BUDGET BRIEF:

OPERATING EXPENSES

The University's operating budget supports core activities that enable teaching, research, and campus operations that ensure student and community success. The strength of our institution is in its people, and as such, the University's cost structure is driven primarily by salaries and benefits, accounting for approximately 82% of operating expenses. It is labour-intensive to sustain academic quality, student services and institutional capacity.

The University presents a consolidated budget to the Board of Governors for approval that includes both unrestricted and restricted funds. With the exception of Ancillary Services, which is expected to generate a surplus, the University is required to present a balanced budget.

Unrestricted funds are primarily contained within the general operating fund, and the University has flexibility in how it spends them. Restricted funds, by contrast, are governed by external requirements set by granting agencies, donors, and other funding partners and can only be used for the specific purposes for which they are provided.

When building the annual budget, University personnel and the Budget Advisory Committee (BAC) (made up of academic staff, students, staff, and administration) focus efforts primarily on the general operating fund, where the greatest opportunity for impact exists.

The "Operating Vs Restricted Budgets" Budget Brief provides additional detail on the various funds that comprise the consolidated budget.

The University manages operating expense pressures through principled decision-making aligned with the Strategic Plan. This includes careful review of staffing priorities, active cost management, long-term stewardship strategies over our endowments and sponsorship funds, and multi-year planning to balance financial sustainability with employee experience and student success.

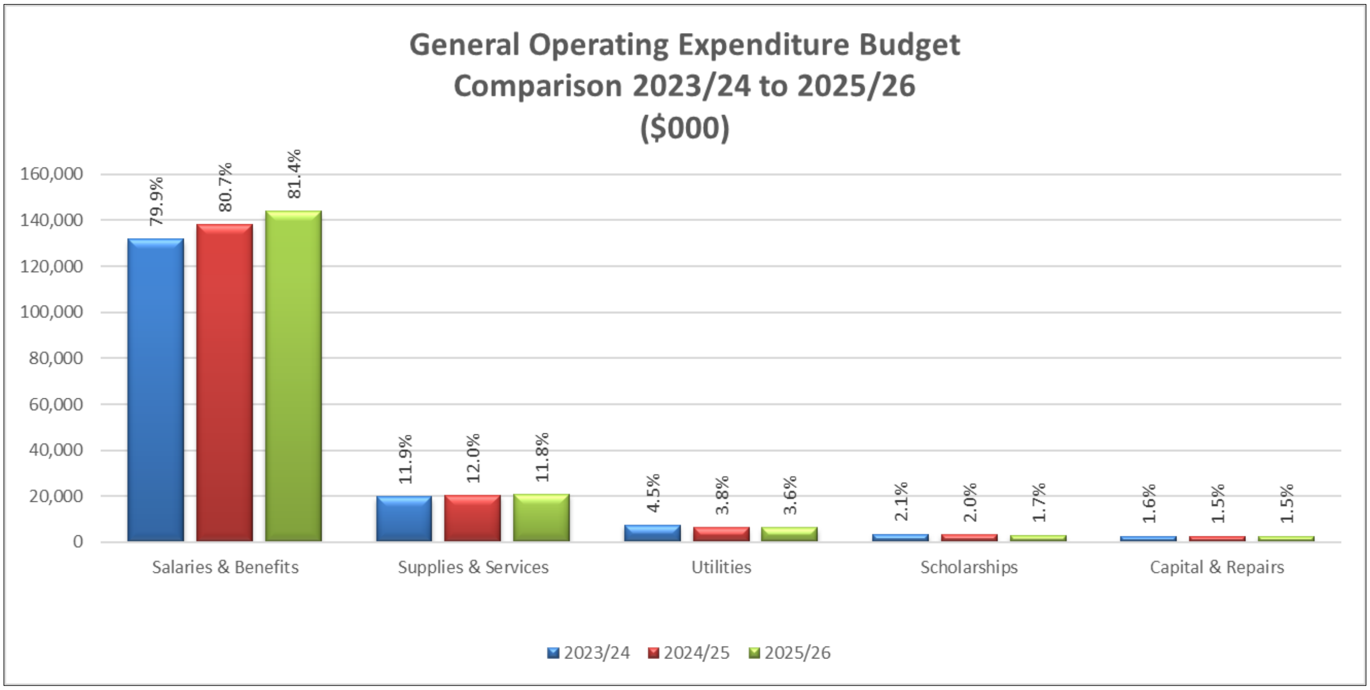
Understanding how operating dollars are allocated, and the constraints that shape budget decisions, supports transparency and shared responsibility, and informs dialogue across the university community.

About this Brief

This Budget Brief focuses on expenses in the general operating fund, which is the largest unrestricted fund in the consolidated budget and is used to pay for the operating expenses of the University. This brief explains how the budget is spent and why certain costs make up a significant portion of total expenses, what factors influence financial decision making, and where the University has the greatest, although still often limited, flexibility.

