

The following Motions and Documents were considered by the Board of Governors during the Open Session of its Thursday, March 26, 2020 meeting:

Agenda Title: **University of Alberta 2020-2021 Tuition and Student Financial Aid**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the Tuition Proposal for Fall 2020 as outlined in the following table:

| Category of Student | Proposed Increase for Fall 2020 | Financial Support |
|---|---|---------------------|
| Domestic Undergraduate (incoming and continuing students) | 7% | 15% of net increase |
| International Undergraduate (continuing students admitted prior to Fall 2020) | 4% Exception PharmD – 0% | 7.55% ¹ |
| Domestic Graduate (thesis-based) (incoming students) | 7% | 15% of net increase |
| Domestic Graduate (thesis-based) (continuing students admitted prior to Fall 2020) | 7% with rebate to reduce increase to 2.67% ² | 15% of net increase |
| International Graduate (thesis-based) (continuing students admitted prior to Fall 2020) | 7% with rebate to reduce increase to 2.67% ² | 7.55% |
| Domestic Graduate (course-based) (incoming and continuing students) (with exceptions noted below) | 7% | 15% |
| International Graduate (course-based) (continuing students admitted prior to Fall 2020) | 4% | 7.55% |
| Domestic Graduate (course-based) exceptions | Masters of Accounting – 0% MBA – 10% Executive MBA – 10% ³ MBA – Ft. McMurray – 9% ⁴ MEng – 10% | 15% of net increase |
| International Graduate (course-based) exceptions | MBA – 0% Executive MBA – 0% MBA – Ft. McMurray – 0% Integrated Petroleum Geoscience – 0% | 7.55% |
| Former Cost-Recovery Program exceptions | (all 0%) Certificate in Advanced Adolescent Literacy Certificate in Teaching Students with Complex Needs | |

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| | Master of Education in Education Studies Master of Education in Health Studies Education Master of Science in Internetworking Master of Science in Multimedia Master of Science in Urban and Regional Planning Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy Certificate in School Leadership Certificat d'etudes superieures en administration et leadeurship scolaire | |
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¹ Existing model for International tuition financial aid.

² 2.67% reflects the increase in cost drivers for the University year over year.

³ Students currently enrolled in the Executive MBA will be grandparented for 2020 only with a 0% increase.

⁴ Students currently enrolled in the MBA- Ft. McMurray will be grandparented for 2020 only with a 0% increase in tuition.

Final Item: 3a.

Agenda Title: **2020-2021 University of Alberta Residence Rates (New - Lease Terms)**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve new rates for residences transitioning from 11-month leases to 8-month leases, as follows:

- Alder
 - 1 bedroom - \$1,104 / month
- Linden
 - 1 bedroom - \$1,104 / month
- Nipisiy
 - 4 bedroom - \$1,139 / month
 - 6 bedroom - \$1,019 / month
- Pinecrest
 - 2 bedroom - \$1,136 / month
 - 4 bedroom - \$1,015 / month
- Tamarack
 - 2 bedroom - \$1,136 / month
 - 4 bedroom - \$1,015 / month

Final Item: 3bi.

Agenda Title: **2020-2021 University of Alberta Residence Rates (New - Renewal)**

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

a) approve new rates for residences having undergone major renewal, as follows:

- Lister - Mackenzie Hall
 - Single - \$1,172 / month
 - Double - \$973 / month

and

b) authorize the Vice-President (Facilities and Operations) to apply the MacKenzie Hall residence rates (inclusive of any future approved increases) to Henday Hall and Kelsey Hall once they return to service as fully renewed residences.

Final Item: 3bii.

Agenda Title: **University of Alberta 2020-2021 Budget**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the 2020-21 consolidated budget, as set forth in Attachment 1.

Final Item: 3c.

**Governance Executive Summary
Action Item**

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| Agenda Title | University of Alberta 2020-2021 Tuition and Student Financial Aid |
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Motion

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the Tuition Proposal for Fall 2020 as outlined in the following table:

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|---|---|--------------------------|
| Domestic Undergraduate (incoming and continuing students) | 7% | 15% of net increase |
| International Undergraduate (continuing students admitted prior to Fall 2020) | 4% | 7.55% ¹ |
| | Exception PharmD – 0% | |
| Domestic Graduate (thesis-based) (incoming students) | 7% | 15% of net increase |
| Domestic Graduate (thesis-based) (continuing students admitted prior to Fall 2020) | 7% with rebate to reduce increase to 2.67% ² | 15% of net increase |
| International Graduate (thesis-based) (continuing students admitted prior to Fall 2020) | 7% with rebate to reduce increase to 2.67% ² | 7.55% |
| Domestic Graduate (course-based) (incoming and continuing students) (with exceptions noted below) | 7% | 15% |
| International Graduate (course-based) (continuing students admitted prior to Fall 2020) | 4% | 7.55% |
| Domestic Graduate (course-based) exceptions | Masters of Accounting – 0% MBA – 10% Executive MBA – 10% ³ MBA – Ft. McMurray – 9% ⁴ MEng – 10% | 15% of net increase |
| International Graduate (course-based) exceptions | MBA – 0% Executive MBA – 0% MBA – Ft. McMurray – 0% Integrated Petroleum Geoscience – 0% | 7.55% |
| Former Cost-Recovery Program exceptions | (all 0%) Certificate in Advanced Adolescent Literacy Certificate in Teaching Students with Complex Needs | |

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| | <p>Master of Education in Education Studies Master of Education in Health Studies Education Master of Science in Internetworking Master of Science in Multimedia Master of Science in Urban and Regional Planning Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy Certificate in School Leadership Certificat d'etudes superieures en administration et leadeurship scolaire</p> | |
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² 2.67% reflects the increase in cost drivers for the University year over year.

³ Students currently enrolled in the Executive MBA will be grandparented for 2020 only with a 0% increase.

⁴ Students currently enrolled in the MBA- Ft. McMurray will be grandparented for 2020 only with a 0% increase in tuition.

Item

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| Action Requested | <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation |
| Proposed by | Provost and Vice-President (Academic) and Vice-President (Finance & Administration) |
| Presenter(s) | Steven Dew, Provost and Vice-President (Academic) and Gitta Kulczycki, Vice-President (Finance & Administration) |

Details

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| Responsibility | Provost and Vice-President (Academic) and Vice-President (Finance & Administration) |
| The Purpose of the Proposal is <i>(please be specific)</i> | <p>To approve the tuition proposal for most domestic and international students for Fall 2020.</p> <p>Note that the tuition for international students incoming in Fall 2020 has already been approved in conjunction with the Board's approval of the new program-based tuition model for international students in June 2020. The tuition proposal for international students incoming in Fall 2021 will come forward in the coming months.</p> |
| Executive Summary <i>(outline the specific item – and remember your audience)</i> | <p>As a part of the provincial budget announcement in October 2019, the Government of Alberta announced that post-secondary institutions could increase domestic tuition by an average of 7% in each of the coming three years (Fall 2020, Fall 2021, Fall 2022) before increases would revert to being restricted to CPI in Fall 2023. Tuition for domestic students in Alberta has been frozen for the last five years.</p> <p>Details regarding the proposal are outlined in Attachment 1, including projected tuition proposals for Fall 2021, Fall 2022, and Fall 2023. These</p> |

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| | <p>projections have been shared with the students as a part of the Fall 2020 consultation process and are subject to change.</p> <p>Attachment 2 provides a comparison of tuition rates amongst the University of Alberta’s peer institutions.</p> <p>The University has committed to supporting a diverse student body and fostering continued participation by students, irrespective of socioeconomic status. For the 2020/21 academic year, the University will redirect a portion of new tuition revenue from domestic tuition increases (15%) to fund need-based financial supports. The existing model for financial aid for international students (a set aside of 7.55% of all tuition revenue) will continue. A backgrounder on this financial aid set-aside is found in Attachment 3.</p> |
| Supplementary Notes / context | <p><u>Consideration of this item at the February 27, 2020 BFPC meeting</u> As part of the presentation on the University of Alberta 2020-21 Budget, Dr Dew explained that exceptions to the 7% increase were made for international students and some graduate students.</p> <p>Following the presentation, student members of BFPC thanked administration for consulting with students on the financial support model and graduate student circumstances. They noted that even with the financial support model, the average undergraduate student would still be affected by increases.</p> |

Engagement and Routing (Include meeting dates)

| | |
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| <p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p><For information on the protocol see the Governance Resources section Student Participation Protocol></p> | <p><u>Those who are actively participating:</u></p> <ul style="list-style-type: none"> • Provost and Vice-President (Academic) • Vice-President (Finance & Administration) • Office of the Registrar • Faculty of Graduate Studies and Research • University of Alberta International • Office of Resource Planning <p><u>Those who have been consulted:</u></p> <ul style="list-style-type: none"> • Tuition Budget Advisory Committee (December 11, 2019, January 17, 2020) (note that the final revised proposal was shared in writing with student leaders on January 23) • Deans’ Council |
| Approval Route (Governance) (including meeting dates) | <p>GFC Academic Planning Committee – February 26, 2020 (recommendation)</p> <p>Board Finance and Property Committee (recommendation) – February 27, 2020 (recommendation)</p> <p>Board of Governors (approval) – March 26, 2020</p> |

Strategic Alignment

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| Alignment with <i>For the Public Good</i> | <p>Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all.</p> <p>OBJECTIVE 22: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university’s core mission and strategic goals.</p> <p>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</p> |
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| | ii. Strategy: Ensure a sustainable budget model to preserve and enhance our core mission and reputation for excellence in teaching, learning, research, and community engagement. | |
| Alignment with Institutional Risk Indicator | Please note below the specific institutional risk(s) this proposal is addressing. | |
| | <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure | <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success |
| Legislative Compliance and jurisdiction | Post-Secondary Learning Act APC Terms of Reference BFPC Terms of Reference Sections 2(g)(j); 3(f)(g) | |

Attachments:

1. University of Alberta Tuition Proposal, 2020-2021 (9 pages)
2. U15 International Tuition Comparators, 2018-19 (1 page)
3. Tuition Offset Model Background Document (4 pages)

Prepared by: Kathleen Brough, Senior Administrative Officer, Office of the Provost and Vice-President (Academic)

Fall 2020 Tuition Proposal and Future Projections

The tables below provide tuition proposals for discussion with TBAC. The tables reflect

- Fall 2020 tuition proposals for all students with the exception of incoming international students who will be following a program-based tuition model previously approved in June 2019.
- Tuition proposals for Fall 2021 for international students who will be entering programs in that year and will be provided with a program based tuition guarantee
- Projected tuition changes for the following three years where applicable, in compliance with the requirements of the provincial Tuition Fee Regulation. These projections are subject to change as the University's financial circumstances evolve.

Undergraduate Student Tuition Proposals and Projections (Domestic and Continuing International Students admitted prior to Fall 2020)

| Category of Student | Proposals | Projections | | |
|--|--------------------|--|--|---|
| | | Fall 2021 | Fall 2022 | Fall 2023 |
| Domestic | Fall 2020 | Fall 2021 | Fall 2022 | Fall 2023 |
| Domestic, undergraduate Incoming and Continuing students | 7% | 7% Average (5%-10% based on program) | 7% Average (5%-10% based on program) | CPI- restricted by Tuition Fee Regulation |
| <i>Financial Support Offset</i> Model: Incremental based on increases ¹ | 15% of increase | 15% of increase | 15% of increase | 15% of increase |
| International | | | | |
| International, undergraduate (continuing students admitted prior to Fall 2020) | 4% | 4% | 4% | 4% |
| <i>Financial Support Offset</i> Model: percent of total tuition ² | 7.55% | 7.55% | 7.55% | 7.55% |

Undergraduate Student Tuition Proposals (Incoming International Students)

¹ To be confirmed annually by the Board of Governors. This is true for all references in the document to domestic tuition financial support offset model.

² This model has been confirmed as ongoing since the introduction of the International tuition differential and does not require annual confirmation. This is true for all references in the document to international financial support offset

| Category of Student | Proposals | Projections | | |
|--|---|--|-----------|-----------|
| International | Fall 2020 | Fall 2021 | Fall 2022 | Fall 2023 |
| International, undergraduate Fall 2020 Cohort | Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort | N/A | N/A | N/A |
| International, undergraduate Fall 2021 Cohort | N/A | 3% Increase above program- based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort | N/A | N/A |
| <i>Financial Support Offset</i> Model: percent of total tuition | 7.55% | 7.55% | 7.55% | 7.55% |

Graduate Student Tuition Proposals and Projections
(Domestic and Continuing International Students admitted prior to Fall 2020)

Thesis Based Course Based

| Category of Student | Proposals | Projections | | |
|---|---|--|--|---|
| | | Fall 2020 | Fall 2021 | Fall 2022 |
| Domestic | Fall 2020 | Fall 2021 | Fall 2022 | Fall 2023 |
| Domestic, graduate (thesis-based) Incoming students | 7% | 7% | 7% | CPI- restricted by Tuition Fee Regulation |
| Domestic, graduate (thesis-based) Continuing students | 7% with rebate to reduce the increase to 2.67% ³ | 7% with rebate to reduce the increase to approx 3% | 7% with rebate to reduce the increase to approx 3% | CPI- restricted by Tuition Fee Regulation |
| Domestic, graduate (course-based) Incoming and Continuing Students | 7% | 7% | 7% | CPI- restricted by Tuition Fee Regulation |
| ***Exceptions to above proposals Domestic, graduate (course- based) Incoming and Continuing Students Faculty of Business <ul style="list-style-type: none"> • Masters of Accounting • MBA • Executive MBA⁴ • MBA-Ft. McMurray⁵ Faculty of Engineering <ul style="list-style-type: none"> • Masters of Engineering | 0% 10% 10% 10% | 7% | 7% | CPI- restricted by Tuition Fee Regulation |
| <i>Financial Support Offset</i> Model: Incremental based on increases | 15% of increase | TBD | TBD | TBD |
| | | | | |

³ 2.67% reflects the increase in cost drivers for the University year over year. The 3% figure used for Fall 2021 and 2022 is an approximation of this value for those years. The rebate would cease in Fall 2024.

⁴ Students currently enrolled in the Executive MBA will grandparented for 2020 only with a 0% increase in tuition.

