

The following Motions and Documents were considered by the Board of Governors during the Open Session of its Friday, June 19, 2015 meeting:

Agenda Title: **Changes to Creation of a Legal Entity Policy**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the proposed changes to the Creation of a Legal Entity Policy, as set forth in Attachment 1, to take effect upon final approval.

Final item: 4ci.

Agenda Title: **Rescission of the \$50.00 Faculty Student Fund fee for the Faculty of Law**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the GFC Academic Planning Committee, rescind the \$50.00 Faculty Student Fund fee for the Faculty of Law, subject to the implementation of the Faculty of Law Market Modifier approved by the Board of Governors on March 13, 2015.

Final item: 4cii.

Agenda Title: **University of Alberta 2014-15 Annual Report for submission to the Government of Alberta**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board University Relations Committee, approve and adopt the *University of Alberta 2014-2015 Annual Report for submission to the Government of Alberta* and empower the Associate Vice-President (Audit & Analysis) to make any editorial changes to the *Report*, as needed, as long as the changes do not have the force of policy.

Final item: 4di.

Agenda Title: **University Funds Investment Policy**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Funds Investment Policy effective April 1, 2015, as set forth in Attachment 1 to the agenda documentation.

Final item: 5a.

Agenda Title: ***Envision* Year 3 – Capital Expenditure Authorization Request**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the University's third year of the five-year *Envision* energy management program and a capital expenditure of not more than Nine Million Dollars (\$9,000,000.00) in Canadian funds to implement the third year of the program.

Final item: 6a.

Agenda Title: ***Envision* Year 3 – Borrowing Resolution and Order in Council**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

- a) execute a Borrowing Resolution requesting approval of financing the third year of the five-year *Envision* energy management program in an amount not to exceed Nine Million Dollars (\$9,000,000.00) in Canadian funds for a term not to exceed fifteen (15) years at an interest rate of not more than five and one-half percent (5.5%); and
- b) make an application to the Minister of Innovation and Advanced Education for the required approval of the Lieutenant Governor in Council.

Final item: 6b.

Agenda Title: **Board Committee Appointments**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Chair, Mr Douglas Goss, approve Board Committee appointments, as set forth in Attachment 1 to the agenda documentation.

Final item: 7a.

OUTLINE OF ISSUE

Agenda Title: **Changes to Creation of a Legal Entity Policy**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the proposed changes to the Creation of a Legal Entity Policy, as set forth in Attachment 1, to take effect upon final approval.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Office of General Counsel
Presenter	Brad Hamdon, General Counsel
Subject	Proposed Amendment to the Creation of a Legal Entity Policy

Details

Responsibility	General Counsel
The Purpose of the Proposal is (please be specific)	The Creation of a Legal Entity Policy was put in place to ensure appropriate processes are followed when the University is considering creating or acquiring an interest in a legal entity. However, it was not intended that the Policy would apply in certain circumstances, such as when the University is gifted shares in a company. This revision clarifies such exceptions.
The Impact of the Proposal is	Update to an existing policy.
Replaces/Revises (eg, policies, resolutions)	Revise the Creation of a Legal Entity Policy
Timeline/Implementation Date	Implementation date would be upon approval by the Board of Governors.
Estimated Cost	N/A
Sources of Funding	N/A
Notes	N/A

Alignment/Compliance

Alignment with Guiding Documents	Dare to Discover, Dare to Deliver
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p>1. Post Secondary Learning Act (PSLA), Section 59 (1): “A board has the capacity and, subject to this Act, the rights, powers and privileges of a natural person.”</p> <p>2. Post Secondary Learning Act (PSLA), Section 60 (1): “The board of a public post-secondary institution shall (a) manage and operate the public post-secondary institution in accordance with its mandate;”</p> <p>3. Post Secondary Learning Act (PSLA), Section 77 (a): “A board must obtain the approval of the Minister for (a) an incorporation; (b) the acquisition of a subsidiary corporation either directly or indirectly through the acquisition of a majority of shares in the corporation;”</p> <p>Board Finance and Property Committee Terms of Reference 3) MANDATE OF THE COMMITTEE Except as provided in paragraph 4 and in the Board’s General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the</p>

Item No. 4ci

	<p>University. The Committee shall also consider any other matter delegated to the Committee by the Board.</p> <p>4. LIMITATIONS ON DELEGATION BY THE BOARD The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</p> <p>f) approve policies regarding the acquisition, management, control and disposition of University buildings, land and equipment and regarding individual project proposals and the implications of these short and long-range capital plans to the strategic vision of the University;</p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Office of Vice-President (Advancement); Director, Investments & Treasury
Approval Route (Governance) (including meeting dates)	President's Executive Committee – Operating (PEC-O) – May 14, 2015 Board Finance & Property Committee – June 2, 2015 (for recommendation) Board of Governors – June 19, 2015 (for approval)
Final Approver	Board of Governors

Attachments:

1. Creation of a Legal Entity Policy (red-line version) (2 pages)
2. Creation of a Legal Entity Policy (clean version) (2 pages)

Prepared by: Brad Hamdon, General Counsel – brad.hamdon@ualberta.ca

Revised: 6/12/2015

Approval Date: June 25, 2010

Creation of a Legal Entity Policy

Office of Accountability:	Vice-President (Finance and Administration)
Office of Administrative Responsibility:	Vice-President (Finance and Administration) and the Office of General Counsel
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Overview

On occasion, it may be in the best interests of the University to become involved in the creation of a **legal entity**. On those occasions, the University must ensure that appropriate processes are in place to safeguard against risks and liabilities that can arise from the creation of a legal entity.

The University has in place the Centres and Institutes Policy and its underlying procedures. That policy and those procedures outline a process to be followed when establishing an academic or affiliated centre or institute (as defined in that policy). As a result, the Creation of a Legal Entity Policy does not apply to academic or affiliated centres or institutes.

The approvals contemplated under this policy are separate from the authorities granted under the Contract Review and Signing Authority Policy. That policy must be referred to when determining authority for the execution of any contract created as a result of the creation of a legal entity.

Purpose

This policy outlines the processes that must be followed and the approvals that must be obtained prior to the University becoming involved in the creation of a legal entity.

POLICY

The University's participation in the creation of a legal entity must be done in accordance with the terms of the *Post-Secondary Learning Act of Alberta*, this policy and the Creation of Legal Entity Procedure, and other applicable legislation and University of Alberta policies and procedures.

Prior to the University participating in the creation of a legal entity, it must undertake appropriate due diligence to ensure that it has an understanding of the legal, financial and other issues associated with its involvement in the legal entity.

This policy does not apply to the University:

- a) increasing an existing ownership interest in a legal entity; however, the policy does apply to the University obtaining a new ownership interest in an existing legal entity;
- b) obtaining an ownership interest in a legal entity through the investment activities covered by the University Funds Investment Policy;
- c) accepting donated securities that are subject to the Donation Acceptance Policy;
- d) establishing an academic or affiliated centre or institute under the Centres and Institutes Policy; or
- e) obtaining an interest in a spin-off company created under the mandate of TEC Edmonton or otherwise pursuant to the University's Patent Policy.

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DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. [▲Top](#)

Legal Entity	Includes a corporation, partnership, joint venture or other similar structure, whether or not controlled by the University. The term legal entity does not include an academic or affiliated centre or institute under the Centres and Institutes Policy, nor does it include a spin-off company created under the mandate of TEC Edmonton or otherwise pursuant to the University's Patent Policy.
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RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca. [▲Top](#)

[Centres and Institutes Policy](#) (UAPPOL)

[Contract Review and Signing Authority Policy](#) (UAPPOL)

[Creation of Legal Entity – Areas for Consideration](#) (University of Alberta)

PUBLISHED PROCEDURES OF THIS POLICY

[Creation of a Legal Entity Procedure](#)

Approval Date: June 25, 2010

Creation of a Legal Entity Policy

Office of Accountability:	Vice-President (Finance and Administration)
Office of Administrative Responsibility:	Vice-President (Finance and Administration) and the Office of General Counsel
Approver:	Board of Governors
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RELATED LINKS

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[Centres and Institutes Policy](#) (UAPPOL)

[Contract Review and Signing Authority Policy](#) (UAPPOL)

[Creation of Legal Entity – Areas for Consideration](#) (University of Alberta)

PUBLISHED PROCEDURES OF THIS POLICY

[Creation of a Legal Entity Procedure](#)

OUTLINE OF ISSUE

Agenda Title: **Rescission of the \$50.00 Faculty Student Fund fee for the Faculty of Law**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the GFC Academic Planning Committee, rescind the \$50.00 Faculty Student Fund fee for the Faculty of Law, subject to the implementation of the Faculty of Law Market Modifier approved by the Board of Governors on March 13, 2015.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Olive Yonge, Interim Provost and Vice-President (Academic); Lisa Collins, Vice-Provost and University Registrar; and the Faculties and Departments that have proposed the new and changed fees.
Presenter	Olive Yonge, Interim Provost and Vice-President (Academic)
Subject	Rescission of the \$50 Faculty Student Fund for the Faculty of Law

Details

Responsibility	Provost and Vice-President (Academic)
The Purpose of the Proposal is (please be specific)	Rescind the \$50.00 fee assessed to all Faculty of Law students for Fall and Winter, subject to the implementation of the Faculty of Law Market Modifier
The Impact of the Proposal is	Students of the Faculty of Law will no longer be assessed the \$50.00 fee per term for the Faculty Student Fund. With the implementation of the market modifier the Faculty of Law agreed to remove the Faculty Student Fund fee and use revenue from the market modifier to support the Faculty of Law student placement service.
Replaces/Revises (eg, policies, resolutions)	Removes the instructional Faculty Student Fund fee from the central tuition assessment.
Timeline/Implementation Date	Fall Term 2015 (September 1, 2015)
Estimated Cost	Off sets \$100.00 per student per academic year for the Faculty of Law (approximately \$50,000)
Sources of Funding	N/A
Notes	The elimination of the \$50.00 Faculty Student Fund fee was a Law Student Association condition for support of the Faculty of Law Market Modifier (see attachments 5 and 6)

Alignment/Compliance

Alignment with Guiding Documents	<i>University of Alberta Calendar</i> ; UAPPOL (University of Alberta Policies and Procedures On Line)
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p>1. Post-Secondary Learning Act (PSLA): Sections 61(1) and (2)(a) - "Tuition fees"</p> <p>61 (1) The board of a public post-secondary institution shall set the tuition fees to be paid by students of the public post-secondary institution.</p> <p>(2) The tuition fees under subsection (1) for all public post-secondary institutions other than Banff Centre</p> <p style="padding-left: 40px;">(a) must be set in accordance with the regulations[.]”</p> <p>2. Post Secondary Learning Act (PSLA) Regulations – Alberta Regulation 273/2006 – Section 2:</p>

“Definition of tuition fees for Act purposes, etc.

2. For the purposes of the Act and this Regulation, ‘tuition fees’ in respect of an institution means the following:

(a) fees identified in the institution’s calendar or in a supplement to its calendar as tuition fees or fees for instruction for courses that are part of programs approved by the Minister under the *Programs of Study Regulation* (AR 91/2009) or for the purposes of the *Student Financial Assistance Act*, excluding the following:

- (i) courses taken as part of a distance delivery program by individuals who do not reside in Alberta;
- (ii) apprenticeship programs under the *Apprenticeship and Industry Training Act*;
- (iii) off-campus cost recovery instruction programs;
- (iv) courses provided under a third party contract;
- (v) any differential or surcharge in fees that the board of the institution may set for courses taken by individuals who are not Canadian citizens or permanent residents of Canada;

(b) mandatory fees that are payable to the institution by students for materials and services that facilitate instruction in the courses included in clause (a), excluding the following:

- (i) fees for equipment or materials that are retained or leased by students;
- (ii) fees charged in respect of work placements or practicum experience where the persons or unincorporated bodies providing the work placement or practicum experience do not receive funding from the Government in respect of it.”

3. **Post-Secondary Learning Act (PSLA):** The *PSLA* gives GFC responsibility, subject to the authority of the Board of Governors, over academic affairs (Section 26(1)). Section 26(1)(o) provides that GFC may make recommendations to the Board of Governors on a number of matters including the budget and academic planning. GFC has thus established an Academic Planning Committee (GFC APC), as set out in Section 3 of the GFC Policy Manual. GFC delegates its power to recommend to the Board on the budget to the GFC APC.

4. **Board of Governors General Terms of Reference, Section 1 (b):** “The Board has delegated to each Committee responsibility and authority to make decisions on behalf of the Board in the Committee’s defined area of responsibility except to the extent that such authority has been specifically limited by the Board in the Terms of Reference for the Committee.”

5. **Board Finance and Property (BFPC) Terms of Reference, Section 3(d):**

“3. Without limiting the generality of the foregoing, the Committee shall:

[. . .]

d) review and recommend to the Board tuition and other like fees[.]”

6. **UAPPOL Student Instructional Support Fee Definition of Mandatory Instructional Support Fee:** “Mandatory fees assessed in anticipation of costs for supplies, equipment, materials, or services which

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	<p>are not directly related to the delivery of instruction in a course or program, but are considered required elements of a course or program. Examples include but are not limited to the costs of food, lodging, and transportation for required field trips; supply of certain specialized professional tools which the student will retain; and fees for arranging professional placements such as practica, internships, and work experience. All mandatory instructional support fees require the approval of the Board of Governors.”</p> <p>7. University of Alberta Calendar Section 22.2.3: “The University of Alberta complies with the Government of Alberta’s Tuition Fee Policy which states that postsecondary institutions may charge mandatory student fees for instruction to support the provision of supplies, equipment, materials and services to students.”</p> <p>8. GFC Academic Planning Committee (APC) Terms of Reference, Section 3.4.b: GFC APC is “[t]o recommend to the Board of Governors on the annual budget [which includes all of the above-noted fees-related matters], excluding budgets for ancillary units.”</p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Law Student’s Association 2010, 2013, 2014 per attachment 6 and LSA Endorsement of Market Modifier. Office of the Registrar
Approval Route (Governance) (including meeting dates)	GFC Academic Planning Committee – June 10, 2015 (for recommendation); Board Finance and Property Committee – June 12, 2015 (for recommendation); Board of Governors – June 19, 2015 (for final approval)
Final Approver	Board of Governors

Attachments:

1. Current 2014-15 Sample Fee Assessment for the Faculty of Law (1 page)
2. Endorsement of the fee from the Students’ Union in 1997 (2 pages)
3. Endorsement of the fee from the Law Students’ Association President in 1997 (1 page)
4. Endorsement of the fee from the Faculty of Law in 1997 (1 page)
5. 2014 Endorsement of the LSA for the Faculty of Law Market Modifier (21 pages)
6. 2014 Faculty of Law Market Modifier power point presentation pages 16-17 Consultation and LSA Conditions for support (2 pages)

Attachment 1:

From: <http://www.registrarsoffice.ualberta.ca/en/Costs-Tuition-Fees/Undergraduate-Tuition/FallWinter-Tuition-for-Canadian-Citizens-and-Permanent-Residents/Sample-FallWinter-Assessments-for-Canadian-Students.aspx#law>

Sample Assessment from Fall 2014-15:

Law		
	Full Time per Term (16 units of course weight)	Part Time per Term (7.5 units of course weight)
Tuition	2,837.76	1,330.20
Program Differential	2,272.80	1,136.40
Faculty Student Fund	50.00	50.00
Registration & Transcripts	76.28	38.14
Student Services	57.08	28.54
Students' Union Membership Fees	38.08	18.56
Students' Union Dedicated Fees ²	91.00	38.00
Students' Union Health Plan	118.00	118.00
Students' Union Dental Plan	116.50	116.50
PAW Centre Fee	26.00	26.00
CoSSS	153.08	76.54
U-Pass	129.17	129.17
Athletics and Recreation	82.00	41.00
Health Services	27.06	13.53
TOTAL	\$6,074.81	\$3,160.58



Ken Halverson
Office of the President

March 26, 1997

fees file S.
(305)

Mr. Brian Silzer
Associate Vice-President & Registrar
201 B Administration Building
University of Alberta

APR 2 1997

Dear Brian,

I would like to formally notify you that Students' Council has approved the creation of a Faculty Student Fund within the Faculty of Law. The purpose of this particular Faculty Student Fund is to fund a placement officer within the Faculty of Law. Each student in the Faculty of Law will be assessed a fee of \$50 per semester, and there is no provision to opt out of paying this fee.

The students in the Faculty of Law overwhelmingly approved the creation of this fee, in a referendum held on March 11, 1997. The Students' Union is satisfied that all of our relevant bylaws and regulations were indeed followed.

As per our own Bylaw 2000 (A Bylaw Respecting Student Faculty Funds), a formal request must be made to the Office of the Registrar by April 1 in the year that any new Faculty Student Fund is to be first assessed. The Law Students' Association will be notifying you, and providing you with the relevant and necessary documentation to begin this process.

Please accept this letter as formal Students' Union support for the creation of a Faculty Student Fund in the Faculty of Law.

Sincerely,

Garett Poston

Garett Poston
President

cc. Jeff Weidman, LSA President
Dean Tim Christian, Dean of the Faculty of Law

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- Fee differential, if appropriate, is charged, as is the Student Services fee and the Registration and Transcript fee. Since these students are considered to be off-campus, the Health Services and Athletic Services fees are optional. The Students' Union fee is not assessed.

- Fee assessment inquiries for the Work Experience Program should be directed to Special Registrations.

Field Experience Courses

- Students registered in certain Field Experience (ED FX/ENPRQ) courses are assessed a Placement Fee of one unit of fee index per course which is assessed and collected with the course fee. The fee index for each of these courses is increased by '1' over the standard value.

Exchange Students

- Exchange students in a recognized exchange program are identified using the Special Registration Indicator on the PD screen. 'I' is used for incoming exchange students and 'O' is used for outgoing exchange students.

- Incoming exchange students do not pay fees since they have paid their fees at their home institution. On their timetable the fee assessment reflects values of 0.00 and the course listing includes a statement "As an exchange student, you are exempt from paying fees to the University of Alberta."

- Instructional Fees for outgoing exchange students are assessed as per the fee index of the EXCH course in which they are registered. They also pay the appropriate Noninstructional Fees.

- Outgoing exchange students are advised of their fee assessment by the Manager, Special Registrations, and pay the fee prior to leaving on the exchange.

Faculty Student Funds

- Effective September 1996 all students in the Faculty of Engineering are assessed a \$25.00 per term fee towards the undergraduate faculty equipment fund.

- Effective September 1997 all students in the Faculty of Law are assessed a \$50.00 per term fee towards a Faculty Student Fund.

- On the fee assessment portion of the timetable notice the Faculty Student Fund assessment is included in the instruction fee value.

- On the assessment screen (AS) the Faculty Student Fund is reported on the LCS line (previously known as Library and Computing Services).

- There is no provision for opting out, refund, transfer, reduction or cancellation of this fee.

March 19, 1997

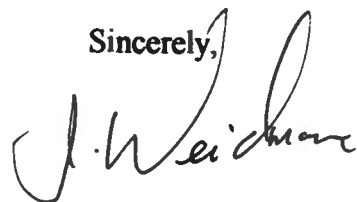
To Whom it May Concern,

My name is Jeff Weidman and I am the President of the Law Students' Association (LSA) at the University of Alberta.

This letter is a confirmation of the LSA's recognition and support of the creation of a fund that will go toward ensuring the existence of a full time placement officer. This fund will be created by a \$50 per student, per semester, fee increase. This fee increase, for the purpose stated above, is supported by the faculty of law's student body as was evident by the results of the referendum on March 11, 1997.

Please feel free to contact me or any other member of the LSA executive to address any questions or concerns that may be raised.

Sincerely,



Jeff Weidman

LSA President, 1996-97

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UNIVERSITY OF ALBERTA
LIBRARY



University of Alberta
Edmonton

Faculty of Law

Canada T6G 2H5

4th Floor, Law Centre
Telephone (403) 492-3115 Fax (403) 492-4924
<http://www.law.ualberta.ca/>

March 18, 1997

Mr. Brian Silzer
Office of the Registrar
Administration Building
CAMPUS MAIL

Dear Mr. Silzer:

Please consider this letter my formal approval of the Placement Officer Bylaw concerning the disbursement and oversight of funds for the position of Placement Officer at the Faculty of Law.

I have had an opportunity to review the draft Bylaw and I am satisfied that it will allow our Faculty to function efficiently in respect of the position of Placement Officer.,

Thank you for taking my views into consideration.

Sincerely,

Timothy J. Christian, QC
Dean of Law

365613 APR-297

MAIL ROOM

October 15, 2014

Office of the Provost
2-36 South Academic Building (SAB)
University of Alberta
Edmonton, Alberta
T6G 2G7

RE: Letter of Support for an Increase to the Faculty of Law's Market Modifier

Dear Dr. Amrhein:

The Law Students' Association ("LSA") is an independent body elected by law students to serve as their representatives to the Faculty, the University, and the greater community. We are writing to you to reaffirm our support for an increase to the Faculty of Law's Market Modifier, as proposed by the Faculty of Law. After substantial consultation with our student body, and the Students' Union, over the last four years, and again this August and September, in addition to our own extensive research, we have come to the conclusion that an increase in the differential tuition fees, as proposed by the Faculty of Law's administration, is necessary. We informed the Dean that an immediate hike for all students would have adverse consequences on our student body, which is why we believe that a phase-in of these fees as the Dean's proposal suggests is fair and equitable. Additionally, we appreciate the Dean's decision to reduce the total amount of the market modifier, from his original proposal, to the level currently incorporated as a result of our input.

This letter will address how our program has been adversely affected by budget cuts in recent years. We will then discuss the history of student engagement and consultation with regards to tuition and this specific market modifier proposal. Following that, we will examine the Faculty's tuition proposal as it currently stands, and conclude by making a few remarks.

How Our Program is Being Impacted

In recent years, law students have noted a decline in the quality of our program at the University of Alberta. Examples of the effects of cutbacks include:

- Reduction in the number of courses offered at our school, sometimes resulting in the cancellation of courses that are of significant importance to students;
- Reduction in number of full-time faculty members: 36.5 (2010) to 29 (current);
- Increase in class sizes (first year Property law went from three sections of 60 students to one section of 180 students);
- The discontinuation of legal librarian services over the summer months - making us the only common law school in the country to be in such a position;
- Loss of several experienced staff member whose absence has caused students delays in obtaining casebooks, statutory materials and course outlines; and
- Reduction of library hours.

The LSA believes that unless the Faculty is able to secure its financial future through a tuition increase, our faculty will be forced to implement a number of cost cutting and revenue generation strategies that will be even more damaging to the average student's academic experience, including:

- Increasing enrolment by up to 25 students a year, or more
 - In an increasingly stagnant Canadian job market for recent JD graduates an enrolment increase will likely result in a greater number of students graduating without an article, or a job placement. The primary concern for law students is keeping enrolment constant
 - Increasing enrolment would also lead to greater strain on teaching resources and student services, further diminishing the student experience
- Continuing to surrender the positions of faculty members who either retire or vacate their positions.
 - Our faculty will have to reduce course offerings even further, reducing the depth of education that our student body receives.
 - A reduction in professors will also result in larger class sizes, and professors that are overworked and will strain to be able to meet the needs of their students.
 - The loss of long-standing/retirement age professors results in a loss of faculty with strong insight into the history of the legal profession and practice and wisdom that only experience offers.

Consultation

In 2010, the LSA executive authored a letter in support of the Faculty's proposal to increase law students' market modifier fee. The Government of Alberta determined that the Faculty of Law was ineligible for a fee increase at that time.

Because of their concerns about the impact of funding on educational quality, debate has continued for years amongst the student body about the merits of a potential tuition increase. These debates have significantly escalated since the March 7, 2013 Government of Alberta budget cuts.

On April 11, 2013, the LSA held a special town hall for our student body to discuss the issue of tuition and other revenue generating initiatives the Faculty was considering, namely an increase in the law school's enrolment numbers. Executive members of the Students' Union, including Colten Yamagishi (SU President 2012/13), Petros Kusmu (SU President 2013/14), and others, were kind enough to attend our town hall. A broad variety of issues were discussed, but the prevailing theme in the room was that law students would be open to a tuition increase, provided that amongst other accommodations, there be a moratorium on increasing enrolment in the Faculty.

Over the 2013 summer months, the Dean's Office and the LSA were in constant communication about the possibility of a tuition increase, and what form a tuition proposal might take.

On August 27, 2013, the LSA Executive gave a presentation to Students' Union Council discussing law students' concerns, and the possibility of supporting an increase in the school's market modifier. This was a constructive discussion with the Students' Union, which has informed subsequent LSA advocacy efforts. One of the products of this presentation was that on September 17, 2013, the LSA executive, through email correspondence, asked the entirety of the law student body to share their thoughts and their concerns on how budget cuts had adversely affected their

educational experiences. The goal of this exercise was to inform the discussions the LSA was having with the Dean's office with regards to a potential tuition increase, conversations that have ongoing ever since. This included discussions with the candidates for the Deanship in spring 2014, including the newly appointed Dean, Paul Paton.

Prior to the July 1 formal start date, on April 29, 2014, members of the outgoing, and the incoming LSA executives met with the incoming Dean to discuss student concerns and the impact of budget cuts on students' educational experiences.

On August 10, 2014, members of the SU executive and the LSA met with our Dean to further discuss any concerns that the Students' Union had.

On August 19, 2014, the LSA and the Dean gave another presentation to the University of Alberta Students' Union Council where details of the current proposal were discussed. The presentation, which included a substantial question period, addressed a variety of Students' Union concerns.

When the LSA was informed that a new date for proposals had been set, October 15th, we extended our consultative process further.

On September 10, the Dean hosted a town hall where he presented the entirety of his proposal, in addition to a number of issues currently facing our program. In this meeting the Dean addressed a number of relevant items, including: the Faculty's budget for the last five years, the growth of our prizes and awards portfolio despite budgetary challenges, student to faculty ratio, and expected debt levels for our graduates.

On September 17, the LSA hosted its own town hall. At this function, students were given another opportunity to speak to a number of issues.

Based on this town hall, and consultation with the Students' Union, a survey was generated to gather law students' opinions on the Faculty's market modifier proposal. The survey was administered between the dates of October 7 and October 9.

We received a total of 192 responses. This represents approximately one third of the current student body. Participation from the different years was consistent.

Approximately 40% of students had attended, or viewed online at least one of the two town halls. 76% indicate that they think that a moratorium on increasing first year enrolment should be a priority. In describing the importance of the faculty to student ratio, one third described it as very important and the vast majority, 90%, found it at least moderately important.

As currently stated 58% of students support the proposal, 25.6% oppose, and 16% abstained.

In reviewing these results, it is clear that students would like to primarily see funds flowing to areas of immediate impact to them. This includes academic improvements in increased faculty hiring, experiential program funding, and potentially, a teaching fellow program. A key concern that students have consistently highlighted is the quality of our career services department and as per this survey, they would certainly like to see more money flowing to this area. Students are not opposed to funds being used to support students in the form of scholarships or bursaries. Students however show

little support for the hiring of any additional administrative staff outside of career services. Students would like to make sure that a large influx of money is not squandered.

On October 14, 2014, the LSA gave a final presentation to the University of Alberta's Students' Union. After a lengthy discussion, the majority of Students' Council approved a motion that would allow for the Law Students' Association to advocate in for the Faculty's market modifier proposal, in contravention of Students' Union political policy.

Considering the foregoing, it is apparent that our support for the Faculty's Market Modifier proposal is based on substantial consultative efforts with law students and the Students' Union.

Our View on the Faculty's Current Market Modifier Proposal

While the Dean's proposal is substantial at first glance, upon further review, one can see that it is quite reasonable. As the table in the appendix highlights, the market modifier will simply bring our school in line with the national average of other competitive Canadian law faculties. Additionally, critical concessions for obtaining our support, include:

- Four-year moratorium on entering 1L class size (to 2017-18)
- Commitment to implementation of a Faculty of Law solution to the tuition waiver/payment issue
- Expansion of experiential learning opportunities with a goal of 20-25% law student participation by 2017-18
 - In the winter of 2013, the LSA completed an informal survey of our student body on their views pertaining to experiential learning. Students overwhelmingly identified the expansion of experiential and practical learning opportunities as a key priority. The Dean's proposal to increase these opportunities by 20-25% thoroughly accommodates students' views on this matter.
- Commitment to development of an enhanced consultative model, including two Dean's Town Halls in 2014-15 (Fall and Winter)
- Significant enhancement of career services supports
- Elimination of faculty membership fee (\$50)
- Commitment to work with law students, the bar and the broader community on identification of priority mental health issues and supports for law students and new lawyers

These commitments closely mirror that which students had indicated as priorities in the aforementioned survey. Dean Paton has committed to working with the LSA on implementing, depending on the level of funding made available, the following key areas identified through student engagement:

Key Priorities:

- Hiring of up to 7.5 additional professors which would restore faculty numbers to 2009 levels
- Hiring of 2 additional career services officers
- 20% of the increased funding dedicated to Scholarships and Bursaries
- Hiring of 3 additional individuals to run an enhanced experiential learning program

Secondary Priorities:

- Graduating student bursaries for individuals pursuing public service/rural/underserved markets
- Hiring of 2 teaching fellow positions to assist professors in the learning outcomes of first year classes

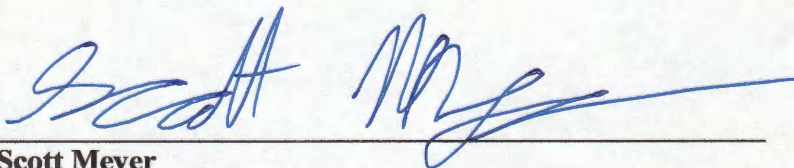
One area where the LSA has had several concerns however, is with regards to the 20% allocation of the market modifier fee to the University's central administration. To this point, no indication has been made as to how this money will be allocated to serve law students in particular. We do not believe that law students should have to pay more than the majority of campus to support activities held under the auspices of central administration. We suggest that a portion of the allocation to central administration should instead be re-allocated to either the Faculty or the Faculty's student services department. While our first preference is to have the 20% central allocation reduced, if this request cannot be adhered to, then we ask that the University's central administration conform to identified student priorities and use the additional revenue to extend our library, and the Law Centre's hours of operation, in addition to extending funding for other expenditures that fall under the control of central administration.

Final Remarks

At this time, we would like to state that nothing contained within this letter should be perceived as setting a 'precedent' for tuition increases in other faculties. The current situation in our program is unique, and should not be analogized into other contexts. We have, and will continue to support the advocacy efforts of the Students' Union, the Graduate Students' Association, the Post-Doctoral Fellows' Association, and our fellow Faculty Associations.

We greatly appreciate you taking the time to read our letter of support for the Faculty of Law's proposal to introduce a new market modifier. The Law Students' Association looks forward to working with the Dean's office over the coming years to ensure that we build a program that properly supports its students and strives for excellence. Please feel free to contact us should you require any more information.

Yours very truly,



Scott Meyer

President 2014-2015, University of Alberta Law Students' Association

c. The Honourable Don Scott, Minister of Innovation and Advanced Education (AB),
402 Legislature Building, 10800 97 Avenue, Edmonton, AB, T5K 2B6;
fortmcmurray.conklin@assembly.ab.ca

Doug Goss, Chair, Board of Governors, University of Alberta,
3-04 South Academic Building (SAB), Edmonton, AB, T6G 2G7; boardchair@ualberta.ca

Dr. Paul Paton, Dean, Faculty of Law, University of Alberta,
Room 487, Law Centre, 111 - 89 Avenue, Edmonton, AB, T6H 2H5; deanoflaw@ualberta.ca

William Lau, President, Students' Union, University of Alberta,
2-900 Students' Union Building (SUB), Edmonton, AB T6G 2J7; president@su.ualberta.ca

Appendix - Tuition Rates of Our Top Eleven Competitors

School	2014/15 Tuition (\$)
Toronto	31,536
Osgoode	22,672
Western	18,420
Queens	16,931
Ottawa (Common Law)	16,061
Dalhousie ¹	15,030
Calgary	12,193
Saskatchewan	12,015
British Columbia	11,448
Alberta	10,121
Victoria ²	9,029
McGill (Out of Province)	8,492

¹ – Dalhousie: \$17,319

² – Victoria: +\$1,100



UNIVERSITY OF ALBERTA FACULTY OF LAW

**Proposal
Market Modifiers 2015-16
October 2014**

Dr. Paul D. Paton
Dean of Law
Wilbur Fee Bowker Professor of Law

"uplifting the whole people"

— HENRY MARSHALL TORY, FOUNDING PRESIDENT, 1908



**UNIVERSITY OF ALBERTA
FACULTY OF LAW**

2

Summary/Overview

- **Introduction to a Changing Legal Market and Challenges for Legal Education**
- **Review of the Competitive Market in Legal Education in Canada**
- **Recent History and Budget Impact at University of Alberta Faculty of Law**
- **Consultation and LSA Conditions for Support**
- **Response: Key Needs/Investments in Student Support**
- **Market Modifier Proposal**



Introduction to a Changing Legal Market and Challenges for Legal Education

CBA Legal Futures Task Force Report (August 2014)

- The legal profession in Canada is entering a period of major change. The combined forces of globalization, technology and market liberalization are creating new services, new delivery mechanisms, and new forms of competition... At the same time that the demand from existing clients is changing, there are still many individuals and communities in Canada with inadequate access to any type of legal services.”



Introduction to a Changing Legal Market and Challenges for Legal Education

“In this dynamic future environment, it will be important for lawyers to obtain lifelong education and training. This will require more flexibility and choice in the way new lawyers are educated and trained, as well as innovative models and courses of study for pre-call training and continuous professional development.”



CBA Futures Task Force Report – Chapter Seven

“Lawyers of all generations expressed a desire for more practical opportunities for learning through clinical and work placements.

Similarly, through innovative ideas like supervised apprenticeships in the middle of law school, or a version of articles in mid-course, law students felt they could refine their studies while at law school, make better and more informed decisions on what they might do after graduation, and be better prepared for their careers in general.”



