

## **INTERNALLY RESTRICTED FUNDS SUMMARY ("RESERVES")**

### **MARCH 31, 2023**

Internally Restricted Funds represent amounts set aside by the University's Board of Governors for specific purposes and are sometimes referred to as "reserves". These funds are not available for spending on any other purposes than those specified without the approval of the Board of Governors. Maintaining reasonable reserves is fiscally prudent in order to mitigate risk and to take advantage of opportunities that will advance the University's strategic priorities, ensure long-term viability, and sustainability of programs. Reserves are needed to maintain financial stability and manage financial volatility, meeting legal requirements, contingencies for unexpected financial needs, capital replacement, renovations and expansions. Reserves are funded by surplus one time dollars at the end of the fiscal year.

Reserves are funds that are available only on a one-time basis and therefore are not funds that would solve on-going or continuing deficits that may exist in the University's operating budget. Similar to savings that individuals may have in their personal bank accounts, these funds serve as an important cushion in the case of an emergency or unexpected need for cash, for example the University has used reserve funds for unusual expenditures recently incurred due to the global pandemic. Savings should not be used for on-going expenditures because eventually the savings would be depleted to zero and there would still be an annual operating deficit that needs to be addressed. Once reserves are spent, they are gone. It would be fiscally irresponsible to use reserves as a long-term solution to cover on-going budget deficits as this would only solve the deficit problem for the short term and not address the issue of expenditures that are higher than incoming revenue.

Considerations for the level of reserves to be held by the University are:

- Mandate
- Long term strategic plans
- Stability of revenue sources
- Investment in physical plant
- Current and future commitments
- Self-insurance requirements

All University expenditures and approvals, including those in the internally restricted funds, must be in accordance with the [Contracts - Approval and Signing Authority Policy](#) and the [Financial Approval Authority Policy](#).

The University has the following 5 categories of reserves and internally restricted funds:

1. Internally Restricted Reserves
  - i. Operating Reserves
  - ii. Capital Reserves
2. Externally Restricted Reserves
  - i. Contractual Obligations
3. Self-Financing Operations
  - i. Ancillary Services Reserves
4. Unrestricted Funds
  - i. Budget Unit Carryover Funds
  - ii. Strategic Priority Funds

<b>1. OPERATING RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
<p>Operating Reserves are maintained to fund unexpected expenditures that may arise or to fund special projects or initiatives that will advance the strategic priorities of the University. Operating reserves are for one-time expenditures, not continuous and on-going expenses. If expenditures are expected to be on-going, these expenses must be built into the University's operating budget.</p>						
1.1	Staff Training & Development	Staff training in such areas as managerial skills, technical/professional, and office technology skills. Generally, the expenses are for University wide strategic priority employee training initiatives available for all employees.	Associate Vice-President (Human Resources)	\$100,000 to \$200,000	<ul style="list-style-type: none"> <li>• Anti-harassment training</li> <li>• Leadership training</li> <li>• LinkedIn Learning</li> <li>• Equity, Diversity, Inclusion training</li> <li>• Employee on-boarding</li> </ul>	\$164,491