⁵ Students currently enrolled in the MBA- Ft. McMurray will grandparented for 2020 only with a 0% increase in tuition.

| | | | | |
|---|---|---|---|---|
| International | | | | |
| International, graduate (thesis-based) (continuing students admitted prior to Fall 2020) | 7% with rebate to reduce the increase to 2.67% ⁶ | 7% with rebate to reduce the increase to approx. 3% | 7% with rebate to reduce the increase to approx. 3% | Approx. 3% to reflect cost drivers of the institution |
| International, graduate (course-based) (continuing students admitted prior to Fall 2020) | 4% | 4% | 4% | 4% |
| Exclusions for Fall 2020 only: MBA Executive MBA MBA - Ft. McMurray Integrated Petroleum Geoscience | 0% 0% 0% 0% | | | |
| <i>Financial Support Offset</i> Model: percent of total tuition | 7.55% | 7.55% | 7.55% | 7.55% |

⁶ 2.67% reflects the increase in cost drivers for the University year over year. The 3% figure used for Fall 2021 and 2022 is an approximation of this value for those years. The rebate would cease in Fall 2024

**Graduate Student Tuition Proposals
(Incoming International Students)**
Thesis Based Course Based

| Category of Student | Proposals | Projections | | |
|--|--|--|-----------|-----------|
| | | Fall 2021 | Fall 2022 | Fall 2023 |
| International | Fall 2020 | Fall 2021 | Fall 2022 | Fall 2023 |
| International, graduate (thesis-based) Incoming admitted for Fall 2020 | Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort | N/A | N/A | N/A |
| International, graduate (thesis-based) Incoming admitted for Fall 2021 | N/A | 3% Increase above program-based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort | N/A | N/A |
| International, graduate (course-based) Incoming admitted for Fall 2020 | Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort | N/A | N/A | N/A |
| International, graduate (course-based) | N/A | 7% Increase above | N/A | N/A |

| | | | | |
|---|-------|--|-------|-------|
| Incoming admitted for Fall 2021 | | program- based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort | | |
| <i>Financial Support Offset Model: percent of total tuition</i> | 7.55% | 7.55% | 7.55% | 7.55% |

**Undergraduate and Graduate Student Tuition
Proposed Exemptions for Fall 2020 for formerly cost recovery programs**
Thesis Based Course Based

| Category of Student | Proposals | Projections |
|--|--|---|
| Domestic | Fall 2020 | Fall 2021, 2022, 2023 |
| Undergraduate Faculty of Education Programs: Certificate in Advanced Adolescent Literacy Certificate in Teaching Students with Complex Needs | No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020 | Will follow current projected increases |
| Graduate (course-based) Master of Education in Educational Studies Master of Education in Health Studies Education Master of Science in Internetworking Master of Science Multimedia Master of Science in Urban and Regional Planning Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy Education - Certificate in School Leadership | No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020 | Will follow current projected increases |

| | | |
|--|---|--|
| <p>Saint- Jean Certificat d'etudes superieures en administration et leadeurship scolaire</p> | | |
| <p>International</p> | | |
| <p>Undergraduate (current students admitted prior to Fall 2020)</p> <p>Faculty of Education Programs:</p> <p>Certificate in Advanced Adolescent Literacy</p> <p>Certificate in Teaching Students with Complex Needs</p> | <p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p> | <p>Will follow current projected increases</p> |
| <p>Graduate (course-based)</p> <p>Graduate (course-based)</p> <p>Master of Education in Educational Studies</p> <p>Master of Education in Health Studies Education</p> <p>Master of Science in Internetworking</p> <p>Master of Science Multimedia</p> <p>Master of Science in Urban and Regional Planning</p> <p>Post-Baccalaureate</p> | <p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p> | <p>Will follow current projected increases</p> |

| | | |
|--|--|--|
| <p>Certificate in Bridging to Canadian Physical Therapy Education - Certificate in School Leadership</p> <p>Saint- Jean Certificat d'etudes superieures en administration et leadeurship scolaire</p> | | |
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U15 International and Domestic Tuition, 2019-20

As shown in Table 1, international undergraduate tuition at the U of A is below the U15 average in 2019-20, although this rate has been increased to \$29,500 for the Fall 2020 intake.

U of A's masters international tuition is higher than only two institutions, namely Manitoba and Saskatchewan.

At the PhD level, U of A's international tuition is higher than 5 institutions (Dalhousie, Ottawa, Saskatchewan, Toronto, and Western).

Overall, the U of A's graduate international tuition is considerably lower than the U15 average.

Domestic undergraduate tuition at the U of A is the second lowest in the country, approximately 16% lower than the U15 average.

Domestic graduate tuition is among the lowest in the country (the PhD tuition is higher than only two universities: McGill & Laval), approximately 45% below the U15 average at the masters level and 30% below the U15 average for the PhD level.

Table 1. International and Domestic Tuition for BA, MA, & PhD, 2019-2020

| 2019-20 Tuition | International | | | Domestic | | |
|-----------------------------------|-----------------------|------------------|------------------|-----------------------|-----------------|-----------------|
| | Arts & Social Science | MA | PhD | Arts & Social Science | MA | PhD |
| University of Alberta | \$ 22,267 | \$ 7,481 | \$ 7,481 | \$ 5,321 | \$ 3,662 | \$ 3,662 |
| Dalhousie University | \$ 19,134 | \$ 15,099 | \$ 6,147 | \$ 7,866 | \$ 8,331 | \$ 6,147 |
| McMaster University | \$ 30,774 | \$ 17,096 | \$ 17,096 | \$ 6,043 | \$ 6,307 | \$ 6,307 |
| Queen's University | \$ 46,191 | \$ 12,927 | \$ 12,927 | \$ 6,083 | \$ 5,773 | \$ 5,773 |
| University of British Columbia | \$ 38,052 | \$ 8,777 | \$ 8,777 | \$ 5,399 | \$ 4,996 | \$ 4,996 |
| University of Calgary | \$ 18,338 | \$ 12,696 | \$ 12,696 | \$ 5,386 | \$ 5,594 | \$ 5,594 |
| University of Manitoba | \$ 14,906 | \$ 6,077 | \$ 11,325 | \$ 3,916 | \$ 5,148 | \$ 5,148 |
| University of Ottawa | \$ 36,161 | \$ 25,472 | \$ 6,367 | \$ 6,088 | \$ 7,370 | \$ 6,367 |
| University of Saskatchewan | \$ 17,614 | \$ 6,731 | \$ 6,731 | \$ 6,452 | \$ 4,260 | \$ 4,260 |
| University of Toronto | \$ 53,290 | \$ 23,770 | \$ 6,210 | \$ 6,100 | \$ 6,210 | \$ 6,210 |
| University of Waterloo | \$ 33,614 | \$ 21,126 | \$ 20,916 | \$ 6,128 | \$ 6,762 | \$ 6,762 |
| Western University | \$ 31,042 | \$ 18,247 | \$ 6,360 | \$ 6,050 | \$ 6,360 | \$ 6,360 |
| McGill University | \$ 18,110 | \$ 17,421 | \$ 15,637 | \$ 7,940 | \$ 7,940 | \$ 2,544 |
| Universite de Montreal | \$ 17,421 | \$ 26,132 | \$ 23,456 | \$ 7,940 | \$ 11,910 | \$ 3,816 |
| Universite Laval | \$ 17,421 | \$ 13,937 | \$ 17,820 | \$ 7,720 | \$ 6,176 | \$ 3,060 |
| AVERAGE (Excluding U of A) | \$ 28,005 | \$ 16,108 | \$ 12,319 | \$ 6,365 | \$ 6,653 | \$ 5,239 |

Source: U15 2019-2020 Tuition & Fees results and Institution financial websites.

NOTES:

- 1) Dalhousie, McGill, Laval and Montreal domestic tuition is for out-of-province students
- 2) Undergraduate data are for an Arts program.
- 3) Graduate data are for the first year of an MA/PhD program (i.e. two or three semesters depending on the institution).
- 4) U of A international graduate tuition figures do not include the \$4,000 Graduate International Tuition (Reduction), which is charged and then remitted.

DRAFT February 13, 2020

V1.0

Backgrounder: Tuition Offset Model for Domestic Undergraduate and Graduate Student Financial Support- Fall 2020/21

In considering potential increases to tuition and how to support access for qualified students, the university is cognizant that increases in tuition fees can more adversely affect students from lower income groups, resulting in lower rates of application and attendance¹. While there are sound financial reasons to increase tuition in the current climate, the University of Alberta is committed to supporting a diverse student body and fostering continued participation by students, irrespective of socioeconomic status.

To support the University's response to changes in the budget and potential tuition increases, the Office of the Registrar, with the support of Senior Administration, will redirect a portion (15%) of all new tuition revenue in the 2020/21 academic year to fund need-based financial supports. In the event of a tuition increase, new funds would be applied to the existing base budget for student financial support, setting a new recurring base budget.

The following outlines:

- 1) The tuition offset model for domestic student financial support
- 2) The estimated increase in 2020/2021 to the amount of available need-based funding for domestic student financial support,
- 3) An illustration of the administrative approach to allocating the incremental increase to need-based programs starting in 2020/2021, and
- 4) An overview of the proposed annual review and benchmarking for the programs supported by the tuition offset model.

1) Tuition Offset Model for Domestic Student Financial Support

The Tuition Offset Model will be an *incremental offset model*, where 15% of any increase in domestic student tuition from the 2020/21 academic year is directed towards student financial support. The new funds generated would then set a new base budget allocation for domestic student financial support.

2) Estimated increase in domestic student need-based financial support

Based on current domestic enrolment projections and an average across-the-board tuition increase of 7%, we estimate the offset as proposed to generate approximately \$1.83M in additional funds for need-based support in 2020/2021.

Estimates of Total Revenue for Domestic Need-Based Supports in 2020/2021

¹ Ford, R. Hui, T.S. Nguyen C. (2019). Postsecondary Participation and Household Income. Toronto: Higher Education Quality Council of Ontario.

| Total Financial Support | Increase from Current Need-Based Budget | Total Allocation to Need-Based Supports |
|----------------------------------|--|--|
| 2019/2020 (Current Year) | N/A | \$2,584,000 |
| 2020/2021 (Year 1, Offset Model) | \$1,829,323 | \$4,413,573 |

3) Illustration of Administrative Approach to Allocation of Additional Funding

Currently, need-based funding is allocated through a common assessment process to identify un-funded financial need, at the time a student applies for need-based financial supports. Following the completion of the common assessment the Office of the Registrar provides funds to any eligible student to cover all identified financial need in line with the annual maximum allowance (\$8000/undergraduate student, \$4000/graduate student) until funds have been exhausted.

The increase in funding from the tuition offset model will significantly increase our ability to support students in financial need beyond what is possible under the current system and approach. The program funding will need to be allocated thoughtfully in order to address our overarching goals.

The goals for allocating incremental increases to needs-based funding are to:

1. Maintain or improve the socioeconomic distribution of the current student population,
2. Offset potential negative financial impacts from tuition increases, and
3. Continue to support vulnerable student populations (e.g. students from low-income² families, students with dependents, Indigenous students, students with disabilities, and students facing emergent financial challenges).

The following describes a likely distribution of funding across need-based programs to domestic undergraduate and graduate students in the academic year 2020/2021 based on observable need and funding gaps.

- Portion to be allocated to students coming from low-income families based on receiving the maximum amount from the federal income grant (Canada Student Grant for Full-Time Students³)
- Portion to be allocated to Supplementary Bursaries to increase the annual maximum (initial estimates indicate the maximum could increase by \$1,000 - \$2,000)
- Portion to be allocated to Emergency Bursaries, providing non-repayable bursaries instead of repayable loans (in 18/19 \$450,000 in emergency loans were issued to domestic undergraduate students)

This distribution supports students from low income families, provides non-repayable financial support to the most vulnerable students (students with dependents, Indigenous students, students with disabilities), and will also address more of the unmet need of bursary applicants (See Appendix A - Bursary Demand

² Low-income is defined following the Federal Income Thresholds for the Canada Student Grant for Full-Time Students.

³ The Canada Student Grant for Full-Time Students is only available for students in undergraduate programs. Graduate students are not eligible for these grants.

and Unmet Need). This distribution preserves our existing programs that support vulnerable students, while also actively supporting low-income students in order to offset the potential negative impacts of tuition increases.

4) Annual Review and Benchmarking

As part of the university's commitment to "providing and optimizing robust student financial supports"⁴, the Office of the Registrar will review the efficacy of the need-based support model each year. This review will consider the three goals outlined above for allocating the increase in order to evaluate and improve our financial support approaches. The review will include data derived from the Tuition Impact Study⁵, consider demand for need-based programs based on usage, and include data collected through need-based program applications. This review will inform future decisions regarding financial aid fundings and the allocation of need-based budgets.

⁴ University of Alberta Student Financial Supports Policy

⁵ The Tuition Impact Study has been developed by the Office of the Registrar to provide benchmarking data and track the impacts of tuition increases.

APPENDIX A -**Bursary Demand and Unmet Need 2018/19**

| 2018/19 Domestic Bursary Total | | | | | | | |
|---------------------------------------|---------------------------------|---------------------------------|---------------------|-----------------------------|---|-----------------------------------|-------------------------------------|
| Student Type | Total Bursary Applicants | Total Bursary Recipients | % Ineligible | Total Bursary Amount | Total Number of Recipients with Unmet Need | Total Amount of Unmet Need | Average Amount of Unmet Need |
| Undergrad | 949 | 698 | 26.4% | \$4,967,514 | 519 | \$3,935,333 | \$7,582.53 |
| Graduate | 112 | 80 | 28.6% | \$346,600 | 75 | \$610,092 | \$8,134.57 |
| Total | 1,061 | 778 | 26.7% | \$5,314,114 | 594 | \$4,545,425 | \$7,652.23 |

NOTE: Unmet need is the amount of financial need assessed to eligible students, through the common assessment practice, in excess of what is funded under our current per student annual maximum allowance. For example, if an eligible undergraduate student were assessed as having \$10,000 in unmet need we would only be able to fund \$8000 under our current regulations. As such we would count this as \$2000 in unmet need. This is the only method by which we are currently able to measure unmet need.

Governance Executive Summary
Action Item

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| Agenda Title | 2020-2021 University of Alberta Residence Rates (New - Lease Terms) |
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Motion

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| <p>THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve new rates for residences transitioning from 11-month leases to 8-month leases, as follows:</p> <ul style="list-style-type: none"> ● Alder <ul style="list-style-type: none"> ○ 1 bedroom - \$1,104 / month ● Linden <ul style="list-style-type: none"> ○ 1 bedroom - \$1,104 / month ● Nipisiy <ul style="list-style-type: none"> ○ 4 bedroom - \$1,139 / month ○ 6 bedroom - \$1,019 / month ● Pinecrest <ul style="list-style-type: none"> ○ 2 bedroom - \$1,136 / month ○ 4 bedroom - \$1,015 / month ● Tamarack <ul style="list-style-type: none"> ○ 2 bedroom - \$1,136 / month ○ 4 bedroom - \$1,015 / month |
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Item

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| Action Requested | <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation |
| Proposed by | Andrew Sharman, Vice-President (Facilities and Operations) |
| Presenter(s) | Andrew Sharman, Vice-President (Facilities and Operations) |

Details

| | |
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| Responsibility | Vice-President (Facilities and Operations) Provost and Vice-President (Academic) |
| The Purpose of the Proposal is | To seek the Board of Governors' approval of new rates for residences where the lease terms have changed substantially from 2019/20 as component parts of the overall consolidated budget. |
| Executive Summary | <p>For many students, staying in a university-provided residence is an integral part of the experience. A wide array of residence options exist for those new to university life as well as those in their upper years. Specifically designed to provide wrap-around supports for first-year students are residences at Augustana (Hoyme Hall) as well as those on North Campus (Lister Hall and Peter Lougheed Hall) where participation in a meal plan is mandatory. Numerous other residence options are also available where students are independently responsible for their meals.</p> <p>Residences must operate on a financially sustainable basis having due regard for operating costs, addressing ongoing and deferred maintenance, as well as maintaining operating and capital reserves. All revenue received from students for room and board stays within the residence system and, commensurately, no tuition or government (e.g. base, capital, and maintenance) funding is expended on these operations. No profit is made nor is a deficit acceptable.</p> |

