

The following Motions and Documents were considered by the Board of Governors during the Open Session of its March 12, 2021 meeting:

Agenda Title: **2021-2022 Mandatory Non-Instructional Fees Proposal**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve a special increase of \$1.50 per each Fall and Winter Term to the Health and Wellness Mandatory Non-Instructional Fee to fund initiatives related to sexual violence coordination and prevention.

Student Fees	Current Rates/Term	Current 2 Terms	API Increase % <sup>1</sup>	API Increase \$	Total after API Increase	Special Increase 2 Terms	Revised Rates 2 Terms
Athletics and Recreation	\$90.20	\$180.40	1.6% <sup>2</sup>	\$2.88	\$183.28	n/a	\$183.28
Health and Wellness	\$61.32	\$122.64	1.6%	\$1.96	\$124.60	\$3.00	\$127.60
Academic Support	\$254.54	\$509.08	1.6%	\$8.12	\$517.20	n/a	\$517.20
<b>TOTALS</b>	<b>\$406.06</b>	<b>\$812.12</b>		<b>\$12.96</b>	<b>\$825.08</b>	<b>\$3.00</b>	<b>\$828.08</b>
<b>Total FT Student Increase</b>							<b>\$15.96</b>
<b>New Annual Rate (2 terms)</b>							<b>\$828.08</b>

<sup>1</sup>This increase was approved by the Board Finance and Property Committee with delegated authority (see Supplementary Notes)

<sup>2</sup>1.6% represents the increase in cost drivers for the University year over year (Academic Price Index (API))

Final Item: 3b.

Agenda Title: **2021-2022 Meal Plan Rates**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve a 2.0 percent increase to all meal plan rates and the removal of the \$300 flex plan for Lister and Peter Lougheed Hall meal plans.

Final Item: 3c.

Agenda Title: **University Funds Investment Policy**

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

Final Item: 3d.

Agenda Title: **University Endowment Pool (UEP) Spending Policy**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Endowment Pool (UEP) Spending Policy, as set forth in Attachment 1.

Final Item: 3e.

Agenda Title: **University of Alberta 2021-2022 Tuition and Student Financial Aid**

APPROVED MOTION: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the General Faculties Council Academic Planning Committee, approve the Tuition Proposal for Fall 2021 as outlined in the following tables:

Category of Student	Proposed Increase for Fall 2021	Financial Support
Domestic Undergraduate (incoming and continuing students)	7%	15% of net increase
International Undergraduate (continuing students admitted prior to Fall 2020)	4%	7.55% <sup>1</sup>

<sup>1</sup> Existing model for International tuition financial aid.

**Undergraduate Tuition Calculation Examples:**

Domestic Tuition Fees *	2020-21	2021-22	Change	
			(\$)	(%)
Undergraduate, Arts and Science	5,692.80	6,091.20	398.4	7.00%
Undergraduate, Business	7,488.48	8,012.52	524.04	7.00%
Undergraduate, Engineering	6,831.36	7,309.44	478.08	7.00%

International Tuition Fees <i>(Admitted prior to 2020)</i>	2020-21	2021-22	Change	
			(\$)	(%)
Undergraduate, Arts and Science	23,156.40	24,081.60	925.2	4.00%
Undergraduate, Business	30,461.04	31,678.80	1,217.76	4.00%
Undergraduate, Engineering	27,787.68	28,898.40	1,110.72	4.00%

Continued

Category of Student	Proposed Increase for Fall 2021	Financial Support
Tuition for Domestic Graduate (thesis-based)	7%	15% of net increase
Domestic students Thesis based -admitted prior to Fall 2020	7% with rebate to reduce increase to 2.67% <sup>2</sup>	15% of net increase
Incoming Domestic Thesis based Students (admitted Fall 2020 and after) remain in the Regular Tuition Cohort	7%	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% <sup>1</sup>

<sup>1</sup> Existing model for International tuition financial aid.

<sup>2</sup> 2.67% is consistent with the rebated increase from last year and is designed to ensure consistency and predictability for students in alignment with cost drivers. This is of net tuition.

<sup>3</sup> Executive MBA is excluded from the increases.

<sup>4</sup> Note where International and Domestic Rates are currently the same the domestic increase of 7% will be applied.