1. OPERATING RESERVES		PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	PROJECTED COMMITMENTS	CURRENT BALANCE March 31/23
1.2	Academic Development	New academic innovations with the provision of one-time seed money.	Provost & Vice-President (Academic)	\$1,000,000 to \$2,000,000	<ul style="list-style-type: none"> <li>• New program development for grant applications</li> <li>• Anticipate significant development costs for medical and engineering programs (\$1,000,000 for both)</li> <li>• New support for Faculty Startup funding (\$625,000)</li> </ul>	\$1,745,581
1.3	Utilities Provisions	Contingency for any abnormal increases in utility rates or consumption, and energy conservation and efficiency projects.	Associate Vice-President (Facilities)	\$1,000,000 to \$3,000,000	<ul style="list-style-type: none"> <li>• Science Commons utilities</li> <li>• Unanticipated changes in consumption</li> <li>• Significant increases in utility rates</li> </ul>	\$2,997,853
1.4	Short Term Disability	Provide funding to departments to fill in temporarily vacant employment positions, for example due to short and long term disability leaves.	Associate Vice-President (Finance)	\$500,000 to \$1,000,000	<ul style="list-style-type: none"> <li>• Short term replacements (5) positions for 6 mths @ \$50,000 = \$250,000</li> <li>• Long term replacements (3) positions for 1 yr @ \$100,000 = \$300,000</li> </ul>	\$582,378
1.5	Academic Labour Relations	Mediation services expenditures to assist with resolving academic conflict resolution situations.	Provost & Vice-President (Academic)	\$400,000 to \$600,000	<ul style="list-style-type: none"> <li>• External legal and consulting contracts at \$300-\$650 per hour</li> </ul>	\$532,500
1.6	Non-Academic Labour Relations	Mediation services expenditures to assist with resolving non-academic conflict resolution situations.	Associate Vice-President (Human Resources)	\$50,000 to \$100,000	<ul style="list-style-type: none"> <li>• External legal and consulting contracts at \$300-\$650 per hour</li> </ul>	\$75,000

<b>1. OPERATING RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
1.7	Harassment & Discrimination Investigations	Expenditures related to investigations of harassment and discrimination allegations, including external investigators and consultants.	Associate Vice-President (Human Resources) and Associate Vice-President (Students)	\$100,000 to \$200,000	<ul style="list-style-type: none"> <li>• External legal and consulting contracts at \$300-\$650 per hour</li> <li>• Each case management costs approximately \$15,000-\$20,000</li> </ul>	\$150,000
1.8	Legal Services	Expenditures for external legal services due to a legal situation that is over and above normal general counsel activities.	Vice-President (Finance & Administration)	\$150,000 to \$300,000	<ul style="list-style-type: none"> <li>• External legal and consulting contracts at \$300-\$650 per hour</li> <li>• Short term external legal work due to vacant internal legal position</li> </ul>	\$400,000
1.9	Equity Diversity and Inclusion (EDI) Initiatives	Expenditures related to advancing the EDI initiatives to building an equitable, diverse, and inclusive campus.	President's Executive Council	\$200,000 to \$300,000	<ul style="list-style-type: none"> <li>• Training, surveys, hiring principles, maximizing EDI in academic and research programs, enhancing student experiences and development</li> <li>• Collecting demographic data</li> <li>• Expanding EDI literacy</li> </ul>	\$250,000
1.10	Indigenous Initiatives	Expenditures related to advancing Indigenous initiatives that support services to Indigenous students and communities.	President's Executive Council	\$200,000 to \$300,000	<ul style="list-style-type: none"> <li>• Funding opportunities supporting Indigenous research</li> <li>• Indigenous cultural programs</li> <li>• Sponsorships of indigenous events</li> </ul>	\$300,000
1.11	Non-Bargaining Employee Compensation	Contingency funds for potential one-time compensation awards for non-bargaining employee groups.	President's Executive Council	\$500,000 to \$1,000,000	<ul style="list-style-type: none"> <li>• Salary restraint lifted for the period Apr 2023 to March 2024 in 2022 - \$630,000 estimated over 2023-24 budgeted amount</li> </ul>	\$1,000,000

<b>1. OPERATING RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
1.12	Voluntary Retirements	Employee retirement costs associated with the Voluntary Retirement Incentive Program or the early retirement arrangements.	President's Executive Council	\$2,000,000 to \$4,000,000	<ul style="list-style-type: none"> <li>• (15) voluntary exit agreements @ \$120,000 = \$1.8M</li> </ul>	\$2,000,000
1.13	Information Technology (IT) Contracts and Licensing	Contingency to cover unanticipated fluctuations in IT licensing costs and to cover unanticipated increases when contracts are renewed.	Associate Vice-President (Information Technology)	\$100,000 to \$200,000	<ul style="list-style-type: none"> <li>• BANNER, on-line software, security, research, academic</li> <li>• Potential changes in the exchange rate since majority of contracts are in US dollars.</li> </ul>	\$100,000
1.14	South Campus Development	One-time allocation to fund expenses related to establishing a land trust.	Vice-President (Finance & Administration)	\$1,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• External legal and consultants to set up legal entities</li> <li>• Site development reviews</li> <li>• Campus master plan</li> </ul>	\$1,000,000
1.15	Academic Initiatives	Internally restricted accumulated investment earnings on special purpose and trust accounts that do not have donor statements of trust or grant agreements that require interest earnings to be allocated to those accounts.	Vice-President (External Relations) & Vice-President (Finance & Administration)	\$2,000,000 to \$3,000,000	<ul style="list-style-type: none"> <li>• Discussion with donors to set up statements of trust on the investment earnings and allocate to those accounts</li> <li>• Allocation to other trust accounts that align with University strategic priorities.</li> </ul>	\$2,996,593