Item No. 3bi

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| | <p>Based on significant student feedback and supported by recommendations from an external review, occupancy issues in many East Campus Village residences will be addressed by transitioning from 11-month leases to 8-month leases. This will obviously be more attractive to students who are only interested in lease terms that match their academic schedule. As such, rental rates for these residences are proposed to be adjusted to accommodate these new lease terms. Although the new rates are slightly more expensive per month, they are less expensive over the former lease term and equivalent to similar residence spaces in East Campus Village.</p> |
| <p>Supplementary Notes and context</p> | <p>In 2019/20, the average total rent paid by students in these residences (1 or 2 bedrooms) over 11 months equaled \$11,264. Under the new 8-month rate structure, students in these same residences will see their annual rent fall to \$9,011 (20%).</p> <p><u>Consideration of this item at the February 27, 2020 BFPC meeting</u> <i>The following summary covers both this item and Item 3bii.</i></p> <p>Following a presentation by Students' Union President, Akanksha Bhatnagar, and Vice-President (Student Life), Jared Larsen on students' concerns with residence rental rate increases, BFPC members discussed occupancy rates, including: whether increased rates will hinder occupancy and the effect of low occupancy on community and students' mental health; the advantages of eight-month leases for students; the need for Ancillary Services to cover the cost of its operations including any renovations; the desire for students to live in renovated spaces; whether residence services provide value to students; and whether underutilized residences could be used for other purposes.</p> <p>The committee, with delegated authority from the Board of Governors, approved an increase of 5% to the rates charged for a number of residences (the full motion summary can be found on the University Governance website).</p> <p>Following the meeting, the Chair requested a review of residences be completed and presented to BFPC in advance of next year's budget deliberations, and in response to questions posed at the February 27, 2020 meeting, Andrew Sharman, Vice-President (Facilities and Operations), distributed a briefing note with more fulsome answers to committee members' questions. That briefing note is included with this item as Attachment 1, and answers questions asked about both this item and Item 3bii.</p> |

Engagement and Routing (Include meeting dates)

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| <p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p><For information on the protocol see the Governance</p> | <p><u>Those who are actively participating:</u></p> <ul style="list-style-type: none"> ● Ancillary Services ● Augustana Ancillary Services and Finance Services <hr/> <p><u>Those who have been consulted:</u></p> <ul style="list-style-type: none"> ● Residence Advisory Committee (RAC) <ul style="list-style-type: none"> ○ September 5, 2019 ○ September 26, 2019 ○ October 17, 2019 |
|---|--|

Item No. 3bi

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| <p>Resources section Student Participation Protocol></p> | <ul style="list-style-type: none"> ○ November 7, 2019 ● Meeting(s) Students' Union President <ul style="list-style-type: none"> ○ October 18, 2019 ● Meetings with Augustana Students' Association Executive <ul style="list-style-type: none"> ○ October 2, 2019 ● Town Hall (Augustana Cafeteria) <ul style="list-style-type: none"> ○ October 10, 2019 ● Meeting(s) VP, Student Life <ul style="list-style-type: none"> ○ July 5, 2019 ○ July 25, 2019 ○ August 22, 2019 ○ September 4, 2019 ○ October 8, 2019 ○ October 21, 2019 ○ October 29, 2019 ○ November 6, 2019 ● Meeting(s) VP, External - Graduate Students' Association <ul style="list-style-type: none"> ○ September 26, 2019 ● President's Executive Committee – Operations (PEC-O) <ul style="list-style-type: none"> ○ February 7, 2020 ● Board Finance and Property Committee <ul style="list-style-type: none"> ○ February 27, 2020 |
| | <p><u>Those who have been informed:</u></p> <ul style="list-style-type: none"> ● Current and prospective students will be informed of 2020/21 rates upon approval. |
| <p>Approval Route (Governance) (including meeting dates)</p> | <p>BFPC - February 27, 2020 for recommendation Board of Governors - March 26, 2020 for approval</p> |

Strategic Alignment

| | | | | |
|--|--|--|--|--|
| <p>Alignment with <i>For the Public Good</i></p> | <p><i>Institutional Strategic Plan – For the Public Good</i> Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all.</p> <p>21. Objective: Encourage continuous improvement in administrative, governance, planning and stewardship systems, procedures, and policies that enables students, faculty, staff, and the institution as a whole to achieve shared strategic goals.</p> <p>iv. Strategy: facilitate easy access to and use of university services, and systems; reduce complication and complexity; and encourage cross-institutional administrative and operational collaboration.</p> | | | |
| <p>Alignment with Institutional Risk Indicator</p> | <p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input checked="" type="checkbox"/> Physical Infrastructure </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input checked="" type="checkbox"/> Student Success </td> </tr> </table> | | <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input checked="" type="checkbox"/> Physical Infrastructure | <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input checked="" type="checkbox"/> Student Success |
| <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input checked="" type="checkbox"/> Physical Infrastructure | <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input checked="" type="checkbox"/> Student Success | | | |
| <p>Legislative Compliance and jurisdiction</p> | <p><i>Post-secondary Learning Act</i>. Section 73(1) BFPC Terms of Reference Sections 2(l); 3(j)</p> | | | |

Attachment:

1. Briefing Note: Responses to Questions posed at the February 27, 2020 BFPC meeting (4 pages)

Prepared by: Katherine Huising, Associate Vice-President (Ancillary Services); huising@ualberta.ca



Briefing Note

**Board Finance and Property Committee
March 11, 2020
Ancillary Services
Facilities and Operations**

Responses to questions posed at the Board Finance and Property Committee meeting on February 27, 2020

Questions posed suggest a lack of clarity regarding proposed new rental rates and rate increases for residences. This briefing intends to respond to those questions and provide further context.

Context

The value of living in residence is supported through concrete data from both the University of Alberta and institutions across North America. Post-secondary students living in residence during their time at University have an enriched experience. Each decision made relating to residence is meant to ensure the financial sustainability of this experience.

The UAlberta Residence system is currently operating at a deficit. This cannot nor should not continue. Looking at other U15 residence systems that are operating their residence system in a sustainable level, the expectation is that the UAlberta system will be operated at a sustainable level within six years. This required a short-term higher than desirable rental rate increase (3 years with 5% increases each). Decisions, such as the closure of Michener Park, will also support this effort toward financial sustainability.

In the midst of this work, Ancillary Services invested in an evaluation of occupancy levels. Feedback from students has been clear. They would like to continue their time in residence, but 11-month leases in five upper-year residence were undesirable.

Ancillary Services proposed new rates both in Lister (for renovated space) and in East Campus (removal of 11-month leases). The success of these new rates will be evaluated this autumn and will inform future proposals to the BFPC. Although success is not guaranteed, the current approach is not sustainable and, as such, the status quo is simply not an option.

Living in residence is a choice for all students. Ancillary Services must provide excellent service within an acceptable price point to ensure high occupancy levels. In 2019, Ancillary Services had 38% renewal for residents living in East Campus and 17% of students who lived in Lister in 2018-19 moved into upper year residences in East Campus. Increasing the percentage of Lister students who transition to upper-year residences is a focus for the occupancy group this year. Ancillary Services will report back to BFPC in the autumn on the impact of these new rates on both first-year occupancy and occupancy for upper-year residents.

The Lister Hall Student Association (LHSA) has identified a difficulty in finding students to volunteer as floor coordinators to represent the community in Chalifoux Hall. The LHSA believes this to be directly attributable to the rates in Chalifoux Hall. Ancillary Services has committed to investigate this further and determine if there are options to alleviate the financial pressures on these student volunteers.

Questions / Responses

A square footage cost comparison was made between rooms in Chalifoux Hall and Pinecrest. The Students' Union presentation showed a room size of 165 ft² for Chalifoux Hall vs. 657 ft² for Pinecrest. The cost per ft² was identified as \$11.79 / ft² for Chalifoux Hall vs. \$3.46 / ft² for Pinecrest.

This comparison does not reflect all the space available for use by students. A student in Chalifoux Hall is not only paying for their 165 ft² bedroom, but also for the kitchenette and lounges on each floor, common rooms; workout spaces; study spaces throughout the building; and bathrooms, showers, and laundry rooms. The square footage in the apartment (Pinecrest) includes a kitchen, bathroom, living room, as well as some community spaces.

Additionally, residence life supports are provided to all students living in residence (first-year, upper-year, and graduate). The supports are unique for each individual community. The staff-to-student ratio is higher in Lister than in Pinecrest translating into higher costs in Lister.

How does a student end up living alone in a six-bedroom suite in Nipisiy?

There are students living alone in double rooms or with one or more bedrooms vacant in multi-bedroom suites. However, every effort is made to avoid this situation.

There are a number of factors that might result in this, such as: a roommate moving out for academic or personal reasons; an exchange student being here for only one term and there is no 'replacement' roommate; etc. When these vacancies occur mid-term, it is entirely possible they will not be filled for the remainder of the term.

One policy that we do not have (unlike some other residence operations) is to require students to move in order to consolidate spaces. If a student wishes to move, we will do our best to accommodate them. We recognize that living alone in a large space is not ideal for some students, but do not believe requiring a student to move based on our assessment of their needs rather than respecting their choices is appropriate.

What are the value-added elements students receive living in residence?

Our residence buildings are purpose-built to support student outcomes and include supported spaces designed to drive student success and wellness through study spaces, community gathering spaces, fitness rooms, music rooms, programming offices, etc. One exception to this is in Newton Place, which is an apartment building built by the private sector and purchased by the University in which community spaces were carved out of revenue-generating units).

Intentional programming specific to each community. Our programming model has a curriculum structure in which academic success, holistic personal, social and community development, and individual and community wellbeing are targeted through a suite of programs and interventions.

In-house support for student well-being. From the early detection of issues through our resident assistants to our full time professional staff who provide emergency on-call response, and our referral protocols to campus experts, we play an active and supportive role in student mental health and wellness.

Can certain buildings be closed to ensure higher occupancy in other buildings?

This has been done already. Last year, Alder and Linden had a combined occupancy rate of 33%. So, in August 2019, Alder was closed to increase the occupancy in Linden and, by targeting occupancy in Linden, increased the rate to 70% while also reducing overhead costs by not operating Alder this year. With the changes being implemented for Autumn 2020, the increased interest in all East Campus residences suggest even higher occupancy rates.

When we close buildings to adjust occupancy, can we operate them as hotels?

There are complexities in operating a space as several pieces of accommodation legislation will apply such as the Innkeepers Act and the Tourism Levy Act. Ancillary Services does not have front desk operations in these buildings and managing the arrivals/departures of guests would require additional resources. At this time, we are not pursuing operating any of these buildings as hotels - separate from our summer business in Lister (which becomes the largest hotel in Edmonton during this time).

What is the financial impact if the new rates for Mackenzie Hall were equal to those charged for Schaffer Hall rather than Chalifoux Hall?

As compared to the budget submitted, with no change to occupancy projections, Residence Services would realize an additional \$997,000 loss in revenue in FY2021. Over the duration of the current four-year budget, the accumulated loss in revenue equates to approximately \$9.7 million. Additionally, it would likely drive occupancy away from Chalifoux Hall to lower revenue spaces increasing the loss in revenue.

It is important to note that the renovated Mackenzie Hall will be most comparable to Chalifoux Hall in that it is well appointed to today's student expectations while also having shared washrooms and single/double accommodation. There is really no comparison to Schaffer Hall.

What is the financial impact if the current monthly rate paid for the 11-month leases was increased by 5% and then multiplied by 8 months?

As compared to the budget submitted, with no change to occupancy projections, Residence Services would realize an additional \$138,000 loss in revenue in FY2021. Over the duration of the current 4-year budget, the loss in revenue equates to approximately \$738,000.

In reducing the total contract cost by 20% (lower than 2019-20 rates) and meeting student requests for leases aligned with the academic year, we expect occupancy to increase in those residences over time to mitigate the loss in revenue from the 3 months removed from the lease.

What is the total financial impact if both adjustments noted above were implemented?

If both the new Mackenzie Hall rates were adjusted to match Schaffer Hall and the new 8-month rates were based on the current 11-month rates, Residence Services would see an increased budget deficit for FY2021 of \$12.148 million (from \$11.0 million).

Prepared by:

Janice Johnson, Assistant Dean of Students, Ancillary Services

Chantal Pizycki, Associate Director, Financial Planning and Analysis, Ancillary Services

Item No. 3bii

**Governance Executive Summary
Action Item**

| | |
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| Agenda Title | 2020-2021 University of Alberta Residence Rates (New - Renewal) |
|---------------------|--|

Motion

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| <p>THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:</p> <p>a) approve new rates for residences having undergone major renewal, as follows:</p> <ul style="list-style-type: none"> • Lister - Mackenzie Hall <ul style="list-style-type: none"> ○ Single - \$1,172 / month ○ Double - \$973 / month <p>and</p> <p>b) authorize the Vice-President (Facilities and Operations) to apply the MacKenzie Hall residence rates (inclusive of any future approved increases) to Henday Hall and Kelsey Hall once they return to service as fully renewed residences.</p> |
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Item

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| Action Requested | <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation |
| Proposed by | Andrew Sharman, Vice-President (Facilities and Operations) |
| Presenter(s) | Andrew Sharman, Vice-President (Facilities and Operations) |

Details

| | |
|--------------------------------|---|
| Responsibility | Vice-President (Facilities and Operations) Provost and Vice-President (Academic) |
| The Purpose of the Proposal is | To seek the Board of Governors' approval of new rates for residences where major renewal activities have occurred as component parts of the overall consolidated budget. |
| Executive Summary | <p>For many students, staying in a university-provided residence is an integral part of the experience. A wide array of residence options exist for those new to university life as well as those in their upper years. Specifically designed to provide wrap-around supports for first-year students are residences at Augustana (Hoyme Hall) as well as those on North Campus (Lister Hall and Peter Lougheed Hall) where participation in a meal plan is mandatory. Numerous other residence options are also available where students are independently responsible for their meals.</p> <p>Residences must operate on a financially sustainable basis having due regard for operating costs, addressing ongoing and deferred maintenance, as well as maintaining operating and capital reserves. All revenue received from students for room and board stays within the residence system and, commensurately, no tuition or government (e.g. base, capital, and maintenance) funding is expended on these operations. No profit is made nor is a deficit acceptable.</p> <p>Rental rates are determined relying on a myriad of factors ranging from cost of operating to market assessments. Commensurately, higher-quality residences attract higher rental rates than those that are arguably less attractive. For example, the three "classic" towers in the Lister</p> |

Item No. 3bii

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| | <p>Complex have the lowest rental rates on campus because very little has been invested in these towers since they were built. The 2020-21 rental rates in these “original” towers will be \$713/month (single) and \$471/month (double). As residence spaces are renewed or equipped with furniture, they are assigned a new rate in line with other residences on campus. For example, for 5 years, a project has been underway in HUB wherein suites have undergone renewal and have had furniture added. As the project works its way down the mall (4 years to go) the “new” suites attract a higher rent than those still in the queue. This same dynamic is unfolding as the major renewal of the Lister Classic Towers unfolds in that Mackenzie Hall, which has been closed for the last year, will reopen with rental rates equal to those in Chalifoux Hall. As Henday Hall and Kelsey Hall come back on line after their renewals over the next three years, the rental rates in these towers will emulate those charged for Mackenzie. These rates were integral components of the proforma approved by the Board of Governors in 2018 upon which the financing to renovate the towers was secured.</p> |
| <p>Supplementary Notes and context</p> | <p><u>Consideration of this item at the February 27, 2020 BFPC meeting</u> A summary of the discussion is included with Item 3bi.</p> |

Engagement and Routing (Include meeting dates)

