

The following Motions and Documents were considered by the GFC Academic Planning Committee at its Wednesday, February 26, 2020 meeting:

Agenda Title: **University of Alberta 2020-2021 Tuition and Student Financial Aid**

**CARRIED MOTION:**

THAT General Faculties Council Academic Planning Committee recommend that the Board of Governors approve the Tuition Proposal for Fall 2020 as outlined in the following table, as amended:

Category of Student	Proposed Increase for Fall 2020	Financial Support
Domestic Undergraduate (incoming and continuing students)	7%	15% of net increase
International Undergraduate (continuing students admitted prior to Fall 2020)	4%  Exception PharmD – 0%	7.55% <sup>1</sup>
Domestic Graduate (thesis-based) (incoming students)	7%	15% of net increase
Domestic Graduate (thesis-based) (continuing students admitted prior to Fall 2020)	7% with rebate to reduce increase to 2.67% <sup>2</sup>	15% of net increase
International Graduate (thesis-based) (continuing students admitted prior to Fall 2020)	7% with rebate to reduce increase to 2.67% <sup>2</sup>	7.55%
Domestic Graduate (course-based) (incoming and continuing students) (with exceptions noted below)	7%	15%
International Graduate (course-based) (continuing students admitted prior to Fall 2020)	4%	7.55%
Domestic Graduate (course-based) exceptions	Masters of Accounting – 0% MBA – 10% Executive MBA – 10% <sup>3</sup> MBA – Ft. McMurray – 9% <sup>4</sup> MEng – 10%	15% of net increase
International Graduate (course-based) exceptions	MBA – 0% Executive MBA – 0% MBA – Ft. McMurray – 0% Integrated Petroleum Geoscience – 0%	7.55%
Former Cost-Recovery Program exceptions	(all 0%)  Certificate in Advanced Adolescent Literacy	

	Certificate in Teaching Students with Complex Needs Master of Education in Education Studies Master of Education in Health Studies Education Master of Science in Internetworking Master of Science in Multimedia Master of Science in Urban and Regional Planning Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy Certificate in School Leadership Certificat d'etudes superieures en administration et leadeurship scolaire	
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<sup>1</sup> Existing model for International tuition financial aid.

<sup>2</sup> 2.67% reflects the increase in cost drivers for the University year over year.

<sup>3</sup> Students currently enrolled in the Executive MBA will be grandparented for 2020 only with a 0% increase.

<sup>4</sup> Students currently enrolled in the MBA- Ft. McMurray will be grandparented for 2020 only with a 0% increase in tuition.

FINAL Item 4

Agenda Title: **Mandatory Non-Instructional Fees (MNIF) Proposal**

CARRIED MOTION:

THAT the General Faculties Council Academic Planning Committee recommend that the Board of Governors approve the 2.67%<sup>1</sup> overall increase of mandatory non-instructional fees for 2020-21, with the increase applied differentially to individual fees as follows:

Student Fees	Current Rates/Term	2 Terms	Increase	Revised Rates 2 Terms
Athletics and Recreation	\$82.00	\$164.00	10.00%	\$180.40
Health and Wellness	\$61.32	\$122.64	0.00%	\$122.64
Academic Support	\$252.18	\$504.36	0.936%	\$509.08
TOTALS	\$395.50	\$791.00		\$812.12
<b>Total FT Student Increase (2.67%)</b>		<b>\$21.12</b>		
<b>New Annual Rate (2 terms)</b>		<b>\$812.12</b>		

12.67% represents the increase in cost drivers for the University year over year (Academic Price Index (API)).

FINAL Item 5

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Agenda Title: **University of Alberta 2020-2021 Budget**

CARRIED MOTION:

THAT the Academic Planning Committee, acting with delegated authority from the General Faculties Council, recommend that the Board of Governors approve the 2020-21 consolidated budget as set forth in Attachment 1.

FINAL Item 6

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**Governance Executive Summary**  
**Action Item**

<b>Agenda Title</b>	<b>University of Alberta 2020-2021 Tuition and Student Financial Aid</b>
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**Motion**

THAT General Faculties Council Academic Planning Committee recommend that the Board of Governors approve the Tuition Proposal for Fall 2020 as outlined in the following table, as amended:

<b>Category of Student</b>	<b>Proposed Increase for Fall 2020</b>	<b>Financial Support</b>
Domestic Undergraduate (incoming and continuing students)	7%	15% of net increase
International Undergraduate (continuing students admitted prior to Fall 2020)	4%  Exception PharmD – 0%	7.55% <sup>1</sup>
Domestic Graduate (thesis-based) (incoming students)	7%	15% of net increase
Domestic Graduate (thesis-based) (continuing students admitted prior to Fall 2020)	7% with rebate to reduce increase to 2.67% <sup>2</sup>	15% of net increase
International Graduate (thesis-based) (continuing students admitted prior to Fall 2020)	7% with rebate to reduce increase to 2.67% <sup>2</sup>	7.55%
Domestic Graduate (course-based) (incoming and continuing students) (with exceptions noted below)	7%	15%
International Graduate (course-based) (continuing students admitted prior to Fall 2020)	4%	7.55%
Domestic Graduate (course-based) exceptions	Masters of Accounting – 0% MBA – 10% Executive MBA – 10% <sup>3</sup> MBA – Ft. McMurray – 9% <sup>4</sup> MEng – 10%	15% of net increase
International Graduate (course-based) exceptions	MBA – 0% Executive MBA – 0% MBA – Ft. McMurray – 0% Integrated Petroleum Geoscience – 0%	7.55%
Former Cost-Recovery Program exceptions	(all 0%)  Certificate in Advanced Adolescent Literacy Certificate in Teaching Students with Complex Needs	

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	<p>Master of Education in Education Studies          Master of Education in Health Studies Education          Master of Science in Internetworking          Master of Science in Multimedia          Master of Science in Urban and Regional Planning          Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy          Certificate in School Leadership          Certificat d'etudes superieures en administration et leadeurship scolaire</p>	
<p><sup>1</sup> Existing model for International tuition financial aid.  <sup>2</sup> 2.67% reflects the increase in cost drivers for the University year over year.  <sup>3</sup> Students currently enrolled in the Executive MBA will be grandparented for 2020 only with a 0% increase.  <sup>4</sup> Students currently enrolled in the MBA- Ft. McMurray will be grandparented for 2020 only with a 0% increase in tuition.</p>		

**Item**

Action Requested	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Recommendation
Proposed by	Provost and Vice-President (Academic) and Vice-President (Finance & Administration)
Presenter(s)	Steven Dew, Provost and Vice-President (Academic) and Gitta Kulczycki, Vice-President (Finance & Administration)

**Details**

Responsibility	Provost and Vice-President (Academic) and Vice-President (Finance & Administration)
The Purpose of the Proposal is <i>(please be specific)</i>	<p>To approve the tuition proposal for most domestic and international students for Fall 2020.</p> <p>Note that the tuition for international students incoming in Fall 2020 has already been approved in conjunction with the Board's approval of the new program-based tuition model for international students in June 2020. The tuition proposal for international students incoming in Fall 2021 will come forward in the coming months.</p>

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<p>Executive Summary (<i>outline the specific item – and remember your audience</i>)</p>	<p>As a part of the provincial budget announcement in October 2019, the Government of Alberta announced that post-secondary institutions could increase domestic tuition by an average of 7% in each of the coming three years (Fall 2020, Fall 2021, Fall 2022) before increases would revert to being restricted to CPI in Fall 2023. Tuition for domestic students in Alberta has been frozen for the last five years.</p> <p>Details regarding the proposal are outlined in Attachment 1, including projected tuition proposals for Fall 2021, Fall 2022, and Fall 2023. These projections have been shared with the students as a part of the Fall 2020 consultation process and are subject to change.</p> <p>Attachment 2 provides a comparison of tuition rates amongst the University of Alberta’s peer institutions.</p> <p>The University has committed to supporting a diverse student body and fostering continued participation by students, irrespective of socioeconomic status. For the 2020/21 academic year, the University will redirect a portion of new tuition revenue from domestic tuition increases (15%) to fund need-based financial supports. The existing model for financial aid for international students (a set aside of 7.55% of all tuition revenue) will continue. A backgrounder on this financial aid set-aside is found in Attachment 3.</p>
<p>Supplementary Notes and context</p>	<p>&lt;This section is for use by University Governance only to outline governance process.&gt;</p>

**Engagement and Routing** (Include meeting dates)

<p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p>&lt;For information on the protocol see the <a href="#">Governance Resources section Student Participation Protocol</a>&gt;</p>	<p><b><u>Those who are actively participating:</u></b></p> <ul style="list-style-type: none"> <li>• Provost and Vice-President (Academic)</li> <li>• Vice-President (Finance &amp; Administration)</li> <li>• Office of the Registrar</li> <li>• Faculty of Graduate Studies and Research</li> <li>• University of Alberta International</li> <li>• Office of Resource Planning</li> </ul> <p><b><u>Those who have been consulted:</u></b></p> <ul style="list-style-type: none"> <li>• Tuition Budget Advisory Committee (December 11, 2019, January 17, 2020) (note that the final revised proposal was shared in writing with student leaders on January 23)</li> <li>• Deans’ Council</li> </ul>
<p>Approval Route (Governance) (including meeting dates)</p>	<p>GFC Academic Planning Committee – February 26, 2020 (recommendation) Board Finance and Property Committee (recommendation) – February 27, 2020 Board of Governors (approval) – March 13, 2020</p>

**Strategic Alignment**

<p>Alignment with <i>For the Public Good</i></p>	<p>Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all Albertans.</p> <p>OBJECTIVE 22: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university’s core mission and strategic goals.</p>
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Item No. 4

	<p>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</p> <p>ii. Strategy: Ensure a sustainable budget model to preserve and enhance our core mission and reputation for excellence in teaching, learning, research, and community engagement.</p>			
<p>Alignment with Institutional Risk Indicator</p>	<p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0" data-bbox="570 464 1542 669"> <tr> <td data-bbox="570 464 1089 669"> <input type="checkbox"/> Enrolment Management  <input type="checkbox"/> Faculty and Staff  <input checked="" type="checkbox"/> Funding and Resource Management  <input type="checkbox"/> IT Services, Software and Hardware  <input type="checkbox"/> Leadership and Change  <input type="checkbox"/> Physical Infrastructure         </td> <td data-bbox="1089 464 1542 669"> <input type="checkbox"/> Relationship with Stakeholders  <input type="checkbox"/> Reputation  <input type="checkbox"/> Research Enterprise  <input type="checkbox"/> Safety  <input type="checkbox"/> Student Success         </td> </tr> </table>		<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure	<input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success
<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure	<input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success			
<p>Legislative Compliance and jurisdiction</p>	<p>Post-Secondary Learning Act          APC Terms of Reference          BFPC Terms of Reference</p>			

Attachments:

1. Attachment 1 (9 pages): University of Alberta Tuition Proposal, 2020-2021
2. Attachment 2 (1 page): U15 International Tuition Comparators, 2018-19
3. Attachment 3: (4 pages): Tuition Offset Model Background Document

*Prepared by:* Kathleen Brough, Senior Administrative Officer, Office of the Provost and Vice-President (Academic)

## Fall 2020 Tuition Proposal and Future Projections

The tables below provide tuition proposals for discussion with TBAC. The tables reflect

- Fall 2020 tuition proposals for all students with the exception of incoming international students who will be following a program-based tuition model previously approved in June 2019.
- Tuition proposals for Fall 2021 for international students who will be entering programs in that year and will be provided with a program based tuition guarantee
- Projected tuition changes for the following three years where applicable, in compliance with the requirements of the provincial Tuition Fee Regulation. These projections are subject to change as the University's financial circumstances evolve.