2. CAPITAL RESERVES		PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	PROJECTED COMMITMENTS	CURRENT BALANCE March 31/23
<p>Capital reserves are necessary to fund unexpected equipment or major building systems failures, replacement of capital assets, deferred maintenance projects, capital grant funding matching, the development of new facilities, and future capital planning purposes.</p>						
2.1	Information Technology (IT) Major Equipment	<p>New or upgrade of major IT equipment.</p> <p>This reserve should only be used for equipment costing more than \$50,000</p>	Associate Vice-President (Information Technology)	\$1,500,000 to \$2,000,000	<ul style="list-style-type: none"> <li>• AV production equipment \$66,000</li> <li>• Classroom equipment \$255,000</li> <li>• Student labs \$50,000</li> <li>• System servers, Cisco, Dell, blades \$770,000</li> <li>• Network switches \$1.4M</li> </ul>	\$1,638,124
2.2	Self-Insurance	<p>Replacement and/or major repair of lost, stolen or vandalized equipment or facilities repair that would normally be covered by insurance, but the value of the equipment or facilities repair is less than the University's deductible.</p>	Vice-President (Finance & Administration)	\$300,000 to \$1,000,000	<ul style="list-style-type: none"> <li>• Property insurance policy deductible is \$100,000</li> <li>• (5) incidents at \$100,000 = \$500,000</li> </ul>	\$500,000
2.3	Service Vehicles & Equipment	<p>Replacement of service vehicles and grounds equipment, other than parking related equipment. The replacement is on a pre-determined schedule with annual allocations to ensure sustainability of this program.</p>	Associate Vice-President (Facilities)	\$1,000,000 to \$1,500,000	<ul style="list-style-type: none"> <li>• Service vehicles and grounds equipment range from \$20,000 to \$300,000 value</li> </ul>	\$1,292,256

<b>2. CAPITAL RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
2.4	Utilities Sustainability Projects	Major sustainability opportunities on the replacement of site and utilities, plant equipment and new building construction, including building management systems and related software. It excludes parking lots, roads and associated systems.	Associate Vice-President (Facilities)	\$500,000 to \$1,000,000	<ul style="list-style-type: none"> <li>• Lighting upgrades</li> <li>• Vehicle charging stations</li> </ul>	\$500,000
2.5	Housing Maintenance Infrastructure (Central)	Planned replacement of furnishings, equipment, and major repairs and maintenance to the envelope and building structures of student residences. Also includes major maintenance to the site and utility systems.	Executive Director (Ancillary Services) AND Associate Vice-President (Facilities)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Furnace upgrades</li> <li>• Electronic door security upgrades (\$1.8M)</li> <li>• Duct cleaning</li> <li>• Carpet replacement</li> <li>• Window recaulking</li> </ul>	\$3,000,000