CBA Futures Task Force Report – Chapter Seven

Recommendation #16:

An integrated, practical approach, including multidisciplinary skills training, should be incorporated into substantive curricula to provide “translational knowledge” – the ability to turn critical knowledge of legal concepts, regulatory processes, and legal culture into actual problem-solving ability in practice.” [p. 59]



Review of the Competitive Market in Legal Education in Canada

Since 2010:

- Three new law schools: Thompson Rivers, Lakehead, and Trinity Western
- Introduction of Ontario Legal Practice Program (alternative entry for foreign law graduates/those without articles)
- Increasing tuition and investments in other Canadian law schools; proposals for increased tuition, class sizes, or both



Maclean's 2014 Law School Rankings

OVERALL RANK		GRADUATE QUALITY				FACULTY QUALITY
	Rank Last Year	Elite Firm Hiring	National Reach	Supreme Court Clerkships	Faculty Hiring	Faculty Journal Citations
1	TORONTO (1)	1	10*	2	1	1
2	OSGOODE (2)	10	3*	9*	6*	2
3	MCGILL (4)	3	10	1	2	5*
3	QUEEN'S (3)	12	7	4*	3*	3
5	UBC (5)	6	5*	4*	6*	4
6	DALHOUSIE (6)	4	5*	7	3*	7
7	VICTORIA (7)	13	3*	4*	8*	5*
8	ALBERTA (8)	2	7*	9*	8*	9*
9	WESTERN (9)	7*	1*	16	11	9*
10	OTTAWA (11)	14	12	3	12*	8
11	CALGARY (12)	7*	7*	9*	15*	12
12	SASKATCHEWAN (10)	11	13	9*	5	13
13	NEW BRUNSWICK (13)	5	16	9*	10	14*
14	WINDSOR (14*)	15	1*	15	15*	11
15	MANITOBA (14*)	9	14	8	12*	14*
16	MONCTON (16)	16	15	9*	12*	16

UNIVERSITY OF ALBERTA FACULTY OF LAW				
			9	
LAW TUITION COMPETITORS				
2014-2015				
University	Law Tuition	Rank		
Alberta	\$10,221	10		
Toronto	\$31,536	1		
York-Osgoode Hall	\$22,672	2		
Western	\$18,420	3		
Queens	\$16,931*	4		
Ottawa	\$16,061	5		
Dalhousie	\$15,030**	6		
Calgary	\$12,193	7		
Saskatchewan	\$12,015	8		
British Columbia	\$11,448	9		
Victoria	\$9,028***	11		
McGill	\$8,492	12		
<i>2013-2014</i>				
<i>Thompson Rivers</i>	<i>\$17,828</i>	<i>4*</i>		
			Average	\$15,802
			Add 1.9 %	
			Alberta COLA	\$16,103
			*Queens: +\$100	
			**Dalhousie: \$17,319	
			***Victoria: +\$1,100	

UNIVERSITY OF ALBERTA FACULTY OF LAW						
			10			
Comparisons						
2010-2011						
Law School	Budget \$000s	Rank	Tuition	Rank	Stud/FTE Ratio	Rank
Alberta	\$5,480	11	\$9,943	10	16	6
UBC	\$10,079	5	\$10,135	9	13.9	2
Calgary	\$3,100	15	\$11,810	7	19	12
Dalhousie	\$5,274	12	\$11,666	8	15	5
Laval	\$8,722	6	\$5,077	15	21.8	14
Manitoba	\$3,796	14	\$8,619	11	16.6	8
McGill	\$7,712	7	\$5,668	14	16.6	8
Montreal	\$13,433	2	\$6,423	13	24.6	15
Ottawa	\$11,700	4	\$13,604	4	17.5	11
Queen's	\$6,986	8	\$13,170	5	17.2	10
Sask	\$3,798	13	\$8,070	12	16.5	7
Toronto	\$15,686	1	\$23,508	1	13	1
Western	\$6,492	9	\$15,270	3	14.2	4
Windsor	\$6,234	10	\$12,480	6	14	3
York	\$12,000	3	\$17,631	2	20.4	13



2012-2013

Law School	Budget \$000s	Rank	Tuition	Rank	Stud/FTE Ratio	Rank
Alberta	\$6,225	11	\$10,221	10	15.7	5
UBC	\$10,905	5	\$11,004	9	15.1	3
Calgary	\$3,843	13	\$12,023	8	15.8	6
Dalhousie	\$5,449	12	\$14,284	7	15.8	6
Laval	\$9,735	6	\$6,407	15	21.4	14
Manitoba	\$3,450	15	\$8,949	12	16	8
McGill	\$7,707	7	\$7,918	13	16.9	10
Montreal	\$14,500	2	\$6,834	14	29.7	15
Ottawa	\$11,997	4	\$14,568	6	18.7	12
Queen's	\$7,290	8	\$15,357	4	19.2	13
Sask	\$3,766	14	\$9,900	11	14	2
Toronto	\$17,125	1	\$27,420	1	13.8	1
Western	\$6,787	9	\$18,017	3	16.6	9
Windsor	\$6,236	10	\$15,039	5	15.5	4
York	\$12,406	3	\$20,564	2	17.8	11



2013-2014

Law School	Budget \$000s	Rank	Tuition	Rank	Stud/FTE Ratio	Rank
Alberta	\$6,134	12	\$10,221	11	16.1	8
UBC	\$11,138	5	\$11,224	10	15	3
Calgary	\$4,194	14	\$12,193	8	15.2	4
Dalhousie	\$6,192	11	\$15,878	5	15.4	5
Laval	\$10,553	6	\$6,642	15	20.9	14
Manitoba	\$3,447	15	\$9,093	12	16.8	9
McGill	\$6,789	9	\$8,061	13	17.6	10
Montreal	\$12,567	4	\$7,274	14	31	15
Ottawa	\$15,802	2	\$15,296	6	18.4	11
Queen's	\$7,995	7	\$16,125	4	20.3	13
Sask	\$4,621	13	\$11,400	9	14.6	2
Toronto	\$20,200	1	\$28,791	1	11.9	1
Western	\$6,998	8	\$17,544	3	15.8	7
Windsor	\$6,225	10	\$15,264	7	15.7	6
York	\$14,864	3	\$21,593	2	18.9	12

Sources:

- U15 Data exchange
- York - Osgoode Hall
<http://www.osgoode.yorku.ca/prospective-students/jd-program/applying/fees>
- Undergraduate data reflects tuition reported for programs over an 8 month period.
- Dalhousie, Laval and McGill domestic amounts are for Canadian, out-of-province students.
- Ottawa has common law and national law. Figures shown here are for common law.



Recent History and Budget Impact at University of Alberta Faculty of Law

- Prior to 2012, provincial government promise of 2% annual funding increases for 2013-14, 2014-15, and 2015-16
- March 7, 2013: announcement of reduction to post-secondary education funding by 6.8%
- Closure of John A. Weir Memorial Law Library during summer months
- Reduction of faculty operating budget from 2010-11 levels
- Net reduction of Faculty positions from 36.5 (2008-09) to 29 (2014-15)
- Staff reductions through voluntary severance/retirement plans
- Expected collective agreement outcomes and funding impacts (2015-16)



Faculty of Law Operating Budget

2010-11	\$5,896,081
2011-12	\$6,203,454
2012-13	\$6,229,365
2013-14	\$6,215,461
2014-15	\$5,869,103



Addressing the Challenge – Options

- 1) Additional cuts – Faculty and Staff
- 2) Increase Class Size & Section Sizes
- 3) User Fees
- 4) [Change GoA funding model]
- 5) Development/Alumni Support
- 6) Revenue Generation/Exec Ed
- 7) Tuition Differential/Market Modifier



Consultation and LSA Conditions for Support

- 2010 – LSA executive letter in support of market modifier to increase tuition from \$9500 to \$12400 (rejected by province; Calgary increase granted)
- 2013 – post-budget cut discussions:
- April 11, 2013 Town Hall
 - August 27, 2013 – LSA Executive Presentation to SU
 - September 17, 2013 – LSA consultation email
- 2014 – informal consultations with law students and surveys re: curriculum reform and tuition/enrolment balance



LSA Conditions for Support

- **5-year moratorium on 1L enrolment increases**
- **Tuition waivers for low income students, students with dependents and students from historically disadvantaged groups**
- **Curriculum reform with strong emphasis on experiential learning**
- **Elimination of the Faculty Membership Fee (\$50)**
- **Emphasis on the development of Mental Health programming**
- **Replenishing Faculty Positions/Improving F/S Ratio**



Response: Key Needs/Investments in Student Support

- **Four-year moratorium on entering 1L class size (to 2017-18)**
- **Commitment to implementation of a Faculty of Law solution to the tuition waiver/payment issue**
- **Expansion of experiential learning opportunities with a goal of 20-25% law student participation by 2017-18**
- **Commitment to development of an enhanced consultative model, including two Dean's Town Halls in 2014-15 (Fall and Winter)**
- **Significant enhancement of career services supports**
- **Elimination of faculty membership fee (\$50)**
- **Commitment to work with law students, the bar and the broader community on identification of priority mental health issues and supports for law students and new lawyers**

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Average Salaries For Legal Professionals In Canada

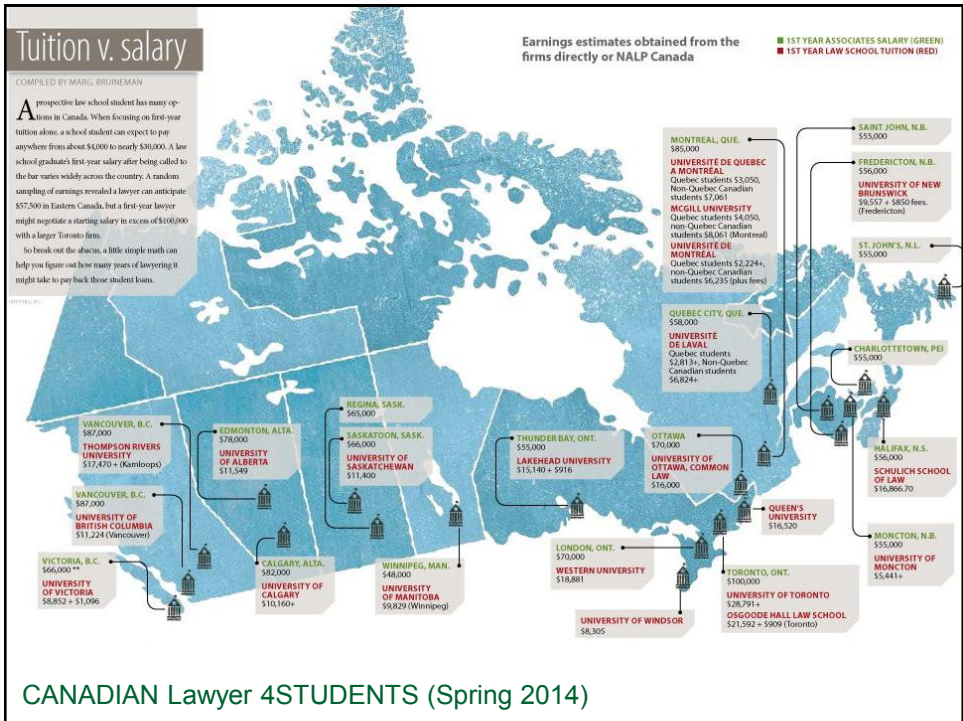
	Edmonton		Calgary		Vancouver		Saskatoon	
	2013	2014	2013	2014	2013	2014	2013	2014
Senior Lawyer (+10 years' exp.)								
Large Law Firm	\$194,274 - \$277,350	\$198,660 - \$291,024	\$197,850 - \$282,456	\$202,317 - \$296,382	\$194,838 - \$278,156	\$199,237 - \$291,870	\$179,967 - \$256,925	\$184,030 - \$269,592
Midsize Law Firm	\$149,124 - \$215,172	\$156,864 - \$219,042	\$151,869 - \$219,133	\$159,752 - \$223,074	\$149,557 - \$215,797	\$157,320 - \$219,678	\$138,142 - \$199,326	\$145,312 - \$202,911
Small/Midsize Law Firm	\$129,000 - \$181,632	\$132,612 - \$191,436	\$131,375 - \$184,976	\$135,053 - \$194,960	\$129,375 - \$182,160	\$132,997 - \$191,992	\$119,500 - \$168,256	\$122,846 - \$177,338
Small Law Firm	\$104,490 - \$158,412	\$109,650 - \$161,508	\$106,413 - \$161,238	\$111,668 - \$163,956	\$104,793 - \$158,872	\$109,968 - \$161,977	\$96,795 - \$146,746	\$101,575 - \$149,614
Lawyer (4-9 years' exp.)								
Large Law Firm	\$133,128 - \$239,166	\$139,578 - \$247,680	\$135,579 - \$243,569	\$142,147 - \$252,240	\$133,515 - \$239,861	\$139,983 - \$248,400	\$123,324 - \$221,553	\$129,299 - \$229,440
Midsize Law Firm	\$111,456 - \$202,788	\$118,680 - \$208,722	\$113,508 - \$206,521	\$120,865 - \$212,564	\$111,780 - \$203,377	\$119,025 - \$209,328	\$103,248 - \$187,854	\$109,940 - \$193,351
Small/Midsize Law Firm	\$86,946 - \$162,798	\$92,106 - \$165,636	\$88,546 - \$165,795	\$93,801 - \$168,685	\$87,198 - \$163,271	\$92,373 - \$166,117	\$80,543 - \$150,809	\$85,323 - \$153,438
Small Law Firm	\$71,466 - \$130,032	\$75,336 - \$134,418	\$72,781 - \$132,426	\$76,723 - \$136,892	\$71,673 - \$130,410	\$75,555 - \$134,808	\$66,203 - \$120,456	\$69,788 - \$124,519
Lawyer (1-3 years' exp.)								
Large Law Firm	\$91,074 - \$123,582	\$93,396 - \$128,484	\$92,750 - \$125,857	\$95,115 - \$130,849	\$91,338 - \$123,941	\$93,667 - \$128,857	\$84,367 - \$114,481	\$86,518 - \$119,022
Midsize Law Firm	\$73,530 - \$110,940	\$75,078 - \$116,358	\$74,883 - \$112,982	\$76,460 - \$118,500	\$73,743 - \$111,262	\$75,296 - \$116,696	\$68,115 - \$102,770	\$69,549 - \$107,789
Small/Midsize Law Firm	\$71,208 - \$101,910	\$72,756 - \$106,812	\$72,519 - \$103,786	\$74,095 - \$108,778	\$71,415 - \$102,206	\$72,967 - \$107,122	\$65,964 - \$94,405	\$67,398 - \$98,946
Small Law Firm	\$56,760 - \$82,044	\$58,308 - \$85,656	\$57,805 - \$83,554	\$59,831 - \$87,233	\$56,925 - \$82,282	\$58,477 - \$85,905	\$52,580 - \$76,002	\$54,014 - \$79,348
First Year Associate								
Large Law Firm	\$85,398 - \$92,880	\$87,462 - \$94,944	\$86,970 - \$94,950	\$89,072 - \$96,692	\$85,646 - \$93,150	\$87,716 - \$95,220	\$79,109 - \$86,040	\$81,021 - \$87,952
Midsize Law Firm	\$66,822 - \$80,754	\$68,628 - \$82,302	\$68,052 - \$82,240	\$69,891 - \$83,817	\$67,016 - \$80,988	\$68,827 - \$82,541	\$61,901 - \$74,807	\$63,574 - \$76,241
Small/Midsize Law Firm	\$66,048 - \$71,466	\$67,854 - \$72,498	\$67,264 - \$72,781	\$69,103 - \$72,832	\$66,240 - \$71,673	\$68,051 - \$72,708	\$61,184 - \$66,203	\$62,857 - \$67,159
Small Law Firm	\$50,052 - \$67,854	\$51,600 - \$68,886	\$50,973 - \$69,103	\$52,550 - \$70,154	\$50,197 - \$68,051	\$51,750 - \$69,086	\$46,366 - \$62,857	\$47,800 - \$63,813


Law Firm Definitions: Large Law Firm = 75 + Lawyers
Midsize Law Firm = 35-75 Lawyers
Small/Midsize Law Firm = 10-35 Lawyers
Small Law Firm = Up to 10 Lawyers

Company Definitions: Large Company = \$250+ Million in revenue
Midsize Company = \$25-\$250 Million in revenue
Small Company = Up to \$25 Million in revenue

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Lawyer (1-3 years' exp.)	Edmonton		Calgary		Vancouver		Saskatoon	
	2013	2014	2013	2014	2013	2014	2013	2014
Large Law Firm	\$91,074- \$123,582	\$93,396- \$128,484	\$92,750- \$125,857	\$95,115- \$130,849	\$91,338- \$123,941	\$93,667- \$128,857	\$84,367- \$114,481	\$86,518- \$119,022
Midsize Law Firm	\$73,530- \$110,940	\$75,078- \$116,358	\$74,883- \$112,982	\$76,460- \$118,500	\$73,743- \$111,262	\$75,296- \$116,696	\$68,115- \$102,770	\$69,549- \$107,789
Small/Midsize Law Firm	\$71,208- \$101,910	\$72,756- \$106,812	\$72,519- \$103,786	\$74,095- \$108,778	\$71,415- \$102,206	\$72,967- \$107,122	\$65,964- \$94,405	\$67,398- \$98,946
Small Law Firm	\$56,760- \$82,044	\$58,308- \$85,656	\$57,805- \$83,554	\$59,831- \$87,233	\$56,925- \$82,282	\$58,477- \$85,905	\$52,580- \$76,002	\$54,014- \$79,348
First Year Associate								
Large Law Firm	\$85,398- \$92,880	\$87,462- \$94,944	\$86,970- \$94,950	\$89,072- \$96,692	\$85,646- \$93,150	\$87,716- \$95,220	\$79,109- \$86,040	\$81,021- \$87,952
Midsize Law Firm	\$66,822- \$80,754	\$68,628- \$82,302	\$68,052- \$82,240	\$69,891- \$83,817	\$67,016- \$80,988	\$68,827- \$82,541	\$61,901- \$74,807	\$63,574- \$76,241
Small/Midsize Law Firm	\$66,048- \$71,466	\$67,854- \$72,498	\$67,264- \$72,781	\$69,103- \$72,832	\$66,240- \$71,673	\$68,051- \$72,708	\$61,184- \$66,203	\$62,857- \$67,159
Small Law Firm	\$50,052- \$67,854	\$51,600- \$68,886	\$50,973- \$69,103	\$52,550- \$70,154	\$50,197- \$68,051	\$51,750- \$69,086	\$46,366- \$62,857	\$47,800- \$63,813





UNIVERSITY OF ALBERTA
FACULTY OF LAW

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Student Prizes and Awards

2009/10:	\$1,021,640
2010/11:	\$1,021,640
2011/12:	\$1,157,375
2012/13:	\$1,175,700
2013/14:	\$1,119,750

Expected Debt		Variable	Response Options	1L		2L		3L		4L	
				Count	%	Count	%	Count	%	Count	%
25.	How much educational debt from attending law school do you expect to have upon your graduation?		\$0	22	20.4%	19	25.0%	17	20.0%		
			\$1 - \$20,000	19	17.6%	9	11.8%	11	12.9%		
			\$20,001 - \$40,000	23	21.3%	11	14.5%	16	18.8%		
			\$40,001 - \$60,000	21	19.4%	17	22.4%	12	14.1%		
		CADEBT	\$60,001 - \$80,000	14	13.0%	9	11.8%	16	18.8%		
			\$80,001 - \$100,000	7	6.5%	7	9.2%	8	9.4%		
			\$100,001 - \$120,000	1	0.9%	3	3.9%	4	4.7%		
			More than \$120,000	1	0.9%	1	1.3%	1	1.2%		
			Total	108	100.0%	76	100.0%	85	100.0%		

Expected Debt		Variable	Response Options	1L		2L		3L		4L	
				Count	%	Count	%	Count	%	Count	%
25.	How much educational debt from attending law school do you expect to have upon your graduation?		\$0	21	24.1%	19	23.8%	13	24.1%		
			\$1 - \$20,000	14	16.1%	16	20.0%	6	11.1%		
			\$20,001 - \$40,000	16	18.4%	15	18.8%	11	20.4%		
			\$40,001 - \$60,000	17	19.5%	12	15.0%	7	13.0%		
		CADEBT	\$60,001 - \$80,000	9	10.3%	11	13.8%	6	11.1%		
			\$80,001 - \$100,000	7	8.0%	6	7.5%	5	9.3%		
			\$100,001 - \$120,000	2	2.3%	1	1.3%	2	3.7%		
			More than \$120,000	1	1.1%	0	0.0%	4	7.4%		
			Total	87	100.0%	80	100.0%	54	100.0%		

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Law School Survey of Engagement

LSSSE 2013 Frequency Distributions
University of Alberta – Faculty of Law

Expected Debt	Variable	Response Options	1L		2L		3L		4L	
			Count	%	Count	%	Count	%	Count	%
25. How much educational debt from attending law school do you expect to have upon your graduation?		\$0	10	17.2%	16	23.2%	16	26.2%		
		\$1 - \$20,000	6	10.3%	9	13.0%	4	6.6%		
		\$20,001 - \$40,000	12	20.7%	13	18.8%	17	27.9%		
		\$40,001 - \$60,000	12	20.7%	19	27.5%	10	16.4%		
		\$60,001 - \$80,000	6	10.3%	5	7.2%	8	13.1%		
		\$80,001 - \$100,000	6	10.3%	4	5.8%	5	8.2%		
		\$100,001 - \$120,000	3	5.2%	3	4.3%	1	1.6%		
		More than \$120,000	3	5.2%	0	0.0%	0	0.0%		
	Total	58	100.0%	69	100.0%	61	100.0%			

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Percentage of Differential Fees to Faculty

University	%
Manitoba	100
Toronto	90
York-Osgoode	90
New Brunswick	87.5
Saskatchewan	85
British Columbia	74
Dalhousie	61
Windsor	56
McGill	N/A

Student Fees	Current Year		2015-2016		2016-2017			2017-2018	
	1L	2L & 3L	1L	2L & 3L	1L	2L	3L	1L	2L & 3L
Program Fees	\$5,675	\$5,321	\$5,675	\$5,321	\$5,675	\$5,321	\$5,321	\$5,675	\$5,321
Differential Fees	\$4,546	\$4,546	\$10,320	\$6,546	\$10,320	\$10,674	\$8,546	\$10,320	\$10,674
Total	\$10,221	\$9,867	\$15,995	\$11,867	\$15,995	\$15,995	\$13,867	\$15,995	\$15,995
				\$2000 added			\$2000 added		\$2128 added

Revenue Allocation							
Academic Year	FLEs for 1L	FLEs for 2L & 3L	Total FLEs	Differential Fees	Student Support Allocation	Faculty Allocation	Central Allocation
Current Year	185	340	525	\$2,386,650	\$ 477,330	\$1,431,990	\$ 477,330
2015-2016	185	340	525	\$4,134,840	\$ 826,968	\$2,480,904	\$ 826,968
2016-2017	185	340	525	\$5,176,600	\$1,035,320	\$3,105,960	\$1,035,320
2017-2018	185	340	525	\$5,384,952	\$1,076,990	\$3,230,972	\$1,076,990

UNIVERSITY OF ALBERTA FACULTY OF LAW	
28	
<h2>Investments</h2>	
<ul style="list-style-type: none"> • 20% of additional funds to Scholarships and Bursaries • Senior & Junior Career Services Officers • Professors – 7.5 (restored to 2009 levels) • Director, Coordinator & Admin Assistant, Experiential Learning • Graduating Student Bursaries – Public Service/Rural/Underserved • Teaching Fellow Positions (2) • Keeping Law Library open in summer • Part-time Psychologist/Mental Health & Wellness Officer (0.5) • Additional Financial Aid Officer • Additional Admissions Officer • Director of Student Services 	
GRAND TOTAL	\$3,517,372
New Differential Fees to Faculty	\$2,536,168
Shortfall	\$ 981,204



Consultation and LSA Conditions for Support

- 2010 – LSA executive letter in support of market modifier to increase tuition from \$9500 to \$12400 (rejected by province; Calgary increase granted)**
- 2013 – post-budget cut discussions:**
 - April 11, 2013 Town Hall**
 - August 27, 2013 – LSA Executive Presentation to SU**
 - September 17, 2013 – LSA consultation email**
- 2014 – informal consultations with law students and surveys re: curriculum reform and tuition/enrolment balance**



LSA Conditions for Support

- **5-year moratorium on 1L enrolment increases**
- **Tuition waivers for low income students, students with dependents and students from historically disadvantaged groups**
- **Curriculum reform with strong emphasis on experiential learning**
- **Elimination of the Faculty Membership Fee (\$50)**
- **Emphasis on the development of Mental Health programming**
- **Replenishing Faculty Positions/Improving F/S Ratio**

OUTLINE OF ISSUE

Agenda Title: ***University of Alberta 2014-15 Annual Report for submission to the Government of Alberta***

Motion: THAT the Board of Governors, on the recommendation of the Board University Relations Committee, approve and adopt the *University of Alberta 2014-2015 Annual Report for submission to the Government of Alberta* and empower the Associate Vice-President (Audit & Analysis) to make any editorial changes to the *Report*, as needed, as long as the changes do not have the force of policy.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Office of Strategic Analysis
Presenter	Phyllis Clark, Vice-President (Finance and Administration)
Subject	University of Alberta Annual Report to the Government of Alberta

Details

Responsibility	Vice-President (Finance and Administration)
The Purpose of the Proposal is (please be specific)	To comply with Alberta Enterprise and Advanced Education legislation and guidelines.
The Impact of the Proposal is	n/a
Replaces/Revises (eg, policies, resolutions)	Reports on the <i>University of Alberta 2014 Comprehensive Institutional Plan</i> by highlighting University accomplishments during the period of April 1, 2014 to March 31, 2015
Timeline/Implementation Date	Due for submission to the Minister of Innovation and Advanced Education by September 30, 2015.
Estimated Cost	Printing and design costs only.
Sources of Funding	n/a
Notes	The report follows Enterprise and Advanced Education's most recent <i>Alberta Post-secondary Institution Annual Report Guideline</i> (January 2010). The report was presented to the University Relations Committee on June 1, 2015. Subsequent to that meeting the 2014-15 Financial Statements were approved by the Board of Governors and added to the report. In addition, the Office of Advancement requested that several messages related to their business area be included: these are highlighted in yellow in the report. The report will be professionally designed after approval by the Board.

Alignment/Compliance

Alignment with Guiding Documents	<i>University of Alberta Comprehensive Institution Plan</i> . The annual cycle of reports is as follows: <ul style="list-style-type: none"> ○ <i>Comprehensive Institutional Plan</i> – to the Government of Alberta by March 31 ○ <i>Report to the Community</i> – for public distribution, April ○ <i>Financial Statements for Year Ended March 31</i> – to the Government of Alberta by July 15 ○ <i>Annual Report</i> – for submission to the Government of Alberta, September 30
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Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)

1. Post-Secondary Learning Act (PSLA):

Annual report

"79(1) Each year a board must prepare and submit to the Minister a report that includes

(a) the Audited Financial Statements for the preceding fiscal year, and

(b) any other information the Minister requires.

80 The board must submit to the Minister any reports or other information required by the Minister.

Note: The University's Audited Financial Statements are prepared and submitted to Advanced Education as a separate document."

2. GFC Academic Planning Committee Terms of Reference/3. Mandate of the Committee:

"The Academic Planning Committee (APC) is GFC's senior committee dealing with academic, financial and planning issues. As such, it is not only responsible to GFC (or the Board) for the specific matters itemized below, but may also ask to consider or recommend to GFC on any academic issue, including 1) those issues under the purview of other GFC committees, 2) any academic issue related to restructuring, 3) any research-related issue, or 4) issues linked to academic service units where those issues have a significant academic impact. In like manner, the President, Provost and Vice-President (Academic) or other Vice-Presidents may refer any matter to APC for consideration or recommendation to GFC. APC is also responsible to GFC for promoting an optimal learning environment for students and excellence in teaching, research, and graduate studies."

3. Audit Committee Terms of Reference, Section 3 (k):

Other Compliance and Reporting Oversight

(k) review any published documents containing financial information derived from the financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements;

(l) review with Administration all interim financial reports before they are forwarded to the Board;

(m) review legal and regulatory matters that may have a material impact on the financial statements, related University compliance policies and programs and reports received from regulators;

3. Board University Relations Committee Terms of Reference/Sections 3 and 4:

3. Mandate of the Committee:

Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to and the Board delegates to the Committee responsibility and authority on matters concerning the relations of the University with the community and government. The Committee shall also consider any other matters delegated to the Committee by the Board.

Without limiting the generality of the foregoing the Committee shall:

(a) advise the President on strategic business plans and specific projects and initiatives for the University's institutional

Item No. 4di

	<p><i>communications, public relations, government relations, community relations, alumni relations and media relations, ensuring all efforts support the mission and strategic objectives of the University;</i></p> <p>4. <u>LIMITATION ON DELEGATION BY THE BOARD</u> <i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation to the Committee as set out in paragraph 3 the Board shall make all decisions with respect to:</i></p> <p><i>approval of strategies concerning government policies and community relations issues that may be of significant impact to the University and its operations.</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Office of the President (April, 2015); PEC-O (April 30, 2015);
Approval Route (Governance) (including meeting dates)	GFC Academic Planning Committee (APC) – for information/discussion (May 13, 2015) Board Audit Committee will review and approve an excerpt of the financial information contained in the report; Board University Relations Committee to review the report on June 1, 2015 and recommend Board of Governors' approval and adoption of the <i>2014-2015 Annual Report to the Government of Alberta.</i>
Final Approver	Board of Governors (June 19, 2015)

Attachment:

1. University of Alberta 2014-15 Annual Report for submission to the Government of Alberta (68 pages)

Prepared by: Mary Persson, Associate Vice-President (Audit & Analysis) (mary.persson@ualberta.ca)

2014-2015

ANNUAL REPORT

FOR SUBMISSION TO THE GOVERNMENT OF ALBERTA

DARE TO DISCOVER: A VISION FOR A GREAT UNIVERSITY

QUAECUMQUE VERA — WHATSOEVER THINGS ARE TRUE

As of June 9, 2015

University of Alberta Vision, Mission, Cornerstones, and Values

The University of Alberta *vision* is to inspire the human spirit through outstanding achievements in learning, discovery, and citizenship in a creative community, building one of the world's great universities for the public good.

Our mission is to create and sustain a vibrant and supportive learning environment that discovers, disseminates, and applies new knowledge through teaching and learning, research, creative activity, community involvement, and partnerships. The University of Alberta gives a national and international voice to innovation in our province, taking a lead role in placing Canada at the global forefront.

The University of Alberta aspires to become one of the top public universities in the world by focusing academic planning and strategic decision-making on *four cornerstones*:

1. Talented People
2. Learning, Discovery, and Citizenship
3. Connecting Communities
4. Transformative Organization and Support

Our *values*: The University of Alberta community of students, faculty, staff, and alumni rely on shared, deeply held values that guide behaviour and actions. These values are drawn from the principles on which the University of Alberta was founded in 1908 and reflect a dynamic, modern institution of higher learning, leading change nationally and internationally.

Excellence: Excellence in teaching that promotes learning; outstanding research and creative activity that fuel discovery and advance knowledge; and enlightened service that builds citizenship.

Student Experience: The centrality of our students and our responsibility to provide an intellectually superior educational environment.

Integrity and Academic Freedom: Integrity, fairness, and principles of ethical conduct built on the foundation of academic freedom, open inquiry, and the pursuit of truth.

Diversity and Creativity: A diverse, yet inclusive, dynamic collegial community that welcomes change and seizes opportunity with passion and creativity.

Pride: Pride in our history and traditions, including contributions from Aboriginal people and other groups, which enrich and distinguish the university.

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Message from the Chair

On behalf of my colleagues on the University of Alberta Board of Governors, I present the 2014–2015 Annual Report as a record of the university's continued progress towards the goals outlined in its Comprehensive Institutional Plan and Academic Plan, Dare to Deliver 2011–2015. This report for the year ending March 31, 2015, has been prepared under the board's direction in accordance with the Government Accountability Act, the Post-secondary Learning Act, and associated ministerial guidelines. All economic, environmental, and fiscal implications of which we are aware have been considered in the preparation of this report. It includes a financial report drawn from the university's financial statements, as well as a discussion of key challenges, risks, and opportunities faced by the University of Alberta over the past year.

The university remains steadfast in its pursuit of being among the world's great public universities. We are moving forward with great determination, and this is an incredibly exciting time for the university. Alberta is bustling with energy and enthusiasm. That makes this city, this province, and this university one of the most attractive places in the world.

The university itself is at a visionary crossroads. After a decade of daring leadership, we are preparing to say goodbye to President Indira Samarasekera, who led the university through one of the institution's most transformational periods. Dr. Samarasekera has spent the last decade facilitating the expansion of the university's global reach; championing unprecedented growth of faculty, programs, international partnerships, and facilities—including more than \$2 billion in capital projects; overseeing the swelling of the university's endowment past the \$1-billion mark; and presiding over a leap in reputation that places the U of A among the top five universities nationally and top 100 internationally. The university's exceptional growth in size and global stature over the past decade was balanced by the stark realization that post-secondary budgetary models of old are no longer sustainable. To that end—and in an effort to preserve, strengthen, and effectively support the U of A's core mission of excellence in teaching, research, and service—Dr. Samarasekera led the university through the difficult implementation of the Board of Governors' Change Agenda, which addresses academic transformation, sustainable and flexible financial models, effective and efficient administration, and culture change.

Under her leadership, the university is re-envisioning greatness and, I believe, accepting the challenge of competing with the very best. The early result of the board's Change Agenda has been a strong recovery, better financial footing, and what I believe to be a stronger partnership between the province's flagship university and the people it serves. And with Dr. Samarasekera's completion of her term this summer, I am excited at the prospect of working with President-Elect David Turpin to build on the university's momentum and propel us ever higher into the top tier of global public universities.

True to its mandate, as approved in 2009 by the minister of advanced education and technology, the U of A continues to offer a broad range of outstanding learning and research programs to prepare citizens and leaders who make a difference. It plays a leading role in Campus Alberta by collaborating with other Alberta institutions, responding to vital community relationships at every level, and giving a national and international voice to Alberta innovation. Also in line with its mandate, the university enhances student opportunities and builds Alberta's capacity for long-term, knowledge-driven sustainable development at the global forefront.

As board chair, I thank the Government of Alberta for its continued support of lifelong learning, research, and innovation—support that is even more essential for the next generation of Albertans. I look forward to advancing the University of Alberta's promise of “uplifting the whole people” and doing my part to hoist this great institution to a level of prominence that it deserves, and that the province deserves.

Douglas O. Goss, Q.C. AOE
Chair, Board of Governors

2014-15 Board of Governors

BOARD MEMBER	CONSTITUENCY
Andrews, Nathan	Graduate Students' Association
Belosevic, Miodrag (Mike)	General Faculties Council
Cooper, David	Association of Academic Staff
Goss, Douglas	Public (Chair)
Halford, Jane	Alumni
Hansra, Sangram	Students' Union
Heelan, James	Public
James, Barry	Senate
Jeraj, Shenaz	Public (Vice-chair)
Johnson, LeRoy	Public
Lau, Williams	Students' Union
LePoole, Steven	Public
Muzyka, Raymond	Public
Parks, Robert	Alumni
Pu, Christopher	Non-Academic Support Staff
Ross, Michael H.	General Public
Samarasekera, Indira	President
Somji, Nizar	Public
Teskey, Robert H.	Public
Wilson, Dick	Public (Vice-chair)
Young, Ralph	Chancellor

Overview from the President

Since its inception in 2005, the University of Alberta's *Dare to Discover* vision has been to build a great global university for the public good, by inspiring outstanding learning, discovery, and citizenship. Year by year, we strive to equip talented students, researchers, and scholars with knowledge and resources to be active and engaged citizens, leaders, and thinkers. We seek excellence and aspire to be a community of leaders and change makers.

By pursuing our strategic goals and objectives outlined in our seminal planning documents—*Dare to Discover*, *Dare to Deliver 2011-2015*, and *Comprehensive Institutional Plan*—we are in a continuous process of evolution. The following 2014-2015 Annual Report demonstrates our ongoing efforts to develop enriched undergraduate and graduate educational experiences, foster and sustain leading-edge research, connect communities near and far, and increase administrative efficiencies and outcomes to the benefit of students, staff, university partners, and society more broadly.

We do this work because it matters. The 2015 centenary celebration of the U of A's Alumni Association highlights the great things that our alumni do—as leaders, citizens, employees, innovators, and volunteers. Indeed, as this report demonstrates, about 97 per cent of 2012 and 2010 graduates have achieved full-time employment within two years of graduation. In 2014 alone, the U of A sent 736 engineers, 170 physicians, 513 nurses, 430 agriculture, environment, and food specialists, 243 economists, 173 lawyers, and 38 designers into the workforce. Active and engaged volunteers throughout their communities, U of A alumni have also donated to their alma mater in record numbers in the past several years, helping to bring the university's total endowment well over the \$1 billion mark in 2015.

Alumni volunteer and professional leadership stems in part from the U of A's long tradition of fostering leadership skills and aspirations in students and giving them the skills they need to think critically and creatively and to act boldly. Launched in winter 2014 to build on the U of A's historical strength in this area, the Peter Lougheed Leadership College will welcome its pioneer class in fall 2015 after a year of curriculum planning and development, staff and instructor recruitment, and widespread campus consultation and partnership-building.

The U of A continues to be home to research leaders who are seeking excellence, producing exceptional results, and building international networks of collaborators. In 2014-2015, we attracted increased total external research funding, moving from \$462,783 to \$469,881. In February 2015, the Government of Canada announced that U of A was selected out of a competitive pool of 83 applications to host the Canadian Glycomics Network, a new \$27.3M network centre of excellence. GlycoNet will bring together 64 glycomics researchers from 22 institutions across Canada to strengthen efforts to explore and develop new treatments for a range of illnesses.

Talented people thrive in enriched learning environments that enable connection, creativity, and action. This year marked the completion of the Physical Activity and Wellness Centre, the Jeanne and Peter Lougheed Performing Arts Centre on Augustana Campus, and the final fit-out of the Li Ka Shing Centre. New student residences are under construction that will add a total of 213 beds to the university's inventory and provide housing to 13.75 per cent of full-time students.

To ensure that U of A students, faculty, and staff have the physical and financial resources they need to continue pursuing excellence in teaching, learning, and research, the university has also undertaken several administrative reforms over 2014-2015. These include the establishment of a U of A Land Trust and the centralization of financial services, data warehousing, information technology, and human resources.

In July 2015, the U of A will welcome President-Elect David Turpin and begin an exciting new period of advancement and achievement. It has been my privilege and honour to serve as this great institution's 12th president and to work with the university, province, and wider community to expand the U of A's local, national, and international reach and influence to remarkable new heights. Under David Turpin's leadership and through the dedicated efforts of faculty, staff, and students, the University of Alberta will continue to fulfill its mandate and mission, realizing its promise and bringing the benefits of a great global university to Alberta.

Indira V. Samarasekera, OC

President and Vice-Chancellor

The University in 2014-15

The University of Alberta brings together talented people; inspires them to outstanding acts of learning, discovery, and citizenship; compels them to reach out and connect with communities near and far; and provide them with the support they need to thrive. Building on these four cornerstones, the U of A has risen to become one of Canada's and the world's finest universities with a reputation for excellence, bold thinking, and purpose.