### Undergraduate Student Tuition Proposals and Projections (Domestic and Continuing International Students admitted prior to Fall 2020)

Category of Student	Proposals	Projections		
		Fall 2021	Fall 2022	Fall 2023
<b>Domestic</b>	Fall 2020	Fall 2021	Fall 2022	Fall 2023
Domestic, undergraduate Incoming and Continuing students	7%	7% Average (5%-10% based on program)	7% Average (5%-10% based on program)	CPI- restricted by Tuition Fee Regulation
<i>Financial Support Offset</i> Model: Incremental based on increases <sup>1</sup>	15% of increase	15% of increase	15% of increase	15% of increase
<b>International</b>				
International, undergraduate (continuing students admitted prior to Fall 2020)	4%	4%	4%	4%
<i>Financial Support Offset</i> Model: percent of total tuition <sup>2</sup>	7.55%	7.55%	7.55%	7.55%

### Undergraduate Student Tuition Proposals (Incoming International Students)

<sup>1</sup> To be confirmed annually by the Board of Governors. This is true for all references in the document to domestic tuition financial support offset model.

<sup>2</sup> This model has been confirmed as ongoing since the introduction of the International tuition differential and does not require annual confirmation. This is true for all references in the document to international financial support offset



Category of Student	Proposals	Projections		
International	Fall 2020	Fall 2021	Fall 2022	Fall 2023
International, undergraduate <b>Fall 2020 Cohort</b>	Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort	N/A	N/A	N/A
International, undergraduate <b>Fall 2021 Cohort</b>	N/A	3% Increase above program- based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort	N/A	N/A
<i>Financial Support Offset</i> Model: percent of total tuition	7.55%	7.55%	7.55%	7.55%

**Graduate Student Tuition Proposals and Projections  
(Domestic and Continuing International Students admitted prior to Fall 2020)**

**Thesis Based Course Based**

Category of Student	Proposals	Projections		
		Fall 2020	Fall 2021	Fall 2022
<b>Domestic</b>	Fall 2020	Fall 2021	Fall 2022	Fall 2023
Domestic, graduate (thesis-based) Incoming students	7%	7%	7%	CPI- restricted by Tuition Fee Regulation
Domestic, graduate (thesis-based) Continuing students	7% with rebate to reduce the increase to 2.67% <sup>3</sup>	7% with rebate to reduce the increase to approx 3%	7% with rebate to reduce the increase to approx 3%	CPI- restricted by Tuition Fee Regulation
Domestic, graduate (course-based) Incoming and Continuing Students	7%	7%	7%	CPI- restricted by Tuition Fee Regulation
***Exceptions to above proposals Domestic, graduate (course- based) Incoming and Continuing Students Faculty of Business <ul style="list-style-type: none"> <li>● Masters of Accounting</li> <li>● MBA</li> <li>● Executive MBA<sup>4</sup></li> <li>● MBA-Ft. McMurray<sup>5</sup></li> </ul> Faculty of Engineering <ul style="list-style-type: none"> <li>● Masters of Engineering</li> </ul>	0% 10% 10% 9% 10%	7%	7%	CPI- restricted by Tuition Fee Regulation
<i>Financial Support Offset</i> Model: Incremental based on increases	15% of increase	TBD	TBD	TBD

<sup>3</sup> 2.67% reflects the increase in cost drivers for the University year over year. The 3% figure used for Fall 2021 and 2022 is an approximation of this value for those years. The rebate would cease in Fall 2024.

<sup>4</sup> Students currently enrolled in the Executive MBA will grandparented for 2020 only with a 0% increase in tuition.

<sup>5</sup> Students currently enrolled in the MBA- Ft. McMurray will grandparented for 2020 only with a 0% increase in tuition.

<b>International</b>				
International, graduate (thesis-based) (continuing students admitted prior to Fall 2020)	7% with rebate to reduce the increase to 2.67% <sup>6</sup>	7% with rebate to reduce the increase to approx. 3%	7% with rebate to reduce the increase to approx. 3%	Approx. 3% to reflect cost drivers of the institution
International, graduate (course-based) (continuing students admitted prior to Fall 2020)	4%	4%	4%	4%
Exclusions for Fall 2020 only: MBA Executive MBA MBA - Ft. McMurray Integrated Petroleum Geoscience	0% 0% 0% 0%			
<i>Financial Support Offset</i> Model: percent of total tuition	7.55%	7.55%	7.55%	7.55%

<sup>6</sup> 2.67% reflects the increase in cost drivers for the University year over year. The 3% figure used for Fall 2021 and 2022 is an approximation of this value for those years. The rebate would cease in Fall 2024

**Graduate Student Tuition Proposals  
(Incoming International Students)**  
Thesis Based Course Based

Category of Student	Proposals	Projections		
		Fall 2021	Fall 2022	Fall 2023
<b>International</b>	Fall 2020	Fall 2021	Fall 2022	Fall 2023
International, graduate (thesis-based) <b>Incoming admitted for Fall 2020</b>	Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort	N/A	N/A	N/A
International, graduate (thesis-based) <b>Incoming admitted for Fall 2021</b>	N/A	3% Increase above program-based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort	N/A	N/A
International, graduate (course-based) <b>Incoming admitted for Fall 2020</b>	Program-based tuition model approved in June 2019. No year-over-year increases as annual maximums and program totals approved for this cohort	N/A	N/A	N/A
International, graduate (course-based)	N/A	7% Increase above	N/A	N/A

<b>Incoming admitted for Fall 2021</b>		program- based tuition amounts approved for Fall 2020 intake. No year-over-year increases as annual maximums and program totals will be approved for this cohort		
<i>Financial Support Offset</i> Model: percent of total tuition	7.55%	7.55%	7.55%	7.55%

**Undergraduate and Graduate Student Tuition  
Proposed Exemptions for Fall 2020 for formerly cost recovery programs**  
**Thesis Based Course Based**

Category of Student	Proposals	Projections
<b>Domestic</b>	Fall 2020	Fall 2021, 2022, 2023
<p><b>Undergraduate</b></p> <p><b>Faculty of Education Programs:</b></p> <p>Certificate in Advanced Adolescent Literacy</p> <p>Certificate in Teaching Students with Complex Needs</p>	<p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p>	<p>Will follow current projected increases</p>
<p><b>Graduate (course-based)</b></p> <p>Master of Education in Educational Studies</p> <p>Master of Education in Health Studies Education</p> <p>Master of Science in Internetworking</p> <p>Master of Science Multimedia</p> <p>Master of Science in Urban and Regional Planning</p> <p>Post-Baccalaureate Certificate in Bridging to Canadian Physical Therapy</p> <p>Education - Certificate in School Leadership</p>	<p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p>	<p>Will follow current projected increases</p>

<p><b>Saint- Jean</b> Certificat d'etudes superieures en administration et leadeurship scolaire</p>		
<p><b>International</b></p>		
<p><b>Undergraduate (current students admitted prior to Fall 2020)</b></p> <p><b>Faculty of Education Programs:</b></p> <p>Certificate in Advanced Adolescent Literacy</p> <p>Certificate in Teaching Students with Complex Needs</p>	<p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p>	<p>Will follow current projected increases</p>
<p><b>Graduate (course-based)</b></p> <p><b>Graduate (course-based)</b></p> <p>Master of Education in Educational Studies</p> <p>Master of Education in Health Studies Education</p> <p>Master of Science in Internetworking</p> <p>Master of Science Multimedia</p> <p>Master of Science in Urban and Regional Planning</p> <p>Post-Baccalaureate</p>	<p>No increase from current rates- all current rates are higher than tuition rates proposed for this category of student in Fall 2020</p>	<p>Will follow current projected increases</p>

<p>Certificate in Bridging to Canadian Physical Therapy Education - Certificate in School Leadership</p> <p><b>Saint- Jean</b> Certificat d'etudes superieures en administration et leadeurship scolaire</p>		
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## U15 International and Domestic Tuition, 2019-20

As shown in Table 1, international undergraduate tuition at the U of A is below the U15 average in 2019-20, although this rate has been increased to \$29,500 for the Fall 2020 intake.

U of A's masters international tuition is higher than only two institutions, namely Manitoba and Saskatchewan.

At the PhD level, U of A's international tuition is higher than 5 institutions (Dalhousie, Ottawa, Saskatchewan, Toronto, and Western).

Overall, the U of A's graduate international tuition is considerably lower than the U15 average.

Domestic undergraduate tuition at the U of A is the second lowest in the country, approximately 16% lower than the U15 average.

Domestic graduate tuition is among the lowest in the country (the PhD tuition is higher than only two universities: McGill & Laval), approximately 45% below the U15 average at the masters level and 30% below the U15 average for the PhD level.

**Table 1. International and Domestic Tuition for BA, MA, & PhD, 2019-2020**

2019-20 Tuition	International			Domestic		
	Arts & Social Science	MA	PhD	Arts & Social Science	MA	PhD
University of Alberta	\$ 22,267	\$ 7,481	\$ 7,481	\$ 5,321	\$ 3,662	\$ 3,662
Dalhousie University	\$ 19,134	\$ 15,099	\$ 6,147	\$ 7,866	\$ 8,331	\$ 6,147
McMaster University	\$ 30,774	\$ 17,096	\$ 17,096	\$ 6,043	\$ 6,307	\$ 6,307
Queen's University	\$ 46,191	\$ 12,927	\$ 12,927	\$ 6,083	\$ 5,773	\$ 5,773
University of British Columbia	\$ 38,052	\$ 8,777	\$ 8,777	\$ 5,399	\$ 4,996	\$ 4,996
University of Calgary	\$ 18,338	\$ 12,696	\$ 12,696	\$ 5,386	\$ 5,594	\$ 5,594
University of Manitoba	\$ 14,906	\$ 6,077	\$ 11,325	\$ 3,916	\$ 5,148	\$ 5,148
University of Ottawa	\$ 36,161	\$ 25,472	\$ 6,367	\$ 6,088	\$ 7,370	\$ 6,367
University of Saskatchewan	\$ 17,614	\$ 6,731	\$ 6,731	\$ 6,452	\$ 4,260	\$ 4,260
University of Toronto	\$ 53,290	\$ 23,770	\$ 6,210	\$ 6,100	\$ 6,210	\$ 6,210
University of Waterloo	\$ 33,614	\$ 21,126	\$ 20,916	\$ 6,128	\$ 6,762	\$ 6,762
Western University	\$ 31,042	\$ 18,247	\$ 6,360	\$ 6,050	\$ 6,360	\$ 6,360
McGill University	\$ 18,110	\$ 17,421	\$ 15,637	\$ 7,940	\$ 7,940	\$ 2,544
Universite de Montreal	\$ 17,421	\$ 26,132	\$ 23,456	\$ 7,940	\$ 11,910	\$ 3,816
Universite Laval	\$ 17,421	\$ 13,937	\$ 17,820	\$ 7,720	\$ 6,176	\$ 3,060
<b>AVERAGE (Excluding U of A)</b>	<b>\$ 28,005</b>	<b>\$ 16,108</b>	<b>\$ 12,319</b>	<b>\$ 6,365</b>	<b>\$ 6,653</b>	<b>\$ 5,239</b>

Source: U15 2019-2020 Tuition & Fees results and Institution financial websites.