<b>2. CAPITAL RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
2.6	Building and Plant	Unforeseen major repairs and replacement to building equipment including chillers, boilers, air handling units, transformers, and envelope and building structures. Also included is major maintenance to buildings including structural, electrical and mechanical repairs. Excludes planning studies, normal preventative maintenance and building renovations.	Associate Vice-President (Facilities)	\$3,000,000 to \$6,000,000	<ul style="list-style-type: none"> <li>• Science Commons deficiencies \$1.5M</li> <li>• Student Hub \$2.5M</li> </ul>	\$5,817,441
2.7	Life Cycle	Planned replacement of major academic and administrative equipment which is not funded in a budget unit's operating accounts.	Vice-President (Finance & Administration)	\$3,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Computer rotation replacement \$100,000</li> <li>• Academic (teaching) and admin equipment replacement</li> </ul>	\$3,374,861
2.8	Core Facilities	Revenue generated from institutionally approved Science Commons core facilities that will be used as matching funding for future equipment purposes.	Vice-President (Research)	\$1,000,000 to \$2,000,000	<ul style="list-style-type: none"> <li>• Equipment replacements</li> <li>• Research/ academic equipment replacements</li> </ul>	\$173,376



<b>2. CAPITAL RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
2.9	Research Investment	Matching funding for research proposals that require contributions from the institution.	Vice-President (Research)	\$1,000,000 to \$2,000,000	<ul style="list-style-type: none"> <li>• CFI grants</li> <li>• Provincial &amp; Federal research proposals</li> <li>• Anticipate need for central support for research startup funds in 2023-24</li> </ul>	\$1,080,828
2.10	Campus Planning	Expenditures related to campus master planning, interiors master planning and functional building programming.	President's Executive Council	\$1,000,000 to \$3,000,000	<ul style="list-style-type: none"> <li>• Student Hub planning \$100,000</li> <li>• Interior Master Planning \$250,000</li> <li>• UHall planning</li> <li>• Classroom innovations</li> <li>• Campus Master planning</li> <li>• Sustainability planning</li> </ul>	\$2,562,548

3. CONTRACTUAL RESERVES		PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	PROJECTED COMMITMENTS	CURRENT BALANCE March 31/23
Contractual Reserves are funds that must be maintained due to legal and contractual obligations.						
3.1	Health Care Benefits	<p>The University has an Administrative Services Only (ASO) health benefits plan for its employee groups and these funds are allocated to pay for health benefits incurred by employees.</p> <p>External consulting to review benefits from peer institutions, review employee demographics to project changes in benefit needs within a 5-year time frame and review data program usage.</p>	Associate Vice-President (Human Resources)	\$1,000,000 to \$2,000,000	<ul style="list-style-type: none"> <li>• Premiums collected to pay for benefit expenses for all employee groups</li> <li>• Premium rates based on usage experience and therefore avoids significant year over year rate increases.</li> <li>• Consulting services on program review \$25,000-\$50,000</li> <li>• A benefit consortium arrangement is being considered so allowances need to be held for possible changes and/or transition costs.</li> </ul>	\$1,127,763

3. CONTRACTUAL RESERVES		PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	PROJECTED COMMITMENTS	CURRENT BALANCE March 31/23
3.2	Professional Supplement	Unspent professional supplement entitlement amounts to be allocated to employees annually as contractually required in collective agreements and employment manuals.	Associate Vice-President (Finance)	No targeted balance	<ul style="list-style-type: none"> <li>Collective agreement/manual obligations – Faculty, APO, senior admin, Exempt Support Staff.</li> <li>This is the current unspent balance as of March 2023.</li> </ul>	\$2,395,136
3.3	Community Stadium	Replacement and unforeseen repairs at the Stadium as per the agreement with the City of Lethbridge on Stadium surplus allocation.	Executive Director (Horns Recreation)	\$250,000 to \$500,000	<ul style="list-style-type: none"> <li>Stadium surplus allocation funds have been fully used in 2023 for capital asset purchases</li> </ul>	\$0

