

2016-17 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 budget formulation process starts at least six months in advance of the new budget year so, inherently, estimates for revenue and expenses must be made. 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 will be 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 provided exceed the "base level service."
- iv. All fixed costs (e.g. insurance, utilities) are funded centrally prior to base level operating expense budget allocations.
- v. Base level operating expense budget lines (includes materials and services, phone, travel) will remain at 5% of the average salary expense in each budget unit (same as 2015-16 levels).
- vi. Budget allowances for expenditures above the base level operating expenses will be reviewed and funded if deemed essential (e.g. internal research awards, teaching development, recruitment travel, etc.).
- vii. Essential and indispensable employment positions will be funded.
- viii. Pooled salary funds, such as sessional lecturers, student salaries, scholarships and other part-time salaries, will remain funded at 2015/16 levels.
- ix. All compensation adjustments (i.e. salary and benefits) will be funded centrally.
- x. Position funds (funding for vacant continuing faculty and staff positions) will be 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 2016-17 forecast budget assumptions and budget sensitivities:

Revenue Assumptions

- i. Campus Alberta Grant will be increased by 2.0% (approximately \$2 million increase).

Note that the projected 2% Campus Alberta grant increase for 2016-17 is based on the June 2015 provincial government budget announcement but the 2016-17 grant increase will not be confirmed until the Provincial budget is announced in Spring 2016.

- ii. Tuition Fee rates and mandatory non-instructional fees will remain at 2014-15 rates (\$0 change), as per Provincial Government regulations.
- iii. Tuition Fee revenue will increase by increased credit hour projections (approximately \$2 million increase).

| | Actual 2013- 14 | Actual 2014- 15 | Budgeted 2015-16 | Propose d 2016-17 |
|--------------------------|-----------------------|-----------------------|---------------------|-------------------------|
| All Faculties | 185,539 | 183,228 | 183,563 | 190,050 |

- iv. Investment income budget increased by \$1 million to \$5 million.
- v. Ancillary Services operates on a cost recovery basis and therefore reimburses the operating budget for central services from Financial Services, Human Resources, Information Technology and Facilities. Annually, Ancillary Services contributes \$340,000 towards the central services and Parking Services contributes \$465,000 for central services.

It is important to understand that the percentage increase in the Campus Alberta Grant does not equate to a similar increase in the total budget of the University. The Campus Alberta Grant comprises approximately 65% of the University's operating budget revenue and therefore a 2.0% Campus Alberta Grant increase equates to a 1.25% increase in the operating budget revenue (approximately \$2 million).

Expense Assumptions

- i. Changes to salary adjustments, merit and benefit costs will be based on contract negotiations. A 1% increase in negotiated salary settlements equates to approximately \$1 million and a 1% increase in employee benefits equates to approximately \$200,000.
- ii. Pension plan premiums will increase on July 1, 2016 by 1.39% (\$136,000) for the Universities Academic Pension Plan (UAPP).
- iii. Information Technology contracts will be increased by 34% (\$374,000), with a majority of this increase due to the US dollar exchange rate.



BUDGET BRIEF CONTEXT FOR 2016-17 BUDGET

- iv. Utilities are projected to decrease by 2% (\$72,000) in 2016-17 due to hedging and previously negotiated utility contracts. It is unknown at this time the impact of the new Provincial carbon tax or the impact of the depressed energy section on future utility costs for the University. A \$1/gigajoule increase in natural gas equates to \$150,000 increase in utility costs.
- v. Insurance premiums will increase by 5% (\$40,000).
- vi. Library acquisitions will be increased by \$300,000 due to the significant impact of the increased US dollar exchange rate.

As per the *Post-secondary Learning Act (PSLA)*, Section 78(3) the University may not submit a budget 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.

It is projected that the University will be facing budget deficits in the next 2 years, with a cumulative reduction of \$3.6 million required in order to present a balanced budget. A 1% operating budget reduction equates to \$1.6 million. All reductions required will be made in the context of our budget process and budget values.