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| <p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p><For information on the protocol see the Governance Resources section Student Participation Protocol></p> | <p><u>Those who are actively participating:</u></p> <ul style="list-style-type: none"> ● Ancillary Services ● Augustana Ancillary Services and Finance Services <p><u>Those who have been consulted:</u></p> <ul style="list-style-type: none"> ● Residence Advisory Committee (RAC) <ul style="list-style-type: none"> ○ September 5, 2019 ○ September 26, 2019 ○ October 17, 2019 ○ November 7, 2019 ● Meeting(s) Students’ Union President <ul style="list-style-type: none"> ○ October 18, 2019 ● Meetings with Augustana Students’ Association Executive <ul style="list-style-type: none"> ○ October 2, 2019 ● Town Hall (Augustana Cafeteria) <ul style="list-style-type: none"> ○ October 10, 2019 ● Meeting(s) VP, Student Life <ul style="list-style-type: none"> ○ July 5, 2019 ○ July 25, 2019 ○ August 22, 2019 ○ September 4, 2019 ○ October 8, 2019 ○ October 21, 2019 ○ October 29, 2019 ○ November 6, 2019 ● Meeting(s) VP, External - Graduate Students’ Association <ul style="list-style-type: none"> ○ September 26, 2019 ● President’s Executive Committee – Operations (PEC-O) <ul style="list-style-type: none"> ○ February 7, 2020 |
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Item No. 3bii

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| | <p><u><i>Those who have been informed:</i></u></p> <ul style="list-style-type: none"> • Current and prospective students will be informed of 2020/21 rates upon approval. |
| Approval Route (Governance) (including meeting dates) | BFPC - February 27, 2020 for recommendation Board of Governors - March 26, 2020 for approval |

Strategic Alignment

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|---|--|--|---|---|--|-------------------------------------|---|--|---|---------------------------------|--|---|---|--|
| Alignment with <i>For the Public Good</i> | <p><i>Institutional Strategic Plan – For the Public Good</i> Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all.</p> <p>21. Objective: Encourage continuous improvement in administrative, governance, planning and stewardship systems, procedures, and policies that enables students, faculty, staff, and the institution as a whole to achieve shared strategic goals.</p> <p>iv. Strategy: facilitate easy access to and use of university services, and systems; reduce complication and complexity; and encourage cross-institutional administrative and operational collaboration.</p> | | | | | | | | | | | | | |
| Alignment with Institutional Risk Indicator | <p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0"> <tr> <td><input type="checkbox"/> Enrolment Management</td> <td><input type="checkbox"/> Relationship with Stakeholders</td> </tr> <tr> <td><input type="checkbox"/> Faculty and Staff</td> <td><input type="checkbox"/> Reputation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Funding and Resource Management</td> <td><input type="checkbox"/> Research Enterprise</td> </tr> <tr> <td><input type="checkbox"/> IT Services, Software and Hardware</td> <td><input type="checkbox"/> Safety</td> </tr> <tr> <td><input type="checkbox"/> Leadership and Change</td> <td><input checked="" type="checkbox"/> Student Success</td> </tr> <tr> <td><input checked="" type="checkbox"/> Physical Infrastructure</td> <td></td> </tr> </table> | | <input type="checkbox"/> Enrolment Management | <input type="checkbox"/> Relationship with Stakeholders | <input type="checkbox"/> Faculty and Staff | <input type="checkbox"/> Reputation | <input checked="" type="checkbox"/> Funding and Resource Management | <input type="checkbox"/> Research Enterprise | <input type="checkbox"/> IT Services, Software and Hardware | <input type="checkbox"/> Safety | <input type="checkbox"/> Leadership and Change | <input checked="" type="checkbox"/> Student Success | <input checked="" type="checkbox"/> Physical Infrastructure | |
| <input type="checkbox"/> Enrolment Management | <input type="checkbox"/> Relationship with Stakeholders | | | | | | | | | | | | | |
| <input type="checkbox"/> Faculty and Staff | <input type="checkbox"/> Reputation | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> Funding and Resource Management | <input type="checkbox"/> Research Enterprise | | | | | | | | | | | | | |
| <input type="checkbox"/> IT Services, Software and Hardware | <input type="checkbox"/> Safety | | | | | | | | | | | | | |
| <input type="checkbox"/> Leadership and Change | <input checked="" type="checkbox"/> Student Success | | | | | | | | | | | | | |
| <input checked="" type="checkbox"/> Physical Infrastructure | | | | | | | | | | | | | | |
| Legislative Compliance and jurisdiction | <p><i>Post-secondary Learning Act. Section 73(1)</i> BFPC Terms of Reference Sections 2(l); 3(j)</p> | | | | | | | | | | | | | |

Attachments:

- Additional information for this item is included with Item 3bi.

**Governance Executive Summary
Action Item**

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|---------------------|---|
| Agenda Title | University of Alberta 2020-2021 Budget |
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Motion

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the 2020-21 consolidated budget, as set forth in Attachment 1.

Item

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| Action Requested | <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation |
| Proposed by | Gitta Kulczycki, Vice-President (Finance and Administration) Steven Dew, Provost and Vice-President (Academic) Andrew Sharman, Vice-President (Facilities and Operations) |
| Presenter(s) | Gitta Kulczycki, Vice-President (Finance and Administration) Steven Dew, Provost and Vice-President (Academic) Andrew Sharman, Vice-President (Facilities and Operations) |

Details

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| Responsibility | Vice-President (Finance and Administration) Provost and Vice-President (Academic) |
| The Purpose of the Proposal is <i>(please be specific)</i> | To propose the University of Alberta 2020-21 Budget, for approval by the Board of Governors. |
| Executive Summary <i>(outline the specific item – and remember your audience)</i> | <p>On February 27, 2020, the same day that the Board Finance and Property Committee (BFPC) recommended the University of Alberta 2020-21 Budget for approval by the Board of Governors, the Government of Alberta tabled its 2020 budget. This budget focused again on expenditure reduction with an overall cut to the Campus Alberta Grant of 4.4%. The cut was applied differentially, with the University of Alberta shouldering a 10.7% cut (\$65.9M), which was significantly larger than the 5% reduction built into our assumptions. Therefore, the budget* had to be adjusted, and a new version is presented to you today.</p> <p>This is a challenging time for the University of Alberta as we respond to a much lower level of government support, while we continue to live in a time of unprecedented change and uncertainty.</p> <p>The COVID-19 pandemic and its impact on the Alberta and global economy has the potential to change our planning parameters and assumptions for future years significantly over the coming weeks and months. The budget for 2020-21 has been developed with reasonable assumptions and, if approved, we will move forward both on a note of caution and prudence and with a commitment to continued innovation and quality.</p> |
| Supplementary Notes and context | *On March 25, 2020, the Board Finance and Property Committee will consider this new version of the University of Alberta 2020-2021 budget and the rescission of the previous budget, recommended by BFPC on February 27, 2020. |

Item No. 3c

| | |
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| | <p>BFPC previously approved / recommended a series of other motions related to the budget at its February 27, 2020 meeting, as follows:</p> <p><u>Approved by BFPC with delegated authority of the Board of Governors</u></p> <ul style="list-style-type: none"> • mandatory non-instructional fees • meal plan rates • increases of 5% to residence rates <p><u>Recommended to the Board of Governors (to be considered on March 26, 2020)</u></p> <ul style="list-style-type: none"> • Tuition and Student Financial Aid • Residence Rates for new lease terms and renewals |
|--|--|

Engagement and Routing (Include meeting dates)

| | |
|--|---|
| <p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p><For information on the protocol see the Governance Resources section Student Participation Protocol></p> | <p><u>Those who are actively participating:</u></p> <ul style="list-style-type: none"> • Provost and Vice-President (Academic) • Vice-President (Finance & Administration) • Vice-President (Facilities & Operations) |
| | <p><u>Those who have been consulted:</u></p> <ul style="list-style-type: none"> • President's Executive Committee - Strategic • Resource Planning |
| | <p><u>Those who have been informed:</u></p> <ul style="list-style-type: none"> • |
| <p>Approval Route (Governance) (including meeting dates)</p> | <p>GFC Academic Planning Committee – March 18, 2020 Board Finance & Property Committee (recommendation) – March 25/20 Board of Governors (approval) – March 26, 2020</p> |

Strategic Alignment

| | | | |
|---|--|---|---|
| <p>Alignment with <i>For the Public Good</i></p> | <p>Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all Albertans. OBJECTIVE: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals.</p> <p>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</p> <p>ii. Strategy: Ensure a sustainable budget model to preserve and enhance our core mission and reputation for excellence in teaching, learning, research, and community engagement.</p> | | |
| <p>Alignment with Institutional Risk Indicator</p> | <p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success </td> </tr> </table> | <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure | <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success |
| <input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure | <input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success | | |
| <p>Legislative Compliance and jurisdiction</p> | <p><i>Post-Secondary Learning Act</i> APC Terms of Reference BFPC Terms of Reference 2(c) 3(e)</p> | | |

Attachments:

1. University of Alberta 2020-21 Budget (26 pages) **(for approval)**
2. University of Alberta 2020-21 Budget Presentation (29 pages)

University of Alberta

2020-21 Budget



March 16, 2020

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1. Introduction

The University of Alberta's 2020-21 budget has been developed during a time of unprecedented change and uncertainty. The emergence of the COVID-19 pandemic is rapidly triggering a global economic downturn. Alberta is not immune from this; oil prices are dropping to levels not seen in years. Even before these recent developments, the province has been in the process of implementing significant fiscal restraint as it deals with the impact of ongoing deficits and increasing debt levels.

On October 24, 2019, the Government of Alberta tabled its 2019 budget. The budget indicated that the provincial government is now moving to a new model for funding post-secondary institutions based on recommendations from the Blue Ribbon Panel on Alberta's finances. The changes announced in the budget included:

- Reductions to the Campus Alberta Grant (average of 5.1% cut across the sector with differential cuts to institutions in 2019-20, based on government's assessment of institutions' ability to manage in-year reductions).
- The development of a new performance-based funding formula (to be implemented effective April 1, 2020).
- Permitted domestic tuition increases of up to an average of 7% in each of the next three years (starting in 2020-21).

The impact of the October budget to the University of Alberta was an in-year funding cut of 6.9% (\$44.4M), and the complete elimination of Infrastructure Maintenance Program funding (IMP) for 2020-21, a \$34.9M reduction.

On February 27, 2020, the Government of Alberta tabled its 2020 budget. This budget again focused on expenditure reduction with an overall cut to the Campus Alberta Grant of 4.4%. The cut was applied differentially with the University of Alberta shouldering a 10.7% cut (\$65.9M). The university's IMP grant was restored to its previous level of \$34.9M.

As the Government signaled in the October budget, work to implement the performance-based funding model is currently underway. Fifteen percent of the university's Campus Alberta grant in 2020-21 is at risk, relative to our performance on four metrics. The first year of the model sees the inclusion of a consolidated total expenditure target, an administrative expense ratio target, enrolment targets (domestic, international and indigenous students), and expectations regarding non-Alberta government research revenues. Failure to reach the targets within stipulated tolerances will result in a loss of funding, to be applied in the 2021-22 year. These metrics form part of an Investment Management Agreement to be signed between Alberta Advanced Education and each post-secondary institution. The plan is that each of these agreements will be finalized and signed by March 31; however, the emergence of COVID-19 in Alberta and all of the ensuing disruptions may yet cause that timeframe to change.

Future years will see the addition of more metrics, with more funding at risk. The amount will increase to 25% of the Campus Alberta Grant at risk for 2021-22 and to 40% at risk for 2022-23 and onwards.

The 2020-21 fiscal year will also mark the first phase of implementation of the University of Alberta's new budget model. This model will:

- Bring transparency to the allocation of resources
- Help us to align spending with strategic academic priorities
- Create a culture of long-term academic planning
- Encourage better decision making

The budget model is activity-based. Faculty revenues depend on teaching and research activities, the university's two core mandates, rather than on the historical allocation of resources. The model includes the allocation of space and classroom costs to faculties which serves to align costs where space usage decisions are made, and should promote the more efficient use of space. The university is taking a 3-year phased approach to full implementation, with 2020-21 being the first year of that transition. Various elements will be implemented over this time frame to ensure successful integration of the model.

2. Consolidated Budget

The consolidated budget for the upcoming year, as well as projections for the following two years, are presented below and include all university activities.

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 946,643 | 983,086 | 883,029 | 827,563 | 787,128 | 758,980 |
| Federal and other government grants | 209,900 | 196,265 | 204,808 | 208,037 | 210,169 | 212,335 |
| Student tuition and fees | 353,280 | 359,053 | 364,799 | 395,417 | 424,614 | 455,013 |
| Sales of services and products | 214,434 | 215,928 | 213,047 | 216,284 | 224,311 | 230,359 |
| Donations and other grants | 146,752 | 138,061 | 132,079 | 133,676 | 135,100 | 136,546 |
| Investment income | 94,489 | 84,682 | 82,823 | 90,519 | 86,555 | 87,967 |
| Total revenue | 1,965,498 | 1,977,075 | 1,880,585 | 1,871,496 | 1,867,877 | 1,881,200 |
| Expense | | | | | | |
| Salaries | 942,685 | 976,351 | 933,592 | 916,911 | 895,941 | 899,992 |
| Employee benefits | 184,786 | 199,075 | 207,875 | 198,992 | 199,196 | 203,380 |
| Materials, supplies and services | 276,808 | 298,588 | 285,888 | 288,450 | 289,820 | 291,538 |
| Scholarships and bursaries | 125,476 | 130,124 | 129,455 | 134,735 | 141,551 | 146,358 |
| Maintenance and repairs | 93,620 | 107,061 | 107,001 | 95,881 | 102,875 | 96,961 |
| Utilities | 46,829 | 50,174 | 48,903 | 51,671 | 52,078 | 53,189 |
| Amortization of tangible capital assets | 172,006 | 177,953 | 184,557 | 183,871 | 186,198 | 188,693 |
| Total expense | 1,842,210 | 1,939,326 | 1,897,271 | 1,870,511 | 1,867,659 | 1,880,111 |
| Annual operating surplus (deficit) | 123,288 | 37,749 | (16,686) | 985 | 218 | 1,089 |
| Impact of Future Benefit Liability | (19,424) | (26,233) | 2,211 | 924 | (1,756) | (1,879) |
| Annual operating surplus (deficit) | 103,864 | 11,516 | (14,475) | 1,909 | (1,538) | (790) |

The 2019-20 Forecast is based upon figures and analysis completed in early February. Since that time, and particularly in March 2020 markets have and continue to experience significant headwinds associated with the COVID-19 pandemic and expectations of global economic impacts. As such, investment income may differ from the forecast number.

Government requires that the university has a balanced budget on a consolidated basis for the next year (in this case 2020-21). This requirement is found in legislation. (Post-Secondary Learning Act, Subsection 78(4): The board of a public post-secondary institution shall not submit a budget in which consolidated operating expense exceeds consolidated operating revenue unless the board has the written approval of the Minister to do so.)

In addition to the consolidated budget above, which will appear in the institution's audited financial statements, Public Sector Accounting Standards (PSAS) also require a budget for the Statement of Change in Net Financial Assets. This budget is derived from the figures included in the consolidated budget and represents the budgeted change in the institution's financial assets (including endowments) less financial liabilities:

| (\$000's) | 2018-19 | 2019-20 | 2020-21 |
|--|------------------|------------------|------------------|
| | Actual | Forecast | Budget |
| Annual surplus | 198,751 | (16,686) | 985 |
| Acquisition of tangible capital assets | (124,342) | (161,059) | (225,201) |
| Amortization of tangible capital assets | 172,006 | 184,557 | 183,871 |
| Loss on disposal of tangible capital assets | 275 | - | - |
| | 47,939 | 23,498 | (41,330) |
| Change in prepaid expenses | (137) | (170) | (166) |
| Change in spent deferred capital contribution: | (53,054) | (51,688) | 4,550 |
| Change in remeasurement gains and losses | (25,058) | 6,812 | 58,788 |
| Increase (decrease) in net financial assets | 168,441 | (38,234) | 22,827 |
| Net financial assets, beginning of year | 1,166,052 | 1,334,493 | 1,296,259 |
| Net financial assets, end of year | 1,334,493 | 1,296,259 | 1,319,086 |

The consolidated budget for the institution includes the Operating, Ancillary, Research, Capital and Special Purpose funds.