- NOTES:
- 1) Dalhousie, McGill, Laval and Montreal domestic tuition is for out-of-province students
  - 2) Undergraduate data are for an Arts program.
  - 3) Graduate data are for the first year of an MA/PhD program (i.e. two or three semesters depending on the institution).
  - 4) U of A international graduate tuition figures do not include the \$4,000 Graduate International Tuition (Reduction), which is charged and then remitted.

**DRAFT February 13, 2020**

**V1.0**

**Backgrounder: Tuition Offset Model for Domestic Undergraduate and Graduate Student Financial Support- Fall 2020/21**

In considering potential increases to tuition and how to support access for qualified students, the university is cognizant that increases in tuition fees can more adversely affect students from lower income groups, resulting in lower rates of application and attendance<sup>1</sup>. While there are sound financial reasons to increase tuition in the current climate, the University of Alberta is committed to supporting a diverse student body and fostering continued participation by students, irrespective of socioeconomic status.

To support the University's response to changes in the budget and potential tuition increases, the Office of the Registrar, with the support of Senior Administration, will redirect a portion (15%) of all new tuition revenue in the 2020/21 academic year to fund need-based financial supports. In the event of a tuition increase, new funds would be applied to the existing base budget for student financial support, setting a new recurring base budget.

The following outlines:

- 1) The tuition offset model for domestic student financial support
- 2) The estimated increase in 2020/2021 to the amount of available need-based funding for domestic student financial support,
- 3) An illustration of the administrative approach to allocating the incremental increase to need-based programs starting in 2020/2021, and
- 4) An overview of the proposed annual review and benchmarking for the programs supported by the tuition offset model.

**1) Tuition Offset Model for Domestic Student Financial Support**

The Tuition Offset Model will be an *incremental offset model*, where 15% of any increase in domestic student tuition from the 2020/21 academic year is directed towards student financial support. The new funds generated would then set a new base budget allocation for domestic student financial support.

**2) Estimated increase in domestic student need-based financial support**

Based on current domestic enrolment projections and an average across-the-board tuition increase of 7%, we estimate the offset as proposed to generate approximately \$1.83M in additional funds for need-based support in 2020/2021.

*Estimates of Total Revenue for Domestic Need-Based Supports in 2020/2021*

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<sup>1</sup> Ford, R. Hui, T.S. Nguyen C. (2019). Postsecondary Participation and Household Income. Toronto: Higher Education Quality Council of Ontario.

<b>Total Financial Support</b>	<b>Increase from Current Need-Based Budget</b>	<b>Total Allocation to Need-Based Supports</b>
2019/2020 (Current Year)	N/A	\$2,584,000
2020/2021 (Year 1, Offset Model)	\$1,829,323	\$4,413,573

### **3) Illustration of Administrative Approach to Allocation of Additional Funding**

Currently, need-based funding is allocated through a common assessment process to identify un-funded financial need, at the time a student applies for need-based financial supports. Following the completion of the common assessment the Office of the Registrar provides funds to any eligible student to cover all identified financial need in line with the annual maximum allowance (\$8000/undergraduate student, \$4000/graduate student) until funds have been exhausted.

The increase in funding from the tuition offset model will significantly increase our ability to support students in financial need beyond what is possible under the current system and approach. The program funding will need to be allocated thoughtfully in order to address our overarching goals.

The goals for allocating incremental increases to needs-based funding are to:

1. Maintain or improve the socioeconomic distribution of the current student population,
2. Offset potential negative financial impacts from tuition increases, and
3. Continue to support vulnerable student populations (e.g. students from low-income<sup>2</sup> families, students with dependents, Indigenous students, students with disabilities, and students facing emergent financial challenges).

The following describes a likely distribution of funding across need-based programs to domestic undergraduate and graduate students in the academic year 2020/2021 based on observable need and funding gaps.

- Portion to be allocated to students coming from low-income families based on receiving the maximum amount from the federal income grant (Canada Student Grant for Full-Time Students<sup>3</sup>)
- Portion to be allocated to Supplementary Bursaries to increase the annual maximum (initial estimates indicate the maximum could increase by \$1,000 - \$2,000)
- Portion to be allocated to Emergency Bursaries, providing non-repayable bursaries instead of repayable loans (in 18/19 \$450,000 in emergency loans were issued to domestic undergraduate students)

This distribution supports students from low income families, provides non-repayable financial support to the most vulnerable students (students with dependents, Indigenous students, students with disabilities), and will also address more of the unmet need of bursary applicants (See Appendix A - Bursary Demand

<sup>2</sup> Low-income is defined following the Federal Income Thresholds for the Canada Student Grant for Full-Time Students.

<sup>3</sup> The Canada Student Grant for Full-Time Students is only available for students in undergraduate programs. Graduate students are not eligible for these grants.

and Unmet Need). This distribution preserves our existing programs that support vulnerable students, while also actively supporting low-income students in order to offset the potential negative impacts of tuition increases.

#### **4) Annual Review and Benchmarking**

As part of the university's commitment to "providing and optimizing robust student financial supports"<sup>4</sup>, the Office of the Registrar will review the efficacy of the need-based support model each year. This review will consider the three goals outlined above for allocating the increase in order to evaluate and improve our financial support approaches. The review will include data derived from the Tuition Impact Study<sup>5</sup>, consider demand for need-based programs based on usage, and include data collected through need-based program applications. This review will inform future decisions regarding financial aid fundings and the allocation of need-based budgets.

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<sup>4</sup> University of Alberta Student Financial Supports Policy

<sup>5</sup> The Tuition Impact Study has been developed by the Office of the Registrar to provide benchmarking data and track the impacts of tuition increases.

**APPENDIX A -**

**Bursary Demand and Unmet Need 2018/19**

<b>2018/19 Domestic Bursary Total</b>							
<b>Student Type</b>	<b>Total Bursary Applicants</b>	<b>Total Bursary Recipients</b>	<b>% Ineligible</b>	<b>Total Bursary Amount</b>	<b>Total Number of Recipients with Unmet Need</b>	<b>Total Amount of Unmet Need</b>	<b>Average Amount of Unmet Need</b>
<b>Undergrad</b>	949	698	26.4%	\$4,967,514	519	\$3,935,333	\$7,582.53
<b>Graduate</b>	112	80	28.6%	\$346,600	75	\$610,092	\$8,134.57
<b>Total</b>	<b>1,061</b>	<b>778</b>	<b>26.7%</b>	<b>\$5,314,114</b>	<b>594</b>	<b>\$4,545,425</b>	<b>\$7,652.23</b>

NOTE: Unmet need is the amount of financial need assessed to eligible students, through the common assessment practice, in excess of what is funded under our current per student annual maximum allowance. For example, if an eligible undergraduate student were assessed as having \$10,000 in unmet need we would only be able to fund \$8000 under our current regulations. As such we would count this as \$2000 in unmet need. This is the only method by which we are currently able to measure unmet need.

**Governance Executive Summary**  
**Action Item**

<b>Agenda Title</b>	<b>2020-2021 Mandatory Non-Instructional Fees Proposal</b>
---------------------	--

**Motion**

THAT the General Faculties Council Academic Planning Committee recommend that the Board of Governors approve the 2.67%<sup>1</sup> overall increase of mandatory non-instructional fees for 2020-21, with the increase applied differentially to individual fees as follows:

<b>Student Fees</b>	<b>Current Rates/Term</b>	<b>2 Terms</b>	<b>Increase</b>	<b>Revised Rates 2 Terms</b>
Athletics and Recreation	\$82.00	\$164.00	10.00%	\$180.40
Health and Wellness	\$61.32	\$122.64	0.00%	\$122.64
Academic Support	\$252.18	\$504.36	0.936%	\$509.08
<b>TOTALS</b>	<b>\$395.50</b>	<b>\$791.00</b>		<b>\$812.12</b>
<b>Total FT Student Increase (2.67%)</b>		<b>\$21.12</b>		
<b>New Annual Rate (2 terms)</b>		<b>\$812.12</b>		

<sup>1</sup>2.67% represents the increase in cost drivers for the University year over year (Academic Price Index (API)).

**Item**

Action Requested	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Recommendation
Proposed by	Provost and Vice-President (Academic) and Vice-President (Finance & Administration)
Presenter(s)	Steven Dew, Provost and Vice-President (Academic) and Gitta Kulczycki, Vice-President (Finance & Administration)

**Details**

Responsibility	Provost and Vice-President (Academic) and Vice-President (Finance & Administration)
The Purpose of the Proposal is <i>(please be specific)</i>	To approve that mandatory non-instructional fees for 2020-21 increase overall by 2.67% in Fall 2020.

Item No. 5

<p>Executive Summary <i>(outline the specific item – and remember your audience)</i></p>	<p>2019/20 represents the fifth consecutive year for which Mandatory Non-Instructional Fees were frozen.</p> <p>This freeze has put considerable pressure on some of the budgets of units which provide student services which have had to absorb five years of compounding inflationary cost increases with no additional MNIF revenue. This has been a challenge particularly for Athletics and Campus &amp; Community Recreation. However, the University recognizes that students are also facing significant financial pressure this year. Hence, the University proposes to limit MNIF fee increases to just the rate of this year’s API in the spirit of the 2016 MNIF agreement with the students. Further, the University proposes to distribute that increase primarily to the units with the greatest need.</p> <p>The proposal has been presented for consultation to the Joint University Students Mandatory Non-Instructional Fees Oversight Committee, which voted on February 3, 2020 in support of the proposal. Important outcomes of those consultations include an opportunity to reopen the agreement with students on MNIFs for further discussion on the services supported by MNIF funding, as well as to consider the potential for eliminating individual fees-for-services in favour of revised MNIF amounts. We will pursue this work in the coming months.</p> <p>Additional detail on the proposal, including on the proposed use of new revenue from the proposed increase to the Athletics and Recreation fee can be found in the attached proposal.</p>
<p>Supplementary Notes and context</p>	<p>&lt;This section is for use by University Governance only to outline governance process.&gt;</p>

**Engagement and Routing** (Include meeting dates)

<p>Consultation and Stakeholder Participation (parties who have seen the proposal and in what capacity)</p> <p>&lt;For information on the protocol see the <a href="#">Governance Resources section Student Participation Protocol</a>&gt;</p>	<p><b><u>Those who are actively participating:</u></b></p> <ul style="list-style-type: none"> <li>• Provost and Vice-President (Academic)</li> <li>• Vice-President (Finance &amp; Administration)</li> <li>• Office of the Registrar</li> <li>• Faculty of Graduate Studies and Research</li> <li>• University of Alberta International</li> <li>• Office of Resource Planning</li> </ul> <p><b><u>Those who have been consulted:</u></b></p> <ul style="list-style-type: none"> <li>• Joint University Student Mandatory Non-Instructional Fee Oversight Committee (January 27, 2020, February 3, 2020)</li> </ul> <p><b><u>Those who have been informed:</u></b></p> <ul style="list-style-type: none"> <li>•</li> </ul>
<p>Approval Route (Governance) (including meeting dates)</p>	<p>GFC Academic Planning Committee – February 26, 2020 Board Finance and Property Committee (approval) – February 27, 2020</p>

