approve capital expenditures of more than \$7 million or expenditures which, when combined with other expenditures for the same project, would equal more than \$7 million;</i></p>
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Routing (Include meeting dates)

<p>Consultative Route (parties who have seen the proposal and in what capacity)</p>	<p>Chemical Materials Engineering Building Renewal Project Steering Committee Dean of Engineering Vice-President (Facilities and Operations) Executive Director (Operations and Maintenance, Facilities and Operations) President’s Executive Committee – Operational (PEC-O) – May 8, 2014</p>
<p>Approval Route (Governance) (including meeting dates)</p>	<p>Board Finance and Property Committee (BFPC) – for recommendation – May 27, 2014 Board of Governors (BOG) – for approval – June 20, 2014</p>
<p>Final Approver</p>	<p>Board of Governors</p>

Attachments:

- Attachment 1 – Briefing Notes – (4 pages)

Prepared by:

Pat Jansen,
 Executive Director, Planning and Project Delivery
 Facilities and Operations
 Telephone: 780-492-1747
 Email: pat.jansen@ualberta.ca



Expenditure of Funds to Advance Condition and Functional Renewal of Chemical and Materials Engineering Building Levels 2, 3 and 7.

Background

The Phase 1 Condition and Functional Renewal of the Chemical and Materials Engineering Building (CMEB) was submitted to the Board Finance and Property Committee (BFPC) on September 15, 2008 for approval of an expenditure of \$9,700,000.00 of funding received from the Government of Alberta (Preservation Grant – Building Land Inventory Management System (BLIMS) #8187). BFPC recommended and the Board of Governors subsequently approved this expenditure (CEAR 08-065), on October 3, 2008. This approval of the Phase 1 funding provided for the investigation of base building conditions, including building systems, in order to obtain confirmation of the Phase 2 budget associated with the condition and functional renewal of the building.

As a separate initiative, funding of \$1,240,000.00 was authorized by the Vice-President (Facilities and Operations) to undertake a parallel investigation for locating hazardous materials (asbestos) and a methodology for removal of the identified materials. This funding was provided from the Infrastructure Maintenance Program (IMP) grant and work was approved under a separate CEAR (08-052). Both these authorizations were submitted and approved prior to the submission for the Knowledge Infrastructure Program (KIP) funding and the subsequent approval announcement.

On July 22, 2009, the Federal Government announced the University of Alberta's approval of funding under the Knowledge Infrastructure Program (KIP) of \$10,000,000.00 in partner funds to commence a major modernization of three laboratory floors within the CMEB.

With the KIP announcement, the CMEB project team commenced a parallel process of design development for renewal and repurposing of the CME Building as well as preparation of construction drawings and specifications to attain renewal of three laboratory floors. During this process the project budget was estimated to be \$27,761,000.00 (including hazardous materials). The Faculty of Engineering provided funding to cover the identified increase in cost. Two major contracts were awarded to complete the KIP. The initial contract for modernization of three laboratory floors was awarded in November 2009, and the second contract to complete condition and functional renewal of building systems and select building elements was awarded in December 2009. Both contracts were completed on schedule with the three modernized laboratory floors supported by renewed components of mechanical and electrical systems located in the basement level, rooftop level, and risers between the basement and rooftop. The funding for the balance of building cost for modifications and modernization is still part of the University's Phase 2 BLIMS submission as a funding request for this project to the Government of Alberta.

On April 15, 2010, a request for approval of an expenditure of \$7,238,600.00 to further advance the condition and functional renewal of CMEB was submitted to the Board Finance and Property Committee (BFPC). Funding for this request was provided from the Infrastructure Maintenance Program (\$938,600.00) and the Faculty of Engineering (\$6,300,000.00). BFPC recommended to the Board of Governors approval of this expenditure (CEAR 08-065(S2)), which was approved on May 7, 2010. This approval provided for the completion of detailed design and preparation of construction documents for the remaining laboratory floors as well as additional rooftop equipment, enhancement of mechanical systems, hazardous materials abatement and partial replacement of roofing.

On April 29, 2013, funding of \$1,022,020.00 was authorized by the Vice-President (Facilities and Operations) for professional services to complete the construction documents stage, fees associated with construction completion of scope of work completed to date, and the installation of the CMEB Dashboard project to monitor energy usage of levels 4, 5 and 6.

As a separate initiative, funding of \$1,658,000.00 (CEAR 11-063) was authorized by the Vice-President (Facilities and Operations) to undertake the complete demolition of all interior building finishes and building services, removal of all hazardous materials within levels 2, 3 and 7 in preparation for the reconstruction of these levels.

The current request for approval of funds to advance the condition and functional renewal of the Chemical and Materials Engineering Building include the following elements:

Construct (Renew) level 2	\$ 7,116,000.00
Construct (Renew) level 3	\$ 5,383,000.00
Construct (Renew) level 7	\$ 4,297,000.00

Previously Approved:		
CEAR 08-052	\$1,240,000.00	IMP grant for hazardous materials abatement
CEAR 08-065	\$9,700,000.00	Government of Alberta grant (BLIMS #8187)
CEAR 08-065(S1)	\$10,000,000.00	KIP funding
CEAR 08-065(S1)	\$6,821,000.00	Faculty of Engineering matching funding
CEAR 08-065(S2)	\$6,300,000.00	Faculty of Engineering
CEAR 08-065(S2)	\$938,600.00	Partnered Funding IMP Grant
CEAR 08-065(S3)	\$0.00	Capital interest transfer (IMP)
CEAR 08-065(S4)	\$1,022,020.00	Faculty of Engineering
CEAR 11-063	\$1,658,000.00	IMP
Total:	\$37,679,620.00	

New funding approval requested:		
CEAR To be Completed	\$12,500,000.00	Faculty of Engineering
	\$4,500,000.00	Government of Alberta repurposed funds from ECHA
Total:	\$17,000,000.00	

Revised Project Total	\$54,679,620.00	
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The project cost estimate for the renewal of levels 2, 3 and 7 is based on a class "B" estimate prepared April 25, 2014 provided by an independent cost consultant (ACUMEN Cost Consulting, Graeme Alston) and reviewed by the project team.

Issues

The Faculty of Engineering is now encountering significant space constraints and is now declining research grants due to a lack of availability of wet lab space for conducting the research and a lack of available space for personnel. The further development of CMEB levels 2, 3 and 7 at this time will assist in alleviating the current space constraints.

The current construction market within the Edmonton area is projected as being quite robust. The possibility of future escalation is quite likely; this would have a negative

impact on pricing for interior finishes. Moving forward with the reconstruction of CMEB Levels 2, 3 and 7 at this time will reduce escalation exposure and position the project for value pricing.

The continuation of construction of Levels 2, 3 and 7 within CMEB aligns with the support that funding partners have shown for this facility as a high priority preservation project.

Risk mitigation related to project budget control for CMEB Levels 2, 3 and 7 construction is achieved through the use of a stipulated lump sum bid process, which allows a decision point through the defined scope of work for the fixed bid and a comparison to budget.

Recommendation

Please see Motion on Outline of Issue.

OUTLINE OF ISSUE

Agenda Title: **Clinical Sciences Building – Lease of Office Space to the University Hospital Foundation**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

- a) Approve a lease of office space to the University Hospital Foundation for a term of ten (10) years with an option for two (2) additional terms of five (5) years each; and
- b) Make application to the Minister of Infrastructure for the required approval of the Lieutenant Governor in Council for the granting of this long term lease.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Vice-President (Facilities and Operations)
Presenter	Don Hickey, Vice-President (Facilities and Operations)
Subject	Lease of Premises in excess of five (5) years to the University Hospital Foundation

Details

Responsibility	Vice-President (Facilities and Operations)
The Purpose of the Proposal is (please be specific)	The University Hospital Foundation (UHF) has occupied space in the Clinical Sciences Building for twenty years and is a generous supporter of the University's Faculty of Medicine and Dentistry. Their offices currently require expansion and, based on their needs, a new lease term of ten years with two 5-year options to renew is proposed. A lease longer than five (5) years requires board approval and the approval of the Lieutenant Governor in Council
The Impact of the Proposal is	This agreement supports the University's long standing partnership with the UHF in medical research. The UHF will pay the cost of their expansion and contribute \$175,000.00 to reconfiguration of university space as a result of their expansion.
Replaces/Revises (eg, policies, resolutions)	N/A
Timeline/Implementation Date	January 1, 2015
Estimated Cost	N/A
Sources of Funding	N/A
Notes	Under the Post-Secondary Learning Act, a lease for a term exceeding five years requires approval by the Lieutenant Governor in Council.

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Dare to Deliver, Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<u>Post-Secondary Learning Act</u> <i>PSLA Section 67 (1.1): "A board shall not, without the prior approval of the Lieutenant Governor in Council, . . . (b) lease for a term that exceeds 5 years any land held by the board unless the lease is to a person that will use the land for the purpose of providing support services to the students, faculty or staff of the public post-secondary institution."</i>

Routing (Include meeting dates)

Consultative Route	Vice-President, Facilities and Operations – May 1, 2014
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(parties who have seen the proposal and in what capacity)	President's Executive Committee – Operations – May 8, 2014
Approval Route (Governance) (including meeting dates)	Board Finance and Property Committee – May 27, 2014 (for recommendation) Board of Governors – June 20, 2014 (for approval)
Final Approver	Board of Governors

Prepared by: R. Craig Moore,
Director, Real Estate Services
University of Alberta
Telephone: (780) 492-4164
Email: craig.moore@ualberta.ca

Revised: 6/13/2014

OUTLINE OF ISSUE

 Agenda Title: **Dissolution of University Design Inc.**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, subject to the prior approval of the Minister of Innovation and Advanced Education under section 77 of the Post-Secondary Learning Act and approval of the Lieutenant Governor in Council under section 80 of the Financial Administration Act, authorize and approve the dissolution of University Design Inc.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Vice-President (Finance & Administration)
Presenter	Vice-President (Finance & Administration)
Subject	Dissolution of University Design Inc.

Details

Responsibility	Vice-President (Finance & Administration)
The Purpose of the Proposal is (please be specific)	To receive Board approval for the dissolution of University Design Inc. in order to seek Ministerial approval and an Order in Council in accordance with S. 77(3) of the Post-Secondary Learning Act and S. 80(3) of the Financial Administration Act.
The Impact of the Proposal is	The dissolution of University Design Inc., a subsidiary of the University of Alberta that has been inactive for many years.
Replaces/Revises (eg, policies, resolutions)	N/A
Timeline/Implementation Date	Dissolution will occur after we receive an Order in Council.
Estimated Cost	N/A
Sources of Funding	N/A
Notes	University Design Inc. (UDI) was created as a wholly owned subsidiary of the University of Alberta in 1991. It was created prior to the changes to the legislation which required an Order in Council to create a controlled subsidiary corporation. UDI was set up for the purpose of protecting and licensing the University's trademarks. However, after approximately 10 years of use a decision was made by University administration in 2002 to cease operations of UDI. UDI was, however, maintained as an inactive corporation for several years. The decision has now been made to officially dissolve UDI. The Office of the Vice-President (University Relations), which now manages our trademark portfolio, has confirmed that they see no reason to maintain UDI. UDI has no outstanding assets or liabilities.

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)	Post-Secondary Learning Act S. 77(c): Approval respecting Financial Administration Act A board must obtain the approval of the Minister for [...] (c) the dissolution of a corporation prior to seeking Lieutenant Governor in Council approval under the <i>Financial Administration Act</i> .

	<p>Financial Administration Act S. 80(3) Incorporation 80 (3) A Provincial corporation or Crown-controlled organization shall not be dissolved, liquidated, wound up or disposed of without the approval of the Lieutenant Governor in Council.</p> <p>Board Finance and Property Committee Mandate</p> <p>3. MANDATE OF THE COMMITTEE Except as provided in paragraph 4 and in the Board’s General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</p> <p>Creation of Legal Entity Policy and Procedure (UAPPOL) – while silent on dissolution, this Policy sets out a process for creation of a corporation and we have applied elements of that process to dissolution.</p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Office of the Vice-President (University Relations); University Librarian; Financial Services, University Governance
Approval Route (Governance) (including meeting dates)	PEC-O (May 8, 2014) Board Finance and Property Committee (May 27, 2014) Board of Governors (approval) (June 20, 2014)
Final Approver	Board of Governors

Attachments (each to be numbered 1 – 3)

1. Business Case
2. Draft letter from Board Chair to Minister
3. Text of Board Resolution

Prepared by: Brad Hamdon, General Counsel – brad.hamdon@ualberta.ca

BUSINESS CASE FOR THE DISSOLUTION OF UNIVERSITY DESIGN INC.

PROPOSAL:

It is proposed that the University proceed with the dissolution of its wholly owned subsidiary, University Design Inc. (hereafter referred to as "UDI").

BACKGROUND:

UDI was created as a wholly owned subsidiary of the University of Alberta in 1991. It was created prior to the changes to Post-Secondary Learning Act (then the Universities Act) which required Ministerial approval to create a controlled subsidiary corporation.

UDI was set up for the purpose of protecting and licensing the University's trademarks. However, in 2002, after approximately 10 years of operation, a decision was made by University administration to cease operations of UDI. Since that date, the trademarks of the University have been managed directly by the University. Any assets or liabilities of UDI have been transferred back to the University.

UDI was, however, maintained as an inactive corporation for several years. The decision has now been made to officially dissolve UDI. The Office of the Vice-President (University Relations), which now manages the University's trademark portfolio, has confirmed that they see no reason to maintain UDI.

The Ministry of Innovation and Advanced Education has been consulted on this process.

NEXT STEPS:

If approved by the Board of Governors, the matter will be sent to the Minister of Innovation and Advanced Education for approval and then will go forward for an Order in Council from the Lieutenant Governor in Council. Once approval is obtained from the Lieutenant Governor in Council, the University will proceed to have the corporation dissolved at the Corporate Registry of Alberta.

Prepared by the Office of the General Counsel
May 20, 2014

June 20, 2014

VIA COURIER

Premier Dave Hancock
President of Executive Council and Minister of Innovation and Advanced Education
Province of Alberta
408 Legislature Building
10800 – 97 Avenue
Edmonton, Alberta T5K 2B6

Re: Ministerial Approval and Order in Council Approval for the Dissolution of University Design Inc.

Dear Premier Hancock:

I respectfully request your approval under section 77(3) of the *Post-Secondary Learning Act* and your assistance in obtaining Lieutenant Governor in Council approval under section 80(3) of the *Financial Administration Act* to dissolve University Design Inc. On June 20, 2014, the Board of Governors of The University of Alberta approved a motion authorizing the dissolution of University Design Inc.

At the direction of the board, institution officials have carried out all due diligence, including risk assessment and legal and financial implications, with respect to this transaction. The board is satisfied with the outcome and, on that basis, hereby confirms its support for the initiative.

Attached in support of our request are the following documents:

- A signed copy of the Board Resolution; and
- A copy of the supporting Business Case.

Institution officials shared these documents previously with department officials and we appreciate their assistance in working with us to obtain the necessary approvals.

If you have any questions, please contact Mr. Brad Hamdon, General Counsel, Office of General Counsel, at (780) 492-8997.

Thank you for your assistance in this matter.

Doug Goss
Chair, Board of Governors

Encl.

Attachment 1 – Signed Resolution of the Board of Governors of the University of Alberta

cc: The Honourable Doug Horner, President of Treasury Board and Minister of Finance,
Room 423 Legislature Building, 10800-97 Avenue, Edmonton, AB T5K 2B6
Ms. Phyllis Clark, Vice-President (Finance and Administration), University of Alberta

RESOLUTION OF The Governors of The University of Alberta
("Board of Governors")

IT IS HEREBY RESOLVED:

THAT The Board of Governors, subject to the prior approval of the Minister of Innovation and Advanced Education under section 77(3) of the *Post-Secondary Learning Act* and approval of the Lieutenant Governor in Council under section 80(3) of the Financial Administration Act,

authorize and approve the dissolution of University Design Inc.

I hereby certify that this resolution has full force and effect on the 20th day of JUNE, 2014.

Chair, The Governors of The University of Alberta

OUTLINE OF ISSUE

Agenda Title: **Proposed Changes to the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility (UAPPOL)**

Motion: THAT the Board of Governors, on the recommendation of the Board Human Resources and Compensation Committee and the GFC Executive Committee, approve proposed changes to the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility in UAPPOL, to take effect immediately.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Indira Samaraskera, President Catherine Swindlehurst, Director, Office of the President
Presenter	Catherine Swindlehurst, Director, Office of the President
Subject	Proposed Changes to the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility (as set out in UAPPOL (University of Alberta Policies and Procedures On Line).

Details

Responsibility	The Office of the President
The Purpose of the Proposal is (please be specific)	Revisions are proposed to the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committees for Vice-Presidents Position Definitions and Eligibility in UAPPOL to reflect previously-approved staff categories and advancements in voting technologies utilized by University Governance in relation to managing elections for Search and Review Committees for Vice-Presidents. The final proposed change is related to the fact Folio is no longer published by the University but there is still a need to ensure all academic staff are apprised of the replenishment of these search/review committees at the time they are struck by the President.
The Impact of the Proposal is	To make current the Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committee for Vice-Presidents Position Definitions and Eligibility within UAPPOL.
Replaces/Revises (eg, policies, resolutions)	Current Vice-Presidential Search and Review Procedures and the Search Procedure for Vice-Presidents (Appendix A): Committee for Vice-Presidents Position Definitions and Eligibility (UAPPOL).
Timeline/Implementation Date	May 30, 2014 (i.e., upon final approval).
Estimated Cost	N/A
Sources of Funding	N/A
Notes	N/A

Alignment/Compliance

Alignment with Guiding Documents	1. <i>Dare to Discover</i> – <i>Four Cornerstones</i> – Talented People; Learning, Discovery and Citizenship; Connecting Communities; and Transformative Organization and Support.
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Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)

2. **Post-Secondary Learning Act (PSLA)** – Relevant sections of the PSLA are cited:

“Appointment, suspension and dismissal of staff

22 (2) A person shall not be appointed to, promoted to or dismissed from any position on the academic staff at a university except on the recommendation of the president made in accordance with procedures approved by the general faculties council.”

“Powers of general faculties council

26 (1) Subject to the authority of the Board of Governors, a general faculties council is responsible for the academic affairs of the university and, without restricting the generality of the foregoing, has the authority to

(o) ... make a recommendation to the board with respect of appointments, promotions, salaries, tenure and dismissals, and any other matters considered by the general faculties council to be of interest to the university.”

3. **GFC Executive Committee Terms of Reference:**

“3. Mandate of the Committee

To act as the executive body of General Faculties Council and, in general, carry out the functions delegated to it by General Faculties Council. (GFC 08 SEP 1966) (GFC 12 FEB 1996)

1. Urgent Matters

The power to deal with any matters that cannot be deferred is delegated to the Executive Committee which shall determine which matters are to be considered urgent. (GFC 09 AUG 1966)

2. Routine Matters

Matters which are routine in carrying out the policies approved by General Faculties Council are delegated to the Executive Committee. (GFC 08 SEP 1966)”

4. **Board of Governors of the University of Alberta - Mandates and Roles Document:**

“The Board shall manage and operate the institution in accordance with its mandate [PSLA Section 60(1)(a)].

...

• The appointment of the president and vice-presidents [PSLA Sections 81(1) and 82(1)].”

5. **Board Of Governors Terms of Reference:** “[...]”

2. The Board may create other committees (each of which is a ‘Committee’) and establish the terms of reference of such committees.”

Item No. 8di.

	<p>6. Board Human Resources and Compensation Committee (BHRCC) – Terms of Reference:</p> <p>“LIMITATION ON DELEGATION BY THE BOARD</p> <p>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee as set out in paragraph 3, the Board shall make all decisions with respect to:</p> <p>(a) the appointment, extension, reappointments and dismissals of Deans, Vice-Presidents and the President[.]”</p> <p>7. UAPPOL Procedures – Vice-Presidential Search and Review Procedures</p> <p>“Purpose</p> <p>To detail the standard procedures for Vice-Presidential reviews.”</p> <p>And</p> <p>“Purpose</p> <p>To detail the standard procedures for Vice-Presidential searches.”</p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	University Governance (for review and input); Administration (for information); Association of Academic Staff – University of Alberta – (consultation regarding proposed editorial changes to relevant UAPPOL procedures)
Approval Route (Governance) (including meeting dates)	GFC Executive Committee (for recommendation to the Board Human Resources and Compensation Committee) - May 20, 2014; Board Human Resources and Compensation Committee (for final approval) – May 30, 2014 Board of Governors (for final approval) – June 20, 2014
Final Approver	Board of Governors

Attachments:

1. Attachment 1 (pages 1 – 6): UAPPOL Vice-Presidential Search Procedure
2. Attachment 2 (pages 1 – 5): UAPPOL Vice-Presidential Review Procedure
3. Attachment 3 (pages 1 – 5): UAPPOL - Vice-Presidential Search and Review Procedures Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility

Prepared by: Catherine Swindlehurst, Director, Office of the President, and Andrea Patrick, Assistant Secretary, General Faculties Council, c/o University Governance



Approval Date: December 11, 2009

Most Recent Editorial Date: ~~January 6, 2014~~ June 7, 2012

Parent Policy: [Recruitment Policy](#)

Vice-Presidential Search Procedure for Vice-Presidents

Office of Administrative Responsibility:	Office of the President
Approver:	Board of Governors
Scope:	Compliance with University procedure extends to all members of the University community.

Overview

These authorities over procedures related to the appointment of academic staff embrace senior administrators including the President, Vice-Presidents, Deans and Department Chairs.

Purpose

To detail the standard procedures for Vice-Presidential searches. The Vice-Presidential Advisory Search Committee is established to provide recommendations to the President on the appointment of Vice-Presidents.

PROCEDURE

1. COMPOSITION OF ADVISORY SEARCH COMMITTEES

a. An Advisory Search Committee for the relevant vice-presidential position shall be established. The rules governing the composition of committees for the following positions are set out in ~~Composition of Search and Review Committees for Presidents and Vice-Presidents (Appendix A): Position Definitions and Conditions of Eligibility- Vice-Presidential Search and Review Procedures Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility.~~

i. Provost and Vice-President (Academic).

ii. Vice-President (University Relations)

iii. Vice-President (Finance and Administration)

iv. Vice-President (Facilities and Operations)

v. Vice-President (Research)

vi. Vice-President (Advancement)

b. The Office of the President is responsible for drawing together the advisory search committee and for ensuring that the committee positions are properly replenished.

2. ELECTION PROCEDURES FOR ACADEMIC STAFF MEMBERS OF ADVISORY SEARCH COMMITTEE

a. NOMINATIONS



U of A Policies and Procedures On-Line (UAPPOL)

i. The Secretary (or delegate) shall notify all academic staff in **Staff Category A1.0**, ~~through a notice as set out in 2(a)(ii)~~ of the following:

- Nominations for certain categories of academic staff who do not hold administrative positions are being sought;
- ~~N~~Written nominations must ~~stet~~ be received by University Governance by a specified date;
- Nominees must agree to let their name stand; and
- All nominations must be supported by the signatures of five members of the academic staff in Category A1.0, not including the nominee.

~~ii. The notice shall be published in Folio, however the Secretary to GFC is permitted to use alternate means (for example, electronic mail) if circumstances warrant such means.~~

iii. At least two weeks must elapse ~~from the day the Secretary (or delegate) first notifies the academic staff of the call for nominations~~ ~~between the day the advertisement appears in Folio~~ and the deadline for receipt of nominations (or from the day the Secretary (or delegate) notifies the academic staff).

b. NUMBER OF BALLOTS REQUIRED

i. When electing ~~three (3) faculty members academic staff representatives~~ from **Staff Categories A1.1, A1.6 and or their counterparts in A1.5/ and 1.7:**

- If there are between four and seven nominees, one election will be held.
- If there are eight or more nominees, a preliminary election must be held with the six top candidates standing for election in a final ballot.
- In both elections, the three candidates with the highest number of votes will be elected.

ii. When electing two (2) ~~faculty members academic staff representatives~~ from **Staff Categories A1.1, A1.6 and or their counterparts in A1.5/ and 1.7:**

- If there are between three and five nominees, one election will be held.
- If there are six or more nominees, a preliminary election must be held with the top four candidates standing for election in a final ballot.
- In both elections, the two candidates with the highest number of votes will be elected.

iii. When electing one (1) academic staff representative from **Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5:**

- If there are between two and five nominees, one election will be held.
- If there are six or more nominees, a preliminary election must be held with the top three candidates standing for election in a final ballot.
- In both elections the candidate with the highest number of votes will be elected.

c. ELECTORATE

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U of A Policies and Procedures On-Line (UAPPOL)

The electorate consists of the elected faculty representatives who sit on GFC on a "representation by population" basis and the appointed academic staff representatives.

d. PREPARATION ~~AND MAILING~~ OF BALLOTS

~~i. The Secretary (or delegate) will prepare the ballot form with relevant instructions for the election, listing nominees in alphabetical order. Only those eligible voting members will be provided with access to a confidential ballot. At the closure of the election period, the Secretary (or delegate) will ensure that electronic tabulation of the voting ballots occurs, with election results confirmed shortly thereafter.~~

~~The Secretary (or delegate) will prepare the required number of printed ballots. The ballot will include instructions for the election, a ballot form listing nominees in alphabetical order, and two envelopes. One envelope will be marked "ballot" and is otherwise unidentifiable. The other envelope will be addressed to the campus address of the Secretary and have the name and academic unit of the voter. These mail envelopes will be checked against the voters' list. On the day set for the counting of ballots, the envelopes will be opened by the GFC Secretary (or delegate), the ballot envelopes removed and opened, and the ballots counted.~~

ii. Candidates for election will be asked to provide a brief biographical and professional description, not exceeding 150 words, to be circulated with the ballot.

~~iii. The ballots will be made available by the Secretary (or delegate) and accompanied by clear voting instructions to ensure successful access to the ballot prior to the election voting deadline.~~

~~The ballots will be distributed by the Secretary (or delegate) and accompanied by full instructions for marking and returning by the required date.~~

iv. When voting for three (3) ~~faculty members academic staff representatives~~ from Staff Categories A1.1, A1.6 ~~and or~~ their counterparts in A1.5 ~~and~~ /1.7, each voter will be permitted to vote for up to (and including) three (3) candidates.

v. When voting for two (2) ~~faculty members academic staff representatives~~ from Staff Categories A1.1, A1.6 ~~and or~~ their counterparts in A1.5 ~~and~~ /1.7, each voter will be permitted to vote for up to (and including) two (2) candidates.

When voting for one (1) academic staff representative from Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5, each voter will be permitted to vote for one (1) candidate.

vi. The date and time by which the ballots must be received by University Governance ~~will~~ be clearly marked on the ballot.

e. THE BALLOT COUNT

~~i. The Secretary (or delegate) will ensure that the candidates are aware of the election end date and time of ballot tabulation. The Secretary (or delegate) will name the counting day and will so inform the candidates.~~

~~ii. At least 50% of ballots must be received before the ballots will be tallied. There must be at least a 50% return of all distributed ballots before any ballots are opened and counted.~~

~~iii. Each candidate may name a scrutineer to observe the tabulation of election results. Each candidate may name a scrutineer to observe the counting of ballots.~~

iv. In the event of a tie vote, a run-off election will be held. In the event of a second tie vote, the winner will be determined by lot.

~~v. After completion of the election, the ballot data is stored by the Secretary (or delegate) for one month and then destroyed.~~

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U of A Policies and Procedures On-Line (UAPPOL)

~~After completion of the election the ballots returned will be retained by the Secretary (or delegate) for one month and then destroyed.~~

3. SEARCH PROCESS

a. Consultant – The President will decide whether a search consultant should be retained and may seek advice from the Advisory Search Committee on this matter.

b. Advertisement – The President may arrange for the position to be advertised in advance of the Advisory Search Committee's first meeting and may seek advice from the Advisory Search Committee at any point with respect to the advertising process. The advertising requirements set out in the Academic Staff Posting and Advertising Procedure will be observed. The advertisement will normally include a deadline or target date for receipt of applications/nominations and may note that a search may continue past a deadline, until the position is filled.

c. Input from the Community –

i. The ~~campus~~ University community will be canvassed for their views on:

- The characteristics desirable in the Vice-President being selected;
- The priorities of that vice-presidential portfolio;
- Current issues and future directions of the portfolio; and
- Leadership qualities.

ii. Input from the University community will normally be sought through targeted methods to bring the search to the attention of all academic staff, non-academic staff, and students, an ad in Folio, through a direct e-mailing to all academic staff, through a mailing to all non-academic staff, and through the four association presidents. Staff in the current portfolio will also be asked for their input. When input from the internal community is sought, a position description and/or a position profile will be included.

iii. The Advisory Search Committee may also wish to seek input from external communities.

d. Confidentiality – Each Advisory Search Committee may identify certain aspects of their discussions as appropriate for public discussion. Discussion of candidates is absolutely confidential.

e. Considerations – At its pre-interview meetings, the Advisory Search Committee will normally consider the following:

- i. Confidentiality
- ii. Handling records and FOIPP-related issues
- iii. Procedural matters and Terms of Reference
- iv. Attendance
- v. The advertisement, position description and profile
- vi. Key issues related to the portfolio;
- vii. All resumes and applications, with advice on who should be interviewed;
- viii. Input from the community and portfolio staff;



U of A Policies and Procedures On-Line (UAPPOL)

ix. Interview process and questions.

f. Where the nominee is from outside the University and is also seeking an academic staff appointment, the Advisory Search Committee established for the administrative position of Vice-President shall request that the Faculty Selection Advisory Committee make the recommendation in relation to the academic staff appointment.

4. RECOMMENDATIONS TO THE PRESIDENT AND THE BOARD

Following interviews, the Advisory Search Committee will advise the President as follows:

a. The Advisory Search Committee will recommend one or more names to the President. The President will choose one nominee from among the names recommended by the Advisory Committee. If none of the names is acceptable to the President, the President will return the matter to the Advisory Search Committee.

b. The President, after consultation with the Board Chair and Chair of the Board Human Resources and Compensation Committee (BHRCC), will determine a recommendation related to the compensation and benefits with respect to the appointment.

c. The name of the nominee will be transmitted to the Board Chair by the President. The Board Chair, the Chair of BHRCC and the President will then determine whether the nominee's compensation and benefits expectations fall within the Board guidelines.

d. The President will present his/her nominee to the BHRCC which will make a recommendation to the Board of Governors. BHRCC will also consider and approve the compensation and benefits for the recommended candidate, subject to approval of the appointment by the Board of Governors.

e. The Board has the authority to accept or reject the recommended nominee. If the Board rejects the nominee the matter is returned to the President.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. ▲Top	
Staff Category A1.0	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.
Staff Categories A1.1, A1.6 and their counterparts in A1.5/1.7	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.
Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.

FORMS

There are no forms for this Procedure. [▲Top](#)

RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca. [▲Top](#)

[Recruitment Policy \(Appendix A\) Definition and Categories of Academic Staff and Colleagues](#) (UAPPOL)

[Vice-Presidential Search and Review Procedures Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility](#) (UAPPOL)

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U of A Policies and Procedures On-Line (UAPPOL)

| [Search Procedure for Vice-Presidents Appendix A Committees for Vice-Presidents Position Definitions and Eligibility \(UAPPOL\)](#)

Approval Date: December 11, 2009

Most Recent Editorial Date: ~~January 6, 2014~~ ~~June 7, 2012~~

Parent Policy: [Recruitment Policy](#)

Vice-Presidential Review Procedure for Vice-Presidents

Office of Administrative Responsibility:	Office of the President
Approver:	Board of Governors
Scope:	Compliance with University procedure extends to all members of the University community.

Overview

These authorities over procedures related to the appointment of academic staff embrace senior administrators including the President, Vice-Presidents, Deans and Department Chairs

Purpose

To detail the standard procedures for Vice-Presidential reviews. The Vice-Presidential Advisory Review Committee is established to provide recommendations to the President on the reappointment of Vice-Presidents.

PROCEDURE

1. REQUEST FOR REVIEW

- a. The Vice-President shall advise the President of his or her request for consideration of renewal for an additional term. This request shall be received by the President not less than 18 months prior to the end of the incumbent Vice-President's term.
- b. Upon such request the President shall establish a Vice-Presidential Advisory Review Committee in accordance with the following procedures.
- c. The Office of the President is responsible for drawing the advisory review committee together and ensuring that it is properly replenished.

2. COMPOSITION OF ADVISORY COMMITTEES

- a. The rules governing the composition of committees for the following positions are set out in [*Vice-Presidential Search and Review Procedures Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility. Composition of Search and Review Committees for Presidents and Vice-Presidents \(Appendix A\): Position Definitions and Conditions of Eligibility:*](#)
 - i. Provost and Vice-President (Academic).
 - ii. Vice-President (University Relations)
 - iii. Vice-President (Finance and Administration)
 - iv. Vice-President (Facilities and Operations)
 - v. Vice-President (Research)

vi. Vice-President (Advancement)

3. ELECTION PROCEDURES FOR ACADEMIC STAFF MEMBERS OF ADVISORY REVIEW COMMITTEE

a. NOMINATIONS

i. The Secretary to GFC (or delegate) shall notify all academic staff in **Staff Category A1.0**, ~~through a notice as set out in 2 (a) (ii) published in Folio,~~ of the following:

- Nominations for certain categories of academic staff who do not hold administrative positions are being sought;
- ~~Written~~ Nominations must be received by University Governance by a specified date;
- Nominees must agree to let their name stand;
- All nominations must be supported by the signatures of five members of the academic staff in Category A1.0, not including the nominee.

~~ii. The Secretary is permitted to use alternate means (for example, electronic mail) to notify academic staff in addition to advertising in Folio.~~

iii. At least two weeks must elapse from the day the Secretary (or delegate) first notifies the academic staff of the call for nominations~~At least two weeks must elapse between the day the advertisement appears in Folio~~ and the deadline for receipt of nominations (or from the day the Secretary (or delegate) notifies the academic staff).

b. NUMBER OF BALLOTS REQUIRED

i. When electing three (3) faculty members academic staff representatives~~three (3) faculty members academic staff representatives~~ from **Staff Categories A1.1, A1.6 and/or their counterparts in A1.5 and 1.7:**

- If there are between four and seven nominees, one election will be held.
- If there are eight or more nominees, a preliminary election must be held with the six top candidates standing for election in a final ballot.
- In both elections, the three candidates with the highest number of votes will be elected.

i. When electing two (2) faculty members academic staff representatives~~two (2) faculty members academic staff representatives~~ from **Staff Categories A1.1, A1.6 and/or their counterparts in A1.5/ and 1.7:**

- If there are between three and five nominees, one election will be held.
- If there are six or more nominees, a preliminary election must be held with the top four candidates standing for election in a final ballot.
- In both elections, the two candidates with the highest number of votes will be elected.

ii. When electing one (1) academic staff representative from **Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5:**

- If there are between two and five nominees, one election will be held.
- If there are six or more nominees, a preliminary election must be held with the top three candidates standing for election in a final ballot.