#### Graduate Tuition Calculation Examples:

Domestic Tuition Fees *	2020-21	2021-22	Change	
			(\$)	(%)
Arts and Science Example used				
Tuition for Domestic Graduate (Thesis-Base)	3,918.60	4,192.80	274.2	7.00%
Domestic Students Admitted Prior to Fall 2020	3,760.80	3,860.40	99.6	2.67%
Incoming Domestic Students (admitted Fall 2020 and after) remain in the regular tuition cohort	3,918.60	4,192.80	274.2	7.00%
Graduate Course Based (per *3 course)	667.8	714.48	46.68	7.00%

<b>International Tuition Fees</b>			<b>Change</b>	
<i>(Admitted prior to 2020)</i>	<b>2020-21</b>	<b>2021-22</b>	<b>(\$)</b>	<b>(%)</b>
Graduate Thesis (entry before 2020)	8,004.12	8,217.60	213.48	2.67%
Graduate Course Based (per *3 course)	1,502.88	1,562.88	60	4.00%

Final Item: 4a.

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Agenda Title: **University of Alberta 2021-22 Budget and Capital Plan**

APPROVED MOTION 1: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the 2021-2024 Capital Plan as set forth in Attachment 2.

APPROVED MOTION 2: THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the General Faculties Council Academic Planning Committee, approve the 2021-22 Consolidated Budget as set forth in Attachment 3.

Final Item: 4b.

Item No. 3b

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

<b>Agenda Title</b>	<b>2021-2022 Mandatory Non-Instructional Fees Proposal (Health &amp; Wellness Fee)</b>
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**Motion**

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and General Faculties Council Academic Planning Committee, approve a special increase of \$1.50 per each Fall and Winter Term to the Health and Wellness Mandatory Non-Instructional Fee to fund initiatives related to sexual violence coordination and prevention.

Student Fees	Current Rates/Term	Current 2 Terms	API Increase % <sup>1</sup>	API Increase \$	Total after API Increase	Special Increase 2 Terms	Revised Rates 2 Terms
Athletics and Recreation	\$90.20	\$180.40	1.6% <sup>2</sup>	\$2.88	\$183.28	n/a	\$183.28
Health and Wellness	\$61.32	\$122.64	1.6%	\$1.96	\$124.60	\$3.00	\$127.60
Academic Support	\$254.54	\$509.08	1.6%	\$8.12	\$517.20	n/a	\$517.20
<b>TOTALS</b>	<b>\$406.06</b>	<b>\$812.12</b>		<b>\$12.96</b>	<b>\$825.08</b>	<b>\$3.00</b>	<b>\$828.08</b>
<b>Total FT Student Increase</b>							<b>\$15.96</b>
<b>New Annual Rate (2 terms)</b>							<b>\$828.08</b>

<sup>1</sup>This increase was approved by the Board Finance and Property Committee with delegated authority (see Supplementary Notes)  
<sup>2</sup>1.6% represents the increase in cost drivers for the University year over year (Academic Price Index (API)).

**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Provost and Vice-President (Academic) and Vice-President (University Services and Finance)
Presenter(s)	Steven Dew, Provost and Vice-President (Academic) and Todd Gilchrist, Vice-President (University Services and Finance) Wendy Rodgers, Deputy Provost

**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 the Health and Wellness Fee increase by a further \$1.50 per Fall and Winter Term to fund initiatives related to sexual violence coordination and response, in addition to the already approved 1.6% increase to mandatory non-instructional fees for 2020-21 in Fall 2021.

Item No. 3b

<p>Executive Summary <i>(outline the specific item – and remember your audience)</i></p>	<p>There are two components to Mandatory Non-Instructional Fee Proposal (MNIF) for <b>Fall 2021</b>.</p> <p>The first is a general increase to all three MNIFs of 1.6% (Academic Price Index). This increase aligns with the Terms of Reference of the Joint University Student MNIF Committee, which state that the MNIFs will increase annually by an agreed to inflationary amount. This amount equates to a \$12.96 increase to a full-time student over the Fall/Winter terms. The general increase was approved by BFPC with delegated authority.</p> <p>The second is a special increase of \$1.50 per student, per term, to the Health and Wellness Fee, the revenue from which will fund sexual violence prevention and coordination services at the University. This increase is a student-led initiative that enjoys broad support from student leadership.</p> <p>The proposals have been presented for consultation to the Joint University Students Mandatory Non-Instructional Fees Oversight Committee. The committee does not typically vote on the API increase, but does vote on special increases. On January 27, 2021, the committee voted in support of the special increase to the Health and Wellness Fee to support sexual violence prevention and coordination.</p> <p>Additional detail on the proposals can be found in the attachment.</p>
<p>Supplementary Notes and context</p>	<p><i>On March 15, 2019, the Board of Governors delegated the approval of increases to existing mandatory non-instructional fees equal to or less than the agreed upon weighted annual inflation with both a ceiling of 5.0% and a floor of 0% to the Board Finance and Property Committee (BFPC).</i></p> <p><i>At its meeting of February 25, 2021, BFPC approved the following motion: THAT the Board Finance and Property Committee, on the recommendation of General Faculties Council Academic Planning Committee, and acting with delegated authority of the Board of Governors, approve a 1.6%<sup>1</sup> increase to mandatory non-instructional fees for 2021-2022, equivalent to \$12.96 per full time student.</i></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><u><b>Those who are actively participating:</b></u></p> <ul style="list-style-type: none"> <li>● Provost and Vice-President (Academic)</li> <li>● Vice-President (University Services and Finance)</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><u><b>Those who have been consulted:</b></u></p> <ul style="list-style-type: none"> <li>● Joint University Student Mandatory Non-Instructional Fee Oversight Committee</li> </ul>
<p>Approval Route (Governance) (including meeting dates)</p>	<p>GFC Academic Planning Committee (recommendation) – Feb 24, 2021</p>