The University of Alberta, as the province's flagship research-intensive post-secondary institution, is a critical partner in achieving a prosperous future for Alberta. Throughout its history, and today as part of Campus Alberta, the U of A has had education partnerships with every post-secondary institution in the province

Achieving excellence across the disciplines, U of A researchers are changing the lives of many. Major medical breakthroughs—such as Michael Houghton's advance toward a hepatitis C vaccine, Robert Burrell's nano-particle wound dressing, and Paul Armstrong's cardiac research—have eased the suffering of people close to home and around the world. Catherine Bell's celebrated research in indigenous and Métis law has helped to reshape Canada's justice system. Anne Naeth's techniques for reclaiming land damaged by resource development and Jillian Buriak's work on solar cells are not only helping us imagine a more sustainable world, but also bringing us much closer to that reality. Sociologist Kevin Haggerty's research is providing new understanding and analyses of how the ubiquitous presence of surveillance influences the individual's relation to society. The contributions of physicists James Pinfold, Roger Moore, and Doug Gingrich to the international team that discovered the Higgs Boson goes to the most fundamental understanding of our universe.

In addition to educating, credentialing and employing generations of Albertans, the U of A is also a gateway through which Albertans and Alberta industry can access the world. More than 1,000 researchers collaborate at the U of A to study oil sands and address the environmental, cultural and social impacts. Sixty per cent of all oil sands research published in the world is conducted in our region. As leader of the Petrocultures Research Cluster, Canada Research Chair in Cultural Studies Imre Szeman (English and Film Studies), has shaped the emerging discipline of Energy Humanities, which examines the impact of the petrochemical industry on society and culture and examines the conditions of energy transition. With every innovation, every discovery, every global partnership formed, every alumnus working in the international market, the U of A advances the province's global brand.

Our rankings also speak volumes on several fronts. The 2014-15 QS Rankings placed the U of A 84th in the world out of the 2,000 universities rated in the survey, and the most recent Maclean's survey rated us among the top five Canadian universities. Times Higher Education ranked the U of A 87th in its "most international universities" ranking in 2014, up nine spots from 2013. And in 2014, TEC Edmonton was named the 10th best university business incubator in the world by the University Business Incubator Index.

These successes come as many jurisdictions have recognized the imperative for even greater investment in education, research, development, and innovation. Regions and countries around the world are aligning their resources and reviewing their educational and research sectors to better compete within the global marketplace. U of A has close to 400 teaching and research agreements with governments and partner institutions in nearly 50 countries. U of A's research excellence is fueled by exceptional people: Lorne Tyrrell, a professor in the Faculty of Medicine & Dentistry's Department of Medical Microbiology & Immunology and the director of the Li Ka Shing Institute of Virology, was recently named the winner of the 2015 Killam Prize for Health Sciences, one of only five Killam prizes awarded annually across Canada. Political Science professor Janine Brodie, Canada Research Chair in Political Economy and Social

Governance, was the winner of the 2014 Innis-Gérin Medal of the Royal Society of Canada, given for a distinguished and sustained contribution to the literature of the social sciences

Consistent, adequate, long-term funding for post-secondary education and innovation, specifically with strong support for the province's comprehensive academic and research institutions, is essential to securing Alberta's prosperity long into the future. As Alberta's 2013-16 Strategic Plan states, "The economic and intellectual centre of gravity is shifting away from traditional economic powers in the West, and the pace at which knowledge and technology are advancing is altering how the world does business. Future success also requires strong strategic relationships between government, post-secondary institutions, the research and innovation system, and the province's entrepreneurial business sector. As an example of a successful partnership, Mary Forhan and U of A colleagues are improving the quality of care of bariatric patients thanks to an Alberta Innovates – Health Solutions PRIHS (Partnership for Research and Innovation in the Health System) award.

Within Canada, Alberta faces significant and distinct challenges now and in the future in relation to its human capital. The province estimates that, over the coming decade, it will face a labour shortage of about 114,000 workers and that, of these, more than 62,000 will require a post-secondary education. With a 2014-15 enrolment of 38,669 (headcount), the University of Alberta remains the province's largest post-secondary institution. It is imperative that provincial funding continues to support access.

Although Alberta's economy and communities have benefited greatly from the extraction of natural resources, the nature of the province's revenue structure is also a challenge due to its sensitivity to fluctuations in energy prices. While managing the current fiscal situation, it will be important to continue to build and leverage the world-class talent, research, and innovation being cultivated within Alberta's post-secondary education sector. The U of A is at the core of delivering the credentialing and performing the research that Alberta requires to remain economically competitive and to address the challenges of the modern global knowledge economy.

A recent study estimates that U of A alumni have collectively founded 70,258 organizations globally, creating more than 1.5 million jobs and generating annual revenues of \$348.5 billion (Briggs and Jennings, *Uplifting the Whole People: The Impact of University of Alberta Alumni through Innovation and Entrepreneurship*, 2013). By comparison, the annual gross domestic product of the province of Alberta is \$306.7 billion. Of those 1.5 million jobs, 390,221 were created in Alberta. With 2.1 million people being employed in Alberta in 2012, roughly one in every five Albertans is employed by a company founded by a U of A graduate. The report also concludes that a U of A education is a major catalyst for innovation and entrepreneurship and that faculty interactions, more than any other experience, have the highest impact on alumni after graduation. The U of A is also doing all it can to help those graduates succeed once they leave our campus. The University's new Venture Mentoring Service partners student and alumni entrepreneurs with successful alumni mentors who help them develop their ideas and skills.

At this critical juncture, it is important that Alberta not simply respond to developments elsewhere, but lead through carefully considered, bold, and strategic action. Given its wealth, creativity, and entrepreneurial spirit, Alberta has distinct advantages on the national and international stages. Through sustained, strategic investments in building blocks such as talented and creative people, advanced infrastructure, and research excellence, Alberta has the potential to emerge as one of the most dynamic and energetic jurisdictions in the world.

Summary Statistics

As the following table illustrates student enrolment (FLE) has dropped in the 2014-15 academic year. In recent years the U of A has worked, in consultation with the Government of Alberta, to reduce enrolment in programs and Faculties for which over-enrolment (above target) has been a recurring issue. As applicant pressure has remained strong, there has been a corresponding increase in the averages of undergraduates admitted directly from high school; these rose from 84% in fall 2013 to 85% in fall 2014.

	2013-14 ACADEMIC YEAR	2014-15 ACADEMIC YEAR
Students		
Applicants (Fall term only)	39,026	39,242
Applicants Admitted (Fall term only)	20,777	20,355
Undergraduate (FLE)	28,196	27,793 (preliminary)
Graduate (FLE)	8,492	8,065 (preliminary)
Faculty of Extension Registrations (including	14,095	11,639 (preliminary)
Tuition		
Arts & Science	\$5,269	\$5,321
Law	\$10,121	\$10,221
Medicine	\$11,925	\$12,044
M.A., M.Sc., and PhD	\$3,626	\$3,662
Faculty & Staff (FTE)		
Faculty	2,128	2,046
Other Academic Staff	1,949	1,905
Support Staff (operating and trust-funded)	4,853	4,924
	2013 – 14 FISCAL YEAR	2014 – 15 FISCAL YEAR
Research Revenue (thousands of dollars)	\$462,783	\$469,881
	2013 CALENDAR YEAR	2014 CALENDAR YEAR
Degrees & Diplomas Granted	8,890	8,862
Undergraduate	6,778	6,812
Graduate	2,112	2,050

Notes:

Applicant data is as of October 1 of the reported year, all other student data is as of December 1 of the reported year.

Student numbers include post-graduate medical residents.

Tuition figures are meant as examples. Complete tuition can be found at <http://www.registrarsoffice.ualberta.ca/Costs-Tuition-Fees.aspx>.

Staff data is FTE as of October 1 of the reported year.

FLE – Full-load equivalent is a calculated student count. It is derived for each student based on their enrolment over the academic year, compared to the credit load expected for the program of enrolment. A FLE of greater than 1 should represent a student who takes greater than a full load of courses and a FLE of less than 1 would be expected for a part time student. Other academic staff includes Contract Academic Staff, Teaching, Research Academic Staff, Faculty Service Officers, Librarians and Administrative Professional Officers.

NOTABLE ACCOMPLISHMENTS IN 2014-15

The following highlights of significant accomplishments in 2014–15 gauge progress towards the University of Alberta’s vision, Dare to Discover, and its four cornerstones.

The reported performance measures provide complementary data and were chosen and developed on the basis of input from key university partners as well as the planning efforts that produced the university’s Comprehensive Institutional Plan. These measures help to monitor progress toward the U of A’s four cornerstones and the goals of access and research.

CORNERSTONE 1

The University of Alberta will attract and retain talented people

The world's most talented faculty, promising students, and dedicated staff — the world's most creative thinkers, prolific researchers, and innovative teachers — seek a university that offers the support, facilities, and commitment to excellence they need to thrive. The right environment is essential if the University of Alberta is to become a super-magnet for this kind of talent.

HIGHLIGHTS

Renewable resource researcher Scott Chang studied tree rings from 60-year-old aspen and pine stands and found that trees and soil are adapting to oil sands development, but says careful monitoring is still needed over the long term.

Canada Excellence Research Chair Graham Pearson made the first terrestrial discovery of ringwoodite, a rare mineral, in a \$20 diamond. Analysis revealed a significant amount of water—1.5 per cent of its weight—furthering scientific theories that the Earth's transition zone, between 410 and 660 kilometres beneath the Earth's surface, may contain as much water as all the world's oceans. This finding gained worldwide media attention.

Clare Drake, “the dean of Canadian intercollegiate hockey coaches,” was inducted into the Order of Hockey in Canada at the end of June. Having inspired players at every level, Drake is most renowned for having coached Golden Bears hockey to 697 wins—a Canadian university record—and to six national championships over his 28 years.

HIGHLIGHTS

Understanding Video Games (UVG), the U of A’s second massive open online course (MOOC), is available from the Faculty of Arts as a credit course for existing students and free to the public through the education platform Coursera. The course will explore what we can learn from video games, such as how they capture and hold our attention and what they tell us about society’s views on issues like gender, sex and violence. UVG follows in the footsteps of Dino 101, which attracted thousands of learners and established the U of A as an emerging leader in top-quality digital learning.

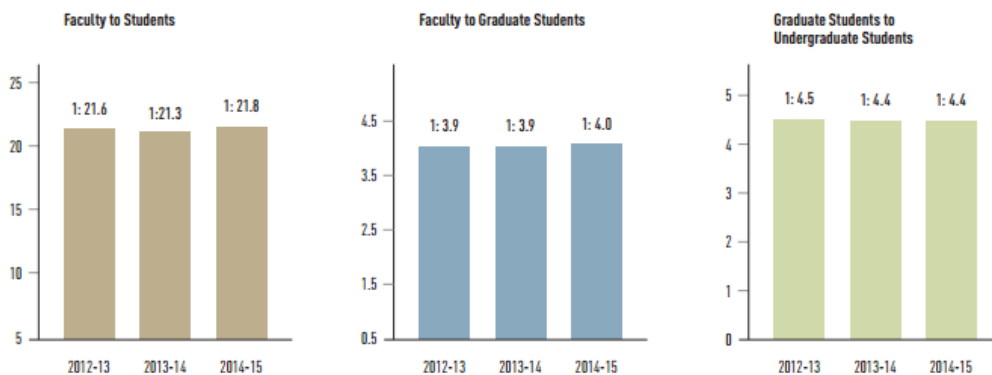
U of A researchers figured prominently in the 2014 ASTech Awards. Biology professor Mark Boyce won the Outstanding Leadership in Alberta Science award for his ecological systems modelling work; mechanical engineering professor Warren Finlay was given the outstanding leadership award for his research on pharmaceutical aerosols; Matthew Benesch, an MD/PhD student in biochemistry, won the Leaders of Tomorrow Award for his citizenship and promising research into cancer treatment; and microbiologist Julia Foght took home the Innovation in Oil Sands Research award.

From July 18 to 27, 2014, U of A surgeons transplanted 32 organs, breaking the team’s previous world record of 30 transplants in a 10-day span.

A significant part of the student experience is predicated on access to faculty so student ratios at the institutional level provide a general indication of the available level of resources. Most top research intensive institutions have relatively low faculty-to-student and graduate student-to-undergraduate student ratios, indicative of a high-quality learning environment in which students have ample access to instructors and the learning opportunities they offer. We remain committed to the goal of 16 students to one faculty member, but in the current financial climate, we expect to see limited reduction in the student-faculty ratios in the immediate future.

Many leading public research universities have a 3 to 1 ratio of graduate students-to-undergraduate students in order to help foster a dynamic, discovery-based learning environment. The University of Alberta has a graduate-to-undergraduate ratio above that of top public four-year universities and must make a substantial investment in graduate students to reach its target. Given the downward trend in the ratio over the past years, progress is evident, but the global competition to attract the best and brightest graduate students is intensifying and often linked to available funding.

FIGURE 2 FULL-TIME EQUIVALENT (FTE) RATIOS



Notes: Student data is based on information in effect on December 1 of the reported year. Post-graduate medical education students are excluded. FTE (full-time equivalent) represents the number of full-time students plus one-third the number of part-time students based on the number of individual students within each reporting category. Staff data is based on information in effect on October 1 of the reported year. Source: Institutional Data Warehouse.

HIGHLIGHTS

Biology professor Mark Boyce, mechanical engineering professor Warren Finlay, music professor emerita Marnie Giesbrecht, philosophy professor Bernard Linsky and glaciologist Martin Sharp were all elected as fellows to the Royal Society of Canada. Mental health advocate Austin Mardon, who has an adjunct appointment at the U of A, was named to the society as a specially elected fellow.

Nermeen Youssef, a fifth-year PhD pharmacology student, won second place at the worldwide Falling Walls Lab international pitch contest finale in Berlin for her idea of using blue light to stimulate engineered fat cells to secrete insulin—an idea that could lead to needle-free management of Type 1 diabetes and further entrench the university as a world leader in diabetes research.

For the the third year in a row, an English and Film Studies doctoral student has won the Governor General's Gold Medal.

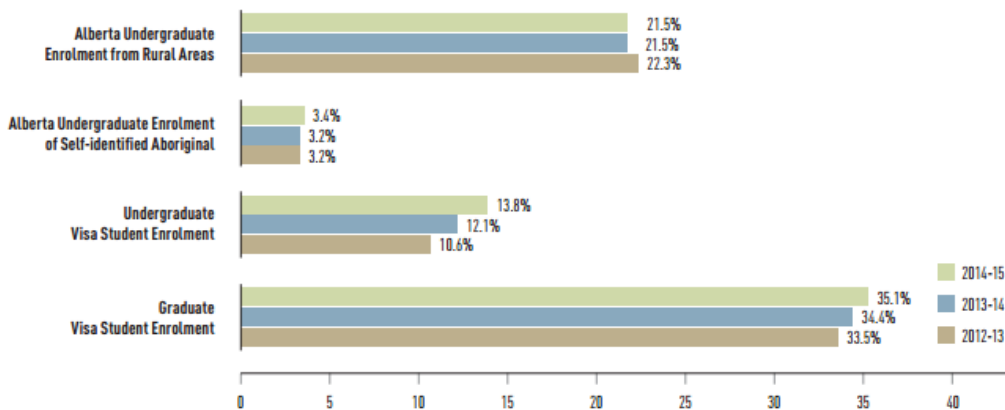
More than \$525,000 was raised for the Carl Amrhein Aboriginal Student Fund, which will promote greater student participation in programs that offer Aboriginal teaching and learning experiences.

The university has set in motion strategies to pursue selected long-term enrolment objectives. These include representative proportions of undergraduates from rural and Aboriginal communities of Alberta, as well as higher proportions of international undergraduate and graduate enrolments.

In 2005, the University of Alberta set an institution-wide international undergraduate enrolment target of 15 per cent, and an international graduate student enrolment target of 30 per cent. The graduate target has now been exceeded and the University of Alberta is approaching the undergraduate target.

A balance of enrolment from Alberta, Canada, and the world will help to stimulate development of a knowledge-based economy. Many international students stay in Alberta and contribute to the province's economic growth.

FIGURE 3 ENROLMENT OF SELECTED STUDENT GROUPS



Notes: All data is based on information in effect on December 1 of the reported year. Rural and aboriginal figures are proportions of total Alberta undergraduate enrolment. Rural enrolment is based on the census division of the student's hometown being outside Edmonton or Calgary. Visa student enrolment reflects those students who are not Canadian citizens or permanent residents. Post-graduate medical education (PGME) students are excluded from the analysis. Source: Institutional Data Warehouse.

HIGHLIGHTS

The Golden Bears hockey repeated as CIS champions, and in doing so secured the program's 15th national title. As well, the U of A's curling program swept away all comers, with their first and second national titles, respectively, the U of A tennis program won its first national championship in 2014, and the Golden Bears volleyball team also won the national championship.

The U of A's MD Program was recognized with a successful accreditation by the sanctioning bodies that govern Canadian and American medical schools. The program was lauded for its strength in leadership, programming and career development.

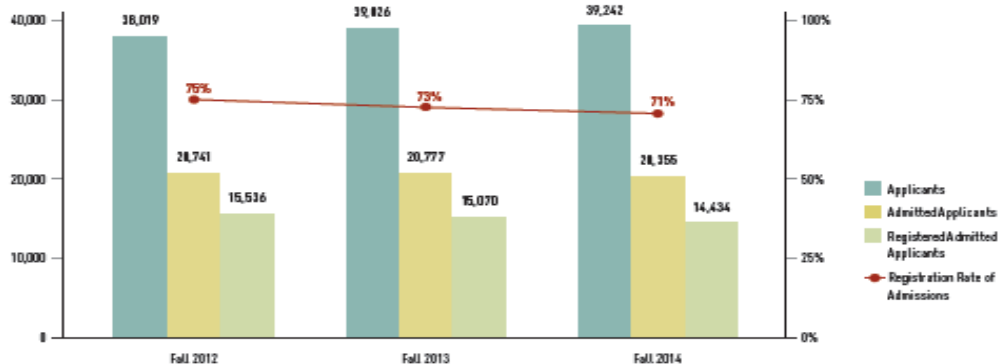
The \$54-million Physical Activity and Wellness Centre (PAW), which opened in the fall, was made possible in part by a generous \$10-million donation from Dick ('74 BA, '75 Law) and Carol Wilson ('74 BEd) and \$30-million in student fees (the Students' Union and the Graduate Students' Association voted to support a student fee, which is dedicated to funding a portion of the construction project) The 17,000-square-metre fitness centre includes a social street, student lounges, a two-storey climbing facility and a fitness centre on two floors.

To be added to caption – “Entrance averages across U of A have increased over the reported period”

Applications and admissions provide a measure of demand and applicant qualifications. This measure is also resource dependent as flat, or declining, resources will affect the availability of student seats.

The number of applicants admitted has been relatively stable over the reported period while the registration rate fell slightly in 2014-15.

FIGURE 1 APPLICATIONS AND ADMISSIONS

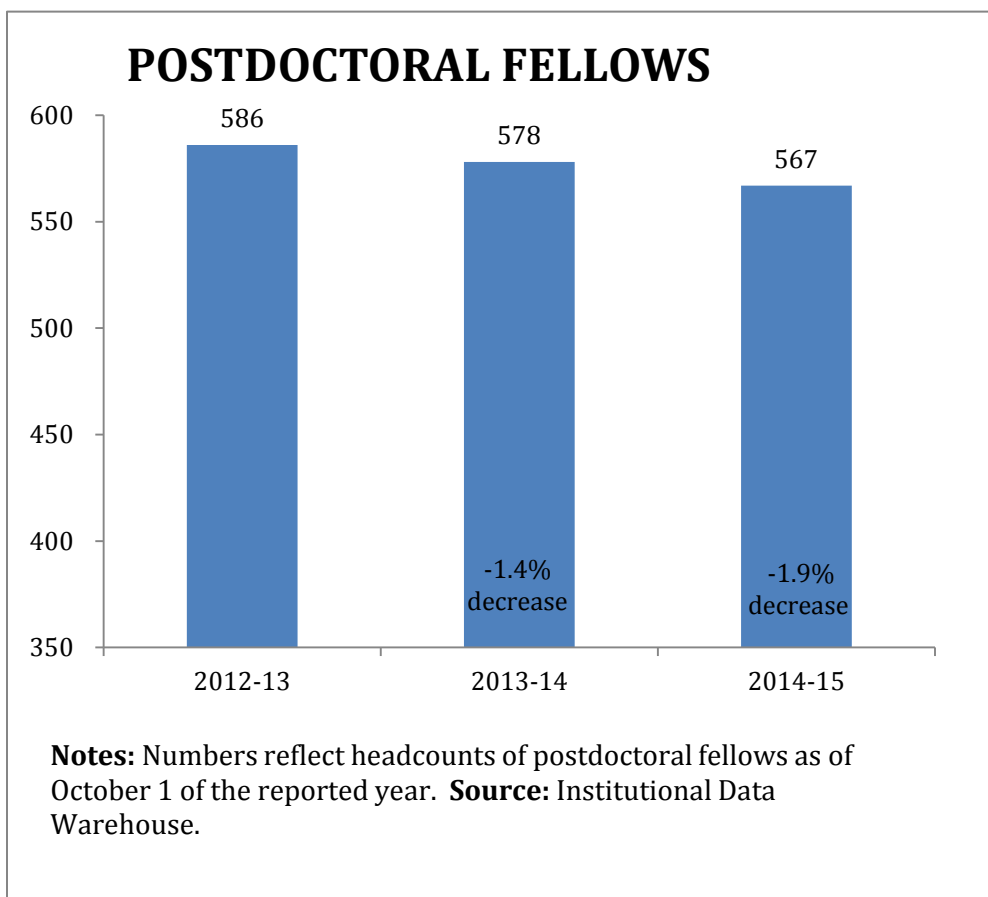


Notes: The numbers reported reflect unique individuals. Registration rate is the proportion of those admitted who registered. This data is based on information in effect on October 1 of the reported year. Source: Institutional Data Warehouse.

HIGHLIGHTS

The U of A has launched a new postdoctoral fellowship to examine the role of sexual minorities in sports. The postdoc is a result of a partnership struck between the U of A's Institute for Sexual Minority Studies and Services and the You Can Play Project, a North America-wide campaign aimed at eradicating homophobia from professional sports. The pilot program funded by Alberta Innovates-Technology Futures, which provides two-year funding for postdocs who are interested in focusing on entrepreneurship, completed a successful first year.

Postdoctoral fellows (PDFs) contribute to the research mission of the university. The attraction of postdoctoral fellows, researchers and visiting faculty from around the world to join the academic community is a key Dare to Discover strategy. University of Alberta's complement of PDFs decreased over the reported period. This decline, though not desirable, is expected in the current fiscal climate.



CORNERSTONE 2

The University of Alberta will provide excellence in learning, discovery and citizenship

Great universities stimulate learning and discovery that is cutting-edge, generating new knowledge, innovations, and discoveries that transform everyday life. The world-class university of tomorrow — which the University of Alberta aspires to be— will contribute to scientific, social, and cultural structures of global society in ways that will allow them to change and grow, creating and sustaining prosperity and well-being for future generations.

HIGHLIGHTS

Kim Campbell, Canada's first female prime minister, was named founding principal of the Peter Lougheed Leadership College. The college is one of two main elements of the Peter Lougheed Leadership Initiative, a collaboration with The Banff Centre aimed at creating one of the world's pre-eminent leadership development programs. Campbell is internationally renowned as an authority on leadership, gender issues and democratization.

Nearly 30 years after then-student John Geiger and physical anthropologist Owen Beattie published *Frozen in Time*, a shocking and influential account of the doomed Franklin expedition's disastrous final days in 1846, Geiger accompanied a group of searchers led by Parks Canada that found one of Franklin's two ships, the *HMS Erebus*.

HIGHLIGHTS

After measuring the heavy metal content in moss samples from peat bogs near oil sands development, world-renowned soil and water expert William Shotyk found that there's no atmospheric lead pollution in Alberta's oil sands region—a finding that contradicts current scientific knowledge.

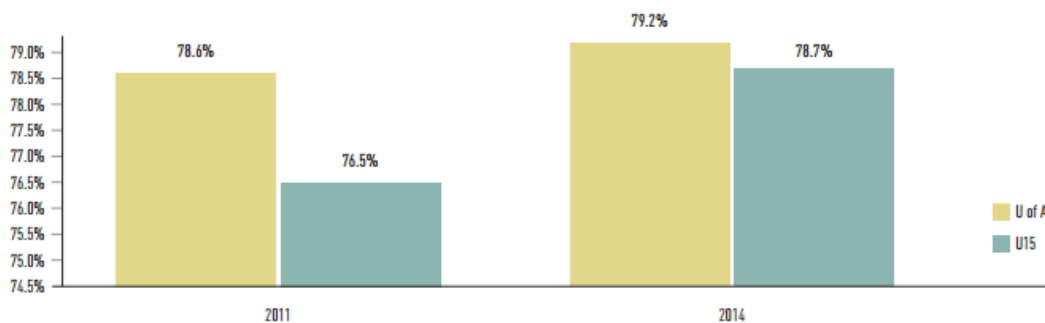
A \$10-million gift from Reza and Sylvia Nasserri to the Faculty of Engineering will establish the Nasserri School of Building Science and Engineering, which will focus on teaching and research into improving materials and energy used in the construction industry.

The university held its first ever Giving Day, raising over \$25,000 to help students build the first ever space weather satellite in Alberta.

Student satisfaction with their educational experience can lead to a productive lifelong relationship with their university. Our goal is to improve satisfaction as measured through the National Survey of Student Engagement.

Satisfaction with their educational experience has increased amongst senior undergraduate students over the measured period.

FIGURE 8 PERCENT OF SENIOR STUDENTS RATING THEIR EDUCATIONAL EXPERIENCE AS GOOD OR EXCELLENT



Note: Senior Student designation represents students in their fourth year, or in the year that they are normally expected to graduate. During the time period represented, U15 was referred to as G13 (Group of 13). Source: U of A Frequency Distribution Report, NSSE (National Survey of Student Engagement), 2011 and 2014.

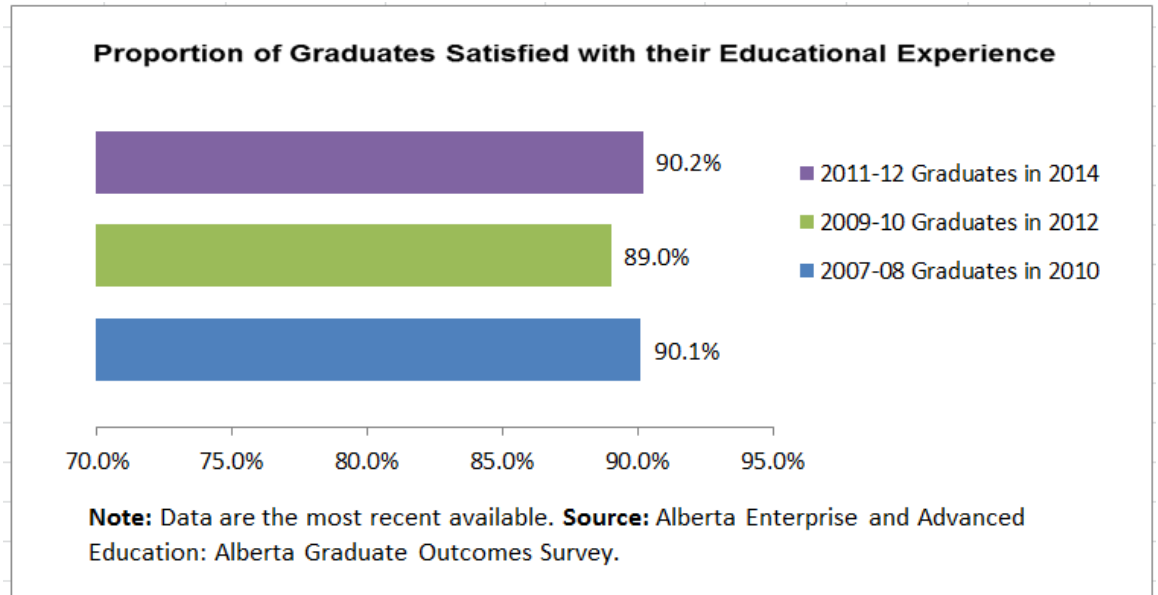
U of A participates in NSSE triennially.

HIGHLIGHTS

Thanks to the U of A's renown in the area of neurodegenerative illnesses, 18 U of A researchers were included in the \$31.5 million federally funded Canadian Consortium on Neurodegeneration in Aging partnership created to combat dementia-related diseases.

In an effort to improve student mental wellness and academic success, the U of A will be instituting a fall reading week beginning in 2015. The week-long break will coincide with the Remembrance Day holiday.

Graduate satisfaction provides another dimension of student satisfaction and is an important learner outcome measure. Graduate satisfaction has been high and relatively stable over the measured period, fluctuating around 90%.



The Survey is conducted biennially.

HIGHLIGHTS

The engineering-based U of A EcoCar team won first place at an international competition by getting the equivalent of 618 miles per gallon (0.1 L/100 km) at the Shell Eco Marathon – Americas in Houston, Texas. The urban design (hydrogen cell) category features cars built by students from across North and South America, powered by hydrogen fuel cells and designed to look consumer-friendly.

The U of A's sustainability push has resulted in a gold rating from the Sustainability Tracking, Assessment and Rating System, or STARS, a self-reporting framework for colleges and universities to measure sustainability performance. The U of A's score, up from the silver rating it received in 2012, places it second in Canada.

The Royal Society of Canada has named three University of Alberta researchers - from Native Studies, Philosophy and Gender Studies and Pharmacology - as part of its inaugural class inducted into The College of New Scholars, Artists and Scientists.

Jonathan White, surgery professor and creator of the popular Surgery 101 podcast, was named a 2014 3M National Teaching Fellow. The U of A lays claim to 41 3M Teaching Fellows, the most in Canada.

3M teaching awards measure teaching excellence, an area in which the University of Alberta achieves consistently high results.

3M Awards to U15 Universities 2004 - 2013

University	Number of Awards
University of Alberta	16
University of British Columbia	6
University of Toronto	6
McMaster University	5
University of Saskatchewan	5
Western University	5
University of Ottawa	3
Dalhousie University	2
Queen's University	2
University of Calgary	2
University of Waterloo	2
McGill University	1
Université de Montréal	1
Université Laval	1
Grand Total	58

Note: Data are the most recent available. **Sources:** 3M award counts from Society for Teaching and Learning in Higher Education. Faculty counts from Statistics Canada: *Salaries and Salary Scales of Full-time Teaching Staff at Canadian Universities, Final Reports* and U15 Data Exchange.

HIGHLIGHTS

A new study led by researchers at the U of A is shedding light on changes in intestinal bacteria of infants that can predict future development of food allergies or asthma. The study reveals that infants with a fewer number of different bacteria in their guts at three months of age are more likely to become sensitized to foods such as milk, egg or peanut by the time they are one year old. Infants who developed food sensitization also had altered levels of two specific types of bacteria—Enterobacteriaceae and Bacteroidaceae—compared with infants who didn't.

The number of times a faculty member's work is cited by peers is a strong validation of excellence. Universities tend to use citations as an indicator of productivity, relevance and quality.

Citations per Faculty Member, University of Alberta and Selected Peers

	2010-2014	2009-2013	2008-2012	% Increase over period
University of California Los Angeles	216	316	409	89%
University of Toronto	198	278	351	77%
University of Minnesota Twin Cities	154	230	299	94%
University of Washington	147	210	277	89%
McGill University	142	198	257	81%
University of Wisconsin Madison	122	173	224	84%
University of Arizona	112	164	209	87%
University of British Columbia	111	158	205	85%
<i>University of Alberta</i>	<i>103</i>	<i>149</i>	<i>190</i>	<i>84%</i>
University of Illinois Urbana-Champaign	101	144	188	87%
University of Montreal	89	125	160	81%
University of Texas Austin	74	105	130	76%
	<i>Average Increase</i>			<i>85%</i>

Notes:

Staff figures represent averages for the reported years.

2014-15 Canadian staff figures are not available.

Citations counts represent all citations during the reported period, regardless of publication year.

Data is accurate as of April 30, 2015.

Source:

InCites TM, Thomson Reuters

Canadian university faculty counts based on Statistics Canada: *Salaries and Salary Scales of Full-time Teaching staff at Canadian Universities* Reports and U15 data exchange.

U.S. university faculty counts based on their Common Data Sets for each respective year.

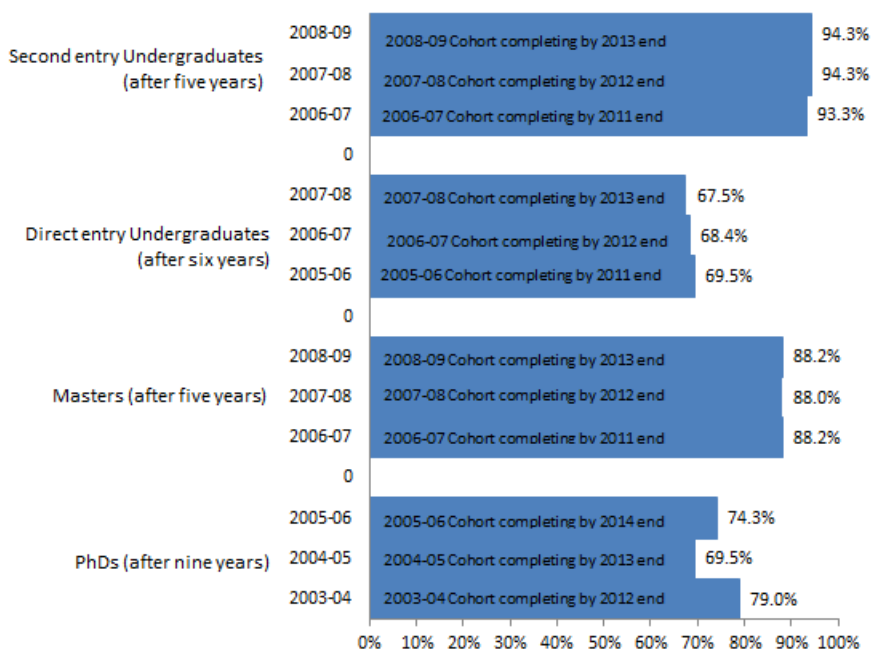
HIGHLIGHTS

Lift Off Alberta, a project to launch the first made-in-Alberta satellite, raised \$25,050 through the U of A's crowdfunding platform, an online way for supporters to donate money to university projects and initiatives. Play Around the World, a dynamic program that brings sport to underprivileged children around the world, raised \$15,560, while U of A Pride Week raised more than \$10,000.

Created by the China Institute, the China-Canada Investment Tracker—the most comprehensive database of Chinese investments in Canada—details some \$52 billion in investments over the past 20 years, 73 per cent of which are concentrated in Alberta. The number is more than four times larger than StatsCan estimates. The research skills of economics grad students were used to trace hard-to-find smaller investments.

The following chart provides completion rates by level. Rates have remained relatively stable over the reported period.

COMPLETION RATES, UNIVERSITY OF ALBERTA



Notes: Data is compiled using the completion rate methodology defined and implemented by U15 but it has been modified to include course-based Master's students in the analysis. Only those who began their studies as a full time student are included in the cohorts. The Direct Entry Undergraduate Completion Rate represents students who entered the University directly from high school and graduated from the U of A in any undergraduate program. The Second Entry Undergraduate Completion Rate represents students admitted to a program that requires one year of university study prior to admission and graduated from the U of A in any undergraduate program. The Master's Completion Rate represents students who entered the University in a Master's program and who graduated with either a Master's or PhD; students completing a PhD were allotted four additional years. The PhD Completion Rate represent students who entered the University in a PhD program and graduated with either a Master's or PhD. **Source:** Institutional Data Warehouse.

A Faculty of Engineering-led interdisciplinary research team's fuel cell project was one of 24 entrants moving on to the next round of a \$35-million Alberta-based Grand Challenge Competition designed to uncover innovative uses for carbon. The team is trying to produce a fuel cell that consumes rather than produces carbon dioxide to create energy.

In a world first, researchers in the Computer Poker Research Group at the University of Alberta have essentially solved heads-up limit Texas hold 'em poker with their program, called Cepheus. For more than a half-century, games have been test beds for new ideas in artificial intelligence. The findings of the group, lead by Michael Bowling in the Faculty of Science, were published Jan. 9 in the journal *Science*. The solution joins other significant milestones such as IBM's Deep Blue defeat of world-champion Garry Kasparov in chess and Watson beating top-earning *Jeopardy!* champs Ken Jennings and Brad Rutter.