- **Operating** relates to the funds within the university's budget that represent the general operations of the institution. The revenue sources support the core teaching activities and the indirect costs of research. The university's budget process focuses on the allocation of these funds.
- **Ancillary** relates to cost recovery operations within the University of Alberta. These units are expected to be stand-alone enterprises that are funded by their own revenues. Major operations include residence and hospitality services, parking services and utilities.
- **Research** includes the annual spending allocation for research-related endowments and other research funding used in the direct pursuit of research endeavours. These are generally subject to restrictions and can only be used for the purposes for which the funds were provided.
- **Capital** includes both restricted and unrestricted funding used for major capital projects and large deferred maintenance projects.
- **Special Purpose** relates primarily to the Academic Medicine and Health Services Program (AMHSP), and the annual spending allocation for undergraduate student awards and non research-related endowment funds held by the university.

One other comment to note about the university's budget. There is a line towards the bottom of the numbers presented above called: Impact of Future Benefit Liability. This represents a change in the benefit liability for the university's employee pension plans. It is removed from the overall financial picture as these amounts represent the change in the pension obligations and are not funds available to be used for any other purpose. The amount is projected (by the plan actuaries) to be nominal for 2020-21, in previous years it has been significant (for example, this amount in the budget for 2019-20 was \$26.2M).

Following is the 2020-21 consolidated budget segregated into the various funds identified above.

| (\$000's) | Ancillary | | | | Special Purpose | Total |
|---|------------------|----------------|----------------|----------------|-----------------|------------------|
| | Operating | Operations | Research | Capital | | |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 568,703 | - | 80,960 | 100,302 | 77,598 | 827,563 |
| Federal and other government grants | 21,159 | - | 167,609 | 19,269 | - | 208,037 |
| Student tuition and fees | 395,417 | - | - | - | - | 395,417 |
| Sales of services and products | 103,944 | 94,944 | 17,271 | - | 125 | 216,284 |
| Donations and other grants | 10,622 | - | 93,312 | 27,182 | 2,560 | 133,676 |
| Investment income | 20,000 | 1,276 | 48,279 | - | 20,964 | 90,519 |
| Total revenue | 1,119,845 | 96,220 | 407,431 | 146,753 | 101,247 | 1,871,496 |
| Expense | | | | | | |
| Salaries | 681,341 | 21,106 | 163,588 | - | 50,876 | 916,911 |
| Employee benefits | 152,464 | 5,127 | 27,472 | - | 13,929 | 198,992 |
| Materials, supplies and services | 103,454 | 25,869 | 131,409 | 6,871 | 20,847 | 288,450 |
| Scholarships and bursaries | 45,977 | 1 | 76,940 | - | 11,817 | 134,735 |
| Maintenance and repairs | 30,812 | 25,377 | 4,398 | 35,176 | 118 | 95,881 |
| Utilities | 45,221 | 6,090 | 360 | - | - | 51,671 |
| Amortization of tangible capital assets | 53,435 | 15,742 | - | 114,694 | - | 183,871 |
| Total expense | 1,112,704 | 99,312 | 404,167 | 156,741 | 97,587 | 1,870,511 |
| Annual operating surplus (deficit) | 7,141 | (3,092) | 3,264 | (9,988) | 3,660 | 985 |
| Impact of Future Benefit Liability | 924 | - | - | - | - | 924 |
| Annual operating surplus (deficit) | 8,065 | (3,092) | 3,264 | (9,988) | 3,660 | 1,909 |

An overview for each individual fund follows, including the key assumptions used in the development of the budget and the projections for the following two years.

2.1. Operating Budget

2019-20 Forecast

The 2019-20 operating budget was originally developed with the assumption that provincial government funding would remain the same as the previous year.

The October 2019 provincial budget outlined in-year reductions of \$79.3M as the result of a 6.9% cut to the Campus Alberta Grant (\$44.4M) and the elimination of all Infrastructure Maintenance Program funding (\$34.9M). The Campus Alberta Grant cuts were applied differentially across the sector with reductions ranging from 0% to 7.9%. Infrastructure Maintenance Program funding was eliminated across all post-secondary institutions for 2019-20.

As is the university's practice, the budget for 2019-20 was not reopened subsequent to its approval by our board in March of 2019. Rather, the reductions were dealt with in year on a one-time basis, through the following actions:

- Cancelled as possible all maintenance and infrastructure projects and absorbed a portion of the cut centrally through a number of measures, for a total of \$34.2M.
- The remaining shortfall of \$45.1M was addressed by implementing a one-time in-year cut of 4.7% to the faculties, and an average in-year cut to the academic support units of 8% (applied differentially).

Regrettably, as 70% of our operating expenditures relate to people, we have experienced a number of job losses from retirements, attrition and layoffs. Since the 2019-20 provincial budget was tabled in October through to year end March 31, 2020 we estimate a total loss of 400 jobs. Because faculties and academic support units had been anticipating funding reductions, almost half of these job losses were accommodated through reduced hiring. However, some layoffs could not be avoided.

The base reductions from 2019-20 are being addressed in the 2020-21 budget. In addition, the budget for the 2020-21 fiscal year reflects that the university's Campus Alberta Grant has been cut by a further 10.7% (\$65.9M). There were two components to the 10.7% reduction: the Campus Alberta Grant was cut by 8.9% (\$53.3M); in addition, the Government eliminated the funding for Targeted Enrolment Expansion (\$12.6M) while maintaining the university's requirement to keep those enrolments.

This brings the total ongoing cut to the Campus Alberta Grant to \$110.3M (\$44.4M + \$65.9M) to be addressed in the 2020-21 budget. The approach is as follows:

- \$65.6M is applied differentially to the faculties (based upon the new budget model results) offset by additional tuition revenues of \$21.1M that now flow directly to faculties. This brings the net reduction to the faculties to \$44.5M or 8.3%
- The academic support unit budgets are being cut on a differential basis by a total of \$34.2M, or 12.8%.
- The remaining \$10.5M will be addressed by an adjustment to investment income supporting the operating budget (discussed in the Investment Income section 2.1.1.4) and the use of other internal one-time sources.

As noted in the commentary in Section 2 Consolidated Budget, we have a legislative requirement to balance our consolidated budget. The magnitude of the cut applied to the University of Alberta's grant will entail a number of changes including substantial restructuring. Restructuring costs fit within the requirement to balance the budget; therefore the restructuring has to be somewhat deeper in order to recoup the restructuring costs and still balance the budget. This means that the full savings associated with restructuring may not be achieved until the following year (in our case 2021-22). For now, we have assumed those savings will be required to meet upcoming Campus Alberta Grant cuts. For the following two fiscal years, our projections have been prepared with a planning parameter that the Campus Alberta Grant will be cut by an additional 8% in 2021-22 and 5% in 2022-23. As we have limited

insight on the performance measures and how they may be applied to the University of Alberta, we have assumed no additional change in the Campus Alberta Grants, beyond the decreases noted here.

In addition to all of the uncertainties already noted, the Government is considering requests from the post-secondary institutions (including the University of Alberta) to allow us to deficit finance restructuring costs. If approved, this will mitigate job losses. For now, the budget has been prepared following the legislative requirement to balance revenues and expenditures.

Aligning university operations with a much lower level of government funding will not be easy. What measures and strategies are being pursued?

- The implementation of the new budget model briefly described in the introduction section creates positive incentives for supporting our teaching and research mandates.
- We are imposing a hiring freeze.
- We are reducing staffing in administrative functions.
- Travel expenditures are being curtailed, being mindful that a bulk of these expenditures are related to our research mandate, student recruitment, and increasing philanthropic donations.
- Hosting expenditures are being curtailed.
- We are revisiting service agreements with contractors, pushing for savings and reduced costs.
- We are reducing caretaking costs, moving to lower minimum required standards.
- We are deferring energy management program investments at least for 2020-21.
- We are looking to consolidate one or more library locations.
- We are deferring some capital projects funded from operating sources, at least for 2020-21.
- We are pursuing a strategy of reducing our leased space and repatriating groups/units back to university owned buildings. While this has short-term costs in terms of aligning campus space to accommodate those groups/units, this will yield longer term savings.
- We will be using information from the first set of data from our participation in an international administrative benchmarking program to improve efficiency and effectiveness in administrative processes.
- We are using a data-driven approach to look at metrics in our classrooms and realign program and section offerings where it makes sense to do so.
- We are looking at what revenue levers are available to us, including tuition increases and philanthropic efforts.

Operating Revenues

2.1.1.1. Government of Alberta Grants

As noted in the introduction, the institution was allocated a 10.7% grant cut in 2020-21 which amounts to \$65.9M.

2.1.1.2. Federal and Other Government Grants

The largest component of this category relates to the Federal Research Support Fund provided to the institution in order to support research grants provided by the Tri-Council agencies. The amount budgeted for the 2020-21 fiscal year is consistent with the amount forecast for 2019-20 at \$18M.

2.1.1.3. Student Tuition and Fees

The 2020-21 budget marks a change in the approach to student tuition rates. The domestic tuition freeze that had been in place since 2015 has been lifted by the government effective with the entering class of September 2020. Institutions are permitted to increase domestic tuition by an average of 7% across all programs for the next three years. Also, in response to the government's Bill 19, the University of Alberta has implemented a program-based tuition model for new incoming international students effective with the entering class of September 2020. This latter change will provide greater cost certainty for their duration of study. Government guidelines also require that international tuition rates are set at cost-recovery, at minimum.

The budget incorporates enrolment remaining at the same level as for 2019-20. Student numbers for 2019-20 are 32,424 and 8,225 for undergraduate and graduate students respectively (headcount basis). This is the highest enrolment ever experienced at the University of Alberta. The budget incorporates holding that level of enrolment for 2020-21, as well as in the two subsequent years. While the institution does see increased enrolment as a potential opportunity, it still approaches the budget with caution recognizing the current year represents record enrolment levels. The COVID-19 pandemic presents significant risk in international enrolments.

Further details on the tuition increases are presented below for both undergraduate and graduate students for the 2020-21 fiscal year.

Undergraduate

Tuition for both incoming and continuing domestic students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

For new undergraduate international students, they will be provided a fixed annual tuition fee based on assumption of a full course load for their four-year (three-year in the case of the School of Business) academic career. These students are permitted five years (four years in the case of Business as it is a three-year program) to take the courses without the payment of additional tuition. This tuition methodology was developed in response to the government's Bill 19 requiring us to provide international

students with more certainty in the cost of their education. These rates are increased by 3% for the incoming students in the 2021-22 fiscal year.

Existing undergraduate international students are excluded from the program based tuition model. For these students, the tuition increase is 4% for all years shown.

The current financial support set aside for both incoming and continuing international students will remain at 7.55% of international student tuition. This model has been in place since the inception of international tuition differentials at the institution.

Graduate

Tuition for incoming domestic graduate (thesis-based) students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

Tuition for continuing domestic graduate (thesis-based) students reflects a 7% increase with a built in rebate to reduce the overall increase to 2.67% (representing the overall increase in university specific cost drivers). This rebate would be in place for the next four years. The overall net increase in the 2021-22 and the 2022-23 fiscal years is estimated at 3%.

Tuition for both incoming and continuing domestic graduate (course-based) students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

Tuition for continuing international graduate (thesis-based) students reflects a 7% increase with a built in rebate to reduce the overall increase to 2.67% (as described above). The overall net increase in the 2021-22 and the 2022-23 fiscal years is estimated at 3%.

Tuition for continuing international graduate (course-based) students reflects a 4% increase for the 2020-21 fiscal year.

For new international graduate students, they will be provided a fixed annual tuition fee for 4 (masters) and 6 (PhD) years in order to finish their program. This tuition methodology was developed in response to the government's Bill 19 requiring us to provide international students with more certainty in the cost of their education.

The current financial support offset for both incoming and continuing international students will remain at the current level of 7.55% of international student tuition. This model has been in place since the inception of international tuition differentials at the institution.

Mandatory Non-Instructional Fees

Mandatory non-instructional fees have also been frozen since 2015 and as a result will be increased by 2.67% (representing the overall increase in university-specific cost drivers) for the 2020-21 fiscal year.

2.1.1.4. Investment Income

Given the budgetary challenge of responding to the rapid reduction in government funding, we have necessarily changed our approach to budgeting investment income. We had been pursuing a strategy of reducing the reliance of the operating budget on non-endowed investment income. There is sound rationale for doing so: recent market volatility is testament to the fact that it is risky to rely on market returns to fund base operating expenditures.

However, we also need to support the university's operations as much as possible in the face of the combined Campus Alberta Grant cut of \$110.3M announced in the October 2019 and February 2020 budgets.

For 2020-21, the budget for investment income to support operational expenditures has been increased to \$20 million, \$5 million more than the budgeted amount set for 2019-20. To the extent there are revenues realized in excess of this higher amount, this differential will be set aside to fund the required 17% reserve calculated on the underlying obligation (investment cost) of the funds invested to allow for market fluctuations. Any reserve we had will have been significantly reduced as a result of the March 2020 market downturns. The 17% reserve is required as the cash flow the university invests to generate these earnings is otherwise owed to faculties, units and researchers.

The investment income projections in each of the following two years has been set at \$15 million. This is somewhat higher than previous plans. These figures will be revisited as the next budget is prepared.

This altered approach will delay the introduction of the strategic initiatives fund by some years. The need for such a fund has never been greater: it would provide a source for important initiatives, for example, the need to provide matching contributions for some federal research grant opportunities.

2.1.1.5. All Other Sources of Revenues

These revenue streams are budgeted with an increase comparable to Alberta CPI for the year. These funds flow directly to the faculty or unit from which they are generated, and as a result, have no impact on the amount of budget allocation that is distributed by the university.

2.1.1. Operating Expenditures

Unless otherwise stated, operating expenditures are expected to grow by 1.90% in the 2020-21 fiscal year, representing the estimated Alberta CPI.

2.1.3.1. Compensation

Salaries are expected to decrease year over year due to two significant factors:

- Merit is expected to increase salaries for existing staff
- This is more than offset by the impact of staffing reductions required to manage the grant reductions.

Benefit costs are expected to increase at a rate of 2.6%, more than offset by the impact of reduced staffing levels.

We anticipate 635 job losses in 2020-21 (this is in addition to the 400 job losses in 2019-20). This number is predicated on the requirement that the university must balance its budget. A request has been made of the Minister to allow restructuring costs to be considered separate from the balanced budget requirement. If this request is allowed, the job loss figure would be reduced to 370 positions instead of 635, a difference of 265 jobs.

What does this mean? In an average year, approximately 150 staff and faculty retire from the University of Alberta. Given our budget reductions, the intent would be to collapse these positions wherever possible. This can't always happen: the university employs many people with highly specialized skills. For purposes of estimating job losses, we have assumed approximately half of these people must be replaced. What about other attrition? Given the tight economic environment in Edmonton, we expect voluntary attrition to be minimal. Regrettably this leaves many job losses to be realized through displacements.

2.1.3.2. Institutional Budget Priorities

The following budgetary pressures were accommodated within our budget planning for 2020-21.

- Increase in utilities cost of approximately \$2.4M

- Faculty secondment model \$2.4M. The model does not represent an increase in costs and will be used solely to compensate faculties when faculty members assume central academic roles.
- Student support in the form of scholarships and bursaries will increase in order to assist domestic and international students with the increasing tuition levels. A portion of the increased tuition revenues will be set aside to support this financial aid.