- In both elections, the candidate with the highest number of votes will be elected.

c. ELECTORATE

The electorate consists of the elected faculty representatives who sit on GFC on a “representation by population” basis and the appointed academic staff representatives.

d. PREPARATION ~~AND MAILING~~ OF BALLOTS

~~i. The Secretary (or delegate) will prepare the ballot form with relevant instructions for the election, listing nominees in alphabetical order. Only those eligible voting members will be provided with access to a confidential ballot. At the closure of the election period, the Secretary (or delegate) will ensure that electronic tabulation of the voting ballots occurs, with election results confirmed shortly thereafter.~~

~~The Secretary (or delegate) will prepare the required number of printed ballots. The ballot will include instructions for the election, a ballot form listing nominees in alphabetical order, and two envelopes. One envelope will be marked “ballot” and is otherwise unidentifiable. The other envelope will be addressed to the campus address of the Secretary and have the name and academic unit of the voter. These mail envelopes will be checked against the voters’ list. On the day set for the counting of ballots, the envelopes will be opened by the GFC Secretary (or delegate), the ballot envelopes removed and opened, and the ballots counted.~~

ii. Candidates for election will be asked to provide a brief biographical and professional description, not exceeding 150 words, to be circulated with the ballot.

~~iii. The ballots will be made available by the Secretary (or delegate) and accompanied by clear voting instructions to ensure successful access to the ballot prior to the election voting deadline. The ballots will be distributed by the Secretary (or delegate) and accompanied by full instructions for marking and returning by the required date.~~

iv. When voting for three (3) ~~faculty members academic staff representatives~~ from Staff Categories A1.1, A1.6 ~~and or~~ their counterparts in A1.5 ~~and~~ 1.7, each voter will be permitted to vote for up to (and including) three (3) candidates.

v. When voting for two (2) ~~faculty members academic staff representatives~~ from Staff Categories A1.1, A1.6 ~~and or~~ their counterparts in A1.5 ~~and~~ 1.7, each voter will be permitted to vote for up to (and including) two (2) candidates.

vi. When voting for one (1) academic staff representative from Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5, each voter will be permitted to vote for one (1) candidate.

vii. The date and time by which the ballots must be received by University Governance will be clearly marked on the ballot.

e. THE BALLOT COUNT

~~i. The Secretary (or delegate) will ensure the candidates are aware of the election end date and time of ballot tabulation. The Secretary (or delegate) will name the counting day and will so inform the candidates.~~

~~ii. At least 50% of ballots must be received before the ballots will be tallied. There must be at least a 50% return of all distributed ballots before any ballots are opened and counted.~~

~~iii. Each candidate may name a scrutineer to observe the tabulation of election results. Each candidate may name a scrutineer to observe the counting of ballots.~~

iv. In the event of a tie vote, a run-off election will be held. In the event of a second tie, the winner will be determined by lot.

v.

~~After completion of the election, the ballot data is stored by the Secretary (or delegate) for one month and then destroyed. After completion of the election, the ballots returned will be retained by the Secretary (or delegate) for one month and then destroyed.~~

3. REVIEW PROCESS

a. Input from the Community

i. The ~~campus~~ University community will be canvassed for their views on:

- the characteristics desirable in the Vice-President being reviewed;
- the priorities of that vice-presidential portfolio;
- current issues and future directions of the portfolio; and
- leadership qualities.

ii. Input from the ~~campus~~ University community will normally be sought through targeted methods to bring the review to the attention of all academic staff, non-academic staff, and students. an ad in Folio, through a direct e-mailing to all academic staff, through a mailing to all non-academic staff, and through the four association presidents. Staff in the current portfolio will also be asked for their input. When input from the internal community is sought, a position description and/or a position profile will be included.

b. The Advisory Review Committee may also wish to seek input from external communities.

c. Confidentiality – Each Advisory Review Committee may identify certain aspects of their discussions as appropriate for public discussion.

4. RECOMMENDATIONS TO THE PRESIDENT AND THE BOARD

a. The Advisory Review Committee will advise the President as to whether it recommends the incumbent nominee. If a positive recommendation is made by the Advisory Review Committee, the President will communicate this to the Board Chair.

b. The President, after consultation with the Board Chair and Chair of the Board Human Resources and Compensation Committee (BHRCC) Committee, will make a recommendation regarding compensation and benefits with respect to the appointment.

c. The Board Chair, the Chair of BHRCC, and the President will then determine whether the nominee's compensation and benefits expectations fall within the Board guidelines.

d. If the nominee, the President, the Board Chair and the Chair of the BHRCC agree, the President presents his or her nominee to BHRCC who makes a recommendation to the Board of Governors. BHRCC also considers and approves the compensation and benefits, subject to approval of the reappointment by the Board of Governors.

e. The Board has the authority to accept or reject the recommended incumbent. If the Board rejects the incumbent the matter is returned to the President.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. [▲ Top](#)

Staff Category A1.0	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.
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Staff Categories A1.1, A1.6 and their counterparts in A1.5/1.7	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.
Staff Categories A1.2, A1.3, A1.4 and their counterparts in A1.5	Refer to Recruitment Policy (Appendix A) for definitions of Staff Categories.

FORMS

There are no forms for this Procedure. [\[▲Top\]](#)

RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca. [\[▲Top\]](#)

[Recruitment Policy \(Appendix A\) Definition and Categories of Academic Staff and Colleagues](#) (UAPPOL)

~~[Vice-Presidential Search and Review Procedures Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility](#)~~
~~[Search Procedure for Vice-Presidents Appendix A Committees for Vice-Presidents Position Definitions and Eligibility](#)~~ (UAPPOL)

Approval Date: December 11, 2009

Most Recent Editorial Date: January 6, 2014

Parent Policy: [Recruitment Policy](#)

This document is an appendix to its parent document. Questions regarding this document should be addressed to the Office of Administrative Responsibility.

Vice-Presidential Search and Review Procedures for Vice-Presidents Appendix A: Committees for Vice-Presidents Position Definitions and Eligibility

Office of Administrative Responsibility:	Office of the President
Approver:	Board Human Resources and Compensation Committee

COMPOSITION OF ADVISORY SEARCH AND REVIEW COMMITTEES FOR VICE-PRESIDENTS:

Refer to [the Recruitment Policy \(Appendix A\) Definition and Categories of Academic Staff and Colleagues for definitions of staff categories. General Faculties Council Policy Manual § 5 \(Academic Staff, Academic Staff Agreements, and Support Staff\) for definitions of Staff Categories.](#)

1. PROVOST AND VICE-PRESIDENT (ACADEMIC)

President as Chair of the Committee

Two members of the Board of Governors appointed by the Board

Three [faculty](#) members from Categories A1.1, A1.65, or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible), who do not hold administrative positions as defined in Section 7, elected by the faculty and the [appointed](#) academic staff representatives on GFC.

One Dean elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

Two members of the Students' Union appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

For a list of staff who are not eligible to ~~serve search~~ on the advisory search and review committees for Vice-Presidents, please see Section 8.

2. VICE-PRESIDENT (UNIVERSITY RELATIONS)

President as Chair of the Committee

Provost and Vice-President (Academic)

Two members of the Board of Governors appointed by the Board

One member of the Senate appointed by the Senate

President of the Alumni Association

Two faculty members from Categories A1.1, A1.65, or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible), who do not hold administrative positions as defined in Section 7, elected by the faculty and the appointed academic staff representatives on GFC.

Two Deans elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

One member of the Students' Union appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

For a list of staff who are not eligible to ~~serve search~~ on the advisory search and review committees for Vice-Presidents, please see Section 8

3. VICE-PRESIDENT (FINANCE AND ADMINISTRATION)

President as Chair of the Committee

Provost and Vice-President (Academic)

Two members of the Board of Governors appointed by the Board

Two faculty members from Categories A1.1, A1.65 or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible)

AND one (1) member from Categories A1.2, A1.3, A1.4, and their counterparts in A1.5 none of whom hold administrative positions as defined in Section 7, elected by the faculty and appointed academic staff representatives on GFC.

One Dean elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

Two members of the Students' Union appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

For a list of staff who are not eligible to serve search on the advisory search and review committees for Vice-Presidents, please see Section 8.

4. VICE-PRESIDENT (FACILITIES AND OPERATIONS)

President as Chair of the Committee

Provost and Vice-President (Academic)

Two members of the Board of Governors appointed by the Board

Two faculty members from Categories A1.1A, A1.65, or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible),

AND one (1) member from Categories A1.2, A1.3, A1.4 and their counterparts in A1.5, none of whom hold administrative positions as defined in Section 7, elected by the faculty and appointed academic staff representatives on GFC

One Dean elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

Two members of the Students' Union appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

One external representative, with expertise in the area of facilities and/or operations, appointed by the Board in consultation with the President.

For a list of staff who are not eligible to serve search on the advisory search and review committees for Vice-Presidents, please see Section 8.

5. VICE-PRESIDENT (RESEARCH)

President as Chair of the Committee

Provost and Vice-President (Academic)

Two members of the Board of Governors as appointed by the Board

Three faculty members from Categories A1.1, A1.65, or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible), who do not hold administrative positions as defined in Section 7, elected by the faculty and the appointed academic staff representatives on GFC

One Dean elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

Two members of the Students' Union as appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

For a list of staff who are not eligible to serve search on the advisory search and review committees for Vice-Presidents, please see Section 8.

6. VICE-PRESIDENT (ADVANCEMENT)

President as Chair of the Committee

Provost and Vice-President (Academic)

Two members of the Board of Governors appointed by the Board

One member of the Senate appointed by the Senate

President of the Alumni Association

Two faculty members from Categories A1.1, A1.65, or their counterparts in A1.5 and A1.76 (that is, only faculty members employed at the University under the terms and conditions of the Faculty Agreement are eligible), who do not hold administrative positions as defined in Section 7, elected by the faculty and the academic staff representatives on GFC.

Two Deans elected by Deans' Council

One Chair elected by Chairs' Council

One member of the AAS:UA appointed by the AAS:UA

One member of the Students' Union appointed by the Students' Council

One member of the Graduate Students' Association appointed by the GSA

One member of the Non-Academic Staff Association appointed by NASA

For a list of staff who are not eligible to serve search on the advisory search and review committees for Vice-Presidents, please see Section 8.

7. Once members have been elected to any of the above-noted Vice-Presidential Advisory Search/Review Committees, the President may in consultation with the Board Chair or Chair of the Board of Human Resources and Compensation Committee (BHRCC) name up to two additional full-time faculty members (Categories A1.1, A1.65, or their counterparts in A1.6) to the Advisory Search/Review Committee to ensure broad representation from the University.

8. STAFF WHO ARE NOT ELIGIBLE TO SERVE ON ADVISORY AND REVIEW COMMITTEES FOR VICE-PRESIDENTS

Staff who are on leave are not eligible to serve search on advisory search and review committees for Vice-Presidents. The term leave includes: administrative leave, sabbatical, political, medical, parental, childbirth, disability, assisted, secondment.

Staff who hold the following administrative positions at the time of the initial nomination are not eligible to serve:

Vice-President, Associate or Assistant Vice-President, Dean, Associate or Assistant Dean or Department Chair (excluding those members elected by Deans' Council and Chairs' Council).

DEFINITIONS

There are no definitions for this Appendix. [[▲ Top](#)]

RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca. [[▲ TOP](#)]

[Recruitment Policy \(Appendix A\) Definition and Categories of Academic Staff and Colleagues \(UAPPOL\)GFC Policy Manual §5— Academic Staff, Academic Staff Agreements, and Support Staff \(University Governance\)](#)

OUTLINE OF ISSUE

Agenda Title: **University of Alberta 2013-14 Annual Report to the Government of Alberta**

Motion: THAT the Board of Governors, on the recommendation of the Board University Relations Committee, approve and adopt the *University of Alberta 2013-14 Annual Report for submission to the Government of Alberta* and empower the Associate Vice-President (Audit & Analysis) to incorporate the *University of Alberta Financial Statements for the year ended March 31, 2014* and to make any editorial changes to the *Report*, as needed, as long as the changes do not have the force of policy.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Office of Strategic Analysis
Presenter	Phyllis Clark, Vice-President (Finance and Administration) Mary Persson, Associate Vice-President (Audit & Analysis)
Subject	University of Alberta Annual Report to the Government of Alberta

Details

Responsibility	Vice-President (Finance and Administration)
The Purpose of the Proposal is (please be specific)	To comply with Innovation and Advanced Education (IAE) legislation and guidelines.
The Impact of the Proposal is	N/A
Replaces/Revises (eg, policies, resolutions)	Reports on goals, objectives, and targets set out in the <i>University of Alberta 2013 Comprehensive Institutional Plan (CIP)</i> by highlighting University accomplishments during the period of April 1, 2013 to March 31, 2014.
Timeline/Implementation Date	Due for submission to the Minister of IAE by September 30, 2014.
Estimated Cost	Printing and design costs only.
Sources of Funding	N/A
Notes	To meet Innovation and Advanced Education deadlines, the Annual Report and Financial Statements are moving through the approval process concurrently. Once the <i>University of Alberta Financial Statements for the year ended March 31, 2014</i> are approved by the Board of Governors, they will be incorporated in the Annual Report and a copy of the entire document will be sent to BURC members.

Alignment/Compliance

Alignment with Guiding Documents	<i>University of Alberta 2013 Comprehensive Institution Plan</i> . The annual cycle of reports is as follows: <ul style="list-style-type: none"> ○ <i>Comprehensive Institutional Plan</i> – to the Government of Alberta by March 31 ○ <i>Report to the Community</i> – for public distribution, April ○ <i>Financial Statements for Year Ended March 31</i> – to the Government of Alberta by July 15 ○ <i>Dare to Discover Report</i> – to Board of Governors, October ○ <i>Annual Report</i> – for submission to the Government of Alberta, September 30
Compliance with Legislation,	1. Post-Secondary Learning Act (PSLA):



<p>Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)</p>	<p>Annual report <i>“79(1) Each year a board must prepare and submit to the Minister a report that includes (a) the Audited Financial Statements for the preceding fiscal year, and (b) any other information the Minister requires. 80 The board must submit to the Minister any reports or other information required by the Minister.</i></p> <p>Note: The University’s Audited Financial Statements are prepared and submitted to Advanced Education as a separate document.”</p> <p>2. GFC Academic Planning Committee Terms of Reference/3. Mandate of the Committee:</p> <p><i>“The Academic Planning Committee (APC) is GFC’s senior committee dealing with academic, financial and planning issues. As such, it is not only responsible to GFC (or the Board) for the specific matters itemized below, but may also ask to consider or recommend to GFC on any academic issue, including 1) those issues under the purview of other GFC committees, 2) any academic issue related to restructuring, 3) any research-related issue, or 4) issues linked to academic service units where those issues have a significant academic impact. In like manner, the President, Provost and Vice-President (Academic) or other Vice-Presidents may refer any matter to APC for consideration or recommendation to GFC. APC is also responsible to GFC for promoting an optimal learning environment for students and excellence in teaching, research, and graduate studies.”</i></p> <p>3. Audit Committee Terms of Reference, Section 3 (k-m): “[...]” Other Compliance and Reporting Oversight (k) review any published documents containing financial information derived from the financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements; (l) review with Administration all interim financial reports before they are forwarded to the Board; (m) review legal and regulatory matters that may have a material impact on the financial statements, related University compliance policies and programs and reports received from regulators; [...]”</p> <p>4. Board University Relations Committee Terms of Reference/Sections 2 and 3: “</p> <p>2. Mandate The Committee promotes the advancement of the University’s Mission and Vision, aligns with the University Values, complies with the University Mandate and supports institution-wide plans, priorities and objectives by fulfilling its Committee Mandate in four Areas of Interest:</p>
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	<p><i>a. University Reputation</i> <i>The Committee guides efforts to ensure that the University safeguards and enhances its reputation to advance its interests.</i></p> <p><i>b. University Identity</i> <i>The Committee guides efforts to ensure that the University enhances its identity and profile at the international, national, provincial, municipal and institutional levels to advance its interests.</i></p> <p><i>c. University Strategic Communication</i> <i>The Committee guides efforts to ensure that the University identifies and effectively interprets strategic communication themes and key messages to targeted audiences, to enhance relationships, influence outcomes and advance the University's interests.</i></p> <p>3. Scope of Duty <i>Without limiting interpretation of the Committee Mandate to promote the University's Mission and Vision, align with the University's Values, comply with the University Mandate and support the institution-wide plans, priorities and objectives in four identified Areas of Interest, the Board authorizes the Committee to:</i> ... <i>k. Report annually to the Board on institutional progress within the four Areas of Interest of the Committee Mandate; and [...]"</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Office of the President (April, 2013); PEC-O (April 24, 2014); GFC Academic Planning Committee (APC) – for information/discussion (May 14, 2014) Board Audit Committee (June 2, 2014 – financial portion only);
Approval Route (Governance) (including meeting dates)	Board Audit Committee will review and approve an excerpt of the financial information contained in the report; Board University Relations Committee to review the report on May 30, 2014 and recommend Board of Governors' approval and adoption of the <i>2013-2014 Annual Report to the Government of Alberta.</i>
Final Approver	Board of Governors (June 20, 2014)

Attachments:

Attachment 1– University of Alberta 2013-14 Draft Annual Report for submission to the Government of Alberta

Prepared by: Mary Persson, Associate Vice-President (Audit & Analysis) (mary.persson@ualberta.ca)

2013-2014
ANNUAL REPORT
DRAFT JUNE 11, 2014

FOR SUBMISSION TO THE GOVERNMENT OF ALBERTA

DARE TO DISCOVER: A VISION FOR A GREAT UNIVERSITY

QUAECUMQUE VERA — WHATSOEVER THINGS ARE TRUE

University of Alberta Vision, Mission, Cornerstones, and Values

The University of Alberta *vision* is to inspire the human spirit through outstanding achievements in learning, discovery, and citizenship in a creative community, building one of the world's great universities for the public good.

Our mission is to create and sustain a vibrant and supportive learning environment that discovers, disseminates, and applies new knowledge through teaching and learning, research, creative activity, community involvement, and partnerships. The University of Alberta gives a national and international voice to innovation in our province, taking a lead role in placing Canada at the global forefront.

The University of Alberta aspires to become one of the top public universities in the world by focusing academic planning and strategic decision-making on *four cornerstones*:

1. Talented People
2. Learning, Discovery, and Citizenship
3. Connecting Communities
4. Transformative Organization and Support

Our *values*: The University of Alberta community of students, faculty, staff, and alumni rely on shared, deeply held values that guide behaviour and actions. These values are drawn from the principles on which the University of Alberta was founded in 1908 and reflect a dynamic, modern institution of higher learning, leading change nationally and internationally.

Excellence: Excellence in teaching that promotes learning; outstanding research and creative activity that fuel discovery and advance knowledge; and enlightened service that builds citizenship.

Student Experience: The centrality of our students and our responsibility to provide an intellectually superior educational environment.

Integrity and Academic Freedom: Integrity, fairness, and principles of ethical conduct built on the foundation of academic freedom, open inquiry, and the pursuit of truth.

Diversity and Creativity: A diverse, yet inclusive, dynamic collegial community that welcomes change and seizes opportunity

with passion and creativity.

Pride: Pride in our history and traditions, including contributions from Aboriginal people and other groups, which enrich and distinguish the university.

*“The people demand that knowledge shall not be the concern of scholars alone.
The uplifting of the whole people shall be its final goal.”*

- Henry Marshall Tory, September, 1908

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Message from the Chair

On behalf of my colleagues on the University of Alberta Board of Governors, I present the 2013-2014 Annual Report as a record of the university's continued progress towards the goals outlined in its Comprehensive Institutional Plan and Academic Plan, Dare to Deliver 2011-2015. This report for the year ending March 31, 2014, has been prepared under the board's direction in accordance with the *Fiscal Management Act*, the *Post-secondary Learning Act*, and associated ministerial guidelines. All economic, environmental, and fiscal implications of which we are aware have been considered in the preparation of this report. It includes a financial report drawn from the university's financial statements, as well as a discussion of key challenges, risks, and opportunities faced by the University of Alberta over the past year.

The year has had its challenges, but the university remains steadfast in its pursuit of being among the world's great public universities, and the board stands united in its commitment to excellence across the institution and firmly endorses the University of Alberta's aspirations to compete on the world stage. Anything less sells this university short, it sells this province short, it sells its people short, and indeed it sells the country short.

The university is at a transformational time in its history, as it carries forth with a change agenda being implemented through President Indira Samarasekera's four-point action plan, which addresses change through academic transformation; sustainable and flexible financial models; effective, efficient administration; and culture change. The university will also spend the next year finding a successor for outgoing President Samarasekera, who has chosen not to seek a third term. Our next president will need to have the vision, skills, and attributes to continue our momentum with the University of Alberta's change agenda, to build on our strengths, and to propel us into the top tier of global public universities.

And while change is afoot, it's also an exciting time at the University of Alberta. True to its mandate, as approved in 2009 by the Minister of Advanced Education and Technology, it offers a broad range of outstanding learning and research programs to prepare citizens and leaders who make a difference. It plays a leading role in Campus Alberta by collaborating with other Alberta institutions, responding to vital community relationships at every level, and giving a national and international voice to Alberta innovation. Also in line with its mandate, the university enhances student opportunities and builds Alberta's capacity for long-term, knowledge-driven sustainable development at the global forefront.

As board chair, I thank the Government of Alberta for its continued support of lifelong learning, research, and innovation—support that is even more essential for the next generation of Albertans. The University of Alberta has great potential to do things that can't be done anywhere else in the world. There has never been a more important time to engage and support a talent base that can think beyond traditional economic and social boundaries. Indeed, our future depends on it.

As I continue in my term as chair of the Board of Governors, I look forward to advancing the University of Alberta's promise of "uplifting the whole people," and working to assure that the province's flagship institution achieves its academic mission while advancing Alberta on the global stage.

Sincerely yours,

Douglas O. Goss, Q.C. AOE
Chair, Board of Governors

Board of Governors

2013-14

BOARD MEMBER	CONSTITUENCY
Belosevic, Miodrag (Mike)	General Faculties Council
Epperson, Brent	Graduate Students' Association
Fleming, Don	Alumni
Goss, Douglas	Public (Chair)
Halford, Jane	Alumni
Heelan, James	Public
Hoveland, Agnes	Public
Jeraj, Shenaz	Public (Vice-chair)
Kelly, Brent	Students' Union
Kusmu, Petros	Students' Union
LePoole, Steven	Public
Matthew, Don	Public
Pu, Christopher	Non-Academic Support Staff
Renke, Wayne	Association of Academic Staff
Reuscher, Bernd Michael	Senate
Samarasekera, Indira	President

BOARD MEMBER	CONSTITUENCY
Somji, Nizar	Public
Teskey, Robert H.	Public
Wilson, Dick	Public (Vice-chair)
Young, Ralph	Chancellor

Overview from the President

The University of Alberta is proud to be a leader provincially, nationally and internationally in addressing our social, economic and environmental issues, by inspiring citizenship and higher learning, producing graduates who are leaders and innovators, advancing new ideas and technologies, and through collaborations with universities and research organizations from around the world. We live in a highly competitive and dynamic world driven by new discoveries and innovation, and universities are at the forefront of developing solutions to address our global challenges.

Our work is focused around the four cornerstones outlined in Dare to Discover, our vision for a great university—Talented People; Learning, Discovery and Citizenship; Connecting Communities; and Transformative Organization and Support, and I am proud of what we at the University of Alberta have accomplished.

Our alumni are major drivers of the province's economy and leaders of government and industry. They are vital to Alberta's future success and prosperity. In fact, an alumni impact report revealed that our graduates have collectively founded more than 70,000 organizations globally, created more than 1.5 million jobs and generated annual revenues totaling \$348.5 billion. These numbers are staggering and illustrate our role in attracting and developing talented people who are vital to our economy and our competitiveness on the world stage.

We are proud of our global reach—we are Alberta's portal to the world with dozens of international exchange and research partnerships. This year, we entered into a major international agreement, in collaboration with the University of British Columbia and University of Toronto and some of India's most prominent research institutions, to create IC-IMPACTS, which brings together partners from both countries with the goal of improving the quality of life for millions of people in India and Canada.

TEC Edmonton, a joint-startup between the university and the City of Edmonton was named top Canadian business incubator and 17th best in the world by the UBI (University Business Incubators) Index. It has been instrumental in helping local inventors, entrepreneurs, and researchers get the resources they need to launch successful technology-based ventures.

Our first MOOC (Massive Open Online Course), Dino 101, was an international success immediately upon its release in September. It highlights Alberta's rich paleontology collection and globally engages learners in the scientific method through the world of dinosaurs.

These are just a few examples, which illustrate our scope and reach. Our campus is a vibrant community of talented and inspired students, faculty and staff. With continued support from our partners in government, business and the community, I believe that there are no limits to what we can accomplish.

Indira V. Samarasekera, OC
President and Vice-Chancellor

The University in 2013-14

Challenges and great opportunities lie ahead for Alberta.

Human capital in the 21st century is highly mobile: people move from one province or country to another to live and work, transferring knowledge between geographical regions and developing new ideas, innovations, and solutions in the process. If Alberta effectively leverages these people connections and enables knowledge transfer, it will improve quality of life, increase competitiveness, secure economic prosperity and social resilience, and advance Alberta toward being a world leader. Future success will depend on Alberta's ability to advance the province as a global leader, to foster an innovative and entrepreneurial society, and to encourage a thriving creative culture. The University of Alberta, as the province's flagship research-intensive post-secondary institution, will be a critical partner in educating and developing top talent, attracting and retaining world-class students, leaders, and visionaries across disciplines.

The outcomes and benefits will be many: a skilled workforce, engaged citizens, economic diversification, evidence-based policy development, social and technological solutions to serious challenges, and sustained prosperity.

In addition to educating, credentialing, and employing generations of Albertans, the University of Alberta is a gateway through which Albertans and Alberta organizations, businesses, and industries gain access to the world. In turn, it is a key entry point to the province for outside talent and innovation. Global companies are attracted to Alberta by the research and innovation partnership opportunities the university presents. With every innovation, every discovery, every global partnership formed, every alumnus working in the international market, the University of Alberta is advancing the province's global brand.

These successes come, as the imperative for even greater investment in education, research, development, and innovation has been recognized. Regions and countries around the world are aligning their resources and reviewing their educational and research sectors to better compete in the global marketplace. As a result, the knowledge economy is fiercely competitive. Alberta's long-term success depends on remaining competitive within this reality.

Consistent, adequate, long-term funding for post-secondary education and innovation, specifically with strong support for the province's comprehensive academic and research institutions, is essential to securing Alberta's prosperity long into the future. According to the Government of Alberta:

The economic and intellectual centre of gravity is shifting away from traditional economic powers in the West, and the pace at which knowledge and technology are advancing is altering how the world does business. Albertans have always been innovators and leaders, resilient and resourceful. These are the qualities that build the province and remain critical to Alberta's continued future success. Alberta's path for a successful and dynamic economy that can compete in, and contribute to, the global knowledge economy requires having the right people with the right skills. Future success also requires strong strategic relationships between government, post-secondary institutions, the research and innovation system, and the province's entrepreneurial business sector." (Source: Government of Alberta, 2013-16 Government of Alberta Strategic Plan: page 6)

Given its wealth, creativity, and entrepreneurial spirit, Alberta has distinct advantages on the national and international stages. Through sustained, strategic investments in building blocks such as talented and creative people, advanced infrastructure, and research excellence, Alberta has the potential to emerge as one of the most dynamic and energetic provinces in the world.

The University of Alberta is at the core of delivering the credentialing and performing the research that Alberta requires to remain economically competitive and to address the social, cultural, and political challenges of the modern global knowledge economy. Indeed, in addition to being one of the largest drivers of the provincial economy, the university fulfils its promise through the achievements of its alumni.

A recent study estimates that University of Alberta alumni have collectively founded 70,258 organizations globally, creating more than 1.5 million jobs and generating annual revenues of \$348.5 billion. Of those jobs, 390,221 were created in Alberta. With 2.1 million people being employed in Alberta in 2012, roughly one in five Albertans is employed by a company founded by a University of Alberta graduate (Briggs and Jennings, *Uplifting the Whole People: The Impact of University of Alberta Alumni through Innovation and Entrepreneurship*, 2013)

One-third of the organizations started by University of Alberta alumni are non-profit or have a cultural, environmental, or social mission. More than 77 per cent of University of Alberta alumni have volunteered locally, and 17 per cent have volunteered outside Canada. The report also notes that a University of Alberta education is a major catalyst for innovation and entrepreneurship, and interactions with faculty, more than any other experience, have the highest impact on alumni after graduation. The success of the University of Alberta is inextricably linked to the position of Alberta on the global stage.

Working with the Government of Alberta over the past year, the University of Alberta has set a bold new course for the future, one that holds true to founding president Henry Marshall Tory's promise of "uplifting the whole people" by engendering a culture of leadership, innovation, and creativity. Together, we can ensure that this vision comes to fruition, improving quality of life for all Albertans.

Summary Statistics

	2012-13 ACADEMIC YEAR	2013-14 ACADEMIC YEAR
Students	39,502	39,267
Undergraduate (full-time)	29,947	29,661
Graduate (full-time)	6,083	6,137
Undergraduate (part-time)	1,957	1,987
Graduate (part-time)	1,515	1,527
Faculty of Extension Registrations (including Brokered Registrations)	14,103	12,144 (preliminary)
Tuition		
Arts & Social Sciences	\$5,269	\$5,269
Law	\$10,121	\$10,121
Medicine	\$11,925	\$11,925
M.A., M.Sc., and PhD	\$3,626	\$3,626
Faculty & Staff	5,291	5,196
Faculty	2,090	2,097
Other Academic Staff	674	683
Support Staff	2,527	2,416
	2012 - 13 FISCAL YEAR	2013 - 14 FISCAL YEAR
Research Revenue	\$407 million	\$463 million
	2012 CALENDAR YEAR	2013 CALENDAR YEAR
Degrees & Diplomas Granted	8,600	8,886
Undergraduate	6,703	6,774
Graduate	1,897	2,112

NOTABLE ACCOMPLISHMENTS IN 2013-14

The following highlights of significant accomplishments in 2013-14 gauge progress towards the University of Alberta's vision, Dare to Discover, and its four cornerstones.

The reported performance measures provide complementary data and were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the university's Comprehensive Institutional Plan. These measures help to monitor progress toward the University of Alberta's four cornerstones and the goals of access and research.

CORNERSTONE 1

The University of Alberta will attract and retain talented people

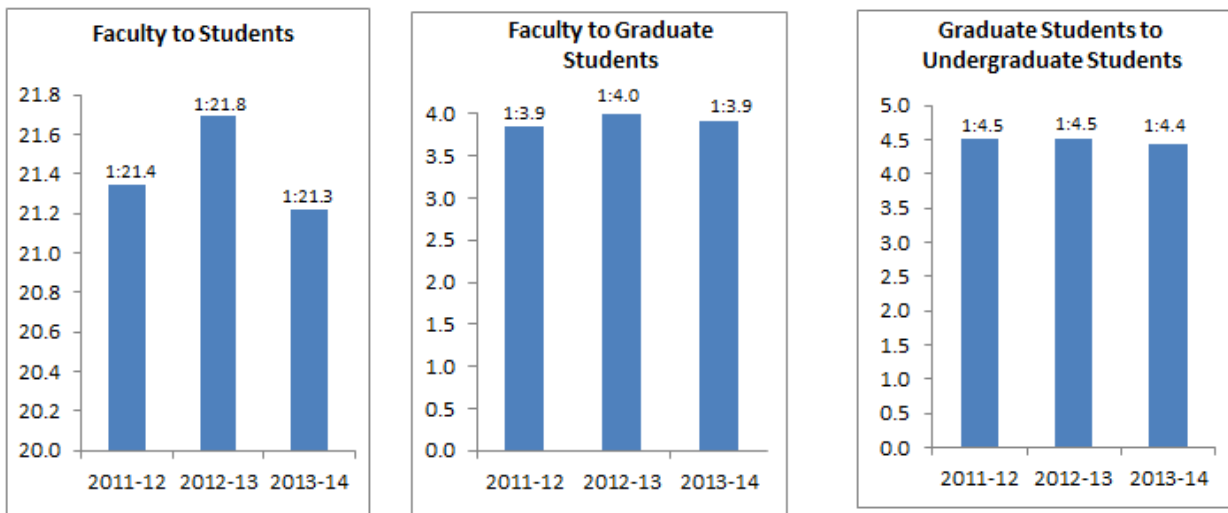
The world's most talented faculty, promising students, and dedicated staff — the world's most creative thinkers, prolific researchers, and innovative teachers — seek a university that offers the support, facilities, and commitment to excellence they need to thrive. The right environment is essential if the University of Alberta is to become a super-magnet for this kind of talent.

HIGHLIGHTS

- With his work debunking health myths, health law expert Tim Caulfield became the second University of Alberta professor to win a Trudeau Fellowship. It is worth \$225,000 and is tenable for three years.
- A visit to the University of Alberta by the renowned Chinese master artist Fan Zeng and a delegation from Nankai University enriched cultural and educational ties between the two institutions and raised Alberta's world profile. In recognition of its relationship with Nankai University, the University of Alberta hosted Fan—a former dean from Nankai—along with the university's president, a group of professors and 26 Nankai students.
- Actor and University of Alberta drama alumnus Paul Gross and legendary Golden Bears hockey coach Clare Drake were named to the Order of Canada. Drake, "the dean of Canadian intercollegiate hockey coaches," will be inducted into the Order of Hockey in Canada at the end of June. Having inspired players at every level, Drake is most renowned for having coached Golden Bears hockey to 697 wins—a Canadian university record—and to six national championships over his 28 years at the helm. On two occasions Drake was honoured as Canadian university coach of the year. Shortly after Drake's retirement in 1989, the University of Alberta dedicated Varsity Arena in his honour.
- In 2013-14, more than 950 students participated in the 62 community service-learning courses that are available at the University of Alberta's Edmonton campuses, and 29 CSL courses that are available on the Augustana campus.