Item No. 3b

	Board Finance and Property Committee (recommendation/approval) – February 25, 2021 Board of Governors (approval) – March 12, 2021
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**Strategic Alignment**

Alignment with <i>For the Public Good</i>	<p><i>OBJECTIVE 22: Secure and steward financial resources to sustain, enhance, promote, and facilitate the university’s core mission and strategic goals.</i></p> <p><i>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</i></p> <p><i>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.</i></p>	
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 checked="" type="checkbox"/> Student Success
Legislative Compliance and jurisdiction	Post-Secondary Learning Act APC Terms of Reference BFPC Terms of Reference – Sections 2(i) 3(h)(i)	

Attachments:

1. Fall 2021 MNIF Proposal (2 pages)

*Prepared by:* Kathleen Brough, Chief of Staff, Office of the Provost and Vice-President (Academic)

## Fall 2021 Mandatory Non-Instructional Fees Proposal

### Proposal overview:

There are two components to Mandatory Non-Instructional Fee Proposal (MNIF) for **Fall 2021**.

The first is a general increase to all three MNIFs of 1.6% (Academic Price Index). This increase aligns with the Terms of Reference of the Joint University Student MNIF Committee, which state that the MNIFs will increase annually by an agreed to inflationary amount. This amount equates to a \$12.96 increase to a full-time student over the Fall/Winter terms.

The second is a special increase of \$1.50 per student, per term, to the Health and Wellness Fee, the revenue from which will fund sexual violence prevention and coordination services at the University. This increase is a student-led initiative that enjoys broad support from student leadership.

The table below captures the details of proposed increases to each fee.

Student Fees	Current Rates/Term	Current 2 Terms	API Increase %	API Increase \$	Total Fee after API Increase	Special Increase 2 Terms	Revised Rates 2 Terms
Athletics and Recreation	\$90.20	\$180.40	1.6%	\$2.88	\$183.28	n/a	\$183.28
Health and Wellness	\$61.32	\$122.64	1.6%	\$1.96	\$124.60	\$3.00	\$127.60
Academic Support	\$254.54	\$509.08	1.6%	\$8.12	\$517.20	n/a	\$517.20
<b>TOTALS</b>	<b>\$406.06</b>	<b>\$812.12</b>		<b>\$12.96</b>	<b>\$825.08</b>	<b>\$3.00</b>	<b>\$828.08</b>
<b>Total FT Student Increase</b>							<b>\$15.96</b>
<b>New Annual Rate (2 terms)</b>							<b>\$828.08</b>

The table below provides revenue detail for the proposal.



<b>Institutional Revenue</b>	<b>Total Anticipated or Estimated Revenue (20/21)</b>	<b>Increase</b>	<b>Estimated Additional revenue 2021/22</b>
Athletics and Recreation *	6,600,000*	1.6% API	\$105,600
Health and Wellness	5,000,000	1.6% API Plus \$3/student	\$80,000 \$120,000**
Academic Support	20,227,700	1.6% API	\$323,643
<b>TOTAL REVENUE</b>	<b>31,827,700</b>		<b>\$629,243</b>

\*Note that this amount would have been the revenue had the fee not been reduced as a result of COVID-19. Revenue loss is estimated at ~\$1.1M in the current year less than budget/estimate due to COVID-19 (no fees collected in Spring & Summer and only 70% in Fall term).

\*\*Based on 40,000 students paying this fee

**Proposed Use Health and Wellness Special Increase**

During the consultation process for the Fall 2021 MNIF proposal development, student leaders approached University administration about a desire to increase the profile of sexual violence prevention and training, and a willingness to propose an increase to the Health and Wellness MNIF to fund this initiative.

