

## 2021-22 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 2021/22 budget formulation process started in fall 2020 so, inherently, estimates for revenue and expenses must be made for the fiscal year April 2021 to March 2022. In making these assumptions, the Budget Advisory Committee has adopted a conservative approach to ensure that any deviations from these assumptions will still allow for sufficient resources to provide for a balanced budget.

For 2021/22 there is an increased level of uncertainty associated with the impact of the COVID-19 pandemic on domestic and international enrolments, other miscellaneous revenue, Ancillary Services operations, expenditures associated with transitioning to robust delivery models, and the workforce required for ongoing services. The financial impact of COVID-19 will be accounted for using one-time funding and has not been included in the 2021/22 consolidated budget.

The University is required by the [Post-secondary Learning Act](#) (PSLA) to achieve a balanced budget in the upcoming three years and therefore cannot submit or approve deficit budgets. Given this, budget reductions or increases in revenue are required whenever expenditure projections of the University exceed revenue projections.

### BUDGET MODEL PRINCIPLES

- i. All grant and tuition revenue will be held centrally, and allocations and reductions to budget units are recommended by the Budget Advisory Committee.
- 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, IT service agreements).
- 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 adjustments (salary and benefits) will be funded centrally.
- viii. Position funds (funding for vacant continuing faculty and support staff positions and from position replacement differential savings) will be centralized into six 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 2021-22 forecast budget assumptions and budget sensitivities:

### Revenue Assumptions

- i. **Operating Grant** - The operating grant has decreased by 5.8% (\$5.7 million) from the 2020/21 level.
- ii. **Tuition Fees**
  - **Tuition Rate** - For the 2021/22 and 2022/23 academic years, it is assumed that the University will increase the average tuition fees per domestic student by the maximum 7% per year. Beginning in the 2023-24 academic year, average increases for domestic students will be capped at the percentage annual change in the Alberta Consumer Price Index (CPI) which is assumed to be 2.5%. The budget assumptions do not include an overall increase to graduate tuition fee increase since analysis needs to be completed on comparative programs before tuition fee rate increases are proposed.
  - **Enrolment** - The 2021/22 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 2020/21 actual are the final number of credit hours and therefore incorporate the adjustment for student withdrawals and the impact of COVID-19. The 2021/22 undergraduate credit hours have been adjusted for the anticipated impact of COVID-19. The University is planning to reopen our physical campus in Fall 2021, while ensuring the health and safety of our campus community and in adherence with evidence based public health directives.

#### CREDIT HOURS (Undergraduate)

	Budgeted 2020-21	Actual 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24
<b>All Faculties</b>	203,567	199,760	2,190,583	198,385	201,560