FIGURE 1 FULL-TIME EQUIVALENT (FTE) RATIOS

- A significant part of the student experience is predicated on access to faculty so student ratios at the institutional level provide a general indication of the available level of resources. Most top research intensive institutions have relatively low student-to-instructor and undergraduate-to-graduate student ratios, indicative of a high-quality learning environment in which students have ample access to instructors and the learning opportunities they offer. We remain committed to the goal of 16 students to one faculty member, but in the current financial climate, we expect to see limited reduction in the student-faculty ratios in the immediate future.
- Many leading public research universities have a 3 to 1 ratio of undergraduate-to-graduate students in order to help foster a dynamic, discovery-based learning environment. The University of Alberta has an undergraduate-to-graduate ratio above that of top public four-year universities and must make a substantial investment in graduate students to reach its target. Given the downward trend in the ratio over the past years, progress is evident, but the global competition to attract the best and brightest graduate students is intensifying and often linked to available funding.



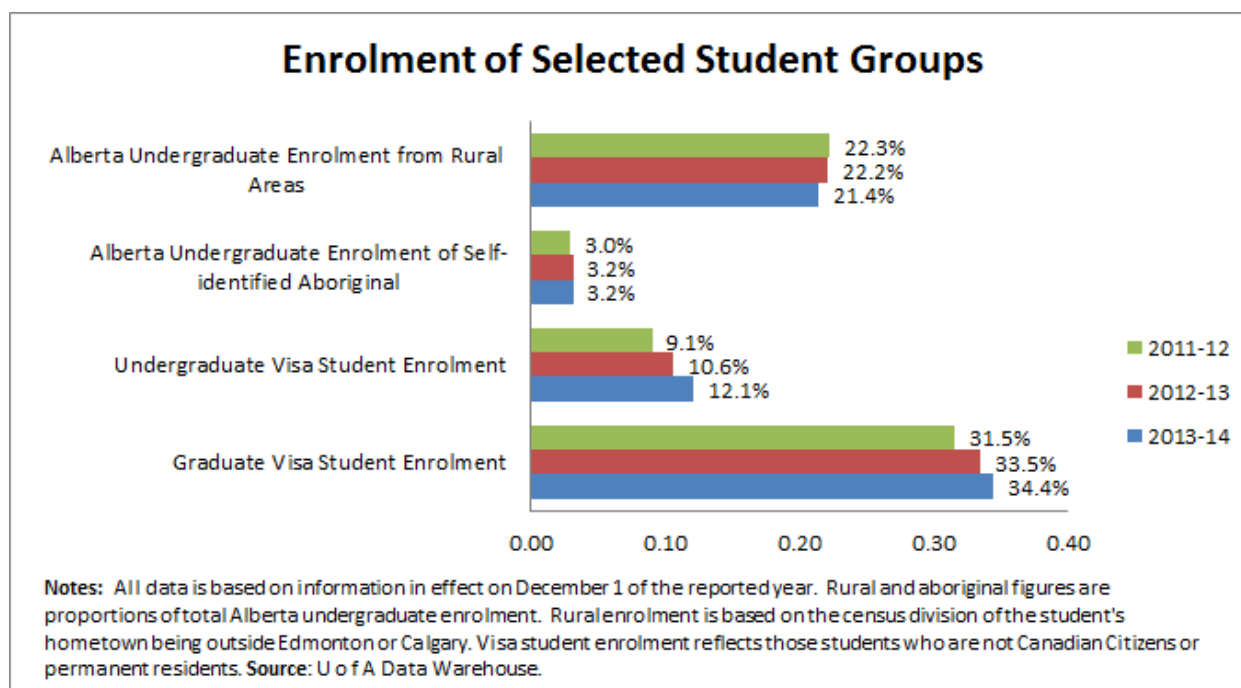
Notes: Student data is based on information in effect on December 1 of the reported year. Post-graduate medical education students are excluded. FTE (full-time equivalent) represents the number of full-time students plus one-third the number of part-time students based on the number of individual students within each reporting category. Staff data is based on information in effect on October 1 of the reported year. 2013-14 data are preliminary. **Sources:** U of A Data Warehouse for student data. U of A Human Resources data as reported in staff census extracts from PeopleSoft for indicated years as calculated by Strategic Analysis Office, (previously from UCASS extracts, which have been discontinued by Stats Canada).

HIGHLIGHTS

- It was a banner year for University of Alberta Athletics as the Golden Bears hockey and volleyball won their programs' 14th and seventh national titles respectively, while the Pandas rugby team won University of Alberta's sixth national women's rugby title.
- Renewable resource researcher Scott Chang studied tree rings from 60-year-old aspen and pine stands and found that trees and soil are adapting to oilsands development, but says careful monitoring is needed over the long term.
- Kue Young, an international expert in northern and Aboriginal health, is the new dean of the School of Public Health, the country's only accredited public health school.
- With 48 undergrads crossing the stage, the 10-year-old Aboriginal Teacher Education Program graduated its largest class as part of the Faculty of Education's fall convocation. The program allows students to earn a bachelor of education in elementary education while maintaining community, family, and cultural connections.

FIGURE 2: ENROLMENT OF SELECTED STUDENT GROUPS

- The university has set in motion strategies to pursue selected long-term enrolment objectives. These include representative proportions of undergraduates from rural and Aboriginal communities of Alberta, as well as higher proportions of international undergraduate and graduate enrolments.
- In 2005, the University of Alberta set an institution-wide international undergraduate enrolment target of 15 per cent, and an international graduate student enrolment target of 30 per cent. The graduate target has now been exceeded and the University of Alberta is approaching the undergraduate target.
- A balance of enrolment from Alberta, Canada, and the world will help to stimulate development of a knowledge-based economy. Many international students stay in Alberta and contribute to the province's economic growth.

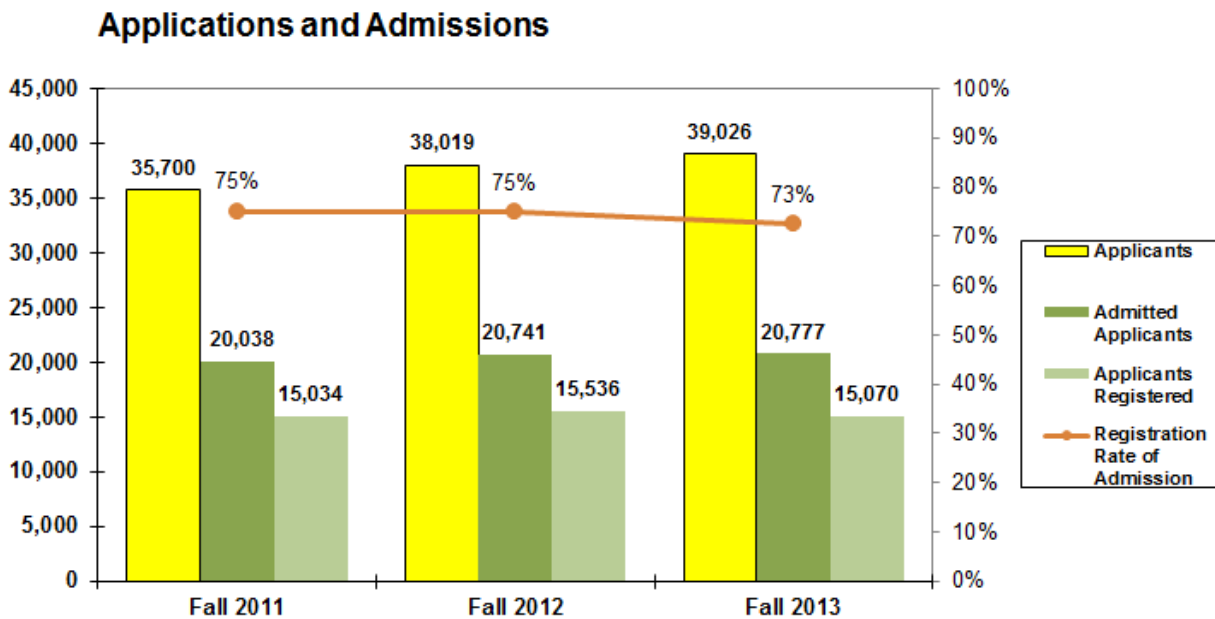


HIGHLIGHTS

- University of Alberta board chair Doug Goss; former University of Alberta law professor; deputy Prime Minister Hon. Anne McLellan; and alumna, governance expert and longtime friend of the University of Alberta, Cathy Roozen, were named to the Alberta Order of Excellence.
- Law PhD student Hadley Friedland won SSHRC’s \$50,000 inaugural Impact Talent Award, which recognizes an emerging scholar and future leader, for her research exploring how Aboriginal legal principles can be practically applied to address today’s issues.
- Lee Green, chair of the Department of Family Medicine, was named the first Alberta Innovates – Health Solutions Translational Health Chair, which was created to build capacity in priority health research and innovation areas. Green’s research targets improving the quality of primary health care in Alberta.

FIGURE 3 APPLICATIONS AND ADMISSIONS

- Applications and admissions provide a measure of demand and applicant qualifications. This measure is also resource dependent as flat, or declining, resources will affect the availability of student seats.
- The number of applicants admitted has been stable over the reported period while the registration rate fell slightly in 2013-14.



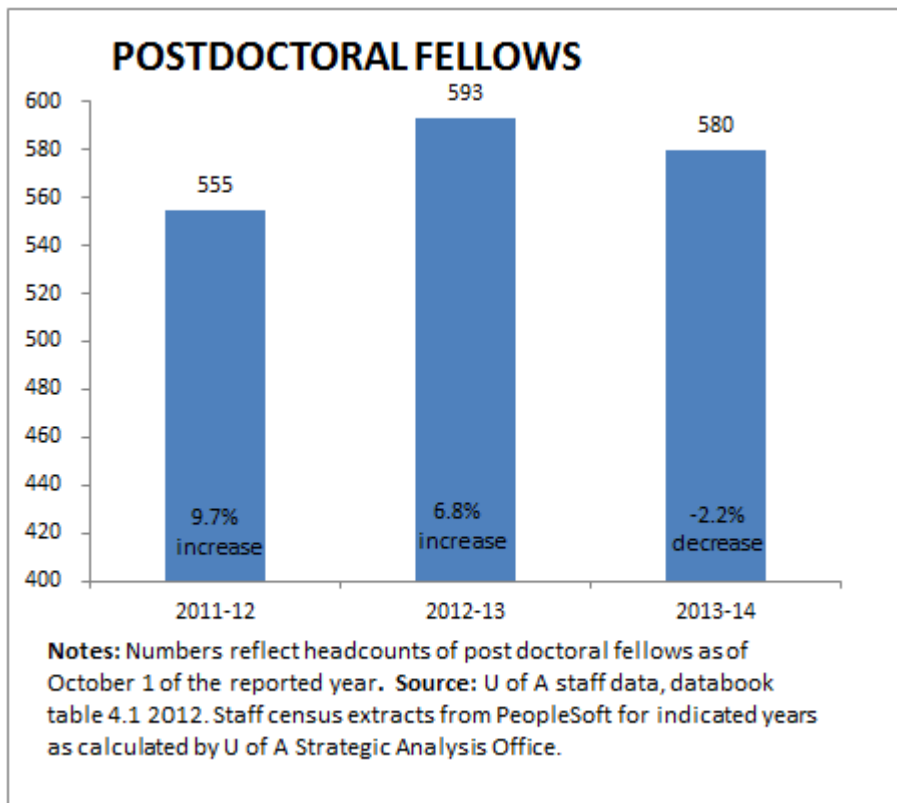
Notes: The numbers reported reflect unique individuals. Registration rate is the proportion of those admitted who registered. This data is based on information in effect on October 1 of the reported year. **Source:** U of A Data Warehouse

HIGHLIGHTS

- The University of Alberta figured prominently in the ASTech Awards, created in 1989 to honour achievements in science and technology in Alberta. This year's winners include former science dean Gregory Taylor, recognized for his vision in helping create the Centennial Centre for Interdisciplinary Science; Aurora Watch, a Northern Lights observation project led by physicist Ian Mann; and Rhodes Scholar Megan Engel, who won the Leaders of Tomorrow Award for her nanotechnology research into neurological disorders such as Parkinson's and Alzheimer's diseases.
- The University of Alberta is launching a new post-doctoral fellowship to examine the role of sexual minorities in sports. Starting this July, the post-doc follows a partnership struck between the University of Alberta's Institute for Sexual Minority Studies and Services and the You Can Play Project, a North America-wide campaign aimed at eradicating homophobia from professional sports.
- Philip Currie unveiled a near-complete skeleton of a baby Chasmosaurus, a relative of the Triceratops, which he found in Alberta's badlands. The find, which ranks among the famed paleontologist's best, is the world's first intact baby of this species.

FIGURE 4 POSTDOCTORAL FELLOWS

- Post-doctoral fellows (PDFs) contribute to the research mission of the university. The attraction of post-doctoral fellows, researchers and visiting faculty from around the world to join the academic community is a key Dare to Discover strategy.
- University of Alberta's complement of PDFs increased over the first two years of the reported period and then dropped slightly in the last year. This decline, though not desirable, is expected in the current fiscal climate.



CORNERSTONE 2

The University of Alberta will provide excellence in learning, discovery and citizenship

Great universities stimulate learning and discovery that is cutting-edge, generating new knowledge, innovations, and discoveries that transform everyday life. The world-class university of tomorrow — which the University of Alberta aspires to be— will contribute to scientific, social, and cultural structures of global society in ways that will allow them to change and grow, creating and sustaining prosperity and well-being for future generations.

HIGHLIGHTS

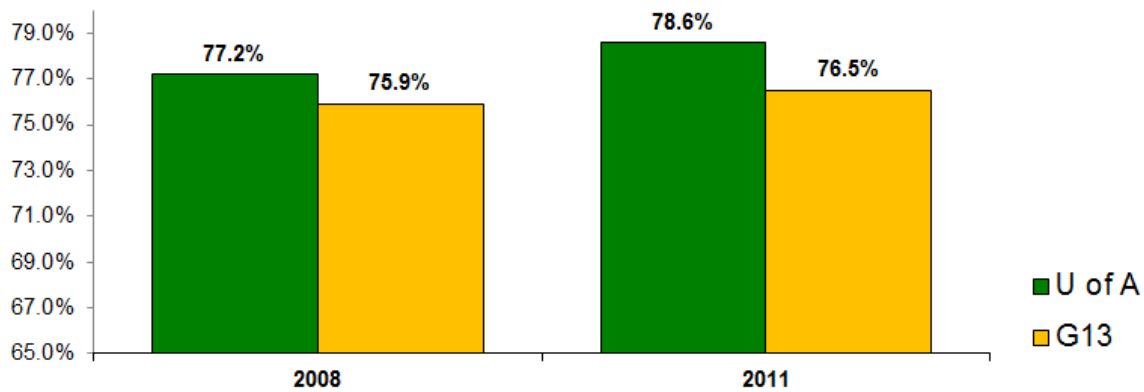
- The university's first massive open online course (MOOC), Dino 101, went live September 4, 2013. Taught by world-renowned paleontologist Phil Currie and his grad students, the course showcases the University of Alberta's expertise in paleontology. Dino 101 has now been internationally recognized as raising the bar on MOOCs globally. Over 35,000 people worldwide signed up for the free course, which has the highest participation (77%) and completion (16%) rates in a free MOOC of any reported to-date.
- The Centre for Teaching and Learning hosted a Blended Learning Symposium to profile the latest developments in digital learning which attracted over 200 digital learning leaders from across the province. Building on that momentum, University of Alberta has launched a multi-year initiative to develop and adopt blended learning in its undergraduate programs.
- The Civil Military Leadership Pilot Initiative, a renewed partnership between the University of Alberta, the Canadian Armed Forces and the Department of National Defence, is now underway. The four-year program requires students to be enrolled within any program and to serve concurrently with a local army reserve unit.
- Five curlers and five Augustana biathletes, along with Golden Bears curling coach, Rob Krepps, Pandas curling coach, Garry Coderre, Pandas hockey coach and seven-time national champion, Howie Draper, and Augustana biathlon coach, Lowell Niven, headed to Italy for the 26th Winter Universiade Games December 11 to 21.
- In an effort to improve student mental wellness and academic success, the University of Alberta implemented a fall reading week to begin in 2015. The fall break is meant to allow students to catch up with their studies, earn money to help pay for their education, visit with family and friends, and have a break at a time when the university traditionally starts feeling the fallout of student stress.

- The University of Alberta launched several new initiatives intended to create additional diversity, flexibility, and professional competitiveness for students including two cross-disciplinary credentials (BA/BSc in Interactive Media; Certificate in Computer Game Development) in the areas of advanced digital media and interactive entertainment.

FIGURE 5 PERCENT OF SENIOR STUDENTS RATING THEIR EDUCATIONAL EXPERIENCE AS GOOD OR EXCELLENT

- Student satisfaction with their educational experience can lead to a productive lifelong relationship with their university. Our goal is to have improving of satisfaction as a measure through the National Survey of Student Engagement.
- Satisfaction with their educational experience has increased amongst senior undergraduate students over the measured period.

PERCENT OF SENIOR STUDENTS RATING THEIR EDUCATIONAL EXPERIENCE AS GOOD OR EXCELLENT



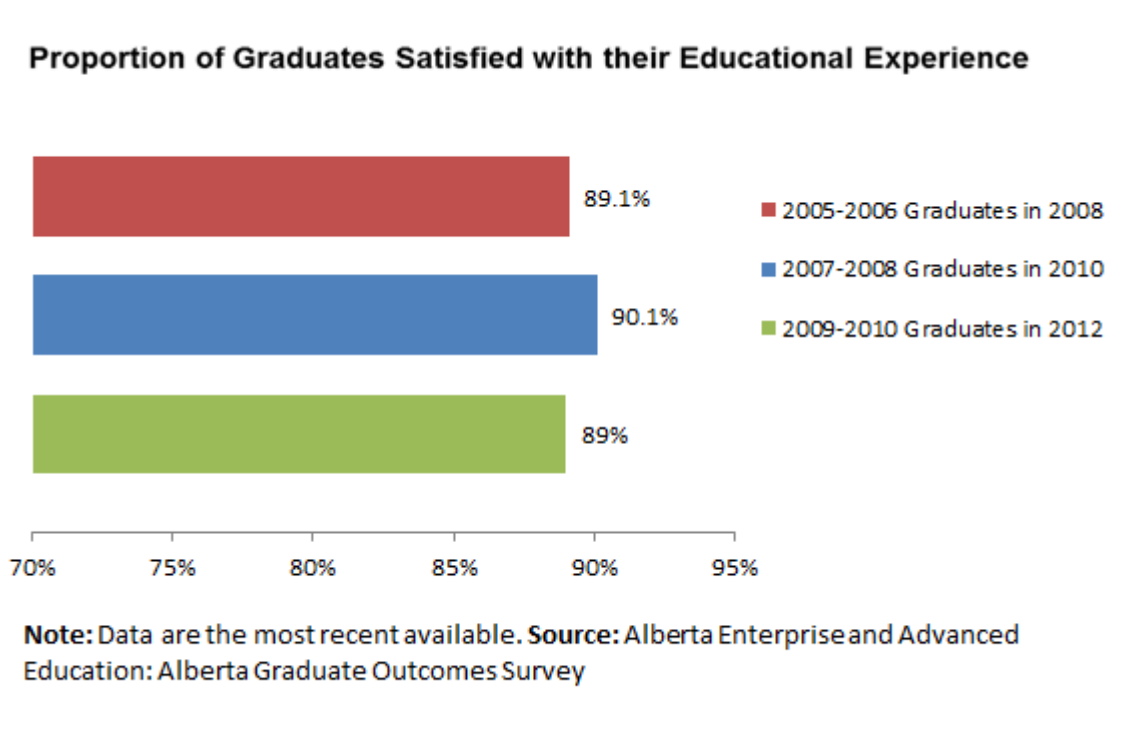
Notes: Senior Student designation represents students in their fourth year, or in the year that they are normally expected to graduate. During the time period represented, U15 was referred to as G13 (Group of 13). Data are the most recent available: updated results will be available in early 2015. **Source:** U of A Frequency Distribution Report, NSSE (National Survey of Student Engagement), 2008 and 2011.

HIGHLIGHTS

- With Canada ranking as the third-largest producer of video games in the world, the University of Alberta is stepping up efforts to prepare students for an industry worth \$75 billion worldwide by creating a new certificate program in computer game development.
- The Government of Alberta will provide \$7 million in program funding each year over 10 years to support the Peter Lougheed Leadership Initiative, a partnership between the University of Alberta and The Banff Centre. The University of Alberta's component in the initiative, the Peter Lougheed Leadership College, will give students access to new and enhanced leadership programming that reflects the university's diversity and strengths.

FIGURE 6 PROPORTION OF GRADUATES SATISFIED WITH THEIR EDUCATIONAL EXPERIENCE

- Graduate satisfaction provides another dimension of student satisfaction and is an important learner outcome measure. Graduate satisfaction has been high and relatively stable over the measured period, fluctuating around 90%.



HIGHLIGHTS

- In recognition of their outstanding scholarly and scientific achievements, civil and environmental engineer Simaan AbouRizk, music professor Debra Cairns, physicist James Pinfold and physics professor emeritus Raymond Egerton were all elected as fellows to the Royal Society of Canada.
- Jonathan White, surgical professor and creator of the popular Surgery 101 podcast, was named a 2014 3M National Teaching Fellow. White is the 41st University of Alberta professor to receive the fellowship, adding to the university's Canada-leading total of 3M Teaching Fellows.
- The Faculty of Law is involved in an ongoing collaboration with the Alberta Rural Development Network (ARDN), the University of Calgary law school and other partners including the Canadian Bar Association on the Alberta Regional and Rural Access to Justice Project. The project, started in 2011, is aimed at alleviating the shortage of legal services for Albertans who live outside of the province's cities and towns—where most law firms are established.

FIGURE 7 PERCENTAGE OF FULL-TIME FACULTY RECEIVING SELECTED AWARDS AND HONOURS, UNIVERSITY OF ALBERTA AND SELECTED PEERS, 2002 TO 2012

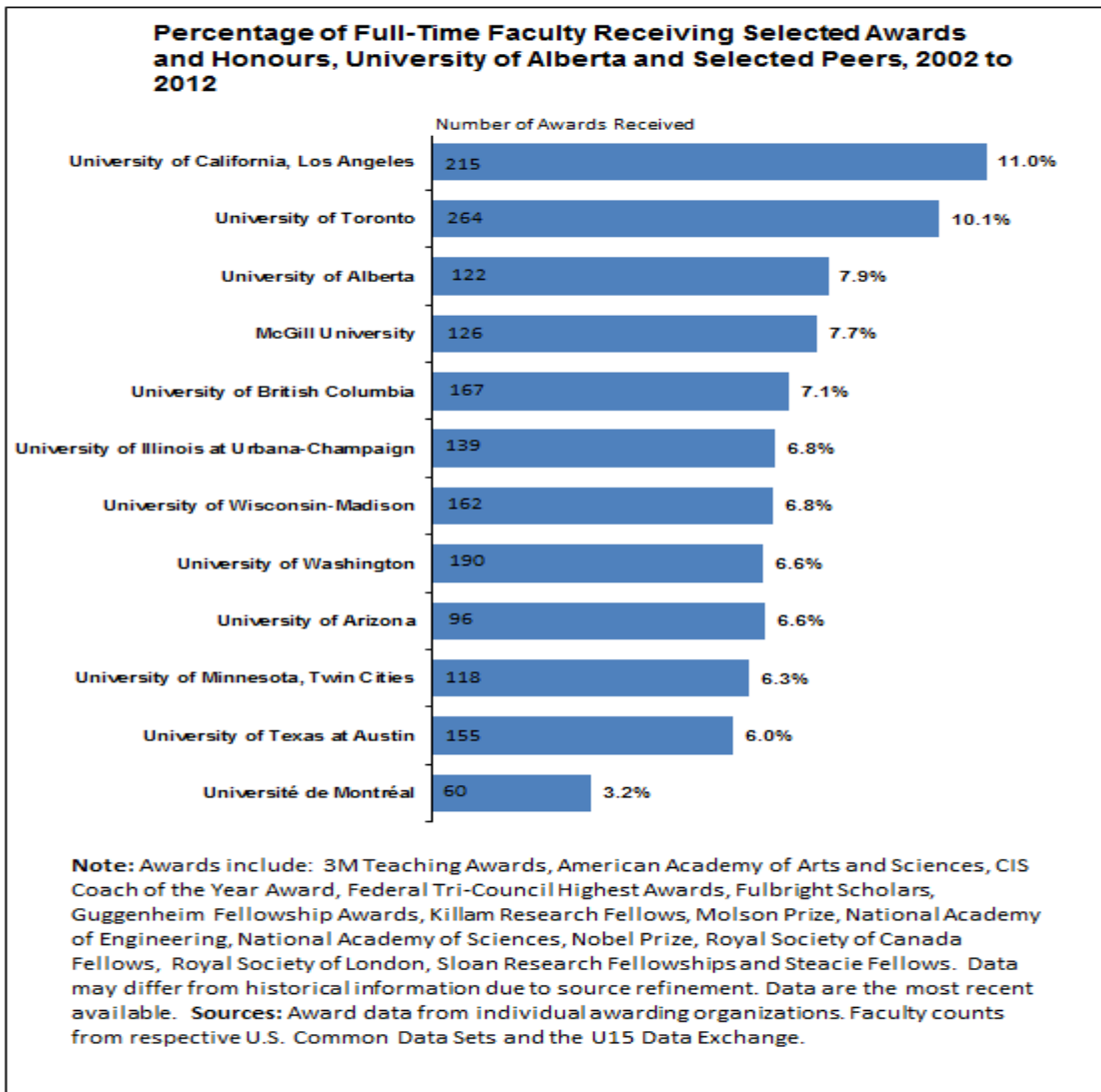
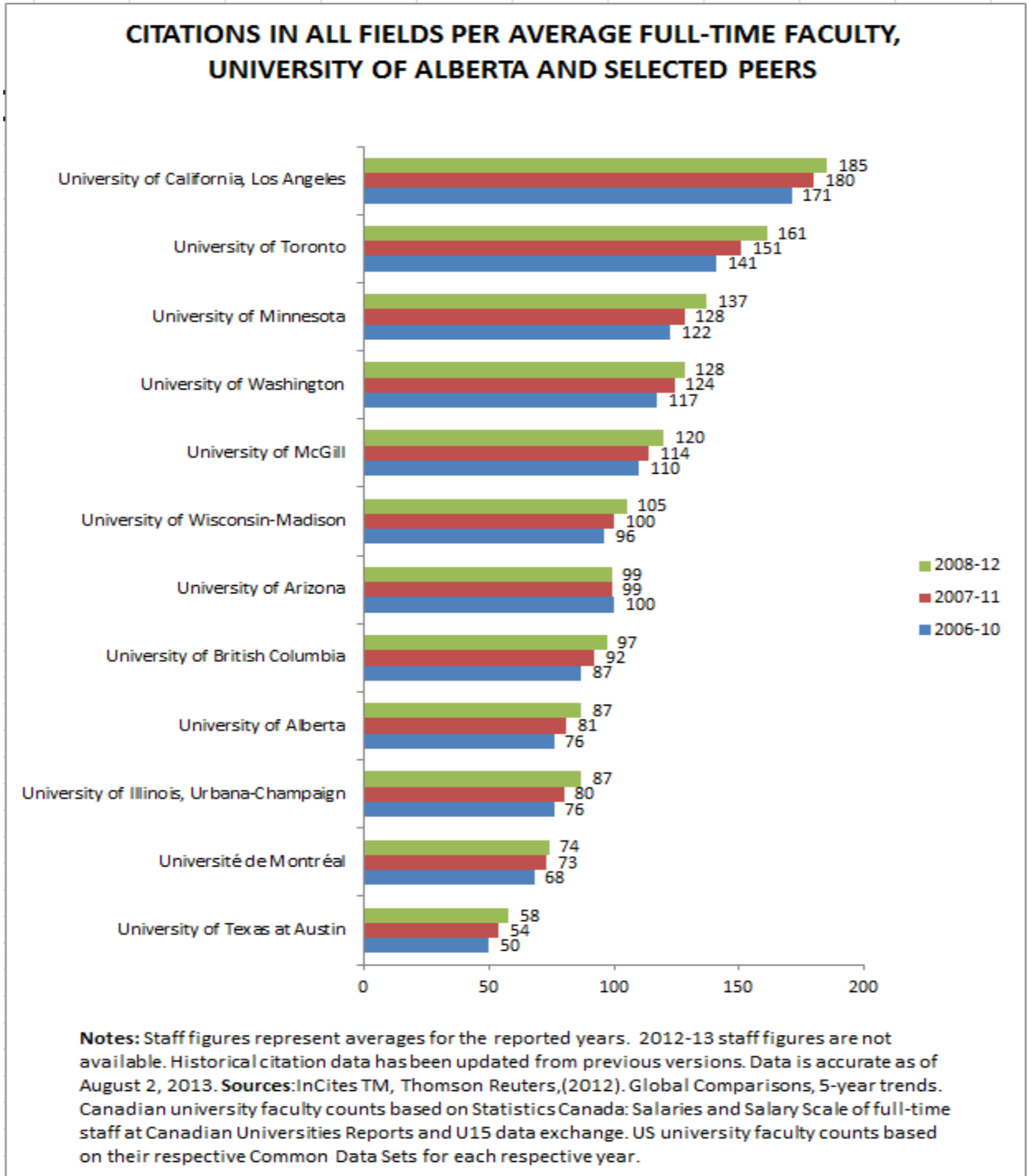


FIGURE 8 CITATION IMPACT, UNIVERSITY OF ALBERTA AND PEERS

- The number of times a faculty member’s work is cited by peers is a strong validation of excellence. Therefore, universities tend to use citations as an indicator of productivity, relevance and quality.

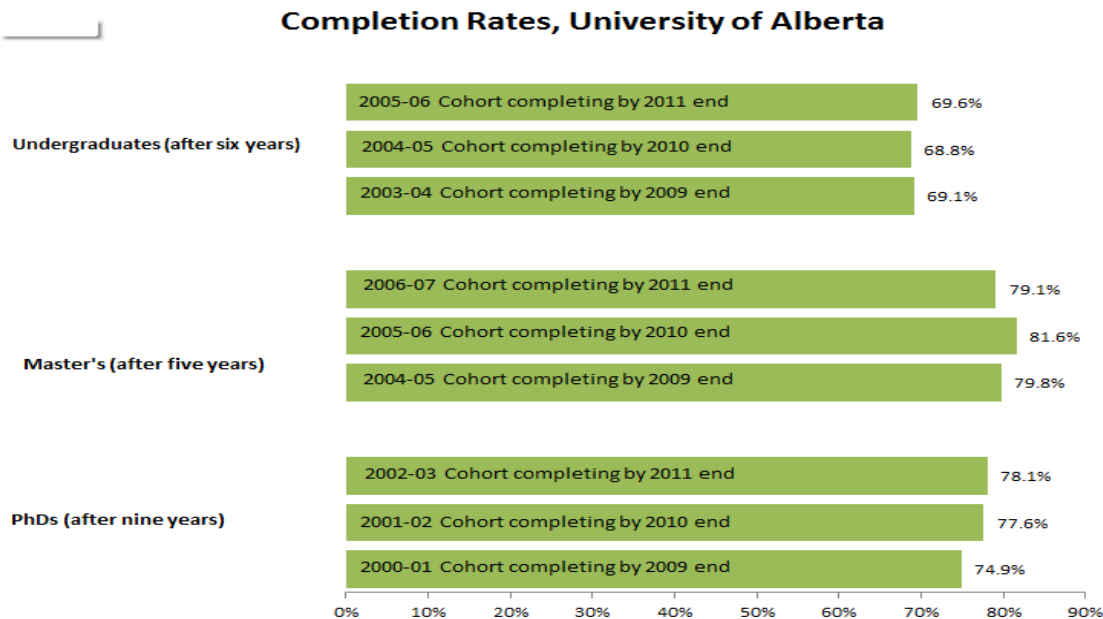


HIGHLIGHTS

- Environmental sciences student Kelcie Miller-Anderson won an Alberta Emerald Award for her undergraduate research showing that oyster mushrooms can be used to treat tailings ponds. Other University of Alberta winners of this environmental award include the Montane Elk Project, the world’s largest radiotelemetry study on elk; and two education programs at the Devonian Botanic Garden.
- The University of Alberta has taken the lead on research devoted to safer drinking water. It’s all part of a \$30million collaboration with India and the universities of Toronto and British Columbia called IC-IMPACTS to ensure health, safety, and sustainability for remote and rural communities in Canada and India.
- Janice Cooke, a researcher in the Department of Biological Sciences, received a \$3million Strategic Network Grant from the Natural Sciences and Engineering Research Council of Canada to invest in her Turning Risk Into Action Network (TRIA-Net), an interdisciplinary team of scientists and forest practitioners from government, not-for-profit, and industry organizations addressing the spread of the devastating mountain pine beetle.
- The University of Alberta continues to implement a three-year, \$3million grant from Alberta Health to support student mental health. The university is extending the capacity of the mental health centre with satellite counsellor offices, increasing hours of service, establishing a community social work team, and enhancing wellness education and programming.

FIGURE 9 COMPLETION RATES, UNIVERSITY OF ALBERTA

- The following chart provides on-time completion rates for undergraduates, masters and PhD students.
- Rates for PhD students have shown improvement over the reported period. Other rates have remained stable.



Notes: Data are the most recent available. Completion Rate methodology defined and implemented by U15. Completers in the Undergraduate Completion Rate represent students who graduated from the U of A in any program. Completers in the Master's and PhD Completion Rates represent students who graduated with either a Master's or PhD. **Source:** Figures are based on the U15 methodology, but have been modified to include course-based Master's students in the analysis.

CORNERSTONE 3

The University of Alberta will forge strong connections with its community locally, nationally and internationally

Can one of the world's great universities be at once exclusive, yet inclusive? Exceptional, yet accessible? The University of Alberta's goal is to be recognized not only for being great, but also for being good: for effectively contributing to the communities that rely on it for solutions, for assuring that its students understand the value of volunteering, and for cultivating the diversity of thought, mind, and character that are essential to modern society.