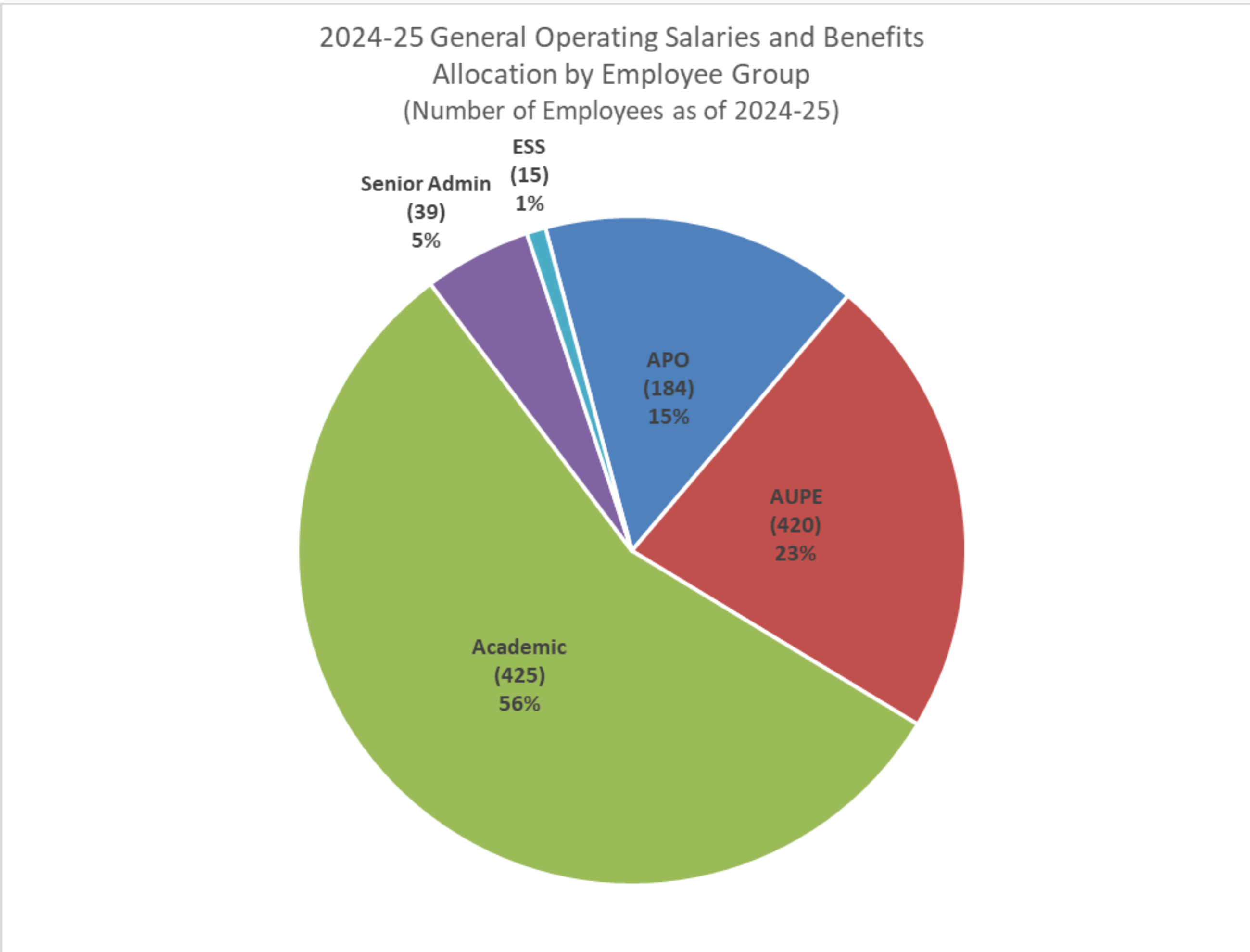
The major expenditure line items include salaries and employee benefits, supplies & services, utilities, scholarships & bursaries, and capital & repairs.

The chart below provides the 3-year trend of major expense categories. Almost 82% of operating expenses supports salaries and benefits, followed by nearly 12% allocated to supplies and services, with the remaining 6-7% supporting all other operating needs.



Salaries and Employee Benefits

Salaries and benefits represent the largest component of the general operating fund, comprising approximately 82% ($144 million) of the general operating expenses (excluding amortization expense) in 2025-26. Distribution of actual salary expenses among employee groups is shown below for the most recent full fiscal year.



Previous grant reductions and freezes, uncertainty about international student enrolment, and increasing inflationary costs resulted in hiring restraint in the 2025-26 Budget. Notably, as international student cohorts graduate in 2026 and 2027, and with an estimated over 60% drop in incoming international students, there will be significant budget pressure in the coming years. Ongoing reviews of the University's staffing priorities will continue in future years, including positions in strategic areas that are currently funded on a term basis. The University still has many term positions that cannot convert to continuing positions unless on-going financial stability is achieved.