**Strategic Alignment**

<p>Alignment with <i>For the Public Good</i></p>	<p>Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all Albertans.</p>
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Item No. 5

	<p><b>OBJECTIVE 22:</b> Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals.</p> <p>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</p> <p>ii. Strategy: Ensure a sustainable budget model to preserve and enhance our core mission and reputation for excellence in teaching, learning, research, and community engagement.</p>			
<p>Alignment with Institutional Risk Indicator</p>	<p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0" data-bbox="570 562 1544 772"> <tr> <td data-bbox="570 562 1089 772"> <input type="checkbox"/> Enrolment Management  <input type="checkbox"/> Faculty and Staff  <input checked="" type="checkbox"/> Funding and Resource Management  <input type="checkbox"/> IT Services, Software and Hardware  <input type="checkbox"/> Leadership and Change  <input type="checkbox"/> Physical Infrastructure         </td> <td data-bbox="1089 562 1544 772"> <input type="checkbox"/> Relationship with Stakeholders  <input type="checkbox"/> Reputation  <input type="checkbox"/> Research Enterprise  <input type="checkbox"/> Safety  <input checked="" type="checkbox"/> Student Success         </td> </tr> </table>		<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure	<input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input checked="" type="checkbox"/> Student Success
<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure	<input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input checked="" type="checkbox"/> Student Success			
<p>Legislative Compliance and jurisdiction</p>	<p>Post-Secondary Learning Act          APC Terms of Reference          BFPC Terms of Reference</p>			

Attachments:

- Attachment 1: Fall 2020 MNIF Proposal

*Prepared by:* Kathleen Brough, Senior Administrative Officer, Office of the Provost and Vice-President (Academic)



## Fall 2020 Mandatory Non-Instructional Fees Proposal

### Proposal overview:

We are proposing an overall increase to Mandatory Non-Instructional Fees for Fall 2020 of **2.67%** (Academic Price Index), equivalent to an increase of **\$21.12** per full-time (FT) student for the academic year.

We are proposing that this increase be applied differentially to the individual fees themselves. Specifically, the Athletics and Recreation Fee is proposed to increase by 10% and the Academic Support Fee is proposed to increase by 0.936%, with additional revenue split between the Office of the Registrar (RO) and Information Services and Technology (IST).

### Rationale:

2019/20 represents the fifth consecutive year for which Mandatory Non-Instructional Fees were frozen. This has put considerable pressure on some of the budgets of units which provide student services which have had to absorb five years of compounding inflationary cost increases with no additional MNIF revenue. This has been a challenge particularly for Athletics and Campus & Community Recreation. However, the University recognizes that students are also facing significant financial pressure this year. Hence, the University proposes to limit MNIF fee increases to just the rate of this year's API in the spirit of the 2016 MNIF agreement. Further, the University proposes to distribute that increase primarily to the units with the greatest need.

### 2018-19

<b>Student Fee</b>	<b>% costs covered by MNIF</b>	<b>% costs covered by University operating</b>	<b>% costs covered by other revenue</b>
Athletics and Recreation	26.12%	20.62%	53.26%
Academic Support - RO	62.19%	35.66%	2.15%
Academic Support - IST	62.96%	25.10%	11.94%

The table below provides fee detail and revenue detail for the proposal.

<b>Student Fees</b>	<b>Current Rates/Term</b>	<b>2 Terms</b>	<b>Increase</b>	<b>Revised Rates 2 Terms</b>
Athletics and Recreation	\$82.00	\$164.00	10.00%	\$180.40
Health and Wellness	\$61.32	\$122.64	0.00%	\$122.64
Academic Support	\$252.18	\$504.36	0.936%	\$509.08
<b>TOTALS</b>	<b>\$395.50</b>	<b>\$791.00</b>		<b>\$812.12</b>
Increase of 2.67%		0.0267		
<b>Total FT Student Increase</b>		<b>\$21.12</b>		
<b>New Annual Rate (2 terms)</b>		<b>\$812.12</b>		
<b>Institutional Revenue</b>		<b>Total Revenue (18/19)</b>	<b>% increase</b>	<b>Additional revenue</b>
Athletics and Recreation		\$6,000,000	10.00%	\$600,000
Health and Wellness		\$5,000,000	0.00%	\$0
Academic Support		\$20,000,000	0.936%	\$227,700
<b>TOTAL REVENUE</b>		<b>\$31,000,000</b>		<b>\$827,700</b>
Increase of 2.67% (API)				

### **Proposed Use for Additional Revenue from Athletics and Recreation Fee Increase**

Athletics has been in a deficit position due to the freeze on MNIF for the past 5 years, however, costs and usage of our services continues to increase. CCR has delayed replacement and maintenance on equipment and facilities to ensure operational needs are met.

Funding from additional fee revenue will be used to:

- Prevent reductions of current programs/services within Athletics (ie, Varsity teams, mental health services) and CCR (variety of program offerings)
- Prevent reductions in hours of operation for facilities such as Fitness Centre and Climbing Centre

- Prevent or reduce cost increases in registered program fees
- Offset inflationary costs from the past 5 years (salaries, benefits, travel, accommodations and meals all increase annually)
- Provide support for facility and equipment maintenance and replacement costs associated with the Fitness Centre, Climbing Centre, Pavilion and Arena
- Reduce the impact of tuition increases that create additional demand for, and increase the cost of, financial scholarships and awards for student athletes. While these awards are funded by donations, the increased demand on those donations reduces their availability to cover expenses such as meals, equipment, and sport science.

Please see **Appendix A** for more information.

### **Impact of 0% Increase to Health and Wellness Fee**

Services in the Dean of Students funded by the Health and Wellness Mandatory Non-Instructional Fee can be sustained at current levels for one more year. This will give us the required time to evaluate new programming and other activities behind the scenes that aim to improve service delivery.

## Appendix A

### Athletics and Campus Community & Recreation (CCR)

- CCR facilitates and delivers leading-edge programs, events, services and facilities for our University of Alberta community.
- CCR support students to explore and enhance their physical, mental, emotional and spiritual wellbeing through physical and social activity.
- CCR operates and maintains over 750,000 sq.ft. of sport and recreation activity space, including 37 facilities on north campus.
- CCR operates student oriented sport, recreation and wellness programs with support or student volunteers in the areas of intramurals and club sports.
- CCR manages dedicated funding to support Wellness Programs, which provide:
  - Social and physical Wellness opportunities for students
  - Opportunity to bring wellness leaders together to deliver a comprehensive wellness package to students
  - Provide an inclusive and welcoming space for all individuals
- Athletics is able to operate 22 Golden Bears and Pandas Varsity teams for 500 student athletes that compete annually for national championships
- Athletics are able to recruit over 100 student athletes per year
- Athletics host over 100 events per year for students and community

### Current MNIF Services and Subsidies

- Access to the following facilities: Fitness Centre, Climbing Centre, Aquatics Centres, Arena, Pavillion, Racquet Courts, Multiple Studios, Gymnasiums and drop-in Change Rooms
- Access to the following events:
  - Free regular season Athletics events
  - Subsidized playoff and non-conference events
- Access to Drop-in Recreational Activities including:
  - Basketball
  - Badminton
  - Pickleball
  - Swimming
  - Climbing
  - Court Sports
  - Beach Volleyball
- Discount for Registered Programs, Activities and Events including
  - Intramurals
  - Club Sports
  - Fitness programs
  - Dance programs

- Wellness programs
  - Turkey Trot
  - Red-Eye Multi-sports
  - Pond Hockey
- Access to sport equipment such as balls, racquets, nets for drop-in play
  - Casual hourly employment for hundreds of students from all Faculties

### **Financial Implication of API Freeze**

The current Athletics and Rec Fee pays for part of the cost to provide sport and recreation services to students. The following does not depict all the inflationary costs faced by Athletics and CCR.

*MNIF Agreement in effect starting 16/17 fiscal year						
		Forecast	Projected			
CCR and Athletic		2020-2021	2019-2020	2018-19	2017-18	2016-17
	Salaries	10,998,004	10,835,472	10,889,977	10,740,740	10,399,257
	Benefits	2,389,582	2,275,792	2,270,652	2,167,600	2,092,164
		13,387,586	13,111,264	13,160,629	12,908,340	12,491,421
		2.11%	-0.38%	1.95%	3.34%	
<b>If API increased annually</b>						
	Cost Increases	276,322	- 49,365	252,289	416,919	
	API Increases (2.7%)	184,831	171,402	162,785	156,600	
	Differences	- 91,491	220,767	- 89,504	- 260,319	
	Total of Differences	- 220,547				
<b>One time Increase</b>						
	Cost Increases	276,322	- 49,365	252,289	416,919	
	API Increase	600,000				
	Differences	323,678	49,365	- 252,289	- 416,919	
	Total of Differences	- 296,165				

**Appendix B: Current Proportion of Academic Support Fee to each Unit**

<b>Unit</b>	<b>Percentage of Academic Support Fee Revenue</b>
Dean of Students (including Augustana Student Services)	45.57%
FGSR	6.70%
IT	19.60%
RO	20.14%
Financial Services	4.68%
UAI	3.30%

**FINAL Item No. 6**
**Governance Executive Summary  
 Action Item**

<b>Agenda Title</b>	<b>University of Alberta 2020-21 Budget</b>
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**Motion**

<p>THAT the Academic Planning Committee, acting with delegated authority from the General Faculties Council, recommend that the Board of Governors approve the 2020-21 consolidated budget as set forth in Attachment 1.</p>
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**Item**

Action Requested	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Recommendation
Proposed by	Gitta Kulczycki, Vice-President (Finance and Administration) Steven Dew, Provost and Vice-President (Academic)
Presenter(s)	Gitta Kulczycki, Vice-President (Finance and Administration) Steven Dew, Provost and Vice-President (Academic)

**Details**

Responsibility	Vice-President (Finance and Administration) Provost and Vice-President (Academic)
The Purpose of the Proposal is <i>(please be specific)</i>	To submit the proposed University of Alberta 2020-21 Budget for recommendation to the Board of Governors.
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p>The University of Alberta 2020-21 Budget document provides a comprehensive overview of the university's budget, inclusive of all its component parts.</p> <p>It has been developed during a time of change and uncertainty. The province is in the process of implementing significant fiscal restraint as it deals with the impact of ongoing deficits and increasing debt levels. The fiscal measures announced in the fall impacted university finances in the 2019-20 year and set out expectations of what is yet to come.</p> <p>In the October 2019 budget, government indicated its intention to implement additional 5% cuts (on average) to the system's operating grants in each of the three following years: 2020-21 through 2022-23. A performance-based funding model is also expected to be implemented starting April 1, 2020. Although not finalized, the results of some or all of the performance measures that government is considering will effectively put 15% of the Campus Alberta Grant at risk.</p> <p>Within this context, the details of the proposed budget are outlined in the attached document.</p>
Supplementary Notes and context	<This section is for use by University Governance only to outline governance process.>

**Engagement and Routing (Include meeting dates)**

Consultation and Stakeholder Participation	<p><u>Those who are actively participating:</u></p> <ul style="list-style-type: none"> <li>• Provost and Vice-President (Academic)</li> <li>• Vice-President (Finance &amp; Administration)</li> <li>• Vice-President (Facilities &amp; Operations)</li> </ul>
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Item No. 6