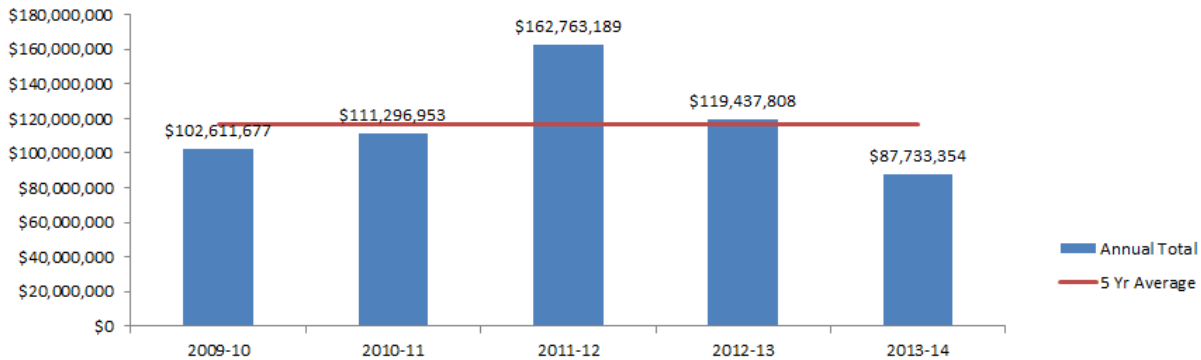
HIGHLIGHTS

- A record 21,899 donors, including a record 20,071 individuals, and an eight-year high of 13,221 alumni donated more than \$87 million during the 2013-14 fiscal year. Advancement also won major communications awards through Council for the Advancement and Support of Education (CASE) and Canadian Council for the Advancement of Education (CCAEE). A landmark study also estimated that University of Alberta alumni have collectively founded more than 70,000 organizations globally, creating more than 1.5 million jobs and generating annual revenues of \$348.5 billion. By comparison, the annual gross domestic product of the province of Alberta is \$306.7 billion.
- Two nutrition researchers at the University of Alberta are making it easy for people living in the Prairies to eat a heart-healthy diet using local, affordable foods. Rhonda Bell and Cathy Chan, nutrition professors in the Faculty of Agricultural, Life and Environmental Sciences, wrote a book entitled *Pure Prairie Eating Plan: Fresh Food, Practical Menus and a Healthy Lifestyle*. It contains a detailed 28-day menu with numerous recipes for three meals and three snacks every day.

FIGURE 10 UNIVERSITY OF ALBERTA FUNDRAISING ACHIEVEMENT, LATEST 5 YEARS

- Prior to 2012, when the Donation Acceptance Policy and its accompanying counting guidelines went into effect, sponsored research, selected government support, and real estate played a significant role in annual fund-raising achievement. While real estate continues to be counted as a donation, government support and sponsored research are no longer included.

**UNIVERSITY OF ALBERTA FUNDRAISING ACHIEVEMENT,
LATEST 5 YEARS**



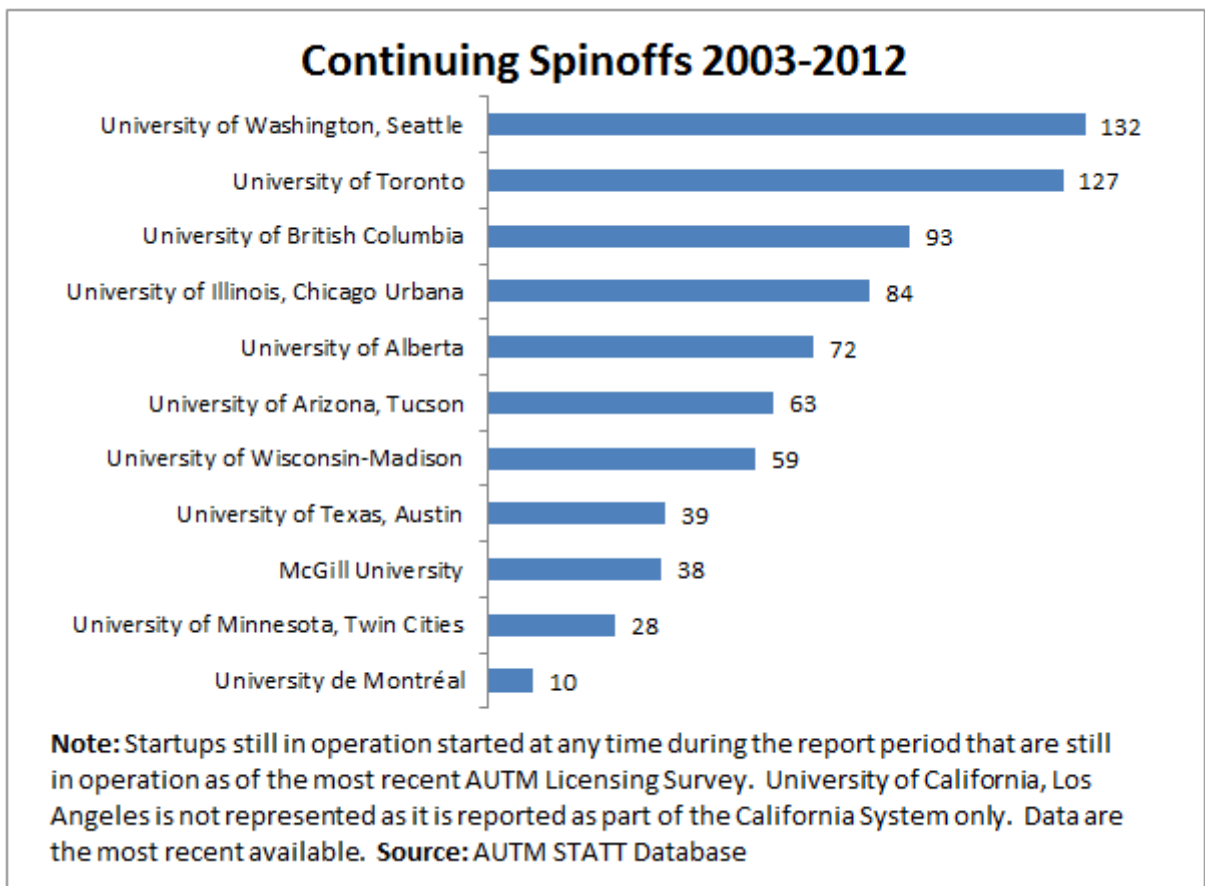
Notes: Fundraising achievement totals consist of new pledges, grants, and gifts (including matching gifts); pledge payments and write offs are not included. In fiscal year 2012, newly adopted donation counting guidelines resulted in the one-time recording of \$39 million in bequests that were confirmed in writing in prior years. **Source:** Board of Governors' Reports. University of Alberta

HIGHLIGHTS

- Graham Pearson, Canada Excellence Research Chair in Arctic Resources, will develop new technologies for diamond exploration in the new Arctic Resources Geochemistry Laboratory. The facility will help spur the development of new methods for dating diamonds, advance our understanding of diamond deposits deep underground, and aid scientists and industry in determining which deposits are economically viable.
- The University of Alberta launched two new entrepreneurial initiatives, Entrepreneurship@UAlberta and eHUB, to help students grow their ideas into thriving business ventures. It's all part of an effort to catalyze an ecosystem and culture of entrepreneurship and innovation on campus. Entrepreneurship@UAlberta has a physical space to call home in eHUB, located in HUB Mall. eHUB serves as a meeting space for students of all backgrounds to come together and collaborate on ideas, host talks, and put on workshops related to entrepreneurship.

FIGURE 11 CONTINUING SPINOFFS 2003-2012

- Start-up companies enable the university to share new knowledge with the community and attract top-calibre researchers and inventors interested in collaborating on leading-edge discoveries. These technology transfer activities contribute millions of dollars to the municipal, provincial and national economies.
- The following measure reflects not only the creation of spinoffs, but their persistence: an area where the University of Alberta excels.



HIGHLIGHTS

- The Canadian Centre for Women in Science, Engineering, Trades and Technology (WinSETT Centre), led by the University of Alberta’s Margaret-Ann Armour, received \$250,000 to help retain and advance female scientists and engineers working in the oil and gas sector across Alberta. The integrative WinSETT program is nationally allied with industry, government, academia, associations, unions, and NGOs, to examine and address gender- and culture-based issues women face in finding their way in science, engineering, and technology fields all across Canada.
- Three agreements signed between the University of Alberta and a leading Chinese university founded by Sun Yat-sen—the revolutionary founder of modern China—are broadening opportunities for student and faculty exchanges and collaborative research. They include an institution-wide agreement to foster academic exchanges and co-operation among faculty and students, a university-wide student exchange agreement, and a funding agreement to attract top Chinese PhD students to the University of Alberta through the China Scholarship Council program.
- University of Alberta Libraries teamed up with Strathcona High School to produce a peer-reviewed journal to showcase research by high-school students. The publication, the first of its kind in Canada, will have a home on the University of Alberta Libraries open journal hosting service, an electronic platform that already hosts 29 peer-reviewed academic journals related to University of Alberta research or faculty.
- The University of Alberta is helping to restore Somali National University (SNU), destroyed by the country’s civil war in the 1990s. In November 2013, the government announced that SNU would be revived, at an expected cost of US\$3.6 million, so last March, the University of Alberta’s education faculty mailed 400 books to the university via the international courier DHL. With the help of Ali Abdi, a Somali expat and University of Alberta education professor, the University of Alberta is also stepping up to help meet the need for instructors.
- Kue Young of the University of Alberta’s School of Public Health is working with associate professor Arto Ohinmaa on a five-year project to look at primary health care in the Northwest Territories, where injuries, infectious diseases, such as tuberculosis and suicide, are particularly serious problems that northern communities face today. Other researchers in the school, including Cindy Jardine and Tania Bubela, are also working extensively with circumpolar peoples.

FIGURE 12 OVERALL EMPLOYMENT RATE TWO YEARS AFTER GRADUATION

- Employment is an important university outcome measure. As illustrated in figure 12, University of Alberta graduates are consistently highly employed. This survey is performed every two years with the most recent data available in 2012.

Overall Graduate Employment Rate Two Years After Graduation



Source: Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey. Data are the most recent available.

CORNERSTONE 4

The University of Alberta will exemplify transformative organization and support

A great university is characterized by, and recognized for, effective governance, strong leadership, and a commitment to helping each member of the university community achieve his or her potential — as scholars, as employees, in their professions, and in their lives. Only by constantly re-assessing ourselves and re-committing to new standards of excellence can the University of Alberta continue to grow and thrive.

HIGHLIGHTS

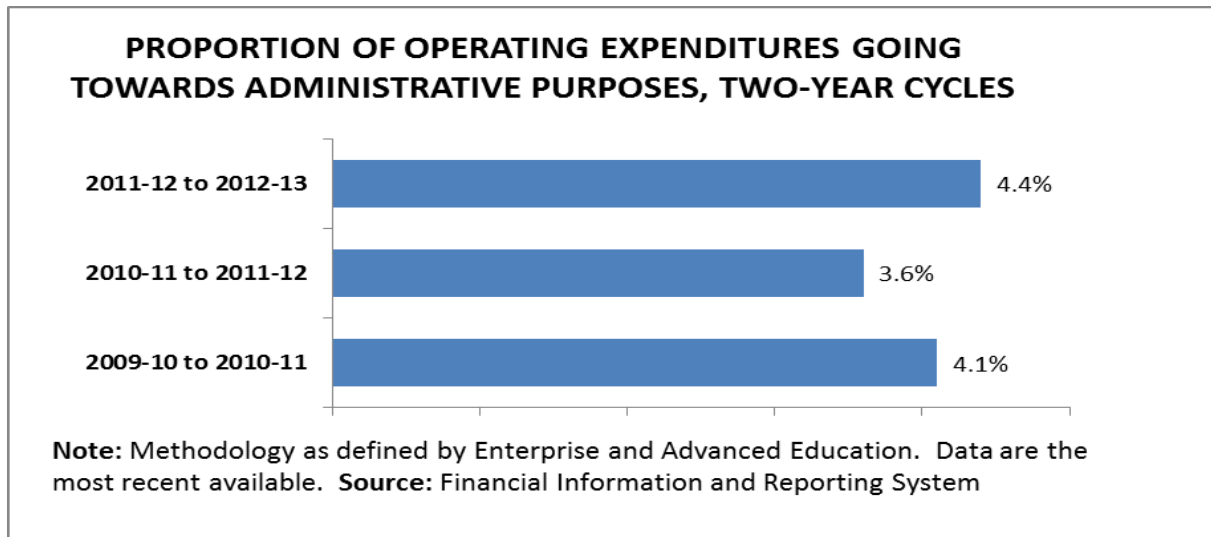
- The University of Alberta welcomed Gerald Beasley as vice-provost and chief librarian. His previous library experience includes leadership positions at the Canadian Centre for Architecture in Montreal, the Avery Architectural and Fine Arts Library of Columbia University in New York, and Concordia University in Montreal. Lisa Collins also joined the university as vice-provost and registrar, coming from the University of British Columbia, where she served as project director and associate registrar of enrolment services.
- Paying the \$30,000 launch fee for the first made-in-Alberta satellite is one of the University of Alberta projects being supported through the university's crowdfunding platform, a dynamic online way for large groups of grassroots supporters to chip in money to finance dream projects on campus. Play Around the World, a program that brings sport to underprivileged children around the world, raised \$15,560, and University of Alberta Pride Week raised more than \$10,000.
- TEC Edmonton, a joint venture between the university and the city, was ranked the 17th best university business incubator in the world by the University Business Incubator Index. The UBI's Global Benchmark Report 2013 benchmarked the performance and best practices of university business.

HIGHLIGHTS

- A new awards program was launched at the University of Alberta to recognize those who “go above and beyond” in promoting human rights on campus. The Human Rights Education Recognition Awards are handed out each year to one exceptional student, one faculty member, one teacher, and one support staff member.
- Opening in September 2013, Tamarack and Pinecrest residences provided an additional 244 bed spaces within the East Campus Village area.
- In June 2013, the province of Alberta promulgated the *Public Interest Disclosure (Whistleblowing) Act*. This Act applies to most public entities in the Province of Alberta, including the University of Alberta. The Act facilitates the disclosure and investigation of wrongdoings alleged to have occurred at a public entity in Alberta. It also protects individuals who report alleged wrongdoings from reprisal. Of the 75 disclosures made through the university’s safe disclosure processes during the fiscal year of 2013-14, none constituted a public interest disclosure as defined under the Act.

FIGURE 13 PROPORTION OF OPERATING EXPENDITURES GOING TOWARDS ADMINISTRATIVE PURPOSES, TWO –YEAR CYCLES

- The university seeks a high level of administrative efficiency in its operations, striving for the top level in Alberta Advanced Education and Technology’s key performance indicator (five per cent or less of expenditures for administrative purposes is expected).

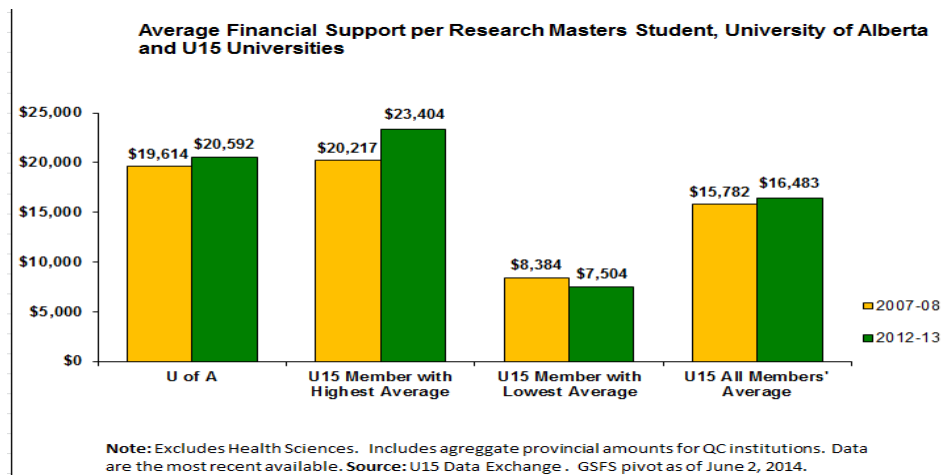
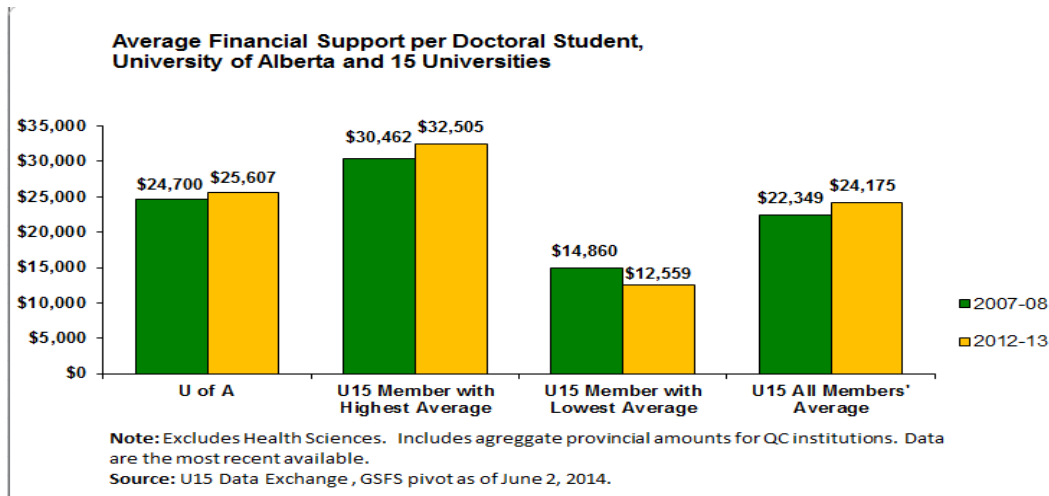


HIGHLIGHTS

- The federal government provided 23 University of Alberta-led research projects with almost \$15 million in operating funds to bolster research in all areas of health. The funding, announced February 13 by the Canadian Institutes of Health Research, the arm of the federal government responsible for funding health research, was part of the September 2013 Open Operating Grant Program.
- Engineering students Alberto Palomino and Shawn Smith, and physics student Marc-Olivier Lajeunesse, took part in the Canada-Norway Sounding Rocket exchange program, travelling to the Andoya rocket range in Norway to learn about the engineering, technology, and science behind rockets and to get hands-on experience by launching a rocket of their own.

FIGURES 14 AND 15 AVERAGE FINANCIAL SUPPORT PER DOCTORAL AND RESEARCH MASTERS STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES

- The University of Alberta provides competitive financial support at both the Doctoral and Research Masters levels. Our goal is to remain competitive when compared to our peers when considering tuition, financial support and cost of living.



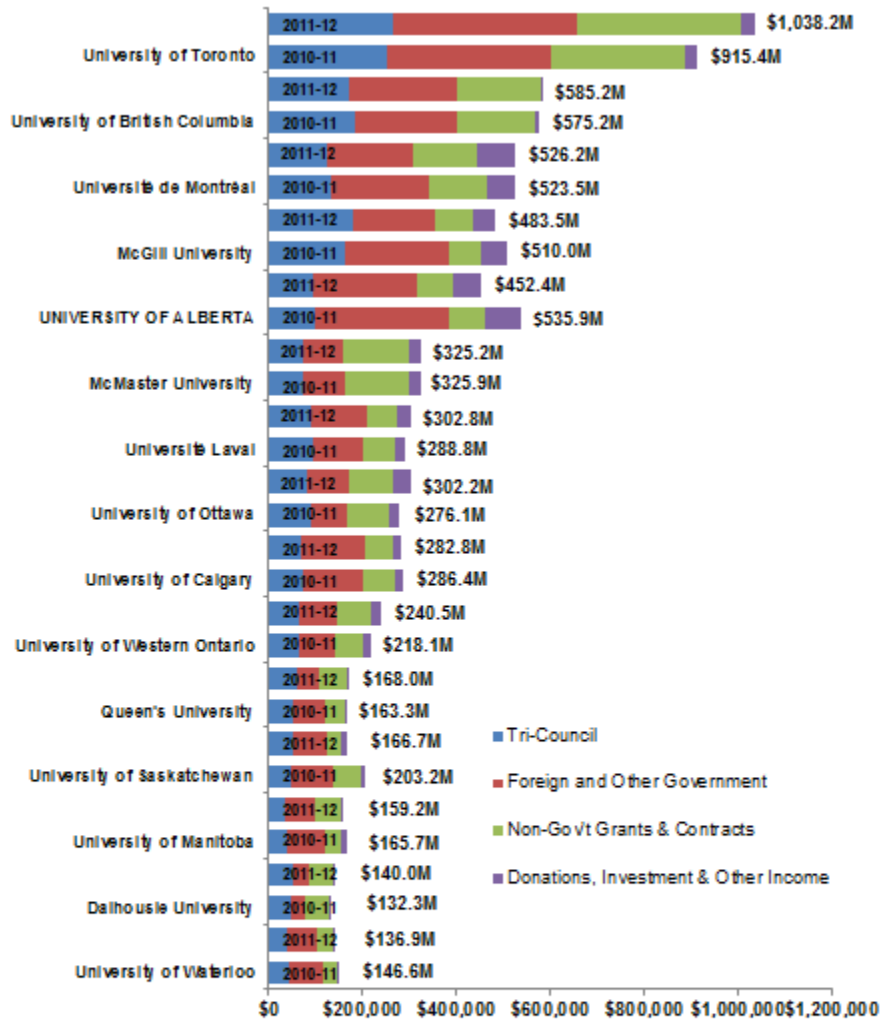
HIGHLIGHTS

- Researchers received \$500,000 from Genome Alberta and its partners to develop a faster, less expensive testing device that can detect E. coli while meat is still at food processing facilities.
- A new \$28million Medical Isotope and Cyclotron Facility opened in 2013, located on South Campus. The facility will revolutionize how medical isotopes are manufactured for clinical use and establishes the University of Alberta as a centre of excellence in medical cyclotron research. It will produce a safe, reliable supply of isotopes that are used for 80 per cent of nuclear medicine diagnostic procedures.
- The Alberta Biodiversity Conservation Chairs program received more than \$4 million for five years to examine the cumulative impact of industrial development on biodiversity around Alberta. The two chairs, Scott Nielsen from the Faculty of Agricultural, Life and Environmental Sciences and Stan Boutin from the Faculty of Science, will explain how the combined effects of human activities, as they relate to the energy sector, affect biodiversity.

FIGURE 16 U15 SPONSORED RESEARCH INCOME BY TYPE

- Sponsored research revenue provides an indication of research performance.
- The University of Alberta is 5th in our Canadian peer group in total sponsored research revenue. Our goal is to be within the top five funded institutions.
- The decrease in Sponsored Research Funding from Foreign and Other Government for the University of Alberta, from 2011 to 2012, is principally provincial research funding.

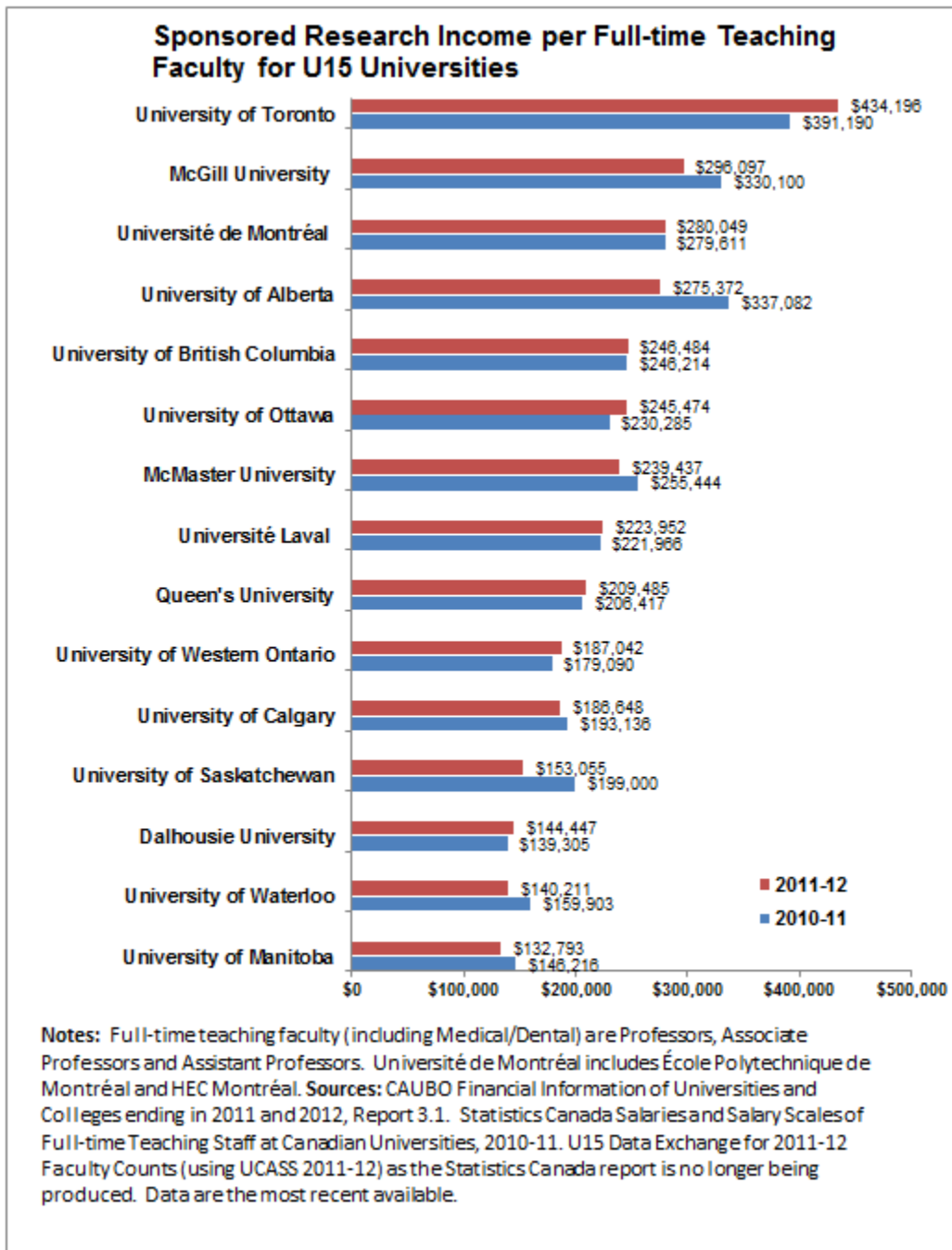
U15 Sponsored Research Income by Type



Notes: The universities are listed in descending order by 2011-12 Sponsored Research Income. Income from Tri-Council includes: Social Sciences and Humanities Research Council (SSHRC); Natural Sciences and Engineering Research Council (NSERC); and Canadian Institutes of Health Research (CIHR). Other Government income reflects income from all government departments and agencies - grants and contracts, less Tri-Council and includes foreign government income. Donations, non-government grants and contracts, and investment and other incomes, are reported in each respective category on the CAUBO report. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal. Sources: Canadian Association of University Business Officers (CAUBO): Financial Information of Universities and Colleges ending in 2011 and 2012, Report 3.1. Data are the most recent available.

FIGURE 17 SPONSORED RESEARCH INCOME PER FULL-TIME TEACHING FACULTY FOR U15 UNIVERSITIES

- When sponsored research revenue is scaled for faculty size, the University of Alberta is 4th in our Canadian peer group.



RENEWING AND ENHANCING FACILITIES AND INFRASTRUCTURE

In the competitive world of 21st century post-secondary education, the vitality and vibrancy of University of Alberta's education and research ecosystem can only be maintained through well-supported, well-planned, and strategic repurposing and renewal of its facilities. As the university changes and the academy transforms, so must space needs and requirements. While the University of Alberta has recently completed and opened several new and renewed formal learning and research spaces, increased enrolment and demand continue to strain existing academic support space such as fitness facilities, formal and informal collaboration/social space, libraries, collections and storage, housing, and daycares. These spaces help attract and retain students, faculty, and staff because together they form and support an environment conducive to a successful academic outcome and experience. Purpose built student housing is a key driver leading to successful learner outcomes and strong alumni relations.

THE FOLLOWING PROJECTS WERE RECORDED AS SUBSTANTIALLY COMPLETED IN FISCAL YEAR 2013-14:

- **Li Ka Shing:** This year, the capital fit out of the CGMP (current good manufacturing practice) area was completed, which concludes the remaining major fit-up for this facility. The extensive commissioning process will continue throughout 2014 and final certification granted for 2014-15.
- **Innovation Centre for Engineering:** Even with the renewal and repurposing of the existing Chemical and Materials Engineering building, there is a continued and pressing need for program space in the Faculty of Engineering. ICE will support the faculty's focus on providing space for increased access for graduate programs and associated faculty and staff. Construction of the base shell and core of this facility is nearly complete and fit-out of the facility is scheduled to proceed in the Spring of 2014.
- **South Academic Building Repurposing:** A portion of the South Academic Building has been repurposed and renewed to accommodate the growing need for wet lab space for the Faculty of Agricultural, Life and

Environmental Sciences, and School of Public Health. This space has attracted world leading researchers in the areas of soils reclamation and water research.

- Student housing: In September 2013, the university opened two new student residences located within East Campus Village. These facilities provided an additional 240 beds and increased our ability to provide on-campus housing to just over 13.75% of our full-time students. These new residences provide housing for undergraduate, international, and graduate students, and they support the university's goal of providing purpose built housing for up to 25 per cent of its full-time student population.
- Medical Isotope and Cyclotron Facility: The partnered project on South Campus for the redevelopment of the old Balmoral Curling Club into a state of the art cyclotron facility was completed in late 2012. The university and its partners (Alberta Health Services, Natural Resources Canada and Advanced Cyclotron Systems) will be moving into the space through 2013 and into 2015. University operation of the cyclotron and use of the space commenced January 2013.

THE FOLLOWING MAJOR FUNDED CAPITAL PROJECTS WERE UNDERWAY IN 2013-14 FISCAL:

- Physical Activity and Wellness (PAW) Centre: Construction of this facility began in late 2012 in response to growing demand for additional recreation and fitness as well as research and programming space in the Faculty of Physical Education and Recreation. This project is funded in partnership with the Students' Union, Graduate Students' Association, Alberta Lotteries, private donors, and institutional dollars.
- Pharmacy Fit-Out: Phase II of the Pharmacy fit-out within the Medical Sciences building has commenced. This space is connected to both the Katz Group Centre for Pharmacy and Health Research and Edmonton Clinic Health Academy and provides needed space for the dean's office, student services, and teaching and research. Scheduled completion is September 2014.
- Innovation Centre for Engineering Fit-Out: Due to the critical need to accommodate the demand and planned growth of our Engineering programs, the university has approved funding for the fit-out of this facility. Notwithstanding the self-funding of the entire project to date, the university continues to seek government support for a portion of the fit-out, which is highlighted in Table 3 of the 2014 Comprehensive Institutional Plan- Highest New and Expansion Priorities (page 146).
- Students' Union Buildings Expansion: The SUB renovation project is intended to address current weak spots in how the building has developed over time. The project is designed to achieve two important long-term goals: ensuring that the building continues to be kept up-to-date and well-maintained, and encouraging student involvement in campus groups, events, and volunteer opportunities. This project is funded through an ACFA mortgage and backed by fees collected by the Students' Union.
- St. Joseph's Women's Residence: This residence expansion project aims to introduce 282 beds to the University of Alberta's on-campus housing inventory. An extension of St. Joseph's College, the new, all-female residence will operate in a collaborative manner with the rest of the university's residence system. This project is funded through the support of St. Joseph College funding and AFCA mortgage that is supported through rent.
- Saskatchewan Drive Residence: This residence expansion project will add 144 beds to our on-campus housing inventory. The new residence will be part of the larger Peter Lougheed Leadership Initiative, a joint initiative between The Banff Centre and the University of Alberta, focused on leadership development for undergraduate students.

FINANCIAL HIGHLIGHTS FOR 2014

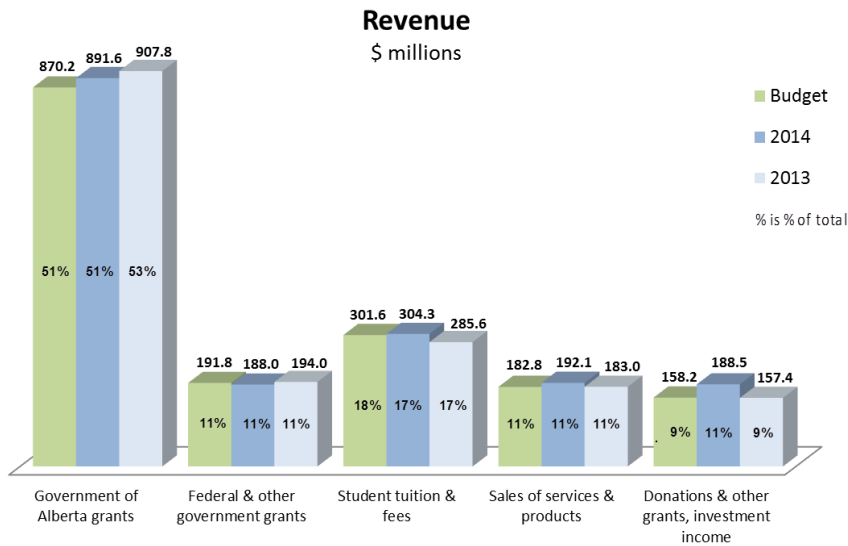
The financial highlights are intended to provide the reader with key points for the 2013-2014 fiscal year. Additional detail is available in the complete financial analysis available at <http://www.financial.ualberta.ca/en/AnnualFinancialStatements.aspx>.

From total revenue of \$1,764.5 million, the university ended the year with an excess of revenue over expense of \$18.4 million.

Net assets increased by \$156.3 million with increases in endowments (\$113.8), investment in tangible capital assets (\$31.4) and unrealized investment gains (\$24.1). The increase in investment in tangible capital assets was funded by the excess of revenue over expense and an increase to the accumulated deficit from operations of \$13.0 million.