Supplies and Services

This category includes a wide range of non-salary operating costs that support the day-to-day functioning of the University. These costs include:

- Instructional and research supplies
- Information technology services
- Employee recruitment
- Property taxes
- Janitorial and cleaning supplies
- Teaching aids
- Telecommunications
- Professional fees
- Equipment
- Cost of goods purchased for resale through campus services.
- Administrative and office supplies
- Employee training and development
- Insurance
- Travel

Expenses for supplies and services have increased in recent years driven by inflationary pressures, supply chain disruptions and rising costs for technology and contracted services. IT maintenance and site license contracts increased by 10% in 2025-26 and are projected to increase by approximately 2% in 2026-27 based on a combination of contract price increases and the introduction of new maintenance and site licenses to support academic and administrative systems. These increases are partially offset by active cost management, including ending non-essential contracts and renegotiating existing agreements as they come up for renewal. Negotiation is often constrained by limited options and/or the implementation costs associated with changing vendors.

Insurance premiums increased by 1.5% for 2024-25 and did not change in 2025-26. Projections for 2026-27 include a decrease of 3.5% from 2025-26 budgeted insurance premiums. The decrease in 2026-27 premiums is a result of improved loss controls over the past several years, as well as the favourable insurance rates obtained by CURIE (Canadian Universities Reciprocal Insurance Exchange) which provides collective risk-sharing and cost stability for member institutions.

The category for 'cost of goods sold' relates to items purchased for resale as part of campus operations, such as inventory sold through Athletics and Recreation Services.

Expenses in this area also include payments to external vendors for the maintenance and repair of building systems, machinery and equipment, upkeep of university vehicles, and general repairs and maintenance costs necessary to preserve the condition and reliability of campus buildings. Ongoing investment in facilities operations and maintenance is essential to supporting academic activity, ensuring safety and compliance and protecting the long-term value of the University's physical assets.

Utilities

Utilities expenses include the cost of domestic water and sewage services, electricity, and natural gas. The University works to manage utility costs through sustainable building design, energy efficiency measures and long-term planning which reduce both environmental impact and ongoing operating and maintenance and operating costs to the University. While a number of our campus building hold LEED (Leadership in Energy and Environmental Design) status (three Silver, one Gold), and through each additional renovation we aim to meet LEED, the age and design of University Hall (in particular) pose significant energy efficiency challenges and significant draws on maintenance and operations costs.

The University secures energy supply contracts for fixed, competitive electrical supply rates and to reduce exposure to short-term market volatility. While utility costs typically increase over time due to rising energy prices, they decreased by 3% in 2025-26 reflecting favourable contract timing, consumption patterns, and energy management efforts. A further decrease in utility costs of 16% will be budgeted for 2026-27. Year-to-year fluctuations in utility costs are expected in the future and recent decreases do not necessarily indicate a permanent reduction in underlying energy demand and/or costs.

Scholarships and Bursaries

While many scholarships and bursaries are funded through restricted donations, funds and endowments, the University also provides undergraduate and graduate student financial support funded directly through the general operating fund ($3 million in 2025-26), reflecting the University's commitment to student access and success, and a key part of our recruitment efforts.

To strengthen the long-term sustainability of student financial support, and to reduce pressure on annual operating budgets, the Board of Governors approved a student scholarship matching endowment fund in March 2022, funded through a one-time transfer of $10 million from the University's Strategic Priority Fund. Over time, these endowed funds will contribute a growing share of funding for university-sponsored scholarships and bursaries, reducing reliance on the operating budget. The endowment provides matching funds to incent donor contributions to scholarships and bursaries. As of November 2025, $4.4M of the $10M has been matched and endowed.

Capital – Expendable Equipment

Within the general operating fund, capital expenditures budgeted primarily relate to small scale, essential equipment typically with a value of less than $5,000 per item. These purchases include computers, mobile devices, furniture, software, lab equipment, scientific and research equipment that support day to day teaching, research and administrative activities. While individually modest in price, collectively these items are essential to maintaining productivity, service quality, and safe, up-to-date learning and working environments.

Amortization of Capital Assets

Amortization reflects the gradual use of major capital assets, such as buildings, equipment, software, vehicles and learning resources, over their expected useful life by prorating their cost over that useful life. Amortization expense is approximately $20 million annually (2025). Because amortization is a non-cash accounting expense, it is excluded in the above chart of budgeted expenses. However, amortization is a requirement in the University's financial statements to accurately reflect the ongoing cost of using and maintaining capital assets and to support responsible long-term asset stewardship.

Conclusion

Together, these operating expenses reflect the University's ongoing responsibility to support teaching, research, student experience and campus operations while responsibly stewarding public and institutional resources. The cost structure of the operating budget is shaped by long-term commitments, external constraints and the University's labour-intensive operating model, which limits short-term flexibility but supports continuity, reliability and institutional stability. Continued transparency, principled decision-making and alignment with the Strategic Plan are essential to navigating current and emerging financial pressures and sustaining the University's mission over the long term.