(parties who have seen the proposal and in what capacity)  <For information on the protocol see the <a href="#">Governance Resources section Student Participation Protocol</a> >	<b><u>Those who have been consulted:</u></b>
	<ul style="list-style-type: none"> <li>• President's Executive Committee - Strategic</li> <li>• Resource Planning</li> </ul>
	<b><u>Those who have been informed:</u></b>
	<ul style="list-style-type: none"> <li>•</li> </ul>
Approval Route (Governance) (including meeting dates)	Academic Planning Committee – February 26, 2020 Board Finance and Property Committee (recommendation) – February 27, 2019 Board of Governors (approval) – March 13, 2020

**Strategic Alignment**

Alignment with <i>For the Public Good</i>	Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all Albertans. OBJECTIVE: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals. i. Strategy: Seek and secure resources needed to achieve and support our strategic goals. ii. Strategy: Ensure a sustainable budget model to preserve and enhance our core mission and reputation for excellence in teaching, learning, research, and community engagement.	
Alignment with Institutional Risk Indicator	Please note below the specific institutional risk(s) this proposal is addressing.	
	<input type="checkbox"/> Enrolment Management <input type="checkbox"/> Faculty and Staff <input checked="" type="checkbox"/> Funding and Resource Management <input type="checkbox"/> IT Services, Software and Hardware <input type="checkbox"/> Leadership and Change <input type="checkbox"/> Physical Infrastructure	<input type="checkbox"/> Relationship with Stakeholders <input type="checkbox"/> Reputation <input type="checkbox"/> Research Enterprise <input type="checkbox"/> Safety <input type="checkbox"/> Student Success
Legislative Compliance and jurisdiction	<i>Post-Secondary Learning Act</i> BFPC Terms of Reference	

1. University of Alberta 2020-21 Budget (23 pages)

Prepared by: Giovana Bianchi, Senior Administrative Officer, Finance and Administration  
([giovana.bianchi@ualberta.ca](mailto:giovana.bianchi@ualberta.ca))



# University of Alberta

## 2020-21 Budget



February 21, 2020

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## 1. Introduction

The University of Alberta's 2020-21 budget has been developed during a time of change and uncertainty. The province is in the process of implementing significant fiscal restraint as it deals with the impact of ongoing deficits and increasing debt levels. The fiscal measures announced in the fall impacted university finances in the 2019-20 year and set out expectations of what is yet to come.

On October 24, 2019, the Government of Alberta tabled its 2019 budget. The budget indicated that the provincial government is now moving to a new model for funding post-secondary institutions based on recommendations from the Blue Ribbon Panel on Alberta's Finances. The changes announced in the budget included:

- Reductions to the Campus Alberta grant (average of 5.1% cut across the sector with differential cuts to institutions in 2019-20, based on government's assessment of institutions' ability to manage in-year reductions).
- The development of a new performance-based funding formula (to be implemented effective April 1, 2020).
- Permitted domestic tuition increases of up to an average of 7% in each of the next three years (starting in 2020-21).

The impact of the October budget to the University of Alberta was an in-year funding cut of 6.9% (\$44.4M), and the complete elimination of Infrastructure Maintenance Program funding (IMP) for 2020-21, a \$34.9M reduction.

In the October budget government indicated its intention to implement additional 5% cuts (on average) to the system's operating grants in each of the three following years: 2020-21 through 2022-23. Government also announced it will be implementing a performance-based funding model starting April 1, 2020. Although not finalized, some possible performance measures tied to funding identified by our Ministry since that time include:

- Skills and labour market outcome measures including: graduate employment rate; employment in a related job; time to find employment; graduate median income; access to career/employment services; and work integrated learning
- Institutional performance measures including: administrative expense ratio; Campus Alberta Grant dependency ratio; own source revenue; expenditure targets; and student enrolment including a) domestic, b) international, c) Indigenous and d) high demand programs
- Research and teaching metrics including: sponsored research revenue (for the research intensive universities of which University of Alberta is one); and skills and competencies.

In the fiscal year starting April 1, 2020, the results of some or all of these performance measures will effectively put 15% of the Campus Alberta Grant at risk. This will increase to 25% at risk for 2021-22 and to 40% at risk for 2022-23 and onwards.

While the government indicated an expected average grant reduction of 5% in 2020-21, our specific percentage is yet unknown. We also do not yet know our targets for the performance measures and how they will be weighted and applied for our institution. Therefore, the 2020-21 budget was developed with the assumption that there would be a 5% decrease in our Campus Alberta Grant, and that no change to our grant would occur as a result of the implementation of the performance measures tied to funding at risk. Additionally, we have budgeted based upon an expectation that the Infrastructure Maintenance Program will return to its previous level of \$34.9M. This expectation was articulated in correspondence from the Minister received after the October budget was tabled.

The 2020-21 fiscal year will also mark the first phase of implementation of the University of Alberta's new budget model. This model will:

- Bring transparency to the allocation of resources
- Help us to align spending with strategic academic priorities
- Create a culture of long-term academic planning
- Encourage better decision making

The budget model is activity-based. Faculty revenues depend on teaching and research activities, the University's two core mandates, rather than on the historical allocation of resources. The model includes the allocation of space and classroom costs to faculties which serves to align costs where space usage decisions are made, and should promote the more efficient use of space. The university is taking a 3 year phased approach to full implementation, with 2020-21 being the first year of that transition. Various elements will be implemented over this time frame to ensure successful integration of the model.

## 2. Consolidated Budget

The consolidated budget for the upcoming year, as well as projections for the following two years, are presented below and include all university activities.

(\$000's)	2018-19	2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	946,643	983,086	883,029	863,349	838,222	808,149
Federal and other government grants	209,900	196,265	204,808	208,037	210,169	212,335
Student tuition and fees	353,280	359,053	364,799	395,417	424,614	455,013
Sales of services and products	214,434	215,928	213,047	216,284	224,311	230,359
Donations and other grants	146,752	138,061	132,079	133,676	135,100	136,546
Investment income	94,489	84,682	82,823	85,519	85,555	85,967
<b>Total revenue</b>	<b>1,965,498</b>	<b>1,977,075</b>	<b>1,880,585</b>	<b>1,902,282</b>	<b>1,917,971</b>	<b>1,928,369</b>
<b>Expense</b>						
Salaries	942,685	976,351	933,592	929,725	934,040	938,092
Employee benefits	184,786	199,075	207,875	207,021	207,196	211,380
Materials, supplies and services	276,808	298,588	285,888	290,866	289,820	291,538
Scholarships and bursaries	125,476	130,124	129,455	134,735	141,551	146,358
Maintenance and repairs	93,620	107,061	107,001	103,667	102,875	96,961
Utilities	46,829	50,174	48,903	51,671	52,078	53,189
Amortization of tangible capital assets	172,006	177,953	184,557	183,871	186,198	188,693
<b>Total expense</b>	<b>1,842,210</b>	<b>1,939,326</b>	<b>1,897,271</b>	<b>1,901,556</b>	<b>1,913,758</b>	<b>1,926,211</b>
<b>Annual operating surplus (deficit)</b>	<b>123,288</b>	<b>37,749</b>	<b>(16,686)</b>	<b>726</b>	<b>4,213</b>	<b>2,158</b>
Impact of Future Benefit Liability	(19,424)	(26,233)	2,211	924	(1,756)	(1,879)
<b>Annual operating surplus (deficit)</b>	<b>103,864</b>	<b>11,516</b>	<b>(14,475)</b>	<b>1,650</b>	<b>2,457</b>	<b>279</b>

In addition to the consolidated budget above, which will appear in the institution's audited financial statements, Public Sector Accounting Standards (PSAS) also require a budget for the Statement of Change in Net Financial Assets. This budget is derived from the figures included in the consolidated budget and represents the budgeted change in the institution's financial assets (including endowments) less financial liabilities:

(\$000's)	2018-19	2019-20	2020-21
	Actual	Forecast	Budget
Annual surplus	198,751	(16,686)	726
Acquisition of tangible capital assets	(124,342)	(161,059)	(225,201)
Amortization of tangible capital assets	172,006	184,557	183,871
Loss on disposal of tangible capital assets	275	-	-
	47,939	23,498	(41,330)
Change in prepaid expenses	(137)	(170)	(166)
Change in spent deferred capital contribution:	(53,054)	(51,688)	4,550
Change in remeasurement gains and losses	(25,058)	6,812	58,788
<b>Increase (decrease) in net financial assets</b>	<b>168,441</b>	<b>(38,234)</b>	<b>22,568</b>
<b>Net financial assets, beginning of year</b>	<b>1,166,052</b>	<b>1,334,493</b>	<b>1,296,259</b>
<b>Net financial assets, end of year</b>	<b>1,334,493</b>	<b>1,296,259</b>	<b>1,318,827</b>

The consolidated budget for the institution includes the Operating, Ancillary, Research, Capital and Special Purpose funds.

- **Operating** relates to the funds within the university's budget that represent the general operations of the institution. The revenue sources support the core teaching activities and the indirect costs of research. The university's budget process focuses on the allocation of these funds.
- **Ancillary** relates to cost recovery operations within the University of Alberta. These units are expected to be stand-alone enterprises that are funded by their own revenues. Major operations include residence and hospitality services, parking services and utilities.
- **Research** includes the annual spending allocation for research-related endowments and other research funding used in the direct pursuit of research endeavours. These are generally subject to restrictions and can only be used for the purposes for which the funds were provided.
- **Capital** includes both restricted and unrestricted funding used for major capital projects and large deferred maintenance projects.
- **Special Purpose** relates primarily to the Academic Medicine and Health Services Program (AMHSP), and the annual spending allocation for undergraduate student awards and non research-related endowment funds held by the university.

One other comment to note about the university's budget. There is a line towards the bottom of the numbers presented above called: Impact of Future Benefit Liability. This relates to an increase in the benefit liability for the university's employee pension plans. It is removed from the overall financial picture as these amounts represent the change in the pension obligations and are not funds available to be used for any other purpose. The amount is projected (by the plan actuaries) to be nominal for 2020-21, in previous years it has been significant (for example, this amount in the budget for 2019-20 was \$26.2M).

Following is the 2020-21 consolidated budget segregated into the various funds identified above.