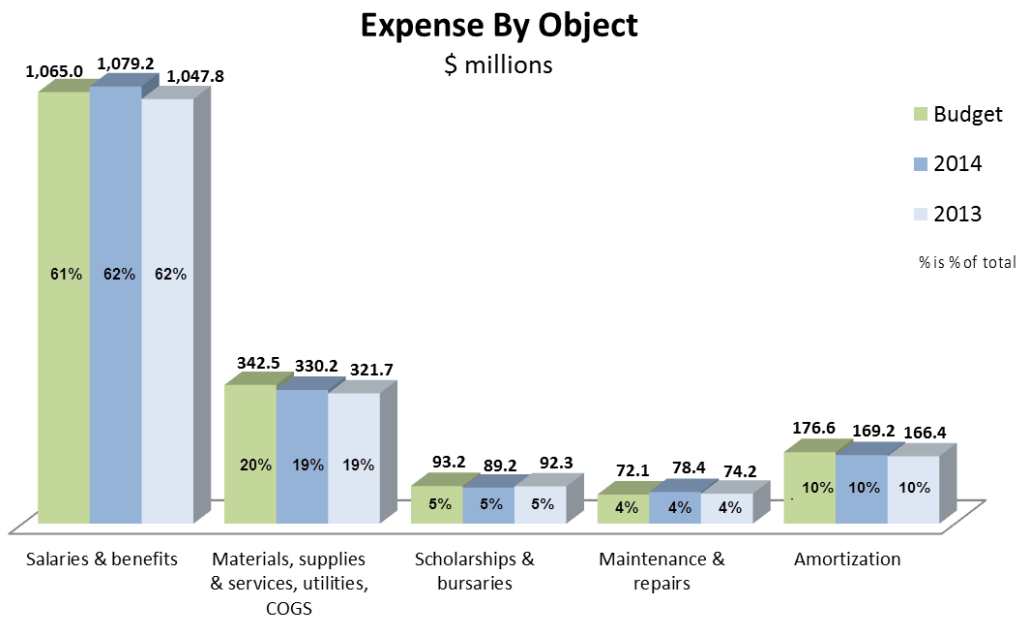
HIGHLIGHTS

- Grants from the Government of Alberta (GoA) represent the university's single largest source of funding for university activities. GoA grants decreased as compared to prior year due to the decrease in the Campus Alberta operating grant (\$24.2). GoA grants are \$21.4 million more than budget mainly due to the Campus Alberta grant adjustment (\$14.4) that was announced mid-year and a one-time tuition fee regulation grant (\$3.9).
- Federal and other government grants primarily support the university's research activities. There are no significant differences compared to prior year or to budget.
- Enrollment is comparable to last year and is expected remain relatively stable over the next few years. The annual budgeted increase is due to the increase in instructional fees, which is based upon the increase to the annual CPI.
- Ancillary services and academic and administrative units generate revenue through the sale of services and products to individuals and organizations external to the university. Ancillary services generated sales of \$96.6 million and academic and administrative units generated sales of \$95.5 million. Sales revenue is \$9.2 million more than budget due to a general increase across many academic and administrative units.
- Donations and other grants support many university activities; a significant portion of this funding is in support of research activities. There were no significant differences compared to prior year or to budget.
- Investment income increased by \$31.6 million compared to prior year and is \$33.3 million more than budget. Investments primarily fall into two categories, the Unitized Endowment Pool (UEP) and the Non-Endedowment Investment Pool (NEIP). The UEP returned 15.4% (2013: 12.2%) and represents the majority of the university's long-term investment strategy. In fiscal 2013-14 several investment managers in the long-term strategy were replaced. This necessitated the sale of investments that had appreciated in value and resulted in significant realized capital gains. The NEIP investments which are allocated to the short-term, mid-term and long-term investment strategies returned 6.0% (2013: 3.5%). During fiscal 2013-14 the allocation to the long-term investment strategy was increased which benefited the aggregate return.



HIGHLIGHTS

- Total expense amounted to \$1,746.2 million and has increased by \$43.8 million over the prior year.
- Salaries and benefits are the university's largest expense representing 62% of total expense. Salaries increased \$22.9 million (3%) and benefits increased \$8.5 million. The salary expense budget included negotiated salary increases (1.65%) and merit increases for eligible employees. Salary expense is \$11.2 million more than budget due to the accrual for the voluntary severance program (\$14.7) announced in fiscal 2013-14. Benefits expense is comparable to budget.
- Materials, supplies and services expenses are \$16.1 million less than budget due to lower than anticipated expenditures in research funds. Utilities are \$3.2 million more than budget due to a higher than budgeted natural gas rate. Cost of goods sold is comparable to budget.
- Maintenance and repairs is \$6.3 million (9%) more than budget mainly due to projects that are ahead of schedule. Scholarships and bursaries are \$4.0 million (4%) less than budget. This category was budgeted to increase over prior year, however due to the sudden change in the GoA operating grant, which created uncertainty with respect to the university operating funds, some restraint was being exercised at all expenditure levels, including scholarships and bursaries.



RISK IMPLICATIONS

Like all internationally competitive research-intensive universities, the University of Alberta must deal with a variety of risks that have the potential to hinder its growth and the realization of its vision, mission, and strategic objectives.

1. The cuts in provincial funding, uncertainty regarding government policy on tuition and low interest rates, combined with underlying cost pressures, will require the university to undergo significant structural changes across the academy and administrative operations. This new financial reality gives rise to numerous institutional risks including the impact on quality; ability to grow research and establish international partnerships; maintenance of program accreditation; ability to attract and retain the highest-quality faculty, staff, and students; maintenance of infrastructure; and overall institutional reputation.
2. Enrolment growth must be managed from the perspective of meeting the labour demands of the province and supporting the research mandate of the university.
3. Without the appropriate number of leaders, teachers, researchers, and support staff contributing to their full potential, the university will not be able to provide the quality of the learning experience or participate in the world-leading research expected of an internationally competitive research university.
4. For the university to remain relevant to its students and meet the needs and expectations of its faculty to engage in the highest-calibre research, it requires continuous investment in leading-edge IT infrastructure, highly skilled personnel, and support.
5. The continuation of appropriate levels of Infrastructure Maintenance Program funding to avoid a return to increasing levels of deferred maintenance.
6. An institution that aspires to be among the top research-intensive universities in the world requires access to and flexibility in funding that would enable it to leverage tens of millions of research dollars from provincial, national, and international sources and permanent base funding to support core research infrastructure.
7. The university must address the current economic and financial challenges it faces in such a way that it does not negatively affect its increasing national and international reputation as an exceptional place to learn and work.
8. The university must also promote appropriate risk management plans and strategies that develop responsive attitudes and behaviour at all levels of the organization in order to maintain a healthy and safe environment for all.
9. Previous and planned budget reductions may negatively affect the capacity of the university to provide the programs and services required for students to meet their potential.

Through its integrated enterprise risk management framework, the university will monitor, manage, and mitigate these and other emerging risks in an effort to avoid substantial impact on the university's ability to fulfill its strategic objectives.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

University of Alberta's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board University Relations Committee, as well as the Board Audit Committee with respect to the financial information, and approved by the Board of Governors. The report is prepared in accordance with the *Fiscal Management Act* and the *Post-Secondary Learning Act*.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements in accordance with generally accepted accounting principles.

Indira V. Samarasekera, OC
President and Vice-Chancellor

Phyllis Clark
Vice-President (Finance & Administration)
and Chief Financial Officer

UNIVERSITY OF ALBERTA FINANCIAL STATEMENTS

FOR YEAR ENDED MARCH 31, 2014

STATEMENT OF MANAGEMENT RESPONSIBILITY YEAR ENDED MARCH 31, 2014

The consolidated financial statements of the University of Alberta have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The consolidated financial statements present fairly the financial position of the university as at March 31, 2014 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that university assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Board of Governors is responsible for reviewing and approving the consolidated financial statements, and overseeing management's performance of its financial reporting responsibilities.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. The majority of the members of the Audit Committee are not employees of the university. The Audit Committee meets with management and the external auditors and internal auditors to discuss the results of audit examinations and financial reporting matters. The external and internal auditors have full access to the Audit Committee, with and without the presence of management.

These consolidated financial statements have been reported on by the Auditor General of the Province of Alberta, the auditor appointed under the Post-secondary Learning Act. The Independent Auditor's Report outlines the scope of the audit and provides the audit opinion on the fairness of presentation of the information in the consolidated financial statements.

Original signed by Dr. *Indira V. Samarasekera*
President

Original signed by *Phyllis Clark*
Vice-President (Financial & Administration)
Chief Financial Officer

DRAFT



Independent Auditor's Report

To the Board of Governors of the University of Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statements of financial position as at March 31, 2014, and the consolidated statements of operations, remeasurement gains and losses, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Alberta as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Auditor General

June 2, 2014

Edmonton, Alberta

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014
(thousands of dollars)

	2014	2013
ASSETS		
Cash and cash equivalents (note 3)	\$ 25,188	\$ 17,156
Portfolio investments (note 4)	1,883,164	1,696,984
Accounts receivable	110,461	122,722
Inventories and prepaid expenses	15,825	13,005
Tangible capital assets (note 7)	2,739,548	2,730,905
	\$ 4,774,186	\$ 4,580,772
LIABILITIES		
Accounts payable and accrued liabilities	\$ 251,036	\$ 194,549
Employee future benefit liabilities (note 8)	250,303	239,695
Debt (note 9)	202,023	175,822
Deferred revenue (note 10)	2,633,778	2,689,914
	3,337,140	3,299,980
NET ASSETS		
Endowments (note 11)	993,688	879,861
Accumulated operating surplus (note 12)	404,461	386,101
Accumulated rereasurement gains and losses	38,897	14,830
	1,437,046	1,280,792
	\$ 4,774,186	\$ 4,580,772

Contingent liabilities and contractual obligations (note 13 and 14)

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014
(thousands of dollars)

	Budget (note 15)	2014	2013
REVENUE			
Government of Alberta grants (note 16)	\$ 870,228	\$ 891,613	\$ 907,806
Federal and other government grants	191,807	188,057	193,937
Student tuition and fees	301,629	304,321	285,629
Sales of services and products	182,838	192,081	183,034
Donations and other grants	118,835	115,862	116,441
Investment income	39,336	72,601	40,952
	1,704,673	1,764,535	1,727,799
EXPENSE			
Instruction and non-sponsored research	993,213	1,000,228	981,192
Sponsored research	421,822	405,199	398,923
Facility operations and maintenance	121,287	127,624	117,527
Special purpose	109,953	115,025	111,230
Ancillary services	103,089	98,085	93,515
	1,749,364	1,746,161	1,702,387
Excess of revenue over expense	(44,691)	18,374	25,412
Transfer (to) from endowments (note 11)	10,000	(14)	8,095
Change in accumulated operating surplus	(34,691)	18,360	33,507
Accumulated operating surplus, beginning of year	386,101	386,101	352,594
Accumulated operating surplus, end of year (note 12)	\$ 351,410	\$ 404,461	\$ 386,101

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014
(thousands of dollars)

	2014	2013
OPERATING TRANSACTIONS		
Excess of revenue over expense	\$ 18,374	\$ 25,412
Add (deduct) non-cash items:		
Amortization of tangible capital assets	169,151	166,387
Expended capital recognized as revenue	(114,226)	(112,697)
Losses on disposal of tangible capital assets	1,386	964
Inventory write-down	547	300
Increase in employee future benefit liabilities	10,608	9,252
Decrease in accounts receivable	12,261	41,135
Increase in inventories and prepaid expenses	(3,367)	(32)
Increase (decrease) in accounts payable and accrued liabilities	46,150	(25,050)
Increase in deferred revenue, less expended capital recognized as revenue	29,875	31,820
Cash provided by operating transactions	170,759	137,491
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, net of proceeds on disposals	(150,965)	(171,726)
Cash applied to capital transactions	(150,965)	(171,726)
INVESTING TRANSACTIONS		
Purchases of portfolio investments, net of sales	(118,665)	9,052
Endowment investment gains (losses)	60,227	(1,191)
Cash (applied to) provided by investing transactions	(58,438)	7,861
FINANCING TRANSACTIONS		
Endowment donations	20,475	30,096
Debt repayment	(11,874)	(10,991)
Debt - new financing	38,075	3,500
Cash provided by financing transactions	46,676	22,605
Increase (decrease) in cash and cash equivalents	8,032	(3,769)
Cash and cash equivalents, beginning of year	17,156	20,925
Cash and cash equivalents, end of year (note 3)	\$ 25,188	\$ 17,156

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2014
(thousands of dollars)

	2014	2013
Accumulated remeasurement gains, beginning of year	\$ 14,830	\$ -
Unrealized gains (losses) attributable to:		
Portfolio investments	38,573	14,830
Derivatives	(1,292)	-
Amounts reclassified to consolidated statement of operations:		
Portfolio investments	(13,214)	-
Accumulated remeasurement gains, end of year	\$ 38,897	\$ 14,830

UNIVERSITY OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014
(thousands of dollars)

1. Authority and purpose

"The Governors of The University of Alberta" is a corporation which manages and operates the University of Alberta (the university) under the Post-secondary Learning Act (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Innovation and Advanced Education, with the exception of the Chancellor and President, who are ex officio members. Under the Post-secondary Learning Act, Campus Alberta Sector Regulation, the university is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The university is a registered charity, and under section 149 of the Income Tax Act (Canada), is exempt from the payment of income tax.

2. Summary of significant accounting policies and reporting practices

(a) General – Canadian Public Sector Accounting Standards (PSAS) and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities and amortization of tangible capital assets are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Net debt model presentation

PSAS require a net debt presentation for the consolidated statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of future revenues required to pay for past transactions and events. The university operates within the government reporting entity and does not finance all its expenditures by independently raising revenues. Accordingly, these consolidated financial statements do not report a net debt indicator.

(c) Valuation of financial assets and liabilities

The university's financial assets and liabilities are generally measured as follows:

Cash and cash equivalents, Portfolio investments, Derivatives - fair value
Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

All financial assets except derivatives are assessed annually for impairment. Impaired financial losses are recognized as a decrease in revenue, except for the restricted amount which is recognized as a decrease in deferred revenue or a decrease in endowment net assets. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at amortized cost and expensed when measured at fair value.

Derivatives are recorded at fair value in the consolidated statement of financial position. Derivatives with a positive or negative fair value are recognized as assets or liabilities. Unrealized gains and losses from changes in the fair value of derivatives are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either measure the entire contract at fair value or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the university's normal course of business are not recognized as financial assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(d) Revenue recognition

Revenues are reported on an accrual basis. Cash received for which services and products have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the university's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met.

Government grants without terms for the use of the grant are recognized as revenue when the university is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the university if the amount can be reasonably estimated and collection is reasonably assured.

In kind donations of services and materials are recognized at fair value when a fair value can be reasonably determined. Volunteers as well as university staff contribute an indeterminable number of hours per year to assist the university in carrying out its mission; such contributed services are not recognized in these consolidated financial statements.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined, the in kind grant or donation is recorded at nominal value.

Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and unrealized gains and losses that also must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

Investment income

Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as investment income. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

(e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the weighted average method. Inventories held for consumption are valued at cost.

(f) Tangible capital assets

Tangible capital asset acquisitions are recorded at cost, which includes amounts that are directly related, such as design, construction, development, improvement or betterment of the asset. Cost includes overhead directly attributable to construction and development.

The cost less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives as follows:

Buildings and utilities	10 - 40 years
Equipment, furnishings and systems	3 - 10 years
Learning resources	10 years

Tangible capital asset write-downs are recorded when conditions indicate they no longer contribute to the university's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are recognized as expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(g) Employee future benefits

Pension

The university participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the university's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participating employer based on their respective percentage of employer contributions. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The university does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected, along with investment income, to provide the plan's future benefits.

Long-term disability

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the university's long-term disability plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a discount rate based on the university's cost of borrowing and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement

The cost of providing accumulating post-employment benefits under the university's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a discount rate based on the university's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

Supplementary retirement plans

The university provides non-contributory defined benefit supplementary retirement benefits to executive based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The university provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Administrative/professional leave

The university provides for certain executive to accrue a paid leave of absence at the end of their executive appointment. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

General illness

The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the university's general illness plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

2. Summary of significant accounting policies and reporting practices (continued)

(h) Investment in government partnerships

Proportionate consolidation is used to record the university's share of the following government partnerships:

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (9.09% interest) - a joint venture with ten other universities to operate a sub-atomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

These government partnerships are not material to the university's consolidated financial statements; therefore, separate condensed financial information is not presented.

(i) Expense by function

The university uses the following categories of functions on its consolidated statement of operations:

Instruction and non-sponsored research

Expenses relating to support for the academic functions of the university both directly and indirectly. This function includes expenses incurred by faculties for their scholarly and non-sponsored research activities and by institutional wide administrative services.

Sponsored research

Expenses for all sponsored research activities specifically funded by restricted grants and donations.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the university. These include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, as well as major repairs and renovations.

Special purpose

Expenses for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

Ancillary services

Expenses relating to services and products provided to the university community and to external individuals and organizations. Services include the university bookstore, parking services, utilities and student residences.

(j) Future accounting changes

In June 2010, the Public Sector Accounting Board issued PS 3260 (Liability for Contaminated Sites). This accounting standard is effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, sediment of material (chemical, organic, radioactive) or live organism that exceeds an environmental standard. The university will be required to recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management is currently performing an assessment of this accounting change and has not yet determined the impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

3. Cash and cash equivalents

	2014	2013
Cash	\$ 20,202	\$ 17,156
Money market funds	4,986	-
	\$ 25,188	\$ 17,156

Money market funds also include short-term notes and treasury bills with a maturity less than three months from the date of acquisition.

4. Portfolio investments

	2014	2013
Fair value		
Cash and money market funds	\$ 601,750	\$ 625,905
Floating rate notes	115,317	101,720
Canadian government and corporate bonds	175,505	157,981
Canadian equity	283,084	242,166
Foreign equity	574,741	447,865
Pooled hedge funds	64,516	62,213
Real estate funds	65,113	56,029
	1,880,026	1,693,879
Other at amortized cost	3,138	3,105
	\$ 1,883,164	\$ 1,696,984

As at March 31, 2014, the average effective yields and the terms to maturity are as follows:

- Money market funds: 1.29% (2013 - 1.23%); term to maturity: less than one year.
- Canadian government and corporate bonds: 1.99% (2013 - 1.85%); terms to maturity: range from less than one year to more than 10 years.

The categorization of portfolio investments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable is as follows:

	2014				2013			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total
Cash and money market funds	\$ 26,983	\$ 574,767	\$ -	\$ 601,750	\$ -	\$ 625,905	\$ -	\$ 625,905
Floating rate notes ⁽⁴⁾	-	108,725	6,592	115,317	-	-	101,720	101,720
Canadian government and corporate bonds	-	175,505	-	175,505	-	157,981	-	157,981
Canadian equity	277,305	-	5,779	283,084	237,911	-	4,255	242,166
Foreign equity	574,741	-	-	574,741	447,865	-	-	447,865
Pooled hedge funds	-	64,516	-	64,516	-	62,213	-	62,213
Real estate funds	8,574	-	56,539	65,113	8,570	-	47,459	56,029
	\$ 887,603	\$ 923,513	\$ 68,910	\$ 1,880,026	\$ 694,346	\$ 846,099	\$ 153,434	\$ 1,693,879

The fair value measurements are those derived from:

- (1) Quoted prices in active markets for identical assets.
- (2) Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (3) Valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).
- (4) The categorization of floating rate notes has changed from level 3 to level 2 due to a change in valuation method from an estimated model to observable market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

4. Portfolio investments (continued)

The changes in fair value of level 3 portfolio investments are as follows:

	2014	2013
Balance, beginning of year	\$ 153,434	\$ 125,287
Unrealized gains	24,059	16,901
Purchases	2,904	19,208
Proceeds on sale	(3,620)	(7,067)
Floating rate notes from level 3 to level 2	(108,725)	-
Other	858	(895)
	\$ 68,910	\$ 153,434

5. Derivatives

Derivative financial instruments are used by the university to manage currency exposure primarily with respect to portfolio investments. The university uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain portfolio investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. As at March 31, 2014 the university held foreign currency forward contracts for settlement on April 16, 2014, with a notional amount of \$279,534 (2013 - \$229,478). The fair value of outstanding foreign currency forward contracts receivable is \$8,384 (2013 - \$12,076) and of foreign currency forward contracts payable is \$18,645 (2013 - \$11,880). The fair value measurement of derivative financial instruments is categorized into level 1 as described in (note 4).

6. Financial risk management

The university is exposed to the following risks:

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the university has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The university's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the university's portfolio investments. The university's management for risk has not changed from prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total Unitized Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing consulting report. At March 31, 2014, if market prices had a 7.7% (2013 - 8.7%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses and endowment net assets for the year would be \$76,917 (2013 - \$76,320).

Foreign exchange risk

Foreign exchange risk on portfolio investments is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currencies. The university uses forward contracts to manage this risk. The university does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes.

Credit risk

The university is exposed to credit risk on portfolio investments arising from the potential failure of a counterparty, debtor or issuer to honor its contractual obligations. To manage this risk, the university has established an investment policy with required minimum credit quality standards and issuer limits. The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors.

The credit risk on money market funds and bonds (including floating rate notes) are as follows:

- Money market funds: R-1(high) 76.9% (2013 - 69.2%); R-1(mid) 23.1% (2013 - 30.6%); not rated 0.0% (2013 - 0.2%).
- Bonds: AAA 25.4% (2013 - 25.8%); AA 35.5% (2013 - 29.3%); A 32.9% (2013 - 22.2%); BBB 1.4% (2013 - 15.5%); not rated 4.8% (2013 - 7.2%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

6. Financial risk management (continued)

Liquidity risk

The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit to ensure that funds are available to meet current and forecasted financial requirements. In 2014, the line of credit was not drawn upon.

Interest rate risk

Interest rate risk is the risk to the university's earnings that arise from the fluctuation and degree of volatility in those rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. Interest rate risk on the university's debt is managed through fixed interest rate agreements with Alberta Capital Finance Authority (note 9).

The maturity and effective market yield of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	1.3
Canadian government and corporate bonds	1.6	44.2	54.2	2.8
Floating rate notes	1.3	3.2	95.5	0.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

7. Tangible capital assets

	2014				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,115,848	\$ 1,197,978	\$ 339,854	\$ 85,463	\$ 4,739,143
Acquisitions	111,642	44,003	20,465	3,070	179,180
Disposals	-	(11,231)	-	-	(11,231)
	3,227,490	1,230,750	360,319	88,533	4,907,092
Accumulated amortization					
Beginning of year	931,481	835,467	241,290	-	2,008,238
Amortization expense	77,148	72,185	19,818	-	169,151
Disposals	-	(9,845)	-	-	(9,845)
	1,008,629	897,807	261,108	-	2,167,544
	\$ 2,218,861	\$ 332,943	\$ 99,211	\$ 88,533	\$ 2,739,548
2013					
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,020,539	\$ 1,143,342	\$ 319,513	\$ 85,463	\$ 4,568,857
Acquisitions	95,309	63,203	20,341	-	178,853
Disposals	-	(8,567)	-	-	(8,567)
	3,115,848	1,197,978	339,854	85,463	4,739,143
Accumulated amortization					
Beginning of year	857,045	770,817	221,429	-	1,849,291
Amortization expense	74,436	72,090	19,861	-	166,387
Disposals	-	(7,440)	-	-	(7,440)
	931,481	835,467	241,290	-	2,008,238
	\$ 2,184,367	\$ 362,511	\$ 98,564	\$ 85,463	\$ 2,730,905

Included in buildings and utilities is \$145,612 (2013 - \$129,732) recorded as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of \$28,215 (2013 - \$6,964).

The university holds library permanent collections and other permanent collections which include works of art, museum specimens, archival materials and maps. These collections are not included in tangible capital assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

(thousands of dollars)

8. Employee future benefit liabilities

	2014			2013		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
UAPP	\$ 170,303	\$ -	\$ 170,303	\$ 165,855	\$ -	\$ 165,855
Long-term disability	8,166	19,529	27,695	8,459	18,971	27,430
Early retirement	28	24,485	24,513	102	23,662	23,764
SRP (defined contribution)	13,663	-	13,663	10,759	-	10,759
SRP (defined benefit)	8,528	-	8,528	7,094	-	7,094
Administrative/professional leave	4,340	-	4,340	3,518	-	3,518
General illness	742	519	1,261	726	549	1,275
	\$ 205,770	\$ 44,533	\$ 250,303	\$ 196,513	\$ 43,182	\$ 239,695

(a) Defined benefit plans accounted for on a defined benefit basis

Universities Academic Pension Plan (UAPP)

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2012 and was then extrapolated to March 31, 2014, resulting in a UAPP deficit of \$1,056,921 (2013 - \$1,149,175) consisting of a pre-1992 deficit (\$845,077) and a post-1991 deficit (\$211,844). The university's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2013 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2013 - 2.34%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is \$310,693 at March 31, 2014. The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.54% (2013 - 5.54%) of pensionable earnings shared equally between employees and employers until December 31, 2025.

Long-term disability (LTD) and general illness (GI)

The university provides long-term disability and general illness defined benefits to its academic and support staff. The most recent actuarial valuation for these benefits was as at March 31, 2014. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allow eligible employees who retire early to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees (those with 20 years of pensionable service at retirement date) one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits when the benefit was terminated will continue to receive bridge benefits under the original terms. An actuarial valuation of these benefits was carried out as at March 31, 2014.

Supplementary retirement plans (SRP)

The university provides non-contributory defined benefit supplementary retirement benefits to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2014.

Administrative/professional leave (leave)

The university provides for certain executive to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

8. Employee future benefit liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

The expense and liability of these defined benefit plans are as follows:

	2014				2013			
	UAPP	LTD, GI ⁽¹⁾	Early retirement ⁽¹⁾	SRP, leave ⁽¹⁾	UAPP	LTD, GI ⁽¹⁾	Early Retirement ⁽¹⁾	SRP, leave ⁽¹⁾
Expense								
Current service cost	\$ 38,731	\$ 12,272	\$ 1,100	\$ 1,756	\$ 33,208	\$ 14,505	\$ 1,469	\$ 1,334
Interest cost	13,437	1,878	1,210	593	13,610	1,823	1,125	542
Amortization of actuarial (gains) losses	4,444	579	(64)	(16)	3,473	441	(135)	171
	\$ 56,612	\$ 14,729	\$ 2,246	\$ 2,333	\$ 50,291	\$ 16,769	\$ 2,459	\$ 2,047
Liability								
Accrued benefit obligation								
Balance, beginning of year	\$ 864,438	\$ 31,042	\$ 22,925	\$ 10,099	\$ 763,083	\$ 27,166	\$ 20,877	\$ 9,174
Current service cost	38,731	12,272	1,100	1,756	33,208	14,505	1,469	1,334
Interest cost	54,835	1,878	1,210	593	50,644	1,823	1,125	542
Benefits paid	(37,458)	(14,478)	(1,497)	(77)	(34,317)	(13,258)	(1,408)	(77)
Actuarial (gains) losses	42,173	266	(1,231)	(1,949)	51,820	806	862	(874)
Balance, end of year	962,719	30,980	22,507	10,422	864,438	31,042	22,925	10,099
Plan assets	(776,681)	-	-	-	(660,361)	-	-	-
Plan deficit	186,038	30,980	22,507	10,422	204,077	31,042	22,925	10,099
Unamortized actuarial gains (losses)	(15,735)	(2,024)	2,006	2,446	(38,222)	(2,337)	839	513
	\$ 170,303	\$ 28,956	\$ 24,513	\$ 12,868	\$ 165,855	\$ 28,705	\$ 23,764	\$ 10,612

⁽¹⁾ The university plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2014		2013	
	UAPP, SRP, leave	LTD, GI, early retirement	UAPP, SRP, leave	LTD, GI, early retirement
	%	%	%	%
Accrued benefit obligation				
Discount rate	5.1 - 6.2	5.1	5.2 - 6.2	5.2
Long-term average compensation increase	0.0 - 3.5	3.0	2.0 - 3.5	3.0
Benefit cost				
Discount rate	5.2 - 6.6	5.1	5.2 - 6.5	5.2
Long-term average compensation increase	2.0 - 3.5	3.0	3.0 - 3.5	3.0
Alberta inflation (long-term)	2.25	2.5	2.25	2.5
Estimated average remaining service life ⁽¹⁾	8.6 yrs	4 - 11 yrs	10.2 yrs	4 - 13 yrs

⁽¹⁾ SRP actuarial gains and losses are amortized over the remaining contract terms of the participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

8. Employee future benefit liabilities (continued)

(b) Defined benefit plan accounted for on a defined contribution basis

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the university does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is \$31,984 (2013 - \$28,759).

An actuarial valuation of the PSPP was carried out as at December 31, 2012 and was then extrapolated to December 31, 2013. At December 31, 2013, the PSPP reported an actuarial deficit of \$1,254,678 (2012 - \$1,645,141). For the year ended December 31, 2013 PSPP reported employer contributions of \$315,830 (2012 - \$257,350). For the 2013 calendar year, the university's employer contributions were \$32,101 (2012 calendar year - \$27,473). PSPP's deficit is being discharged through additional contributions from both employees and employers until 2028 (2012 - 2026). Other than the requirement to make increased contributions, the university does not bear any risk related to the PSPP deficit.

(c) Defined contribution plan

Supplementary retirement plan (SRP)

The university provides non-contributory defined contribution supplementary retirement benefits to eligible academic staff members. The expense recorded in these statements is \$2,904 (2013 - \$2,793).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

9. Debt

The university has the following debt with Alberta Capital Finance Authority:

	Collateral	Maturity Date	Interest rate %	2014	2013
Natural Resources Engineering Facility	2	June 2014	4.974	\$ 1,000	\$ 2,928
Energy Management Program, Year 1	3	September 2014	4.551	215	630
Energy Management Program, Year 2	3	March 2016	4.525	931	1,367
Natural Resources Engineering Facility	2	June 2017	5.056	3,264	4,096
Health Research Innovation Facility	3	June 2017	5.053	6,649	8,345
Extension Centre	3	October 2017	8.750	1,037	1,246
Energy Management Program, Year 3	3	December 2017	4.493	1,589	1,944
Energy Management Program, Year 4	3	March 2019	3.718	1,911	2,252
Steam Turbine Generator	2	May 2020	6.250	8,345	9,273
Newton Place	1	August 2024	6.000	9,856	10,477
Newton Place Renovation	1	August 2024	6.000	1,704	1,812
Energy Management Program, Year 5	3	December 2025	3.885	2,952	3,142
Energy Management Program, Year 6	3	September 2027	2.599	3,208	3,404
Lister Residence II	1	November 2027	5.875	15,703	16,415
Windsor Car Park	2	September 2028	6.000	5,242	5,455
Saville Centre	2	December 2028	5.875	3,444	3,585
Energy Management Program, Year 7	4	December 2028	3.295	3,575	-
East Campus Village	1	March 2029	4.960	7,001	7,310
Centennial Centre for Interdisciplinary Science Phase I	3	September 2029	5.353	7,626	7,936
Health Research Innovation Facility	3	June 2032	5.191	4,834	4,986
Students' Union Building Renovations	4	December 2033	3.623	13,000	-
Killam Centre	3	September 2036	4.810	1,805	1,849
Enterprise Square	1	September 2036	4.627	37,056	37,977
East Campus Village - Graduate Housing	2	September 2040	4.886	23,586	24,015
East Campus Village - 2012	1	June 2043	3.273	21,287	-
Jubilee Car Park	2	December 2047	4.814	15,203	15,378
				\$ 202,023	\$ 175,822

1 - title to land, building; 2 - cash flows from facility; 3 - none; 4 - general security agreement

Interest expense on debt recorded in these consolidated financial statements is \$10,088 (2013 - \$10,303).

Principal and interest payments are as follows:

	Principal	Interest	Total
2015	\$ 12,099	\$ 9,549	\$ 21,648
2016	11,436	8,966	20,402
2017	11,520	8,390	19,910
2018	10,547	7,800	18,347
2019	8,725	7,303	16,028
Thereafter	147,696	66,902	214,598
	\$ 202,023	\$ 108,910	\$ 310,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

10. Deferred revenue

Deferred revenue is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue), unspent externally restricted grants and donations and unearned tuition and other revenue.

2014					
	Restricted				
	Research and special	Capital	Total		
Balance, beginning of year	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914
Net change for the year					
Grants, donations, tuition	526,710	(1,269)	525,441	305,434	830,875
Investment income	850	89	939	-	939
Unearned capital acquisition transfers	(56,647)	56,647	-	-	-
Debt repayment	(44)	44	-	-	-
Recognized as revenue	(467,695)	(114,226)	(581,921)	(306,029)	(887,950)
Total net change for the year	3,174	(58,715)	(55,541)	(595)	(56,136)
	\$ 453,240	\$ 2,156,782	\$ 2,610,022	\$ 23,756	\$ 2,633,778

2013					
	Restricted				
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 477,215	\$ 2,266,444	\$ 2,743,659	\$ 20,168	\$ 2,763,827
Net change for the year					
Grants, donations, tuition	533,227	17,750	550,977	289,353	840,330
Investment income	(14,214)	(1,033)	(15,247)	-	(15,247)
Unearned capital acquisition transfers	(44,991)	44,991	-	-	-
Debt repayment	(42)	42	-	-	-
Recognized as revenue	(501,129)	(112,697)	(613,826)	(285,170)	(898,996)
Total net change for the year	(27,149)	(50,947)	(78,096)	4,183	(73,913)
	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914

Capital is comprised of \$2,060,596 (2013 - \$2,093,782) restricted grants and donations spent on tangible capital acquisitions and \$96,186 (2013 - \$121,715) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

11. Endowments

Endowments consist of externally restricted donations received by the university and internal allocations by the university's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as university policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and by reinvesting unexpended income.

Under the Post-Secondary Learning Act, the university has the authority to alter the terms and conditions of endowments to enable:

- Income earned by the endowments to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the university and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowments without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2014	2013
Balance, beginning of year	\$ 879,861	\$ 800,343
Donations	20,475	30,096
Investment - unrealized gains capitalized	33,111	57,517
Investment - realized gains capitalized	60,227	-
Transfer to (from) endowments	14	(8,095)
	\$ 993,688	\$ 879,861

Endowments are comprised of:

	2014	2013
Donations	\$ 684,787	\$ 664,312
Capitalized income	308,901	215,549
	\$ 993,688	\$ 879,861

Capitalized income includes cumulative investment unrealized gains of \$90,885 (2013 - \$57,774).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

12. Accumulated operating surplus

	Accumulated deficit from operations	Investment in tangible capital assets	Total accumulated operating surplus
Balance as at March 31, 2012	\$ (87,120)	\$ 439,714	\$ 352,594
Excess of revenue over expense	25,412	-	25,412
Transfer from endowments	8,095	-	8,095
Acquisition of tangible capital assets	(69,600)	69,600	-
Debt repayment	(9,290)	9,290	-
Debt - new financing	2,164	(2,164)	-
Net book value of asset disposals	793	(793)	-
Amortization of tangible capital assets	53,414	(53,414)	-
Balance as at March 31, 2013	\$ (76,132)	\$ 462,233	\$ 386,101
Excess of revenue over expense	18,374	-	18,374
Transfer to endowments	(14)	-	(14)
Acquisition of tangible capital assets	(99,354)	99,354	-
Debt repayment	(10,229)	10,229	-
Debt - new financing	22,274	(22,274)	-
Net book value of asset disposals	707	(707)	-
Amortization of tangible capital assets	55,201	(55,201)	-
Balance as at March 31, 2014	\$ (89,173)	\$ 493,634	\$ 404,461

13. Contingent liabilities

- (a) The university is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the university believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the university. Management has concluded that none of the claims meet the criteria for recording a liability.
- (b) The university has identified a potential liability related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the university may be required to take appropriate remediation procedures to remove the asbestos. As the university has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

14. Contractual Obligations

- (a) The university has contractual obligations that will result in liabilities in the future when the terms of the contracts are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Capital projects	Long-term leases	Total
2015	\$ 71,184	\$ 207,667	\$ 5,359	\$ 284,210
2016	35,904	20,220	4,625	60,749
2017	23,028	3,095	3,995	30,118
2018	13,652	-	2,048	15,700
2019	5,351	-	1,248	6,599
Thereafter	136	-	4,626	4,762
	\$ 149,255	\$ 230,982	\$ 21,901	\$ 402,138

The significant service contracts are as follows:

- In order to manage its exposure to the volatility in the electrical industry, the university has entered into contracts to fix a portion of its electrical cost. The six contracts (2013 - six contracts) with expenditures totaling \$91,440 (2013 - \$97,889) expire over the next five years.
 - Effective November 1, 2010, the university entered into an agreement with an external party for dining and catering services. The agreement has two years remaining with a total estimated cost of \$14,000 (2013 - \$25,800).
 - Effective July 1, 2010, the university entered into agreements with two external parties for information technology support. The agreement for infrastructure management services has one year remaining with a cost of \$3,018 (2013 - \$5,392). Effective July 1, 2013 the university negotiated an extension to the agreement for application management services. The agreement has one year remaining with a cost of \$3,435 (2013 - \$476).
 - Effective August 1, 2011, the university entered into an agreement with an external party for custodial services. The agreement has four months remaining with a cost of \$2,000 (2013 - \$8,000). The university plans to negotiate an extension to this agreement which includes an initial extension term of three years.
- (b) The university is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2013 CURIE had a surplus of \$71,331 (2012 - \$60,500). This surplus is an accumulation of six different underwriting periods. The university participates in five of the underwriting periods, which have an accumulated surplus of \$71,331 (2013 - \$60,500) of which the university's pro rata share is approximately 7.13% (2013 - 7.02%). This surplus is not recorded in the consolidated financial statements.

