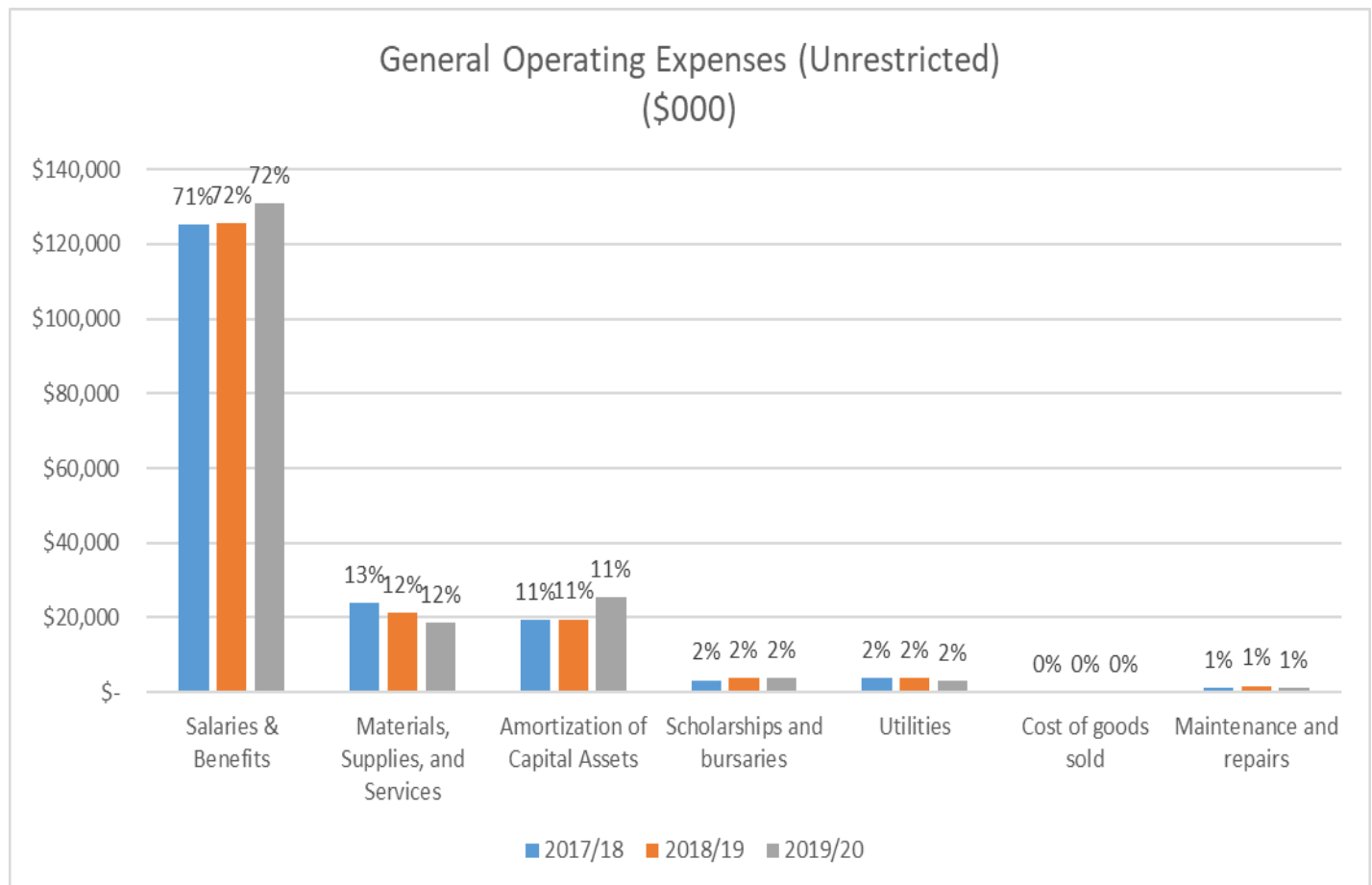


OPERATING EXPENSES

The University presents a consolidated budget, comprised of unrestricted and restricted funds, to the Board of Governors for approval. The [Budget Advisory Committee \(BAC\)](#) focuses on the general operating fund budget as, generally, the budgets for the other funds are dictated by external granting agency conditions. The difference between unrestricted funds and restricted funds is that the University has more flexibility in how it spends unrestricted funds, but can only spend restricted funds in ways that are allowed by the external agencies, donors and organisations that contributed the funds to the University. The “[Operating Vs Restricted Budgets](#)” Budget Brief describes the various funds that comprise the consolidated budget.

