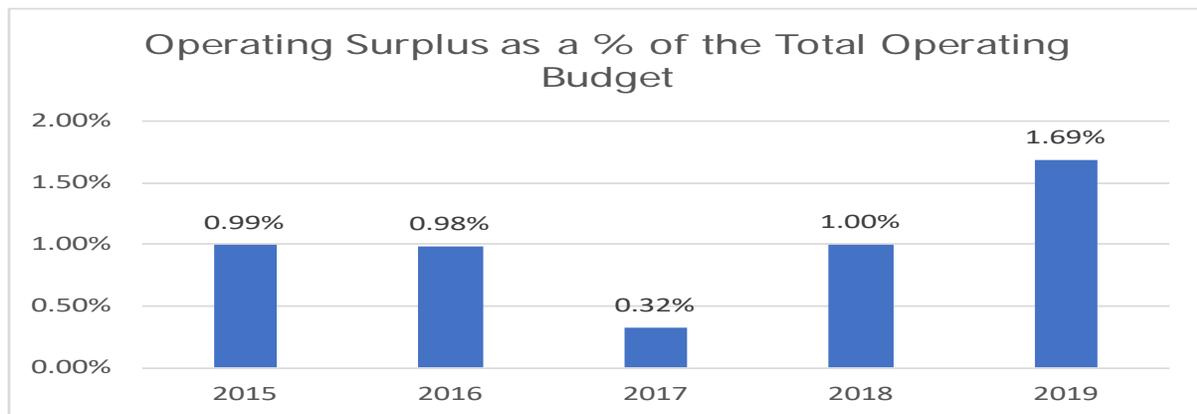
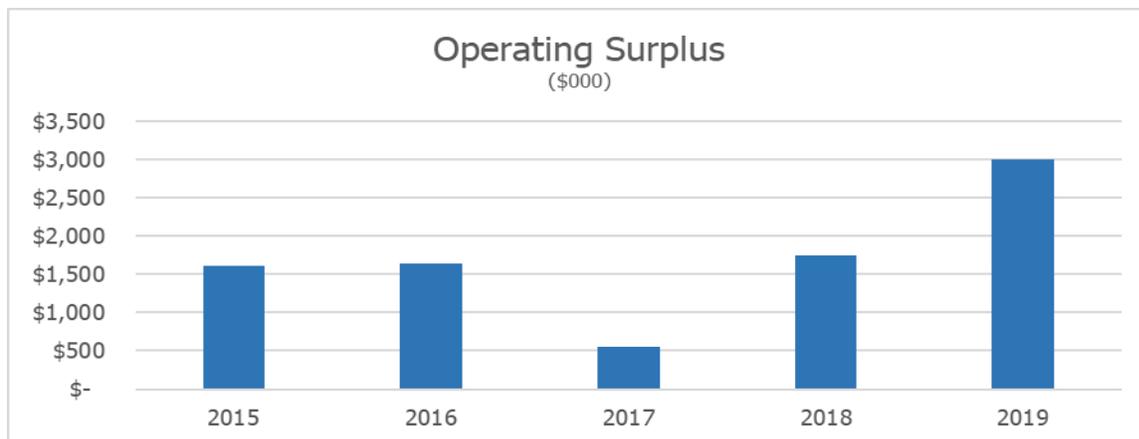


## OPERATING SURPLUSES

The University’s annual operating surplus, which is the excess of revenue over expense, is shown on the Statement of Operations in the audited [Financial Statements](#). Annual operating surpluses are generally not on-going since they are the result of events or circumstances which occur in a fiscal year which are not anticipated to happen in future years. Typically, the University’s annual operating surpluses are attributed to savings in employee position funds as a result of the length of time taken to fill budgeted positions, fluctuations in investment income beyond anticipated returns, fluctuations in the US dollar exchange rate and cost controls in the areas of materials and services. A one-time surplus may also be realized if there is a time delay between when an initial program grant is received and when the costs are incurred due to the time needed to recruit faculty and staff and establish the infrastructure required for the new program.

As mandated by the *Post-secondary Learning Act*, the University presents a balanced budget each year for approval by the Board of Governors. It is not unusual to experience variations in the annual operating surplus year over year due to unanticipated fluctuations in revenue or expenses. For example, in 2019 the University recognized in its financial statements a decrease in employee future benefits liabilities as a result of a reduction in the Universities Academic Pension Plan (UAPP) costs of \$4.3 million, thus increasing its operating surplus by \$4.3 million, although the \$4.3 million was an adjustment to its liabilities but these funds are not available to the University to fund its operations.



Note: Non-Cash adjustments to Operating Surplus in above charts

- 2016 operating surplus shown is after a reduction of the reinvested investment income recognized in the University's operating statement (\$12.5 million).
- 2019 operating surplus shown is after a reduction of the adjustment to the UAPP employee future benefits liabilities recognized in the University's operating statement (\$4.3 million).

The above charts identify the narrow margin of the University's annual operating surpluses. This reflects the contracting budget margins in each of the budget units within the University.

Operating surpluses typically are a result of one-time savings that occurred in the fiscal year and thus they are not available to reduce any continuing operating budget reductions that may be required to balance future years' budgets.

Overall, it is useful to keep in mind that the annual operating budget surpluses do not represent a substantial percentage of the total annual operating budget.

### How are surpluses considered when developing the University budget?

If a surplus is the result of an increase in revenue or a reduction in an expense that will be on-going and continuing into future years, the value of that surplus can be used to offset any required future budget reductions.

If the surplus is a result of a one-time event that is not anticipated to be repeated, then that surplus cannot be used to balance any future budgets. A related example of a one-time event is the \$400 bonus cheques that were distributed to each Albertan in 2006 from the Provincial surpluses. This was a one-time income increase for all Albertans but not one that could be counted on in future years and thus individuals should not have increased their on-going spending as a result of this "windfall cheque".

### What does the University do with its operating surpluses?

If there is an annual University operating surplus, it normally would be used to address University strategic priority projects e.g., Science Commons Project (the new science and academic building), the information systems revitalization project, student residence construction or essential maintenance, faculty research start-up costs, pilot projects for program expansion and new programs, and student recruitment and retention strategies. Proposed expenditures from operating surpluses are made in alignment with the University's Strategic Plan and are recommended by the [Budget Advisory Committee](#) to the Board of Governors for approval following input from both the University Strategic Planning Committee and General Faculties Council.

It is important to emphasize that operating surpluses/reserves are funds that are available only on a one-time basis and that they would not provide funds to cover on-going or continuing deficits that exist in the University's operating budget. Similar to a personal savings account, these funds may serve as an important cushion to cover one-off expenses in the case of an emergency or an unanticipated need for cash. Just like your savings account these funds are not automatically replenished annually.