15. Budget

The university's 2013-14 budget was approved by the Board of Governors and was presented to the Minister of Innovation and Advanced Education as part of the university's submission of its 2013-14 Comprehensive Institutional Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

16. Government of Alberta grants

	2014	2013
Innovation and Advanced Education - Campus Alberta grant	\$ 579,924	\$ 604,157
Innovation and Advanced Education - other grants	94,273	112,685
Infrastructure	22,455	-
Health	127,232	69,100
Alberta Health Services	4,726	9,875
Other departments and agencies	18,773	13,709
	847,383	809,526
Restricted expended capital recognized as revenue	93,608	94,033
Deferred revenue	(49,378)	4,247
	\$ 891,613	\$ 907,806

The net amount receivable is \$1,041 (2013 - \$409 payable).

The university holds \$12,236 on behalf of government agencies (Innovation and Advanced Education - \$10,993; Alberta Health Services \$1,243) for various initiatives.

17. Expense by object

	2014 Budget	2014	2013
Salaries	\$ 885,029	\$ 896,266	\$ 873,406
Employee benefits	179,960	182,899	174,377
Materials, supplies and services	195,493	179,424	182,911
Cost of goods sold and recovered	103,912	104,502	95,827
Scholarships and bursaries	93,170	89,150	92,323
Maintenance and repairs	72,102	78,423	74,239
Utilities	43,143	46,346	42,917
Amortization of tangible capital assets	176,555	169,151	166,387
	\$ 1,749,364	\$ 1,746,161	\$ 1,702,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

18. Salaries and employee benefits

	2014				Total
	Base salary ⁽³⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾	
Governance ⁽¹⁾					
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Executive					
President	544	47	426	127	1,144
Provost and Vice-President (Academic) ⁽²⁾	420	36	40	206	702
Vice-President (Research)	496	95	104	109	804
Vice-President (Facilities and Operations)	472	41	166	99	778
Vice-President (Finance and Administration)	459	33	179	101	772
Vice-President (University Relations)	377	39	106	-	522
Vice-President (Advancement)	383	35	77	-	495

	2013				Total
	Base salary ^{(3) (4)}	Non-cash benefits ^{(4) (5)}	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾	
Governance ⁽¹⁾					
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -
Executive					
President	547	46	437	142	1,172
Provost and Vice-President (Academic) ⁽²⁾	430	36	58	-	524
Vice-President (Research)	485	94	117	133	829
Vice-President (Facilities and Operations)	467	41	167	129	804
Vice-President (Finance and Administration)	460	32	215	117	824
Vice-President (University Relations)	370	38	95	-	503
Vice-President (Advancement)	369	33	53	-	455

⁽¹⁾ The Chair and Members of the Board of Governors receive no remuneration for participation on the Board

⁽²⁾ The incumbent Provost and Vice-President (Academic) applied for and was approved for a one year administrative leave commencing July 1, 2012. This was extended to two years in February 2013. The incumbent Provost and Vice-President (Academic) requested and was granted permission to return from the administrative leave five months early (in February 2014). The acting Provost and Vice-President (Academic) did not participate in executive benefit programs. The 2014 salary and benefits includes the incumbent Provost and Vice-President (Academic)'s information for two months (2013 - three months) and the acting Provost and Vice-President (Academic)'s information for ten months (2013 - nine months).

⁽³⁾ Base salary includes pensionable base pay for all executive, and an administrative stipend for the acting Provost and Vice-President (Academic) in 2013 and 2014, and for the incumbent in 2013. Certain base salary amounts also include a car allowance, a reduction for amounts recovered from workers' compensation, and a reduction for the optional personal leave program (days off without pay).

⁽⁴⁾ The disclosure of certain benefits has been reclassified to base salary to more accurately reflect the nature of those benefits. The prior year disclosure has been updated to reflect this change, which does not change the total compensation.

⁽⁵⁾ Non-cash benefits include the university's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long-term disability plans and dental plan. Benefits for some of the executive also include parking, supplemental life insurance, forgivable housing loans, and club dues. Additional non-cash benefits for the President include expenses related to the personal use portion of the residence which the President rents from the university.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

(thousands of dollars)

18. Salaries and employee benefits (continued)

⁽⁶⁾ Under the terms of the SRP, the executive may receive supplementary retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump-sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year.

The supplementary retirement plan accrued obligation for each executive is as follows:

	Years of eligible University of Alberta service	2013		2014			Accrued obligation ^(6c)
		Accrued obligation	Service costs	Interest and other costs ^(6b)	Actuarial losses		
President	8.8	\$ 2,158	\$ 278	\$ 126	\$ (402)	\$ 2,160	
Provost and Vice-President (Academic) ^(6a)	10.8	1,408	144	80	(729)	903	
Vice-President (Research)	6.8	426	74	26	(59)	467	
Vice-President (Facilities and Operations) ^(6b)	10.5	685	118	41	(129)	715	
Vice-President (Finance and Administration) ^(6b)	11.0	707	129	43	(139)	740	
Vice-President (University Relations)	3.7	238	87	17	(36)	306	
Vice-President (Advancement)	3.6	168	64	12	(50)	194	

^(6a) The incumbent Provost and Vice-President (Academic) continued to accrue pensionable service during the administrative leave period noted in (2) above.

^(6b) Includes additional costs with respect to plan amendments.

^(6c) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

⁽⁷⁾ The leave plan accrued obligation for each executive is as follows:

	Years of eligible University of Alberta service	2013		2014			Accrued obligation ^(7a)
		Accrued obligation	Service costs	Interest and other costs	Actuarial losses		
President	8.8	\$ 794	\$ 103	\$ 24	\$ (12)	\$ 909	
Provost and Vice-President (Academic)	2.1	-	204	2	(23)	183	
Vice-President (Research)	6.8	529	92	17	(36)	602	
Vice-President (Facilities and Operations)	11.2	901	74	25	(63)	937	
Vice-President (Finance and Administration)	11.9	955	74	27	(81)	975	

^(7a) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

19. Approval of financial statements

The consolidated financial statements were approved by the Board of Governors.

OUTLINE OF ISSUE

 Agenda Title: **Land Asset Strategy: Authorize and Approve the Establishment of a Land Trust**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, subject to the approval of the Minister under section 77 of the *Post-secondary Learning Act* and approval of the Lieutenant Governor in Council under section 80 of the *Financial Administration Act*, authorize and approve the incorporation of a subsidiary, a land development company, to act as the trustee of a Trust, to hold and develop certain university lands that may be transferred to it by the Board of Governors, subject to the terms and conditions of the Trust and the composition of the Trust Board and governance structure coming back to the Board of Governors for approval.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President (Facilities and Operations) and Phyllis Clark Vice-President (Finance and Administration)
Presenter	Don Hickey, Vice-President (Facilities and Operations)
Subject	Land asset strategy – establish a land trust

Details

Responsibility	Facilities and Operations
The Purpose of the Proposal is (please be specific)	<p>In March 2013 a Land Asset Management Advisory Committee was established, whose membership includes senior administration, the Chancellor, and former members of the Board of Governors with expertise in finance and land development. The mandate of the Advisory Committee was to consider and seek advice on the various options, risks and opportunities of dealing with its land assets.</p> <p>At the February 25, 2014 Board Finance and Property Committee (BFPC) meeting, senior administration brought a high level discussion paper, which considered three possible strategies by which land assets might financially benefit the institution. At that time, there was a commitment that a full business case would come forward for approval.</p> <p>After seeking legal, tax, and risk assessment, the completed Business Case highlights the proposed mandate and activities of the Trust, the Operating Principles and Governance.</p>
The Impact of the Proposal is	Subject to Board of Governors' approval, the documents would proceed immediately to Innovation and Advanced Education (IAE) for approval and Order in Council to establish the Trust.
Replaces/Revises (eg, policies, resolutions)	
Timeline/Implementation Date	Depending on the Order in Council – Fall 2014 or Winter 2015
Estimated Cost	(2014-2015) \$200,000.00 and (2015-2019) \$500,000.00 each of 3 years
Sources of Funding	Internal funding
Notes	

Alignment/Compliance

Alignment with Guiding	Dare to Discover, Dare to Deliver, Comprehensive Institutional Plan,
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Item No. 9a

Documents	Long Range Development Plan 2002, Post-Secondary Learning Act (PSLA) 2003, Appendix XIX – South and North Campus LRDP amendments 2013, The President’s Change Agenda – Sustainable Financial Operations.
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)	<p>Post-Secondary Learning Act (PSLA) – Section 77 states: “a board must obtain the approval of the Minister for an incorporation prior to seeking Lieutenant Governor in Council approval under the Financial Administration Act.”</p> <p>Financial Administration Act (FAA) Section 80 states: “No person shall incorporate a Provincial corporation or Crown controlled organization without the approval of the Lieutenant Governor in Council.”</p> <p>UAPPOL – Creation of a Legal Entity “The University’s participation in the creation of legal entity, it must undertake appropriate due diligence to ensure that it has an understanding of the legal, financial and other issues associated with its involvement in the legal entity”</p> <p>Board Finance and Property Committee Terms of Reference 3. Mandate of the Committee</p> <p>Except as provided in paragraph 4 and in the Board’s General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</p> <p>Without limiting the generality of the foregoing, the Committee shall: ... n) review and recommend to the Board policies regarding the acquisition, management, control and disposition of University buildings, land and equipment and regarding individual project proposals and the implications of these short and long-range capital plans to the strategic vision of the University</p>

Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	<p>March 2013-May 2014 – Land Asset Management Advisory Task Force</p> <p>January 23, 2014 and May 8, 2014 – President’s Executive Committee – Strategic (PEC-S), February 13, 2014 and May 8, 2014, President’s Executive Committee – Operational (PEC-O), March 13, 2014 PEC O – Communications Workshop led by University Relations on leveraging assets</p> <p>June 20, 2013 – South Campus Long Range Development Plan (LRDP) Amendment, February 25, 2014 and North Campus LRDP Amendment – Board Finance and Property Committee</p> <p>2014 – Community Engagement report to the Board</p>
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Item No. 9a

	Faculty of Agricultural, Life and Environmental Sciences (ALES) – Dean and Chairs consultation November 2013 – March 2014 May 21, 2014 – Deans’ Council and Community Consultation
Approval Route (Governance) (including meeting dates)	Board Finance and Property Committee (BFPC) – May 27, 2014 – for recommendation to the Board of Governors Board University Relations Committee (BURC) – May 30, 2014 – for information Board of Governors (BG) – June 20, 2014 – for approval
Final Approver	Board of Governors (BG)

Attachments:

1. Attachment 1 – Business Case Briefing (3 pages)
2. Attachment 2 – Business Case (19 pages)
3. Attachment 3 – Land Inventory (2 pages)
4. Attachment 4 – Maps (3 pages)
5. Attachment 5 – Board Resolution (1 page)

Prepared by: Mary Paul, Senior Administrative Officer
Office of the Vice-President (F&O)
mpaul@ualberta.ca

Revised: 6/13/2014

Land Asset Management Strategy – establishing a land trust

Introduction

As the institution continues to pursue our goal of an internationally recognized teaching, learning and research public institution, we are faced with the challenge to continue to attract and retain the best students, faculty, and staff to support our vision. The institution needs to identify and implement new strategies to enhance revenue streams to offset reduced government investments to the institution.

The University of Alberta has been blessed with substantial land assets that have been, and continue to be, accumulated over the years through the original land grant, land donations and land purchases. Previous administrations have reviewed the opportunities to develop our land assets without success, likely for a combination of reasons, including the ability to finance land leases, levels of government funding, and the lack of long term analysis of the institution's land and financial needs.

We believe all indicators point to the appropriateness of proceeding at this time, subject to the approval of the Board of Governors and the Government of Alberta, to consider the various means by which our land assets can benefit the mission of the university.

The Initiative

A proven strategy for many post-secondary institutions throughout North America has been the development of institutional land assets. These institutions have been able to turn land assets into long term financial assets, generating a sustainable, long-term revenue source to support their core missions.

The Board of Governors has approved several Long Range Development Plans that have anticipated the future development of lands for academic and research use, as well as for general development.

Precedents

As stated previously, the institution has reviewed this option several times over the years without a commitment being made. Other institutions across North America, especially at the large land grant institutions, have embraced a land asset management strategy with excellent results.

Canadian universities have been active as well in this area, with several institutions actively engaged in leveraging their land assets for the benefit of the institution. These institutions include Guelph University and York University in the east, and University of British Columbia (UBC) and Simon Fraser University (SFU) in the west, and here in Alberta, both University of Calgary (U of C) and Keyano College have created real estate trusts to develop their lands.

All these trusts have been formed to carry on land development for the benefit of their institutions. These trusts operate completely independent of the institution and are able to borrow money against lands that have been leased from the institution to cover their operating and development costs.

Land asset strategies:

Through the development of the Business Case, the Land Asset Management Advisory Committee (LAMC) considered the following options:

- 1) Status Quo – LAMC recognized that the very existence of our Long Range Development Plans (LRDPs) for our various campuses indicates that the institution has already notionally agreed to the leveraging of some of our land assets.
- 2) Sell or lease designated lands – LAMC considered the risks and opportunities of selling or leasing the designated lands, without partaking in any development activity, and reinvesting proceeds into a financial vehicle, to optimize returns in accordance with our investment policies.
- 3) Develop through a subsidiary trust vehicle – LAMC considered the expertise required to develop the institution's lands, and the implications of doing so. The option to lease designated land assets to private parties for development, with or without trust participation, and invest realized profits into appropriate investment vehicles in accordance with our investment policies is attractive for a number of reasons.

Key Aspects of a Land Trust

A trust agreement creates the trust, establishes its reason for being, the powers, and the obligations of the trustee. The trustee of the trust becomes responsible for making all decisions on behalf of the trust, and owes a fiduciary duty to act exclusively in the best interests of the beneficiary.

The Issues

There are several items that are as relevant today as they were 30 years ago when we first started looking at a strategy to deal with our land assets. One of the most compelling aspects is the downward trend in base operating grants to post-secondary institution, the volatility of interest rates, increasingly competitive nature for the best and the brightest faculty and students, socio-economic pressures impacting policy changes on tuition and fees and public engagement, not to mention the speed of change in technology and sophistication of building systems, online learning tools, and research lab requirements.

Current and projected academic and research use of lands, as well as financial needs, must be taken into consideration as we move forward. Many things have changed since the development of our initial LRDP back in 2002 that will impact our ability to meet the future needs of our faculties, either within Edmonton or on our outlying lands across Alberta. Continued development of Sector 12 on our South Campus for shared use, the loss of our long term lease of the Ellerslie lands in 2011, research growth within the Faculty of Agricultural Life and Environmental Sciences (ALES), land acquisitions in St. Albert and at the Devonian Botanic Garden, all must be taken into account, as well as identifying the best location of our land holdings going into the future.

The university regularly attracts interest from potential partners who desire to leverage the academic and research expertise, not to mention the attractive location of our land holdings in the City.

The role of the public in our planning processes, indeed all public sector planning, has increased significantly and will likely continue. Many years ago, Board member Sandy Mactaggart stated that "the university will be held to a higher standard than private sector developers", which is even truer today than it was thirty years ago.

The role of the City must also be confirmed given the Post-secondary Learning Act (PSLA) and our exemptions from the municipal planning processes. Although we have always consulted with the City, we were not bound by their comments. The possible creation of a real estate property trust may change this relationship. The status of our LRDPs may be subject to further consultation and review. These issues are being reviewed by legal counsel and will be part of future discussions with the City.

The status of our existing LRDP and the future alignment of the trust's development mandate to these LRDPs must be confirmed. Commercial land development will likely have to be exempted from our LRDPs in the future and rezoned.

Next Steps

In the event the Board approves the establishment of the trust, our work will just be starting, as we first create the trust and its mandate, seek necessary government approvals and Orders in Council allowing the institution to lease the land to the trust, and then to allow the trust to enter into lease agreements with third parties.

Once the trust is established then there will be a need to nominate board members and its chair, and recruit trust staff, including its CEO. Their work will then start in earnest.

University of Alberta

Land Trust
Business Case

**Prepared for the Purpose of Briefing University Officials by
Facilities and Operations
Vice President (Facilities and Operations) with
Vice President (Finance and Administration)
May 16, 2014**

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Executive Summary

The University of Alberta is seeking to incorporate a land trust that will develop lands in a manner that is complimentary to the long term vision for the University, the province, and the City of Edmonton. The profits of the trust are intended to provide on-going revenues for the institution as well as support the city and the province in advancing Alberta's economic agenda. For the formation of the land trust and the transfer of lands, Ministerial approval is required under sections 67 and 77 of the *Post-secondary Learning Act* and an Order in Council is required under section 80 of the *Financial Administration Act*. At this point in time the University is only seeking approval to establish the land trust. Further consideration will be given before approval is sought to transfer land assets to the trust.

Under the Income Tax Act, the university must ensure that they only conduct "related business". Therefore, the most viable alternative is the incorporation of a land trust that can generate revenue from the land in a manner that is consistent with the institution's mandate while not detracting from its core business of academic and research priorities.

In order to ensure the land trust is set up in a way that minimizes risk for the institution while maximizing the opportunity of monetizing land assets, the university has sought legal counsel, tax advice and completed a risk assessment. In addition, a basic preliminary cost-benefit analysis has been completed. Further work will be done on the financial model as the project advances.

Finally, the University is developing a governance model suitable for a land trust. The governance model will be based on the principles contained in the *Public Agencies Governance Act* and known best practices of governance. The governance will focus on expert knowledge and with strong fiduciary competencies.

This business case attempts to capture the work done to date and provides a context for the Board of Governors of the University of Alberta to make an informed decision as to whether proceeding with the land trust is in the best interest of the institution. Further work will continue on all components of the land trust formation based on the decision. It will be essential to keep the Board, the President and Executive, and the Government of Alberta informed as work on the land trust continues. Expert advice is being sought from the Land Asset Management Advisory Task Force during this process.

This land trust provides an outstanding opportunity for the university to advance its entrepreneurial opportunities, enhance future sustainability and work closely with the City of Edmonton. The foundational principles that will guide this project will include:

- Making optimal use of the university's resources;
- Supporting the university's mandate and goal of becoming one of the world's top public educational institutions;
- Enhancing and building upon the existing sustainability and resource stewardship philosophy of the University of Alberta;
- Promoting opportunities for future urban design innovations;

Background

The Board of Governors of the University of Alberta has the opportunity to establish a land trust for the development or lease of university lands. Timing is critical for the University to proceed. With the current fiscal climate, strong leadership at the institution and in the Government of Alberta, and the significant land asset located in the middle of the City, it would be a lost opportunity to not leverage the asset in the best way for the University. This document provides a risk assessment and full description of this opportunity and implications of creating a land trust.

Issue/Opportunity

The University of Alberta currently owns over 26,000 acres of land in Alberta (see Appendix 1 Land Inventory). These lands have been acquired through the crown, purchased, or donated. Use of the lands has been predominantly guided by the long-range development plan (LRDP) first approved by the Board of Governors in 2002 and amended in 2013. Based on the LRDP the lands can be classified into three categories:

- Lands used primarily for academic and research purposes
- Lands used primarily for research purposes
- Lands not needed for the core purposes of the institution; namely teaching and research

For example, based on the existing South Campus LRDP amendment, at this time the part of South Campus typically referred to as the West 240 consists of lands being considered for development by the institution. In addition, other parcels of all of the campuses owned by the university may be appropriate to move into the new governance model that could be provided by the establishment of a land trust. The decisions regarding which lands will be moved to the trust will be guided by the potential to maximize the benefits of those lands in conjunction with the strategic needs of the institution.

The University of Alberta has examined the opportunity of how to best leverage portions of its lands over the last 30 years. In addition, significant effort has been directed to creating a land asset management strategy for the university. Considering the current fiscal environment, existing strong leadership in government and the University of Alberta, and the urban land opportunities that exist, it appears to be an opportune time to initiate action on the land asset strategy. Establishing a land trust of which the University of Alberta is the main benefactor may result in a stable income source for the university for several generations and can create the opportunity for developers with real estate expertise to focus on how to best develop the lands. This relationship would not detract the University from its core mandate of teaching and research. However, it would provide a financial benefit in the future for the institution and the city. The impact to the surrounding communities could be seen as both beneficial and possibly worrisome. The first step in the process would be to establish the land trust. Following that there would be several steps to make this a successful venture including detailed cost/benefit analysis, determination of which lands could be optimized through transfer to a land trust, ongoing risk assessments and issues management.

Current Situation

Other post-secondary institutions in Canada have created land trusts. Most notably, University of British Columbia (UBC) and Simon Fraser University (SFU) have established land trusts that have proven to be successful. In response to evolving mandates, growing competition, and the internationalization of education, these two western universities have created Campus Town developments. For example, SFU developed “UniverCity”, a sustainable urban community for approximately 10,000 people located on Burnaby Mountain. It is a dense, mixed-use community on approximately 165 acres of land surrounding the SFU campus. It allows for up to 4,536 residential units in two distinct neighbourhoods to the south and east of SFU’s campus, each with its own elementary school and neighbourhood park.

A similar development at UBC called “University Town” is realizing its vision through the construction of a complete community where residents can live, work, play and study. The vision involves opportunities such as providing family housing options, creating a compact community, and showing leadership in sustainable development.

Both SFU and UBC have formed land trusts that are responsible for land development. The land trusts are able to borrow against the land value. These arrangements allow for the land trusts to finance the initial administrative development costs required prior to generating a revenue stream. Net revenues generated by each of the UBC Properties Trust and Simon Fraser’s University Community Trust from real estate activity are directed back to its respective university for endowment purposes. The annual distribution provided from the principal endowment is used to further the goals and mission of the university into perpetuity.

In Alberta, University of Calgary (UC), Olds College (OC) and Keyano College (KC) have all set up subsidiary organizations. UC has a separate legal entity for the real estate development of the 185 acre West Campus lands. Funds resulting from this will be directed to a trust that supports the University’s academic plan, student recruitment and student retention. Olds College has a more unique subsidiary in partnership with a private hotel company. The development of a hotel was completed on Olds College lands by a Board of Trustees with membership from the college, the private company and the community. How the funds will be utilized by Olds College is still to be determined. Keyano College Land Trust Corporation leads the development of the trust lands on the Saline Creek Plateau, a future residential development. Work continues to progress on this land development opportunity.

The University of Alberta has been investigating options for land management strategies for about 30 years. With the recent changes in provincial revenues, restrictions on tuition, slow growth in investments and continuing increasing costs to operate a quality, internationally renowned institution it has become an opportune time for the university to move forward with a strategy to leverage the full potential of its lands. The university is strategically focused on its core responsibilities, namely, how to continue to expand its reputation as a quality teaching and research institution. Allowing a land trust to focus on leveraging a long-term asset to help support the institution in the future will contribute to the quality of the institution through a stable funding source.

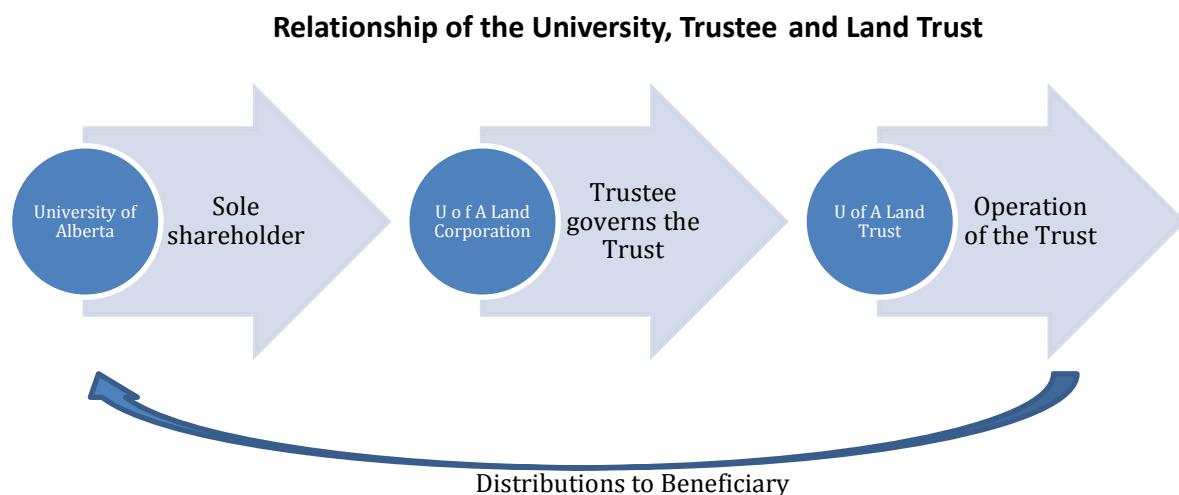
Project Description

The first phase of this project will involve completing the planning and approval steps to establish a land trust. The second phase will involve the actual creation of the land trust. This project will require internal and external resources during both phases

A third phase of the project will involve determining which lands will be transferred to the trust and in what order.

The development of a land trust involves establishing an organization by agreement, rather than by statute as is done with corporations. The agreement establishes the objective of the entity and the powers and obligation of the trustee. The trustee is responsible for making all decisions on behalf of the land trust and has fiduciary duty to act exclusively in the best interests of the land trust and its beneficiaries.

For the university land trust, the university would own 100% of the shares of the corporate trustee. As sole shareholder, the university would have the power to elect and replace the board of directors of the corporate trustee. The trustee, through its board, would be responsible to make decisions and operate the land trust. As the beneficiary of the land trust, the university would benefit from the trustee being tasked to make the best decisions possible in the interest of the land trust's beneficiary, the university.



With the use of a separate legal entity, namely, the land trust, there is limited liability to the university in the course of development activities carried on by the land trust. In order to protect the university's charitable status and meet Canada Revenue Agency's requirements, a clear, arm's length governance structure with specific objectives and a mandate that allows appropriate flexibility is needed. In order to request approval from the Government of Alberta a complete business case including the purpose of the trust is required. Before

any lands are transferred to the trust additional business considerations must be completed and full descriptions submitted to the Board and Minister for approval.

The leads for the project will be the VP Facilities and Operations and the VP Finance and Administration with some guidance from the Land Asset Management Advisory Task Force.

Goal and Objectives

The goal of the project is to establish a land trust that optimizes monetization of lands not required for academic or research purposes of the university. The trust should be established by 2015 so that the trust can begin planning the best options for land development. The primary objective is for the University of Alberta to be the beneficiary of a trust that can support its core mandate of teaching, learning and research.

Scope

This phase of the project will involve the planning, approval and development of the land trust and board membership including governance and accountability. Determining which lands may be transferred will occur as part of a future comprehensive project. The project does not include the land development planning and operations of the land trust as those are the purview of the trustee.

Business Case Process

This business case has been prepared by the VP Facilities and Operations in conjunction with the VP Finance and Administration. Information and advice has been obtained from U of C, UBC, SFU, Olds College, Keyano College, the Land Asset Management Advisory Task Force and department staff of Innovation and Advanced Education.

The Land Asset Management Advisory Task Force is comprised of Don Hickey, Chair and VP (Facilities and Operations); Phyllis Clark, VP (Finance and Administration); Debra Pozega-Osborne, VP (University Relations); Ralph Young, Board of Governors; and, Gordon Clanachan, Jerry Naqvi and Marc de la Bruyère as public members. This Task Force has been mandated to assess and mitigate the risks to the university in utilizing the lands, advise on opportunities and risks to the university's charitable status, advise on matters relating to the management and control of the lands, review existing post-secondary trust arrangements, advise on which land holdings could be available for disposition and consider other matters as needed.

As a result of their deliberations, the Land Asset Management Advisory Task Force remains positive that the establishment of a land trust is a viable and appropriate mechanism for the university.

The business case has been reviewed by all related internal committees including the Board University Relations Committee (BURC), Board Finance and Property (BFPC) prior to seeking approval of the Board of Governors.

Outcomes and Schedule

While further details on a schedule will be necessary to complete a project of this magnitude the key milestones to establish a land trust are outlined below.

Table 1 – Review and Approval Schedule

Date	Milestone	Deliverable/Purpose
February 2014	<ul style="list-style-type: none"> Preliminary discussions at President’s Executive Committee-Strategic (PEC-S) and President’s Executive Committee-Operations (PEC-O) High level briefing at BURC, Audit Committee and Board Finance and Property Committee (BFPC) 	Briefing that explains the opportunity and process to be followed
March 2014	High level briefing with Board of Governors	Briefing that explains the opportunity and process to be followed
May 2014	<ul style="list-style-type: none"> Presentation to Dean’s Council. South Campus Community Consultation – high level by VP for their information. Recommendation for approval by PEC-O, PEC-S Review by BURC and recommendation for approval by BFPC to Board 	Business case represents the scope of the project
June 2014	Final review and approval of Board of Governors	Direction is clear and timelines determined
Fall 2014	Documents provided to IAE for approval and Orders in Council establishing the trust	Government approval processes in initiated
June 2014	Communication to stakeholders and communities	Raise awareness and understanding
Winter 2014	Establishment of the Land Trust	Project completion

Stakeholders/Constituents

The establishment of a land trust will involve communication with a full range of stakeholders and constituents. Three primary types of communication will be necessary:

- Approval discussions
- Consultation for the purpose of obtaining information and feedback
- Information sharing to maintain relationships and provide transparency on the purpose and process

The following chart is a quick reference for the breadth and depth of communication, the constituents, the primary phases during which communications will have to occur and the types of communication that may be necessary. It is important to understand detailed communication plans will be developed for each of these stakeholder and constituent groups and throughout each of the phases.

Table 2 – Stakeholder and Constituent Communications

Stakeholder/Constituent	Phases			
	Planning	Approval	Establishment	Operation
Board of Governors				
President/Administration				
Dean's Council				
Faculties				
Senate				
Alumni				
Land Asset Management Advisory Task Force				
City of Edmonton				
Government of Alberta				
IAE				
MLAs				
Other (AI, AH,)				
Research Organizations				
Community Neighbors				
Campus Alberta				

Legend:

	Consultation (input sought and information shared)
	Information Awareness
	Approval Required
	Updates and Relationship Maintenance

Strategic Alignment

The long term support of the University's vision and mission is the primary consideration for the development of a land trust. Being a fiscally prudent institution requires leveraging its assets in support of the institution's vision:

To inspire the human spirit through outstanding achievements in learning, discovery, and citizenship in a creative community, building one of the world's great universities for the public good.

While the revenue from the land trust will support all of the cornerstones that anchor the vision, the land trust can specifically support a transformative organization cornerstone by:

- Enhancing and building upon the existing sustainability and resource stewardship philosophy of the university; and,
- Helping to secure resources to provide the best education for our students, to support world-class research and creative activity and its dissemination and translation, and to foster citizenship.

The university is embarking on several initiatives that support the continual evolution necessary in a world of dramatic and continuous change. This initiative provides a new mechanism for the institution to interact with the community, support community growth and provide long term funds for the institution.

The institution's LRDPs have carefully considered the land, space and facility needs of the institution. Every effort has been made to reasonably forecast future growth and the required associated land needs. The LRDPs attempt to project the future facilities and land that will be needed to support a quality institution, considering the evolution of student learning and teaching modes, new ways of scheduling classes, population demographics and the changing labour force demands. Based on the plans it is apparent there is land that could be leveraged for other purposes including monetizing the asset in way that may be outside the LRDPs.

The guiding objectives for the development will continue to evolve. Using the West 240 as an example only and 2014 land values, the options include:

- Selling or leasing the land in a single transaction which is estimated to potentially equate to approximately \$80,000,000 profit depending on the then current real estate market conditions;
- Developing the land into smaller developable parcels that could be leased/sold to 3rd parties that could equate approximately \$100,000,000.

Further analysis of these opportunities will be completed to ascertain the best approach for the university and the land trust.

Business and Operational Impact

Defining the Trust Entity

In order for the development of the trust lands to proceed and preserve the status of the University as a charitable organization, and to provide for a minimum of risk to the University itself, it is proposed that the University establish the U of A Land Trust (the “**Trust**”) by way of a trust deed. The Trust will require a trustee and accordingly the University proposes to establish the U of A Land Corporation (the “**Trustee**”) which will serve as the trustee for the Trust. The University will be a beneficiary of the Trust. The University will also be the sole shareholder of all of the shares of the Trustee. The next section of the business case identifies the advantages to this proposed structure.

Rationale for Establishing the Trustee and the Trust

Having obtained legal advice from Field LLP and tax advice from KPMG, the proposed structure was chosen to comply with the provisions of the *Income Tax Act* (Canada) regarding the activities appropriate for registered charities. In particular, charitable organizations such as the University may not maintain their registered charity status while conducting a business that is not a “related business” of the charitable organization. In addition, a charitable organization must devote all of its resources (financial, property, personnel etc.) to charitable activities carried on by the organization. Currently, many of the developed lands belonging to the university are linked to some aspects of the University’s mandate, strategic plan and vision, and business activities. Other lands that in the future will hold activities that are intended to be for profit, for example the development of residential condominiums, may not fall within the “related business” exemption, and may be seen to constitute use of University resources for other than charitable purposes. To protect the University from jeopardizing its charitable organization status, the use of the Trust to conduct these business activities will provide adequate separation for the University.