(\$000's)	Ancillary				Special Purpose	Total
	Operating	Operations	Research	Capital		
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	604,489	-	80,960	100,302	77,598	<b>863,349</b>
Federal and other government grants	21,159	-	167,609	19,269	-	<b>208,037</b>
Student tuition and fees	395,417	-	-	-	-	<b>395,417</b>
Sales of services and products	103,944	94,944	17,271	-	125	<b>216,284</b>
Donations and other grants	10,622	-	93,312	27,182	2,560	<b>133,676</b>
Investment income	15,000	1,276	48,279	-	20,964	<b>85,519</b>
<b>Total revenue</b>	<b>1,150,631</b>	<b>96,220</b>	<b>407,431</b>	<b>146,753</b>	<b>101,247</b>	<b>1,902,282</b>
<b>Expense</b>						
Salaries	694,040	21,221	163,588	-	50,876	<b>929,725</b>
Employee benefits	160,464	5,156	27,472	-	13,929	<b>207,021</b>
Materials, supplies and services	103,454	26,060	131,409	9,096	20,847	<b>290,866</b>
Scholarships and bursaries	45,977	1	76,940	-	11,817	<b>134,735</b>
Maintenance and repairs	30,812	26,542	4,398	41,797	118	<b>103,667</b>
Utilities	45,221	6,090	360	-	-	<b>51,671</b>
Amortization of tangible capital assets	53,435	15,742	-	114,694	-	<b>183,871</b>
<b>Total expense</b>	<b>1,133,403</b>	<b>100,812</b>	<b>404,167</b>	<b>165,587</b>	<b>97,587</b>	<b>1,901,556</b>
<b>Annual operating surplus (deficit)</b>	<b>17,228</b>	<b>(4,592)</b>	<b>3,264</b>	<b>(18,834)</b>	<b>3,660</b>	<b>726</b>
Impact of Future Benefit Liability	924	-	-	-	-	<b>924</b>
<b>Annual operating surplus (deficit)</b>	<b>18,152</b>	<b>(4,592)</b>	<b>3,264</b>	<b>(18,834)</b>	<b>3,660</b>	<b>1,650</b>

An overview for each individual fund follows, including the key assumptions used in the development of the budget and the projections for the following two years.

## 2.1. Operating Budget

### 2019-20 Forecast

The 2019-20 operating budget was originally developed with the assumption that provincial government funding would remain the same as the previous year.

The October 2019 provincial budget outlined in-year reductions of \$79.3M as the result of a 6.9% cut to the Campus Alberta Grant (\$44.4M) and the elimination of all Infrastructure Maintenance Program funding (\$34.9M). The Campus Alberta Grant cuts were applied differentially across the sector with reductions ranging from 0% to 7.9%. Infrastructure Maintenance Program funding was eliminated across all post-secondary institutions for 2019-20.

As is the university's practice, the budget for 2019-20 was not reopened subsequent to its approval by our board in March of 2019. Rather, the reductions were dealt with in year on a one-time basis, through the following actions:

- Cancelled as possible all maintenance and infrastructure projects and absorbed a portion of the cut centrally through a number of measures, for a total of \$34.2M.
- The remaining shortfall of \$45.1M was addressed by implementing a one-time in-year cut of 4.7% to the faculties, and an average in-year cut to the academic support units of 8% (applied differentially).

The base reductions from 2019-20 are being addressed in the 2020-21 budget. In addition, the budget for the 2020-21 fiscal year is built on the planning parameter that the grant will be decreased by a further 5% (\$30.1M). This brings the total ongoing cut to the Campus Alberta Grant to \$74.5M (\$44.4M + \$30.1M) to be addressed in the 2020-21 budget. The approach is as follows:

- \$48.7M is applied differentially to the faculties (based upon the new budget model results) offset by additional tuition revenues of \$21M that now flow directly to faculties. This brings the net reduction to the faculties to \$27.7M.
- The academic support unit budgets are being cut on a differential basis by a total of \$25M.
- The remaining \$0.8M is addressed centrally relating to small miscellaneous items.

For the following two fiscal years, our projections have been prepared with a planning parameter that the Campus Alberta Grant will be cut by an additional 5% in each of those years. As we have limited insight on the performance measures and how they may be applied to the University of Alberta, we have assumed no additional change in the Campus Alberta Grants, beyond this 5% each year.

Aligning university operations with the much lower level of government support these reductions represent will not be easy. What measures and strategies are being pursued?

- The implementation of the new budget model briefly described in the introduction section creates positive incentives for supporting our teaching and research mandates.
- We continue with a strict hiring constraint. Regrettably, as a large majority of our operating expenditures relates to people, we have experienced some layoffs and will see further realignments of roles and functions.
- We are pursuing a strategy of reducing our leased space and repatriating groups/units back to university owned buildings. While this has short term costs in terms of aligning campus space to accommodate those groups/units, this will yield longer term savings.
- Travel expenditures are being curtailed, being mindful that a bulk of these expenditures are related to our research mandate, student recruitment, and increasing philanthropic donations.
- Hosting expenditures are being curtailed.
- We will be using information from the first set of data from our participation in an international administrative benchmarking program to improve efficiency and effectiveness in administrative processes.
- We are using a data driven approach to look at metrics in our classrooms and realign program and section offerings where it makes sense to do so.
- We are revisiting service agreements with contractors, pushing for savings and reduced costs.
- We are looking at what revenue levers are available to us, including tuition increases and philanthropic efforts.



## Operating Revenues

### 2.1.1.1. Government of Alberta Grants

As noted in the introduction, the institution continues to approach the upcoming fiscal year with caution due to the uncertainty generated by the pending performance-based funding model coupled with the government's intention to reduce overall post-secondary spending by an average of 5%. Our planning parameter for 2020-21 has set our Campus Alberta Grant reduction at 5%, which represents approximately \$30.1M.

### 2.1.1.2. Federal and Other Government Grants

The largest component of this category relates to the Federal Research Support Fund provided to the institution in order to support research grants provided by the Tri-Council agencies. The amount budgeted for the 2020-21 fiscal year is consistent with the amount forecast for 2019-20 at \$18M.

### 2.1.1.3. Student Tuition and Fees

The 2020-21 budget marks a change in the approach to student tuition rates. The domestic tuition freeze that had been in place since 2015 has been lifted by the government effective with the entering class of September 2020. Institutions are permitted to increase domestic tuition by an average of 7% across all programs for the next three years. Also, in response to the government's Bill 19, the University of Alberta has implemented a program-based tuition model for new incoming international students effective with the entering class of September 2020. This latter change will provide greater cost certainty for their duration of study. Government guidelines also require that international tuition rates are set at cost-recovery, at minimum.

The budget incorporates enrolment remaining at the same level as for 2019-20. Student numbers for 2019-20 are 32,424 and 8,225 for undergraduate and graduate students respectively (headcount basis). This is the highest enrolment ever experienced at the University of Alberta. The budget incorporates holding that level of enrolment for 2020-21, as well as in the two subsequent years. While the institution does see increased enrolment as a potential opportunity, it still approaches the budget with caution recognizing the current year represents record enrolment levels.

Further details on the tuition increases are presented below for both undergraduate and graduate students for the 2020-21 fiscal year.

#### Undergraduate

Tuition for both incoming and continuing domestic students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

For new undergraduate international students, they will be provided a fixed annual tuition fee based on assumption of a full course load for their four (three in the case of the School of Business) year academic career. These students are permitted five years (four years in the case of Business as it is a three year program) to take the courses without the payment of additional tuition. This tuition methodology was developed in response to the government's Bill 19 requiring us to provide international students with more certainty in the cost of their education. These rates are increased by 3% for the incoming students in the 2021-22 fiscal year.

Existing undergraduate international students are excluded from the program based tuition model. For these students, the tuition increase is 4% for all years shown.

The current financial support set aside for both incoming and continuing international students will remain at 7.55% of international student tuition. This model has been in place since the inception of international tuition differentials at the institution.

### Graduate

Tuition for incoming domestic graduate (thesis-based) students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

Tuition for continuing domestic graduate (thesis-based) students reflects a 7% increase with a built in rebate to reduce the overall increase to 2.67% (representing the overall increase in university specific cost drivers). This rebate would be in place for the next four years. The overall net increase in the 2021-22 and the 2022-23 fiscal years is estimated at 3%.

Tuition for both incoming and continuing domestic graduate (course-based) students reflects a 7% increase with a 15% offset of the increase to be dedicated to student financial support.

Tuition for continuing international graduate (thesis-based) students reflects a 7% increase with a built in rebate to reduce the overall increase to 2.67% (as described above). The overall net increase in the 2021-22 and the 2022-23 fiscal years is estimated at 3%.

Tuition for continuing international graduate (course-based) students reflects a 4% increase for the 2020-21 fiscal year.

For new international graduate students, they will be provided a fixed annual tuition fee for 4 (masters) and 6 (PhD) years in order to finish their program. This tuition methodology was developed in response to the government's Bill 19 requiring us to provide international students with more certainty in the cost of their education.

The current financial support offset for both incoming and continuing international students will remain at the current level of 7.55% of international student tuition. This model has been in place since the inception of international tuition differentials at the institution.

#### Mandatory Non-Instructional Fees

Mandatory non-instructional fees have also been frozen since 2015 and as a result will be increased by 2.67% (representing the overall increase in university specific cost drivers) for the 2020-21 fiscal year.

#### 2.1.1.4. Investment Income

As noted in previous years, the University of Alberta had become reliant on investment income from non-endowed funds to support ongoing expenditures. Given the inherent uncertainty to this type of income, a strategy had been developed to reduce dependence on this income stream at a measured pace.

Given the budgetary challenge of responding to the rapid reduction in government funding, we have altered our approach. For 2020-21, investment income to support operational expenditures remains at \$15 million, the same level as for 2019-20. Any investment revenues realized in excess of these amounts will be set aside, first to fully fund the required 17% reserve calculated on the principal of funds invested to allow for market fluctuations, and subsequently to fund a strategic initiatives fund. The 17% reserve is required as the cash flow the university invests to generate these earnings is otherwise owed to faculties, units and researchers.

The investment income projections for the following two years are based on reducing the amount by \$1 million per year, to \$14 million for 2021-22 and \$13 million for 2022-23. Previous plans had incorporated reducing this support at the rate of \$2 million per year.

This altered approach will delay the introduction of the strategic initiatives fund by at least two years. The need for such a fund remains; it will provide a source for important initiatives, for example, the need to provide matching contributions for some federal research grant opportunities.

#### 2.1.1.5. All Other Sources of Revenues

These revenue streams are budgeted with an increase comparable to Alberta CPI for the year. These funds flow directly to the faculty or unit from which they are generated, and as a result, have no impact on the amount of budget allocation that is distributed by the university.

### 2.1.1. Operating Expenditures

Unless otherwise stated, operating expenditures are expected to grow by 1.90% in the 2020-21 fiscal year, representing the estimated Alberta CPI.

#### 2.1.3.1. Salaries

Salaries are expected to decrease year over year due to two significant factors:

- Merit is expected to increase salaries for existing staff
- This is more than offset by the impact of staffing reductions required to manage the grant reductions.

#### 2.1.3.2. Benefits

Benefits costs per capita are expected to increase at a rate of 2.6%, more than offset by the impact of reduced staffing levels.

#### 2.1.3.3. Institutional Budget Priorities

The following budgetary pressures were accommodated within our budget planning for 2020-21.

- Increase in utilities cost of approximately \$2.4M
- Faculty secondment model \$2.4M. The model does not represent an increase in costs and will be used solely to compensate faculties when faculty members assume central academic roles.
- Student support in the form of scholarships and bursaries will increase in order to assist domestic and international students with the increasing tuition levels. A portion of the increased tuition revenues will be set aside to support this financial aid.

### 2.1.2. Overall Budget Planning Assumptions

The above discussion provides insights into the assumptions and planning parameters used to develop the operating budget for next fiscal year. The table below provides a summary of these, along with the similar figures used for the next two years.