4. ANCILLARY SERVICES RESERVES		PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	PROJECTED COMMITMENTS	CURRENT BALANCE March 31/23
<p>Ancillary Services, including Campus Mobility, must be financially self-sustaining, including the requirement to fund all capital purchases, with no financial resources allocated from the University's operating fund. Annually, the surplus revenue over expenses is allocated to the Ancillary Services reserves for future capital expenditures, as outlined in their business plans. Ancillary Services and Campus Mobility Services 4-year business plans are approved on an annual basis by the Board of Governors.</p>						
4.1	Bookstore	Planned replacement of furnishings, equipment and major repairs, maintenance and renovations to the Bookstore.	Vice-President (Finance & Administration)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• POS system and register upgrades</li> <li>• Renovations</li> <li>• shelving</li> </ul>	\$0
4.2	Printing Services	Planned replacement of furnishings, equipment and major repairs, maintenance and renovations to Printing Services.	Vice-President (Finance & Administration)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Equipment upgrades</li> <li>• Software upgrades</li> </ul>	\$0
4.3	Housing Services	Planned replacement of furnishings, equipment, and major repairs and maintenance to the envelope and building structures of student residences. Also includes major maintenance to the site and utility systems.	Vice-President (Finance & Administration)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Annual painting</li> <li>• Appliance replacement/upgrades</li> <li>• Window coverings</li> </ul>	\$1,489,271
4.4	Food Services	Planned replacement of furnishings, equipment and major repairs, maintenance and renovations to Food Services.	Vice-President (Finance & Administration)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Kitchen upgrades</li> </ul>	\$151,031

<b>4. ANCILLARY SERVICES RESERVES</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>PROJECTED COMMITMENTS</b>	<b>CURRENT BALANCE March 31/23</b>
4.5	Conference Services	Planned replacement of furnishings, equipment and major repairs, maintenance and renovations to Conference Services.	Vice-President (Finance & Administration)	\$100,000 to \$200,000	<ul style="list-style-type: none"> <li>• Software upgrades</li> <li>• Linen replacements</li> </ul>	\$0
4.6	Campus Mobility	Planning, construction, maintenance, replacement or upgrading of parking facilities and roads, including equipment associated with snow removal, lighting, meters signage and security.	Vice-President (Finance & Administration)	\$2,000,000 to \$5,000,000	<ul style="list-style-type: none"> <li>• Parking facility annual maintenance \$200,000</li> <li>• Parking equipment</li> <li>• Lot N upgrades</li> <li>• Annual energy efficient lighting upgrades \$100,000</li> <li>• Valley Road sidewalk replacement</li> <li>• Aperture Drive sidewalk replacement</li> <li>• Roadway pothole patching</li> </ul>	\$2,948,530

5. UNRESTRICTED FUNDS	PURPOSE	OFFICE RESPONSIBLE	TARGETED FUND BALANCES	CURRENT BALANCE Mar 31/23	
Unrestricted funds are used to mitigate risk and maintain the continuity of operations, such as revenue shortfalls or expenditure gap coverage.					
5.1	Budget Unit Carryover Funds	<p>In any given fiscal year the University may accumulate year-end surplus operating and capital funds through under expenditures in their budget unit's annual budget. To facilitate proper planning, the University has allowed for carryover funds to accumulate allowing for one-time expenditures in future budgets. Examples of one-time expenditures include project employees, capital equipment (only if budget unit has long term plan to fund equipment replacement), capital projects (only if renovation project coordinated by Facilities Project Management office) and special projects that may span more than one year but are considered one-time expenditures.</p> <p>To encourage the judicious use of unspent operating funds just prior to end of fiscal year. Funds which carryover for use in the subsequent year are limited by a formula and may be used for non-recurring expenditures, typically equipment replacement, term positions, or special projects.</p> <p>At any one-time, a budget unit may hold up to 2% of their prior year's operating budget in their Budget Unit Carryover Funds Account. Reference: <a href="#">Carryover Fund Policy</a></p>	Budget Unit Heads	\$6,000,000 to \$10,000,000	\$8,226,953