This Budget Brief focuses on expenses in the general operating fund, which is the largest fund in the consolidated budget, and is an unrestricted fund. General operating funds are used to pay for the operating expenses of the University. The major expenditure line items include employee compensation costs, materials and services, facilities operations, and scholarships.

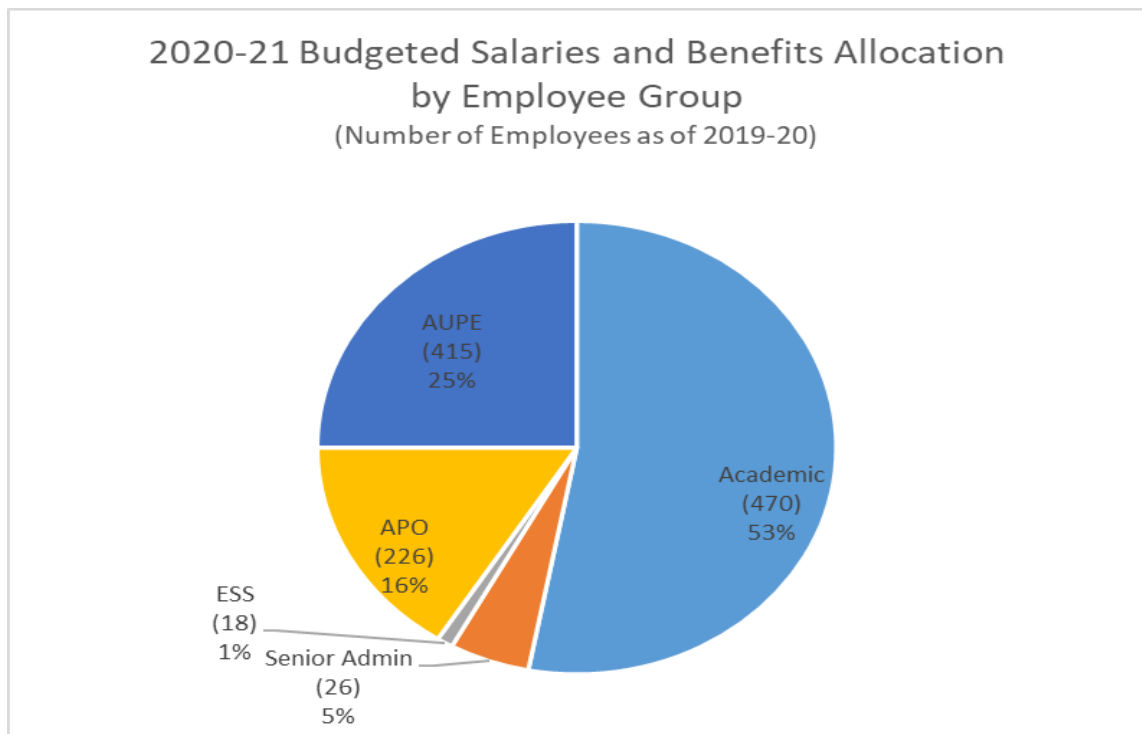


Salaries and Employee Benefits

Salaries and benefits are the most notable expenditure component of the general operating fund, comprising approximately 81.5% (\$134 million) of the general operating expenses in 2020/21. Despite planning in advance to address decreased operating revenues and utilizing several different strategies a reduction in work force was inevitable starting in February 2020. The University eliminated 19 positions to balance the 2019/20 budget plus an additional 60 positions so far for the 2020/21 budget (6.8% of the continuing staff) which is a combination of resignations, retirements and, regrettably, position terminations.