2.1.2. Overall Budget Planning Assumptions

The above discussion provides insights into the assumptions and planning parameters used to develop the operating budget for next fiscal year. The table below provides a summary of these, along with the similar figures used for the next two years.

| Revenue | 2020-21 | 2021-22 | 2022-23 |
|--|----------------|----------------|----------------|
| Operating Grant | -10.7% | -8% | -5% |
| Domestic Tuition | 7% | 7% | 7% |
| Financial aid (holdback of increased domestic tuition dollars) | 15% | 15% | 15% |
| International Tuition (Existing students) | 4% | 4% | 4% |
| International Tuition (Program Based) | Custom | Custom | Custom |
| Financial aid (holdback of international total tuition to be used for student support) | 7.55% | 7.55% | 7.55% |
| Mandatory Non- Instructional Fees | 2.67% | 2.67% | 2.67% |
| Investment Income | \$20 million | \$15 million | \$15 million |

Custom – international program-based tuition rates vary across programs

| Expenditures | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|----------------|
| ATB (NASA & AASUA) | TBN | TBN | TBN |
| Merit (NASA & AASUA - based on one-step merit) | 1.58% | 1.58% | 1.58% |
| ATB (graduate students and post-doctoral fellows) | TBN | TBN | TBN |
| Employee Benefits | Custom | Custom | Custom |
| Other Costs | 1.90% | 1.90% | 2.00% |

ATB - Across the board salary increase

TBN - To be negotiated

Custom - benefits amounts are calculated using a combination of staff headcounts, staff salaries and benefit costs / rates particular to each employee group

Another key consideration in developing the institutional budget is the underlying sensitivities concerning major revenue sources and expenditure types. The following represent the key sensitivities.

| Sensitivity | Amount |
|--|---------------|
| Operating Grant (1% change) | \$5.5M |
| Domestic Tuition (1% change) | \$1.6M |
| International Tuition (1% change to existing students) | \$0.8M |
| Undergraduate student (1% change in enrolment) | \$2.6M |
| Mandatory Non-Instructional Fees (1% change) | \$0.3M |
| ATB (1% for NASA and AASUA) | \$6.4M |
| Merit (annual impact) | \$7.4M |

| | |
|--|--------|
| Employee Benefits (1% increase in staff headcount) | \$1.7M |
| Employee Benefits (1% increase in salary of current staff) | \$0.8M |

The table below provides an overall outline of the following in relation to the operating budget:

- Actual results for the year ending March 31, 2019
- Budget and forecast for the year ending March 31, 2020
- Budget for the year ending March 31, 2021
- Projections for the years ending March 31, 2022 and March 31, 2023

| (\$000's) | 2018-19 | | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|---------|
| | Actual | Budget | Forecast | Budget | Projection | Projection | |
| Revenue (including deferrals) | | | | | | | |
| Government of Alberta grants | 679,812 | 679,517 | 634,969 | 568,703 | 524,789 | 499,538 | |
| Federal and other government grants | 19,504 | 20,157 | 20,764 | 21,159 | 21,561 | 21,992 | |
| Student tuition and fees | 353,280 | 359,053 | 364,799 | 395,417 | 424,614 | 455,013 | |
| Sales of services and products | 104,724 | 106,676 | 102,006 | 103,944 | 105,919 | 108,038 | |
| Donations and other grants | 10,334 | 10,759 | 10,424 | 10,622 | 10,824 | 11,041 | |
| Investment income | 36,878 | 15,000 | 15,000 | 20,000 | 15,000 | 15,000 | |
| Total revenue | 1,204,532 | 1,191,162 | 1,147,962 | 1,119,845 | 1,102,707 | 1,110,622 | |
| Expense | | | | | | | |
| Salaries | 701,822 | 720,496 | 700,709 | 681,341 | 659,745 | 663,627 | |
| Employee benefits | 139,944 | 151,718 | 162,236 | 152,464 | 152,376 | 156,377 | |
| Materials, supplies and services | 101,352 | 113,883 | 109,715 | 103,454 | 103,441 | 103,571 | |
| Scholarships and bursaries | 38,462 | 40,248 | 42,608 | 45,977 | 50,907 | 53,777 | |
| Maintenance and repairs | 34,667 | 37,186 | 32,769 | 30,812 | 35,796 | 35,837 | |
| Utilities | 40,957 | 42,792 | 41,966 | 45,221 | 45,955 | 46,945 | |
| Amortization of tangible capital assets | 39,607 | 51,008 | 53,048 | 53,435 | 54,490 | 55,725 | |
| Total expense | 1,096,811 | 1,157,331 | 1,143,051 | 1,112,704 | 1,102,710 | 1,115,859 | |
| Annual operating surplus (deficit) | 107,721 | 33,831 | 4,911 | 7,141 | (3) | (5,237) | |
| Impact of Future Benefit Liability | (19,424) | (26,233) | 2,211 | 924 | (1,756) | (1,879) | |
| Annual operating surplus (deficit) | 88,297 | 7,598 | 7,122 | 8,065 | (1,759) | (7,116) | |

2.2. Ancillary Operations

Ancillary operations at the University of Alberta are comprised of the following:

- Residence and dining services provided on three of our five campuses
- Parking operations
- The University Bookstore
- Commercial property and real estate
- The university-owned District Energy System (serves the U of A [North Campus], Alberta Health Services, the Government of Alberta, and other proximate customers)
- ONEcard office

As noted earlier in the document, ancillary operations are stand-alone enterprises funded by self-generated revenues, meaning each is required to cover operating costs as well as establish appropriate and adequate operating and capital reserves. To the extent debt financing may be utilized for capital enhancements or to address deferred maintenance, revenues must also cover the cost of repayment together with the applicable interest.

The following guiding principles govern how residence and dining services are offered:

- Quality housing and good nutrition are critical to student academic and experiential success.
- Residence and dining services must operate on a financially sustainable basis having due regard for operating costs, addressing deferred maintenance, as well as maintaining operating and capital reserves. No profit is sought, but no loss is acceptable either.
- All funds received from students for shelter and food stay within the residence and dining system.
- No student tuition or government base, capital, or maintenance funding is available for investment in residences or dining operations.
- Residences will be operated as a system.
- Student input is highly valued. Students will assist in shaping the development of residence and dining plans and priorities to sustain and improve the residence and food system.

Specifically in the residence system, for many years, efforts were made to keep student costs as low as possible, which was reflected in the rates charged to students living in residences. Unfortunately, the resulting revenues were not sufficient to cover the system's operating costs while still allowing for adequate investments in maintenance and renewal activities. As a result, the residence system has accumulated a significant deferred maintenance liability (approximately \$86.5 million). Additionally, insufficient operating and capital reserves have necessitated that new residence construction and major refurbishments be mostly debt-financed.

Despite the financial challenges present in our residence and dining operations, we continue to invest in infrastructure to ensure our residences and food service outlets meet the needs of our students, faculty, staff, and visitors. We have had to defer an annual investment in HUB residences of \$2.0M for 2020-21 given the magnitude of the university's grant cut and the requirement that we balance the budget. The following projects are in varying states of progress to, above all, improve our students' experience.

| | 2019-20 Forecast | 2020-21 Budget | 2021-22 Projection | 2022-23 Projection |
|--|-----------------------------|---------------------------|-------------------------------|-------------------------------|
| Central Academic Building (Dining services) | 4,370 | - | - | - |
| Lister Complex | 11,863 | 32,225 | 27,063 | 13,349 |
| HUB Residences | 2,288 | - | 2,000 | 2,000 |

As mentioned above, many projects, some dating back years, have been debt-financed because insufficient capital reserves were in place to allow acquisitions, new construction, or renovations to proceed otherwise. As of September 2019, the residence system is carrying \$226.2 million in mortgage debt with terms extending to 2049. Residence rental rates must be sufficient to also repay this mortgage debt over time.

Significant efforts are underway to reduce costs across the residence system and strategically shed residence inventory that is incapable of meeting today’s students’ expectations. While the numbers look unfavourable for the near term, the trajectory is positive.

For the 2020-21 academic year, increased revenues for ancillary operations are driven predominantly by the following rate increases:

- A proposed 5% increase in all residence rates. This is the second of three years of 5% increases originally presented in 2018.
- New rates assessed for substantially renewed suites in Mackenzie Hall.
- A proposed 2.9% increase in meal plan rates.
- A 1.9% increase in monthly parking rates.

The overall increase in ancillary expenditures relate to a number of factors including the following:

- Increased debt principal and interest expense resulting from the Lister Tower renewal project.
- Increased costs associated with implementing improved Wi-Fi in all residences.
- Increased maintenance in renewing parking facilities (e.g. resurfacing).

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|-----------------|---------------|---------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | - | - | - | - | - | - |
| Federal and other government grants | - | - | - | - | - | - |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | 91,476 | 94,838 | 93,646 | 94,944 | 100,996 | 104,925 |
| Donations and other grants | 10 | - | - | - | - | - |
| Investment income | 14 | - | 1,529 | 1,276 | 512 | 24 |
| Total revenue | 91,500 | 94,838 | 95,175 | 96,220 | 101,508 | 104,949 |
| Expense | | | | | | |
| Salaries | 20,610 | 20,063 | 20,397 | 21,106 | 21,683 | 21,801 |
| Employee benefits | 4,503 | 4,352 | 4,778 | 5,127 | 5,415 | 5,594 |
| Materials, supplies and services | 29,190 | 23,470 | 23,216 | 25,869 | 27,128 | 27,355 |
| Scholarships and bursaries | - | - | - | 1 | 1 | 1 |
| Maintenance and repairs | 21,726 | 24,999 | 23,615 | 25,377 | 26,441 | 26,714 |
| Utilities | 5,525 | 6,956 | 6,583 | 6,090 | 5,755 | 5,869 |
| Amortization of tangible capital assets | 20,829 | 10,534 | 15,516 | 15,742 | 15,722 | 15,702 |
| Total expense | 102,383 | 90,374 | 94,105 | 99,312 | 102,145 | 103,036 |
| Annual operating surplus (deficit) | (10,883) | 4,464 | 1,070 | (3,092) | (637) | 1,913 |

2.3. Research

Research revenues at the University of Alberta come from five major sources:

- Government of Alberta grants from a number of Ministries
- Federal government grants including those provided by the Tri-Council Agencies
- Fee-for-service research activities for outside entities
- Donations and nongovernmental grants
- The endowment spending allocation resulting from research-related endowments

Research productivity is expected to remain strong and the budgeted research revenues are expected to remain fairly stable in the upcoming year. The full impact of the Government of Alberta spending cuts to Ministries supporting research grants is not yet known and therefore this represents an area of risk to the budget. Funding to both Economic Development and Alberta Innovates have been significantly reduced over the past two years. Given the project based and restricted nature of this funding, coupled with changes to Alberta Innovates, it is difficult to predict the full impact to the University of Alberta's future research funding.

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 108,137 | 120,996 | 83,670 | 80,960 | 81,692 | 82,426 |
| Federal and other government grants | 172,154 | 155,969 | 164,557 | 167,609 | 169,122 | 170,642 |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | 17,271 | 14,181 | 17,271 | 17,271 | 17,271 | 17,271 |
| Donations and other grants | 96,281 | 86,791 | 91,705 | 93,312 | 94,108 | 94,908 |
| Investment income | 38,746 | 48,952 | 46,227 | 48,279 | 49,531 | 50,853 |
| Total revenue | 432,589 | 426,889 | 403,430 | 407,431 | 411,724 | 416,100 |
| Expense | | | | | | |
| Salaries | 163,588 | 183,216 | 163,588 | 163,588 | 163,588 | 163,588 |
| Employee benefits | 27,472 | 28,621 | 27,472 | 27,472 | 27,472 | 27,472 |
| Materials, supplies and services | 126,554 | 136,403 | 128,958 | 131,409 | 134,037 | 136,718 |
| Scholarships and bursaries | 74,098 | 79,412 | 75,506 | 76,940 | 78,479 | 80,049 |
| Maintenance and repairs | 4,235 | 4,159 | 4,315 | 4,398 | 4,486 | 4,575 |
| Utilities | 347 | 426 | 354 | 360 | 368 | 375 |
| Amortization of tangible capital assets | - | - | - | - | - | - |
| Total expense | 396,294 | 432,237 | 400,193 | 404,167 | 408,430 | 412,777 |
| Annual operating surplus (deficit) | 36,295 | (5,348) | 3,237 | 3,264 | 3,294 | 3,323 |

2.4. Capital

2.4.1. Capital Investments

While there are capital items purchased or funded with operating and other funds (such as learning materials, IT equipment, and certain renovation projects), the capital budget also incorporates building construction projects and larger scale renewal and maintenance projects.

Throughout this section, it is important to note that the capital plan and the resulting capital budget are developed as 'point-in-time' items. Due to the unpredictable nature with which, for example, government grants, government approval, and philanthropic gifts materialize, capital projects may be added or the scope changed throughout the year. All material changes, regardless of when they occur, remain subject to the institution's normal governance and approval processes.

The capital budget included within the University of Alberta consolidated budget is subject to complex financial accounting requirements. The figures throughout the capital budget have been translated for the purposes of being presented within the institution's audited financial statements.

2.4.2. Capital Plan Development

The University develops an annual capital plan and, further, identifies its capital requirements in a submission to the Government of Alberta through the Building and Land Inventory System (BLIMS).

Recent submissions, the latest submitted in August 2019, included a number of priorities with a particular focus on the renewal and refurbishment of existing buildings. The following capital budget is reflective of the information contained within the capital plan and that which was provided within the BLIMS submission.

2.4.3. Capital Budget

| (\$000's) | 2018-19 | | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | | |
| Government of Alberta grants | 87,738 | 111,122 | 88,432 | 100,302 | 100,302 | 103,291 | 99,910 |
| Federal and other government grants | 18,242 | 20,139 | 19,487 | 19,269 | 19,269 | 19,486 | 19,701 |
| Student tuition and fees | - | - | - | - | - | - | - |
| Sales of services and products | - | - | - | - | - | - | - |
| Donations and other grants | 26,664 | 26,208 | 27,502 | 27,182 | 27,182 | 27,489 | 27,792 |
| Investment income | 1,078 | - | - | - | - | - | - |
| Total revenue | 133,722 | 157,469 | 135,421 | 146,753 | 146,753 | 150,266 | 147,403 |
| Expense | | | | | | | |
| Salaries | - | - | - | - | - | - | - |
| Employee benefits | - | - | - | - | - | - | - |
| Materials, supplies and services | 3,361 | 3,609 | 2,909 | 6,871 | 6,871 | 4,250 | 2,808 |
| Scholarships and bursaries | - | - | - | - | - | - | - |
| Maintenance and repairs | 32,897 | 40,618 | 46,174 | 35,176 | 35,176 | 36,034 | 29,716 |
| Utilities | - | - | - | - | - | - | - |
| Amortization of tangible capital assets | 111,570 | 116,411 | 115,993 | 114,694 | 114,694 | 115,986 | 117,266 |
| Total expense | 147,828 | 160,638 | 165,076 | 156,741 | 156,741 | 156,270 | 149,790 |
| Annual operating surplus (deficit) | (14,106) | (3,169) | (29,655) | (9,988) | (9,988) | (6,004) | (2,387) |

The deficit in 2019-20 is directly related to two key factors:

- The in-year elimination of the \$34.9 million Infrastructure Maintenance Program (IMP) grant. This reduction was partially mitigated by cancelling a number of projects, which limited the overall exposure to the institution to approximately \$20M. This was largely funded by utilizing \$15 million from the existing investment reserve.
- The remaining gap pertains to projects funded by faculties on a planned basis using their carry forwards from prior years.