<b>5. UNRESTRICTED FUNDS</b>		<b>PURPOSE</b>	<b>OFFICE RESPONSIBLE</b>	<b>TARGETED FUND BALANCES</b>	<b>CURRENT BALANCE Mar 31/23</b>
5.2	Strategic Priorities Fund	<p>Consists of all Budget Unit excess funds over the maximum allowed in the Budget Unit Carryover Funds. These funds are held centrally.</p> <p>Expenditures to support the University's Strategic Plan priorities.</p> <p>Examples of expenditures from this fund may include special projects, new student residences, student recruitment and advertising strategies, research initiatives and new academic programming.</p> <p>Note: in future years the position fund allocation will be reduced as \$1 million will be used on a continuing basis to fund the ongoing Life Cycle program</p>	President's Executive Council	\$6,000,000 to \$10,000,000	\$19,886,846
<b>TOTAL UNRESTRICTED FUND BALANCE (Budget Unit Carryover Funds &amp; Strategic Priorities Fund)</b>				<b>10%-12% (\$17M-\$20M) of University's Annual Operating Budget (\$170M)</b>	<b>\$28,113,799</b>



			Balance		Balance
			Mar 31-2022	Increase (Decrease)	March 31-2023
<b>INTERNALLY RESTRICTED</b>					
<b>OPERATING RESERVES</b>					
1.1	Staff Training & Development		\$ 164,491	\$ -	\$ 164,491
1.2	Academic Development		\$ 120,581	\$ 1,625,000	\$ 1,745,581
1.3	Utilities Provision		\$ 2,997,853	\$ -	\$ 2,997,853
1.4	Short Term Disability		\$ 610,755	\$ (28,377)	\$ 582,378
1.5	Academic Labour Relations		\$ 532,500	\$ -	\$ 532,500
1.6	Non-Academic Labour Relations		\$ 50,304	\$ 24,696	\$ 75,000
1.7	Harassment & Discrimination Investigations		\$ 150,000	\$ -	\$ 150,000
1.8	Legal Services		\$ 200,000	\$ 200,000	\$ 400,000
1.9	Equity, Diversity & Inclusion Initiatives		\$ 250,000	\$ -	\$ 250,000
1.10	Indigenous Initiatives		\$ 250,000	\$ 50,000	\$ 300,000
1.11	Non-Bargaining Employee Compensation		\$ 1,000,000	\$ -	\$ 1,000,000
1.12	Voluntary Retirements		\$ 3,000,000	\$ (1,000,000)	\$ 2,000,000
1.13	IT Contracts & Licensing		\$ 50,000	\$ 50,000	\$ 100,000
1.14	South Campus Development		\$ 723,844	\$ 276,156	\$ 1,000,000
1.15	Academic Initiatives		\$ 2,800,177	\$ 196,416	\$ 2,996,593
			\$ 12,900,505	\$ 1,393,891	\$ 14,294,396
<b>CAPITAL RESERVES</b>					
2.1	Information Technology Major Equipment		\$ 1,589,717	\$ 48,407	\$ 1,638,124
2.2	Self Insurance		\$ 428,946	\$ 71,054	\$ 500,000
2.3	Service Vehicles & Equipment		\$ 1,162,105	\$ 130,151	\$ 1,292,256
2.4	Utilities Sustainability Projects		\$ 137,297	\$ 362,703	\$ 500,000
2.5	Housing Maintenance Infrastructure (Central)		\$ 2,248,708	\$ 751,292	\$ 3,000,000
2.6	Building and Plant		\$ 5,816,463	\$ 978	\$ 5,817,441
2.7	Life Cycle		\$ 2,718,433	\$ 656,428	\$ 3,374,861
2.8	Core Facilities		\$ 197,589	\$ (24,213)	\$ 173,376
2.9	Research Investment		\$ 1,078,321	\$ 2,507	\$ 1,080,828
2.10	Campus Planning		\$ 1,037,079	\$ 1,525,469	\$ 2,562,548
			\$ 16,414,658	\$ 3,524,777	\$ 19,939,434
<b>TOTAL INTERNALLY RESTRICTED RESERVES</b>			<b>\$ 29,315,163</b>	<b>\$ 4,918,668</b>	<b>\$ 34,233,830</b>