Whilst it is recognized that freezing compensation for non-bargaining staff has controlled some compensation costs, it is important to note that the University has five employee groups and that non-bargaining groups, of which there are three, account for only 22% of the total compensation costs paid by the University.

	Number of Employees (as of 2019-20)	% of Total Compensation Dollars
University of Lethbridge Faculty Association (ULFA)	470	53%
Alberta Union of Provincial Employees (AUPE)	415	25%
Administrative Professional Officers (APO)	226	16%
Exempt Support Staff (ESS)	18	1%
Senior Administration*	26	5%



Materials, Supplies, and Services

This category includes supplies used for administrative purposes (i.e. office supplies), instructional supplies and teaching aids, janitorial and cleaning supplies, telecommunications, employee training and development, employee recruitment, equipment, travel, professional fees, insurance, and property taxes.

Expenses for materials, supplies and services have increased over the past three years. A primary reason for this increase is additional external contracts related to the new science and academic building (Science Commons). Additionally, many contracts for IT software and services are in US dollars, and have increased significantly over the past several years as value of the Canadian dollar decreased with respect to the US dollar. IT maintenance and site license contracts are projected to increase by 7.3% in 2020/21, 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.

Amortization of Capital Assets

This expense recognizes the use of capital assets by reducing the value of each capital asset, including buildings, equipment, software, vehicles, and learning resources, by prorating its cost over a period of years (each asset's useful life).

Scholarships and Bursaries

While many scholarships and bursaries are funded from restricted funds and endowments, the University also supports its students through scholarships and bursaries that are funded through general operating funds. The University is committed to supporting students and maintaining access.

Utilities

Utilities expenses include charges for domestic water and sewage consumption, electrical power consumption, and natural gas consumption. The University works to minimize utility costs by building sustainable facilities that are better for the environment and at the same time minimize the amount of ongoing maintenance and operating costs to the University. Four buildings at the University hold Silver LEED (Leadership in Energy and Environmental Design) status: the 1st Choice Savings Centre for Sport & Wellness, the Alberta Water and Environmental Science Building, Markin Hall, and the Science Commons.

The University also uses energy supply contracts to provide, fixed, competitive electrical supply rates. Utilities costs generally increase year over year as utility prices rise. The University anticipates that the utilities budget for 2020/21 will increase by 39.5%, or approximately \$1.56 million, primarily due to both an increase in consumption due to the new Science Commons building, and prices of natural gas and electricity. Even though the Science Commons building uses the latest technology and the most environmentally friendly equipment to reduce the operating costs and carbon footprint, there is still a significant increase in utility consumption associated with operating such a large building (38,430 m²), which is approximately 93% of the size of University Hall.



BUDGET BRIEF CONTEXT FOR 2020-21 BUDGET

Cost of Goods Sold

This category includes expenses related to purchasing items that will subsequently be resold, such as items sold in the bookstore, and through Sport and Recreation Services, as well as supplies used by Printing Services.

Maintenance and Repairs

The expenses in this category relate to maintenance and renewal of facilities that house teaching, research, administrative and common areas within the University. These expenses include facilities administration, building maintenance, custodial services, grounds keeping, as well as major repairs and maintenance. These expenses include payments to external vendors for costs relating to repairing and maintaining machinery and equipment, repairs and upkeep costs to University vehicles, and general repairs and maintenance costs of University buildings. The completion of the Science Commons building also contributed to an increase in expenses in this category in 2018/19, as the building incurred staffing expenses and other one-time start-up costs such as contracts and equipment.