

2020-21 OPERATING BUDGET GUIDELINES and ASSUMPTIONS

Revenues and expenses fluctuate year to year, but in order to formulate the University's budget certain assumptions must be made. The 2020/21 budget formulation process started in September 2019 so, inherently, estimates for revenue and expenses must be made for the fiscal year April 2020 to March 2021. In making these assumptions, the Budget Advisory Committee has adopted a conservative approach to ensure that any variations from these assumptions will still allow for sufficient resources to provide for a balanced budget.

BUDGET MODEL GUIDELINES

- i. All grant and tuition revenue are held centrally and allocations to budget units are recommended by the Budget Advisory Committee for final approval by the Board of Governors.
- ii. External sales will remain within the budget units.
- iii. Inter-department charges are only allowed if services are supplemental to the core services provided by the department.
- iv. All fixed (non-discretionary) costs are funded centrally prior to base level operating expense budget allocations (e.g. insurance, utilities).
- v. Base level operating expense budget lines (includes materials and services, phone, travel) will remain at a maximum of 5% of the average salary expense in each budget unit.
- vi. Budget allowances for expenditures above the base level operating expenses are reviewed and funded if deemed essential (e.g. internal research awards, teaching development, recruitment travel).
- vii. All compensation (salary and benefits) adjustments are funded centrally.
- viii. Position funds (funding for vacant continuing faculty and support staff positions and from position replacement differential savings) are centralized into 6 funds:
 - President
 - Provost & Vice-President (Academic) – Faculties
 - Provost & Vice-President (Academic) – Academic Support
 - Vice-President (Finance and Administration)
 - Vice-President (Research)
 - Vice-President (Advancement)

The following are the 2020-21 forecast budget assumptions and budget sensitivities:

Revenue Assumptions

- i. The Provincial operating grant has decreased by 6.6% (\$6.69 million) from the 2019/20 level.
- ii. For the 2020/21, 2021/22 and 2022/23 academic years, increases to the average tuition fees per domestic student are capped at 7 per cent per year. Individual program increases must not exceed 10% increase over the previous year.
- iii. Tuition Fee revenue projections will increase by approximately \$6.9 million as a result of changes to the Alberta Tuition Framework effective for the 2020/21 academic year. Revenue will increase \$5.1 million from student tuition fees, and \$1.1 million from graduate program fees for 2020/21. Other cost recovery adjustments total \$720 thousand.

The 2020/21 undergraduate credit hour projections are conservative estimates for the purpose of projecting undergraduate tuition revenue and therefore excludes student withdrawals from classes where no refunds are credited to the students. The 2019/20 actual are the final number of credit hours and therefore incorporate the adjustment for student withdrawals. The 2020/21 undergraduate credit hours have not been adjusted for the impact of COVID-19 since the impact is indeterminable at this point and the University will be required to make in-year budget adjustments, such as cancelling classes with low enrolment, to accommodate these changes.

CREDIT HOURS (Undergraduate)

	Budgeted 2019-20	Actual 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
All Faculties	197,531	188,239	203,567	203,567	203,567

- iv. Investment income budget will remain constant at \$4.25 million. The 2019/20 actual operating realized investment income was \$7.36 million however this amount is anticipated to decrease in 2020/21 since substantial funds were redeemed from investments in 2019/20 to provide cash flow for the Science Commons building project as the construction project was ahead of schedule and the grant payments from the Government of Alberta did not align with the payments schedule to contractors. The redeemed investments were also used to pay for the University’s internal contributions to the construction of the Science Commons building.

As per the University’s [Investment Management Policy](#) the investment portfolio has been diversified to mitigate risks against down turns in the markets. It is anticipated that the downturn in the market because of the COVID-19 pandemic will not have a significant impact on the 2020/21 fiscal year budget since it is anticipated that the University currently has sufficient cash flow to avoid redemption of additional investments. This will allow time for the assumed temporary decline in the market to recover prior to any requirement to redeem addition funds for cash flow purposes.

