# 2024-25 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 2024-25 budget formulation process started in fall 2023 so, inherently, estimates for revenue and expenses must be made for the fiscal year April 2024 to March 2025. 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.

## FINANCE AND BUDGET PRINCIPLES

i. Balanced 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.

ii. Revenue projections: Revenues are budgeted conservatively to ensure the projections are attainable. The University continues to plan for diversification of revenue and less reliance on the provincial government operating grant.

iii. Capital planning and approvals: The Board of Governors (“Board”) approves on an annual basis the infrastructure renewal projects, faculty/department capital budgets, and the long-range Capital Plan. This long-range planning allows time to submit capital projects to the province for funding, build reserves and plan for future capital and deferred maintenance funding requirements.

iv. Debt: Debt may only be incurred with approval from the Board and the Lieutenant Governor in Council. If debt is required, the University will prepare an extensive business plan to ensure debt is only incurred when there is a realistic projection of revenue sources to fund the debt instrument. Currently the University’s only debt instrument outstanding is for student housing.

v. Ancillary business plans: The Board approves on an annual basis the business plans for Ancillary Services and Campus Mobility. The detailed business plans outline how these operations achieve financially self-sustaining operations.

vi. Investments: As per the PSLA, the Board must approve the University's investment policy and monitor compliance and investment returns. The Board is accountable for ensuring that the University’s portfolio of investments avoids undue risk of loss and obtains a reasonable return.

vii. Internally restricted (operating and capital) and contractual reserves: Internally restricted funds represent amounts set aside by the University’s Board 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. Maintaining reasonable reserves is fiscally prudent in order to mitigate risk and to take advantage of opportunities that will advance the mission of the University.

viii. Sustainable budget: The budget is developed using a long-term view of future anticipated revenues and expenses. While the University has made progress dealing with the $24 million reduction in the provincial operating grant from 2019 to 2024, there remains significant work required to achieve a sustainable budget. Structural changes require significant planning horizons in order to allow for adequate consultation with the University community. The budgetary shortfall caused by the grant decrease cannot be recoverable only by other revenue sources, at least not in the short term, and therefore structural changes are required to reduce expenses. The University started this process of consultation in late 2019 and it continues to date.

**The following are the 2024-25 forecast budget assumptions and budget sensitivities:**

## Revenue Assumptions

i. **Operating Grant** - The operating grant remained at the 2023-24 level (0% change for 2024-25).

ii. **Tuition Fees**

- **Tuition Rate -** For the 2024-25 academic year, the University increased the average tuition fees per domestic student by the maximum 2% per year, as allowed by provincial tuition legislation. As per the provincial tuition legislation, it is expected that the average increases for domestic students will be capped at 2% for the foreseeable future.
- **Enrolment** - The 2024-25 undergraduate credit hour projections were conservative estimates for the purpose of projecting undergraduate tuition revenue. The 2023-24 actuals are the final number of credit hours after the academic calendar drop date.

  There has been a significant increase in our international enrolment over the past couple of years, which has substantially contributed to the projected increase in tuition revenue and compensates for the reduction in domestic credit hours.

| Undergraduate Credit Hours - All Faculties/Schools | | |
|---|---|---|
| Budgeted 2023/24 | Actual 2023/24 | Projected 2024/25 |
| 187,013 | 189,657 | 188,293 |

- **International Enrolment** - For 2024-25 we are projecting international enrolment to be 44% over 2023-24 budgeted international enrolment, but 8% under 2023-24 actual international enrolment. There is significant uncertainty in international enrolment projections due to changes implemented by Immigration, Refugees and Citizenship Canada (IRCC) which, among other things, limit the number of study permits available to international students coming to each institution, and which eliminate the availability of post-graduate work permits for students in some programs. This has added volatility in the international market for students, as well as creating uncertainty for those students around the ability to obtain their student visas in time for registration and attendance.

iv. **Investment income -** The budget remained the same at $5 million. There is much volatility in the investment market and it is difficult to predict investment income. The budget is based on an analysis of realized investment income returns over the past 15 years and investment projections with the 2022 change in external investment managers and additional diversification of the asset mix.

v. **Ancillary Services** operates on a financially self-sustaining model. Campus Mobility contributes $700 thousand towards the operating budget. Ancillary Services also contributes annually $1.75 million in interdepartmental charges for University services (finance, human resources, facilities and security), which includes $350,000 to a central housing reserve for maintenance projects and $200,000 dividend contribution to the general operating fund.

## Expense Assumptions

i. Salary and benefit changes have been applied based on collective agreement contractual increases and other anticipated salary and benefit increases. Non-Union employee groups (Administrative Professional Officers (APO's), Excluded Professionals, Exempt Support Staff (ESS), and Senior administration employee) have been under a Provincial Government mandate of salary restraint since July 2015, which did not allow for any cost of living, career progress or merit increases for these employee groups from 2015 to 2022 The Provincial Government continues to implement salary restraint for non-union employees, but that have allowed for modest increases each year since 2022. The 2024-25 budget assumptions, therefore, include assumptions that compensation costs will increase for all employee groups.

ii. Information Technology (IT) maintenance and site license contracts are projected to increase by 2% in 2024-25 and 5% in the subsequent two years. The projections are based on a combination of contract price increases, and maintenance and site licenses, offset by concerted efforts to not renew non-essential contracts or to negotiate more favourable terms in existing site licenses.

iii. Utilities budget will decrease by 13% in 2024-25, and then increase by 6% and 7% in the following two years. Projections show that there will be a decline in the natural gas costs.

iv. Insurance premiums are projected to increase by 4% in 2024-25, and then projected to increase 15% and 10% in the following two years. The modest increase in the premiums for 2024-25 is a result of improved loss controls experienced over the past several years, as well as the favourable insurance rates obtained by CURIE (Canadian Universities Reciprocal Insurance Exchange), of which the University is a member.

v. Workers Compensation Board premiums are based on the prior three years' accident experience in our industry and claims volume costs, and due to the University's favourable experience ratings, the projection is set to stabilize over the next two years.

vi. The investment manager fees are projected to increase by 8% in 2024-25 and then 2% in each of the following two years. The University transitioned three of the four investment managers in 2022 and the rates are based on the new fee structures. 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 along with a projected increase in investment returns.

## Budget Sensitivities

The University has adopted a conservative approach to projecting the budget assumptions however, there is a risk that the actuals will vary substantially from budget. The figure below demonstrates the impact of a 1% variance increase from budget.