<b>Revenue</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Operating Grant	-5%	-5%	-5%
Domestic Tuition	7%	7%	7%
Financial aid (holdback of increased domestic tuition dollars)	15%	15%	15%
International Tuition (Existing students)	4%	4%	4%
International Tuition (Program Based)	Custom	Custom	Custom
Financial aid (holdback of international total tuition to be used for student support)	7.55%	7.55%	7.55%
Mandatory Non- Instructional Fees	2.67%	2.67%	2.67%
Investment Income	\$15 million	\$14 million	\$13 million

Custom – international program-based tuition rates vary across programs

<b>Expenditures</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
ATB (NASA & AASUA)	TBN	TBN	TBN
Merit (NASA & AASUA - based on one-step merit)	1.58%	1.58%	1.58%
ATB (graduate students and post- doctoral fellows)	TBN	TBN	TBN
Employee Benefits	Custom	Custom	Custom
Other Costs	1.90%	1.90%	2.00%

ATB - Across the board salary increase

TBN - To be negotiated

Custom - benefits amounts are calculated using a combination of staff headcounts, staff salaries and benefit costs / rates particular to each employee group

Another key consideration in developing the institutional budget is the underlying sensitivities concerning major revenue sources and expenditure types. The following represent the key sensitivities.

<b>Sensitivity</b>	<b>Amount</b>
Operating Grant (1% change)	\$5.7M
Domestic Tuition (1% change)	\$1.6M
International Tuition (1% change to existing students)	\$0.8M
Undergraduate student (1% change in enrolment)	\$2.6M
Mandatory Non-Instructional Fees (1% change)	\$0.3M
ATB (1% for NASA and AASUA)	\$6.4M
Merit (annual impact)	\$7.4M
Employee Benefits (1% increase in staff headcount)	\$1.7M
Employee Benefits (1% increase in salary of current staff)	\$0.8M

The table below provides an overall outline of the following in relation to the operating budget:

- Actual results for 2018-19
- Budget and forecast for the year ending March 31, 2020
- Budget for the year ending March 31, 2021
- Projections for the years ending March 31, 2022 and March 31, 2023

(\$'000's)	2018-19	2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	679,812	679,517	634,969	604,489	575,883	548,707
Federal and other government grants	19,504	20,157	20,764	21,159	21,561	21,992
Student tuition and fees	353,280	359,053	364,799	395,417	424,614	455,013
Sales of services and products	104,724	106,676	102,006	103,944	105,919	108,038
Donations and other grants	10,334	10,759	10,424	10,622	10,824	11,041
Investment income	36,878	15,000	15,000	15,000	14,000	13,000
<b>Total revenue</b>	<b>1,204,532</b>	<b>1,191,162</b>	<b>1,147,962</b>	<b>1,150,631</b>	<b>1,152,801</b>	<b>1,157,791</b>
<b>Expense</b>						
Salaries	701,822	720,496	700,709	694,040	697,844	701,727
Employee benefits	139,944	151,718	162,236	160,464	160,376	164,377
Materials, supplies and services	101,352	113,883	109,715	103,454	103,441	103,571
Scholarships and bursaries	38,462	40,248	42,608	45,977	50,907	53,777
Maintenance and repairs	34,667	37,186	32,769	30,812	35,796	35,837
Utilities	40,957	42,792	41,966	45,221	45,955	46,945
Amortization of tangible capital assets	39,607	51,008	53,048	53,435	54,490	55,725
<b>Total expense</b>	<b>1,096,811</b>	<b>1,157,331</b>	<b>1,143,051</b>	<b>1,133,403</b>	<b>1,148,809</b>	<b>1,161,959</b>
<b>Annual operating surplus (deficit)</b>	<b>107,721</b>	<b>33,831</b>	<b>4,911</b>	<b>17,228</b>	<b>3,992</b>	<b>(4,168)</b>
Impact of Future Benefit Liability	(19,424)	(26,233)	2,211	924	(1,756)	(1,879)
<b>Annual operating surplus (deficit)</b>	<b>88,297</b>	<b>7,598</b>	<b>7,122</b>	<b>18,152</b>	<b>2,236</b>	<b>(6,047)</b>

## 2.2. Ancillary Operations

Ancillary operations at the University of Alberta are comprised of the following:

- Residence and dining services provided on three of our five campuses
- Parking operations
- The University Bookstore
- Commercial property and real estate
- The University-owned District Energy System (serves the U of A [North Campus], Alberta Health Services, the Government of Alberta, and other proximate customers)
- ONEcard office

As noted earlier in the document, ancillary operations are stand-alone enterprises funded by self-generated revenues, meaning each is required to cover operating costs as well as establish appropriate and adequate operating and capital reserves. To the extent debt financing may be utilized for capital enhancements or to address deferred maintenance, revenues must also cover the cost of repayment together with the applicable interest.

The following guiding principles govern how residence and dining services are offered:

- Quality housing and good nutrition are critical to student academic and experiential success.

- Residence and dining services must operate on a financially sustainable basis having due regard for operating costs, addressing deferred maintenance, as well as maintaining operating and capital reserves. No profit is sought, but no loss is acceptable either.
- All funds received from students for shelter and food stay within the residence and dining system.
- No student tuition or government base, capital, or maintenance funding is available for investment in residences or dining operations.
- Residences will be operated as a system.
- Student input is highly valued. Students will assist in shaping the development of residence and dining plans and priorities to sustain and improve the residence and food system.

Specifically in the residence system, for many years, efforts were made to keep student costs as low as possible, which was reflected in the rates charged to students living in residences. Unfortunately, the resulting revenues were not sufficient to cover the system’s operating costs while still allowing for adequate investments in maintenance and renewal activities. As a result, the residence system has accumulated a significant deferred maintenance liability (approximately \$86.5 million). Additionally, insufficient operating and capital reserves have necessitated that new residence construction and major refurbishments be mostly debt-financed.

Despite the financial challenges present in our residence and dining operations, we continue to invest in infrastructure to ensure our residences and food service outlets meet the needs of our students, faculty, staff, and visitors. The following projects are in varying states of progress to, above all, improve our students’ experience.

	<b>2019-20 Forecast</b>	<b>2020-21 Budget</b>	<b>2021-22 Projection</b>	<b>2022-23 Projection</b>
<b>Central Academic Building (Dining services)</b>	4,370	1,220	-	-
<b>Lister Complex</b>	11,863	32,225	27,063	13,349
<b>HUB Residences</b>	2,288	2,000	2,000	2,000

As mentioned above, many projects, some dating back years, have been debt-financed because insufficient capital reserves were in place to allow acquisitions, new construction, or renovations to proceed otherwise. As of September 2019, the residence system is carrying \$226.2 million in mortgage debt with terms extending to 2049. Residence rental rates must be sufficient to also repay this mortgage debt over time.

Significant efforts are underway to reduce costs across the residence system and strategically shed residence inventory that is incapable of meeting today’s students’ expectations. While the numbers look unfavourable for the near term, the trajectory is positive.



For the 2020-21 academic year, increased revenues for ancillary operations are driven predominantly by the following rate increases:

- A proposed 5% increase in all residence rates. This is the second of three years of 5% increases originally presented in 2018.
- New rates assessed for substantially renewed suites in Mackenzie Hall.
- A proposed 2.9% increase in meal plan rates.
- A 1.9% increase in monthly parking rates.

The overall increase in ancillary expenditures relate to a number of factors including the following:

- Increased debt principal and interest expense resulting from the Lister Tower renewal project.
- Increased costs associated with implementing improved Wi-Fi in all residences.
- Increased maintenance in renewing parking facilities (e.g. resurfacing).

(\$'000's)	2018-19		2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	-	-	-	-	-	-	-
Federal and other government grants	-	-	-	-	-	-	-
Student tuition and fees	-	-	-	-	-	-	-
Sales of services and products	91,476	94,838	93,646	94,944	100,996	104,925	
Donations and other grants	10	-	-	-	-	-	-
Investment income	14	-	1,529	1,276	512	24	
<b>Total revenue</b>	<b>91,500</b>	<b>94,838</b>	<b>95,175</b>	<b>96,220</b>	<b>101,508</b>	<b>104,949</b>	
<b>Expense</b>							
Salaries	20,610	20,063	20,397	21,221	21,683	21,801	
Employee benefits	4,503	4,352	4,778	5,156	5,415	5,594	
Materials, supplies and services	29,190	23,470	23,216	26,060	27,128	27,355	
Scholarships and bursaries	-	-	-	1	1	1	
Maintenance and repairs	21,726	24,999	23,615	26,542	26,441	26,714	
Utilities	5,525	6,956	6,583	6,090	5,755	5,869	
Amortization of tangible capital assets	20,829	10,534	15,516	15,742	15,722	15,702	
<b>Total expense</b>	<b>102,383</b>	<b>90,374</b>	<b>94,105</b>	<b>100,812</b>	<b>102,145</b>	<b>103,036</b>	
<b>Annual operating surplus (deficit)</b>	<b>(10,883)</b>	<b>4,464</b>	<b>1,070</b>	<b>(4,592)</b>	<b>(637)</b>	<b>1,913</b>	

## 2.3. Research

Research revenues at the University of Alberta come from five major sources:

- Government of Alberta grants from a number of Ministries
- Federal government grants including those provided by the Tri-Council Agencies
- Fee-for-service research activities for outside entities
- Donations and nongovernmental grants
- The endowment spending allocation resulting from research-related endowments

Research productivity is expected to remain strong and the budgeted research revenues are expected to remain fairly stable in the upcoming year. The full impact of the Government of Alberta spending cuts to Ministries supporting research grants is not yet known and therefore this represents an area of risk to the budget. Funding to both Economic Development and Alberta Innovates have been significantly reduced over the past two years. Given the project based and restricted nature of this funding, coupled with changes to Alberta Innovates, it is difficult to predict the full impact to the University of Alberta's future research funding.

(\$000's)	2018-19	2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	108,137	120,996	83,670	80,960	81,692	82,426
Federal and other government grants	172,154	155,969	164,557	167,609	169,122	170,642
Student tuition and fees	-	-	-	-	-	-
Sales of services and products	17,271	14,181	17,271	17,271	17,271	17,271
Donations and other grants	96,281	86,791	91,705	93,312	94,108	94,908
Investment income	38,746	48,952	46,227	48,279	49,531	50,853
<b>Total revenue</b>	<b>432,589</b>	<b>426,889</b>	<b>403,430</b>	<b>407,431</b>	<b>411,724</b>	<b>416,100</b>
<b>Expense</b>						
Salaries	163,588	183,216	163,588	163,588	163,588	163,588
Employee benefits	27,472	28,621	27,472	27,472	27,472	27,472
Materials, supplies and services	126,554	136,403	128,958	131,409	134,037	136,718
Scholarships and bursaries	74,098	79,412	75,506	76,940	78,479	80,049
Maintenance and repairs	4,235	4,159	4,315	4,398	4,486	4,575
Utilities	347	426	354	360	368	375
Amortization of tangible capital assets	-	-	-	-	-	-
<b>Total expense</b>	<b>396,294</b>	<b>432,237</b>	<b>400,193</b>	<b>404,167</b>	<b>408,430</b>	<b>412,777</b>
<b>Annual operating surplus (deficit)</b>	<b>36,295</b>	<b>(5,348)</b>	<b>3,237</b>	<b>3,264</b>	<b>3,294</b>	<b>3,323</b>

## 2.4. Capital

### 2.4.1. Capital Investments

While there are capital items purchased or funded with operating and other funds (such as learning materials, IT equipment, and certain renovation projects), the capital budget also incorporates building construction projects and larger scale renewal and maintenance projects.