		Balance		Balance
		Mar 31-2022	Increase (Decrease)	March 31-2023
<b>EXTERNALLY RESTRICTED</b>				
<b>CONTRACTUAL RESERVES</b>				
3.1	Health Care Benefits	\$ 1,548,605	\$ (420,842)	\$ 1,127,763
3.2	Professional Supplement	\$ 2,474,793	\$ (79,657)	\$ 2,395,136
3.3	Community Stadium	\$ 35,157	\$ (35,157)	\$ (0)
		<b>\$ 4,058,555</b>	<b>\$ (535,656)</b>	<b>\$ 3,522,899</b>
<b>SELF-FINANCING OPERATIONS</b>				
<b>ANCILLARY SERVICES RESERVES</b>				
4.1	Bookstore	\$ -	\$ -	\$ -
4.2	Printing Services	\$ -	\$ -	\$ -
4.3	Housing Services	\$ 611,153	\$ 878,118	\$ 1,489,271
4.4	Food Services	\$ 114,231	\$ 36,800	\$ 151,031
4.5	Conference Services	\$ -	\$ -	\$ -
4.6	Campus Mobility	\$ 3,030,805	\$ (82,275)	\$ 2,948,530
		<b>\$ 3,756,189</b>	<b>\$ 832,643</b>	<b>\$ 4,588,832</b>
	<b>TOTAL RESERVES</b>	<b>\$ 37,129,907</b>	<b>\$ 5,215,655</b>	<b>\$ 42,345,561</b>
<b>UNRESTRICTED FUNDS</b>				
5.1	Budget Unit Carryover Funds	\$ 7,892,653	\$ 334,300	\$ 8,226,953
5.3	Strategic Priorities Fund - unallocated	\$ 18,800,659	\$ 1,086,187	\$ 19,886,846
		<b>\$ 26,693,312</b>	<b>\$ 1,420,487</b>	<b>\$ 28,113,799</b>

# Carryover / Contingency Fund Good Practices

## Issue:

*What is an average and/or recommended amount of money to maintain in carryover, reserves or contingency funds for a public post-secondary institution?*

## Background:

Although many public institutions, including post-secondary institutions and provincial governments, maintain carryover funds (also referred to as reserves, contingency funds, or rainy day funds), there is no definitive answer as to what is the “right” size of these funds relative to an organisation’s general operating expenditures. In order to engage in meaningful discussions with Government and internally, it is useful for the University of Lethbridge to learn more about common practice in this area as well as research-supported recommendations of good practices.

A survey of policies in Canada reveals the following:

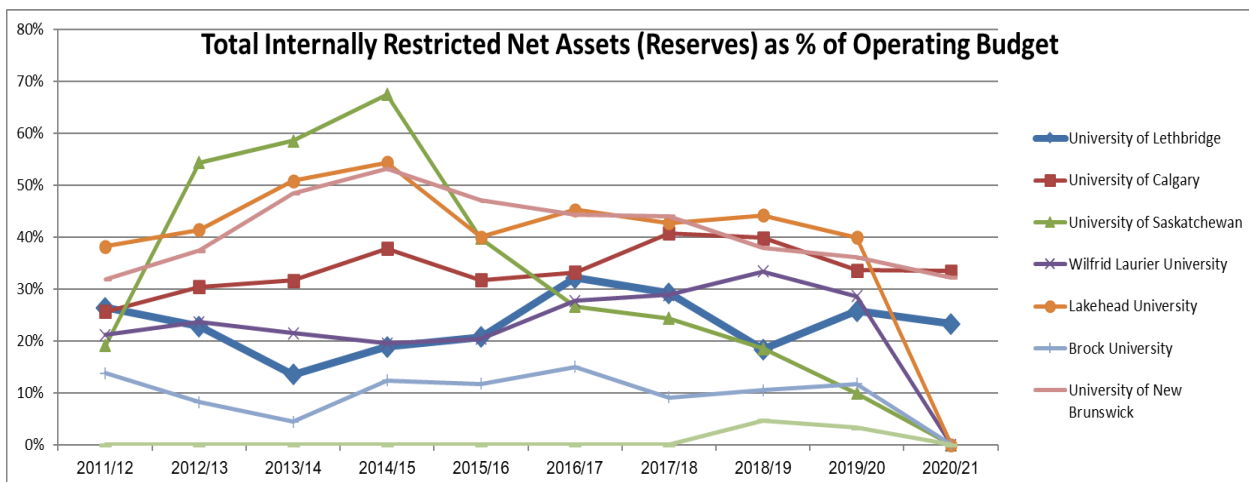
- The Mount Allison University [Contingency Fund](#) states that the maximum value of the Contingency Fund will be 5% of the total budgeted General Operating Fund revenues and transfers in.
- The University of Guelph has a [Carry Forward Policy](#) that says, “the accumulated carry forwards limit at the end of any fiscal year will be capped at 10% of a Unit’s Gross Budget.”
- Memorial University has a [University Operating Budget Policy](#) that says, “The maximum Cumulative Surplus is 10% of the Unit’s current year Base Budget allocation.”
- The University of Saskatchewan Policy maintains Risk and Academic Opportunity Reserve funds (which loosely align with U of L Carry Forward and Strategic Priority Funds), governed by the [Financial Reserves Policy](#) that says, “the lower and upper limits for the combined Risk Reserve and Academic Opportunity Reserve is expected to be 1.5% and 6%, respectively, of total annual university expenditures.”
- Dalhousie’s [Operating Budget Carry-Forward Policy](#) states that, “Non-academic budget units may request carry-forward of unspent operating budget allocations with a cumulative balance not to exceed 10% of the units expenditure base for the most recent fiscal year.”