Generally, a trust is a legal relationship created by an agreement, rather than by a statute. A trust is created by a settlor who transfers property to a trustee in order to create the trust. The trustee is analogous to a board of directors of a corporation, in the sense that the trustee is the “mind” of the trust.

The agreement creating the trust establishes many of the same things that Articles of Incorporation establish for a corporation such as its reason for being and the powers and obligations of the trustee. In legal terms, the trustee of a trust is responsible for making all decisions on behalf of the trust and owes a fiduciary duty to act exclusively in the best interests of the trust and the beneficiary. The trustee is compelled to hold and control the trust property for the beneficiary in a manner such that the benefits accrue to the beneficiaries, and not to the trustees.

The use of a separate entity to carry out the trust development activities allows for a certain amount of limited liability protection for the University in the course of the development. Any problems with the development, damage or injury caused by the buildings erected, or

other development hazards could cause financial loss to the University if the development were to be carried out by the University itself. Isolating the development activities in a separate legal entity such as a trust protects the University from such claims. Part of this isolation means the University does not become involved in the day-to-day activities of the trust.

Proposed Purpose of the Trust

The purpose of the trust is to acquire, develop, and manage land and or facilities in support of the University's strategic direction. The Trust will be developed in accordance with the University's "Creation of a Legal Entity Process".

Proposed Activities of the Trust

Activities of the trust may include but not be limited to holding any long-term ground leases granted by the University and seeking subdivision, development and building approvals for the relevant portions of the trust lands. Additionally the trust may provide ongoing management of the improvements as applicable, dispose of land not included in the long-term ground lease, manage projects as deemed appropriate by the trustee and operating the business to maximize appropriate returns on investments. The profits obtained would either be used to fund further phases of development, or be distributed to the University as beneficiary of the trust. In addition, the trust could enter into other opportunities consistent with its objectives and for the purpose of further supporting the university.

Exactly how the trust would utilize and manage the return on investment of the land would be based on the opportunities and risks that are apparent.

Operating Principles

The operating principles will be formed through the trust establishment process. Essentially they will parallel the principles of the University while allowing the flexibility required for an arms-length organization to be successful. Profits of the trust will either be reinvested in the activities of the trust or allocated to the university in support of future university initiatives.

Governance

Keeping in line with public agency standards the following is a general description of the governance structure. As the sole shareholder, the Board of Governors shall appoint the initial Board of the Corporate Trustee. The Board of the Corporate Trustee is not to exceed 11 members. In order to maximize the effectiveness of the Trust, the board will primarily consist of experts in land and real estate development. Additionally, some representation from the Board of Governors of the University will help keep alignment between the strategic direction of the institution and the corporate trustee. Using the effective model employed by UBC as a guide, up to eight members should have significant property expertise and not more than three members should be representative of the Board of

Governors for the University of Alberta. The exact determination of the numbers and types of members will be finalized as the trustee governance is fully developed.

The board members of the Corporate Trustee will be appointed by the University of Alberta, Board of Governors, for up to two terms, not to exceed 10 years of total service. The selection process will be based on competencies of the individuals and the full complement of skills required for a fully functional board. Replacement, removal, and termination details will be developed in the trustee’s policy manual to be developed as the board is formed.

The members of the Board of the Corporate Trustee will be volunteers and will not receive an honorarium or any other compensation for their services. The board members of the Corporate Trustee will be reimbursed for out-of-pocket expenses related to their attendance and participation in scheduled meetings.

The Trustee will be required to establish appropriate committees. However, it will be strongly recommended they have a compensation committee and an audit committee at a minimum. Whistleblower and conflict of interest policies and procedures will be part of the Trustees’ responsibilities. The Trust, through the Trustee, would report periodically to the Board of Governors.

Impacts

The intention of the University is to use the trust for the long term benefit of the institution. Like any change, there may be a period of transition that can cause concern and anxieties with different constituent groups. However, through the communication and consultation processes it is expected that clear information will be available and steps will be taken to mitigate concerns where appropriate.

The following chart provides a high level overview of internal impacts for university constituent groups.

Table 3 - Impacts

Constituent Group	Impacts	Potential Mitigations	Impact to the University
ALES – greatest impact	<ul style="list-style-type: none"> • Loss of Crop Land • Loss of near-facility forage for dairy herd • Relocation of seed breeding crop research 	<ul style="list-style-type: none"> • Adjust use of St. Albert, Mattheis and Kinsella lands • Explore options for economical forage for dairy herd • Joint letter recognizing the institution’s need to develop lands has been signed by ALES and F&O 	<ul style="list-style-type: none"> • Scheduling adjustments to allow for farther travel • New costs for travel and forage • One-time costs for development on St. Albert and other lands
Students	<ul style="list-style-type: none"> • ALES students may have to travel more 	<ul style="list-style-type: none"> • Explore transportation options 	<ul style="list-style-type: none"> • Some potential schedule adjustments

	<ul style="list-style-type: none"> • Institution more financially stable 	<ul style="list-style-type: none"> • Maintain access as a priority 	
Operations	<ul style="list-style-type: none"> • Reduced land to maintain • New relationship with trust 	<ul style="list-style-type: none"> • Internal relationships to the Trust clarified 	<ul style="list-style-type: none"> • Increased revenues
Community Groups	<ul style="list-style-type: none"> • Land development occurring where they may not have anticipated it 	<ul style="list-style-type: none"> • Clear communication with community groups 	<ul style="list-style-type: none"> • Community satisfaction levels may impact new projects on campus
City of Edmonton	<ul style="list-style-type: none"> • New development lands in a prime area • Increased service requirements • Increased taxation options 	<ul style="list-style-type: none"> • Continue strong relationship with City 	<ul style="list-style-type: none"> • Continue appropriate resourcing of areas responsible for relationship with City

Risk Assessment

Identification of Risks

Development of a land trust is a long term project that carries some risk. Identifying the severity of these risks helps in the development of mitigation strategies. The following table highlights the main project risks the trust entity may encounter:

Table 4 - Project Risks

	Who Assumes Risk	Low Impact	Medium Impact	High Impact	Mitigation Strategies
High Probability					
Phasing Challenges -achieving the desired blending of mix – land use	Trust				Monitor market conditions and timing of release of the development parcels.
Medium Probability					
Provincial approval of Land Lease/sale from University of Alberta to Trust	University of Alberta				Working with appropriate departments to achieve Ministerial approval & Order In Council.
Construction Risks -Higher costs at tender stage -Inflation -Construction delays	Developer				Developer to mitigate/ offset higher costs. Include penalties in contracts for delays and defaults

-Default of Subcontractors					
Low Probability					
Adjacent Community Opposition	Trust & University				Open communication with adjacent community
Market Conditions	Trust				Monitor economic forecast
Lease Payment Default	Trust				Non-refundable deposits with right to foreclose

Risks Transferred

The development of the land will be at the cost and risk of private sector developers. By using the services of private developers, the Trust will transfer much, if not all, of the related building construction risk to the private sector where they are better able to manage them.

Risks of Not Proceeding (Status Quo)

Some of the more serious implications of maintaining the status quo are the lost opportunities for the University of Alberta to further its academic mandate:

Residential and Commercial Development on South Campus Stagnates

- Lost opportunity to create new economic development in the center of Edmonton.

Value of land is not realized

- The university's investment in the trust lands is not maximized to the benefit of the university, the city, and the province.

Advancing the Institution's Academic Mandate

- Institution unable to gain the global recognition that is part of its strategic direction due to decreasing revenues.

Housing

- Lack of housing near campus - large part of the campus community commutes greater distances over time
- Graduate Students: Unable to attract or retain due to housing shortages
- Teaching Profession: Difficult to retain or attract with no new modern residential development close to campus.

Cost/Benefit Analysis

Creation of the Trust does not create cost risks for the University. Initiating this phase of the project and allowing further careful determination of which lands can best be optimized and in what order by transfer to the Trust should maximize the benefits for the institution.

The University selling portions of the trust lands leads to one-time revenue with little if any risk attached. While this option has the lowest risk, it is not generally the University's intention to sell the lands in order to generate revenue for the core purpose of the institution. Leasing portions of the trust lands can provide on-going revenue. The trust lands lease model provides an innovative approach to land development. It is based on a unique public-private development model that balances financial risk and return with clearly defined roles and responsibilities. At this stage, only a rough order of magnitude of conceptual cost estimates has been prepared to assess the economic feasibility of the development. Detailed project costs and financing options will be prepared as part of a comprehensive implementation strategy and these will be refined as the land is planned and developed.

At this time it is also the intention of the University to have the lands developed in ways that represent the intent of the LRDPs as amended from time to time. It should be expected though that further work is needed on the details and opportunities for the developments after the trust is established. It will be prudent for the institution and the Trust to be thoughtful about use of the lands moving forward.

Start-up Costs

The proposed Trustee is a start-up company that requires financing for the initial investment. Start-up costs include staffing, furniture and equipment, supplies, consulting fees, road and infrastructure and will require borrowing from the markets or perhaps arm's length borrowing from the university.

Financial Model

The numbers provided in the analysis below are for illustrative purposes and potential examples only. The overall financial estimates, obtained from independent third parties, project the West 240 undeveloped land value could result in approximately \$80 million in revenues. Completing a residential development that adhered to the LRDP could result in upwards of \$100 million while a typical city approved development could yield a greater profit. Detailed analysis by the trust would be needed to determine the full range of costs and opportunities for revenue in current market projections. There are additional opportunities that could be identified through monetizing other land holdings of the institution.

Financial Impact to the University of Alberta

While there will be a positive financial impact to the University of Alberta, this will only be realized over the life of the project and not necessarily on a year to year basis. Even with the general numbers provided by third parties it is clear that this is a financially sound and viable development project. The analysis also demonstrates that land development is patient money that is realized over time.

Recommendations and Implementation

It is recommended the Board approve the development of a Trust and Trustee to maximize the monetary value of lands not seen to be needed for academic and research purposes in the foreseeable future and to further determine ways in which the Trust can support the institution.

Implementation Approach

In order to form the trust a project team will be formed. Oversight of the project will be the responsibility of the VP Facilities and Operations in conjunction with the VP Finance and Administration. Guidance will be sought from the Land Asset management Advisory Task Force. Internal resources will be needed from units within the responsibility of the project leads as well as from the VP University Relations. The project team is in place and ready to commence the project upon approval of the Board. That will facilitate moving forward upon final approval of the Minister. Quarterly reporting will be provided through all the committees involved in the review and approval process.

The exact time line for full implementation of the Trust will be contingent on Ministerial approval. It is anticipated approval could be received in this calendar year.

Consultation Plan and Communications Strategy

The business case will be supported with a comprehensive communication strategy that outlines key messages, communication milestones and rationale for each phase of the project. Communication with stakeholders will be essential to minimize risks and maximize support for this opportunity. The high level strategy is appended (see Appendix 2).


Review and Approval Process

Individual/Committee and Timeline

The following review and approval mechanisms will be utilized.

Date	Review or Approval
May 2014	Final review and agreement by PEC-O, PEC-S, and BFPC
June 2014	Final review and approval of Board of Governors
Fall 2014	Documents provided to IAE for approval and Orders in Council establishing the trust
Winter 2014	Establishment of the Land Trust

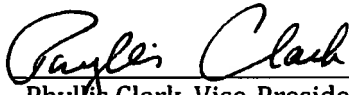
Business Case Sign Off



Don Hickey, Vice-President (Facilities and
Operations)

MAY 13, 2014

Date



Phyllis Clark, Vice-President (Finance and
Administration)

May 14, 2014

Date

Appendices

1. Land Inventory
2. Communications Brief: UofA Land Trust

University of Alberta - Land Inventory

Summary of Land Owned and Leased:	Acres	Hectares
Owned	26,262.18	10,628.31
Leased	<u>50,313.95</u>	<u>20,362.06</u>
Total	76,576.13	30,990.36

Land Owned Within Edmonton			
Belcourt-Brosseau House	0.10	0.04	
Campus Saint-Jean	15.36	6.22	
College Plaza	3.65	1.48	
Connaught House	0.17	0.07	
Enterprise Square	2.21	0.89	
Federal Archives Building	3.09	1.25	Purchased property in April 2013
Mactaggart Sanctuary	269.35	109.01	Leased to the City of Edmonton. Expires in 2092
Mactaggart - Badger Land (adjacent to Mactaggart Sanctuary)	3.66	1.48	
Mactaggart - Residence Land	14.51	5.87	
MEANU (Acoustics Lab)	4.30	1.74	
Michener Park	42.10	17.04	
U of A North Campus	228.99	92.67	Dec.31, 2013 - the addition of 1.16 ac./0.47 ha. of SJC's lands to North Campus to facilitate the U of A's construction of the SJC Women's Residence
U of A South Campus (includes West 240)	<u>601.34</u>	<u>243.36</u>	
	1,188.83	481.12	

Land Owned Outside Edmonton			
Augustana Campus	45.00	18.21	
Augustana Land Bank (aka Bethany Lands)	1.73	0.70	
Bamfield Marine Science Centre (B.C.)*	185.32	75.00	
Breton Plots	24.26	9.82	
Danard Lake	6.24	2.53	
Devonian Botanic Garden	235.40	95.27	Mar. 21, 2014 - F. Plaunt donated 50.0 ac./20.24 ha. of land with a house to the U of A for addition to the Devonian Botanic Garden
EMEND Project (Dixonville)	159.18	64.42	
George Lake Research Site	6.15	2.49	
Husfloen Centre (Camrose)	6.70	2.71	
Kinsella Research Ranch	11,077.00	4,482.86	
Meeting Creek (County of Camrose)	1.43	0.58	
Rangelands Research Institute - Mattheis Ranch	12,313.01	4,983.08	
Ronning House (Camrose)	0.12	0.05	
Seismological Observatory	78.22	31.66	
St. Albert Research Station	777.13	314.50	
Woodbend Forest	<u>156.46</u>	<u>63.32</u>	
	25,073.35	10,147.19	

Land Leased Within Edmonton	Acres	Hectares	Expiry	Renewal
Cooling Plant (U of A North Campus)	1.51	0.61	30-Sep-2019	Further 5 year terms, each in perpetuity
Clover Bar Hazardous Waste Management Facility	0.75	0.30	31-May-2031	2 x 5 years
Ellerslie Research Station	452.61	183.17	30-Jun-2011	Currently overholding on lease while site is being reclaimed.
Neil Crawford Soccer Fields	<u>10.53</u>	<u>4.26</u>	31-Aug-2016	none
	465.40	188.35		

Land Leased Outside Edmonton	Acres	Hectares	Expiry	Renewal
Crossley Forest	160.00	64.75	none	n/a
George Lake Research Site	434.51	175.85	09-Oct-2019	Further 25 year terms may be granted by the Minister
Kinsella Research Ranch - Aggregates Extraction Lands	997.36	403.63	n/a	Titles to be transferred to the UofA when lands have been reclaimed
Kinsella Research Ranch - Misc. Farm Development Lease	141.90	57.43	31-Dec-2016	none
Meanook Biological Research Station	528.78	214.00	31-Mar-2032	Vacated site in 2013, working with the Federal Gov't to complete req'd reclamation.
Ministik Field Station	636.00	257.39	03-Feb-2010	Waiting for the Province to finalize the paperwork for our 10 year renewal
Rose Creek Education Forest**	<u>46,950.00</u>	<u>19,000.67</u>	none	n/a
	49,848.55	20,173.71		

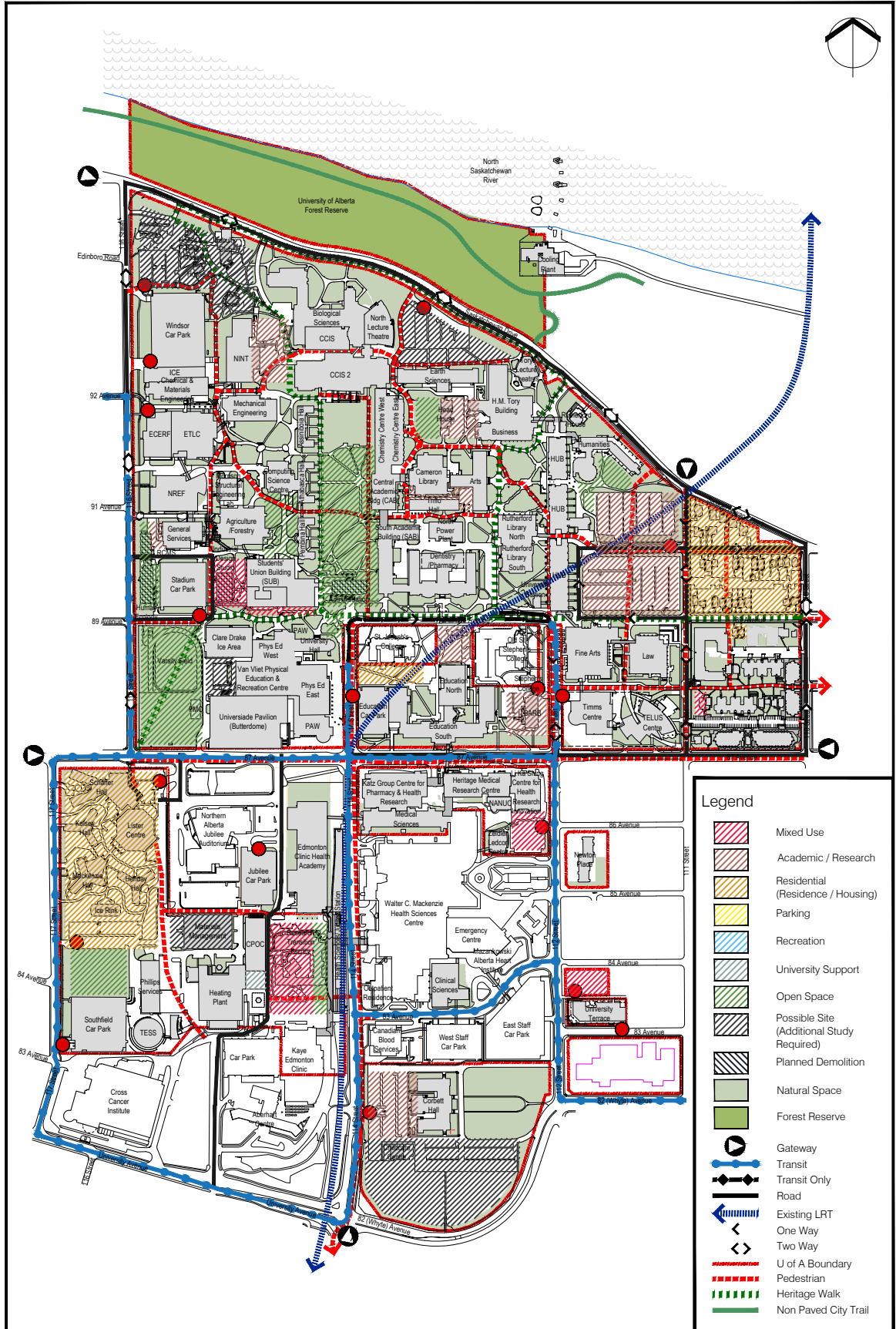
*owned in partnership with 4 other Western Canadian Universities

**used for teaching and research purposes by way of MOU with Province of Alberta. Property is shared with multiple users.

LAND OWNED & LEASED OUTSIDE OF EDMONTON



EXHIBIT 6.1.1
LAND USE
NORTH CAMPUS



SOUTH CAMPUS 30-YEAR CONCEPT PLAN

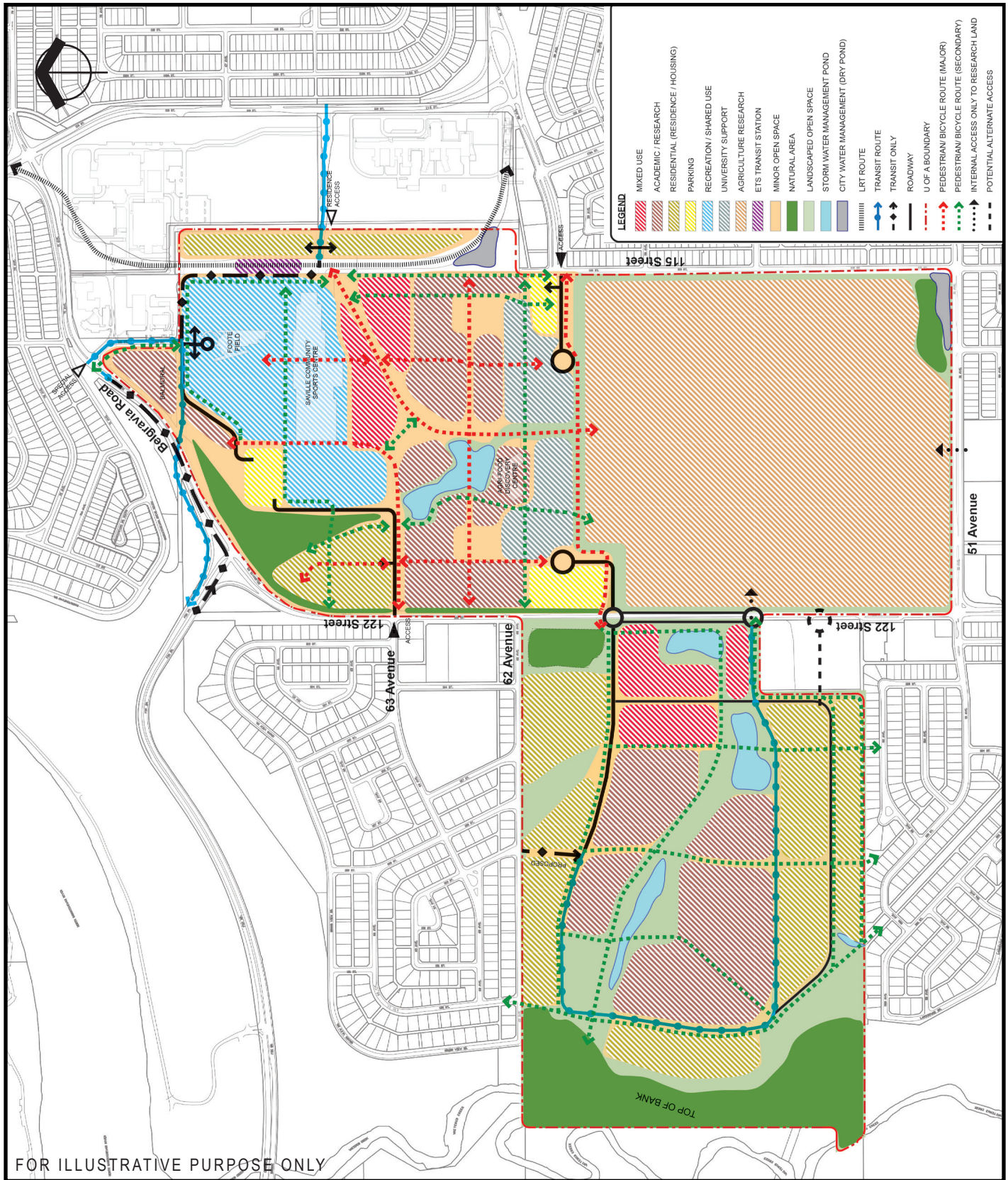
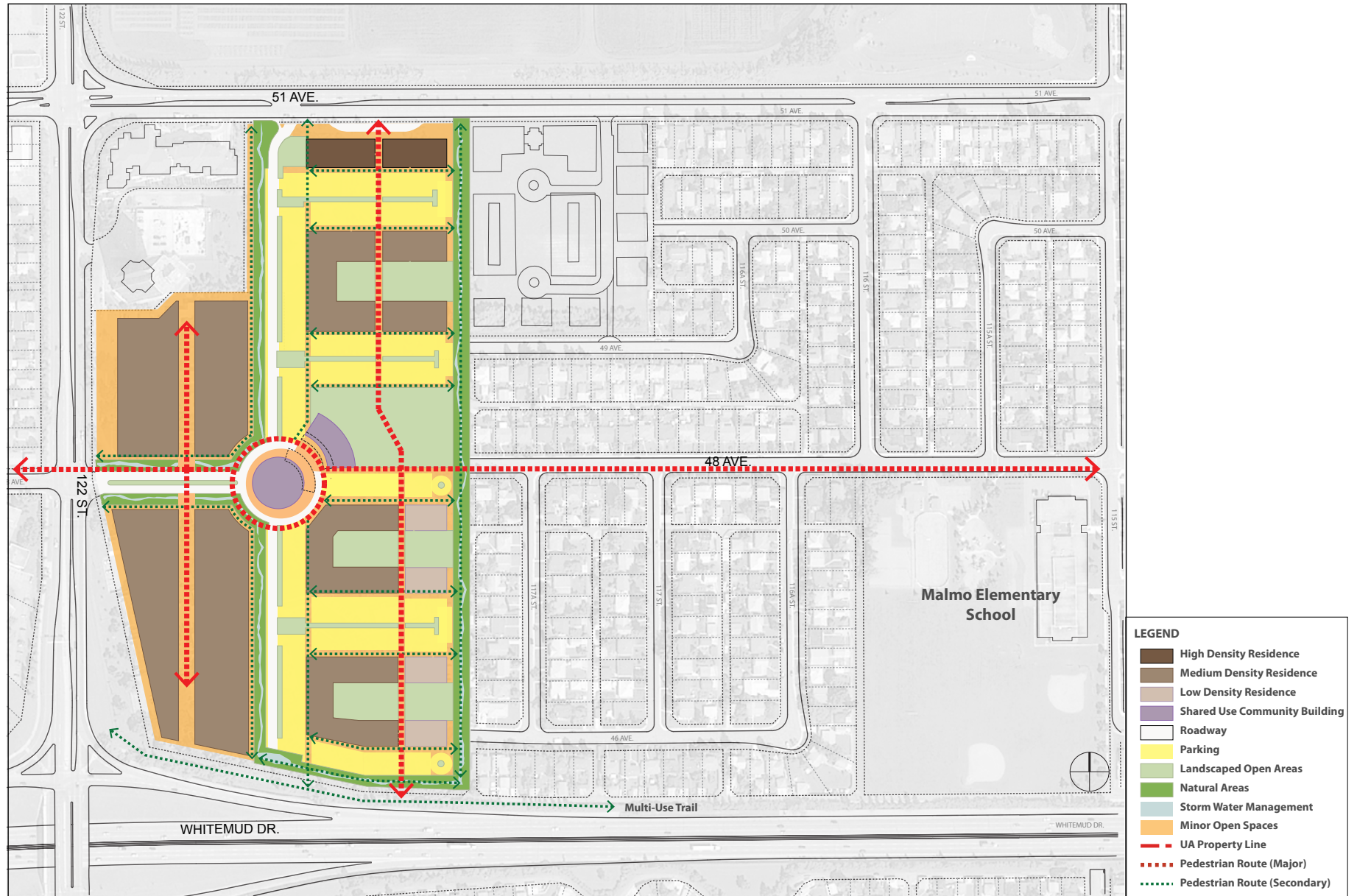


FIGURE 1 (EXHIBIT 27 - 2002)

Proposed Land Use

Presented at the November 11, 2013 Open House



**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF
ALBERTA**

(“Board of Governors”)

WHEREAS the Board of Governors considers it appropriate and advisable to incorporate a subsidiary corporation, to act as the trustee of a trust for the purpose of holding and developing lands;

IT IS HEREBY RESOLVED:

THAT, subject to the prior approval of the Minister of Innovation and Advanced Education under section 77 of the *Post-secondary Learning Act* and approval of the Lieutenant Governor in Council under section 80 of the *Financial Administration Act*, the Board of Governors authorizes and approves the incorporation of a subsidiary corporation, University of Alberta Properties Trust Inc., to act as the trustee of a trust for the purpose of holding and developing lands.

I hereby certify that this resolution has full force and effect on the ____ day of _____, 20____.

Chair, Governors of The University of Alberta

OUTLINE OF ISSUE

Agenda Title: **University Funds Investment Policy**

Motion: THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Funds Investment Policy effective April 1, 2014, as set forth in Attachment 1 to the agenda documentation.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Bob Kamp, Chair, Board Investment Committee
Presenter	Bob Kamp, Chair, Board Investment Committee
Subject	University Funds Investment Policy

Details

Responsibility	Vice-President (Finance and Administration)
The Purpose of the Proposal is (please be specific)	To implement minor revisions to the University Funds Investment Policy. Major revisions to the policy were approved by the Board of Governors on June 21, 2013 that are expected to have a higher probability of maintaining the real value of the Unitized Endowment Pool (UEP) (after inflation and spending).
The Impact of the Proposal is	The 3 main impacts of the proposed changes are the following: <ul style="list-style-type: none"> To create consistency between the University Funds Investment Policy and the Board Investment Committee's Terms of Reference. To enable compliance with this policy by allowing for a higher maximum allocation to global equities during the transition from the current asset mix to the target asset mix. To update the current benchmark to better reflect the current investment positioning of the UEP and allow for more accurate relative performance measurement.
Replaces/Revises (eg, policies, resolutions)	This policy replaces the University Funds Investment Policy approved by the Board of Governors on June 21, 2013.
Timeline/Implementation Date	Rebalancing of the portfolio to the targets in the investment policy will continue to be done in a measured and incremental manner. The Board Investment Committee is being provided with quarterly progress reports on the implementation plan through March 31, 2016.
Estimated Cost	None
Sources of Funding	The endowed funds primarily represent the University's endowments.
Notes	<p>4.1 Return and Risk Tolerance Editorial changes only.</p> <p>4.2 Asset Allocation Factors realigned to reflect order of importance.</p> <p>Certain roles and responsibilities of the Board Investment Committee have been updated to remain consistent with the Committee's recently changed Terms of Reference.</p> <p>Maximum allocation to global equities has been increased from 35% to</p>

Item No. 10a

	<p>45% to enable compliance to this policy during the transition towards the target asset mix. It is anticipated that the transition will be completed by March 31, 2016, at which time the maximum allocation will revert back to 35%.</p> <p>4.3.4 Deflation Hedging Reference to investment grade corporate fixed income securities has been deleted as it is not contemplated that these securities will be appropriate for this strategy on a go forward basis.</p> <p>4.4 Use of Derivatives At present the direct exposure to derivatives is limited to forward foreign currency contracts that are used in the active currency overlay program. The University ensures that it will have sufficient cash or cash equivalents on hand to cover any expected net unfavorable position. Wording that could have been interpreted to imply that sufficient cash and cash equivalents for the full notional amount of the contracts has been deleted. Restrictions specific to individual mandates that employ derivatives are now governed by the Investment Mandates that are approved by the Board Investment Committee.</p> <p>4.5 Rate of Return Goals This section has been updated with a revised current benchmark that better reflects how the UEP is currently invested. Certain name changes to market indices have also been made. Appropriate market indices for the target benchmark have now been identified.</p> <p>Definitions The definitions for market indices have been deleted as this information is publicly available at the websites of the index providers. The asset allocation definition has been updated to reflect the new asset mix categories. Investment Mandates has been defined.</p>
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Alignment/Compliance

Alignment with Guiding Documents	<p>Dare to Discover: Cornerstone - Transformative Organization and Support</p> <p>Enables the development of an endowment comparable to the best public research universities in the world</p>
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)	<p>Post-Secondary Learning Act (PSLA) Section 75: Banking and Investment</p> <p>(1) A board must, for the purposes of short-term cash management, keep its funds in a bank, a treasury branch, a credit union, a loan corporation or a trust corporation.</p> <p>(2) When making investments a board must adhere to the investment and lending policies, standards and procedures approved under subsection (3).</p> <p>(3) The board must, by resolution, approve policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return.</p> <p>(4) The contravention of subsection (2) does not by itself make any</p>

	<p>agreement or transaction void or invalid.</p> <p>Board Investment Committee Terms of Reference</p> <p>3. MANDATE OF THE COMMITTEE</p> <p><i>Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate and make decisions on behalf of the Board with respect to all investments, including both short-term and long-term investments ("Investments"). The Committee shall also consider such other matters delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing the Committee shall:</i></p> <p><i>(c) Review and recommend to the Board, Investment Policies for the University.</i></p> <p>4. LIMITATIONS ON DELEGATION BY THE BOARD</p> <p><i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee as set out in paragraph 3, the Committee shall bring to the Board for final approval or information:</i></p> <p><i>(a) the approval of Investment Policies for the University.</i></p> <p><i>(b) the approval of the Endowment objectives and Spending Policy of the University.</i></p> <p><i>(c) The establishment of broad investment risk tolerances within which the University should operate in the area of Investments. Such tolerance levels shall be defined in terms of broad allocation to debt and equity within the investment pool, the level of desired diversification and the broad quality levels of investments to be made.</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	
Approval Route (Governance) (including meeting dates)	Board Investment Committee, June 4, 2014 (for recommendation) Board of Governors, June 20, 2014 (for approval)
Final Approver	Board of Governors

Attachments:

1. Draft University Funds Investment Policy (clean) – 10 pages
2. Draft University Funds Investment Policy (track changes) – 11 pages
3. University Funds Investment Policy (as approved on June 21, 2013) – 11 pages

Prepared by: Ron Ritter, Director, Investments and Treasury, 780-492-9987, ron.ritter@ualberta.ca

Revised: 6/13/2014



University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish a distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes until the funds are required for expenditure. For cash flow management purposes the Short-Term Funds portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Academic Supplementary Retirement Plan, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description and Governance

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The Province of Alberta's *Post-Secondary Learning Act*, Statutes of Alberta, 2003, Chapter P-19.5, Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- Approval of the investment policy for the University,
- Approval of the University's endowment objectives and spending policy, and
- Establishment of broad investment risk tolerances within which the University should operate.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning and research can be pursued, and
- Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The investment objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Deflation Hedging, Inflation Sensitive, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less

liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist of Canadian government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of spending, will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- Objective of a real rate of return that equals or exceeds the total rate of spending
- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	55%	59%	70%
Inflation Sensitive	5%	20%	25%
Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

The Board Investment Committee shall approve Investment Mandates. Management is responsible for retaining investment managers in accordance with the approved Investment Mandates for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	45%*
Emerging Markets Equity	0%	10%	15%
<i>Equity Hedge Funds</i>	0%	0%	10%
<i>Private Equity</i>	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Commodities	0%	5%	10%
Oil & Gas	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
		<u>16%</u>	
Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

* The higher maximum allocation to global equity is required to allow for a transition from the current benchmark to the target benchmark, after which the maximum allocation will be reduced to 35%.

4.3 Categories and Subcategories of Investments Restrictions and Quality Levels

Investments that are permitted shall be classified within the following general categories and restrictions and quality levels apply within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 Money Market Securities

For cash flow management purposes a portion of the UEP is invested in the Short-Term Funds portion of the NEIP and managed according to section 6.1.1 and 6.2.1 of this policy as applicable.