The short-term priority for these funds is hiring of a Sexual Violence Prevention and Response Coordinator in the Office of the Provost. The role is anticipated to assist the University in identifying and addressing gaps in policy and process, to identify and make recommendations with regards to gaps in supports and services for students, to expand sexual violence prevention and training programs in partnership with other relevant units, and to collect data on sexual violence in the University community. University administration will work with the students to refine and establish the role in the near term.

Item No. 3c

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

<b>Agenda Title</b>	<b>2021/22 Meal Plan Rates</b>
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**Motion**

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve a 2.0 percent increase to all meal plan rates and the removal of the \$300 flex plan for Lister and Peter Lougheed Hall meal plans.

**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Andrew Sharman, Vice-President (Facilities and Operations)
Presenter(s)	<ul style="list-style-type: none"> <li>• Katherine Huising, Associate Vice-President, Campus Services</li> <li>• James Smith, Assistant Dean, Finance/Administration, Augustana</li> </ul>

**Details**

Office of Administrative Responsibility	Office of the Vice-President (Facilities and Operations)
The Purpose of the Proposal is <i>(please be specific)</i>	The proposal is before the Board of Governors seeking approval of a rate increase for the student meal plan as a component of the university's overall consolidated budget.
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p>For many students, staying in a university-provided residence is an integral part of the experience and, for some, a key component of the residence experience is access to dining services. At the University of Alberta, students residing in specific residences are required to participate in the meal plan.</p> <p>Dining operations must operate on a financially sustainable basis having due regard for operating costs, addressing ongoing and deferred maintenance, as well as maintaining operating and capital reserves. All revenues received from students stay within the system and, commensurately, no tuition or government (e.g. base, capital, and maintenance) funding is expended on these operations. No profit is made nor is a deficit acceptable.</p> <p>Rates are proposed to increase for all meal plans by 2.0 percent for the 2021/22 academic year. The prime driver of this increase is the cost of food as students have indicated a strong preference for wholesome, fresh, and healthy food options. For students at Augustana, this increase will also support expanded hours in which food is available as well as address a desire for snacks during non-meal hours.</p> <p>Concurrently residents on North Campus will see the removal of the \$300 flex amount actually resulting in a net decrease to the overall rate relative to last year. While the \$300 flex provided an opportunity for residents to spend a portion of their meal plan dollars outside the dining halls at specific locations on campus, removing the flex dollars from the overall rate will give residents the greatest flexibility in where to spend their money outside of the required meal plan.</p> <p>In determining the approval path for meal plan rates, Campus Services relies on the decision of the Board of Governors on June 14, 2019:</p>

Item No. 3c

	<p><i>THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, delegate approval of increases to meal plan rates equal or less than the most recently reported Alberta Consumer Price Index plus one percent (1%) to the Board Finance and Property Committee, effective upon Board of Governors' approval.</i></p> <p>In developing its budget, the university's resource planning group prepares an annual set of macroeconomic and institutional budget drivers for administrative units and faculties to use in developing individual budgets. This institutional resource, which spans exchange rates; the consumer price index; and salary and benefit increases, is necessary to ensure consistency across all budgeting activities. In December 2020, the institution developed the key budget drivers around which Budget 2022 was to be built and relied upon the reported projected consumer price index of 1.7 percent.</p> <p>For interest sake, the applicable increase in the food basket index (akin to CPI, but limited to food) is 3.1 percent.</p> <p>Lister Hall</p> <ul style="list-style-type: none"> <li>• Level 1 - net decrease of \$201/ year or \$25.13 / month</li> <li>• Level 2 - net decrease of \$213 / year or \$26.63 / month</li> </ul> <p>Peter Lougheed Hall</p> <ul style="list-style-type: none"> <li>• Net decrease of \$201/ year or \$25.13 / month</li> </ul> <p>Augustana</p> <ul style="list-style-type: none"> <li>• 8-month - increase of \$93 / year or \$11.63 / month</li> <li>• 4-month - increase of \$49 / year or \$12.25 / month</li> </ul>
<p>Supplementary Notes and context</p>	<p>At time of posting, the most recently reported Alberta Consumer Price Index (CPI), as referred to in the authority delegated to the Board Finance and Property Committee by the Board of Governors, was 0.8 % (<a href="#">Alberta CPI rates can be found here</a>). This means the proposed 2% increase is above the "Alberta CPI +1%" (1.8%) increase within BFPC's delegated authority.</p> <p>At the February 25<sup>th</sup>, 2021 BFPC meeting, Joel Agarwal, Students' Union President, suggested that the motion be divided to consider Augustana and North Campus Rates separately, but the Chair ruled that the motion could not be divided for that reason because the increase is the same across all residences.</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><u><i>Those who are actively participating:</i></u></p> <ul style="list-style-type: none"> <li>• Campus Services</li> <li>• Augustana</li> </ul> <hr/> <p><u><i>Those who have been consulted:</i></u></p> <ul style="list-style-type: none"> <li>• Residence Advisory Committee (RAC) <ul style="list-style-type: none"> <li>○ September 17, 2020</li> <li>○ September 28, 2020</li> <li>○ October 8, 2020</li> <li>○ October 29, 2020</li> <li>○ November 19, 2020</li> </ul> </li> <li>• Meeting(s) Students' Union President</li> </ul>
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Item No. 3c