CORNERSTONE 3

The University of Alberta will forge strong connections with its community locally, nationally and internationally

Can one of the world's great universities be at once exclusive, yet inclusive? Exceptional, yet accessible? The University of Alberta's goal is to be recognized not only for being great, but also for being good: for effectively contributing to the communities that rely on it for solutions, for assuring that its students understand the value of volunteering, and for cultivating the diversity of thought, mind, and character that are essential to modern society.

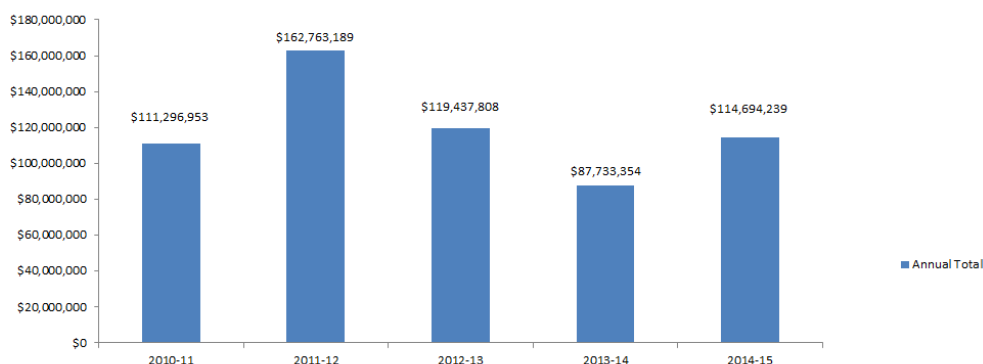
HIGHLIGHTS

University of Alberta alumnus and Chancellor Ralph Young and Gay, his wife, cemented their dedication to the university and the preservation of the rich heritage of the Canadian Prairies when, in 2011, they pledged \$1 million to the Bruce Peel Library to establish the Prairie Roots Endowment Fund, which supports initiatives that promote scholarship in and recording of Western Canadiana.

In fiscal 2015, the University of Alberta raised \$114,694,239 (unaudited) in philanthropic donations, the third-highest annual fundraising total in the university's history, surpassing last year's total of \$87,733,354. Highlights of the past year include:

- A record amount of cash contributions
- A record number (3,362) of President's Society donors (those giving more than \$1,000 in the year)
- A record number of online donors (4,863) and money donated online (\$1.39M)

UNIVERSITY OF ALBERTA FUNDRAISING ACHIEVEMENT,
LATEST 5 YEARS



Notes: Fundraising achievement totals consist of new pledges, grants, and gifts (including matching gifts); pledge payments and write offs are not included. In fiscal 2012, newly adopted donations counting guidelines resulted in one-time recording of \$39 million in bequests that were confirmed in writing in prior years. Source: Board of Governors' Reports, University of Alberta.

HIGHLIGHTS

The U of A's Southern Rockies Watershed Project, which sees an interdisciplinary research team monitor the health of the southern portion of this critically important source water, won the 2014 Emerald Award for water. Also winning an Emerald Award was the U of A's Office of Sustainability for its Waste in Residence programs, designed to help achieve the goal of diverting 50 per cent of campus waste from the landfill by 2015.

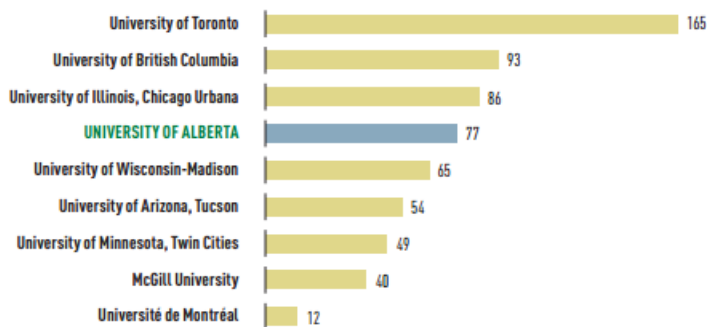
TEC Edmonton, a not-for-profit joint venture of the U of A and the City of Edmonton, was named Incubator of the Year at the 2014 Startup Canada Awards this past summer. TEC Edmonton was also named the 10th best university business incubator in the world by the University Business Incubator Index.

In the 2013-14 fiscal, five new U of A related spinoffs were created. That year, all operating spinoffs attracted almost \$14 million in external research revenue. In 2014-15 an additional six spinoffs were created.

Start-up companies enable the university to share new knowledge with the community and attract top-calibre researchers and inventors interested in collaborating on leading-edge discoveries. These technology transfer activities contribute millions of dollars to the municipal, provincial and national economies.

The following measure reflects not only the creation of spinoffs, but their persistence: an area where the University of Alberta excels.

FIGURE 14 CONTINUING SPINOFFS 2004-2013



Notes: Startups still in operation started at any time during the report period that are still in operation as of the most recent AUTM Licensing Survey. University of California, Los Angeles and University of Texas, Austin are not represented as they are reported as part of the University of California and University of Texas Systems, respectively. The University of Washington does not appear because no startups were reported during the report period. Data are the most recent available. Source: AUTM STAIT Database.

HIGHLIGHTS

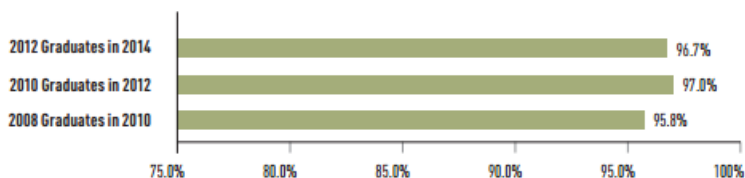
The U of A and Western Sky Land Trust signed a conservation agreement that guarantees the U of A's 12,000-acre Mattheis Ranch will be conserved forever. In announcing the agreement, one of the biggest in the history of Alberta, Dean Stan Blade of the Faculty of Agricultural, Life and Environmental Sciences said it provides \$3.8 million in funding from Western Sky Land Trust to the university as compensation for future development. The funding will seek to improve, among other things, the socio-economic aspects of ranching, cow-calf production, land reclamation, carbon sequestration and of grassland ecology. The funding from Western Sky Land Trust was made possible through Alberta Environment and Sustainable Resource Development's Land Trust Grant program.

This past year also saw significant growth in alumni engagement, volunteerism and awareness. More than 1,000 volunteers were involved in the past year supporting Alumni Relations programs, helping in the community, assisting with recruitment, and providing career advice and support to students. The Alumni Association kicked off its 100th anniversary celebrations in January with Green & Glow Winterfest — a spectacle of light, fire and snow that delighted 4,500 alumni, students and community members in Quad.

The U of A provides innovative programming to prepare our students to succeed in business, public service and the not-for-profit sector. Since 2005, The Community Service Learning program has provided thousands of University of Alberta students with hands-on learning experiences in Edmonton's vibrant non-profit sector. In 2014-2015, 1,432 students engaged in service-learning experiences in 83 courses from 15 faculties, working with 180 not-for-profit organizations.

Employment is an important university outcome measure. As illustrated in figure 12, University of Alberta graduates are consistently highly employed.

FIGURE 9 OVERALL GRADUATE EMPLOYMENT RATE TWO YEARS AFTER GRADUATION



Note: Data are the most recent available.
Source: Alberta Enterprise and Advanced Education: Alberta Graduate Outcomes Survey.

Survey is administered biennially

CORNERSTONE 4

The University of Alberta will exemplify transformative organization and support

A great university is characterized by, and recognized for, effective governance, strong leadership, and a commitment to helping each member of the university community achieve his or her potential — as scholars, as employees, in their professions, and in their lives. Only by constantly re-assessing ourselves and re-committing to new standards of excellence can the University of Alberta continue to grow and thrive.

HIGHLIGHTS

David H. Turpin was named as the 13th president of the U of A. Turpin served as president of the University of Victoria from 2000–2013 and is a member of the Order of Canada and the Royal Society of Canada. He is also among a select group of Canadian researchers on the global Highly Cited Researchers list for his botany research. His term begins July 1, 2015.

For the first time, the U of A's endowment surpassed \$1 billion. With strong investment returns over the past year and recent significant donations, the fund—which supports student scholarships and positions that attract top faculty—is a key part of the university's long-term financial stability.

HIGHLIGHTS

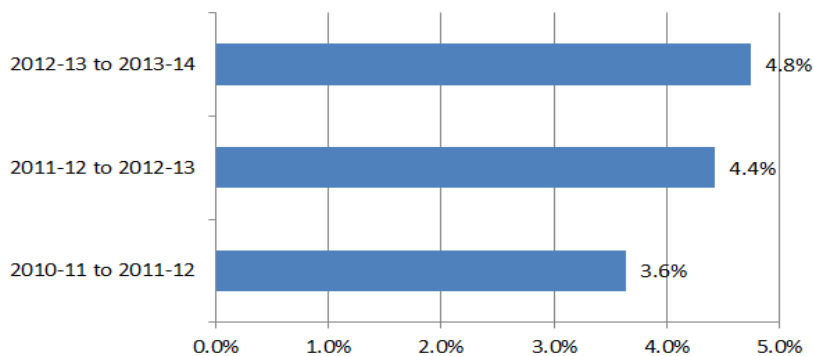
The U of A Board of Governors unanimously approved the establishment of a land trust. With this decision, the university is embarking on a proven strategy for turning institutional land assets into a source of dedicated, permanent funding to support the university's core academic and research activities, and its mission of attracting and retaining the best students, faculty and staff. The main activity of the trust would be to enter into lease agreements with third parties who would develop the land in accordance with the university's Long Range Development Plan, which forecasts the university's needs 50 years into the future.

In June 2013, the province of Alberta promulgated the Public Interest Disclosure (Whistleblowing) Act. This Act applies to most public entities in the Province of Alberta, including the University of Alberta. The Act facilitates the disclosure and investigation of wrongdoings alleged to have occurred at a public entity in Alberta. It also protects individuals who report alleged wrongdoings from reprisal. Of the 59 disclosures made through the university's safe disclosure processes during the fiscal year of 2014-15, none constituted a public interest disclosure as defined under the Act. The disclosures made range from work place issues to issues under the code of student behaviour.

Centralization of administrative services is efficient but can add to administrative costs according to this measure.

The university seeks a high level of administrative efficiency in its operations, striving for the top level in Alberta Advanced Education and Technology's key performance indicator (five per cent or less of expenditures for administrative purposes is expected).

Proportion of Operating Expenditures Going Towards Administrative Purposes, 2-year cycles



Note: Methodology as defined by Enterprise and Advanced Education. Data are the most recent available.

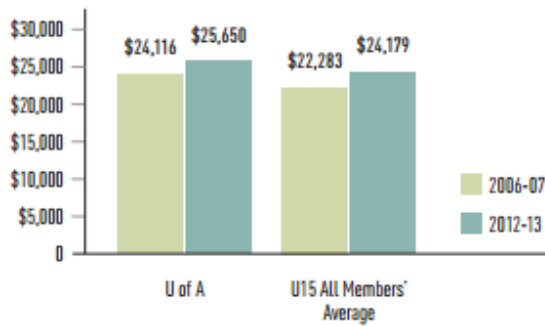
Source: Financial Information and Reporting System

HIGHLIGHTS

A research team at the U of A has been named as part of a \$5-million federal grant to test a heat-stable combination vaccine created to protect livestock against up to five deadly diseases that cause losses of up to 25 per cent in Africa’s livestock sector. Led by Lorne Babiuk, virologist and U of A vice-president (research), the proposal was one of three Canadian research projects to be supported under the federal government’s Canadian International Food Security Research Fund.

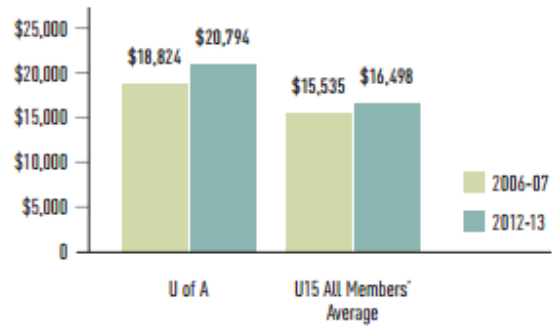
The University of Alberta provides competitive financial support at both the Doctoral and Research Masters levels. Our goal is to remain competitive when compared to our peers when considering tuition, financial support and cost of living.

FIGURE 4 AVERAGE FINANCIAL SUPPORT PER DOCTORAL STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES



Note: Excludes Health Sciences. Includes aggregate provincial amounts for QC institutions. Data are the earliest and most recent available. Reporting universities vary across years. Source: U15 Data Exchange, Graduate Student Financial Support pivot as of Oct, 2014.

FIGURE 5 AVERAGE FINANCIAL SUPPORT PER RESEARCH MASTERS STUDENT, UNIVERSITY OF ALBERTA AND U15 UNIVERSITIES



Note: Excludes Health Sciences. Includes aggregate provincial amounts for QC institutions. Data are the earliest and most recent available. Reporting universities vary across years. Source: U15 Data Exchange, Graduate Student Financial Support pivot as of October, 2014.

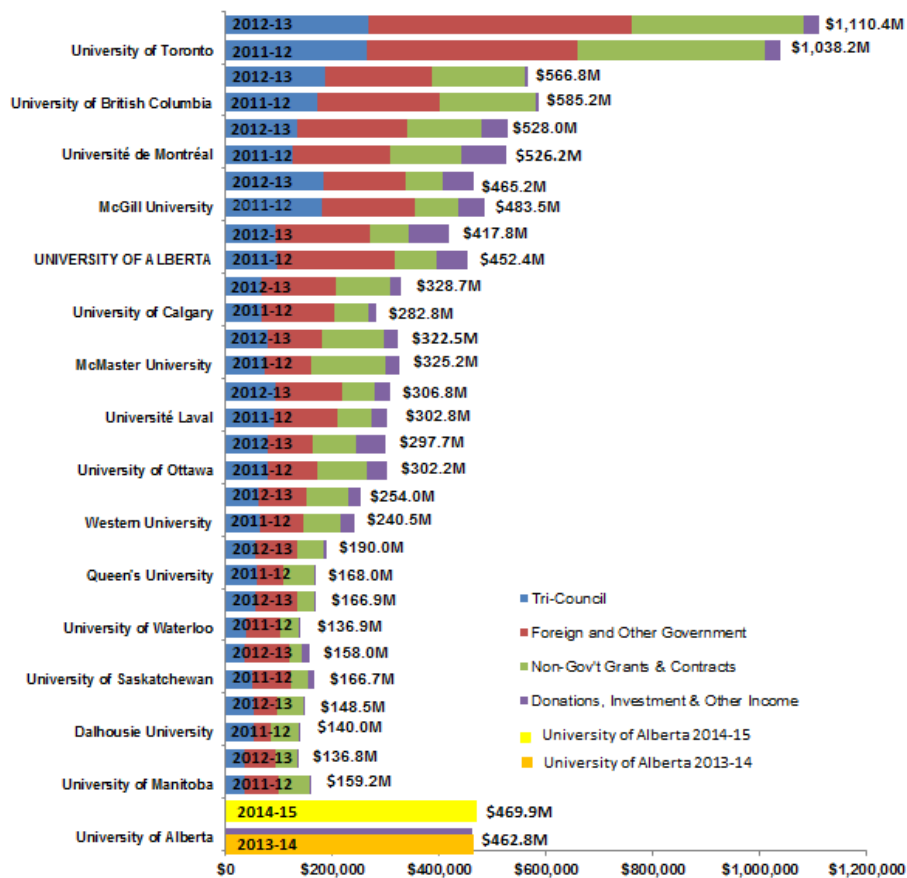
HIGHLIGHTS

A University of Alberta professor emeritus in the Department of Civil and Environmental Engineering is part of a team that has won a national award for discovering ways to protect groundwater from toxic mining waste. David Segó, an internationally recognized expert on remediation of mine wastes, specifically tailings, played a key role on the team that won the Natural Sciences and Engineering Research Council's Synergy Award for Innovation. The team undertook a decade-long research project to protect the environment from diamond-mine wastes in the Northwest Territories. The Diavik Waste Rock Research Project is an unprecedented research program that is leading to better mine waste management that will in turn protect fragile northern environments for centuries to come.

The U of A received grants of \$5.3M from the Alberta Cancer Foundation and \$3.7M from the Alberta Diabetes Foundation to continue the university's ground-breaking and transformative research in these areas.

Sponsored research revenue provides an indication of research performance. The University of Alberta is 5th in our Canadian peer group in total sponsored research revenue. Our goal is to be within the top five funded institutions.

U15 Sponsored Research Income by Type

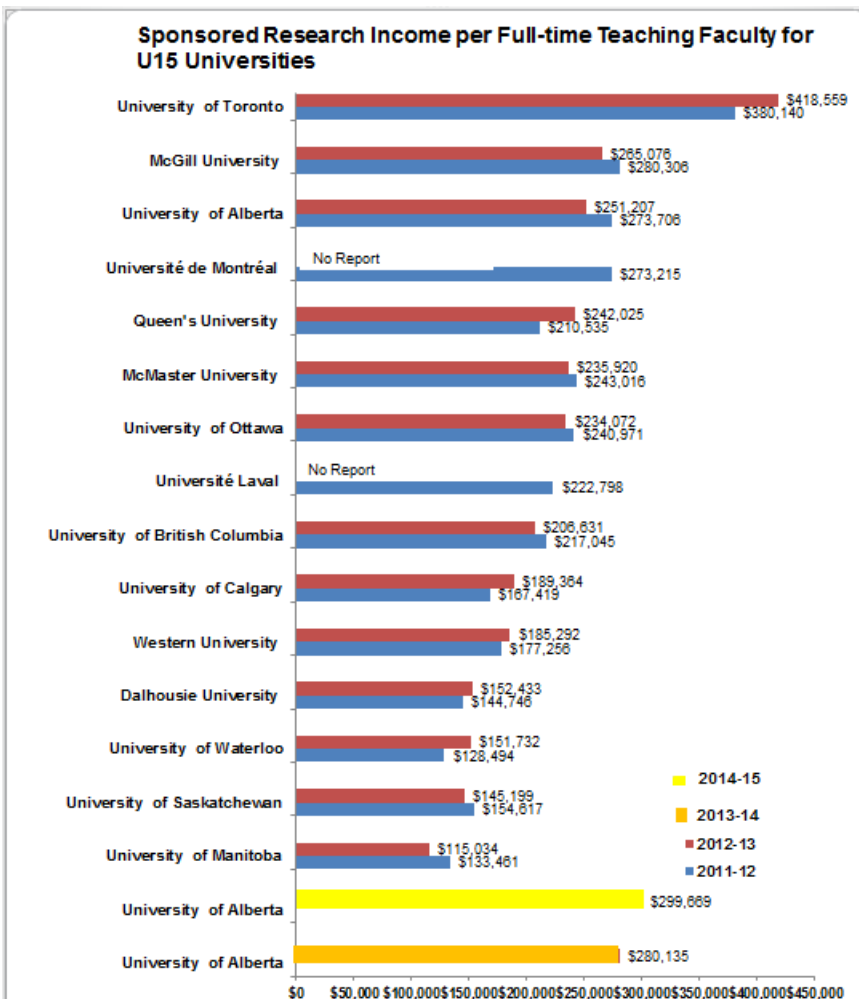


Notes: Income from Tri-Council includes: Social Sciences and Humanities Research Council (SSHRC); Natural Sciences and Engineering Research Council (NSERC); and Canadian Institutes of Health Research (CIHR). Other Government income reflects income from all government departments and agencies - grants and contracts, less Tri-Council and includes foreign government income. Donations, non-government grants and contracts, and investment and other incomes, are reported in each respective category on the CAUBO report. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal. Sources: Canadian Association of University Business Officers (CAUBO); Financial Information of Universities and Colleges ending in 2012 and 2013, Report 3.1. Data are the most recent available.

HIGHLIGHTS

The Government of Canada named the U of A home to the \$27-million Canadian Glycomics Network (GlycoNet), one of four new Networks of Centres of Excellence established across the country. Announced in February, GlycoNet is a national network of industry and academic partners, featuring 60 researchers at 22 institutions. The U of A has a strong history in cutting-edge glycomics research, offering promising solutions to many unmet human health needs, including potential treatments for conditions ranging from genetic diseases to influenza.

When sponsored research revenue is scaled for faculty size, the University of Alberta is third within our peer group.



Notes: Full-time teaching faculty (including Medical/Dental) are Professors, Associate Professors and Assistant Professors. Université de Montréal includes École Polytechnique de Montréal and HEC Montréal. Staff figures for 2012-13 are not available for Université de Montréal and Université Laval. Data are the most recent available. Sources: CAUBO Financial Information of Universities and Colleges, 2011-12 and 2012-13 Report 3.1.

RENEWING AND ENHANCING FACILITIES AND INFRASTRUCTURE

In the competitive world of 21st-century post-secondary education, the vitality, vibrancy, and sustainability of the U of A's multi-campus educational and research ecosystem can only be maintained through well-supported, well-planned strategic construction of new and repurposing and renewal of its existing facilities. As the university changes, space must transform to meet new needs and requirements.

PROJECT COMPLETION

Li Ka Shing Centre: Last year, the capital fit-out of the CGMP (current good manufacturing practice) area was completed, which concludes the remaining major fit-up for this facility. The extensive commissioning process was completed this year and final certification granted for 2015.

Donadeo Innovation Centre for Engineering (Shell and Core): Even with the renewal and repurposing of the existing Chemical and Materials Engineering building, there is a continued and pressing need for program space in the Faculty of Engineering. Innovation Centre for Engineering (ICE) will support the faculty's focus on providing increased space for graduate student programming and associated faculty and staff. Construction of the base shell and core of this facility is nearly done and fit-out of the facility is scheduled to be completed in the spring of 2015.

South Academic Building Repurposing: A portion of the South Academic Building has been repurposed and renewed to accommodate the growing need for wet lab space for the Faculty of Agricultural, Life and Environmental Sciences and the School of Public Health. This space has attracted world-leading researchers in the areas of soil reclamation and water research.

Medical Isotope and Cyclotron Facility: The partnered redevelopment of the old Balmoral Curling Club into a state-of-the-art cyclotron facility was completed in late 2012. The university space is occupied and has been operational since 2012. Alberta Health Services is anticipated to start moving into their space in the late spring of 2015.

The Jeanne and Peter Lougheed Performing Arts Centre (formerly the Camrose Performing Arts Centre): This project is the result of strong capital and program partnerships with the city and county of Camrose. Construction of this facility, located on Augustana Campus, started in the fall of 2012 and is now complete.

Pharmacy Fit-Out: Phase II of the Pharmacy fit-out within the Medical Sciences Building has commenced. This space is connected to both the Katz Group Centre for Pharmacy and Health Research and the Edmonton Clinic Health Academy, and provides needed space for offices, student services, and teaching and research.

Physical Activity and Wellness (PAW) Centre: Construction of this facility began in late 2012 in response to growing demand for additional recreation and fitness space, as well as research and programming space in the Faculty of Physical Education and Recreation. This project is funded in partnership with the Students' Union, Graduate Students' Association, Alberta Lotteries, private donors and institutional dollars, and was completed in January 2015. A \$10 million donation from Dick, '74 BA, '75 Law, and Carol Wilson, '74 BEd, helped make the new Physical Activity and Wellness Centre a reality.

New Access for South Campus off 122 Street (63 Ave): An infrastructure development project in partnership with the City of Edmonton, the new access was opened in November 2014.

MAJOR FUNDED CAPITAL PROJECTS UNDERWAY

Donadeo Innovation Centre for Engineering Fit-Out: Due to the critical need to accommodate the demand and planned growth of our engineering programs, the university has approved funding for the fit-out of this facility.

Student Housing: Residence projects underway add a total of 213 beds to our inventory and will increase the university's ability to provide housing to 13.75 per cent of full-time students. These new residences will provide housing for faculty cohorts, and support the university's goal of providing purpose-built housing for up to 25 per cent of its full-time student population.

Peter Lougheed Hall: This residence expansion project will add about 150 beds to our on-campus housing inventory. The new residence will support the Peter Lougheed Leadership College, part of the larger Peter Lougheed Leadership Initiative between the U of A and The Banff Centre focused on leadership development of undergraduate students

East Campus Village Infill Housing Projects: These two East Village facilities will provide a total of 70 new bed spaces and will increase our ability to provide on-campus housing to just over 13.75 per cent of full-time students. The unique designs have permitted the streetscape to remain in balance with adjacent facades using a typical residential housing scale.

Research & Collection Resource Facility (RCRF): This project involves construction of a purpose-built facility of approximately 3,437 gross square metres and will be suitable to house 5.1 million volumes (anticipated requirement to 2035) on South Campus with easy access. The new facility will include all required environmental and retrieval systems expected in a modern records depository, is expandable to accommodate future needs, and will provide outstanding opportunities for increased student access and for expanded academic initiatives.

FINANCIAL HIGHLIGHTS FOR 2015

The financial highlights are intended to provide the reader with key points for the 2014-2015 fiscal year. Additional detail is available in the complete financial analysis available at <http://www.financial.ualberta.ca/en/AnnualFinancialStatements.aspx>.

From total revenue of \$1,830.8 million, the university ended the year with an excess of revenue over expense of \$75.3 million compared to a \$9.5 million budgeted excess. The excess is mainly due to a one-time recovery of a previous write-down on the floating rate notes (\$29.1) and a timing delay on expenditures by faculties and administrative units across the institution. Of the \$75.3 million excess, \$15.8 million was used for net purchases of capital assets and debt repayment, \$2.6 million was transferred to endowments and \$56.9 million was used to reduce the accumulated deficit from operations from \$89.1 million to \$32.2 million. It is anticipated that faculties and administrative units will utilize their accumulated surplus to fund expenditures to support the university in reaching its strategic goals.

Net assets increased by \$251.7 million due to increases in endowments (\$187.8), an investment in tangible capital assets (\$15.8) and a decrease in the accumulated deficit from operations (\$56.9) offset by a decrease in unrealized investment gains (\$8.8).

HIGHLIGHTS

Grants from GoA represent the university's single largest source of funding for university activities. There was no increase to the fiscal 2015 Campus Alberta grant. GoA grants are \$35.5 million more than budget due to higher than anticipated funding for the Academic Alternative Relationship Plans (AARP).

The university received an Access to the Future Fund (AFF) grant of \$58.7 million, of which \$54.4 million was capitalized to endowment net assets.

Federal and other government grants primarily support the university's research activities. Revenue is relatively comparable to budget.

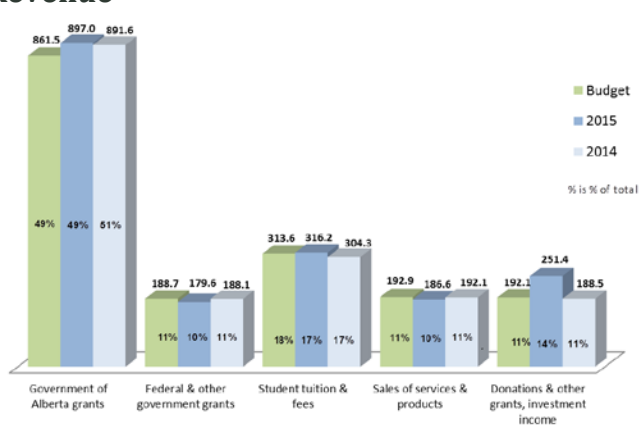
Enrollment is comparable to last year and is expected to remain relatively stable over the next few years. The annual budgeted increase is due to the increase in instructional fees, which is based upon the increase to the annual CPI, market modifiers, program differential fees and international student fees.

Ancillary services and academic and administrative units generate revenue through the sale of services and products to both individuals and organizations external to the university. Ancillary services generated sales of \$93.6 million, while academic and administrative units generated sales of \$93.0 million. Sales revenue is comparable to budget.

Donations and other grants support many university activities. Revenue is \$15.9 million more than budget. In fiscal 2015 donations include an in kind donation (\$14.3) for the Jeanne and Peter Lougheed Performing Arts Centre.

Investment income is \$43.3 million more than budget mainly due to the gains on the sale of the floating rate notes and the endowment spending allocation being fully funded from realized income. The budget had anticipated that a portion of the spending allocation would be funded by a transfer from endowments. The floating rate note gains are a recovery of a previous write-down. Investments primarily fall into two categories, the Unitized Endowment Pool (UEP) and the Non-Endowed Investment Pool (NEIP). The UEP returned 15.3% (2014: 15.5%) and represents the majority of the university's long-term investment strategy. The NEIP investments which are allocated to the short-term, mid-term and long-term investment strategies returned 4.7% (2014: 6.0%).

Revenue



Learning effectively represents the operating activities of the university and therefore a significant component of this category is staff salary and benefit costs. This expense is comparable to budget.

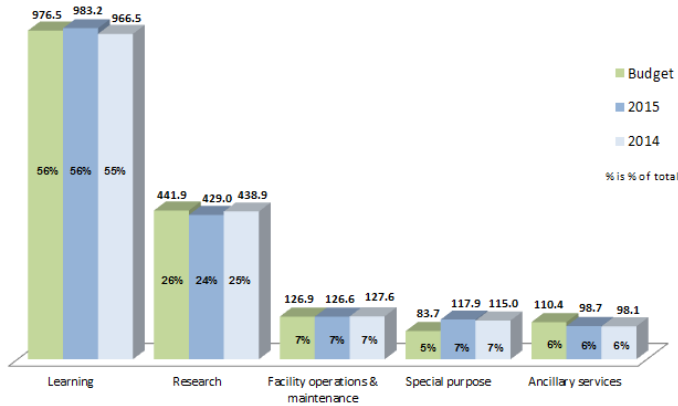
Expenses for research activities are funded by restricted grants and donations as well as internal funds designated for research related spending. This expense is \$12.9 million less than budget.

The cost of maintaining university facilities and grounds is comparable to budget.

Special purpose is non-research activity that is funded through restricted grants and donations and includes student scholarships and bursaries, teaching and learning programs and community service. This expense is \$34.3 million more than budget mainly due to the higher than anticipated AARP grant.

Ancillary services include the university bookstore, parking services, utilities and student residences. Ancillary services are \$11.7 million less than budget mainly due to the Bookstore closure of the Microstore and lower text book sales, resulting in lower cost of goods sold.

Expense



RESOURCE AND RISK IMPLICATIONS

Like all internationally competitive research-intensive universities, the U of A must deal with a variety of risks that have the potential to hinder its growth and the realization of its vision, mission, and strategic objectives. Many of these risks have been identified throughout this document.

RISK IMPLICATIONS

1. The ongoing challenges in the fiscal environment have required the university to undergo significant structural changes across the academy and administrative operations. Already the university has seen a net loss in academic faculty. This new financial reality gives rise to numerous institutional risks, including the impact on quality; ability to grow research and establish international partnerships; maintenance of program accreditation; ability to attract and retain the highest-quality faculty, staff, and students; maintenance of infrastructure; and overall institutional reputation.
2. Enrolment growth must be managed from the perspective of meeting the labour demands of the province and supporting the research mandate of the university. This will require the university striking the right balance of undergraduate to graduate students to position the U of A as an internationally competitive research-intensive institution. To grow its graduate student numbers, the university needs the necessary funding support for graduate students and the capacity to grow its professoriate. At the same time, with increasing financial pressures and reduced capacity across the university, the net result will be an increase in entrance averages with the result of qualified Alberta students being turned away. Finally, the university must monitor carefully trends in international student applications. With an extremely high percentage of international students coming from China, any downward shift in demand will affect the university's international student numbers.
3. Without the appropriate number of leaders, teachers, researchers, and support staff contributing to their full potential, the university will not be able to provide the quality of the learning experience or participate in the world-leading research expected of an internationally competitive research university. Previous and planned budget reductions will negatively affect the capacity of the university to attract and retain the appropriate number and type of staff.
4. For the university to remain relevant to its students and meet the needs and expectations of its faculty to engage in the highest-calibre research, it requires continuous investment in leading-edge IT infrastructure, highly skilled personnel, and support. The university must also invest in the required security infrastructure to safeguard the personal, financial, and research data within its IT systems. Previous and planned budget reductions will negatively affect the capacity of the university to make the required investments in information technology to advance its mission and safeguard its data.
5. Due to reductions in funding, the university is starting to see an increase in deferred maintenance levels. High levels of deferred maintenance put at risk ongoing operations of facilities. In addition, limited or no funding of capital for new, expansion, or renewal projects will affect the capacity of the university to meet its strategic goals and will have a negative impact on the economic goals of the province.
6. An institution that aspires to be among the top research-intensive universities in the world can only achieve that goal through the recruitment of internationally renowned faculty, the capacity and funding to attract graduate students and postdoctoral fellows, the ability to provide the necessary research supports and infrastructure, and the establishment

of strategic collaborations and partnerships with an extensive range of stakeholders. The current fiscal environment and lack of research matching dollars will have a negative impact on the university's research competitiveness and performance.

7. As the U of A has moved toward the vision of being one of the world's great public universities, its national and international profile has increased. The university must address the current economic and financial challenges it faces in such a way that it does not negatively affect its increasing national and international reputation as an exceptional place to learn and work.
8. While the university must assume risks in support of its mandate as an internationally recognized research-intensive institution, it must also promote appropriate risk management plans and strategies that develop responsive attitudes and behaviour at all levels of the organization to maintain a healthy and safe environment for all. Continuing reductions in funding reduce the capacity of the university to provide best-in-class enterprise risk management and health and safety management systems.
9. All students who attend the university arrive with their own expectations, abilities, talents, experiences, and levels of maturity. The university must strive to ensure that students have access to the supports they need and the best possible opportunity to reach their potential, however that may be measured or defined. If our students do not develop their academic or personal potential, the university will fail to achieve its mission. Previous and planned budget reductions may negatively affect the capacity of the university to provide the programs and services required for students to meet their potential.
10. Through its integrated enterprise risk management framework, the university will monitor, manage, and mitigate these and other emerging risks in an effort to avoid substantial impact on the university's ability to fulfill its strategic objectives.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

University of Alberta's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the Annual Report including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained by management to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Annual Report has been developed under the oversight of the Board University Relations Committee, as well as the Board Audit Committee with respect to the financial information, and approved by the Board of Governors. The report is prepared in accordance with the *Fiscal Management Act* and the *Post-Secondary Learning Act*.