Throughout this section, it is important to note that the capital plan and the resulting capital budget are developed as 'point-in-time' items. Due to the unpredictable nature with which, for example, government grants, government approval, and philanthropic gifts materialize, capital projects may be added or the scope changed throughout the year. All material changes, regardless of when they occur, remain subject to the institution's normal governance and approval processes.

The capital budget included within the University of Alberta consolidated budget is subject to complex financial accounting requirements. The figures throughout the capital budget have been translated for the purposes of being presented within the institution's audited financial statements.

## 2.4.2. Capital Plan Development

The University develops an annual capital plan and, further, identifies its capital requirements in a submission to the Government of Alberta through the Building and Land Inventory System (BLIMS). Recent submissions, the latest submitted in August 2019, included a number of priorities with a particular focus on the renewal and refurbishment of existing buildings. The following capital budget is reflective of the information contained within the capital plan and that which was provided within the BLIMS submission.

## 2.4.3. Capital Budget

(\$000's)	2018-19		2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	87,738	111,122	88,432	100,302	100,302	103,291	99,910
Federal and other government grants	18,242	20,139	19,487	19,269	19,269	19,486	19,701
Student tuition and fees	-	-	-	-	-	-	-
Sales of services and products	-	-	-	-	-	-	-
Donations and other grants	26,664	26,208	27,502	27,182	27,182	27,489	27,792
Investment income	1,078	-	-	-	-	-	-
<b>Total revenue</b>	<b>133,722</b>	<b>157,469</b>	<b>135,421</b>	<b>146,753</b>	<b>146,753</b>	<b>150,266</b>	<b>147,403</b>
<b>Expense</b>							
Salaries	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-
Materials, supplies and services	3,361	3,609	2,909	9,096	9,096	4,250	2,808
Scholarships and bursaries	-	-	-	-	-	-	-
Maintenance and repairs	32,897	40,618	46,174	41,797	41,797	36,034	29,716
Utilities	-	-	-	-	-	-	-
Amortization of tangible capital assets	111,570	116,411	115,993	114,694	114,694	115,986	117,266
<b>Total expense</b>	<b>147,828</b>	<b>160,638</b>	<b>165,076</b>	<b>165,587</b>	<b>165,587</b>	<b>156,270</b>	<b>149,790</b>
<b>Annual operating surplus (deficit)</b>	<b>(14,106)</b>	<b>(3,169)</b>	<b>(29,655)</b>	<b>(18,834)</b>	<b>(18,834)</b>	<b>(6,004)</b>	<b>(2,387)</b>

The deficit in 2019-20 is directly related to two key factors:

- The in-year elimination of the \$34.9 million Infrastructure Maintenance Program (IMP) grant. This reduction was partially mitigated by cancelling a number of projects, which limited the overall exposure to the institution to approximately \$20M. This was largely funded by utilizing \$15 million from the existing investment reserve.
- The remaining gap pertains to projects funded by faculties on a planned basis using their carry forwards from prior years.

Due to the nature of Public Sector Accounting Standards that govern our audited financial statements, we have the added complexity of revenue deferrals. In essence, a large portion of the revenue in the capital fund cannot be recognized until the underlying expenses (predominantly amortization of tangible capital assets) have been incurred. In order to remove this impact, the following three tables provide a view of the capital budget for next year on a “near cash” basis.

Capital Budget: Revenue – Government of Alberta grants provide targeted funding for multi-year capital projects. Government has indicated that the Infrastructure Maintenance Program is expected to return to 2018-19 levels in 2020-21 (at \$34.9 million). This would be welcome given our significant accrued deferred maintenance. That said, we are approaching project planning with an abundance of caution and will defer commitments until funding has been confirmed.

On the assumption that the Infrastructure Maintenance Program funding is restored, following table provides an outline of Government of Alberta revenues on a cash basis:

<b>Capital Budget: Revenue</b>				
(\$000's)	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Projection	Projection
<b>Provincial Government Grants</b>				
Infrastructure Maintenance Program	-	34,914	34,914	34,914
Dentistry/Pharmacy Renewal	48,000	49,000	44,000	56,000
UA District Energy System	9,100	4,900	1,900	-
<b>Subtotal</b>	<b>57,100</b>	<b>88,814</b>	<b>80,814</b>	<b>90,914</b>
Other Projects	35	-	-	-
<b>Total revenue</b>	<b>57,135</b>	<b>88,814</b>	<b>80,814</b>	<b>90,914</b>

Capital Budget: Maintenance and Repairs - These are expenditures related to addressing major maintenance and renewal projects and/or deferred maintenance across campus. These costs are expensed as they do not extend the useful life of the building.

The following table outlines maintenance and repair projects planned within the capital fund.

## Capital Budget: Maintenance and Repairs

(\$000's)

Project	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Projection	Projection
Chemistry West - L1 & L2 Renewal	5,237	5,860	-	-
CAB Renewal	4,370	1,220	-	-
Van Vliet Mens Locker Room Renewal	3,700	55	-	-
Van Vliet Womens Locker Room Renewal	2,794	45	-	-
HUB Mall Renewal	2,288	2,000	2,000	2,000
Integrated Asset Management Strategy Projects <sup>1</sup>	1,400	3,700	557	-
<b>Subtotal</b>	<b>19,789</b>	<b>12,880</b>	<b>2,557</b>	<b>2,000</b>
Other Renovations	15,923	12,300	6,211	450
Infrastructure Maintenance Program (Maintenance)	10,462	16,617	27,266	27,266
<b>Total maintenance and repairs</b>	<b>46,174</b>	<b>41,797</b>	<b>36,034</b>	<b>29,716</b>

1. External lease terminations and densification projects across campus

Capital Budget: Tangible Capital Acquisitions – Major renewal projects often involving both repairs and maintenance in addition to capital additions and/or overall building improvements. The following capital projects represent capital additions to buildings as defined by accounting standards. In this case, the expenditures do not appear on the statement of operations; rather they are captured as investments in tangible capital assets on the university's statement of financial position.

## Capital Budget: Tangible Capital Acquisitions

(\$000's)

Project	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Projection	Projection
Dentistry/Pharmacy Renewal	16,000	65,000	75,000	65,000
Lister Centre Classic Towers (Mackenzie, Henday, Kelsey)	11,863	32,225	27,063	13,349
Chemistry Electrical Vault Replacement	5,800	4,425	-	-
Van Vliet Electrical Vault Infrastructure	5,700	420	-	-
District Energy System	3,000	7,436	2,336	4,336
CAB Air Handling Unit	3,143	-	-	-
Morrison Structures Lab Renewal	1,500	10,500	2,116	-
BARB Mechanical Ventilation & Exhaust Renewal	500	2,582	-	-
Energy Management Upgrades (Envision)	1,702	2,007	3,346	-
<b>Subtotal</b>	<b>49,208</b>	<b>124,595</b>	<b>109,861</b>	<b>82,685</b>
Other Capital Projects	11,396	5,659	1,507	-
Infrastructure Maintenance Program (Capital)	5,111	4,661	7,648	7,648
<b>Total tangible capital acquisitions</b>	<b>65,715</b>	<b>134,915</b>	<b>119,016</b>	<b>90,333</b>

## Tangible Capital Acquisitions

### Operating

(\$000's)

Project	2019-20	2020-21	2021-22	2022-23
	Forecast	Budget	Projection	Projection
NREF Renewal and Renovation	12,391	8,019	200	-
RE Phillips Renovation <sup>1</sup>	2,000	4,000	346	-
South Campus Utility Infrastructure Upgrades	3,780	97	-	-
Other Capital Projects	344	-	-	-
<b>Total operating tangible capital acquisitions</b>	<b>18,515</b>	<b>12,116</b>	<b>546</b>	<b>-</b>
<b>Total tangible capital acquisitions</b>	<b>84,230</b>	<b>147,031</b>	<b>119,562</b>	<b>90,333</b>

1. 1/3 maintenance and 2/3 capital

## 2.4.4. Deferred Maintenance

Excellence in teaching and research needs to be supported by well-functioning labs, classrooms, and other building infrastructure. Unfortunately, government grants alone have been insufficient in addressing the necessary maintenance activities across our campuses, which has resulted in a substantial deferred maintenance liability. As of December 31, 2019, the deferred maintenance liability stands at \$306 million, with a five-year projected aggregate liability of \$865 million.

Need that exceeds available resources requires diligent adherence to a system of prioritizing projects. Relying on Government of Alberta parameters, the priorities are:

- **High – Life, Health, and Safety:** Elements presenting a potential for imminent risk to the life, health, and/or safety of facility occupants and users. They may include structural and support failure, major building system failures, or requirements under a multitude of Codes.
- **Medium – Immediate Needs:** Elements demanding attention to prevent them escalating to Priority One, which will lead to serious or prolonged deterioration of a facility or its systems thereby affecting the operability of a facility or its systems.
- **Low – General Need:** Elements that are non-urgent and which can be planned for over a period of time without undue risk to the facility occupants or facility operability.

Current and projected funding levels require investments in addressing deferred maintenance at the University of Alberta to be limited almost exclusively to those deemed “high” priority.

## 2.5.Special Purpose

There are no expected significant changes impacting these funds over the next three years. Overall revenues and expenses are expected to remain relatively stable.

(\$'000's)	2018-19		2019-20		2020-21	2021-22	2022-23
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	70,956	71,451	75,958	77,598	77,598	77,356	77,106
Federal and other government grants	-	-	-	-	-	-	-
Student tuition and fees	-	-	-	-	-	-	-
Sales of services and products	963	233	124	125	125	125	125
Donations and other grants	13,463	14,303	2,448	2,560	2,560	2,679	2,805
Investment income	17,773	20,730	20,067	20,964	20,964	21,512	22,090
<b>Total revenue</b>	<b>103,155</b>	<b>106,717</b>	<b>98,597</b>	<b>101,247</b>	<b>101,247</b>	<b>101,672</b>	<b>102,126</b>
<b>Expense</b>							
Salaries	56,665	52,576	48,898	50,876	50,876	50,925	50,976
Employee benefits	12,867	14,384	13,389	13,929	13,929	13,933	13,937
Materials, supplies and services	16,351	21,223	21,090	20,847	20,847	20,964	21,086
Scholarships and bursaries	12,916	10,464	11,341	11,817	11,817	12,164	12,531
Maintenance and repairs	95	99	128	118	118	118	119
Utilities	-	-	-	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	-	-
<b>Total expense</b>	<b>98,894</b>	<b>98,746</b>	<b>94,846</b>	<b>97,587</b>	<b>97,587</b>	<b>98,104</b>	<b>98,649</b>
<b>Annual operating surplus (deficit)</b>	<b>4,261</b>	<b>7,971</b>	<b>3,751</b>	<b>3,660</b>	<b>3,660</b>	<b>3,568</b>	<b>3,477</b>

## 3. Concluding Comments

This is a challenging time for the University of Alberta as we respond to a lower level of government support. Many within our community have provided many suggestions for cost-savings since last October. We have been able to pursue a number of them, and continue to look at further

opportunities. People in departments, faculties, and units across the institution have been making thoughtful considered plans and decisions on how we can make adjustments, and yet maintain our support for our core teaching and research mandates. Thank you to everyone in our community for what you do every day.

We continue to live in a time of change and uncertainty. This budget has been developed with financially conservative budget assumptions and we will proceed forward both on a note of caution and prudence and with a commitment to innovation and quality, so that we can continue to fulfill our vision: 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.