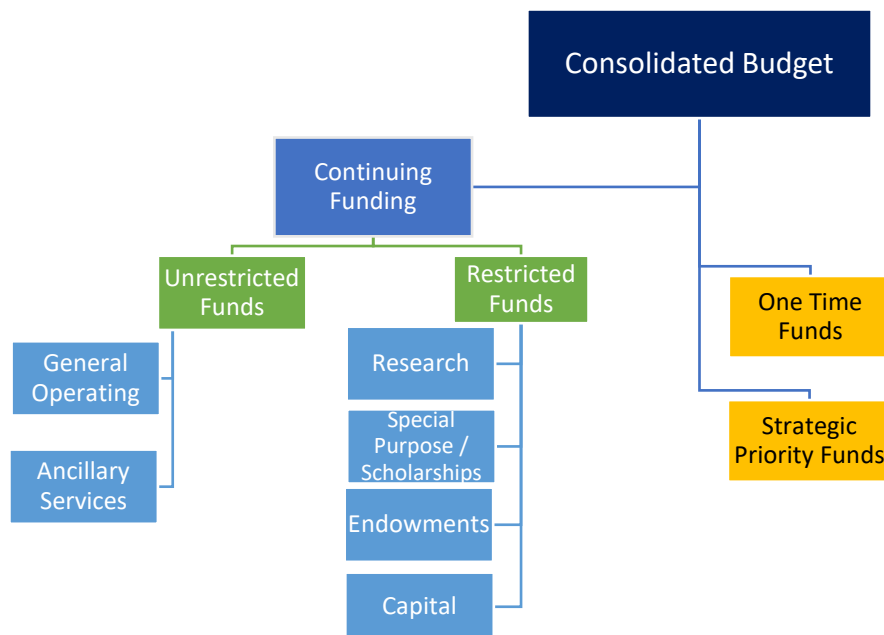


## OPERATING VS RESTRICTED BUDGETS

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 and 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.



## BUDGET BRIEF CONTEXT FOR 2022-23 BUDGET

The University requires Ancillary Services to operate financially self-sustaining operations, with no budget allocations from the University's general operating fund, and they are required to pay the University for central services (finance, information technology, facilities, utilities cost, and human resources). 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.

### **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. The Board of Governors (BOG) approved an increase in endowment spending allocation from 4.0% to 4.75% effective April 1, 2022. This will increase the annual endowment spending available by approximately \$542,000 of which \$314,000 of the allocation will support student scholarships and bursaries.

### **Restricted Capital**

Capital expenditures for specific capital and infrastructure maintenance projects are included in the restricted capital fund. The major capital funding source for 2022/23 is the Infrastructure Maintenance Program (IMP) and the planned projects were approved by the BOG in April 2022. This Government of Alberta IMP funding supports the ongoing deferred maintenance and repairs of the University's facilities. IMP funds are restricted for academic facilities and cannot be used for ancillary services facilities.



## BUDGET BRIEF CONTEXT FOR 2022-23 BUDGET

### 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.