The Auditor General of the Province of Alberta, the institution's external auditor appointed under the Auditor General Act, performs an annual independent audit of the consolidated financial statements in accordance with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

FOR YEAR ENDED MARCH 31, 2015

Independent Auditor's Report

To the Board of Governors of the University of Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the University of Alberta, which comprise the consolidated statements of financial position as at March 31, 2015, and the consolidated statements of operations, remeasurement gains and losses, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University of Alberta as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 1, 2015

Edmonton, Alberta

UNIVERSITY OF ALBERTA FINANCIAL STATEMENTS

FOR YEAR ENDED MARCH 31, 2015

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(thousands of dollars)

	2015	2014
ASSETS		
Cash and cash equivalents (note 4)	\$ 57,963	\$ 25,188
Portfolio investments (note 5)	1,982,296	1,883,164
Accounts receivable	142,499	110,461
Inventories and prepaid expenses	13,493	15,825
Tangible capital assets (note 7)	2,770,078	2,739,548
	\$ 4,966,329	\$ 4,774,186
LIABILITIES		
Accounts payable and accrued liabilities	\$ 222,726	\$ 251,036
Employee future benefit liabilities (note 8)	253,389	250,303
Debt (note 9)	224,384	202,023
Deferred revenue (note 10)	2,577,093	2,633,778
	3,277,592	3,337,140
NET ASSETS		
Endowments (note 11)	1,181,493	993,688
Accumulated operating surplus (note 12)	477,197	404,461
Accumulated remeasurement gains and losses	30,047	38,897
	1,688,737	1,437,046
	\$ 4,966,329	\$ 4,774,186

Contingent liabilities and contractual obligations (note 13 and 14)

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	Budget (note 15)	2015	2014
REVENUE			
Government of Alberta grants (note 16)	\$ 861,493	\$ 897,033	\$ 891,613
Federal and other government grants	188,670	179,567	188,057
Student tuition and fees	313,594	316,223	304,321
Sales of services and products	192,917	186,557	192,081
Donations and other grants	133,247	149,195	115,862
Investment income	58,900	102,199	72,601
	1,748,821	1,830,774	1,764,535
EXPENSE			
Learning	976,489	983,239	966,522
Research	441,921	428,983	438,905
Facility operations and maintenance	126,853	126,623	127,624
Special purpose	83,656	117,934	115,025
Ancillary services	110,404	98,708	98,085
	1,739,323	1,755,487	1,746,161
Excess of revenue over expense	9,498	75,287	18,374
Transfer (to) from endowments (note 11)	10,000	(2,551)	(14)
Change in accumulated operating surplus	19,498	72,736	18,360
Accumulated operating surplus, beginning of year	404,461	404,461	386,101
Accumulated operating surplus, end of year (note 12)	\$ 423,959	\$ 477,197	\$ 404,461

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	2015	2014
OPERATING TRANSACTIONS		
Excess of revenue over expense	\$ 75,287	\$ 18,374
Add (deduct) non-cash items:		
Amortization of tangible capital assets	169,186	169,151
Expended capital recognized as revenue	(113,379)	(114,226)
Losses on disposal of tangible capital assets	986	1,386
Inventory writedown	-	547
Increase in employee future benefit liabilities	3,086	10,608
(Increase) decrease in accounts receivable	(32,038)	12,261
Decrease (increase) in inventories and prepaid expenses	2,332	(3,367)
(Decrease) increase in accounts payable and accrued liabilities	(28,403)	46,150
Increase in deferred revenue, less expended capital recognized as revenue	37,606	29,875
Cash provided by operating transactions	114,663	170,759
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets, net of proceeds on disposals	(181,614)	(150,965)
Cash applied to capital transactions	(181,614)	(150,965)
INVESTING TRANSACTIONS		
Purchases of portfolio investments, net of sales	(29,268)	(118,665)
Endowment investment gains	26,950	60,227
Cash applied to investing transactions	(2,318)	(58,438)
FINANCING TRANSACTIONS		
Endowment donations	79,683	20,475
Debt repayment	(12,639)	(11,874)
Debt - new financing	35,000	38,075
Cash provided by financing transactions	102,044	46,676
Increase in cash and cash equivalents	32,775	8,032
Cash and cash equivalents, beginning of year	25,188	17,156
Cash and cash equivalents, end of year (note 4)	\$ 57,963	\$ 25,188

UNIVERSITY OF ALBERTA
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

	2015	2014
Accumulated remeasurement gains, beginning of year	\$ 38,897	\$ 14,830
Unrealized gains (losses) attributable to:		
Portfolio investments	36,000	38,573
Derivatives	-	(1,292)
Amounts reclassified to consolidated statement of operations:		
Portfolio investments	(46,142)	(13,214)
Derivatives	1,292	-
Accumulated remeasurement gains, end of year	\$ 30,047	\$ 38,897

UNIVERSITY OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

1. Authority and purpose

"The Governors of The University of Alberta" is a corporation which manages and operates the University of Alberta (the university) under the *Post-secondary Learning Act* (Alberta). All members of the Board of Governors are appointed by either the Lieutenant Governor in Council or the Minister of Innovation and Advanced Education, with the exception of the Chancellor and President, who are ex officio members. Under the *Post-secondary Learning Act*, Campus Alberta Sector Regulation, the university is a comprehensive academic and research institution offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The university is a registered charity, and under section 149 of the *Income Tax Act* (Canada), is exempt from the payment of income tax.

2. Summary of significant accounting policies and reporting practices

(a) General – Canadian Public Sector Accounting Standards (PSAS) and use of estimates

These consolidated financial statements have been prepared in accordance with PSAS. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. Employee future benefit liabilities and amortization of tangible capital assets are the most significant items based on estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these consolidated financial statements and, together with the following notes, should be considered an integral part of the consolidated financial statements.

(b) Net debt model presentation

PSAS require a net debt presentation for the consolidated statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of future revenues required to pay for past transactions and events. The university operates within the government reporting entity and does not finance all its expenditures by independently raising revenues. Accordingly, these consolidated financial statements do not report a net debt indicator.

(c) Valuation of financial assets and liabilities

The university's financial assets and liabilities are generally measured as follows:

Portfolio investments - fair value

Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities, Debt - amortized cost

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

All financial assets are assessed annually for impairment. Impaired financial losses are recognized as a decrease in revenue, except for the restricted amount which is recognized as a decrease in deferred revenue or a decrease in endowment net assets. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at amortized cost and expensed when measured at fair value.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either measure the entire contract at fair value or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the university's normal course of business are not recognized as financial assets or liabilities.

Derivatives are recorded at fair value in the consolidated statement of financial position. Derivatives with a positive or negative fair value are recognized as assets or liabilities. Unrealized gains and losses from changes in the fair value of derivatives are recognized in accumulated remeasurement gains and losses, except for the restricted amount which is recognized as deferred revenue or endowment net assets. Upon settlement, the gains and losses are reclassified from accumulated remeasurement gains and losses and recognized as revenue or expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
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2. Summary of significant accounting policies and reporting practices (continued)

(d) Revenue recognition

Revenues are reported on an accrual basis. Cash received for which services and products have not been provided is recognized as deferred revenue.

Government grants, non-government grants and donations

Government transfers are referred to as government grants.

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the university's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met. If the grants and donations are used to acquire or construct tangible capital assets revenue will be recognized over the useful life of the tangible capital assets.

Government grants without terms for the use of the grant are recognized as revenue when the university is eligible to receive the funds. Unrestricted non-government grants and donations are recognized as revenue in the year received or in the year the funds are committed to the university if the amount can be reasonably estimated and collection is reasonably assured.

In kind donations of services and materials are recognized at fair value when a fair value can be reasonably determined. Volunteers as well as university staff contribute an indeterminable number of hours per year to assist the university in carrying out its mission; such contributed services are not recognized in these consolidated financial statements.

Grants and donations related to land

Grants and donations for the purchase of land are recognized as deferred revenue when received and recognized as revenue when the land is purchased. An in kind grant or donation of land is recognized as revenue at the fair value of the land when a fair value can be reasonably determined. When the fair value cannot be reasonably determined, the in kind grant or donation is recorded at nominal value.

Endowments

Donations that must be maintained in perpetuity are recognized as a direct increase in endowment net assets when received or receivable. Investment income and unrealized gains and losses that also must be maintained in perpetuity are recognized as endowment net assets when received or receivable.

Investment income

Investment income includes dividends, interest income and realized gains and losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments from unrestricted grants and donations are recognized in accumulated remeasurement gains and losses until settlement. Once realized, these gains and losses are recognized as investment income. Investment income from restricted grants and donations is recognized as deferred revenue when the terms for use create a liability, and is recognized as revenue when the terms of the grant or donation are met.

(e) Inventories

Inventories held for resale are valued at the lower of cost and expected net realizable value and are determined using the weighted average method.

(f) Tangible capital assets

Tangible capital asset acquisitions are recorded at cost, which includes amounts that are directly related, such as design, construction, development, improvement or betterment of the asset. Cost includes overhead directly attributable to construction and development.

The cost less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful lives as follows:

Buildings and utilities	10 - 40 years
Equipment, furnishings and systems	3 - 10 years
Learning resources	10 years

Tangible capital asset write-downs are recorded when conditions indicate they no longer contribute to the university's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are recognized as expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies and reporting practices (continued)

(g) Employee future benefits

Pension

The university participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the university's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participating employer based on their respective percentage of employer contributions. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The university does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected, along with investment income, to provide the plan's future benefits.

Long-term disability

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the university's long-term disability plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a discount rate based on the university's cost of borrowing and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains and losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement

The cost of providing accumulating post-employment benefits under the university's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a discount rate based on the university's cost of borrowing and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

Supplementary retirement plans

The university provides non-contributory defined benefit supplementary retirement benefits to executive based on years of service and earnings. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

The university provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff based on years of service and earnings. The expense for this plan is the employer's current year contribution to the plan as calculated in accordance with the plan rules.

Administrative/professional leave

The university provides for certain executive to accrue a paid leave of absence at the end of their executive appointment. The expense for these plans is actuarially determined using the projected benefit method prorated on service. Actuarial gains and losses on the accrued benefit obligation are amortized over the expected average remaining service life of the related employee group.

General illness

The cost of providing non-vesting and non-accumulating compensated absences to a maximum of 26 weeks (academic staff) or 120 days (support staff) under the university's general illness plans is charged to expense in full when the event occurs which obligates the university to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method and management's best estimate of the period of employee disability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of significant accounting policies and reporting practices (continued)

(h) Investment in government partnerships

Proportionate consolidation is used to record the university's share of the following government partnerships:

- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the university for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (8.33% interest) - a joint venture with eleven other universities to operate a sub-atomic physics research facility.
- Western Canadian Universities Marine Sciences Society (20% interest) - provides research infrastructure in the marine sciences for member universities and the world-wide scientific community.

These government partnerships are not material to the university's consolidated financial statements; therefore, separate condensed financial information is not presented.

(i) Investment in government business enterprises

Effective March 11, 2015, the university established a wholly owned government business enterprise, University of Alberta Property Trust Inc. Government business enterprises are included in the consolidated financial statements using the modified equity method. As at March 31, 2015, this entity had no transactions.

(j) Expense by function

The university uses the following categories of functions on its consolidated statement of operations:

Learning

Expenses relating to support for the academic functions of the university both directly and indirectly. This function includes expenses incurred by faculties for their scholarly activities and learning administrative services.

Research

Expenses for research activities funded by externally sponsored research funds intended for specific research purposes as well as internal funds designated for research related spending. Other expenses associated with this function include costs such as research administration and research related amortization.

Facility operations and maintenance

Expenses relating to maintenance and renewal of facilities that house the teaching, research and administrative activities within the university. These include utilities, facilities administration, building maintenance, custodial services, landscaping and grounds keeping, as well as major repairs and renovations.

Special purpose

Expenses for student awards and bursaries and other programs involving teaching and learning, and community service specifically funded by restricted grants and donations.

Ancillary services

Expenses relating to services and products provided to the university community and to external individuals and organizations. Services include the university bookstore, parking services, utilities and student residences.

(k) Future accounting changes

In March 2015, the Public Sector Accounting Board issued PS 2200 - Related party disclosures and PS 3420 Inter-entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 - Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 - Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Management is currently assessing the impact of these new standards on the consolidated financial statements. The university discloses transactions and balances related to the Government of Alberta in (note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
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3. Change in accounting standard

In June 2010, the Public Sector Accounting Board issued PS 3260 (Liability for Contaminated Sites). This accounting standard is effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, sediment of material (chemical, organic, radioactive) or live organism that exceeds an environmental standard. The adoption of this standard did not result in any adjustments to these consolidated financial statements.

4. Cash and cash equivalents

	2015	2014
Cash	\$ 26,569	\$ 20,202
Money market funds	31,394	4,986
	\$ 57,963	\$ 25,188

Money market funds also include short-term notes and treasury bills with a maturity less than three months from the date of acquisition.

5. Portfolio investments

	2015	2014
Fair value		
Cash and money market funds	\$ 551,101	\$ 601,750
Floating rate notes	6,982	115,317
Canadian government and corporate bonds	214,477	175,505
Canadian equity	339,872	283,084
Foreign equity	718,715	574,741
Pooled hedge funds	74,641	64,516
Real estate funds	70,090	65,113
	1,975,878	1,880,026
Other at amortized cost	6,418	3,138
	\$ 1,982,296	\$ 1,883,164

As at March 31, 2015, the average effective yields and the terms to maturity are as follows:

- Money market funds: 1.11% (2014 - 1.29%); term to maturity: less than one year.
- Canadian government and corporate bonds: 0.75% (2014 - 1.99%); terms to maturity: range from less than one year to more than 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Portfolio investments (continued)

The categorization of portfolio investments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable is as follows:

	2015				2014			
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Total	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 12,888	\$ 538,213	\$ -	\$ 551,101	\$ 26,983	\$ 574,767	\$ -	\$ 601,750
Floating rate notes	-	-	6,982	6,982	-	108,725	6,592	115,317
Canadian government and corporate bonds	-	214,477	-	214,477	-	175,505	-	175,505
Canadian equity	330,825	-	9,047	339,872	277,305	-	5,779	283,084
Foreign equity	712,541	-	6,174	718,715	574,741	-	-	574,741
Pooled hedge funds	-	74,641	-	74,641	-	64,516	-	64,516
Real estate funds	2,274	-	67,816	70,090	8,574	-	56,539	65,113
	\$ 1,058,528	\$ 827,331	\$ 90,019	\$ 1,975,878	\$ 887,603	\$ 923,513	\$ 68,910	\$ 1,880,026

The fair value measurements are those derived from:

- (1) Quoted prices in active markets for identical assets.
- (2) Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e as prices) or indirectly (i.e derived from prices).
- (3) Valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The changes in fair value of level 3 portfolio investments are as follows:

	2015	2014
Balance, beginning of year	\$ 68,910	\$ 153,434
Unrealized gains	10,813	24,059
Purchases	11,031	2,904
Proceeds on sale	(735)	(3,620)
Floating rate notes from level 3 to level 2	-	(108,725)
Other	-	858
	\$ 90,019	\$ 68,910

6. Financial risk management

The university is exposed to the following risks:

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the university has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The university's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the university's portfolio investments. The university's management for risk has not changed from prior year.

The university assesses its portfolio sensitivity to a percentage increase or decrease in the market prices. The sensitivity rate is determined using the historical annualized standard deviation for the total Unitized Endowment Pool over a four year period as determined by the BNY Mellon Asset Servicing consulting report. At March 31, 2015, if market prices had a 7.0% (2014 - 7.7%) increase or decrease, with all other variables held constant, the increase or decrease in accumulated remeasurement gains and losses and endowment net assets for the year would be \$82,705 (2014 - \$76,917).

Foreign exchange risk

The university is exposed to foreign exchange risk on portfolio investments that are denominated in foreign currencies, specifically U.S dollars. The university does not use currency hedging or currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Financial risk management (continued)

Credit risk

The university is exposed to credit risk on portfolio investments arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. To manage this risk, the university has established an investment policy with required minimum credit quality standards and issuer limits. The credit risk from accounts receivable is low as the majority of balances are due from government agencies and corporate sponsors.

The distribution of money market funds (including floating rate notes) by risk rating area are as follows:

- Money market funds: R-1(high) 76.0% (2014 - 76.9%); R-1(mid) 24.0% (2014 - 23.1%).
- Bonds: AAA 95.4% (2014 - 25.4%); AA 2.9% (2014 - 35.5%); A 0.0% (2014 - 32.9%); BBB 0.0% (2014 - 1.4%); not rated 1.7% (2014 - 4.8%).

Liquidity risk

The university maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The university maintains a short-term line of credit to ensure that funds are available to meet current and forecasted financial requirements. In 2015, the line of credit was not drawn upon.

Interest rate risk

Interest rate risk is the risk to the university's earnings that will be affected by the fluctuation and degree of volatility in interest rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments that the university holds. Interest rate risk on the university's debt is managed through fixed interest rate agreements with Alberta Capital Finance Authority (note 9).

The maturity and effective market yield of interest bearing investments are as follows:

	< 1 year	1 - 5 years	> 5 years	Average effective market yield
	%	%	%	%
Money market funds	100.0	-	-	1.1
Canadian government and corporate bonds	16.6	48.2	35.2	0.8
Floating rate notes	-	95.9	4.1	0.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
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7. Tangible capital assets

	2015				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,227,490	\$ 1,230,750	\$ 360,319	\$ 88,533	\$ 4,907,092
Acquisitions	120,143	60,560	19,749	250	200,702
Disposals	(40)	(9,122)	-	-	(9,162)
	3,347,593	1,282,188	380,068	88,783	5,098,632
Accumulated amortization					
Beginning of year	1,008,629	897,807	261,108	-	2,167,544
Amortization expense	84,227	66,934	18,025	-	169,186
Disposals	(40)	(8,136)	-	-	(8,176)
	1,092,816	956,605	279,133	-	2,328,554
	\$ 2,254,777	\$ 325,583	\$ 100,935	\$ 88,783	\$ 2,770,078
	2014				
	Buildings and utilities	Equipment, furnishings and systems	Learning resources	Land	Total
Cost					
Beginning of year	\$ 3,115,848	\$ 1,197,978	\$ 339,854	\$ 85,463	\$ 4,739,143
Acquisitions	111,642	44,003	20,465	3,070	179,180
Disposals	-	(11,231)	-	-	(11,231)
	3,227,490	1,230,750	360,319	88,533	4,907,092
Accumulated amortization					
Beginning of year	931,481	835,467	241,290	-	2,008,238
Amortization expense	77,148	72,185	19,818	-	169,151
Disposals	-	(9,845)	-	-	(9,845)
	1,008,629	897,807	261,108	-	2,167,544
	\$ 2,218,861	\$ 332,943	\$ 99,211	\$ 88,533	\$ 2,739,548

Included in buildings and utilities is \$150,572 (2014 - \$145,612) recorded as construction in progress, which is not amortized as the assets are not in service.

Acquisitions include in kind donations in the amount of \$19,088 (2014 - \$28,215).

The university holds library permanent collections and other permanent collections which include works of art, museum specimens, archival materials and maps. These collections are expensed and therefore are not included in tangible capital assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Employee future benefit liabilities

	2015			2014		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
UAPP	\$ 167,833	\$ -	\$ 167,833	\$ 170,303	\$ -	\$ 170,303
Long-term disability	7,700	19,529	27,229	8,166	19,529	27,695
Early retirement	8	25,265	25,273	28	24,485	24,513
SRP (defined contribution)	16,526	-	16,526	13,663	-	13,663
SRP (defined benefit)	9,259	-	9,259	8,528	-	8,528
Administrative/professional leave	4,792	-	4,792	4,340	-	4,340
General illness	1,577	900	2,477	742	519	1,261
	\$ 207,695	\$ 45,694	\$ 253,389	\$ 205,770	\$ 44,533	\$ 250,303

(a) Defined benefit plans accounted for on a defined benefit basis

Universities Academic Pension Plan (UAPP)

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. An actuarial valuation of the UAPP was carried out as at December 31, 2012 and was then extrapolated to March 31, 2015, resulting in a UAPP deficit of \$1,129,894 (2014 - \$1,056,921) consisting of a pre-1992 deficit (\$883,098) and a post-1991 deficit (\$246,796). The university's portion of the UAPP deficit has been allocated based on its percentage of the plan's total employer contributions for the year.

The unfunded deficit for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2014 - 1.25%) of salaries by the Government of Alberta. Employees and employers equally share the balance of the contributions of 2.87% (2014 - 2.87%) of salaries required to eliminate the unfunded deficit by December 31, 2043. The Government of Alberta's obligation for the future additional contributions is \$313,536 at March 31, 2015. The unfunded deficit for service after December 31, 1991 is financed by special payments of 5.79% (2014 - 5.54%) of pensionable earnings shared equally between employees and employers until December 31, 2027.

Long-term disability (LTD) and general illness (GI)

The university provides long-term disability and general illness defined benefits to its academic and support staff. The most recent actuarial valuation for these benefits was as at March 31, 2015. The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date. The general illness plan provides similar benefits but for a maximum of 26 weeks (academic staff) or 120 days (support staff).

Early retirement

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allow eligible employees who retire early to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees (those with 20 years of pensionable service at retirement date) one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits when the benefit was terminated will continue to receive bridge benefits under the original terms. An actuarial valuation of these benefits was carried out as at March 31, 2015.

Supplementary retirement plans (SRP)

The university provides non-contributory defined benefit supplementary retirement benefits to executive. The SRP obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2015.

Administrative/professional leave (leave)

The university provides for certain executive to accrue a paid leave at the end of their executive appointment. Upon completing their term of service, the individual's salary and benefits in effect at the end of the service are paid for the duration of the leave. The leave obligation is calculated based on assumptions, including inflation, which are prescribed each month by the Canadian Institute of Actuaries. An actuarial valuation of these benefits was carried out as at March 31, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

8. Employee future benefit liabilities (continued)

(a) Defined benefit plans accounted for on a defined benefit basis (continued)

The expense and liability of these defined benefit plans are as follows:

	2015				2014			
	UAPP	LTD, Gl ⁽¹⁾	Early retirement ⁽¹⁾	SRP, leave ⁽¹⁾	UAPP	LTD, Gl ⁽¹⁾	Early Retirement ⁽¹⁾	SRP, leave ⁽¹⁾
Expense								
Current service cost	\$ 37,272	\$ 11,830	\$ 1,094	\$ 1,326	\$ 38,731	\$ 12,272	\$ 1,100	\$ 1,756
Interest cost	12,940	1,841	1,170	587	13,437	1,878	1,210	593
Amortization of actuarial (gains) losses	1,830	543	(181)	(485)	4,444	579	(64)	(16)
	\$ 52,042	\$ 14,214	\$ 2,083	\$ 1,428	\$ 56,612	\$ 14,729	\$ 2,246	\$ 2,333
Liability								
Accrued benefit obligation								
Balance, beginning of year	\$ 962,719	\$ 30,980	\$ 22,507	\$ 10,422	\$ 864,438	\$ 31,042	\$ 22,925	\$ 10,099
Current service cost	37,272	11,830	1,094	1,326	38,731	12,272	1,100	1,756
Interest cost	64,556	1,841	1,170	587	54,835	1,878	1,210	593
Benefits paid	(43,752)	(13,464)	(1,323)	(244)	(37,458)	(14,478)	(1,497)	(77)
Actuarial (gains) losses	55,240	(1,569)	(804)	1,324	42,173	266	(1,231)	(1,949)
Balance, end of year	1,076,035	29,618	22,644	13,415	962,719	30,980	22,507	10,422
Plan assets	(874,302)	-	-	-	(776,681)	-	-	-
Plan deficit	201,733	29,618	22,644	13,415	186,038	30,980	22,507	10,422
Unamortized actuarial gains (losses)	(33,900)	88	2,629	636	(15,735)	(2,024)	2,006	2,446
	\$ 167,833	\$ 29,706	\$ 25,273	\$ 14,051	\$ 170,303	\$ 28,956	\$ 24,513	\$ 12,868

⁽¹⁾ The university plans to use its working capital to finance these future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2015		2014	
	UAPP, SRP, leave	LTD, Gl, early retirement	UAPP, SRP, leave	LTD, Gl, early retirement
	%	%	%	%
Accrued benefit obligation				
Discount rate	4.8 - 6.1	4.8	5.1 - 6.2	5.1
Long-term average compensation increase	0.0 - 3.5	3.0	0.0 - 3.5	3.0
Benefit cost				
Discount rate	5.1 - 6.6	4.8	5.2 - 6.6	5.1
Long-term average compensation increase	2.0 - 3.5	3.0	2.0 - 3.5	3.0
Alberta inflation (long-term)	2.25	2.5	2.25	2.5
Estimated average remaining services life ⁽¹⁾	8.6 yrs	4 - 11 yrs	8.6 yrs	4 - 11 yrs

⁽¹⁾ SRP actuarial gains and losses are amortized over the remaining contract terms of the participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Employee future benefit liabilities (continued)

(b) Defined benefit plan accounted for on a defined contribution basis

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. As the university does not have sufficient information to follow the accounting standards for defined benefit plans, it is accounted for on a defined contribution basis. The pension expense recorded in these consolidated financial statements is \$32,186 (2014 - \$31,984).

An actuarial valuation of the PSPP was carried out as at December 31, 2013 and was then extrapolated to December 31, 2014. At December 31, 2014, the PSPP reported an actuarial deficit of \$803,299 (2013 - \$1,254,678). For the year ended December 31, 2014 PSPP reported employer contributions of \$326,134 (2013 - \$315,830). For the 2014 calendar year, the university's employer contributions were \$31,968 (2013 calendar year - \$32,101). PSPP's deficit is being discharged through additional contributions from both employees and employers until 2026 (2013 - 2026). Other than the requirement to make increased contributions, the university does not bear any risk related to the PSPP deficit.

(c) Defined contribution plan

Supplementary retirement plan (SRP)

The university provides non-contributory defined contribution supplementary retirement benefits to eligible executive and academic staff members. The expense recorded in these statements is \$2,863 (2014 - \$2,904).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Debt

The university has the following debt with Alberta Capital Finance Authority:

	Collateral	Maturity Date	Interest rate %	2015	2014
Natural Resources Engineering Facility	2	June 2014	4.974	\$ -	\$ 1,000
Energy Management Program, Year 1	3	September 2014	4.551	-	215
Energy Management Program, Year 2	3	March 2016	4.525	476	931
Natural Resources Engineering Facility	2	June 2017	5.056	2,389	3,264
Health Research Innovation Facility	3	June 2017	5.053	4,866	6,649
Extension Centre	3	October 2017	8.750	809	1,037
Energy Management Program, Year 3	3	December 2017	4.493	1,218	1,589
Energy Management Program, Year 4	3	March 2019	3.718	1,556	1,911
Steam Turbine Generator	2	May 2020	6.250	7,358	8,345
Newton Place	1	August 2024	6.000	9,198	9,856
Newton Place Renovation	1	August 2024	6.000	1,590	1,704
Energy Management Program, Year 5	3	December 2025	3.885	2,754	2,952
Energy Management Program, Year 6	3	September 2027	2.599	3,007	3,208
Lister Residence II	1	November 2027	5.875	14,949	15,703
Windsor Car Park	2	September 2028	6.000	5,017	5,242
Saville Centre	2	December 2028	5.875	3,295	3,444
Energy Management Program, Year 7	4	December 2028	3.295	3,387	3,575
East Campus Village	1	March 2029	4.960	6,677	7,001
Centennial Centre for Interdisciplinary Science Phase I	3	September 2029	5.353	7,300	7,626
Energy Management Program, Year 8	4	December 2029	2.676	5,000	-
Health Research Innovation Facility	3	June 2032	5.191	4,673	4,834
Students' Union Building Renovations	4	December 2033	3.623	12,548	13,000
Physical Activity & Wellness Centre	4	June 2034	3.216	29,460	-
Killam Centre	3	September 2036	4.810	1,759	1,805
Enterprise Square	1	September 2036	4.627	36,092	37,056
East Campus Village - Graduate Housing	2	September 2040	4.886	23,137	23,586
East Campus Village - 2012	1	June 2043	3.273	20,849	21,287
Jubilee Carpark	2	December 2047	4.814	15,020	15,203
				\$ 224,384	\$ 202,023

1 - title to land, building; 2 - cash flows from facility; 3 - none; 4 - general security agreement

Interest expense on debt recorded in these consolidated financial statements is \$10,283 (2014 - \$10,088).

Principal and interest payments are as follows:

	Principal	Interest	Total
2016	\$ 12,818	\$ 10,037	\$ 22,855
2017	12,945	9,417	22,362
2018	12,017	8,783	20,800
2019	10,241	8,240	18,481
2020	10,302	7,756	18,058
Thereafter	166,061	66,658	232,719
	\$ 224,384	\$ 110,891	\$ 335,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

10. Deferred revenue

Deferred revenue is comprised of restricted grants and donations spent on tangible capital acquisitions (not yet recognized as revenue), unspent externally restricted grants and donations and unearned tuition and other revenue.

2015					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 453,240	\$ 2,156,782	\$ 2,610,022	\$ 23,756	\$ 2,633,778
Net change for the year					
Grants, donations, tuition	587,142	27,913	615,055	318,298	933,353
Investment income	1,624	(393)	1,231	-	1,231
Unearned capital acquisition transfers	(55,085)	55,085	-	-	-
Debt repayment	(46)	46	-	-	-
Recognized as revenue	(556,395)	(113,379)	(669,774)	(321,495)	(991,269)
Total net change for the year	(22,760)	(30,728)	(53,488)	(3,197)	(56,685)
	\$ 430,480	\$ 2,126,054	\$ 2,556,534	\$ 20,559	\$ 2,577,093

2014					
	Restricted			Student tuition and other revenue	Total
	Research and special purpose	Capital	Total		
Balance, beginning of year	\$ 450,066	\$ 2,215,497	\$ 2,665,563	\$ 24,351	\$ 2,689,914
Net change for the year					
Grants, donations, tuition	526,710	(1,269)	525,441	305,434	830,875
Investment income	850	89	939	-	939
Unearned capital acquisition transfers	(56,647)	56,647	-	-	-
Debt repayment	(44)	44	-	-	-
Recognized as revenue	(467,695)	(114,226)	(581,921)	(306,029)	(887,950)
Total net change for the year	3,174	(58,715)	(55,541)	(595)	(56,136)
	\$ 453,240	\$ 2,156,782	\$ 2,610,022	\$ 23,756	\$ 2,633,778

Capital is comprised of \$2,050,263 (2014 - \$2,060,596) restricted grants and donations spent on tangible capital acquisitions and \$75,791 (2014 - \$96,186) of unspent restricted grants and donations. The expended capital is deferred and will be recognized as revenue when the terms are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

11. Endowments

Endowments consist of externally restricted donations received by the university and internal allocations by the university's Board of Governors, the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as university policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and by reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the university has the authority to alter the terms and conditions of endowments to enable:

- Income earned by the endowments to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- Encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the university and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowments without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2015	2014
Balance, beginning of year	\$ 993,688	\$ 879,861
Donations	79,683	20,475
Investment - unrealized gains capitalized	78,621	33,111
Investment - realized gains capitalized	26,950	60,227
Transfer to endowments	2,551	14
	\$ 1,181,493	\$ 993,688

Endowments are comprised of:

	2015	2014
Donations	\$ 764,470	\$ 684,787
Capitalized income	417,023	308,901
	\$ 1,181,493	\$ 993,688

In 2015, donations include the capitalization of an Innovation and Advanced Education Access to the Future Fund grant of \$54,380.

Capitalized income includes cumulative investment unrealized gains of \$169,506 (2014 - \$90,885).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

12. Accumulated operating surplus

	Accumulated deficit from operations	Investment in tangible capital assets	Total accumulated operating surplus
Balance as at March 31, 2013	\$ (76,132)	\$ 462,233	\$ 386,101
Excess of revenue over expense	18,374	-	18,374
Transfer to endowments	(14)	-	(14)
Acquisition of tangible capital assets	(99,354)	99,354	-
Debt repayment	(10,229)	10,229	-
Debt - new financing	22,274	(22,274)	-
Net book value of asset disposals	707	(707)	-
Amortization of tangible capital assets	55,201	(55,201)	-
Balance as at March 31, 2014	\$ (89,173)	\$ 493,634	\$ 404,461
Excess of revenue over expense	75,287	-	75,287
Transfer to endowments	(2,551)	-	(2,551)
Acquisition of tangible capital assets	(98,875)	98,875	-
Debt repayment	(10,268)	10,268	-
Debt - new financing	37,319	(37,319)	-
Net book value of asset disposals	220	(220)	-
Amortization of tangible capital assets	55,807	(55,807)	-
Balance as at March 31, 2015	\$ (32,234)	\$ 509,431	\$ 477,197

13. Contingent liabilities

- (a) The university is a defendant in a number of legal proceedings arising in the normal course of business. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the university believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the university. Management has concluded that none of the claims meet the criteria for recording a liability.
- (b) The university has identified a potential liability related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the university may be required to take appropriate remediation procedures to remove the asbestos. As the university has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the renovation or demolition project will proceed and there is sufficient information to estimate fair value of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

14. Contractual Obligations

- (a) The university has contractual obligations that will result in liabilities in the future when the terms of the contracts are met. The estimated aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

	Service contracts	Capital projects	Long-term leases	Total
2016	\$ 84,294	\$ 124,940	\$ 5,718	\$ 214,952
2017	42,922	41,036	4,983	88,941
2018	30,263	13,508	2,578	46,349
2019	16,980	-	1,640	18,620
2020	9,167	-	1,128	10,295
Thereafter	962	-	3,673	4,635
	\$ 184,588	\$ 179,484	\$ 19,720	\$ 383,792

The significant service contracts are as follows:

- In order to manage its exposure to the volatility in the electrical industry, the university has entered into contracts to fix a portion of its electrical cost. The six contracts (2014 - six contracts) with expenditures totaling \$88,101 (2014 - \$91,440) expire over the next five years.
 - Effective November 1, 2010, the university entered into an agreement with an external party for dining and catering services. The agreement has four months remaining with a total estimated cost of \$3,500 (2014 - \$14,000).
 - Effective July 1, 2010 the university entered into an agreement for infrastructure management services. The agreement has three months remaining with a cost of \$887 (2014 - \$3,018). Effective July 1, 2013 the university entered into an agreement for application management services. The agreement has three months remaining with a cost of \$687 (2014 - \$3,435).
 - Effective August 1, 2014, the university entered into an agreement with an external party for custodial services. The agreement has two years remaining with a cost of \$17,344 (2014 - \$2,000).
- (b) The university is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2014 CURIE had a surplus of \$74,231 (2013 - \$71,331), of which the university's pro rata share is approximately 7.18% (2014 - 7.13%). This surplus is not recorded in the consolidated financial statements.

15. Budget

The university's 2014-15 budget was approved by the Board of Governors and was presented to the Minister of Innovation and Advanced Education as part of the university's submission of its 2014-15 Comprehensive Institutional Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

16. Government of Alberta grants

	2015	2014
Innovation and Advanced Education - Campus Alberta grant	\$ 588,813	\$ 579,924
Innovation and Advanced Education - Access to the Future Fund grant	58,714	-
Innovation and Advanced Education - other grants	107,005	94,273
Infrastructure	-	22,455
Health - Academic Alternative Relationship Plans	62,240	58,027
Health - other grants	59,816	69,205
Alberta Health Services	8,803	4,726
Other departments and agencies	13,120	18,773
	898,511	847,383
Restricted expended capital recognized as revenue	91,476	93,608
Deferred revenue	(92,954)	(49,378)
	\$ 897,033	\$ 891,613

The net amount receivable is \$17,387 (2014 - \$1,401).

The university holds \$11,395 on behalf of government agencies.

17. Expense by object

	2015 Budget	2015	2014
Salaries	\$ 875,530	\$ 878,666	\$ 896,266
Employee benefits	177,093	179,373	182,899
Materials, supplies and services	199,759	205,483	179,424
Cost of goods sold	92,413	101,376	104,502
Scholarships and bursaries	85,158	89,933	89,150
Maintenance and repairs	84,259	87,141	78,423
Utilities	48,506	44,329	46,346
Amortization of tangible capital assets	176,605	169,186	169,151
	\$ 1,739,323	\$ 1,755,487	\$ 1,746,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

18. Salaries and employee benefits

	2015					Total
	Base salary ⁽⁴⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾		
Governance ⁽¹⁾						
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	-
Executive						
President	549	50	274	107		980
Provost and Vice-President (Academic) ⁽²⁾	450	39	43	76		608
Vice-President (Research)	504	95	76	93		768
Vice-President (Facilities and Operations)	477	42	115	72		706
Vice-President (Finance and Administration)	467	33	124	72		696
Vice-President (University Relations)	383	40	88	-		511
Vice-President (Advancement) ⁽³⁾	386	34	58	-		478
2014						
	Base salary ⁽⁴⁾	Non-cash benefits ⁽⁵⁾	Non-cash benefits (SRP) ⁽⁶⁾	Non-cash benefits (leave) ⁽⁷⁾		Total
Governance ⁽¹⁾						
Board of Governors	\$ -	\$ -	\$ -	\$ -	\$ -	-
Executive						
President	544	47	426	127		1,144
Provost and Vice-President (Academic) ⁽²⁾	420	36	40	206		702
Vice-President (Research)	496	95	104	109		804
Vice-President (Facilities and Operations)	472	41	166	99		778
Vice-President (Finance and Administration)	459	33	179	101		772
Vice-President (University Relations)	377	39	106	-		522
Vice-President (Advancement)	383	35	77	-		495

⁽¹⁾ The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.

⁽²⁾ In 2015, two individuals held this position. The interim Provost and Vice-President (Academic) does not participate in any executive benefit programs. In 2014, two individuals held this position. The acting Provost and Vice-President (Academic) did not participate in any executive benefit programs.

⁽³⁾ In 2015, two individuals held this position. The interim Vice-President (Advancement) does not participate in any executive benefit programs.

⁽⁴⁾ Base salary includes pensionable base pay for all executive, as well as an administrative stipend and market supplement for some executives. Certain base salary amounts also include a car allowance, a reduction for amounts recovered from workers' compensation, and a reduction for the optional personal leave program (days off without pay).

⁽⁵⁾ Non cash benefits include the university's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee and family assistance program, critical illness, supplementary health care, short and long term disability plans and dental plan. Benefits for some of the executive also include parking, supplemental life insurance, forgivable housing loans, mobile device allowances, and club dues. Additional non cash benefits for the President include expenses related to the personal use portion of the residence which the President rents from the university.

