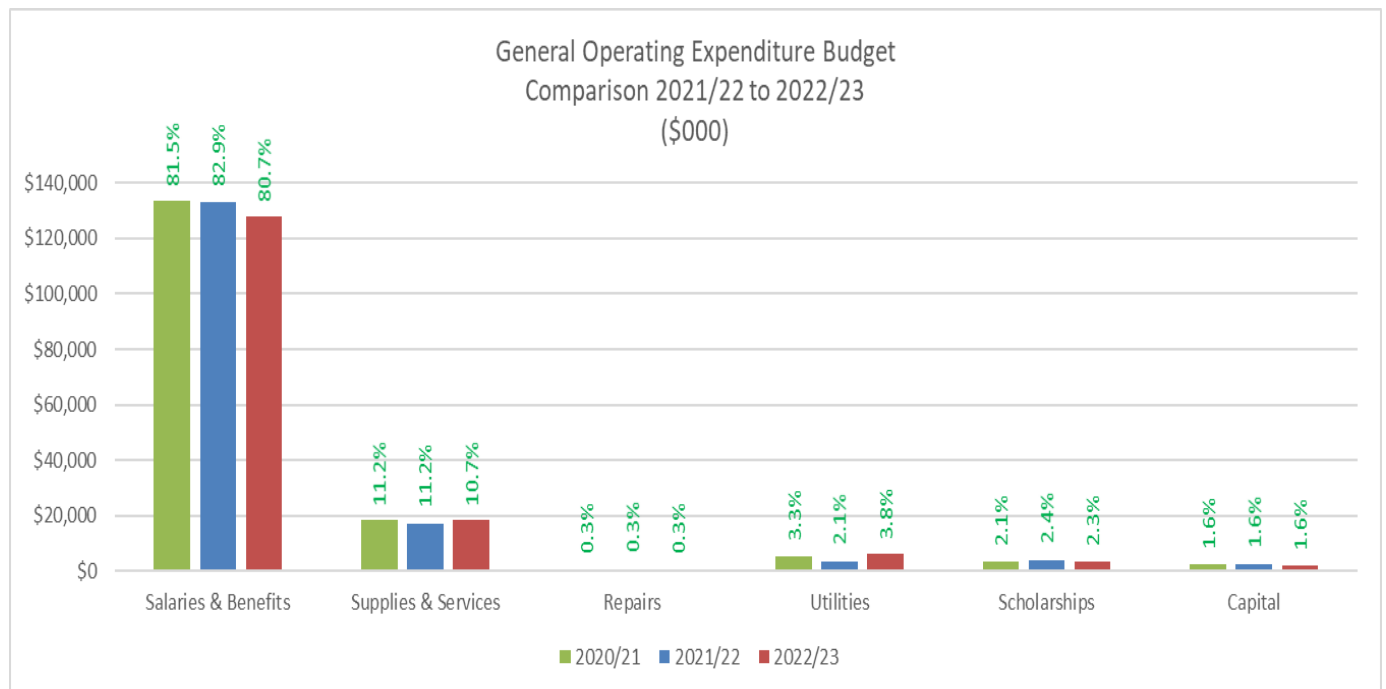


OPERATING EXPENSES

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.