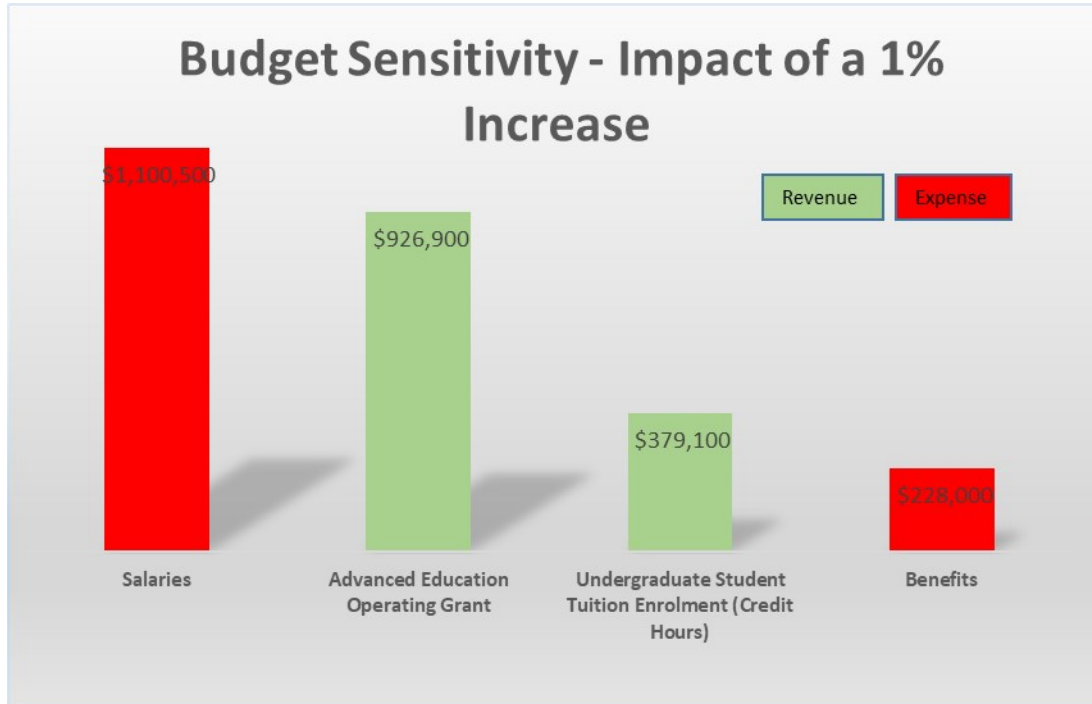
- Tuition fee revenue projections will increase by approximately \$1.9 million as a result of changes to the tuition rate effective for the 2021/22 academic year. Revenue will increase by \$1.3 million due to tuition fee increases, and by \$0.6 million due to program specific increased graduate program fees and incidental fees.
- iv. **Investment income** - The budget will increase by \$500 thousand to \$4.75 million. The budgeted increase is based on an analysis of realized investment income returns over the past 15 years.
- v. **Ancillary Services** operates on a financially self-sustaining model. Ancillary Services contributes annually a \$200 thousand dividend towards the University's operating budget. Ancillary Services also annually contributes \$731 thousand in interdepartmental charges for University services (finance, human resources, facilities, and security) and supports \$1.057 million in debt service for student residences. Due to the impact of COVID-19 on Ancillary Services the University will forego the normal \$350 thousand contribution to the operating budget and the \$350 thousand contribution to the housing reserve for 2021/22. Campus Mobility also contributes \$700 thousand towards the University's operating budget for University services (finance, human resources, facilities, and security).

## Expense Assumptions

- i. Salary and benefit changes have been applied based on collective agreement contractual increases and other anticipated salary and benefit increases. Senior administration, Administrative Professional Officers (APO's), Excluded Professionals, and Exempt Support Staff (ESS) employee groups remain on a salary freeze (zero cost of living increases and zero career progress and merit increases) until March 31, 2022, as mandated by the Provincial Government. The salary freeze 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 2% in 2021/22. The 2021/22 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. Utilities budget will decrease by 16% in 2021/22, approximately \$922 thousand. The adjustment in the budget is due to adjusting the utilities budget of the Science Commons building. There is still an element of risk in this budget assumption since this building has not been fully occupied for an entire year, with the opening of the facility in September 2019, and the impacts from COVID-19 and restricted access to campus since March 2020.
- iv. Insurance premiums are projected to increase by 21%. This increase is attributable to the global risks and uncertainty due to the pandemic, fraud risks, property /casualty becoming more evident, and the steady increase to global natural disaster insurance losses.
- v. Workers Compensation Board premiums are based on the prior three years' accident experience in our industry and claims volume costs, therefore, the projection is to increase by 6%.
- vi. The investment manager fees are projected to increase by 10%. The University is planning on transitioning two of the four investment managers in 2021/22. Investment manager fees are based on a percentage of market valuation of the account and therefore since the purpose of transitioning investment managers is to increase market valuation there is an anticipated increase in investment manager fees.

## Budget Sensitivities

BAC has adopted a conservative approach to projecting the budget assumptions however, there is a risk that the actuals will vary substantially from budget in 2021/22 due to the impacts of COVID-19. Figure 5 demonstrates the 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.