⁽⁶⁾ Under the terms of the SRP, the executive may receive supplemental payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expenses for the rights to future compensation. Costs shown reflect the total estimated cost to provide supplementary retirement benefits. The SRP provides future benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate, and other assumptions included in the Canadian Institute of Actuaries' lump sum commuted value standard. Net actuarial gains and losses of the benefit obligations are amortized over the remaining terms of the participants' contracts. Current service cost is the actuarial present value of the benefits earned in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2015
(thousands of dollars)

18. Salaries and employee benefits (continued)

The supplementary retirement plan current service cost and accrued obligation is as follows:

	2014			2015		
	Years of eligible University of Alberta service	Accrued obligation	Service costs	Interest and other costs ^(6b)	Actuarial losses (gains)	Accrued obligation ^(6d)
President	9.8	\$ 2,160	\$ 247	\$ 27	\$ 572	\$ 3,006
Provost and Vice-President (Academic) ^(6a)	11.8	903	84	11	162	1,160
Vice-President (Research)	7.8	467	69	7	129	672
Vice-President (Facilities and Operations) ^(6b)	12.0	715	105	10	222	1,052
Vice-President (Finance and Administration) ^(6b)	12.7	740	114	11	187	1,052
Vice-President (University Relations)	4.7	306	82	6	(33)	361
Vice-President (Advancement) ^(6c)	-	194	53	(240)	(7)	-

^(6a) The former Provost and Vice-President (Academic) continues to accrue pensionable service in accordance with the terms of an agreement with the university.

^(6b) Includes additional costs with respect to plan amendments.

^(6c) A benefit payment for the former Vice-President (Advancement) is included with interest and other costs.

^(6d) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

⁽⁷⁾ The leave plan current service cost and accrued obligation for each executive is as follows:

	2014			2015		
	Years of eligible University of Alberta service	Accrued obligation	Service costs	Interest and other costs	Actuarial losses (gains)	Accrued obligation ^(7c)
President	9.8	\$ 909	\$ 104	\$ 3	\$ 41	\$ 1,057
Provost and Vice-President (Academic) ^(7a)	2.9	183	74	1	43	301
Vice-President (Research)	7.8	602	89	4	63	758
Vice-President (Facilities and Operations)	12.2	937	71	2	86	1,096
Vice-President (Finance and Administration) ^(7b)	12.5	975	70	2	95	1,142

^(7a) The former Provost and Vice-President (Academic) includes service cost for the time in the position.

^(7b) The Vice-President (Finance and Administration) has accrued the maximum leave eligibility available.

^(7c) The significant actuarial assumptions used to measure the accrued benefit obligation are disclosed in (note 8).

19. Approval of financial statements

The consolidated financial statements were approved by the Board of Governors.

20. Comparative figures

Certain 2014 comparative figures have been reclassified to conform to the 2015 presentation.

OUTLINE OF ISSUE

Agenda Title: **University Funds Investment Policy**

Motion: THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Funds Investment Policy effective April 1, 2015, as set forth in Attachment 1 to the agenda documentation.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Dave Lawson, Chair, Board Investment Committee
Presenter	Dave Lawson, Chair, Board Investment Committee
Subject	University Funds Investment Policy

Details

Responsibility	Vice-President (Finance and Administration)
The Purpose of the Proposal is (please be specific)	To implement minor revisions to the University Funds Investment Policy. Major revisions to the policy were approved by the Board of Governors on June 21, 2013 that are expected to have a higher probability of maintaining the real value of the Unitized Endowment Pool (UEP) (after inflation and spending). Other minor revisions were approved by the Board of Governors on June 20, 2014.
The Impact of the Proposal is	The 4 main impacts of the proposed changes are the following: <ul style="list-style-type: none"> • To better reflect the fact that the Board Investment Committee's Terms of Reference, its approved Investment Mandates and the Code of Ethics and Standards of Professional Conduct established by the CFA Institute apply to both the UEP and the Non-Endowed Investment Pool (NEIP). • To create consistency in style and content for the NEIP sections of the policy with those of the UEP. • To enable loans to University of Alberta Properties Inc. • To update the current benchmarks for both the UEP and the NEIP to better reflect the current investment positioning and allow for more accurate relative performance measurement.
Replaces/Revises (eg, policies, resolutions)	This policy replaces the University Funds Investment Policy approved by the Board of Governors on June 20, 2014.
Timeline/Implementation Date	Rebalancing of the portfolio to the targets in the investment policy will continue to be done in a measured and incremental manner. The Board Investment Committee is being provided with quarterly progress reports on the implementation plan through March 31, 2016.
Estimated Cost	None
Sources of Funding	The endowed funds primarily represent the University's endowments. The non-endowed funds primarily represent the University's expendable funding that has been pooled for investment purposes.
Notes	1.0 Description of University Funds Matters dealing with governance have been moved from the UEP section 2.1 to this section, and matters dealing with Investment Mandates, Code of Ethics and Standards of Profession Conduct have been moved from UEP section 4.2, as they apply to both the UEP and the NEIP.

1.3 Non-Endowed Investment Pool

Editorial changes only.

1.4 Other Non-Endowed Funds

References to the Academic Supplementary Retirement Plan have been made generic to allow for multiple plans.

2.1 General Description and Governance

Please see changes in 1.0 above.

4.2 Asset Allocation

Please see changes in 1.0 above.

4.3 Categories and Subcategories of Investments Restrictions and Quality Levels

Editorial changes and updated references for consistency with other proposed changes. References to restrictions and quality levels have been struck as these are approved for each Investment Mandate by the Board Investment Committee.

4.5 Rate of Return Goals

The UEP benchmark has been updated, effective April 1, 2015 to better reflect how the fund is currently invested.

6.0 Non-Endowed Investment Pool (NEIP)

An introduction to the NEIP has been created from concepts that are articulated in other parts of the investment policy.

6.1 and 6.2 Investment Policy and Risk Tolerance (NEIP)

This section has been made consistent in style and content with the UEP section. Matters related to investment quality and diversification standards have been removed as the Board Investment Committee has approved the related Investment Mandates without change. For consistency with the UEP, the three investment strategies for the NEIP now describe the strategic role each fulfills as opposed to the investment time horizon. The short-term strategy has been renamed as the liquidity strategy. The mid-term strategy has been renamed as the yield strategy. The long-term strategy has been renamed as the return seeking strategy.

Anticipated loans to the recently created University of Alberta Properties Trust Inc. become a new potential investment for the yield strategy.

6.3 Performance Benchmarks

The NEIP benchmark has been updated, effective April 1, 2015 to better reflect how the fund is currently invested.

Definitions

For consistency with the UEP, definitions for the three NEIP investment strategies (liquidity, yield and return seeking) have been created.

Alignment/Compliance

<p>Alignment with Guiding Documents</p>	<p>Dare to Discover: Cornerstone - Transformative Organization and Support Enables the development of an endowment comparable to the best public research universities in the world</p>
<p>Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)</p>	<p>Post-Secondary Learning Act (PSLA) Section 75: Banking and Investment</p> <p>(1) A board must, for the purposes of short-term cash management, keep its funds in a bank, a treasury branch, a credit union, a loan corporation or a trust corporation.</p> <p>(2) When making investments a board must adhere to the investment and lending policies, standards and procedures approved under subsection (3).</p> <p>(3) The board must, by resolution, approve policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return.</p> <p>(4) The contravention of subsection (2) does not by itself make any agreement or transaction void or invalid.</p> <p>Board Investment Committee Terms of Reference</p> <p><i>3. MANDATE OF THE COMMITTEE</i></p> <p><i>Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate and make decisions on behalf of the Board with respect to all investments, including both short-term and long-term investments ("Investments"). The Committee shall also consider such other matters delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing the Committee shall:</i></p> <p><i>(c) review and recommend to the Board, Investment Policies for the University.</i></p> <p>4. LIMITATIONS ON DELEGATION BY THE BOARD</p> <p><i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee as set out in paragraph 3, the Committee shall bring to the Board for final approval or information:</i></p> <p><i>(a) the Investment Policies for the University, which shall include the establishment of broad risk tolerances, strategic asset allocation, asset class diversification, and quality standards.</i></p> <p><i>(b) the Endowment Objectives and Spending Policy of the University.</i></p> <p><i>In addition, the Board may, with or without recommendations from the Committee, establish investment policy matters with respect to matters of social responsibility.</i></p>

Item No. 5a

Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	
Approval Route (Governance) (including meeting dates)	Board Investment Committee, June 4, 2015 (for recommendation) Board of Governors, June 19, 2015 (for approval)
Final Approver	Board of Governors

Attachments:

1. Draft University Funds Investment Policy (final) – 9 pages
2. Draft University Funds Investment Policy (track changes) – 13 pages
3. University Funds Investment Policy (as approved on June 20, 2014) – 10 pages

Prepared by: Ron Ritter, Director, Investments and Treasury, 780-492-9987, ron.ritter@ualberta.ca

Revised: 6/12/2015



University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS AND GOVERNANCE

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- The Investment Policies for the University, which shall include the establishment of broad risk tolerances, strategic asset allocation, asset class diversification, and quality standards.
- The Endowment Objectives and Spending Policy of the University.
- In addition, the Board may, with or without recommendations from the Committee, establish investment policy direction with respect to matters of environmental stewardship, social responsibility, and corporate governance.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

The Board Investment Committee shall approve Investment Mandates. Management is responsible for retaining investment managers in accordance with the approved Investment Mandates for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes. For cash flow management purposes the Liquidity portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Supplementary Retirement Plans, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The *Post-Secondary Learning Act*, Statutes of Alberta, (2003), Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning, and research can be pursued, and
- Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The investment objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist of Canadian government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of total spending will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- Objective of a real rate of return that equals or exceeds the total rate of spending
- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	55%	59%	70%
Inflation Sensitive	5%	20%	25%
Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	45%*
Emerging Markets Equity	0%	10%	15%
<i>Equity Hedge Funds</i>	0%	0%	10%
<i>Private Equity</i>	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Oil & Gas	0%	5%	10%
Commodities	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
		<u>16%</u>	
Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

* The higher maximum allocation to global equity is required to allow for a transition from the current benchmark to the target benchmark, after which the maximum allocation will be reduced to 35%.

4.3 Categories and Subcategories of Investments

Investments shall be classified within the following general categories within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.2 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.3 Deflation Hedging

Deflation hedging assets include high quality government fixed income securities.

4.3.4 Diversifiers

Diversifiers include cash and near cash equivalents, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

For liquidity management purposes a portion of the UEP cash is invested in the NEIP and managed according to section 6.1.1 of this policy as applicable.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP. The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved Investment Mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will achieve over any 4-year rolling period:

- An annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items).
- An annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

UEP Policy Benchmark (Effective April 1, 2015)	Current	Target
MSCI Canada IMI	15%	13%
MSCI World IMI	39%	30%
MSCI Emerging Markets IMI	10%	10%
Cambridge Associates Private Equity Index	0%	6%
IPD/Realpac Canada Property Index	5%	5%
S&P Global Natural Resources Index	5%	5%
Dow Jones North America Select Junior Oil/Gas Index	5%	5%
Dow Jones - UBS Commodity Index	0%	5%
FTSE/TMX All Federal Bond Index	16%	16%
HFRI Fund of Funds Composite Index	5%	5%
	100%	100%

- An above median return in comparison to other endowment funds with similar asset allocation and return objectives.

5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

The NEIP consists of expendable funding that is pooled for investment purposes. The purpose of the NEIP is to ensure that the University's liquidity requirements are met, and to generate a rate of return with the appropriate level of risk. Long-term cash flow forecasts project that a portion of the NEIP will not be required for cash flow management purposes on an on-going basis. Therefore, an investment profile that is less liquid than what would be expected for funds with a short-term investment horizon is appropriate for a portion of the NEIP.

6.1 Asset Allocation

Permitted investments shall be classified within the following categories:

6.1.1 Liquidity

The primary investment objectives for assets in the liquidity category are to meet the University's daily cash flow requirements and to preserve capital. Assets in the liquidity category include cash, obligations or deposits issues by Schedule I or II Canadian chartered banks, Alberta Treasury Branches or Alberta credit unions that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation, and high quality investment grade money market securities.

6.1.2 Yield

The investment objective for assets in the yield category is to generate higher yield while preserving capital. Yield enhancing assets include high quality investment grade fixed income securities, loans to University of Alberta Properties Trust Inc., and internal loans to University faculties, departments, and staff. Loans to University of Alberta Properties Trust Inc. will be at prevailing commercial terms and conditions. The Internal Loan Policy approved by the Board of Governors governs internal loans.

6.1.3 Return Seeking

Funds allocated to the return seeking category are considered long-term core funds and are not expected to require liquidation for a period of less than five years. All return seeking funds are invested in the UEP with the objective of earning a higher long-term rate of return, and are managed in accordance with Sections 2 through 4 of this policy.

For risk management purposes a reserve fund with a target value of 10% of the return seeking funds has been established. This reserve is funded through appropriations of the earnings in excess of the spending allocation in any given year, and is invested in accordance with section 6.1.1.

6.2 Asset Mix and Risk Tolerance

The asset mix in the NEIP shall be as follows:

	Minimum	Target	Maximum
Liquidity	33%	50%	100%
Yield	0%	25%	33%
Return Seeking	0%	25%	33%

6.3 Performance Benchmarks

For each component of the NEIP the benchmark is:

	NEIP Policy Benchmark (Effective April 1, 2015)	Current
Liquidity	FTSE TMX Canada 91 Day T-Bill Index	50%
Yield	FTSE TMX Canada Short Term Overall Bond Index	25%
Return Seeking	Current UEP benchmark (section 4.5)	25%
		100%

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions, and quality levels as described above and the University's Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the Supplementary Retirement Plans shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with or be monitored by a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation

The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category, or have a high sensitivity to inflation.

Consumer Price Index (CPI)

A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.

Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.
Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
Investment Mandate	A statement of objectives for a strategy that defines the investment style and the geographic regions, industry sectors, and types of securities that it will invest in, as well as the benchmark index and performance expectations. Diversification and quality standards, including the use of leverage where applicable, can also be specified,
Liquidity	Any asset class or investment strategy which can be expected to preserve capital, mature in one year or less from the date of purchase and be liquidated to cash within one month.
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates

	these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.
Return Seeking	Any asset class or investment strategy which can be expected to be invested without the need for liquidity for at least five years.
Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.
Yield	Any asset class or investment strategy which can be expected to preserve capital, mature between one year and five years and provide a fixed income market like rate of return.

RELATED LINKS

Should a link fail, please contact the policy's Office of Administrative Responsibility (see header).

[Unitized Endowment Pool \(UEP\) Spending Policy](#)

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Unitized Endowment Pool \(UEP\) Implementation Guidelines](#)

[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 19, 2015

Board Investment Committee, June 4, 2015

University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish a distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS AND GOVERNANCE

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- the Investment Policies for the University, which shall include the establishment of broad risk tolerances, strategic asset allocation, asset class diversification, and quality standards.
- the Endowment Objectives and Spending Policy of the University.
- In addition, the Board may, with or without recommendations from the Committee, establish investment policy direction with respect to matters of environmental stewardship, social responsibility, and corporate governance.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

The Board Investment Committee shall approve Investment Mandates. Management is responsible for retaining investment managers in accordance with the approved Investment Mandates for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes ~~until the funds are required for expenditure~~. For cash flow management purposes the ~~Short-Term Funds Liquidity~~ portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the ~~Academic Supplementary Retirement Plans~~, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description ~~and Governance~~

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The ~~Province of Alberta's Post-Secondary Learning Act, Statutes of Alberta, (2003), Chapter P-19.5, Sections 75 and 76,~~ provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

~~The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):~~

- ~~— the Investment Policies for the University, which shall include the establishment of broad risk tolerances, strategic asset allocation, asset class diversification, and quality standards.~~
- ~~— the Endowment Objectives and Spending Policy of the University.~~
- ~~— In addition, the Board may, with or without recommendations from the Committee, establish investment policy matters with respect to matters of social responsibility.~~
- ~~— Approval of the investment policy for the University,~~
- ~~— Approval of the University's endowment objectives and spending policy, and~~
- ~~— Establishment of broad investment risk tolerances within which the University should operate.~~

~~The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.~~

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning and research can be pursued, and
- Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The investment objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Deflation Hedging, Inflation Sensitive, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist of Canadian government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of total spending, will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- Objective of a real rate of return that equals or exceeds the total rate of spending

- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
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Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

~~The Board Investment Committee shall approve Investment Mandates. Management is responsible for retaining investment managers in accordance with the approved Investment Mandates for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.~~

~~Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.~~

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	45%*
Emerging Markets Equity	0%	10%	15%
<i>Equity Hedge Funds</i>	0%	0%	10%
<i>Private Equity</i>	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Oil & Gas	0%	5%	10%
Commodities	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
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Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

* The higher maximum allocation to global equity is required to allow for a transition from the current benchmark to the target benchmark, after which the maximum allocation will be reduced to 35%.

4.3 Categories and Subcategories of Investments ~~Restrictions and Quality Levels~~

Investments ~~that are permitted~~ shall be classified within the following general categories ~~and restrictions and quality levels apply~~ within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 ~~Money Market Securities~~

~~For cash flow management purposes a portion of the UEP is invested in the Short-Term Funds portion of the NEIP and managed according to section 6.1.1 and 6.2.1 of this policy as applicable.~~

4.3.12 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based ~~long-only~~ fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.23 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.34 Deflation Hedging

Deflation hedging assets include high quality government fixed income securities.

4.3.45 Diversifiers

Diversifiers include cash and near cash equivalents, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

For liquidity management purposes a portion of the UEP cash is invested in the NEIP and managed according to section 6.1.1 of this policy as applicable.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP. The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved Investment Mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will achieve over any 4-year rolling period:

- An annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items)
- An annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

Current Benchmark (Effective April 1, 2014)	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	20%
MSCI ACWI (ex Canada in local currency)	25%
MSCI ACWI (ex Canada in Cad)	25%
HFRI Fund of Funds Composite Index	8%
IPD/Realpac Canada Property Index	6%
	<u>100%</u>

Target Benchmark	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	13%
MSCI ACWI (ex Canada in local currency)	20%
MSCI ACWI (ex Canada in Cad)	20%
HFRI Fund of Funds Composite Index	5%
Cambridge Associates Private Equity Index	6%
IPD/Realpac Canada Property Index	5%
Dow Jones - UBS Commodity Index	5%
S&P Global Natural Resources Index	5%
Dow Jones North America Select Junior Oil/Gas Index	5%
	<u>100%</u>

UEP Policy Benchmark (Effective April 1, 2015)	Current	Target
MSCI Canada IMI	15%	13%
MSCI World IMI	39%	30%
MSCI Emerging Markets IMI	10%	10%
Cambridge Associates Private Equity Index	0%	6%
IPD/Realpac Canada Property Index	5%	5%
S&P Global Natural Resources Index	5%	5%
Dow Jones North America Select Junior Oil/Gas Index	5%	5%
Dow Jones - UBS Commodity Index	0%	5%
FTSE/TMX All Federal Bond Index	16%	16%
HFRI Fund of Funds Composite Index	5%	5%
	100%	100%

- An above median return in comparison to other endowment funds with similar asset allocation and return objectives.

5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

The NEIP consists of expendable funding that is pooled for investment purposes. The purpose of the NEIP is to ensure that the University's liquidity requirements are met, and to generate a rate of return with the appropriate level of risk. Long-term cash flow forecasts project that a portion of the NEIP will not be required for liquidity purposes on an on-going basis. Therefore, an investment profile that is less liquid than what would be expected for funds with a short-term investment horizon is appropriate for a portion of the NEIP.

6.1 Asset Allocation Investment Policy and Risk Tolerance (Internally Managed Investments)

The purpose of the NEIP is to pool for investment purposes capital that is predominately short-term in nature. Trend-line growth of the capital base has created a substantial core balance that will likely be sustained on an on-going basis. Therefore, a maturity profile that is greater than what would be expected for funds with a short-term investment horizon is appropriate for a significant portion of the fund.

Permitted investments shall be classified within the following categories:

6.1.1 Liquidity Short-Term Funds

The primary investment objectives for assets in the liquidity category are to meet the University's daily cash flow requirements and to preserve capital. Assets in the liquidity category include cash, obligations or deposits issues by Schedule I or II Canadian chartered banks, Alberta Treasury Branches or Alberta credit unions that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation and high quality investment grade money market securities.

Analysis indicates that maintaining a minimum of 33% of the peak NEIP balance, each year as at September 30th, in money market securities, is sufficient to meet the University's cash flow

~~requirements. The primary objective for money market securities is liquidity and preservation of capital.~~

~~Money market securities include: cash on hand both domestic and foreign; Government of Canada treasury bills, notes, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial treasury bills, notes, debentures and any obligations unconditionally guaranteed by the provincial governments of Canada; Banker's Acceptances, Bearer Deposit Notes and other obligations issued by a Schedule I or II chartered bank carrying a short term debt rating of R-1(mid) or better as measured by two recognized debt rating services; and term deposits issued by an Alberta credit union that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation. Money market securities must be maintained in assets maturing within one year.~~

~~There are no limitations on the amount that can be invested in money market securities issued by the Government of Canada or its guaranteed Crown corporations or agencies. The limitations on investments in money market securities issued by any single provincial government or its guaranteed agencies are as follows: a maximum 40% rated R-1(high), 30% rated R-1(mid), and 20% rated R-1(low) of the daily NEIP short-term market value. A minimum of 70% of the daily NEIP short-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% may be invested in Alberta credit unions, subject to the Alberta provincial government limit above. A maximum of 10% of the daily NEIP short-term market value can be invested in any single non-governmental issuer.~~

6.1.2 YieldMid-Term Funds

~~The investment objective for assets in the yield category is to generate higher yield while preserving capital. Yield enhancing assets include high quality investment grade fixed income securities, loans to University of Alberta Properties Trust Inc., and internal loans to University faculties, departments, and staff. Loans to University of Alberta Properties Trust Inc. will be at prevailing commercial terms and conditions. The Internal Loan Policy approved by the Board of Governors on December 10, 2014 governs internal loans.~~

~~Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be allocated to bonds, debentures and internal loans maturing within five years. This allocation is monitored against the projected overall cash flow requirements of the University.~~

~~Internal loans to University faculties, departments and staff are considered to be part of the mid-term funds section of the NEIP. The Internal Loan Policy approved by the Board of Governors on October 24, 2003 governs internal loans.~~

~~Bonds and debentures must be denominated in Canadian dollars and are limited to: Government of Canada bonds, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial bonds, debentures and any obligations unconditionally guaranteed by a province of Canada; bonds and debentures issued by municipalities of Canada; obligations, bonds and debentures issued by a Schedule I or II chartered bank. Bonds and debentures shall have a rating of at least "A" as measured by two recognized debt rating agencies.~~

~~There are no limitations on the mid-term funds that can be invested in bonds and debentures issued by the Government of Canada or its guaranteed Crown corporations or agencies. Investment in bonds and debentures issued by any single provincial government or its guaranteed agencies is limited as follows: a maximum of 20% of the daily NEIP mid-term market value can be invested in rated "AAA", 15% in rated "AA" and, 10% in rated "A". A minimum of 70% of the daily NEIP mid-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% of the daily NEIP mid-term market value can be invested in obligations, bonds and debentures issued by any single municipality or Schedule I or II chartered bank.~~

6.1.3 ReturnLong-Term Core Funds

~~Funds allocated to the return seeking category are considered long-term core funds and are not expected to require liquidation for a period of less than five years. All return seeking funds are~~

~~invested in the UEP with the objective of earning a higher long-term rate of return, and are managed in accordance with Sections 2 through 4 of this policy.~~

~~For risk management purposes a reserve fund with a target value of 10% of the return seeking funds has been established. This reserve is funded through appropriations of the earnings in excess of the spending allocation in any given year, and is invested in accordance with section 6.1.1.~~

~~Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be considered long-term core funds. Long-term core funds are not expected to require an urgent, unplanned or significant liquidation in a period of less than five years. Long-term core funds are invested in the UEP to provide a higher rate of return. This allocation is monitored against the projected overall cash flow requirements of the University.~~

~~For risk management purposes a reserve fund with a target value of 10% of the long-term core funds has been established. This reserve is funded through appropriations of half the earnings in excess of the spending allocation in any given year, and is invested in accordance with the Short-Term Funds portion of the NEIP.~~

6.2 ~~Asset Mix and Risk Tolerance~~ Investment Policy and Risk Tolerance (Externally Managed Investments)

The asset mix in the NEIP shall be as follows:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
<u>Liquidity</u>	<u>33%</u>	<u>50%</u>	<u>100%</u>
<u>Yield</u>	<u>0%</u>	<u>25%</u>	<u>33%</u>
<u>Return</u>	<u>0%</u>	<u>25%</u>	<u>33%</u>

6.2.1 ~~Short-Term Funds~~

~~Externally managed money market securities include instruments and obligations that are issued by or guaranteed by the following entities; obligations of banks including banker's acceptances and floating rate notes, corporate debt, corporate commercial paper, schedule I or II chartered bank sponsored asset backed commercial paper, sovereign governments, supranational agencies, US state governments, Canadian provincial governments and other money market securities. All investments shall be denominated as to principal and interest in a currency that is consistent with the mandate and in the case of securities lending the currency of the cash collateral. A maximum of 20% of money market securities may be maintained in assets maturing beyond one year. The primary objective for investments in these securities is liquidity and preservation of capital.~~

~~Externally managed money market securities in actively managed mandates shall have a rating of at least R-1 (low), with a limit of not more than 30% in this rating. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual securities within the index.~~

~~There are no limitations on the amount that can be invested in money market securities issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in any single non-governmental issuer. Schedule I or II chartered bank asset backed commercial paper exposure will be limited to a maximum of 5% for any single trust/conduit.~~

6.2.2 ~~Mid-Term Funds~~

~~Bonds and debentures are limited to publicly traded debt securities denominated in Canadian dollars.~~

~~A maximum of 20% of bonds and debentures may be maintained in assets maturing beyond five years. Bonds and debentures in actively managed mandates shall have a rating of at least “BBB” as measured by a recognized debt rating agency. The maximum “BBB” exposure will be 10% of fixed income in each actively managed portfolio. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual bonds and debentures within the index.~~

~~There are no limitations on the amount that can be invested in bonds and debentures issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in bonds and debentures issued by any single municipality, non-governmental issuer, or Canadian-dollar denominated foreign issuer.~~

6.2.3 Long-Term Core Funds

~~All long-term core funds are invested in the UEP and are managed in accordance with Sections 2 through 4 of this policy.~~

6.3 Performance Benchmarks

For each ~~of these~~ components of the NEIP the benchmark is:

	<u>Benchmark</u>	<u>Benchmark Weighting</u>
<u>Liquidity</u>	<u>FTSE TMX Canada 91 Day T-Bill Index</u>	<u>50%</u>
<u>Yield</u>	<u>FTSE TMX Canada Short Term Overall Bond Index</u>	<u>25%</u>
<u>Return</u>	<u>Current UEP benchmark (section 4.5)</u>	<u>25%</u>
		<u>100%</u>

Short-Term Funds	FTSE/TMX Canada Treasury Bill 91 Day Index
Mid-Term Funds	FTSE/TMX Canada Bond Short term Index
Long-Term Core Funds	UEP Composite Benchmark

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions and quality levels as described above and the University’s Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the ~~Academic Supplementary Retirement Plans~~ shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian’s lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with or be monitored by a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation	The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category or have a high sensitivity to inflation.
Consumer Price Index (CPI)	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.

Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.
Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
Investment Mandate	A statement of objectives for a strategy that defines the investment style and the geographic regions, industry sectors, and types of securities that it will invest in, as well as the benchmark index and performance expectations. Diversification and quality standards, including the use of leverage where applicable, can also be specified,
<u>Liquidity</u>	<u>Any asset class or investment strategy which can be expected to preserve capital, mature in one year or less from the date of purchase and be liquidated to cash within one month.</u>
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on

	RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.
<u>Return</u>	<u>Any asset class or investment strategy which can be expected to be invested without the need for liquidity for at least five years.</u>
Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.
<u>Yield</u>	<u>Any asset class or investment strategy which can be expected to preserve capital, mature between one year and five years and provide a fixed income market like rate of return.</u>

RELATED LINKS

Should a link fail, please contact the policy's Office of Administrative Responsibility (see header).

[Unitized Endowment Pool \(UEP\) Spending Policy](#)

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Unitized Endowment Pool \(UEP\) Implementation Guidelines](#)

[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 1920, 20154

Board Investment Committee, June 4, 20154



University Funds Investment Policy

Office of Accountability:	Vice President (Finance & Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with University policy extends to all members of the University community.

Purpose

The purpose of this investment policy is to establish a distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

POLICY

1.0 DESCRIPTION OF UNIVERSITY FUNDS

1.1 Unitized Endowment Pool (UEP)

The UEP consists of the University's endowed trust funds or other funds of a permanent or long-term nature. In addition, external funds may be invested in the UEP including funds of affiliated organizations and funds where the University is a beneficiary.

1.2 Other Endowments

Other endowments consist of endowed trust funds, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.3 Non-Endowed Investment Pool (NEIP)

The NEIP consists of expendable funds, which are pooled for investment purposes until the funds are required for expenditure. For cash flow management purposes the Short-Term Funds portion of the NEIP may include UEP funds.

1.4 Other Non-Endowed Funds

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Academic Supplementary Retirement Plan, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds.

1.5 Equity Investments in Technology Transfer

The University has accepted equity positions as a form of compensation for licensing a University created technology to a company. Through this activity the University has developed a portfolio of equity investments in both publicly and privately held companies. To facilitate the ongoing development of such companies the University may invest in venture capital limited partnerships. Governance responsibilities for these investments fall outside the Terms of Reference for the Board Investment Committee.

2.0 UNITIZED ENDOWMENT POOL (UEP)

2.1 General Description and Governance

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The Province of Alberta's *Post-Secondary Learning Act*, Statutes of Alberta, 2003, Chapter P-19.5, Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held.

The Board of Governors has delegated most investment governance responsibilities to the Board Investment Committee as documented in the Board Investment Committee's Terms of Reference. The Board of Governors has retained responsibility for the following matters (as outlined in this document):

- Approval of the investment policy for the University,
- Approval of the University's endowment objectives and spending policy, and
- Establishment of broad investment risk tolerances within which the University should operate.

The Investment Policy is subject to an annual review by the Board Investment Committee and any recommended changes require approval by the Board of Governors. Management's investment decisions are subject to the overall policy direction of the Board Investment Committee as reflected in this policy.

2.2 Nature of UEP Liabilities (Spending Policy)

The UEP provides funding to the faculties and departments of the University to be used for endowed purposes in accordance with the terms of each endowment or trust. The objective is an inflation indexed spending allocation, subject to certain conditions as outlined in the Unitized Endowment Pool Spending Policy. This policy may be amended from time to time by the Board of Governors to ensure that the real value of the endowments (i.e., net of inflation) is maintained.

3.0 MISSION OF THE UEP

The purpose of the UEP is to support current and future operations of the University in perpetuity.

The endowment has a two-fold mission:

- Foster an environment of academic excellence where superior teaching, learning and research can be pursued, and
- Enable the University to achieve and maintain an enhanced level of financial strength and independence in its operations over the long run.

4.0 INVESTMENT OBJECTIVES OF THE UEP

4.1 Return and Risk Tolerance

The investment objective of the UEP is to achieve a long-term rate of return that in real terms shall equal or exceed the rate of spending established in the UEP spending policy.

The principle of intergenerational equity requires that the UEP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, while maintaining a strong and stable level of support to the current operations of the University.

Assets will be allocated across four strategic classifications that are based on the role of the underlying assets in the portfolio, which include Growth, Deflation Hedging, Inflation Sensitive, and Diversifiers. In order to achieve these goals, the UEP will have to maintain a heavy weighting in Growth assets and less

liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed the inflation adjusted rate of spending. Deflation Hedging strategies consist of Canadian government fixed income securities which are expected to provide protection in times of market stress, and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the fund from high or unanticipated inflation, while Diversifiers consist of strategies that are expected to be uncorrelated with the other three classifications.

There are many types of risk that will affect the UEP's ability to achieve its return goal. The most important of which are investment related risks which may prevent the UEP from maintaining its real value over the long-term. The expected standard deviation of returns for the UEP's asset allocation is 11.7%. Given the long-term return expectations, this means that in 7 out of 10 years the UEP can be expected to earn a real return between 18.2% and -5.2%.

With respect to losses, Value at Risk and Expected Tail Loss Risk are also calculated for the portfolio and will be monitored. Intergenerational equity requires a balance between current and future spending. An asset allocation that produces returns well in excess of spending, will transfer a greater benefit to future generations at the expense of the current beneficiaries. The probability that the endowment will maintain its real value after spending over the long term will be monitored.

4.2 Asset Allocation

The long-term asset allocation will be determined by the following four factors:

- Objective of a real rate of return that equals or exceeds the total rate of spending
- Long-term return, volatility, and correlation expectations for individual asset classes
- Diversification across asset classes and investment strategies
- Projected liquidity requirements of the UEP

The infinite time horizon of the UEP allows for the adoption of a long-term asset allocation policy with a high allocation to Growth assets along the following parameters.

Long-Term Asset Mix			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	55%	59%	70%
Inflation Sensitive	5%	20%	25%
Deflation Hedging	10%	16%	20%
Diversifiers	0%	5%	10%
Total		<u>100%</u>	

The Board Investment Committee shall approve Investment Mandates. Management is responsible for retaining investment managers in accordance with the approved Investment Mandates for the management of the portfolio. Funds will normally be allocated to external managers, or, when determined to be advantageous, may be allocated to internal management.

Each investment manager shall adhere to this policy and must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. Investment managers are expected to be in compliance with all applicable laws and regulations as well as the Code of Ethics and Standards of Professional Conduct established by the CFA Institute.

To achieve diversification the UEP will invest in the following asset classes subject to indicated limits based on total market value.

Growth			
	Minimum	Target	Maximum
<i>Long-Only Equity</i>			
Canadian Equity	10%	13%	20%
Global Equity	25%	30%	45%*
Emerging Markets Equity	0%	10%	15%
Equity Hedge Funds	0%	0%	10%
Private Equity	0%	6%	10%
		<u>59%</u>	
Inflation-Sensitive			
<i>Real Assets</i>			
Real Estate & Infrastructure	0%	5%	10%
Natural Resource Equity	0%	5%	10%
Commodities	0%	5%	10%
Oil & Gas	0%	5%	10%
Real Return Bonds	0%	0%	10%
		<u>20%</u>	
Deflation Hedging			
<i>Fixed Income</i>			
Canadian Government Bonds	10%	16%	20%
		<u>16%</u>	
Diversifiers			
<i>Marketable Alternatives</i>			
Absolute Return	0%	5%	10%
Cash	-5%	0%	5%
		<u>5%</u>	

* The higher maximum allocation to global equity is required to allow for a transition from the current benchmark to the target benchmark, after which the maximum allocation will be reduced to 35%.

4.3 Categories and Subcategories of Investments Restrictions and Quality Levels

Investments that are permitted shall be classified within the following general categories and restrictions and quality levels apply within the context of overall fund objectives and the asset allocation policy described above.

4.3.1 Money Market Securities

For cash flow management purposes a portion of the UEP is invested in the Short-Term Funds portion of the NEIP and managed according to section 6.1.1 and 6.2.1 of this policy as applicable.

4.3.2 Growth

Growth assets include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

4.3.3 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.

4.3.4 Deflation Hedging

Deflation hedging assets include high quality government fixed income securities.

4.3.5 Diversifiers

Diversifiers include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

4.4 Use of Derivatives

Derivatives may be used for gaining market exposure, hedging, and risk management including the hedging of foreign currency exposure. Derivative products will not be used to leverage the UEP. The use of derivative instruments by external managers to leverage the portfolio will be regulated by their approved Investment Mandates.

4.5 Rate of Return Goals

In order of priority, it is expected that the UEP will achieve over any 4-year rolling period:

- An annualized rate of return, before fees, of at least 5.25% above the Canadian Consumer Price Index (all items)
- An annualized rate of return, in excess of the following composite benchmark of standard market indices. The current benchmark will be modified towards the target benchmark as the asset allocation contemplated by this policy is implemented.

Current Benchmark (Effective April 1, 2014)	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	20%
MSCI ACWI (ex Canada in local currency)	25%
MSCI ACWI (ex Canada in Cad)	25%
HFRI Fund of Funds Composite Index	8%
IPD/Realpac Canada Property Index	6%
	<u>100%</u>

Target Benchmark	
FTSE/TMX All Federal Bond Index	16%
S&P/TSX Composite	13%
MSCI ACWI (ex Canada in local currency)	20%
MSCI ACWI (ex Canada in Cad)	20%
HFRI Fund of Funds Composite Index	5%
Cambridge Associates Private Equity Index	6%
IPD/Realpac Canada Property Index	5%
Dow Jones - UBS Commodity Index	5%
S&P Global Natural Resources Index	5%
Dow Jones North America Select Junior Oil/Gas Index	5%
	<u>100%</u>

- An above median return in comparison to other endowment funds with similar asset allocation and return objectives.