	<ul style="list-style-type: none"> <li>○ January 12, 2021</li> <li>● Meetings with Augustana Students' Association Executive             <ul style="list-style-type: none"> <li>○ November 18, 2020</li> </ul> </li> <li>● Virtual Meeting with Augustana Residence-Cafeteria students             <ul style="list-style-type: none"> <li>○ November 30, 2020</li> </ul> </li> <li>● Meeting(s) VP, Student Life             <ul style="list-style-type: none"> <li>○ July 8, 2020</li> <li>○ August 5, 2020</li> <li>○ September 2, 2020</li> <li>○ October 20, 2020</li> <li>○ November 10, 2020</li> <li>○ December 2, 2020</li> <li>○ January 13, 2021</li> <li>○ February 3, 2021</li> </ul> </li> <li>● Meeting(s) VP, External Student Life - Grad Students' Association             <ul style="list-style-type: none"> <li>○ September 2, 2020</li> <li>○ October 13, 2020</li> <li>○ November 10, 2020</li> <li>○ December 2, 2020</li> <li>○ February 3, 2021</li> </ul> </li> <li>● Board Finance and Property Committee             <ul style="list-style-type: none"> <li>○ November 24, 2020</li> </ul> </li> </ul> <p><u>Those who have been <b>informed</b>:</u></p> <ul style="list-style-type: none"> <li>● Current and prospective students will be informed of 2021/22 rates upon approval.</li> </ul>
Approval Route (Governance) (including meeting dates)	<ul style="list-style-type: none"> <li>● BFPC - February 25, 2021 for recommendation</li> <li>● Board of Governors - March 12, 2021 for approval</li> </ul>

**Strategic Alignment**

Alignment with <i>For the Public Good</i>	<p><i>GOAL: Sustain our people, our work, and the environment by attracting and stewarding the resources we need to deliver excellence to the benefit of all.</i></p> <p><i>21. Objective: Encourage continuous improvement in administrative, governance, planning and stewardship systems, procedures, and policies that enables students, faculty, staff, and the institution as a whole to achieve shared strategic goals.</i></p> <p><i>iv. Strategy: facilitate easy access to and use of university services, and systems; reduce complication and complexity; and encourage cross-institutional administrative and operational collaboration.</i></p>
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Alignment with Core Risk Area	<p>Please note below the specific institutional risk(s) this proposal is addressing.</p> <table border="0"> <tr> <td><input type="checkbox"/> Enrolment Management</td> <td><input type="checkbox"/> Relationship with Stakeholders</td> </tr> <tr> <td><input type="checkbox"/> Faculty and Staff</td> <td><input type="checkbox"/> Reputation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Funding and Resource Management</td> <td><input type="checkbox"/> Research Enterprise</td> </tr> <tr> <td><input type="checkbox"/> IT Services, Software and Hardware</td> <td><input type="checkbox"/> Safety</td> </tr> <tr> <td><input type="checkbox"/> Leadership and Change</td> <td><input checked="" type="checkbox"/> Student Success</td> </tr> <tr> <td><input checked="" type="checkbox"/> Physical Infrastructure</td> <td></td> </tr> </table>	<input type="checkbox"/> Enrolment Management	<input type="checkbox"/> Relationship with Stakeholders	<input type="checkbox"/> Faculty and Staff	<input type="checkbox"/> Reputation	<input checked="" type="checkbox"/> Funding and Resource Management	<input type="checkbox"/> Research Enterprise	<input type="checkbox"/> IT Services, Software and Hardware	<input type="checkbox"/> Safety	<input type="checkbox"/> Leadership and Change	<input checked="" type="checkbox"/> Student Success	<input checked="" type="checkbox"/> Physical Infrastructure	
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<input checked="" type="checkbox"/> Physical Infrastructure													
Legislative Compliance and jurisdiction	<ul style="list-style-type: none"> <li>● Post-Secondary Learning Act: Section 73(1)</li> <li>● BFPC Terms of Reference: Sections 3 and 4</li> </ul>												

Attachments: none

Prepared by: Katherine Husing, AVP, Campus Services, Facilities and Operations [husing@ualberta.ca](mailto:husing@ualberta.ca)

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

<b>Agenda Title</b>	<b>University Funds Investment Policy</b>
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**Motion**

THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Funds Investment Policy, as set forth in Attachment 1.