4.3.2 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.3 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.4 Deflation Hedging

Deflation hedging assets include high quality government fixed income securities.

4.3.5 Diversifiers

Diversifiers include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP. The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved Investment Mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will achieve over any 4-year rolling period:

- An annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items)
- An annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

Current Benchmark (Effective April 1, 2014)	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	20%
MSCI ACWI (ex Canada in local currency)	25%
MSCI ACWI (ex Canada in Cad)	25%
HFRI Fund of Funds Composite Index	8%
IPD/Realpac Canada Property Index	6%
	<u>100%</u>

Target Benchmark	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	13%
MSCI ACWI (ex Canada in local currency)	20%
MSCI ACWI (ex Canada in Cad)	20%
HFRI Fund of Funds Composite Index	5%
Cambridge Associates Private Equity Index	6%
IPD/Realpac Canada Property Index	5%
Dow Jones - UBS Commodity Index	5%
S&P Global Natural Resources Index	5%
Dow Jones North America Select Junior Oil/Gas Index	5%
	<u>100%</u>

- An above median return in comparison to other endowment funds with similar asset allocation and return objectives.

5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

6.1 Investment Policy and Risk Tolerance (Internally Managed Investments)

The purpose of the NEIP is to pool for investment purposes capital that is predominately short-term in nature. Trend-line growth of the capital base has created a substantial core balance that will likely be sustained on an on-going basis. Therefore, a maturity profile that is greater than what would be expected for funds with a short-term investment horizon is appropriate for a significant portion of the fund.

6.1.1 Short-Term Funds

Analysis indicates that maintaining a minimum of 33% of the peak NEIP balance, each year as at September 30th, in money market securities, is sufficient to meet the University's cash flow requirements. The primary objective for money market securities is liquidity and preservation of capital.

Money market securities include: cash on hand both domestic and foreign; Government of Canada treasury bills, notes, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial treasury bills, notes, debentures and any obligations unconditionally guaranteed by the provincial governments of Canada; Banker's Acceptances, Bearer Deposit Notes and other obligations issued by a Schedule I or II chartered bank carrying a short term debt rating of R-1(mid) or better as measured by two recognized debt rating services; and term deposits issued by an Alberta credit union that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation. Money market securities must be maintained in assets maturing within one year.

There are no limitations on the amount that can be invested in money market securities issued by the Government of Canada or its guaranteed Crown corporations or agencies. The limitations on investments in money market securities issued by any single provincial government or its guaranteed agencies are as follows: a maximum 40% rated R-1(high), 30% rated R-1(mid), and 20% rated R-1(low) of the daily NEIP short-term market value. A minimum of 70% of the daily NEIP short-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% may be invested in Alberta credit unions, subject to the Alberta provincial government limit above. A maximum of 10% of the daily NEIP short-term market value can be invested in any single non-governmental issuer.

6.1.2 Mid-Term Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be allocated to bonds, debentures and internal loans maturing within five years. This allocation is monitored against the projected overall cash flow requirements of the University.

Internal loans to University faculties, departments and staff are considered to be part of the mid-term funds section of the NEIP. The Internal Loan Policy approved by the Board of Governors on October 24, 2003 governs internal loans.

Bonds and debentures must be denominated in Canadian dollars and are limited to; Government of Canada bonds, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial bonds, debentures and any obligations unconditionally guaranteed by a province of Canada; bonds and debentures issued by municipalities of Canada; obligations, bonds and debentures issued by a Schedule I or II chartered bank. Bonds and debentures shall have a rating of at least "A" as measured by two recognized debt rating agencies.

There are no limitations on the mid-term funds that can be invested in bonds and debentures issued by the Government of Canada or its guaranteed Crown corporations or agencies.

Investment in bonds and debentures issued by any single provincial government or its guaranteed agencies is limited as follows: a maximum of 20% of the daily NEIP mid-term market value can be invested in rated “AAA”, 15% in rated “AA” and, 10% in rated “A”. A minimum of 70% of the daily NEIP mid-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% of the daily NEIP mid-term market value can be invested in obligations, bonds and debentures issued by any single municipality or Schedule I or II chartered bank.

6.1.3 Long-Term Core Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be considered long-term core funds. Long-term core funds are not expected to require an urgent, unplanned or significant liquidation in a period of less than five years. Long-term core funds are invested in the UEP to provide a higher rate of return. This allocation is monitored against the projected overall cash flow requirements of the University.

For risk management purposes a reserve fund with a target value of 10% of the long-term core funds has been established. This reserve is funded through appropriations of half the earnings in excess of the spending allocation in any given year, and is invested in accordance with the Short-Term Funds portion of the NEIP.

6.2 Investment Policy and Risk Tolerance (Externally Managed Investments)

6.2.1 Short-Term Funds

Externally managed money market securities include instruments and obligations that are issued by or guaranteed by the following entities; obligations of banks including banker’s acceptances and floating rate notes, corporate debt, corporate commercial paper, schedule I or II chartered bank sponsored asset backed commercial paper, sovereign governments, supranational agencies, US state governments, Canadian provincial governments and other money market securities. All investments shall be denominated as to principal and interest in a currency that is consistent with the mandate and in the case of securities lending the currency of the cash collateral. A maximum of 20% of money market securities may be maintained in assets maturing beyond one year. The primary objective for investments in these securities is liquidity and preservation of capital.

Externally managed money market securities in actively managed mandates shall have a rating of at least R-1 (low), with a limit of not more than 30% in this rating. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual securities within the index.

There are no limitations on the amount that can be invested in money market securities issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in any single non-governmental issuer. Schedule I or II chartered bank asset backed commercial paper exposure will be limited to a maximum of 5% for any single trust/conduit.

6.2.2 Mid-Term Funds

Bonds and debentures are limited to publicly traded debt securities denominated in Canadian dollars.

A maximum of 20% of bonds and debentures may be maintained in assets maturing beyond five years. Bonds and debentures in actively managed mandates shall have a rating of at least “BBB” as measured by a recognized debt rating agency. The maximum “BBB” exposure will be 10% of fixed income in each actively managed portfolio. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual bonds and debentures within the index.

There are no limitations on the amount that can be invested in bonds and debentures issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in bonds and debentures issued by any single municipality, non-governmental issuer, or Canadian-dollar denominated foreign-issuer.

6.2.3 Long-Term Core Funds

All long-term core funds are invested in the UEP and are managed in accordance with Sections 2 through 4 of this policy.

6.3 Performance Benchmarks

For each of these components of the NEIP the benchmark is:

Short-Term Funds	FTSE/TMX Canada Treasury Bill 91 Day Index
Mid-Term Funds	FTSE/TMX Canada Bond Short-term Index
Long-Term Core Funds	UEP Composite Benchmark

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions and quality levels as described above and the University's Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the Academic Supplementary Retirement Plan shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with or be monitored by a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation	The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category or have a high sensitivity to inflation.
Consumer Price Index (CPI)	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
Investment Mandate	A statement of objectives for a strategy that defines the investment style and the geographic regions, industry sectors, and types of securities that it will invest in, as well as the benchmark index and performance expectations. Diversification and quality standards, including the use of leverage where applicable, can also be specified,
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.
Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

RELATED LINKS

Should a link fail, please contact the policy's Office of Administrative Responsibility (see header).

[Unitized Endowment Pool \(UEP\) Spending Policy](#)

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Unitized Endowment Pool \(UEP\) Implementation Guidelines](#)

[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 20, 2014

Board Investment Committee, June 4, 2014



University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish a distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes until the funds are required for expenditure. For cash flow management purposes the Short-Term Funds portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Academic Supplementary Retirement Plan, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description and Governance

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The Province of Alberta's *Post-Secondary Learning Act*, Statutes of Alberta, 2003, Chapter P-19.5, Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- Approval of the investment policy for the University,
- Approval of the University's endowment objectives and spending policy, and
- Establishment of broad investment risk tolerances within which the University should operate.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning and research can be pursued, and
- Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

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4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The [investment](#) objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Deflation Hedging, Inflation Sensitive, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less

liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist largely of Canadian government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers will consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of spending, will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- ~~Objective of a real rate of return that equals or exceeds the total rate of spending~~
- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- ~~Objective of a real rate of return that equals or exceeds the total rate of spending~~
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	55%	59%	70%
Inflation Sensitive	5%	20%	25%
Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

~~All investments will be undertaken with a view toward maintaining or enhancing the real value of the assets while meeting the current spending allocation.~~

The Board Investment Committee shall ~~review~~ approve investment ~~M~~mandates. Management is responsible for retaining ~~and~~ investment managers in accordance with the approved Investment Mandates ~~selected~~ for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	35% 45%*
Emerging Markets Equity	0%	10%	15%
<i>Equity Hedge Funds</i>	0%	0%	10%
<i>Private Equity</i>	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Commodities	0%	5%	10%
Oil & Gas	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
		<u>16%</u>	
Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

* The higher maximum allocation to global equity is required to allow for a transition from the current benchmark to the target benchmark, after which the maximum allocation will be reduced to 35%.

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4.3 Categories and Subcategories of Investments Restrictions and Quality Levels

Investments that are permitted shall be classified within the following general categories and restrictions and quality levels apply within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 Money Market Securities

For cash flow management purposes a portion of the UEP is invested in the Short-Term Funds portion of the NEIP and managed according to section 6.1.1 and 6.2.1 of this policy as applicable.

4.3.2 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.3 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.4 Deflation Hedging

Deflation hedging assets include high quality government ~~and investment grade corporate~~ fixed income securities.

4.3.5 Diversifiers

Diversifiers include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP. ~~and will be fully collateralized by cash or cash equivalents.~~ The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved Investment Mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will achieve over any 4-year rolling period:

- Firstly, achieve a an annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items).
- Secondly, achieve an annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

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Current Benchmark (Effective April 1, 2014)	
DEX FTSE/TMX All Federal Bond Index Universe	20% 16%
S&P/TSX Composite	20%
MSCI ACWI World (ex Canada in local currency)	23% 25%
MSCI ACWI World (ex Canada in Cad)	23% 25%
Absolute Return (HFRI Fund of Funds Composite Index)	8%
Real Estate (IPD/Realpac Canada Annual Property Index)	6%
	<u>100%</u>

Target Benchmark	
DEX FTSE/TMX All Federal Bond Index Universe	16%
S&P/TSX Composite	13%
MSCI ACWI (ex Canada in local currency)	20%
MSCI ACWI (ex Canada in Cad)	20%
Marketable Alternatives (HFRI Fund of Funds Composite Index)	5%
Private Equity (Cambridge Associates Private Equity Index)	6%
Real Estate (IPD/Realpac Canada Annual Property Index)	5%
Commodity Index (TBD Dow Jones - UBS Commodity Index)	5%
Natural Resource Equity Index (TBD) S&P Global Natural Resources Index	5%
Private Oil and Gas Index (TBD) Dow Jones North America Select Junior Oil/Gas Index	5%
	<u>100%</u>

- ~~Thirdly, achieve a~~ An above median return in comparison to other endowment funds with similar asset allocation and return objectives.

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5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

6.1 Investment Policy and Risk Tolerance (Internally Managed Investments)

The purpose of the NEIP is to pool for investment purposes capital that is predominately short-term in nature. Trend-line growth of the capital base has created a substantial core balance that will likely be sustained on an on-going basis. Therefore, a maturity profile that is greater than what would be expected for funds with a short-term investment horizon is appropriate for a significant portion of the fund.

6.1.1 Short-Term Funds

Analysis indicates that maintaining a minimum of 33% of the peak NEIP balance, each year as at September 30th, in money market securities, is sufficient to meet the University's cash flow requirements. The primary objective for money market securities is liquidity and preservation of capital.

Money market securities include: cash on hand both domestic and foreign; Government of Canada treasury bills, notes, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial treasury bills, notes, debentures and any obligations unconditionally guaranteed by the provincial governments of Canada; Banker's Acceptances, Bearer Deposit Notes and other obligations issued by a Schedule I or II chartered bank carrying a short term debt rating of R-1(mid) or better as measured by two recognized debt rating services; and term deposits issued by an Alberta credit union that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation. Money market securities must be maintained in assets maturing within one year.

There are no limitations on the amount that can be invested in money market securities issued by the Government of Canada or its guaranteed Crown corporations or agencies. The limitations on investments in money market securities issued by any single provincial government or its guaranteed agencies are as follows: a maximum 40% rated R-1(high), 30% rated R-1(mid), and 20% rated R-1(low) of the daily NEIP short-term market value. A minimum of 70% of the daily NEIP short-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% may be invested in Alberta credit unions, subject to the Alberta provincial government limit above. A maximum of 10% of the daily NEIP short-term market value can be invested in any single non-governmental issuer.

6.1.2 Mid-Term Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be allocated to bonds, debentures and internal loans maturing within five years. This allocation is monitored against the projected overall cash flow requirements of the University.

Internal loans to University faculties, departments and staff are considered to be part of the mid-term funds section of the NEIP. The Internal Loan Policy approved by the Board of Governors on October 24, 2003 governs internal loans.

Bonds and debentures must be denominated in Canadian dollars and are limited to; Government of Canada bonds, debentures and any obligations unconditionally guaranteed by the Government

of Canada; provincial bonds, debentures and any obligations unconditionally guaranteed by a province of Canada; bonds and debentures issued by municipalities of Canada; obligations, bonds and debentures issued by a Schedule I or II chartered bank. Bonds and debentures shall have a rating of at least "A" as measured by two recognized debt rating agencies.

There are no limitations on the mid-term funds that can be invested in bonds and debentures issued by the Government of Canada or its guaranteed Crown corporations or agencies. Investment in bonds and debentures issued by any single provincial government or its guaranteed agencies is limited as follows: a maximum of 20% of the daily NEIP mid-term market value can be invested in rated "AAA", 15% in rated "AA" and, 10% in rated "A". A minimum of 70% of the daily NEIP mid-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% of the daily NEIP mid-term market value can be invested in obligations, bonds and debentures issued by any single municipality or Schedule I or II chartered bank.

6.1.3 Long-Term Core Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be considered long-term core funds. Long-term core funds are not expected to require an urgent, unplanned or significant liquidation in a period of less than five years. Long-term core funds are invested in the UEP to provide a higher rate of return. This allocation is monitored against the projected overall cash flow requirements of the University.

For risk management purposes a reserve fund with a target value of 10% of the long-term core funds has been established. This reserve is funded through appropriations of half the earnings in excess of the spending allocation in any given year, and is invested in accordance with the Short-Term Funds portion of the NEIP.

6.2 Investment Policy and Risk Tolerance (Externally Managed Investments)

6.2.1 Short-Term Funds

Externally managed money market securities include instruments and obligations that are issued by or guaranteed by the following entities; obligations of banks including banker's acceptances and floating rate notes, corporate debt, corporate commercial paper, schedule I or II chartered bank sponsored asset backed commercial paper, sovereign governments, supranational agencies, US state governments, Canadian provincial governments and other money market securities. All investments shall be denominated as to principal and interest in a currency that is consistent with the mandate and in the case of securities lending the currency of the cash collateral. A maximum of 20% of money market securities may be maintained in assets maturing beyond one year. The primary objective for investments in these securities is liquidity and preservation of capital.

Externally managed money market securities in actively managed mandates shall have a rating of at least R-1 (low), with a limit of not more than 30% in this rating. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual securities within the index.

There are no limitations on the amount that can be invested in money market securities issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in any single non-governmental issuer. Schedule I or II chartered bank asset backed commercial paper exposure will be limited to a maximum of 5% for any single trust/conduit.

6.2.2 Mid-Term Funds

Bonds and debentures are limited to publicly traded debt securities denominated in Canadian dollars.

A maximum of 20% of bonds and debentures may be maintained in assets maturing beyond five years. Bonds and debentures in actively managed mandates shall have a rating of at least "BBB" as measured by a recognized debt rating agency. The maximum "BBB" exposure will be 10% of fixed income in each actively managed portfolio. Where passive investments are made in major

fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual bonds and debentures within the index.

There are no limitations on the amount that can be invested in bonds and debentures issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in bonds and debentures issued by any single municipality, non-governmental issuer, or Canadian-dollar denominated foreign-issuer.

6.2.3 Long-Term Core Funds

All long-term core funds are invested in the UEP and are managed in accordance with Sections 2 through 4 of this policy.

6.3 Performance Benchmarks

For each of these components of the NEIP the benchmark is:

Short-Term Funds	DEX 91 Day T-bill Index FTSE/TMX Canada Treasury Bill 91 Day Index
Mid-Term Funds	DEX Short Term Bond Index FTSE/TMX Canada Bond Short-term Index
Long-Term Core Funds	UEP Composite Benchmark

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions and quality levels as described above and the University's Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the Academic Supplementary Retirement Plan shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with [or be monitored by](#) a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation	The process of dividing investments into different <u>categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the asset classes, such as stocks, bonds, alternative assets, and cash in order to optimize the risk/return trade-off of a portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category or have a high sensitivity to inflation. This process is based on factors including investment time horizon, liquidity needs, risk tolerance, specific goals and situations, and legal and tax considerations.</u>
Cambridge Associates Private Equity Index	An index produced by Cambridge Associates that tracks the total return for private equity.
Consumer Price Index (CPI)	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
DEX Universe Bond Index	An index produced by PC-Bond, the DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization. The Universe Index has been published since 1979.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge

	fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.
HFRI Global Hedge Fund Index	An index maintained by the Hedge Fund Research, Inc. (HFR) that utilizes an objective rules-based methodology to diversify across hedge fund managers that have low correlations to traditional asset classes. This index is rebalanced quarterly and is passively investable.
Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
IPD Canada Annual Property Index	Investment Property Databank index to measure the total return of real estate investments across a wide spectrum of property categories in Canada.
<u>Investment Mandate</u>	<u>A statement of objectives for a strategy that defines the investment style and the geographic regions, industry sectors, and types of securities that it will invest in, as well as the benchmark index and performance expectations. – Diversification and quality standards, including the use of leverage where applicable, can also be specified.</u>
MSCI World Index	The Morgan Stanley Capital International Index, which measures the total return (with dividends reinvested) of equity securities available in developed markets around the globe.
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.

Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
S&P/TSX Composite Index	The index that tracks the performance of approximately 300 stocks listed on the Toronto Stock Exchange.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

RELATED LINKS

Should a link fail, please contact the policy's Office of Administrative Responsibility (see header).

[Unitized Endowment Pool \(UEP\) Spending Policy](#)

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Unitized Endowment Pool \(UEP\) Implementation Guidelines](#)

[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 24, 2013

Board Investment Committee, April 26, 2013



University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish a distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes until the funds are required for expenditure. For cash flow management purposes the Short-Term Funds portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Academic Supplementary Retirement Plan, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description and Governance

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The Province of Alberta's *Post-Secondary Learning Act*, Statutes of Alberta, 2003, Chapter P-19.5, Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- Approval of the investment policy for the University,
- Approval of the University's endowment objectives and spending policy, and
- Establishment of broad investment risk tolerances within which the University should operate.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning and research can be pursued, and

Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Deflation Hedging, Inflation Sensitive, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less

liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist largely of government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers will consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of spending, will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- Objective of a real rate of return that equals or exceeds the total rate of spending
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	55%	59%	70%
Inflation Sensitive	5%	20%	25%
Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

All investments will be undertaken with a view toward maintaining or enhancing the real value of the assets while meeting the current spending allocation.

The Board Investment Committee shall review investment mandates and investment managers selected for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	35%
Emerging Markets Equity	0%	10%	15%
<i>Equity Hedge Funds</i>	0%	0%	10%
<i>Private Equity</i>	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Commodities	0%	5%	10%
Oil & Gas	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
		<u>16%</u>	
Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

4.3 Categories and Subcategories of Investments Restrictions and Quality Levels

Investments that are permitted shall be classified within the following general categories and restrictions and quality levels apply within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 Money Market Securities

For cash flow management purposes a portion of the UEP is invested in the Short-Term Funds portion of the NEIP and managed according to section 6.1.1 and 6.2.1 of this policy as applicable.

4.3.2 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.3 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.4 Deflation Hedging

Deflation hedging assets include high quality government and investment grade corporate fixed income securities.

4.3.5 Diversifiers

Diversifiers include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP and will be fully collateralized by cash or cash equivalents. The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will over any 4-year rolling period:

Firstly, achieve an annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items).

Secondly, achieve an annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

Current Benchmark	
DEX Bond Universe	20%
S&P/TSX Composite	20%
MSCI World (ex Canada in local currency)	23%
MSCI World (ex Canada in Cad)	23%
Absolute Return (HFRI Fund of Funds Composite Index)	8%
Real Estate (IPD/Realpac Canada Annual Property Index)	6%
	<u>100%</u>

Target Benchmark	
DEX Bond Universe	16%
S&P/TSX Composite	13%
MSCI ACWI (ex Canada in local currency)	20%
MSCI ACWI (ex Canada in Cad)	20%
Marketable Alternatives (HFRI Fund of Funds Composite Index)	5%
Private Equity (Cambridge Associates Private Equity Index)	6%
Real Estate (IPD/Realpac Canada Annual Property Index)	5%
Commodity Index (TBD)	5%
Natural Resource Equity Index (TBD)	5%
Private Oil and Gas Index (TBD)	5%
	<u>100%</u>

Thirdly, achieve an above median return in comparison to other endowment funds with similar asset allocation and return objectives.

5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

6.1 Investment Policy and Risk Tolerance (Internally Managed Investments)

The purpose of the NEIP is to pool for investment purposes capital that is predominately short-term in nature. Trend-line growth of the capital base has created a substantial core balance that will likely be sustained on an on-going basis. Therefore, a maturity profile that is greater than what would be expected for funds with a short-term investment horizon is appropriate for a significant portion of the fund.

6.1.1 Short-Term Funds

Analysis indicates that maintaining a minimum of 33% of the peak NEIP balance, each year as at September 30th, in money market securities, is sufficient to meet the University's cash flow requirements. The primary objective for money market securities is liquidity and preservation of capital.

Money market securities include: cash on hand both domestic and foreign; Government of Canada treasury bills, notes, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial treasury bills, notes, debentures and any obligations unconditionally guaranteed by the provincial governments of Canada; Banker's Acceptances, Bearer Deposit Notes and other obligations issued by a Schedule I or II chartered bank carrying a short term debt rating of R-1(mid) or better as measured by two recognized debt rating services; and term deposits issued by an Alberta credit union that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation. Money market securities must be maintained in assets maturing within one year.

There are no limitations on the amount that can be invested in money market securities issued by the Government of Canada or its guaranteed Crown corporations or agencies. The limitations on investments in money market securities issued by any single provincial government or its guaranteed agencies are as follows: a maximum 40% rated R-1(high), 30% rated R-1(mid), and 20% rated R-1(low) of the daily NEIP short-term market value. A minimum of 70% of the daily NEIP short-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% may be invested in Alberta credit unions, subject to the Alberta provincial government limit above. A maximum of 10% of the daily NEIP short-term market value can be invested in any single non-governmental issuer.

6.1.2 Mid-Term Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be allocated to bonds, debentures and internal loans maturing within five years. This allocation is monitored against the projected overall cash flow requirements of the University.

Internal loans to University faculties, departments and staff are considered to be part of the mid-term funds section of the NEIP. The Internal Loan Policy approved by the Board of Governors on October 24, 2003 governs internal loans.

Bonds and debentures must be denominated in Canadian dollars and are limited to; Government of Canada bonds, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial bonds, debentures and any obligations unconditionally guaranteed by a province of Canada; bonds and debentures issued by municipalities of Canada; obligations, bonds and debentures issued by a Schedule I or II chartered bank. Bonds and debentures shall have a rating of at least "A" as measured by two recognized debt rating agencies.

There are no limitations on the mid-term funds that can be invested in bonds and debentures issued by the Government of Canada or its guaranteed Crown corporations or agencies. Investment in bonds and debentures issued by any single provincial government or its guaranteed agencies is limited as follows: a maximum of 20% of the daily NEIP mid-term market value can be invested in rated "AAA", 15% in rated "AA" and, 10% in rated "A". A minimum of 70% of the daily NEIP mid-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% of the daily NEIP mid-term market value can be

invested in obligations, bonds and debentures issued by any single municipality or Schedule I or II chartered bank.

6.1.3 Long-Term Core Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be considered long-term core funds. Long-term core funds are not expected to require an urgent, unplanned or significant liquidation in a period of less than five years. Long-term core funds are invested in the UEP to provide a higher rate of return. This allocation is monitored against the projected overall cash flow requirements of the University.

For risk management purposes a reserve fund with a target value of 10% of the long-term core funds has been established. This reserve is funded through appropriations of half the earnings in excess of the spending allocation in any given year, and is invested in accordance with the Short-Term Funds portion of the NEIP.

6.2 Investment Policy and Risk Tolerance (Externally Managed Investments)

6.2.1 Short-Term Funds

Externally managed money market securities include instruments and obligations that are issued by or guaranteed by the following entities; obligations of banks including banker's acceptances and floating rate notes, corporate debt, corporate commercial paper, schedule I or II chartered bank sponsored asset backed commercial paper, sovereign governments, supranational agencies, US state governments, Canadian provincial governments and other money market securities. All investments shall be denominated as to principal and interest in a currency that is consistent with the mandate and in the case of securities lending the currency of the cash collateral. A maximum of 20% of money market securities may be maintained in assets maturing beyond one year. The primary objective for investments in these securities is liquidity and preservation of capital.

Externally managed money market securities in actively managed mandates shall have a rating of at least R-1 (low), with a limit of not more than 30% in this rating. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual securities within the index.

There are no limitations on the amount that can be invested in money market securities issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in any single non-governmental issuer. Schedule I or II chartered bank asset backed commercial paper exposure will be limited to a maximum of 5% for any single trust/conduit.

6.2.2 Mid-Term Funds

Bonds and debentures are limited to publicly traded debt securities denominated in Canadian dollars.

A maximum of 20% of bonds and debentures may be maintained in assets maturing beyond five years. Bonds and debentures in actively managed mandates shall have a rating of at least "BBB" as measured by a recognized debt rating agency. The maximum "BBB" exposure will be 10% of fixed income in each actively managed portfolio. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual bonds and debentures within the index.

There are no limitations on the amount that can be invested in bonds and debentures issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in bonds and debentures issued by any single municipality, non-governmental issuer, or Canadian-dollar denominated foreign-issuer.

6.2.3 Long-Term Core Funds

All long-term core funds are invested in the UEP and are managed in accordance with Sections 2 through 4 of this policy.

6.3 Performance Benchmarks

For each of these components of the NEIP the benchmark is:

Short-Term Funds	DEX 91 Day T-bill Index
Mid-Term Funds	DEX Short Term Bond Index
Long-Term Core Funds	UEP Composite Benchmark

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions and quality levels as described above and the University's Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the Academic Supplementary Retirement Plan shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation	The process of dividing investments into different asset classes, such as stocks, bonds, alternative assets, and cash in order to optimize the risk/return trade-off of a portfolio. This process is based on factors including investment time horizon, liquidity needs, risk tolerance, specific goals and situations, and legal and tax considerations.
Cambridge Associates Private Equity Index	An index produced by Cambridge Associates that tracks the total return for private equity.
Consumer Price Index (CPI)	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
DEX Universe Bond Index	An index produced by PC-Bond, the DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization. The Universe Index has been published since 1979.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

HFRI Global Hedge Fund Index	An index maintained by the Hedge Fund Research, Inc. (HFR) that utilizes an objective rules-based methodology to diversify across hedge fund managers that have low correlations to traditional asset classes. This index is rebalanced quarterly and is passively investable.
Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
IPD Canada Annual Property Index	Investment Property Databank index to measure the total return of real estate investments across a wide spectrum of property categories in Canada.
MSCI World Index	The Morgan Stanley Capital International Index, which measures the total return (with dividends reinvested) of equity securities available in developed markets around the globe.
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.
Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
S&P/TSX Composite Index	The index that tracks the performance of approximately 300 stocks listed on the Toronto Stock Exchange.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

RELATED LINKS

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[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 21, 2013

Board Investment Committee, April 26, 2013

OUTLINE OF ISSUE

Agenda Title: **Board Committee Appointments**

Motion: THAT the Board of Governors, on the recommendation of the Board Chair, Mr Douglas Goss, approve the appointments and reappointments to the Board and other Committees as set forth in Attachment 1 to the agenda documentation.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Mr Douglas Goss, Chair, Board of Governors
Presenter	Douglas Goss, Board Chair; Marion Haggarty-France, University Secretary
Subject	Appointments to Board Committees

Details

Responsibility	Chair of the Board of Governors
The Purpose of the Proposal is (please be specific)	To consider the annual appointment roster to the Board Committees.
The Impact of the Proposal is	To ensure that the newly-appointed Board members have been appointed to the Committees and that the Committees' membership reflects the appropriate Terms of Reference.
Replaces/Revises (eg, policies, resolutions)	Replaces the current 2013-2014 Committee Membership List approved at the December 13, 2013 Board meeting.
Timeline/Implementation Date	Effective upon approval.
Estimated Cost	n/a
Sources of Funding	n/a
Notes	The Board of Governors annually reviews the recommendations of the Board Chair for appointments to the Board Standing Committees.

Alignment/Compliance

Alignment with Guiding Documents	Mandates and Roles for the Board of Governors, <i>Dare to Discover</i> , Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p><u>The Board's General Terms of Reference for Board Standing Committees, Sections 3 and 4 state:</u></p> <p>3. <i>A member of a Committee shall be appointed by the Board for a term commencing on a date selected by the Board and expiring on the earliest of:</i></p> <ul style="list-style-type: none"> (i) <i>the effective date of the resignation of that member from the Board;</i> (ii) <i>the effective date of the resignation of that member from that Committee;</i> (iii) <i>a date selected by the Board;</i> (iv) <i>the expiry date of the term of the appointment of a non-Board member to the Committee; and</i> (v) <i>the effective date of a general appointment of all members to that committee (ordinarily the first Board meeting in June).</i> <p><i>A member of a Committee is eligible to be reappointed to that Committee.</i></p> <p>4. <i>There shall be members of each Committee who are Board members;</i></p>

Item No. 11a

	<p><i>non-Board members may be drawn from the University Senate and elsewhere within the University or from the community as the Board considers may be appropriate or as may be provided in the Committee's terms of reference. Where the terms of reference of a Committee provide for a number of members in excess of those specifically required to be represented on the Committee, additional members may, subject to the foregoing, be appointed from any constituency.</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Board Chair (and consultation with Members of the Board of Governors)
Approval Route (Governance) (including meeting dates)	Board of Governors June 20, 2014
Final Approver	Board of Governors June 20, 2014

Attachments:

1. Proposed 2014-2015 Board of Governors Committee Membership (1 page) – for approval

Prepared by:

Doug Goss, Board Chair
And
Marion Haggarty-France, University Secretary

AUDIT COMMITTEE

Chair: Don Matthew
Vice-Chair: Dick Wilson
*Gordon Clanachan (November 22, 2015)
Jane Halford
Barry James - *awaiting Ministerial Order*
Shenaz Jeraj
*Stuart Lee (August 30, 2016)
Nizar Somji
Robert Teskey

FINANCE & PROPERTY COMMITTEE

Chair: Dick Wilson
Vice-Chair: Steven LePoole
Nathan Andrews
*Robert Borelli (June 30, 2017)
Sangram Hansra
Christopher Pu
Wayne Renke
Michael Ross

HUMAN RESOURCES & COMPENSATION COMMITTEE

Chair: Robert Teskey
Vice-Chair: Shenaz Jeraj
James Heelan
Don Matthew
Michael Ross
Dick Wilson

INVESTMENT COMMITTEE

Chair: *Dave Lawson (June 30, 2014) - **renew - 2017**
Vice-Chair: *Jim Drinkwater (June 30, 2014) - **renew 2016**
*Ken Bancroft (June 30, 2014)- **renew 2015**
*Barbara Belch (June 30, 2016)
*John Butler (June 30, 2016)
Jane Halford
James Heelan
*Allister McPherson (June 30, 2015)
*Sandy McPherson (June 30, 2015)

LEARNING AND DISCOVERY COMMITTEE

Chair: Shenaz Jeraj
Vice-Chair: TBD
Miodrag (Mike) Belosevic
Nathan Andrews
Leroy Johnson (effective October 18)
William Lau
Ray Muzyka
Rob Parks - *awaiting Ministerial Order*

SAFETY, HEALTH & ENVIRONMENT COMMITTEE

Chair: Steven LePoole
Vice-Chair: TBD
Simarjit (Monty) Bal (GSA designate) (June 30, 2015)
*Dave Ferro (December 13, 2016)
William Lau
Christopher Pu
Wayne Renke
Michael Ross
*Gordon Winkel (June 30, 2016)

UNIVERSITY RELATIONS COMMITTEE

Chair: Robert Teskey
Vice-Chair: TBD
Nathan Andrews
Miodrag (Mike) Belosevic
Sangram Hansra
Barry James - *awaiting Ministerial Order*
Leroy Johnson (effective October 18)
*Catrin Owen (June 30, 2017)
Rob Parks - *awaiting Ministerial Order*
Christopher Pu
Nizar Somji

BOARD REPRESENTATION ON UNIVERSITY COMMITTEES

Senate: James Heelan, Shenaz Jeraj
Edmonton Community Foundation Nominating Committee: Rob Parks (to June 30, 2017)

Ex Officio Members on all Board Committees: Douglas Goss, Board Chair
Indira Samarasekera, President
Ralph Young, Chancellor

* Denotes External Member on a Board Committee

For Board Approval: June 20, 2014

Advancement Board Committee

Chair: Doug Goss
Vice-Chair: Dick Wilson
Ray Muzyka
Nizar Somji

NOTE: additional external members will be appointed to the committee. This list is only the public members

Nathan Andrews

- Finance and Property
- Learning and Discovery

Sangram Hansra

- University Relations
- Finance and Property

James Heelan

- Human Resources
- Investment
- Board rep to Senate

Barry James

- Audit
- University Relations

Le Roy Johnson

- University Relations
- Learning and Discovery

William Lau

- Learning and Discovery
- Safety, Health and Environment

Ray Muzyka

- Advancement Board Committee
- Learning and Discovery

Rob Parks

- University Relations
- Learning and Discovery
- Board Rep to the Edmonton Community Foundation Board

Michael Ross

- Finance and Property
- Human Resources
- Safety Health and Environment

Nizar Somji

- Advancement Board Committee
- Audit
- University Relations

Robert Teskey

- University Relations (Chair)

Ex Officio Members on all Board Committees: Douglas Goss, Board Chair
Indira Samarasekera, President
Ralph Young, Chancellor

* Denotes External Member on a Board Committee

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