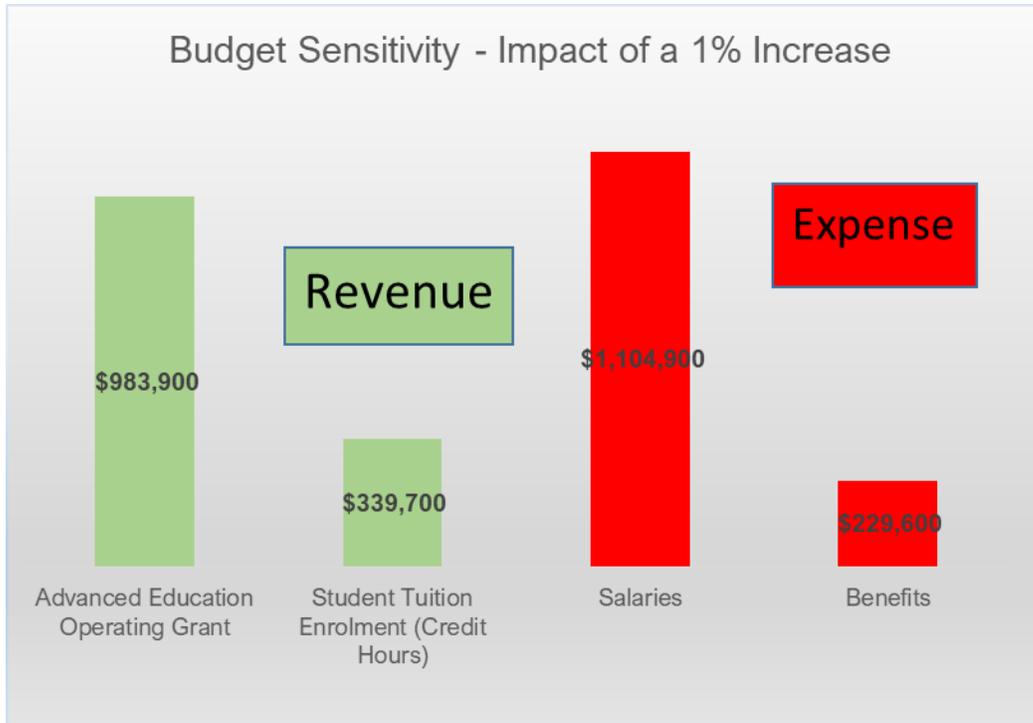
- v. Ancillary Services and Campus Mobility units operate on a financially self-sustaining model. Ancillary Services contributes annually \$1.5 million and Campus Mobility contributes \$700 thousand towards the operating budget.

Expense Assumptions

- i. Salary and benefit changes have been applied based on collective agreement terms and other anticipated salary and benefit adjustments. Senior administration, Administrative Professional Officers (APO's), Excluded Professionals, and Exempt Support Staff (ESS) employee groups remain on a compensation freeze until March 31, 2021, as mandated by the Provincial Government. The salary restraint for these employee groups has been in place since April 1, 2016.
- ii. Information Technology (IT) maintenance and site license contracts are projected to increase by 7.3% in 2020/21. The 2020/21 projections are based on a combination of contract price increases and new maintenance and site licenses, offset by concerted efforts to not renew or to negotiate more favourable terms for the University in existing site licenses.
- iii. The Utilities budget will increase by 39.5% in 2020/21, approximately \$1.56 million. This increase is primarily due to an increase in both consumption due to the new Science Commons building, and prices of natural gas and electricity. The Provincial Government cancelled the Alberta carbon levy in June 2019 but starting in January 2020 the federal carbon levy was imposed on the province. The province is awaiting a decision from its court challenge of the levy and in the meantime, Alberta joins other provinces that refused to impose a carbon price. The Alberta Court of Appeal has deemed the federal carbon tax to be unconstitutional, however this matter will now proceed to the Supreme Court. The financial impact is therefore unknown, and no budget allowance has been accounted for in the 2020/21 budget.
- iv. Insurance premiums, Workers Compensation Board premiums and investment manager fees assumptions have not been changed since these assumptions were updated in the 2019/20 revised budget approved by the Board in December 2019.

Budget Sensitivities

The Budget Advisory Committee has adopted a conservative approach to projecting the budget assumptions; however, there is a risk that the actuals will vary substantially from budget especially in 2020/21 due to the impacts of COVID-19. The chart below demonstrates the impact of a 1% variance increase from budget.



As per the *Post-secondary Learning Act (PSLA)*, Section 78(3) the University may not submit a budget to the Provincial Government in which consolidated operating expense exceeds consolidated operating revenue unless the Board of Governors has the approval of the Minister of Advanced Education to do so.