**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Derek Brodersen, Chair, Board Investment Committee
Presenter(s)	Derek Brodersen, Chair, Board Investment Committee

**Details**

Office of Administrative Responsibility	Vice-President (University Services and Finance)
The Purpose of the Proposal is <i>(please be specific)</i>	In accordance with the Board Investment Committee's Terms of Reference, the Committee assists the Board of Governors with its policy setting responsibilities by annually reviewing the University Funds Investment Policy and recommending changes when required.
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p><u>University Endowment Pool (UEP)</u></p> <p>The UEP consists of the University's endowed trust funds and represents a permanent source of capital from which only a portion of the investment earnings can be spent. The principal investment objective of the UEP is to earn a long-term after inflation rate of return that meets or exceeds total endowment spending. This objective maintains intergenerational equity, allowing the UEP to provide a level of support to future generations comparable to the level current beneficiaries receive.</p> <p>Management conducted a comprehensive strategic asset allocation study using the latest available long-term capital market assumptions. The recommended changes at the Strategic Asset Allocation level are modest and call for the Deflation Hedging strategy to be reduced from 10% to 5%, with an offsetting increase in the Diversifiers strategy from 10% to 15%. While the overall allocation to Growth strategies remains unchanged at 60%, it is recommended that the underlying target allocation to private equity be increased by 10% and that the allocation to public equities be decreased by 10%.</p> <p>Based on the spending rates as outlined in the University Endowment Pool (UEP) Spending Policy and the proposed asset allocation, the long-term probability of maintaining the real value of the endowments is expected to be 51%, with a nominal return of 7.2% and a standard deviation of 14.2%. The probability of maintaining the real value of the endowments under the current asset allocation is expected to be 49%, with a return of 7.0% and a standard deviation of 13.4%.</p> <p>An exact 50% probability is required to maintain intergenerational neutrality in theory. In practice a higher probability is desirable in order to maintain a margin of safety. Under the oversight, insight and foresight of the Committee, Management will develop Strategic Role Investment</p>

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	<p>Guidelines for each asset class, which will seek to reduce overall volatility while maintaining or enhancing returns through further investment diversification.</p> <p>It is proposed that the benchmarks used to assess the UEP's investment performance be modified to better align with how the fund will be invested going forward</p> <p><u>Non-Endowment Investment Pool (NEIP)</u></p> <p>It is proposed that the NEIP's Budget Considerations and Risk Management section be updated to reflect the current low interest environment, the University's budget requirements, and to view the NEIP's earnings holistically. The primary purpose of the investment income reserve will continue to focus on risk management.</p> <p>The present Policy contemplates that earnings from the NEIP's Liquidity strategy will be sufficient to support the operating fund's investment income budget. Historically low short-term interest rates at present, and for the foreseeable future, no longer support this approach.</p> <p>As contemplated by the policy, all earnings from the Yield and Return Seeking strategies are reinvested. As at December 31, 2020 the market value of these strategies exceeded their underlying cost by a factor of 1.18x, slightly above the policy target of 1.17x.</p>
Supplementary Notes / context	<p><b>Note:</b> once approved by the Board of Governors, the proposed policy changes will require parallel changes to the Board Investment Committee Terms of Reference Section 2(a) to indicate that the committee no longer approves "Investment Proposals" but instead now approves "Strategic Role Investment Guidelines". That change to the terms of reference will be incorporated upon final Board approval of the revised policy, to ensure both documents are aligned.</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><u><b>Those who are actively participating:</b></u></p> <ul style="list-style-type: none"> <li>• Investments and Treasury, Financial Services</li> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul> <p><u><b>Those who have been consulted:</b></u></p> <ul style="list-style-type: none"> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul> <p><u><b>Those who have been informed:</b></u></p> <ul style="list-style-type: none"> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul>
Approval Route (Governance) (including meeting dates)	Board Investment Committee – February 25, 2021 (for recommendation) Board of Governors – March 12, 2021 (for approval)

Item No. 3d

**Strategic Alignment**

Alignment with <i>For the Public Good</i>	Excel and Sustain.	
Alignment with Core Risk Area	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	PSLA, Banking and Investment (Section 75) PSLA, Pooled trust fund (Section 76) Board Investment Committee Terms of Reference Sections 2(h);3(a)	

Attachments

1. University Funds Investment Policy – with tracked changes (11 pages)
2. University Funds Investment Policy – Clean (with changes incorporated) (9 pages)