In order to achieve a balanced budget for 2020-21, a number of operating-funded capital projects that had been planned for 2020-21 have necessarily been deferred to 2021-22.

Due to the nature of Public Sector Accounting Standards that govern our audited financial statements, we have the added complexity of revenue deferrals. In essence, a large portion of the revenue in the capital fund cannot be recognized until the underlying expenses (predominantly amortization of tangible

capital assets) have been incurred. In order to remove this impact, the following three tables provide a view of the capital budget for next year on a “near cash” basis.

Capital Budget: Revenue – Government of Alberta grants provide targeted funding for multi-year capital projects. The Infrastructure Maintenance Program returned to 2018-19 levels in 2020-21 (at \$34.9M). This is welcome given our significant accrued deferred maintenance.

On the assumption that the Infrastructure Maintenance Program funding is restored, following table provides an outline of Government of Alberta revenues on a cash basis:

| Capital Budget: Revenue | | | | |
|-------------------------------------|-----------------|----------------|-------------------|-------------------|
| (\$000's) | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| | Forecast | Budget | Projection | Projection |
| Provincial Government Grants | | | | |
| Infrastructure Maintenance Program | - | 34,914 | 34,914 | 34,914 |
| Dentistry/Pharmacy Renewal | 48,000 | 49,000 | 44,000 | 56,000 |
| UA District Energy System | 9,100 | 4,900 | 1,900 | - |
| Subtotal | 57,100 | 88,814 | 80,814 | 90,914 |
| Other Projects | 35 | - | - | - |
| Total revenue | 57,135 | 88,814 | 80,814 | 90,914 |

Capital Budget: Maintenance and Repairs - These are expenditures related to addressing major maintenance and renewal projects and/or deferred maintenance across campus. These costs are expensed as they do not extend the useful life of the building.

The following table outlines maintenance and repair projects planned within the capital fund.

Capital Budget: Maintenance and Repairs

(\$000's)

| Project | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|---------------|---------------|---------------|---------------|
| | Forecast | Budget | Projection | Projection |
| Chemistry West - L1 & L2 Renewal | 5,237 | 5,860 | - | - |
| CAB Renewal | 4,370 | - | - | - |
| Van Vliet Mens Locker Room Renewal | 3,700 | 55 | - | - |
| Van Vliet Womens Locker Room Renewal | 2,794 | 45 | - | - |
| HUB Mall Renewal | 2,288 | - | 2,000 | 2,000 |
| Integrated Asset Management Strategy Projects ¹ | 1,400 | 3,700 | 557 | - |
| Subtotal | 19,789 | 9,660 | 2,557 | 2,000 |
| Other Renovations | 15,923 | 8,899 | 6,211 | 450 |
| Infrastructure Maintenance Program (Maintenance) | 10,462 | 16,617 | 27,266 | 27,266 |
| Total maintenance and repairs | 46,174 | 35,176 | 36,034 | 29,716 |

1. External lease terminations and densification projects across campus

Capital Budget: Tangible Capital Acquisitions – Major renewal projects often involving both repairs and maintenance in addition to capital additions and/or overall building improvements. The following capital projects represent capital additions to buildings as defined by accounting standards. In this case, the expenditures do not appear on the statement of operations; rather they are captured as investments in tangible capital assets on the university's statement of financial position.

Capital Budget: Tangible Capital Acquisitions

(\$000's)

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|---------------|----------------|----------------|---------------|
| Project | Forecast | Budget | Projection | Projection |
| Dentistry/Pharmacy Renewal | 16,000 | 65,000 | 75,000 | 65,000 |
| Lister Centre Classic Towers (Mackenzie, Henday, Kelsey) | 11,863 | 32,225 | 27,063 | 13,349 |
| Chemistry Electrical Vault Replacement | 5,800 | 4,425 | - | - |
| Van Vliet Electrical Vault Infrastructure | 5,700 | 420 | - | - |
| District Energy System | 3,000 | 7,436 | 2,336 | 4,336 |
| CAB Air Handling Unit | 3,143 | - | - | - |
| Morrison Structures Lab Renewal | 1,500 | 10,500 | 2,116 | - |
| BARB Mechanical Ventilation & Exhaust Renewal | 500 | 2,582 | - | - |
| Energy Management Upgrades (Envision) | 1,702 | 2,007 | 3,346 | - |
| Subtotal | 49,208 | 124,595 | 109,861 | 82,685 |
| Other Capital Projects | 11,396 | 5,659 | 1,507 | - |
| Infrastructure Maintenance Program (Capital) | 5,111 | 4,661 | 7,648 | 7,648 |
| Total tangible capital acquisitions | 65,715 | 134,915 | 119,016 | 90,333 |

Tangible Capital Acquisitions

Operating

(\$000's)

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|---------------|----------------|----------------|---------------|
| Project | Forecast | Budget | Projection | Projection |
| NREF Renewal and Renovation | 12,391 | 8,019 | 200 | - |
| RE Phillips Renovation ¹ | 2,000 | 4,000 | 346 | - |
| South Campus Utility Infrastructure Upgrades | 3,780 | 97 | - | - |
| Other Capital Projects | 344 | - | - | - |
| Total operating tangible capital acquisitions | 18,515 | 12,116 | 546 | - |
| Total tangible capital acquisitions | 84,230 | 147,031 | 119,562 | 90,333 |

1. 1/3 maintenance and 2/3 capital

2.4.4. Deferred Maintenance

Excellence in teaching and research needs to be supported by well-functioning labs, classrooms, and other building infrastructure. Unfortunately, government grants alone have been insufficient in addressing the necessary maintenance activities across our campuses, which has resulted in a substantial deferred maintenance liability. As of December 31, 2019, the deferred maintenance liability stands at \$306 million, with a five-year projected aggregate liability of \$865 million.

Need that exceeds available resources requires diligent adherence to a system of prioritizing projects. Relying on Government of Alberta parameters, the priorities are:

- **High – Life, Health, and Safety:** Elements presenting a potential for imminent risk to the life, health, and/or safety of facility occupants and users. They may include structural and support failure, major building system failures, or requirements under a multitude of Codes.
- **Medium – Immediate Needs:** Elements demanding attention to prevent them escalating to Priority One, which will lead to serious or prolonged deterioration of a facility or its systems thereby affecting the operability of a facility or its systems.
- **Low – General Need:** Elements that are non-urgent and which can be planned for over a period of time without undue risk to the facility occupants or facility operability.

Current and projected funding levels require investments in addressing deferred maintenance at the University of Alberta to be limited almost exclusively to those deemed “high” priority.

2.5.Special Purpose

There are no expected significant changes impacting these funds over the next three years. Overall revenues and expenses are expected to remain relatively stable.

| (\$000's) | 2018-19 | | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | | |
| Government of Alberta grants | 70,956 | 71,451 | 75,958 | 77,598 | 77,598 | 77,356 | 77,106 |
| Federal and other government grants | - | - | - | - | - | - | - |
| Student tuition and fees | - | - | - | - | - | - | - |
| Sales of services and products | 963 | 233 | 124 | 125 | 125 | 125 | 125 |
| Donations and other grants | 13,463 | 14,303 | 2,448 | 2,560 | 2,560 | 2,679 | 2,805 |
| Investment income | 17,773 | 20,730 | 20,067 | 20,964 | 20,964 | 21,512 | 22,090 |
| Total revenue | 103,155 | 106,717 | 98,597 | 101,247 | 101,247 | 101,672 | 102,126 |
| Expense | | | | | | | |
| Salaries | 56,665 | 52,576 | 48,898 | 50,876 | 50,876 | 50,925 | 50,976 |
| Employee benefits | 12,867 | 14,384 | 13,389 | 13,929 | 13,929 | 13,933 | 13,937 |
| Materials, supplies and services | 16,351 | 21,223 | 21,090 | 20,847 | 20,847 | 20,964 | 21,086 |
| Scholarships and bursaries | 12,916 | 10,464 | 11,341 | 11,817 | 11,817 | 12,164 | 12,531 |
| Maintenance and repairs | 95 | 99 | 128 | 118 | 118 | 118 | 119 |
| Utilities | - | - | - | - | - | - | - |
| Amortization of tangible capital assets | - | - | - | - | - | - | - |
| Total expense | 98,894 | 98,746 | 94,846 | 97,587 | 97,587 | 98,104 | 98,649 |
| Annual operating surplus (deficit) | 4,261 | 7,971 | 3,751 | 3,660 | 3,660 | 3,568 | 3,477 |

3. Concluding Comments

This is a challenging time for the University of Alberta as we respond to a much lower level of government support. Many within our community have provided many suggestions for cost-savings since last October. We have been able to pursue a number of them, and continue to look at further

opportunities. People in departments, faculties, and units across the institution have been making thoughtful considered plans and decisions on how we can make adjustments, and yet maintain our support for our core teaching and research mandates. Thank you to everyone in our community for what you do every day.

We continue to live in a time of unprecedented change and uncertainty. The COVID-19 pandemic has the potential to change our planning parameters and assumptions significantly over the coming weeks and months. This budget has been developed with reasonable assumptions and we will proceed forward both on a note of caution and prudence and with a commitment to continued innovation and quality.

University of Alberta

2020-21 Budget

Board of Governors

March 26, 2020



Approval pathway for *revised* 2020-2021 Budget

- **March 18** General Faculties Council Academic Planning Committee (APC)
 - *To recommend Board of Governors approval*
- **March 25** Board Finance and Property Committee (BFPC)
 - *To recommend Board of Governors approval*
- **March 26** Board of Governors meeting
 - *To approve*

Tuition and Student Financial Aid Proposal:

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the Tuition Proposal for Fall 2020 as outlined in the [relevant table in the document distributed for March 26, 2020]

Residences:

1 - THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve new rates for residences transitioning from 11-month leases to 8-month leases, as listed under item 3bi of the material shared for the March 26 meeting.

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

a) approve new rates for residences having undergone major renewal, as listed under item 3bii of the material shared for the March 26 meeting.

b) authorize the Vice-President (Facilities and Operations) to apply the MacKenzie Hall residence rates (inclusive of any future approved increases) to Henday Hall and Kelsey Hall once they return to service as fully renewed residences.

Revised 2020-21 Budget:

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve the revised 2020-21 consolidated budget as set forth in Attachment 1 [of the material for Item 3c].

Provincial funding

Starting point 2018-19:

| | |
|--|----------------------|
| Campus Alberta Grant | \$646,652,549 |
| Targeted enrolment expansion grant | <u>12,590,000</u> |
| Total | \$659,242,549 |
| <i>Less:</i> | |
| October 2019 cut | \$ 44,420,368 |
| February 2020 cut | 53,307,552 |
| Elimination of enrolment expansion grant | <u>12,590,000</u> |
| Total cut | \$110,317,920 |
| Now left with | \$548,924,629 |
| Cut as a % | 16.73% |

Capital:

Dentistry/Pharmacy Functional Renewal of Building \$49.0M

District energy system \$ 4.9M

Infrastructure Maintenance Program (IMP) \$34.9M

Budget presented to APC on February 26 incorporated:

| | |
|-------------------------|----------------|
| October 2019 grant cut | \$44.4M |
| 5% additional grant cut | <u>\$30.1M</u> |
| Total grant cut | \$74.5M |
| Actual cut | \$110.3M |
| Differential | \$35.8M |

- **Operating:** represents the institution's general operations. The budget process focuses on the allocation of these funds
- **Ancillary:** stand-alone enterprises funded by their own revenues
- **Research:** subject to external restrictions, and can only be used for the purposes for which the funds were provided
- **Capital:** includes both restricted and unrestricted funding used for major capital/deferred maintenance projects
- **Special Purpose:** primarily related to the Academic Medicine and Health Sciences program, and annual endowment spending allocations from non-research related endowments

2020-21 Consolidated Budget (by fund) after

| (\$000's) | Ancillary | | | | Special | Total |
|---|------------------|----------------|----------------|-----------------|----------------|------------------|
| | Operating | Operations | Research | Capital | Purpose | |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 568,703 | - | 80,960 | 100,302 | 77,598 | 827,563 |
| Federal and other government grants | 21,159 | - | 167,609 | 19,269 | - | 208,037 |
| Student tuition and fees | 395,417 | - | - | - | - | 395,417 |
| Sales of services and products | 103,944 | 94,944 | 17,271 | - | 125 | 216,284 |
| Donations and other grants | 10,622 | - | 93,312 | 27,182 | 2,560 | 133,676 |
| Investment income | 15,000 | 1,276 | 48,279 | - | 20,964 | 85,519 |
| Total revenue | 1,114,845 | 96,220 | 407,431 | 146,753 | 101,247 | 1,866,496 |
| Expense | | | | | | |
| Salaries | 694,040 | 21,221 | 163,588 | - | 50,876 | 929,725 |
| Employee benefits | 160,464 | 5,156 | 27,472 | - | 13,929 | 207,021 |
| Materials, supplies and services | 103,454 | 26,060 | 131,409 | 9,096 | 20,847 | 290,866 |
| Scholarships and bursaries | 45,977 | 1 | 76,940 | - | 11,817 | 134,735 |
| Maintenance and repairs | 30,812 | 26,542 | 4,398 | 41,797 | 118 | 103,667 |
| Utilities | 45,221 | 6,090 | 360 | - | - | 51,671 |
| Amortization of tangible capital assets | 53,435 | 15,742 | - | 114,694 | - | 183,871 |
| Total expense | 1,133,403 | 100,812 | 404,167 | 165,587 | 97,587 | 1,901,556 |
| Annual operating surplus (deficit) | (18,558) | (4,592) | 3,264 | (18,834) | 3,660 | (35,060) |
| Impact of Future Benefit Liability | 924 | - | - | - | - | 924 |
| Annual operating surplus (deficit) | (17,634) | (4,592) | 3,264 | (18,834) | 3,660 | (34,136) |

University of Alberta Budget Overview of changes since Feb 26

2020-21 Consolidated Budget (by fund) (Updated)

| (\$000's) | Ancillary | | | | Special | Total |
|---|------------------|----------------|----------------|----------------|----------------|------------------|
| | Operating | Operations | Research | Capital | Purpose | |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 568,703 | - | 80,960 | 100,302 | 77,598 | 827,563 |
| Federal and other government grants | 21,159 | - | 167,609 | 19,269 | - | 208,037 |
| Student tuition and fees | 395,417 | - | - | - | - | 395,417 |
| Sales of services and products | 103,944 | 94,944 | 17,271 | - | 125 | 216,284 |
| Donations and other grants | 10,622 | - | 93,312 | 27,182 | 2,560 | 133,676 |
| Investment income | 20,000 | 1,276 | 48,279 | - | 20,964 | 90,519 |
| Total revenue | 1,119,845 | 96,220 | 407,431 | 146,753 | 101,247 | 1,871,496 |
| Expense | | | | | | |
| Salaries | 681,341 | 21,106 | 163,588 | - | 50,876 | 916,911 |
| Employee benefits | 152,464 | 5,127 | 27,472 | - | 13,929 | 198,992 |
| Materials, supplies and services | 103,454 | 25,869 | 131,409 | 6,871 | 20,847 | 288,450 |
| Scholarships and bursaries | 45,977 | 1 | 76,940 | - | 11,817 | 134,735 |
| Maintenance and repairs | 30,812 | 25,377 | 4,398 | 35,176 | 118 | 95,881 |
| Utilities | 45,221 | 6,090 | 360 | - | - | 51,671 |
| Amortization of tangible capital assets | 53,435 | 15,742 | - | 114,694 | - | 183,871 |
| Total expense | 1,112,704 | 99,312 | 404,167 | 156,741 | 97,587 | 1,870,511 |
| Annual operating surplus (deficit) | 7,141 | (3,092) | 3,264 | (9,988) | 3,660 | 985 |
| Impact of Future Benefit Liability | 924 | - | - | - | - | 924 |
| Annual operating surplus (deficit) | 8,065 | (3,092) | 3,264 | (9,988) | 3,660 | 1,909 |

