

## 2019-20 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 2019-20 budget formulation process started in September 2018 so, inherently, estimates for revenue and expenses must be made for the fiscal year April 2019 to March 2020. 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 revenues remain within the budget units.
- iii. Inter-department charges are only allowed if services provided exceed the "base level service" expected by the service delivery unit.
- 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) are budgeted at 5% of the average salary expense in each budget unit.
- vi. Budget allowances for expenditures above the base level operating expenses are reviewed annually 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 staff positions) are centralized into 6 pools:
  - 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 2019-20 forecast budget assumptions and budget sensitivities:

### Revenue Assumptions

- i. The Campus Alberta Grant will remain at the same level as 2018-19. With the significant challenges in the Alberta economy, in particular the continued low price of oil, it is not anticipated that our Campus Alberta Grant will be increased in 2019-20.
- ii. Tuition Fee rates and mandatory non-instructional fees will remain at 2014-15 rates (\$0 change), as per Provincial Government regulations.

## BUDGET BRIEF CONTEXT FOR 2019-20 BUDGET

- iii. Tuition Fee revenue is expected to remain at the same level as 2018-19. This assumption is based on the freeze in tuition fees continuing for 2019-20 and no expected increase in the number of credit hours being taught.

### CREDIT HOURS

	Budgeted 2017-18	Actual 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
<b>All Faculties</b>	201,956	192,504	197,531	197,531	197,531

- iv. Investment income budget will remain at \$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 \$200,000 and Parking Services contributes \$485,000 towards the operating budget.

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

### Expense Assumptions

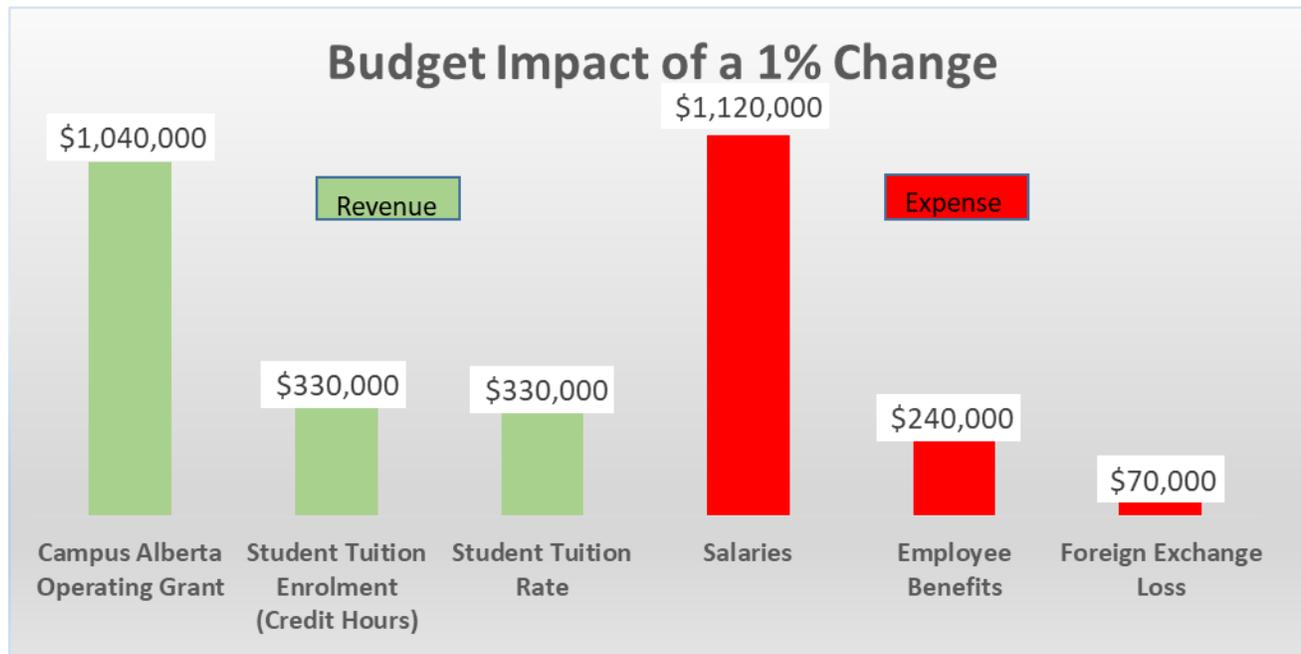
- i. Changes to salary adjustments, merit and benefit costs will be based on contract negotiations. A 1% increase in negotiated salary settlements equates to approximately \$1.12 million and a 1% increase in employee benefits equates to approximately \$240,000.
- ii. Information Technology contracts are expected to increase by 7% in 2019-20 over 2018-19. This expense is also expected to continue to increase in future years due to the increase of reliance on technology to support the operations and the high percentage of contracts that are payable in US dollars.
- iii. The Utilities budget is likely to increase by 10% (\$479,000) in 2019-20, primarily as a result of the provincial carbon levy and the opening of the new science and academic building.
- iv. Insurance premiums will increase by 8% (\$73,000) in 2019-20.
- v. Workers Compensation Board (WCB) premiums will decrease by 27% (\$129,100) due to a positive reduction in claims history.
- vi. Investment manager fees will increase by 2% (\$15,000) since the investment asset mix was rebalanced and there was a change in the number and allocation of funding between the investment managers. These changes have had a positive impact on the market value of the investment portfolio.

**BUDGET BRIEF**  
**CONTEXT FOR 2019-20 BUDGET**

- vii. The University purchases a significant amount of goods and services in US dollars (approximately \$4 million annually), so fluctuations in the exchange rate have a significant impact on the budget. A 1% increase in the foreign exchange would increase expenses by \$70,000.

**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. The following figure demonstrates the dollar impact of a 1% variance 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.