5.0 OTHER ENDOWMENTS

The assets of the Other Endowments shall be invested with the same goals, restrictions and quality levels as described above, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement.

6.0 NON-ENDOWED INVESTMENT POOL (NEIP)

6.1 Investment Policy and Risk Tolerance (Internally Managed Investments)

The purpose of the NEIP is to pool for investment purposes capital that is predominately short-term in nature. Trend-line growth of the capital base has created a substantial core balance that will likely be sustained on an on-going basis. Therefore, a maturity profile that is greater than what would be expected for funds with a short-term investment horizon is appropriate for a significant portion of the fund.

6.1.1 Short-Term Funds

Analysis indicates that maintaining a minimum of 33% of the peak NEIP balance, each year as at September 30th, in money market securities, is sufficient to meet the University's cash flow requirements. The primary objective for money market securities is liquidity and preservation of capital.

Money market securities include: cash on hand both domestic and foreign; Government of Canada treasury bills, notes, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial treasury bills, notes, debentures and any obligations unconditionally guaranteed by the provincial governments of Canada; Banker's Acceptances, Bearer Deposit Notes and other obligations issued by a Schedule I or II chartered bank carrying a short term debt rating of R-1(mid) or better as measured by two recognized debt rating services; and term deposits issued by an Alberta credit union that are 100% guaranteed by the Credit Union Deposit Guarantee Corporation. Money market securities must be maintained in assets maturing within one year.

There are no limitations on the amount that can be invested in money market securities issued by the Government of Canada or its guaranteed Crown corporations or agencies. The limitations on investments in money market securities issued by any single provincial government or its guaranteed agencies are as follows: a maximum 40% rated R-1(high), 30% rated R-1(mid), and 20% rated R-1(low) of the daily NEIP short-term market value. A minimum of 70% of the daily NEIP short-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% may be invested in Alberta credit unions, subject to the Alberta provincial government limit above. A maximum of 10% of the daily NEIP short-term market value can be invested in any single non-governmental issuer.

6.1.2 Mid-Term Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be allocated to bonds, debentures and internal loans maturing within five years. This allocation is monitored against the projected overall cash flow requirements of the University.

Internal loans to University faculties, departments and staff are considered to be part of the mid-term funds section of the NEIP. The Internal Loan Policy approved by the Board of Governors on October 24, 2003 governs internal loans.

Bonds and debentures must be denominated in Canadian dollars and are limited to; Government of Canada bonds, debentures and any obligations unconditionally guaranteed by the Government of Canada; provincial bonds, debentures and any obligations unconditionally guaranteed by a province of Canada; bonds and debentures issued by municipalities of Canada; obligations, bonds and debentures issued by a Schedule I or II chartered bank. Bonds and debentures shall have a rating of at least "A" as measured by two recognized debt rating agencies.

There are no limitations on the mid-term funds that can be invested in bonds and debentures issued by the Government of Canada or its guaranteed Crown corporations or agencies.

Investment in bonds and debentures issued by any single provincial government or its guaranteed agencies is limited as follows: a maximum of 20% of the daily NEIP mid-term market value can be invested in rated “AAA”, 15% in rated “AA” and, 10% in rated “A”. A minimum of 70% of the daily NEIP mid-term market value that is managed internally will be invested in governmental issuers. A maximum of 5% of the daily NEIP mid-term market value can be invested in obligations, bonds and debentures issued by any single municipality or Schedule I or II chartered bank.

6.1.3 Long-Term Core Funds

Analysis indicates that a maximum of 33% of the peak NEIP balance, each year as at September 30th, can be considered long-term core funds. Long-term core funds are not expected to require an urgent, unplanned or significant liquidation in a period of less than five years. Long-term core funds are invested in the UEP to provide a higher rate of return. This allocation is monitored against the projected overall cash flow requirements of the University.

For risk management purposes a reserve fund with a target value of 10% of the long-term core funds has been established. This reserve is funded through appropriations of half the earnings in excess of the spending allocation in any given year, and is invested in accordance with the Short-Term Funds portion of the NEIP.

6.2 Investment Policy and Risk Tolerance (Externally Managed Investments)

6.2.1 Short-Term Funds

Externally managed money market securities include instruments and obligations that are issued by or guaranteed by the following entities; obligations of banks including banker’s acceptances and floating rate notes, corporate debt, corporate commercial paper, schedule I or II chartered bank sponsored asset backed commercial paper, sovereign governments, supranational agencies, US state governments, Canadian provincial governments and other money market securities. All investments shall be denominated as to principal and interest in a currency that is consistent with the mandate and in the case of securities lending the currency of the cash collateral. A maximum of 20% of money market securities may be maintained in assets maturing beyond one year. The primary objective for investments in these securities is liquidity and preservation of capital.

Externally managed money market securities in actively managed mandates shall have a rating of at least R-1 (low), with a limit of not more than 30% in this rating. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual securities within the index.

There are no limitations on the amount that can be invested in money market securities issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in any single non-governmental issuer. Schedule I or II chartered bank asset backed commercial paper exposure will be limited to a maximum of 5% for any single trust/conduit.

6.2.2 Mid-Term Funds

Bonds and debentures are limited to publicly traded debt securities denominated in Canadian dollars.

A maximum of 20% of bonds and debentures may be maintained in assets maturing beyond five years. Bonds and debentures in actively managed mandates shall have a rating of at least “BBB” as measured by a recognized debt rating agency. The maximum “BBB” exposure will be 10% of fixed income in each actively managed portfolio. Where passive investments are made in major fixed income indices, eligibility of an index will be determined by its suitability as an investment vehicle regardless of the rating of individual bonds and debentures within the index.

There are no limitations on the amount that can be invested in bonds and debentures issued by governments or their guaranteed corporations or agencies. A maximum of 10% can be invested in bonds and debentures issued by any single municipality, non-governmental issuer, or Canadian-dollar denominated foreign-issuer.

6.2.3 Long-Term Core Funds

All long-term core funds are invested in the UEP and are managed in accordance with Sections 2 through 4 of this policy.

6.3 Performance Benchmarks

For each of these components of the NEIP the benchmark is:

Short-Term Funds	FTSE/TMX Canada Treasury Bill 91 Day Index
Mid-Term Funds	FTSE/TMX Canada Bond Short-term Index
Long-Term Core Funds	UEP Composite Benchmark

6.4 Other Non-Endowed Funds

The assets of Restricted Non-Endowed Donations shall be invested with the same goals, restrictions and quality levels as described above and the University's Interest Procedure for Restricted Special Purpose and Restricted Research Accounts will apply, subject to any stipulation required by contractual agreement, or by condition of the estate, or administrative arrangement. The assets of the Academic Supplementary Retirement Plan shall be invested in accordance with the agreement.

7.0 GENERAL

7.1 Securities Lending and Commission Recapture

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the fund at minimal risk and provided the loan is collateralized with highly liquid and marketable securities in accordance with industry standards and marked-to-market and adjusted on a daily basis.

External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

7.2 Exercise of Proxies and Voting Rights

Proxy or other voting rights will be exercised in the best interest of the University. The responsibility for voting is normally delegated to the investment manager, but the University reserves the right to direct the investment manager on the voting of proxies.

7.3 Valuation of Infrequently Traded Investments

The valuation of infrequently traded investments shall be determined by the trustee or custodian of the fund. In the case of direct investments in real estate, the valuation shall be based on independent opinions of qualified appraisers as required.

7.4 Conflict of Interest Guidelines and Related Parties Transactions

The University's Conflict of Commitment and Conflict of Interest Policy will govern investment activities (General Faculties Council Policy # 35). Related Party transactions will be at fair market value.

7.5 Custody

To maintain a proper segregation of duties and adequate controls, all marketable securities held shall remain with or be monitored by a third-party custodian.

7.6 Policy Review

This policy shall be reviewed at least annually by the Board Investment Committee, who will either confirm or recommend changes to the Board of Governors. Upon recommendation from the Board Investment Committee, the Board of Governors can approve exceptions to this policy.

7.7 Donated Securities

Subject to market conditions, donated securities will generally be sold immediately upon receipt by the University. However, where it is advantageous to do so, and subject to the constraints of this policy, the University may hold these securities internally.

DEFINITIONS

These terms and definitions apply to this policy with no implied or intended institution-wide use.

Asset Allocation	The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category or have a high sensitivity to inflation.
Consumer Price Index (CPI)	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
Custodian	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
Deflation Hedging	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
Derivatives	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
Diversifiers	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
Expected Tail Loss Risk	A statistical measure that is designed to estimate the risk of extreme losses. This statistic is calculated by taking a portfolio's Value at Risk plus the probability weighted average loss expected in excess of the Value at Risk.
Growth	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities that trade on a recognized exchange, directional long/short equity hedge funds, and credit based long only fixed income strategies. Private investments include mezzanine debt, distressed debt, private equity, and venture capital.

Inflation Sensitive	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and private oil and gas.
Investment Mandate	A statement of objectives for a strategy that defines the investment style and the geographic regions, industry sectors, and types of securities that it will invest in, as well as the benchmark index and performance expectations. Diversification and quality standards, including the use of leverage where applicable, can also be specified,
Proxy	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Real Return Bond (RRB)	These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa.
Risk	The possibility of loss and/or the uncertainty of future returns.
Risk Tolerance	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
Value at Risk	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

RELATED LINKS

Should a link fail, please contact the policy's Office of Administrative Responsibility (see header).

[Unitized Endowment Pool \(UEP\) Spending Policy](#)

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Unitized Endowment Pool \(UEP\) Implementation Guidelines](#)

[Internal Loan Policy](#)

[Interest Procedure – Restricted Special Purpose and Restricted Research Accounts](#)

Approved:

Board of Governors, June 20, 2014

Board Investment Committee, June 4, 2014

Item No. 6a

OUTLINE OF ISSUE

 Agenda Title: **Envision Year 3 – Capital Expenditure Authorization Request**

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the University's third year of the five-year *Envision* energy management program and a capital expenditure of not more than Nine Million Dollars (\$9,000,000.00) in Canadian funds to implement the third year of the program.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President (Facilities and Operations)
Presenter	Don Hickey, Vice-President (Facilities and Operations)
Subject	<i>Envision</i> Year 3 and Capital Expenditure Authorization Request Approval

Details

Responsibility	Facilities and Operations
The Purpose of the Proposal is (please be specific)	To obtain approval to proceed with the third year of the five-year <i>Envision</i> energy management program and approval of a capital expenditure of not more than Nine Million Dollars (\$9,000,000.00) in Canadian funds to implement the third year of the program.
The Impact of the Proposal is	Allows completion of the third year of the <i>Envision</i> energy management program to achieve energy savings. Other benefits achieved are: reduced operating and maintenance costs; improved space conditions; infrastructure renewal to address deferred maintenance; reduction of greenhouse gas emissions; and support of and commitment to sustainable development.
Replaces/Revises (eg, policies, resolutions)	N/A
Timeline/Implementation Date	April 2015 – March 2016
Estimated Cost	\$9,000,000.00
Sources of Funding	Borrowing of \$9,000,000.00 from the Alberta Capital Finance Authority with payback from the energy savings.
Notes	<ul style="list-style-type: none"> ▪ An Energy Management Program has existed at the University of Alberta since the mid 1970s, resulting in an accumulated cost avoidance of \$319,980,000.00 since its inception, and an annual cost avoidance of \$16,870,197.00 in 2013/2014. ▪ The University has completed the final year of its previous seven-year, \$25,000,000.00 Energy Management Program, which is anticipated to save approximately \$3,900,000.00 in energy costs annually assisting the Institution to deal with Institutional and Government budget cuts on a go-forward basis. ▪ Notwithstanding the university's past success, significant energy reduction opportunities remain and a continued energy reduction implementation is warranted to keep our energy bill as low as cost-effectively feasible. ▪ Parallel to the execution of the previous seven-year program, a Next Generation five-year \$35,000,000.00 Energy Management Program was developed. On November 26, 2013 the Board Finance and Property Committee approved the Next Generation Program and the expenditure of \$5,000,000.00 for implementation of the second year of the program. ▪ Annual savings at the completion of the Next Generation Program,

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	<p>rebranded under the name <i>Envision</i>, are estimated to be approximately \$3,800,000.00 with CO₂ emission reductions anticipated to be approximately 30,000 tonnes.</p> <ul style="list-style-type: none"> ▪ Other benefits that would result are: reduced operating and maintenance costs; improved space conditions; infrastructure renewal to address deferred maintenance; reduced demand on utility plant and distribution infrastructure; reduced environmental impact; and a continued demonstration of our commitment to sustainability. ▪ The university's energy efficiency actions align with the strategic direction of the university and contribute to city-wide, regional, provincial and national efforts to reduce the impact of greenhouse gas emissions on the global climate. ▪ The first year of the <i>Envision</i> program is currently nearing completion and the second year is in implementation. ▪ As in the previous seven-year Energy Management Program and in the first two years of the <i>Envision</i> program, it is proposed that the third year of the program be financed through borrowing from the Alberta Capital Finance Authority over a fifteen-year amortization period with payback from the energy savings.
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Alignment/Compliance

<p>Alignment with Guiding Documents</p>	<p>Dare to Deliver; Comprehensive Institutional Plan</p>
<p>Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please <u>quote</u> legislation and include identifying section numbers)</p>	<p>PSLA, Section 60 (1)(b) refers: <i>The Board of a public post-secondary institution shall develop, manage and operate, alone or in co-operation with any person or organization, programs, services and facilities for the educational or cultural advancement of the people of Alberta</i></p> <p>PSLA, Section 72 (1)(2) and (3) refers: <i>Borrowing</i> 72 (1) A board may borrow from any bank or treasury branch or from any other person any sum of money required to meet the expenses of the public post-secondary institution until the time the revenues for the current year are available. (2) Any borrowings made pursuant to subsection (1) must be repaid out of and are a first charge on the revenues of the current year, and may be secured by a promissory note or notes given on behalf of the board in any manner the board may arrange. (3) Subject to the approval of the Minister, a board may for the purposes of the public post-secondary institution, as defined in section 73, borrow by way of temporary loans from any bank or treasury branch or from any other person any sums of money on any terms that the board determines, by way of an overdraft or line of credit or by the pledging as security for the temporary loans of notes, bonds, debentures or other securities of the board pending the sale of them, or instead of selling them, or in any other manner the board determines.</p> <p>BFFC Terms of Reference, Section 3 (g) states:</p> <p>3. MANDATE OF THE COMMITTEE <i>Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing, the Committee shall:</i></p> <p>g) review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million.</p>

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	<p><i>4. LIMITATIONS ON DELEGATION BY THE BOARD</i></p> <p><i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</i></p> <p><i>(c) approve capital expenditures of more than \$7 million or expenditures which, when combined with other expenditures for the same project, would equal more than \$7 million;</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	<ul style="list-style-type: none"> ▪ Associate Vice-President, Operations and Maintenance, Facilities and Operations ▪ Vice-President, Facilities and Operations ▪ President's Executive Committee – Operational – May 7, 2015
Approval Route (Governance) (including meeting dates)	<p>Board Finance and Property Committee – June 2, 2015 (for recommendation)</p> <p>Board of Governors – June 19, 2015 (for approval)</p>
Final Approver	Board of Governors

Attachment:

1. *Envision Year 3, 2015-2016*, dated April 1, 2015 (11 pages)

Prepared by:

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ENvision
INTELLIGENT ENERGY REDUCTION

Year 3

2015-16

April 1, 2015

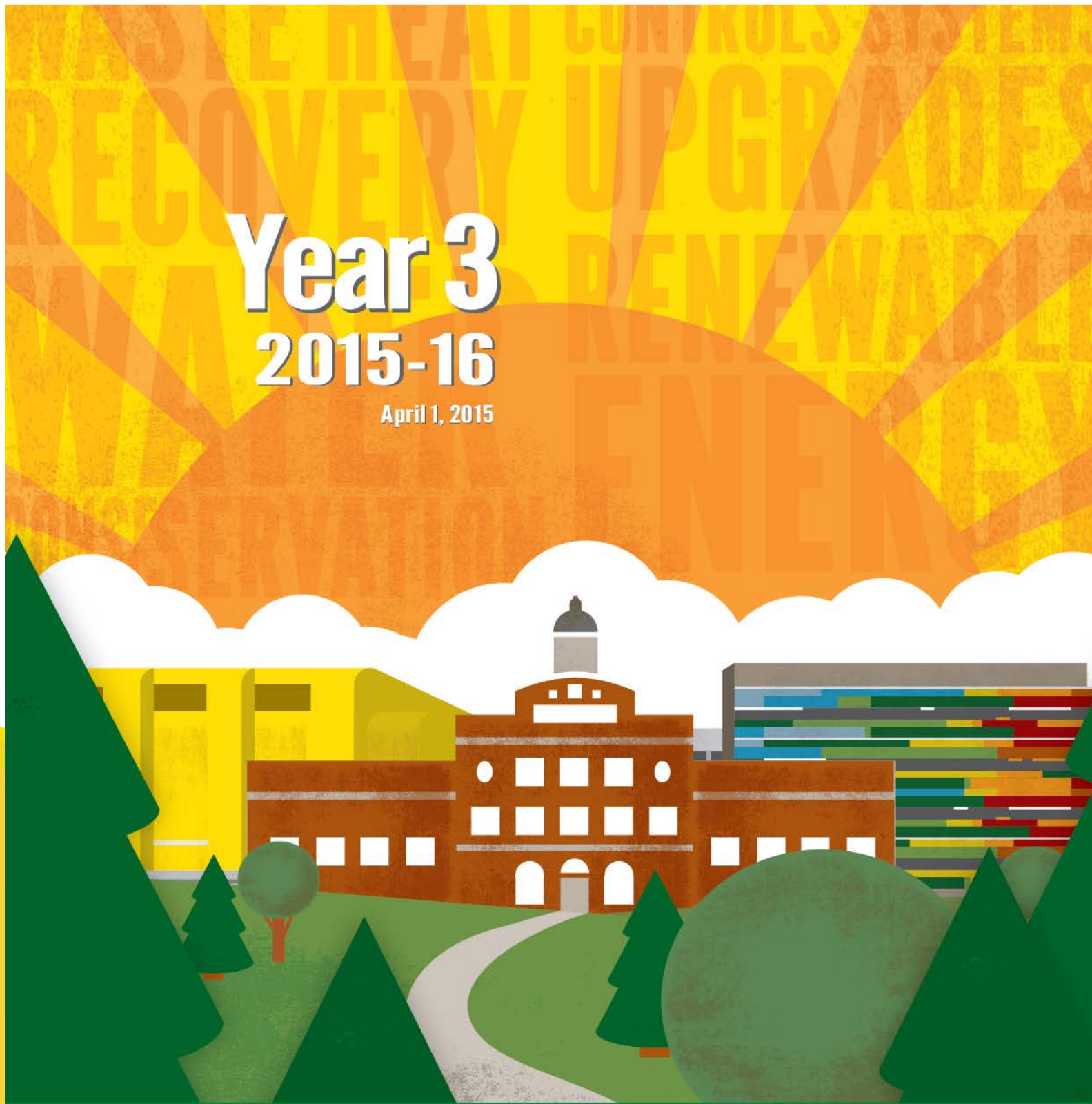


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Section 1

Introduction and Background

A very successful Energy Management Program has been in place at the University of Alberta since the mid-1970s. The University's program resulted in an annual cost avoidance of \$16,870,197 in 20013/2014, with an accumulated cost avoidance in excess of \$319,980,000 achieved since its inception in 1975/1976. While building area has increased 74% since 1975/76, utility consumption per square metre has decreased. Utility consumption per square metre for electricity and steam would be 33% and 49% higher respectively had energy conservation measures not been implemented. As well the program has resulted in a cumulative emissions reduction in excess of 2,300,000 tonnes of CO₂.

The University is currently implementing a Next Generation Energy Management Program that was developed in the spring of 2011, and subsequently rebranded under the name *Envision*, which identified the potential for \$35,000,000 of energy management implementations phased over a 7-year period (\$5 million/year). Annual savings at the completion of the 7-year program are estimated to be in the order of \$3,800,000 and CO₂ emission reductions are anticipated to be in the order of 30,000 tonnes.

Board of Governors have approved the current seven year \$35,000,000 program based on an approach of \$5,000,000 per year borrowing over seven years. Currently we are in the implementation of the first and second years of the program borrowing of \$10,000,000 from the Alberta Capital Finance Authority to finance. Preliminary audits and feasibility studies for years three through seven have identified new technologies that have the potential to provide significant energy savings for the institution. These are: demand based laboratory ventilation; occupancy based space ventilation; and energy analytics.

To quickly realize the benefits of these new technologies and the low cost of borrowing it is recommended that the current program be accelerated from a seven year program to a five year program with borrowing of \$9,000,000 to implement the third year of the *Envision* program, and with subsequent borrowing of \$8,000,000 for each of the following two years of implementation.

Continued implementation of the *Envision* program and these new technologies and opportunities is warranted to keep our energy bill as low as cost effectively feasible. Other benefits that would also result are reduced operating and maintenance costs, improved space conditions, infrastructure renewal to address deferred maintenance, reduced demand on utility plant and distribution infrastructure, and significant environmental benefits. Implementation of the *Envision* program also further demonstrates the University's solid and on-going actions and commitment to sustainability. Actions taken by the University of Alberta to improve energy efficiency align with the strategic direction of the University and contribute to city-wide, regional, provincial and national efforts to reduce the impact of greenhouse gas emissions on the global climate.

As indicated above, a number of new technologies and opportunities have recently presented themselves that were not anticipated in the initial development of the current program. These are:

- Demand based laboratory ventilation
- Occupancy based space ventilation
- Energy analytics

Each of these initiatives, outlined briefly below, is expected to significantly reduce the University's energy consumption, energy intensity, greenhouse gas emissions, and utility costs.

Demand Based Laboratory Ventilation Control

Laboratory environments consume significant amounts of energy typically exchanging air at 8-10 times an hour with 100% outside air, often 24 hours a day, 7 days a week, and typically consume twice the amount of energy as an office/classroom space. In addition to the energy required to supply and exhaust large quantities of air, significant amounts of energy are expended to heat or cool, and condition this air.

Demand based laboratory ventilation control technology is an integrated sensing, control, and optimization solution that cost-effectively reduces building energy and operating expenses while simultaneously maintaining indoor environmental quality.

The proper amount of ventilation needed is based on continuous monitoring and analysis of the air within the facility for airborne contaminants. Sensed parameters include total volatile organic compounds (TVOCs), particulates, carbon dioxide, carbon monoxide, temperature, and dew point temperature.

Through real time sensing and continuous analysis of indoor environments the system dynamically reduces air change rates when the air is clean which is typically the majority of time, saving vast amounts of energy, but dynamically raises the rates as required to maintain indoor environmental quality when pollutants are sensed.

The continuous monitoring and analysis process inherent in the technology also facilitates real time commissioning that allows system degradation to be easily observed and corrected, maintaining long term energy savings. Actionable system information that helps to quickly address issues when they arise results in better management of the facility, tracking of airside energy use, and improvement in lab management and safety.

Occupancy Based Space Ventilation

Occupancy based space ventilation is an occupancy counting technology that determines real-time space occupancy levels and through integration with the building automation system triggers real-time and dynamic control of the space ventilation systems.

Fan operation, fan speed, levels of ventilation and fresh air are based on the space being occupied and only on the actual numbers of occupants in the space, versus ventilating spaces that may be unoccupied or to levels required for the maximum potential number of occupants. This results in reduced fan power requirements, and reduced energy to heat or cool fresh air.

Capturing occupancy trends across a day/week/ month allows operations staff to better understand actual space utilization and to optimize ventilation system operation and implement energy efficient strategies.

Implementation of occupancy based space ventilation technology results in reduced energy consumption, better air quality and occupant comfort, reduced operating and maintenance costs, and reduced impact on the environment.

Energy Analytics

The objective of energy analytics is to develop a long term strategy for energy cost reduction as a result of improvements in energy and operational efficiency of heating, ventilating, and air-conditioning (HVAC) systems, and improvements in facility management through the implementation of an Enterprise Energy Information Management System (EEIMS) solution.

The EEIMS directly or indirectly interfaces with and consolidates various real-time and historical energy related data sources (e.g. energy consumption, costs, building automation system information, control and monitoring points) into a data warehouse, analyzes and normalizes the data for subsequent processing, develops a common database and provides a platform for analytics tools to easily access the data and obtain actionable information.

This information is categorized, stored and analyzed to provide a series of functions that include energy usage history, benchmarking, recognition of anomalies, display on dashboards, fault diagnostics and detection.

The EEIMS makes data-driven information, analytics, tools and resources available so that facility engineering, maintenance, and operations staff are able to perform in-depth diagnostics, engineering analysis, and monitoring to develop actionable strategies in a small fraction of the time it took with earlier methods.

The goal is to gain a better understanding of the real-time and historical trending through use of rule-based engines and analytics tools that can define key areas of improvement. It is anticipated that improvements will fall into multiple categories including:

- Scheduling improvements
- System optimizations
- Energy load shedding, and/or shifting strategies
- Maintenance process improvements including deferred maintenance, predictive maintenance versus scheduled maintenance
- Predicting energy cost deviations versus usage
- Identifying usage patterns, anomalies, and identifying system process adjustments for greater optimization

Analytics, continuous commissioning, fault detection and diagnostic software-based tools will monitor the operation of building HVAC systems and identify potential performance problems for corrective action.

The EEIMS will help to identify areas to improve energy and operational efficiency, enhance operational and management effectiveness, improve building performance, save energy, reduce environmental footprint, systematically improve comfort, lower maintenance costs, measure & verify results, and allow deployment of internal and external maintenance and operations resources in a proactive and efficient manner.

Section 3 ***Envision Year One***

The following projects comprise Year One of the *Envision* program:

Augustana Residence Lighting Retrofit
Camrose Performing Arts Centre (CPAC) Energy Efficiencies and Renewable Energy
PAW Centre Energy Efficiencies and Renewable Energy
Katz Demand Based Laboratory Ventilation
South Academic Building Window Replacement
Car Park Lighting Retrofits (Educ, ECERF, Timms/Telus, Southfield, Stadium, Windsor)

The Car Park lighting retrofit projects are currently in the design phase. All other projects are complete. The above projects are on track with the \$5,000,000 budget for year one and with payback within 15 years.

Section 4 ***Envision Year Two***

The following projects comprise Year Two of the *Envision* program:

CCIS Demand Based Laboratory Ventilation
Agri-Food Discovery Demand Based Laboratory Ventilation
Li-Ka Shing Demand Based Laboratory Ventilation
NREF Demand Based Laboratory Ventilation
ECV Infill Residences Energy Efficiency Measures
Peter Lougheed Leadership College Energy Efficiency Measures
RTF Lighting Retrofit

The CCIS, Li-Ka Shing, and RTF projects are complete. The ECV Infill Residences and the Peter Lougheed Leadership College projects are currently under construction. The Agri-Food Discovery and NREF demand based laboratory ventilation projects are currently in the design phase.

The above projects are on track with the \$5,000,000 budget for year two and with payback within 15 years.

Section 5

Envision Year Three

Preliminary assessment and early project identification has been conducted for the third year of the *Envision* program. The following projects have been identified and are currently being further investigated and developed:

Agriculture Forestry - Demand Based Laboratory Ventilation
Earth Sciences - Demand Based Laboratory Ventilation
Energy Analytics Implementations
Occupancy Based Space Ventilation Implementations
Waste to Energy High Solids Anaerobic Digester Facility (HSADF)
Campus Saint-Jean – Solar PV, Solar Thermal
Cameron Library – Energy Efficiency, Solar PV, Micro Steam Turbine Generator
Pump System VSD's and Controls - Medical Sci, Bio Sci, Agriculture Forestry
Domestic Water Reduction – General Services Building
Chemistry Complex – Demand Based Laboratory Ventilation

Based on the analysis to date, the estimated cost for implementation of Year 3 of the *Envision* program is \$9,000,000. Average annual energy savings from this implementation over the fifteen-year period is estimated in the order of \$1,054,048. Based on Utility forecasts to 2018/19 and a 1.5% escalation thereafter, payback of the third year of the program occurs within a fifteen year period. As in the previous energy management programs, it is proposed that these projects be financed through borrowing from the Alberta Capital Finance Authority over a fifteen-year amortization period.

Financial feasibility is checked through each stage of development of a project (preliminary feasibility, detailed audit, preliminary design, detailed design, and tender) with project costs and energy savings refined at each stage of the process to confirm viability. Projects are modified if necessary during the various development stages to maintain feasibility. As well, the annual programs and the program as a whole are reviewed on an on-going basis to confirm viability.

Section 6 Year Three Financial Analysis

Following is the financial analysis for the third year of the *Envision* program and the cash flow projection and payment schedule that would be required to service a \$9,000,000 loan over a fifteen-year term, modeled at an interest rate of 5.5%. (*The lending rate from the Alberta Capital Finance Authority (ACFA) as of March 15, 2015, is 2.235% per annum for a fifteen-year amortization period.*)

To establish an upper limit for borrowing purposes, an analysis and cash flow projection was also performed to determine the effect if inflationary pressures caused interest rates to rise above the 5.5% used in the model, with concurrent inflation/escalation on the utility rates. The fifteen-year amortization financial model can support interest rate increases up to 7% with 1.5% escalation in utility rates.

The savings are based on the University of Alberta Utilities Department electricity and steam cost forecasts to 2018/19 with a 1.5% per year increase in utility rates thereafter.

The internal rate of return (IRR) for the third year of the *Envision* program with an economic life of twenty-five years is 10.93%. The net present value (NPV)¹ with a fifteen year amortization period, 4% opportunity cost of capital, and 7% assumed financing cost is \$6,265,223. The 10.93% IRR² is well above the opportunity cost of capital at 4%, and the NPV is positive, which would indicate good project viability for Year-3 of the program.

¹ NPV is the value of the monetary impact of the project in terms of today's dollars, i.e. if all future cash flows are discounted into today's dollars, and the cost of the project is subtracted, this will give a NPV total. If the total is positive the project is deemed as acceptable, if negative it is not. For this analysis, an opportunity cost of capital of 4% was used and financing costs were assumed to be 7.0%.

² IRR is a measure of the interest yield on a project over its useful life. As long as the IRR is greater than the opportunity cost of capital (4.0%), the project is deemed acceptable.

Projected Cash Flow, Loan Payment, and Savings Schedule 15 Year Amortization Period, 5.5% Interest Model

Fiscal Year	Project Expense	Energy Savings	ACFA Loan Payment	Principal	Loan Interest 5.5%	ACFA Loan Balance	Net Cumulative Cash Flow
Apr-15	\$40,000						-\$40,000
May-15	\$40,000						-\$80,000
Jun-15	\$100,000						-\$180,000
Jul-15	\$280,000						-\$460,000
Aug-15	\$380,000						-\$840,000
Sep-15	\$980,000						-\$1,820,000
Oct-15	\$1,340,000						-\$3,160,000
Nov-15	\$1,380,000						-\$4,540,000
Dec-15	\$1,160,000						-\$5,700,000
Jan-16	\$1,120,000						-\$6,820,000
Feb-16	\$1,100,000						-\$7,920,000
Mar-16	\$1,080,000		\$9,000,000				\$0
2015/16		\$990,000	(\$896,630)	\$401,630	\$495,000	\$8,598,370	\$93,370
2016/17		\$1,051,441	(\$896,630)	\$423,720	\$472,910	\$8,174,650	\$248,181
2017/18		\$973,991	(\$896,630)	\$447,025	\$449,606	\$7,727,625	\$325,541
2018/19		\$981,143	(\$896,630)	\$471,611	\$425,019	\$7,256,014	\$410,054
2019/20	1.5%	\$995,860	(\$896,630)	\$497,550	\$399,081	\$6,758,464	\$509,283
2020/21		\$1,010,798	(\$896,630)	\$524,915	\$371,716	\$6,233,549	\$623,451
2021/22		\$1,025,960	(\$896,630)	\$553,785	\$342,845	\$5,679,764	\$752,780
2022/23		\$1,041,349	(\$896,630)	\$584,243	\$312,387	\$5,095,521	\$897,499
2023/24		\$1,056,969	(\$896,630)	\$616,377	\$280,254	\$4,479,144	\$1,057,838
2024/25		\$1,072,824	(\$896,630)	\$650,277	\$246,353	\$3,828,867	\$1,234,031
2025/26		\$1,088,916	(\$896,630)	\$686,043	\$210,588	\$3,142,824	\$1,426,317
2026/27		\$1,105,250	(\$896,630)	\$723,775	\$172,855	\$2,419,049	\$1,634,937
2027/28		\$1,121,829	(\$896,630)	\$763,583	\$133,048	\$1,655,466	\$1,860,135
2028/29		\$1,138,656	(\$896,630)	\$805,580	\$91,051	\$849,887	\$2,102,161
2029/30		\$1,155,736	(\$896,630)	\$849,887	\$46,744	\$0	\$2,361,267
2030/31		\$1,173,072		\$0	\$0	\$0	\$3,534,339
2031/32		\$1,190,668		\$0	\$0	\$0	\$4,725,007
2032/33		\$1,208,528		\$0	\$0	\$0	\$5,933,535
2033/34		\$1,226,656		\$0	\$0	\$0	\$7,160,191
2034/35		\$1,245,056		\$0	\$0	\$0	\$8,405,247
2035/36		\$1,263,732		\$0	\$0	\$0	\$9,668,979
2036/37		\$1,282,688		\$0	\$0	\$0	\$10,951,667
2037/38		\$1,301,928		\$0	\$0	\$0	\$12,253,595
2038/39		\$1,321,457		\$0	\$0	\$0	\$13,575,052
2039/40		\$1,341,279		\$0	\$0	\$0	\$14,916,331
TOTAL		\$28,365,786	(\$13,449,456)	\$9,000,000	\$4,449,456		\$14,916,330

Projected Cash Flow, Loan Payment, and Savings Schedule

(to establish upper limit of borrowing)

15 Year Amortization Period, 7.0% Interest Model

Fiscal Year	Project Expense	Energy Savings	ACFA Loan Payment	Principal	Loan Interest 7.0%	ACFA Loan Balance	Net Cumulative Cash Flow
Apr-15	\$40,000						-\$40,000
May-15	\$40,000						-\$80,000
Jun-15	\$100,000						-\$180,000
Jul-15	\$280,000						-\$460,000
Aug-15	\$380,000						-\$840,000
Sep-15	\$980,000						-\$1,820,000
Oct-15	\$1,340,000						-\$3,160,000
Nov-15	\$1,380,000						-\$4,540,000
Dec-15	\$1,160,000						-\$5,700,000
Jan-16	\$1,120,000						-\$6,820,000
Feb-16	\$1,100,000						-\$7,920,000
Mar-16	\$1,080,000		\$9,000,000				\$0
2015/16		\$990,000	(\$988,152)	\$358,152	\$630,000	\$8,641,848	\$1,848
2016/17		\$1,051,441	(\$988,152)	\$383,222	\$604,929	\$8,258,626	\$65,138
2017/18		\$973,991	(\$988,152)	\$410,048	\$578,104	\$7,848,578	\$50,978
2018/19		\$981,143	(\$988,152)	\$438,751	\$549,400	\$7,409,827	\$43,969
2019/20	1.5%	\$995,860	(\$988,152)	\$469,464	\$518,688	\$6,940,363	\$51,677
2020/21		\$1,010,798	(\$988,152)	\$502,326	\$485,825	\$6,438,037	\$74,323
2021/22		\$1,025,960	(\$988,152)	\$537,489	\$450,663	\$5,900,548	\$112,131
2022/23		\$1,041,349	(\$988,152)	\$575,113	\$413,038	\$5,325,435	\$165,329
2023/24		\$1,056,969	(\$988,152)	\$615,371	\$372,780	\$4,710,064	\$234,147
2024/25		\$1,072,824	(\$988,152)	\$658,447	\$329,704	\$4,051,617	\$318,819
2025/26		\$1,088,916	(\$988,152)	\$704,538	\$283,613	\$3,347,078	\$419,583
2026/27		\$1,105,250	(\$988,152)	\$753,856	\$234,295	\$2,593,222	\$536,682
2027/28		\$1,121,829	(\$988,152)	\$806,626	\$181,526	\$1,786,596	\$670,359
2028/29		\$1,138,656	(\$988,152)	\$863,090	\$125,062	\$923,506	\$820,864
2029/30		\$1,155,736	(\$988,152)	\$923,506	\$64,645	\$0	\$988,448
2030/31		\$1,173,072		\$0	\$0	\$0	\$2,161,520
2031/32		\$1,190,668		\$0	\$0	\$0	\$3,352,188
2032/33		\$1,208,528		\$0	\$0	\$0	\$4,560,716
2033/34		\$1,226,656		\$0	\$0	\$0	\$5,787,372
2034/35		\$1,245,056		\$0	\$0	\$0	\$7,032,428
2035/36		\$1,263,732		\$0	\$0	\$0	\$8,296,160
2036/37		\$1,282,688		\$0	\$0	\$0	\$9,578,848
2037/38		\$1,301,928		\$0	\$0	\$0	\$10,880,776
2038/39		\$1,321,457		\$0	\$0	\$0	\$12,202,233
2039/40		\$1,341,279		\$0	\$0	\$0	\$13,543,512
TOTAL		\$28,365,786	(\$14,822,274)	\$9,000,000	\$5,822,274		\$13,543,512

Notwithstanding the University's past success, including that of the program currently in progress, significant energy reduction opportunities remain. Continued implementation of the *Envision* program and the new technologies and opportunities is warranted to keep our energy bill as low as cost effectively feasible, reduce our consumption of non-renewable resources, minimize our environmental impact, demonstrate our commitment to sustainability, and realize many other benefits.