- Starting with 4 metrics in 20-21; others phased in over following 2 years
- 15% at risk in 20-21; adjustments to be made in 21-22:
 - Total expenditures – weight 40%
 - Administrative expense ratio – weight 10%
 - Enrolment domestic – weight 25%
 - Enrolment Indigenous – weight 10%
 - Enrolment international – weight 5%
 - Sponsored research revenue (non-Alberta) – weight 10%
- Weights, targets and tolerances have variable negotiability

2020-21 Operating Budget (Updated)

| (\$000's) | 2018-19 | | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|------------------|------------------|------------------|--------|------------------|------------------|------------------|
| | Actual | Budget | Forecast | Budget | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | | |
| Government of Alberta grants | 679,812 | 679,517 | 634,969 | | 568,703 | 524,789 | 499,538 |
| Federal and other government grants | 19,504 | 20,157 | 20,764 | | 21,159 | 21,561 | 21,992 |
| Student tuition and fees | 353,280 | 359,053 | 364,799 | | 395,417 | 424,614 | 455,013 |
| Sales of services and products | 104,724 | 106,676 | 102,006 | | 103,944 | 105,919 | 108,038 |
| Donations and other grants | 10,334 | 10,759 | 10,424 | | 10,622 | 10,824 | 11,041 |
| Investment income | 36,878 | 15,000 | 15,000 | | 20,000 | 15,000 | 15,000 |
| Total revenue | 1,204,532 | 1,191,162 | 1,147,962 | | 1,119,845 | 1,102,707 | 1,110,622 |
| Expense | | | | | | | |
| Salaries | 701,822 | 720,496 | 700,709 | | 681,341 | 659,745 | 663,627 |
| Employee benefits | 139,944 | 151,718 | 162,236 | | 152,464 | 152,376 | 156,377 |
| Materials, supplies and services | 101,352 | 113,883 | 109,715 | | 103,454 | 103,441 | 103,571 |
| Scholarships and bursaries | 38,462 | 40,248 | 42,608 | | 45,977 | 50,907 | 53,777 |
| Maintenance and repairs | 34,667 | 37,186 | 32,769 | | 30,812 | 35,796 | 35,837 |
| Utilities | 40,957 | 42,792 | 41,966 | | 45,221 | 45,955 | 46,945 |
| Amortization of tangible capital assets | 39,607 | 51,008 | 53,048 | | 53,435 | 54,490 | 55,725 |
| Total expense | 1,096,811 | 1,157,331 | 1,143,051 | | 1,112,704 | 1,102,710 | 1,115,859 |
| Annual operating surplus (deficit) | 107,721 | 33,831 | 4,911 | | 7,141 | (3) | (5,237) |
| Impact of Future Benefit Liability | (19,424) | (26,233) | 2,211 | | 924 | (1,756) | (1,879) |
| Annual operating surplus (deficit) | 88,297 | 7,598 | 7,122 | | 8,065 | (1,759) | (7,116) |

Operating Budget Assumptions

| 2020-21 | 2021-22 | 2022-23 |
|---------|---------|---------|
|---------|---------|---------|

Revenue :

| | 2020-21 | 2021-22 | 2022-23 |
|--|--------------|--------------|--------------|
| Campus Alberta Grant | -10.7% | -8.0% | -5.0% |
| Domestic Tuition | 7% | 7% | 7% |
| Domestic Tuition (holdback of increase to be used for student support) | 15% | 15% | 15% |
| International Tuition (Existing students) | 4% | 4% | 4% |
| International Tuition (Program Based) | Custom | Custom | Custom |
| International Tuition (holdback of total tuition to be used for student support) | 7.55% | 7.55% | 7.55% |
| Mandatory Non-Instructional Fees | 2.67% | 2.67% | 2.67% |
| Investment Income | \$20 million | \$15 million | \$15 million |

| 2020-21 | 2021-22 | 2022-23 |
|---------|---------|---------|
|---------|---------|---------|

Expenditures:

| | 2020-21 | 2021-22 | 2022-23 |
|--|---------|---------|---------|
| ATB (NASA & AASUA) | TBN | TBN | TBN |
| Merit (NASA & AASUA) (based on one-step merit) | TBN | TBN | TBN |
| ATB (Graduate students and post-doctoral fellows) | TBN | TBN | TBN |
| Employee Benefits | Custom | Custom | Custom |
| Other Costs | 1.90% | 1.90% | 2.00% |

- For the 20-21 budget, overall the faculties were allocated \$65.6M of the operating grant cut.
- This was offset by additional revenues of \$21.1M distributed through new budget model.
- This resulted in an overall cut of \$44.5M being allocated to the faculties using the new budget model (3 year transition).
- This equates to -8.3%, on average, across the faculties.
- Range of cuts is from -0.96% to -15.54% among the faculties.

- Average cut for 20-21 was -12.8% Differential determination of cuts based upon:
 - Minimizing impact to teaching and research
 - What the unit needs to achieve in supporting the university's key priorities
 - Impact to university operations and service
 - The unit's ability to achieve cost savings
 - Level of carry forwards available to the units

- Hiring freeze
- Reductions in administrative staff
- Restriction of travel and hosting costs
- Vacate leased space
- Re-examine supplier contracts for savings
- Reduce cleaning to minimum required standards
- Defer energy management program investments for 20-21
- Libraries to close one or more locations
- Academic efficiencies (cut low enrolment programs)

- Major administrative process restructuring – accelerating the Service Excellence Transformation initiative
- Major academic restructuring
- What can help us in the near term and longer term?
 - seeking exclusion of severance costs from the requirement for a balanced budget

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|-----------------|---------------|---------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | - | - | - | - | - | - |
| Federal and other government grants | - | - | - | - | - | - |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | 91,476 | 94,838 | 93,646 | 94,944 | 100,996 | 104,925 |
| Donations and other grants | 10 | - | - | - | - | - |
| Investment income | 14 | - | 1,529 | 1,276 | 512 | 24 |
| Total revenue | 91,500 | 94,838 | 95,175 | 96,220 | 101,508 | 104,949 |
| Expense | | | | | | |
| Salaries | 20,610 | 20,063 | 20,397 | 21,106 | 21,683 | 21,801 |
| Employee benefits | 4,503 | 4,352 | 4,778 | 5,127 | 5,415 | 5,594 |
| Materials, supplies and services | 29,190 | 23,470 | 23,216 | 25,869 | 27,128 | 27,355 |
| Scholarships and bursaries | - | - | - | 1 | 1 | 1 |
| Maintenance and repairs | 21,726 | 24,999 | 23,615 | 25,377 | 26,441 | 26,714 |
| Utilities | 5,525 | 6,956 | 6,583 | 6,090 | 5,755 | 5,869 |
| Amortization of tangible capital assets | 20,829 | 10,534 | 15,516 | 15,742 | 15,722 | 15,702 |
| Total expense | 102,383 | 90,374 | 94,105 | 99,312 | 102,145 | 103,036 |
| Annual operating surplus (deficit) | (10,883) | 4,464 | 1,070 | (3,092) | (637) | 1,913 |

2020-21 Research Budget (Unchanged)

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 108,137 | 120,996 | 83,670 | 80,960 | 81,692 | 82,426 |
| Federal and other government grants | 172,154 | 155,969 | 164,557 | 167,609 | 169,122 | 170,642 |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | 17,271 | 14,181 | 17,271 | 17,271 | 17,271 | 17,271 |
| Donations and other grants | 96,281 | 86,791 | 91,705 | 93,312 | 94,108 | 94,908 |
| Investment income | 38,746 | 48,952 | 46,227 | 48,279 | 49,531 | 50,853 |
| Total revenue | 432,589 | 426,889 | 403,430 | 407,431 | 411,724 | 416,100 |
| Expense | | | | | | |
| Salaries | 163,588 | 183,216 | 163,588 | 163,588 | 163,588 | 163,588 |
| Employee benefits | 27,472 | 28,621 | 27,472 | 27,472 | 27,472 | 27,472 |
| Materials, supplies and services | 126,554 | 136,403 | 128,958 | 131,409 | 134,037 | 136,718 |
| Scholarships and bursaries | 74,098 | 79,412 | 75,506 | 76,940 | 78,479 | 80,049 |
| Maintenance and repairs | 4,235 | 4,159 | 4,315 | 4,398 | 4,486 | 4,575 |
| Utilities | 347 | 426 | 354 | 360 | 368 | 375 |
| Amortization of tangible capital assets | - | - | - | - | - | - |
| Total expense | 396,294 | 432,237 | 400,193 | 404,167 | 408,430 | 412,777 |
| Annual operating surplus (deficit) | 36,295 | (5,348) | 3,237 | 3,264 | 3,294 | 3,323 |

Capital Budget: Revenue

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|-----------------|----------------|-----------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 87,738 | 111,122 | 88,432 | 100,302 | 103,291 | 99,910 |
| Federal and other government grants | 18,242 | 20,139 | 19,487 | 19,269 | 19,486 | 19,701 |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | - | - | - | - | - | - |
| Donations and other grants | 26,664 | 26,208 | 27,502 | 27,182 | 27,489 | 27,792 |
| Investment income | 1,078 | - | - | - | - | - |
| Total revenue | 133,722 | 157,469 | 135,421 | 146,753 | 150,266 | 147,403 |
| Expense | | | | | | |
| Salaries | - | - | - | - | - | - |
| Employee benefits | - | - | - | - | - | - |
| Materials, supplies and services | 3,361 | 3,609 | 2,909 | 6,871 | 4,250 | 2,808 |
| Scholarships and bursaries | - | - | - | - | - | - |
| Maintenance and repairs | 32,897 | 40,618 | 46,174 | 35,176 | 36,034 | 29,716 |
| Utilities | - | - | - | - | - | - |
| Amortization of tangible capital assets | 111,570 | 116,411 | 115,993 | 114,694 | 115,986 | 117,266 |
| Total expense | 147,828 | 160,638 | 165,076 | 156,741 | 156,270 | 149,790 |
| Annual operating surplus (deficit) | (14,106) | (3,169) | (29,655) | (9,988) | (6,004) | (2,387) |

| (\$000's) | 2018-19 | 2019-20 | | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|---------------|----------------|----------------|----------------|
| | Actual | Budget | Forecast | Budget | Projection | Projection |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 70,956 | 71,451 | 75,958 | 77,598 | 77,356 | 77,106 |
| Federal and other government grants | - | - | - | - | - | - |
| Student tuition and fees | - | - | - | - | - | - |
| Sales of services and products | 963 | 233 | 124 | 125 | 125 | 125 |
| Donations and other grants | 13,463 | 14,303 | 2,448 | 2,560 | 2,679 | 2,805 |
| Investment income | 17,773 | 20,730 | 20,067 | 20,964 | 21,512 | 22,090 |
| Total revenue | 103,155 | 106,717 | 98,597 | 101,247 | 101,672 | 102,126 |
| Expense | | | | | | |
| Salaries | 56,665 | 52,576 | 48,898 | 50,876 | 50,925 | 50,976 |
| Employee benefits | 12,867 | 14,384 | 13,389 | 13,929 | 13,933 | 13,937 |
| Materials, supplies and services | 16,351 | 21,223 | 21,090 | 20,847 | 20,964 | 21,086 |
| Scholarships and bursaries | 12,916 | 10,464 | 11,341 | 11,817 | 12,164 | 12,531 |
| Maintenance and repairs | 95 | 99 | 128 | 118 | 118 | 119 |
| Utilities | - | - | - | - | - | - |
| Amortization of tangible capital assets | - | - | - | - | - | - |
| Total expense | 98,894 | 98,746 | 94,846 | 97,587 | 98,104 | 98,649 |
| Annual operating surplus (deficit) | 4,261 | 7,971 | 3,751 | 3,660 | 3,568 | 3,477 |

2020-21 Consolidated Budget (by fund) (Updated)

| (\$000's) | Ancillary | | | | Special | Total |
|---|------------------|----------------|----------------|----------------|----------------|------------------|
| | Operating | Operations | Research | Capital | Purpose | |
| Revenue (including deferrals) | | | | | | |
| Government of Alberta grants | 568,703 | - | 80,960 | 100,302 | 77,598 | 827,563 |
| Federal and other government grants | 21,159 | - | 167,609 | 19,269 | - | 208,037 |
| Student tuition and fees | 395,417 | - | - | - | - | 395,417 |
| Sales of services and products | 103,944 | 94,944 | 17,271 | - | 125 | 216,284 |
| Donations and other grants | 10,622 | - | 93,312 | 27,182 | 2,560 | 133,676 |
| Investment income | 20,000 | 1,276 | 48,279 | - | 20,964 | 90,519 |
| Total revenue | 1,119,845 | 96,220 | 407,431 | 146,753 | 101,247 | 1,871,496 |
| Expense | | | | | | |
| Salaries | 681,341 | 21,106 | 163,588 | - | 50,876 | 916,911 |
| Employee benefits | 152,464 | 5,127 | 27,472 | - | 13,929 | 198,992 |
| Materials, supplies and services | 103,454 | 25,869 | 131,409 | 6,871 | 20,847 | 288,450 |
| Scholarships and bursaries | 45,977 | 1 | 76,940 | - | 11,817 | 134,735 |
| Maintenance and repairs | 30,812 | 25,377 | 4,398 | 35,176 | 118 | 95,881 |
| Utilities | 45,221 | 6,090 | 360 | - | - | 51,671 |
| Amortization of tangible capital assets | 53,435 | 15,742 | - | 114,694 | - | 183,871 |
| Total expense | 1,112,704 | 99,312 | 404,167 | 156,741 | 97,587 | 1,870,511 |
| Annual operating surplus (deficit) | 7,141 | (3,092) | 3,264 | (9,988) | 3,660 | 985 |
| Impact of Future Benefit Liability | 924 | - | - | - | - | 924 |
| Annual operating surplus (deficit) | 8,065 | (3,092) | 3,264 | (9,988) | 3,660 | 1,909 |

2019-20 – budget related job losses – preliminary numbers

Retirements net of replacements 70

Attrition 110

Layoffs 220

Total job losses 400

2020-21 – budget related job losses – preliminary numbers

IF SEVERANCE COSTS CANNOT BE DEFICIT FINANCED

| | |
|------------------------------------|------------|
| Retirements net of replacements | 70 |
| Attrition | 0 |
| Layoffs required to balance budget | <u>565</u> |
| Total job losses | 635 |

Differential: 265 jobs could be saved in 2020-21 if severance costs can be deficit financed.

- Worsening economic picture – COVID 19 has triggered an economic downturn. Length? Severity?
- Equity markets trending down and very volatile – impacts endowed and non-endowed funds returns and pension liabilities
- Potential COVID-19 impacts:
 - September 2020 enrolment, especially for international students
 - Ability to maintain teaching and research activities

- Campus Alberta Grant funding – 15% (\$82.3M) at risk related to performance metrics in 2020-21.
- Speed and size of funding cuts results in speed and size of job cuts. Expect fractures in processes and service.
- Ability to maintain research productivity with the reality of fewer people.
- Economic impact to individual members of our university community, our local community, and local partners.

Questions?