There is much more extensive research about reserve fund balances in the United States, specifically the size of such Funds relative to state expenditures. In general, there is desire to balance the concern about allowing public funds to sit idle in a contingency account with the need to be able to weather a recession/funding shortfall without substantially cutting spending or raising taxes. An institution should not be seen to be “sitting” on an excess of public funds, but must be able to weather unexpected shortfalls in government funding or tuition revenue without needing to substantially raise tuition/fees or cut programming. Research from the United States finds the following:

- A majority of states limit the size of their RDFs to less than 10% of the planned expenditures. The most common cap is 5%. The 5% rule is advocated by the National Conference of State Legislatures and is recommended in an ad hoc manner by “Wall Street.” The 5% rule is now being considered by local governments in the United States and is part of policy recommendations offered by the World Bank to emerging and transitional countries. ([Rainy Day Funds and Value at Risk](#))<sup>1</sup>
- NACUBO - [Rainy-Day Reserves](#)<sup>2</sup> Many institutions do not have defined reserve targets, and for those that do, targets range anywhere from one month to 12 months of available cash on hand.
- [Building a Safety Net](#)<sup>3</sup> suggests that the primary reserves ratio is a good indicator of the health of an institution and guides the recommended reserve balance. A primary reserve ratio of 40%, which equates to between 4.5 to 5 months of operating capital is considered sufficient.
- Florida Government Finance Officers Association (FGFOA) [Sustainable Budget Balancing Practices](#)<sup>4</sup> suggests as a baseline for the general fund 16% (2 months) of regular operating revenues.
- The Government Finance Officers Association in the United States recommends that reserves be maintained at 16.7% or more of operating expenditures. ([How Much Is In Your County's 'Rainy Day' Fund?](#))<sup>5</sup>

## Discussion:

Analysis of Audited Financial Statements for the University of Lethbridge was completed to gain a better understanding of how our reserve balances compare to those of other Canadian institutions. We find that on a 10 year average, the University of Lethbridge maintains reserve balances that are in line with the Canadian normal and either comparable to or slightly higher than those of other similarly sized universities.



<sup>1</sup> Urban Institute "Rainy Day Funds and Value at Risk" Gary Cornia, Ray Nelson, August 25, 2003

<sup>2</sup> NACUBO Business Officer "Rainy-Day Reserves" March/April 2020 by Karla Hignite. Sue Menditto

<sup>3</sup> NACUBO Business Officer "Building a Safety Net" by Karla Hignite, March/April 2020

<sup>4</sup> FGFOA "Sustainable Budget Balancing Practices" Linda C. Davidson Nov 5-2015

<sup>5</sup> "How Much is in Your County's Rainy Day Fund?" Shayne C. Kavanagh, May 10-2019