It is recommended that:

- The current *Envision* program be accelerated to quickly realize the benefits of the new technologies and opportunities, with borrowing of \$9,000,000 to implement the third year of the program, and with subsequent borrowing of \$8,000,000 for each of the following two years of implementation.
- The University borrow not more than \$9,000,000 from the Alberta Capital Finance Authority for a term not to exceed fifteen years at an interest rate not to exceed 7% for the purpose of funding the third year of the *Envision* program.

OUTLINE OF ISSUE

Agenda Title: ***Envision Year 3 – Borrowing Resolution and Order in Council***

Motion: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee:

- a) execute a Borrowing Resolution requesting approval of financing the third year of the five-year *Envision* energy management program in an amount not to exceed Nine Million Dollars (\$9,000,000.00) in Canadian funds for a term not to exceed fifteen (15) years at an interest rate of not more than five and one-half percent (5.5%); and
- b) make an application to the Minister of Innovation and Advanced Education for the required approval of the Lieutenant Governor in Council.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Don Hickey, Vice-President (Facilities and Operations)
Presenter	Don Hickey, Vice-President (Facilities and Operations)
Subject	<i>Envision Year 3 - Financing</i>

Details

Responsibility	Vice-President (Facilities and Operations)
The Purpose of the Proposal is (please be specific)	To obtain financing to fund the implementation of the third year of the five-year <i>Envision</i> energy management program. A borrowing resolution and borrowing motion requires the approval of the Board of Governors, based on the recommendation of the Board Finance and Property Committee, in order that the required Order in Council may be obtained from the Government of Alberta prior to undertaking the implementation.
The Impact of the Proposal is	Allows implementation of the third year of the <i>Envision</i> energy management program to achieve energy savings. Other benefits achieved are: reduced operating and maintenance costs; improved space conditions; infrastructure renewal to address deferred maintenance; reduction of greenhouse gas emissions; and support of and commitment to sustainable development.
Replaces/Revises	N/A
Timeline/Implementation Date	April 2015 – March 2016
Estimated Cost	\$9,000,000.00
Sources of Funding	Borrowing of \$9,000,000.00 from the Alberta Capital Finance Authority with payback from the energy savings.
Notes	<p>The financial analysis, projected cash flow, and payment schedule that would be required to service a \$9,000,000.00 loan over a 15-year term, modeled on two interest rate scenarios is included in the attached document titled, <i>Envision Year 3, 2015-2016</i>, dated April 1, 2015.</p> <p>The 5.5% interest rate is a conservative rate based on current lending rates from the Alberta Capital Finance Authority (ACFA).</p> <p>To establish an upper limit for borrowing purposes, an analysis and cash flow projection was also performed to determine the effect if inflationary pressures caused interest rates to rise above the 5.5% used in the model, with concurrent inflation/escalation on the utility rates. The 15-year amortization financial model can support interest rate increases up to 7% with 1.5% escalation in utility rates beyond 2018/2019.</p>

Item No. 6b

Alignment/Compliance

Alignment with Guiding Docs	Dare to Deliver; Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p>PSLA, Section 60 (1)(b) refers: <i>The Board of a public post-secondary institution shall develop, manage and operate, alone or in co-operation with any person or organization, programs, services and facilities for the educational or cultural advancement of the people of Alberta</i></p> <p>PSLA, Section 72 (1)(2) and (3) refers: <i>Borrowing</i> 72 (1) A board may borrow from any bank or treasury branch or from any other person any sum of money required to meet the expenses of the public post-secondary institution until the time the revenues for the current year are available. (2) Any borrowings made pursuant to subsection (1) must be repaid out of and are a first charge on the revenues of the current year, and may be secured by a promissory note or notes given on behalf of the board in any manner the board may arrange. (3) Subject to the approval of the Minister, a board may for the purposes of the public post-secondary institution, as defined in section 73, borrow by way of temporary loans from any bank or treasury branch or from any other person any sums of money on any terms that the board determines, by way of an overdraft or line of credit or by the pledging as security for the temporary loans of notes, bonds, debentures or other securities of the board pending the sale of them, or instead of selling them, or in any other manner the board determines.</p> <p><i>BFPC Terms of Reference, Section 3 (g) states:</i></p> <p>3. MANDATE OF THE COMMITTEE <i>Except as provided in paragraph 4 and in the Board's General Committee Terms of Reference, the Committee shall monitor, evaluate, advise and make decisions on behalf of the Board with respect to all strategic and significant financial and property matters and policies of the University. The Committee shall also consider any other matter delegated to the Committee by the Board.</i></p> <p><i>Without limiting the generality of the foregoing, the Committee shall:</i></p> <p><i>g) review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million.</i></p> <p>4. LIMITATIONS ON DELEGATION BY THE BOARD <i>The general delegation of authority by the Board to the Committee shall be limited as set out in this paragraph. Notwithstanding the general delegation of authority to the Committee set out in paragraph 3, the Board shall:</i> <i>(c) approve capital expenditures of more than \$7 million or expenditures which, when combined with other expenditures for the same project, would equal more than \$7 million;</i></p>

Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	AVP, Operations and Maintenance, Facilities and Operations Vice-President, Facilities and Operations President's Executive Committee – Operational – May 7, 2015
Approval Route (Governance) (including meeting dates)	Board Finance and Property Committee – June 2, 2015 (for recommendation) Board of Governors – June 19, 2015 (for approval)
Final Approver	Board of Governors

Attachments:

1. *Envision Year 3, 2015-2016*, dated April 1, 2015 (11 Pages)
2. Borrowing Resolution (2 Pages)



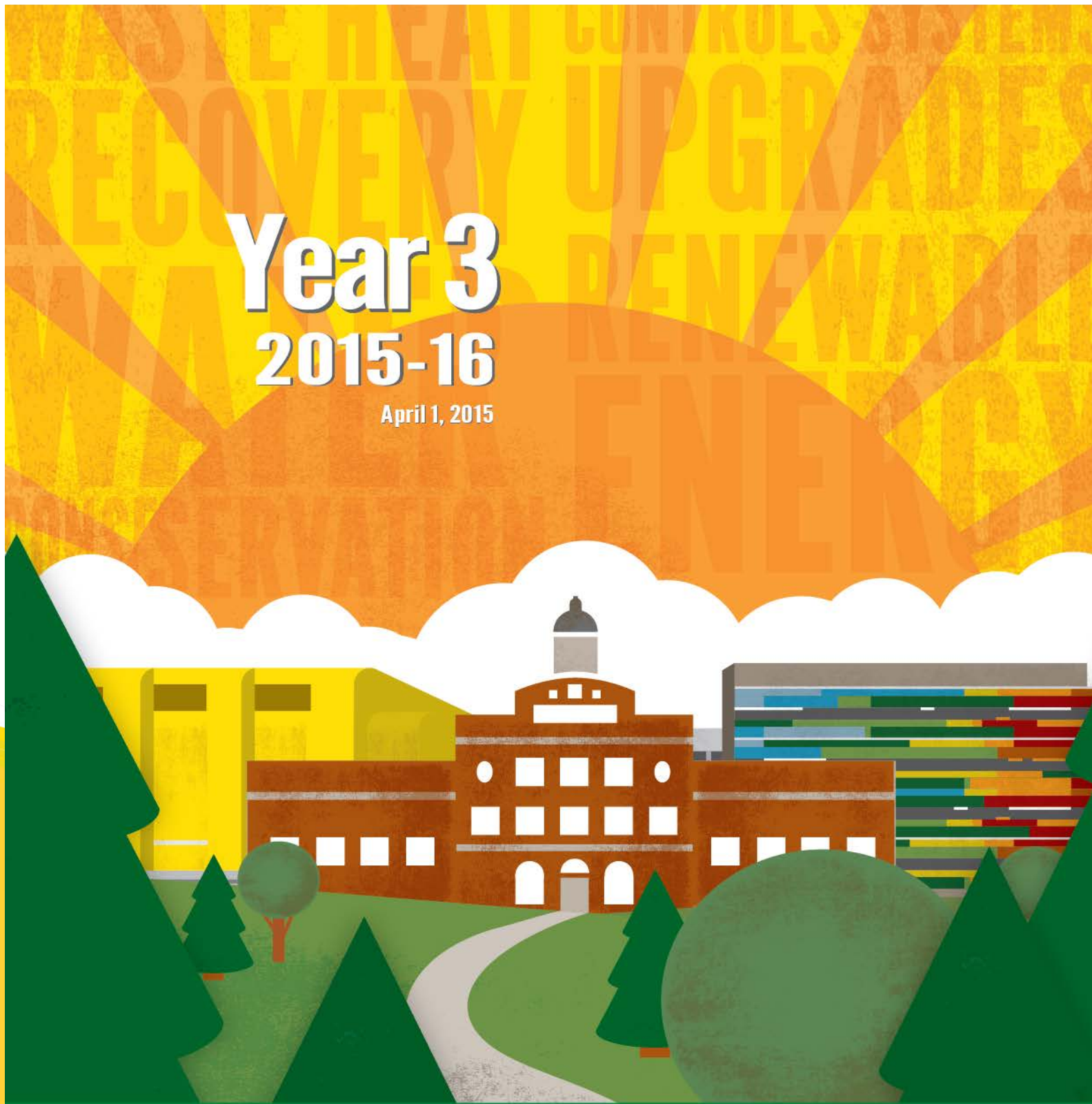
UNIVERSITY OF ALBERTA
FACILITIES AND OPERATIONS

ENvision
INTELLIGENT ENERGY REDUCTION

Year 3

2015-16

April 1, 2015



UNIVERSITY OF ALBERTA
FACILITIES AND OPERATIONS

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Section 1

Introduction and Background

A very successful Energy Management Program has been in place at the University of Alberta since the mid-1970s. The University's program resulted in an annual cost avoidance of \$16,870,197 in 20013/2014, with an accumulated cost avoidance in excess of \$319,980,000 achieved since its inception in 1975/1976. While building area has increased 74% since 1975/76, utility consumption per square metre has decreased. Utility consumption per square metre for electricity and steam would be 33% and 49% higher respectively had energy conservation measures not been implemented. As well the program has resulted in a cumulative emissions reduction in excess of 2,300,000 tonnes of CO₂.

The University is currently implementing a Next Generation Energy Management Program that was developed in the spring of 2011, and subsequently rebranded under the name *Envision*, which identified the potential for \$35,000,000 of energy management implementations phased over a 7-year period (\$5 million/year). Annual savings at the completion of the 7-year program are estimated to be in the order of \$3,800,000 and CO₂ emission reductions are anticipated to be in the order of 30,000 tonnes.

Board of Governors have approved the current seven year \$35,000,000 program based on an approach of \$5,000,000 per year borrowing over seven years. Currently we are in the implementation of the first and second years of the program borrowing of \$10,000,000 from the Alberta Capital Finance Authority to finance. Preliminary audits and feasibility studies for years three through seven have identified new technologies that have the potential to provide significant energy savings for the institution. These are: demand based laboratory ventilation; occupancy based space ventilation; and energy analytics.

To quickly realize the benefits of these new technologies and the low cost of borrowing it is recommended that the current program be accelerated from a seven year program to a five year program with borrowing of \$9,000,000 to implement the third year of the *Envision* program, and with subsequent borrowing of \$8,000,000 for each of the following two years of implementation.

Continued implementation of the *Envision* program and these new technologies and opportunities is warranted to keep our energy bill as low as cost effectively feasible. Other benefits that would also result are reduced operating and maintenance costs, improved space conditions, infrastructure renewal to address deferred maintenance, reduced demand on utility plant and distribution infrastructure, and significant environmental benefits. Implementation of the *Envision* program also further demonstrates the University's solid and on-going actions and commitment to sustainability. Actions taken by the University of Alberta to improve energy efficiency align with the strategic direction of the University and contribute to city-wide, regional, provincial and national efforts to reduce the impact of greenhouse gas emissions on the global climate.

As indicated above, a number of new technologies and opportunities have recently presented themselves that were not anticipated in the initial development of the current program. These are:

- Demand based laboratory ventilation
- Occupancy based space ventilation
- Energy analytics

Each of these initiatives, outlined briefly below, is expected to significantly reduce the University's energy consumption, energy intensity, greenhouse gas emissions, and utility costs.

Demand Based Laboratory Ventilation Control

Laboratory environments consume significant amounts of energy typically exchanging air at 8-10 times an hour with 100% outside air, often 24 hours a day, 7 days a week, and typically consume twice the amount of energy as an office/classroom space. In addition to the energy required to supply and exhaust large quantities of air, significant amounts of energy are expended to heat or cool, and condition this air.

Demand based laboratory ventilation control technology is an integrated sensing, control, and optimization solution that cost-effectively reduces building energy and operating expenses while simultaneously maintaining indoor environmental quality.

The proper amount of ventilation needed is based on continuous monitoring and analysis of the air within the facility for airborne contaminants. Sensed parameters include total volatile organic compounds (TVOCs), particulates, carbon dioxide, carbon monoxide, temperature, and dew point temperature.

Through real time sensing and continuous analysis of indoor environments the system dynamically reduces air change rates when the air is clean which is typically the majority of time, saving vast amounts of energy, but dynamically raises the rates as required to maintain indoor environmental quality when pollutants are sensed.

The continuous monitoring and analysis process inherent in the technology also facilitates real time commissioning that allows system degradation to be easily observed and corrected, maintaining long term energy savings. Actionable system information that helps to quickly address issues when they arise results in better management of the facility, tracking of airside energy use, and improvement in lab management and safety.

Occupancy Based Space Ventilation

Occupancy based space ventilation is an occupancy counting technology that determines real-time space occupancy levels and through integration with the building automation system triggers real-time and dynamic control of the space ventilation systems.

Fan operation, fan speed, levels of ventilation and fresh air are based on the space being occupied and only on the actual numbers of occupants in the space, versus ventilating spaces that may be unoccupied or to levels required for the maximum potential number of occupants. This results in reduced fan power requirements, and reduced energy to heat or cool fresh air.

Capturing occupancy trends across a day/week/ month allows operations staff to better understand actual space utilization and to optimize ventilation system operation and implement energy efficient strategies.

Implementation of occupancy based space ventilation technology results in reduced energy consumption, better air quality and occupant comfort, reduced operating and maintenance costs, and reduced impact on the environment.

Energy Analytics

The objective of energy analytics is to develop a long term strategy for energy cost reduction as a result of improvements in energy and operational efficiency of heating, ventilating, and air-conditioning (HVAC) systems, and improvements in facility management through the implementation of an Enterprise Energy Information Management System (EEIMS) solution.

The EEIMS directly or indirectly interfaces with and consolidates various real-time and historical energy related data sources (e.g. energy consumption, costs, building automation system information, control and monitoring points) into a data warehouse, analyzes and normalizes the data for subsequent processing, develops a common database and provides a platform for analytics tools to easily access the data and obtain actionable information.

This information is categorized, stored and analyzed to provide a series of functions that include energy usage history, benchmarking, recognition of anomalies, display on dashboards, fault diagnostics and detection.

The EEIMS makes data-driven information, analytics, tools and resources available so that facility engineering, maintenance, and operations staff are able to perform in-depth diagnostics, engineering analysis, and monitoring to develop actionable strategies in a small fraction of the time it took with earlier methods.

The goal is to gain a better understanding of the real-time and historical trending through use of rule-based engines and analytics tools that can define key areas of improvement. It is anticipated that improvements will fall into multiple categories including:

- Scheduling improvements
- System optimizations
- Energy load shedding, and/or shifting strategies
- Maintenance process improvements including deferred maintenance, predictive maintenance versus scheduled maintenance
- Predicting energy cost deviations versus usage
- Identifying usage patterns, anomalies, and identifying system process adjustments for greater optimization

Analytics, continuous commissioning, fault detection and diagnostic software-based tools will monitor the operation of building HVAC systems and identify potential performance problems for corrective action.

The EEIMS will help to identify areas to improve energy and operational efficiency, enhance operational and management effectiveness, improve building performance, save energy, reduce environmental footprint, systematically improve comfort, lower maintenance costs, measure & verify results, and allow deployment of internal and external maintenance and operations resources in a proactive and efficient manner.

Section 3 ***Envision Year One***

The following projects comprise Year One of the *Envision* program:

Augustana Residence Lighting Retrofit
Camrose Performing Arts Centre (CPAC) Energy Efficiencies and Renewable Energy
PAW Centre Energy Efficiencies and Renewable Energy
Katz Demand Based Laboratory Ventilation
South Academic Building Window Replacement
Car Park Lighting Retrofits (Educ, ECERF, Timms/Telus, Southfield, Stadium, Windsor)

The Car Park lighting retrofit projects are currently in the design phase. All other projects are complete. The above projects are on track with the \$5,000,000 budget for year one and with payback within 15 years.

Section 4 ***Envision Year Two***

The following projects comprise Year Two of the *Envision* program:

CCIS Demand Based Laboratory Ventilation
Agri-Food Discovery Demand Based Laboratory Ventilation
Li-Ka Shing Demand Based Laboratory Ventilation
NREF Demand Based Laboratory Ventilation
ECV Infill Residences Energy Efficiency Measures
Peter Lougheed Leadership College Energy Efficiency Measures
RTF Lighting Retrofit

The CCIS, Li-Ka Shing, and RTF projects are complete. The ECV Infill Residences and the Peter Lougheed Leadership College projects are currently under construction. The Agri-Food Discovery and NREF demand based laboratory ventilation projects are currently in the design phase.

The above projects are on track with the \$5,000,000 budget for year two and with payback within 15 years.

Section 5

Envision Year Three

Preliminary assessment and early project identification has been conducted for the third year of the *Envision* program. The following projects have been identified and are currently being further investigated and developed:

Agriculture Forestry - Demand Based Laboratory Ventilation
Earth Sciences - Demand Based Laboratory Ventilation
Energy Analytics Implementations
Occupancy Based Space Ventilation Implementations
Waste to Energy High Solids Anaerobic Digester Facility (HSADF)
Campus Saint-Jean – Solar PV, Solar Thermal
Cameron Library – Energy Efficiency, Solar PV, Micro Steam Turbine Generator
Pump System VSD's and Controls - Medical Sci, Bio Sci, Agriculture Forestry
Domestic Water Reduction – General Services Building
Chemistry Complex – Demand Based Laboratory Ventilation

Based on the analysis to date, the estimated cost for implementation of Year 3 of the *Envision* program is \$9,000,000. Average annual energy savings from this implementation over the fifteen-year period is estimated in the order of \$1,054,048. Based on Utility forecasts to 2018/19 and a 1.5% escalation thereafter, payback of the third year of the program occurs within a fifteen year period. As in the previous energy management programs, it is proposed that these projects be financed through borrowing from the Alberta Capital Finance Authority over a fifteen-year amortization period.

Financial feasibility is checked through each stage of development of a project (preliminary feasibility, detailed audit, preliminary design, detailed design, and tender) with project costs and energy savings refined at each stage of the process to confirm viability. Projects are modified if necessary during the various development stages to maintain feasibility. As well, the annual programs and the program as a whole are reviewed on an on-going basis to confirm viability.

Section 6 Year Three Financial Analysis

Following is the financial analysis for the third year of the *Envision* program and the cash flow projection and payment schedule that would be required to service a \$9,000,000 loan over a fifteen-year term, modeled at an interest rate of 5.5%. (*The lending rate from the Alberta Capital Finance Authority (ACFA) as of March 15, 2015, is 2.235% per annum for a fifteen-year amortization period.*)

To establish an upper limit for borrowing purposes, an analysis and cash flow projection was also performed to determine the effect if inflationary pressures caused interest rates to rise above the 5.5% used in the model, with concurrent inflation/escalation on the utility rates. The fifteen-year amortization financial model can support interest rate increases up to 7% with 1.5% escalation in utility rates.

The savings are based on the University of Alberta Utilities Department electricity and steam cost forecasts to 2018/19 with a 1.5% per year increase in utility rates thereafter.

The internal rate of return (IRR) for the third year of the *Envision* program with an economic life of twenty-five years is 10.93%. The net present value (NPV)¹ with a fifteen year amortization period, 4% opportunity cost of capital, and 7% assumed financing cost is \$6,265,223. The 10.93% IRR² is well above the opportunity cost of capital at 4%, and the NPV is positive, which would indicate good project viability for Year-3 of the program.

¹ NPV is the value of the monetary impact of the project in terms of today's dollars, i.e. if all future cash flows are discounted into today's dollars, and the cost of the project is subtracted, this will give a NPV total. If the total is positive the project is deemed as acceptable, if negative it is not. For this analysis, an opportunity cost of capital of 4% was used and financing costs were assumed to be 7.0%.

² IRR is a measure of the interest yield on a project over its useful life. As long as the IRR is greater than the opportunity cost of capital (4.0%), the project is deemed acceptable.

Projected Cash Flow, Loan Payment, and Savings Schedule 15 Year Amortization Period, 5.5% Interest Model

Fiscal Year	Project Expense	Energy Savings	ACFA Loan Payment	Principal	Loan Interest 5.5%	ACFA Loan Balance	Net Cumulative Cash Flow
Apr-15	\$40,000						-\$40,000
May-15	\$40,000						-\$80,000
Jun-15	\$100,000						-\$180,000
Jul-15	\$280,000						-\$460,000
Aug-15	\$380,000						-\$840,000
Sep-15	\$980,000						-\$1,820,000
Oct-15	\$1,340,000						-\$3,160,000
Nov-15	\$1,380,000						-\$4,540,000
Dec-15	\$1,160,000						-\$5,700,000
Jan-16	\$1,120,000						-\$6,820,000
Feb-16	\$1,100,000						-\$7,920,000
Mar-16	\$1,080,000		\$9,000,000				\$0
2015/16		\$990,000	(\$896,630)	\$401,630	\$495,000	\$8,598,370	\$93,370
2016/17		\$1,051,441	(\$896,630)	\$423,720	\$472,910	\$8,174,650	\$248,181
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2027/28		\$1,121,829	(\$896,630)	\$763,583	\$133,048	\$1,655,466	\$1,860,135
2028/29		\$1,138,656	(\$896,630)	\$805,580	\$91,051	\$849,887	\$2,102,161
2029/30		\$1,155,736	(\$896,630)	\$849,887	\$46,744	\$0	\$2,361,267
2030/31		\$1,173,072		\$0	\$0	\$0	\$3,534,339
2031/32		\$1,190,668		\$0	\$0	\$0	\$4,725,007
2032/33		\$1,208,528		\$0	\$0	\$0	\$5,933,535
2033/34		\$1,226,656		\$0	\$0	\$0	\$7,160,191
2034/35		\$1,245,056		\$0	\$0	\$0	\$8,405,247
2035/36		\$1,263,732		\$0	\$0	\$0	\$9,668,979
2036/37		\$1,282,688		\$0	\$0	\$0	\$10,951,667
2037/38		\$1,301,928		\$0	\$0	\$0	\$12,253,595
2038/39		\$1,321,457		\$0	\$0	\$0	\$13,575,052
2039/40		\$1,341,279		\$0	\$0	\$0	\$14,916,331
TOTAL		\$28,365,786	(\$13,449,456)	\$9,000,000	\$4,449,456		\$14,916,330

Projected Cash Flow, Loan Payment, and Savings Schedule

(to establish upper limit of borrowing)

15 Year Amortization Period, 7.0% Interest Model

Fiscal Year	Project Expense	Energy Savings	ACFA Loan Payment	Principal	Loan Interest 7.0%	ACFA Loan Balance	Net Cumulative Cash Flow
Apr-15	\$40,000						-\$40,000
May-15	\$40,000						-\$80,000
Jun-15	\$100,000						-\$180,000
Jul-15	\$280,000						-\$460,000
Aug-15	\$380,000						-\$840,000
Sep-15	\$980,000						-\$1,820,000
Oct-15	\$1,340,000						-\$3,160,000
Nov-15	\$1,380,000						-\$4,540,000
Dec-15	\$1,160,000						-\$5,700,000
Jan-16	\$1,120,000						-\$6,820,000
Feb-16	\$1,100,000						-\$7,920,000
Mar-16	\$1,080,000		\$9,000,000				\$0
2015/16		\$990,000	(\$988,152)	\$358,152	\$630,000	\$8,641,848	\$1,848
2016/17		\$1,051,441	(\$988,152)	\$383,222	\$604,929	\$8,258,626	\$65,138
2017/18		\$973,991	(\$988,152)	\$410,048	\$578,104	\$7,848,578	\$50,978
2018/19		\$981,143	(\$988,152)	\$438,751	\$549,400	\$7,409,827	\$43,969
2019/20	1.5%	\$995,860	(\$988,152)	\$469,464	\$518,688	\$6,940,363	\$51,677
2020/21		\$1,010,798	(\$988,152)	\$502,326	\$485,825	\$6,438,037	\$74,323
2021/22		\$1,025,960	(\$988,152)	\$537,489	\$450,663	\$5,900,548	\$112,131
2022/23		\$1,041,349	(\$988,152)	\$575,113	\$413,038	\$5,325,435	\$165,329
2023/24		\$1,056,969	(\$988,152)	\$615,371	\$372,780	\$4,710,064	\$234,147
2024/25		\$1,072,824	(\$988,152)	\$658,447	\$329,704	\$4,051,617	\$318,819
2025/26		\$1,088,916	(\$988,152)	\$704,538	\$283,613	\$3,347,078	\$419,583
2026/27		\$1,105,250	(\$988,152)	\$753,856	\$234,295	\$2,593,222	\$536,682
2027/28		\$1,121,829	(\$988,152)	\$806,626	\$181,526	\$1,786,596	\$670,359
2028/29		\$1,138,656	(\$988,152)	\$863,090	\$125,062	\$923,506	\$820,864
2029/30		\$1,155,736	(\$988,152)	\$923,506	\$64,645	\$0	\$988,448
2030/31		\$1,173,072		\$0	\$0	\$0	\$2,161,520
2031/32		\$1,190,668		\$0	\$0	\$0	\$3,352,188
2032/33		\$1,208,528		\$0	\$0	\$0	\$4,560,716
2033/34		\$1,226,656		\$0	\$0	\$0	\$5,787,372
2034/35		\$1,245,056		\$0	\$0	\$0	\$7,032,428
2035/36		\$1,263,732		\$0	\$0	\$0	\$8,296,160
2036/37		\$1,282,688		\$0	\$0	\$0	\$9,578,848
2037/38		\$1,301,928		\$0	\$0	\$0	\$10,880,776
2038/39		\$1,321,457		\$0	\$0	\$0	\$12,202,233
2039/40		\$1,341,279		\$0	\$0	\$0	\$13,543,512
TOTAL		\$28,365,786	(\$14,822,274)	\$9,000,000	\$5,822,274		\$13,543,512

Notwithstanding the University's past success, including that of the program currently in progress, significant energy reduction opportunities remain. Continued implementation of the *Envision* program and the new technologies and opportunities is warranted to keep our energy bill as low as cost effectively feasible, reduce our consumption of non-renewable resources, minimize our environmental impact, demonstrate our commitment to sustainability, and realize many other benefits.

It is recommended that:

- The current *Envision* program be accelerated to quickly realize the benefits of the new technologies and opportunities, with borrowing of \$9,000,000 to implement the third year of the program, and with subsequent borrowing of \$8,000,000 for each of the following two years of implementation.
- The University borrow not more than \$9,000,000 from the Alberta Capital Finance Authority for a term not to exceed fifteen years at an interest rate not to exceed 7% for the purpose of funding the third year of the *Envision* program.

RESOLUTION OF
THE BOARD OF GOVERNORS OF THE UNIVERSITY OF ALBERTA

("Board of Governors")

WHEREAS the Board of Governors, to carry out the purposes of the University of Alberta, considers it appropriate and necessary to proceed with the implementation of the third year of the five-year *Envision* energy management program at a currently budgeted cost of Nine Million Dollars in Canadian funds (\$9,000,000.00) ("Project"); and

WHEREAS the Board of Governors considers it appropriate and necessary to borrow funds from the lender described in this resolution.

IT IS HEREBY RESOLVED THAT:

1. Pursuant to Section 73 of the *Post-secondary Learning Act* and subject to the prior approval of the Lieutenant Governor in Council, the Board of Governors, for the purposes of the University of Alberta, authorizes and approves the borrowing of an amount to fund the Project not to exceed Nine Million Dollars (\$9,000,000.00) in Canadian funds ("Loan").
2. The Loan be:
 - (a) from a lender which is the Alberta Capital Finance Authority ("Lender") in an amount not to exceed Nine Million Dollars (\$9,000,000.00) in Canadian funds;
 - (b) for a term not to exceed fifteen (15) years;
 - (c) at an interest rate not to exceed five and one-half percent (5.5%) per annum;

And that within the parameters set out in this section 2, the establishment of the amount, term and interest rate be made by the Vice-President (Finance and Administration).

3. To secure the repayment of the Loan, the University of Alberta grant to the Lender such security as may be required by the Lender and agreed to by the Vice-President (Finance and Administration).
4. The Vice-President (Finance and Administration) be and is hereby authorized for and on behalf of the University of Alberta to:

- a) Negotiate, execute and deliver to the Lender such notes, bonds, debentures or other securities in such form, with or without seal, and containing such terms and conditions related to amount, denomination, time and place of payment, principal and interest and redemption as the Lender requires as a condition of the Loan;
 - b) Include in the security the Lender requires as a condition of the Loan all such securities, debentures, charges, pledges, mortgages, conveyances, assignments and transfers to or in favour of the Lender of all or any property, real or personal, moveable or immovable, owned by the University of Alberta or in which it may have an interest as the Lender may require;
 - c) Give the Lender any other documents or contracts necessary to give or furnish to the Lender the security or securities required by the Lender including without limiting the generality of the foregoing, all or any receivables, book debts due or growing due, stocks, bonds, insurance policies, promissory notes, bills of exchange and securities of all kinds.
5. All agreements, securities, documents and instruments proposing to be signed, made, drawn, accepted, executed or endorsed as provided in this resolution shall be valid and binding on the University of Alberta.
6. The Lender shall be furnished with a signed copy of this resolution.

I hereby certify that this resolution has full force and effect on the _____ day of _____, 2015.

Chair of The Board of Governors of the
University of Alberta

OUTLINE OF ISSUE

Agenda Title: **Board Committee Appointments**

Motion: THAT the Board of Governors, on the recommendation of the Board Chair, Mr Douglas Goss, approve Board Committee appointments, as set forth in Attachment 1 to the agenda documentation.

Item

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation <input type="checkbox"/> Discussion/Advice <input type="checkbox"/> Information
Proposed by	Mr Douglas Goss, Chair, Board of Governors
Presenter	Douglas Goss, Board Chair; Marion Haggarty-France, University Secretary
Subject	Appointments to Board Committees

Details

Responsibility	Chair of the Board of Governors
The Purpose of the Proposal is (please be specific)	To consider revisions to the annual appointment roster to Board Committees.
The Impact of the Proposal is	To ensure that newly-appointed Board members have been appointed to Committees and that Committee membership reflects the appropriate Terms of Reference.
Replaces/Revises (eg, policies, resolutions)	Replaces the 2014-2015 Committee Membership List approved at the May 8, 2015 Board meeting.
Timeline/Implementation Date	Effective upon approval.
Estimated Cost	n/a
Sources of Funding	n/a
Notes	The Board of Governors annually reviews the recommendations of the Board Chair for appointments to Board Standing and Other Committees. Other appointments are made as required.

Alignment/Compliance

Alignment with Guiding Documents	Mandates and Roles for the Board of Governors, <i>Dare to Discover</i> , Comprehensive Institutional Plan
Compliance with Legislation, Policy and/or Procedure Relevant to the Proposal (please quote legislation and include identifying section numbers)	<p><u>The Board's General Terms of Reference for Board Standing Committees, Sections 3 and 4 state:</u></p> <p>3. <i>A member of a Committee shall be appointed by the Board for a term commencing on a date selected by the Board and expiring on the earliest of:</i></p> <ul style="list-style-type: none"> (i) <i>the effective date of the resignation of that member from the Board;</i> (ii) <i>the effective date of the resignation of that member from that Committee;</i> (iii) <i>a date selected by the Board;</i> (iv) <i>the expiry date of the term of the appointment of a non-Board member to the Committee; and</i> (v) <i>the effective date of a general appointment of all members to that committee (ordinarily the first Board meeting in June).</i> <p><i>A member of a Committee is eligible to be reappointed to that Committee.</i></p> <p>4. <i>There shall be members of each Committee who are Board members; non-Board members may be drawn from the University Senate and elsewhere within the University or from the community as the Board considers may be</i></p>

Item No. 7a

	<p><i>appropriate or as may be provided in the Committee's terms of reference. Where the terms of reference of a Committee provide for a number of members in excess of those specifically required to be represented on the Committee, additional members may, subject to the foregoing, be appointed from any constituency.</i></p>
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Routing (Include meeting dates)

Consultative Route (parties who have seen the proposal and in what capacity)	Board Chair Board Committee Chairs University Governance
Approval Route (Governance)	Board of Governors, June 19, 2015 (for approval)
Final Approver	Board of Governors, June 19, 2015

Attachment:

1. Proposed 2015-2016 Board of Governors Committee Membership (1 page) – for approval

Prepared by: Juli Zinken, Acting Board Secretary, University Governance

ADVANCEMENT BOARD COMMITTEE

- *The Committee has not yet been established. Members will be appointed concurrently, once committee is approved.*

AUDIT COMMITTEE

Chair: Michael Ross
Vice-Chair: Dick Wilson
*Gordon Clanachan (~~November 22, 2015~~) June 30, 2016
Jane Halford
Shenaz Jeraj
*Stuart Lee (August 30, 2016)
Nizar Somji
Robert Teskey

FINANCE & PROPERTY COMMITTEE

Chair: Dick Wilson
Vice-Chair: Steven LePoole
*Robert Borelli (June 30, 2017)
Navneet Khinda
Barry James
Colin More
Christopher Pu
David Cooper

HUMAN RESOURCES & COMPENSATION COMMITTEE

Chair: Robert Teskey
Vice-Chair: James Heelan
Shenaz Jeraj
Michael Ross
Dick Wilson

INVESTMENT COMMITTEE

Chair: *Dave Lawson (June 30, 2017)
Vice-Chair: *Jim Drinkwater (June 30, 2016)
*Ken Bancroft (~~June 30, 2015~~) June 30, 2016
*Barbara Belch (June 30, 2016)
*John Butler (June 30, 2016)
Jane Halford
James Heelan
*Allister McPherson (~~June 30, 2015~~) June 30, 2017
*Sandy McPherson (~~June 30, 2015~~) June 30, 2018

LEARNING AND DISCOVERY COMMITTEE

Chair: Shenaz Jeraj
Vice-Chair: Ray Muzyka
Miodrag (Mike) Belosevic
LeRoy Johnson
Azhar Khan
Colin More
Rob Parks

SAFETY, HEALTH & ENVIRONMENT COMMITTEE

Chair: Steven LePoole
Vice-Chair: *Gordon Winkel (June 30, 2016)
David Cooper
*Dave Ferro (December 13, 2016)
LeRoy Johnson
Azhar Khan
Christopher Pu
*Harsh Thaker (June 30, 2016)

UNIVERSITY RELATIONS COMMITTEE

Chair: Robert Teskey
Vice-Chair: Rob Parks
Miodrag (Mike) Belosevic
Barry James
LeRoy Johnson
Navneet Khinda
Colin More
*Catrin Owen (June 30, 2017)
Christopher Pu
Nizar Somji

Ex Officio Members on all Board Committees: Douglas Goss, Board Chair
Indira Samarasekera, President
Ralph Young, Chancellor

BOARD REPRESENTATION ON UNIVERSITY COMMITTEES

Senate: James Heelan, Shenaz Jeraj
Edmonton Community Foundation Nominating Committee: Rob Parks (to June 30, 2017)

** Denotes External Member on a Board Committee*