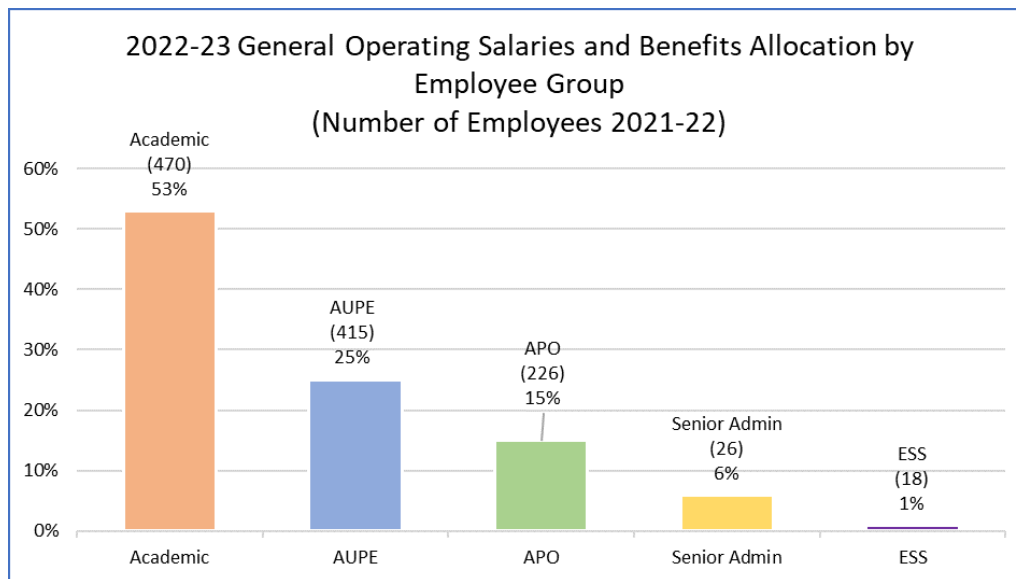


Salaries and Employee Benefits

Salaries and benefits are the most notable expenditure component of the general operating fund, comprising approximately 80.7% (\$128 million) of the general operating expenses (excluding amortization expense) in 2022/23. 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 86 positions in the 2020/21 budget (105 positions; 10% of the University's workforce) which is a combination of resignations, retirements and, regrettably, position terminations.

2019-20 to 2021-22 Budgeted Position Eliminations			
	Academic Positions	Non-Academic Positions	TOTAL
Attrition - Resignation/Retirement	20	29	49
Position Abolishment	0	56	56
TOTAL Positions Eliminated	20	85	105
2020-21 Total Number of Employees	473	583	1,056
% Reduction in Workforce	4.2%	14.6%	9.9%

To partially offset the \$6.4 million deficit in the 2022/23 operating fund, in 2022/23 the University implemented a hiring restraint on position replacements. A principle-based approach is used to determine which vacant academic and non-academic positions could be replaced. \$4.3 million was projected in vacant positions that were either abolished, the hire was delayed, or a term replacement was hired instead of a continuing position hire. The term replacement positions are projected to be replaced with continuing positions once the task force savings or other budget savings are realized. If the task force savings or other budget savings are not realized, then the positions will be abolished.



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, property taxes, and cost of good sold. For 2022/23, faculties and departments reduced their discretionary budgets (i.e., materials and supplies, travel, part-time temporary staff) by 4%. This strategy is in alignment with our budget values in reducing expense budget instead of employment positions. This realized savings of approximately \$300 thousand.



BUDGET BRIEF CONTEXT FOR 2022-23 BUDGET

Expenses for materials, supplies and services have increased over the past three years, especially with the recent supply chain challenges and significant increase in inflation. IT maintenance and site license contracts are projected to increase by 25% in 2022/23, 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. Additionally, insurance premiums are projected to increase by 18%, due to the global risks and uncertainty due to the pandemic, fraud risks, cybersecurity, property / casualty losses, and the steady increase to global natural disaster insurance losses.

Costs of goods sold relate to purchasing items that will subsequently be resold, such as inventory sold through Sport and Recreation Services.

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 (\$3.6 million in 2022-23). The Board of Governors approved effective March 2022 the establishment of a student scholarship endowment fund, through a transfer of \$10 million one-time funds from the University's Strategic Priority Fund, which will reduce over time the burden on the operating budget allocated to student scholarships as these student scholarships will be funded from the endowment.

The benefits of transferring the funds to an endowment protects the purchasing power of University funded scholarships and bursaries and guarantees the continuity of University sponsored scholarships and bursaries even during difficult financial environments. The endowment will also provide matching funds to incent donors to contribute to scholarships and bursaries. There will be minimal impact on the operating budget immediately from the transfer of \$10 million to establish this endowment; however, since the purchasing power of endowments is protected over time the amount available for awards will increase and reduce the burden on the operating budget to fund scholarships and bursaries.

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. Three 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. The University recently received confirmation that the Science Commons facility attained LEED Gold status, which is the first facility on campus to achieve this.

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. However, the utilities budget will increase by 32% in 2022/23, approximately \$1.5 million due to the addition of the Science Commons facility and the substantial increase in utilities market prices. There is still an element of risk in this budget assumption since the Science Commons building has not been fully occupied for an entire



BUDGET BRIEF CONTEXT FOR 2022-23 BUDGET

year, with the opening of the facility in September 2019, and the impacts from COVID-19 and restricted access to campus from 2020 to 2022.

The University maintains a utilities provisions budget to manage unexpected fluctuations in utilities expense. The current Utilities provisions reserve balance is \$2.9 million. The University has allocated \$500 thousand per year for 2022/23 and 2023/24 from the reserve account for any unexpected utility costs not budgeted for. It is anticipated that within the next two years the natural gas and electricity rates will stabilize and return to more normal rates.

Capital

Capital expenditures budgeted in the general operating fund include expendable equipment, such as computers, mobile devices, furnishings, software, lab equipment, scientific and research equipment, with a value less than \$5,000.

Facility Operations and Maintenance

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.

Amortization of Capital Assets

Amortization 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). Amortization costs are approximately \$20 million per year (2022) but have been excluded in the above chart of budgeted expenses as amortization costs are non-cash. Amortization expenses are included in the University's financial statements as it is important to recognize the "cost" of the use of our capital assets.