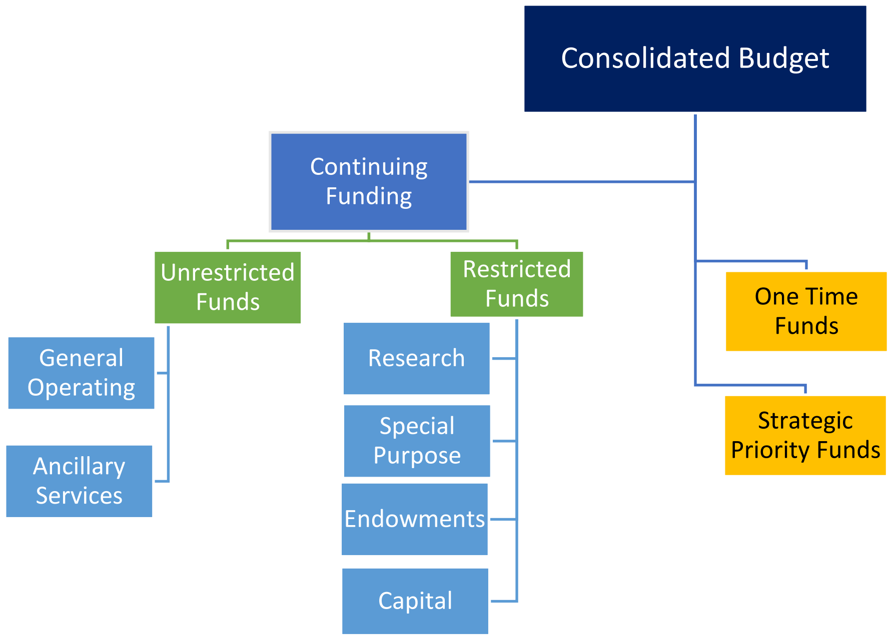
OPERATING VS RESTRICTED BUDGETS

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.

General Operating

The largest fund is the general operating fund, which is an unrestricted fund. General operating funds are used to pay for the operating expenses of the University. The major budget revenue line items are government operating grants, tuition fees, investment income, and sales of services and products. The major expenditure line items include compensation costs, facilities operations, scholarships, and materials and services.

Even in unrestricted funds there are "non-discretionary" costs such as utilities, insurance, and technology service contracts, which must be budgeted for first in order for the University to function, prior to allocations for other expenditures.

Ancillary Services

This fund relates to the University's business enterprise that provides services and products to the internal and external University communities. Ancillary Services operations include the bookstore, printing, housing, food, conference services and Campus Mobility (parking). The Board of Governors approves the annual business plans for Ancillary Services.

The University requires Ancillary Services to operate financially self-sustaining operations, with no budget allocations from the University's general operating fund. Ancillaries are required to fund all of its capital repairs and maintenance, as well as the purchase of new capital assets required for their operations. Funding for large capital purchases is provided for by allocations to capital reserves from Ancillary Services operations' net revenues.

COVID-19 has had a significant negative impact on Ancillary Services and therefore Ancillary Services has used the majority of their reserves to cover their 2020/21 net losses. It will take multiple years for Ancillary Services to recover from these losses and therefore their contributions to the University's operating budget will be reduced by $700 thousand in 2021/22. Ancillary Services will still contribute a $200 thousand dividend to the general operations of the University, approximately $731 thousand in interdepartmental charges for University services, and support $1,057 thousand in debt service for student residences. Campus Mobility continues to contribute $700 thousand to the general operations of the University. The 2021/22 Ancillary Services Business Plan was approved by the Board of Governors in February 2021.

Research

The expenses in this fund are for sponsored research activities specifically funded by restricted grants and contracts. Funding agencies providing sponsored research grants include Natural Sciences & Engineering Research Council (NSERC), Social Sciences and Humanities Research Council (SSHRC), Canadian Institutes of Health Research (CIHR), Canada Research Chairs (CRC) and business and industry partners. The research revenue and expense budget for future years is estimated based on prior year extrapolations and confirmed grant and contract agreements.

Special Purpose / Scholarships (Trust)

The expenses in this fund relate to scholarship and bursary programs and other activities involving teaching and community service specifically funded by restricted grants and donations. The special purpose and scholarships revenue and expense budget for future years is estimated based on prior year extrapolations, and confirmed grant, contract, and donation agreements.

Endowments

Endowments consist of externally restricted donations received by the University, the principal of which is required to be maintained intact in perpetuity. Investment income earned on endowments must be used in accordance with the purposes established by the donors and the expenses in the fund reflect the expenditure terms of the restricted donations. The endowments' revenue and expense budget for future years is estimated based on prior year extrapolations and confirmed agreements.

Restricted Capital

Capital expenditures for specific capital and infrastructure maintenance projects are included in the restricted capital fund. The major capital funding source for 2021/22 is the Government of Alberta Infrastructure Maintenance Program (IMP). ThIMP funding supports the ongoing deferred maintenance and repairs of the facilities. Any excess funds that were not used in the specified projects would be required to be returned to the granting agency (e.g. Government) that provided the funds unless other arrangements are approved by the external granting agency. The revenue and expense budget is based on the 2021/22 Capital Maintenance Budget approved by the Board of Governors in April 2021.

WHY DOES THE UNIVERSITY SPEND MONEY ON CAPITAL PROJECTS WHEN IT NEEDS MONEY TO OPERATE?

The University has a legal obligation to only spend funds in ways that are allowed by the conditions of the source of funds.

Generally, large capital projects are funded from restricted funding sources. For example, the University received a specific grant to construct the Science Commons and those funds could not be spent on any other project or for operating expenses.

The Provincial operating grant may be allocated by the University in the manner that the University deems appropriate, as approved by the Board of Governors. Other grants may have conditions on them; for example, the Infrastructure Maintenance Program Grant (IMP) may only be spent on government approved deferred maintenance projects. If the University chose to not spend money on deferred maintenance projects, the IMP Grant would have to be returned to the Provincial Government. If any IMP grants were to be returned this would likely reduce any future IMP grants the University may receive as the Province will assume that since surplus funds had been returned the University does not require this funding, which would be quite opposite to reality as the University has significant deferred maintenance projects that have not been done due to lack of funding.