*Prepared by:* Ron Ritter, Director, Investments and Treasury, ron.ritter@ualberta.ca



## University Funds Investment Policy

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

### Purpose

The *Post-Secondary Learning Act*, Statutes of Alberta, (2003), Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held. The purpose of this investment policy is to establish distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

## POLICY

### 1.0 DESCRIPTION OF UNIVERSITY FUNDS AND GOVERNANCE

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

- The University Funds Investment Policy ~~for the University~~, which shall include the establishment of broad risk tolerances, strategic asset allocation, and responsible investment.
- The investment objectives and the University Endowment Pool Spending Policy of the University.

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

The Board Investment Committee approves ~~Investment Proposals~~ Strategic Role Investment Guidelines. Management has responsibility to select, retain, monitor and dismiss investment managers in accordance with the approved ~~Investment Proposals~~ Strategic Role Investment Guidelines. Funds are allocated to external managers, or, when determined to be advantageous, may be managed internally.

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

#### 1.1 University Endowment Pool (UEP)

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

#### 1.2 Other Endowments

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



### **1.3 Non-Endowed Investment Pool (NEIP)**

The NEIP consists of expendable funds, which are pooled for investment purposes.

### **1.4 Other Non-Endowed Funds**

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Supplementary Retirement Plans, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds. Other non-endowed funds also include shares in ~~publicly held~~ companies received as a form of compensation for licensing a University created technology ~~and related investments in venture capital limited partnerships~~.

## **2.0 UNIVERSITY ENDOWMENT POOL (UEP)**

### **2.1 Purpose**

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowed purposes. The UEP's purpose is to foster an environment of academic excellence where superior teaching, learning, and research can be continuously pursued to benefit all generations equally over time.

### **2.2 Nature of UEP Liabilities (Spending Policy)**

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

## **3.0 INVESTMENT OBJECTIVES OF THE UEP**

### **3.1 Return and Risk**

The principal investment objective of the UEP is to earn a long-term real rate of return that meets or exceeds total endowment spending as outlined in the UEP Spending Policy.

Intergenerational equity requires that the UEP be managed to provide a comparable level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real dollar terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, as a margin of safety is required to maintain a stable level of support for endowed purposes across varying capital market and economic conditions.

Assets are allocated across four strategic classifications based on their primary role in the portfolio, which includes Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers. In order to achieve its investment objectives, the UEP will have to maintain a majority weighting in Growth assets and less liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed total endowment spending. Deflation Hedging strategies are expected to help provide protection in times of equity market stress and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the UEP from high or unanticipated inflation, while Diversifiers consist of investment strategies that are expected to provide uncorrelated returns to the other three classifications.

There are many types of risk that impact investment performance, including but not limited to capital markets, economic, environmental, governance, interest rates, liquidity, political, and social. Risks will be monitored through the use of quantitative and qualitative indicators and managed where appropriate via asset allocation, active management, derivatives and other strategies.

### 3.2 Asset Allocation

The strategic asset allocation is determined by the following four factors:

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

The theoretically infinite time horizon of the UEP allows for the adoption of a strategic asset allocation policy with a high allocation to Growth assets along the following parameters:

<b>Strategic Asset Allocation</b>			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	50%	60%	70%
Inflation Sensitive	15%	20%	25%
Deflation Hedging	0%	5%	10%
Diversifiers	10%	15%	20%
Total		<u>100%</u>	

<b>Strategic Asset Allocation</b>			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
<del>Growth</del>	<del>50%</del>	<del>60%</del>	<del>70%</del>
<del>Inflation Sensitive</del>	<del>15%</del>	<del>20%</del>	<del>25%</del>
<del>Deflation Hedging</del>	<del>5%</del>	<del>10%</del>	<del>15%</del>
<del>Diversifiers</del>	<del>5%</del>	<del>10%</del>	<del>15%</del>
<del>Total</del>		<u><del>100%</del></u>	

To achieve diversification the UEP will invest in the following asset classes:

<b>Growth</b>			
	Minimum	Target	Maximum
Public Equity	30%	40%	70%*
Private Markets	5%	<u>20%</u>	25%
		<u>60%</u>	
<b>Inflation-Sensitive</b>			
Real Estate & Infrastructure	5%	10%	15%
Real Assets	5%	<u>10%</u>	15%
		<u>20%</u>	
<b>Deflation Hedging</b>			
Global Government Bonds	0%	<u>5%</u>	10%
		<u>5%</u>	
<b>Diversifiers</b>			
Absolute Return	10%	15%	20%
Cash	-5%	<u>0%</u>	5%
		<u>15%</u>	
<b>Growth</b>			
	Minimum	Target	Maximum
<del>—Long-Only Equity</del>			
<del>—Canadian Equity</del>	5%	10%	15%
<del>—Global Equity</del>	20%	25%	45%*
<del>—Emerging Markets Equity</del>	5%	10%	15%
<del>—Private Equity</del>	0%	10%	15%
<del>—Marketable Alternatives</del>	0%	<u>5%</u>	10%
		<u>60%</u>	
<b>Inflation-Sensitive</b>			
<del>—Real Assets</del>			
<del>—Real Estate &amp; Infrastructure</del>	0%	7%	10%
<del>—Natural Resource Equity</del>	0%	5%	10%
<del>—Energy and Renewable Resources</del>	0%	5%	10%
<del>—Commodities</del>	0%	3%	5%
<del>—Real Return Bonds</del>	0%	<u>0%</u>	5%
		<u>20%</u>	
<b>Deflation Hedging</b>			
<del>—Fixed Income</del>			
<del>—Sovereign Bonds</del>	5%	<u>10%</u>	15%
		<u>10%</u>	
<b>Diversifiers</b>			
<del>—Uncorrelated Strategies</del>			
<del>—Absolute Return</del>	5%	10%	15%
<del>—Cash</del>	-5%	<u>0%</u>	5%
		<u>10%</u>	

\* The higher maximum allocation to ~~global equity~~Public Equity is required to allow for a transition from the current asset allocation to the strategic asset allocation, after which the maximum allocation will be reduced to 35%.

### 3.3 Categories of Investments

~~Investment Proposals~~Strategic Role Investment Guidelines shall be classified in accordance with the following general categories in the context of overall fund objectives and the strategic asset allocation described above.

### 3.3.1 Growth

Growth assets include marketable equity securities, directional long/short equity hedge funds, and credit based fixed income strategies. Private investments include private debt, private equity, and venture capital.

### 3.3.2 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and energy and renewable resources.

### 3.3.3 Deflation Hedging

Deflation hedging assets include high quality sovereign fixed income securities.

### 3.3.4 Diversifiers

Diversifiers include cash and cash equivalents, active currency management, ~~managed futures, precious metals,~~ and ~~liquid alternatives~~absolute return strategies including but not limited to strategies such as low beta relative value/long/short equity, market neutral, event driven, merger arbitrage, trend following, volatility arbitrage, systematic/discretionaryand global macro, and tail hedging.

## 3.4 Rate of Return Goals

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

- An annualized real return that meets or exceeds total endowment spending.
- An annualized return, in excess of the following benchmark. The current benchmark will be modified towards the target benchmark as the strategic asset allocation is implemented.

UEP Policy Benchmark (Effective April 1, 2021)	Target
MSCI ACWI IMI	55%
MSCI ACWI IMI + 3% (3 month lag)	5%
IPD/Realpac Global Property Index	10%
S&P Global Natural Resources Index	10%
FTSE Canada Federal Bond Index	5%
LIBOR + 6%	15%
<del>UEP Policy Benchmark (Effective April 1, 2019)</del>	<del>100%</del>
<del>MSCI Canada IMI</del>	<del>40%</del>
<del>MSCI World IMI</del>	<del>35%</del>
<del>MSCI Emerging Markets IMI</del>	<del>10%</del>
<del>Cambridge Associates Private Equity Index</del>	<del>5%</del>
<del>IPD/Realpac Global Property Index</del>	<del>7%</del>
<del>S&amp;P Global Natural Resources Index</del>	<del>5%</del>
<del>Dow Jones North America Select Junior Oil/Gas Index</del>	<del>5%</del>
<del>Bloomberg Commodity Index</del>	<del>3%</del>
<del>FTSE/TMX All Federal Bond Index</del>	<del>10%</del>
<del>LIBOR + 6%</del>	<del>10%</del>
	<del>100%</del>

#### 4.0 OTHER ENDOWMENTS

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

#### 5.0 NON-ENDOWED INVESTMENT POOL (NEIP)

The NEIP consists of expendable funding that is pooled for investment purposes. The purpose of the NEIP is to provide both liquidity for the University's daily operations and the potential for return enhancement to support strategic initiatives. Long-term forecasts project that a portion of the NEIP will not be required for cash flow management purposes on an on-going basis. Therefore, an investment profile that is less liquid than what would be expected for funds with a short-term investment horizon is appropriate for a portion of the NEIP.

##### 5.1 Asset Allocation

The strategic asset allocation in the NEIP shall be as follows:

	Minimum	Target	Maximum
Liquidity	20%	35%	50%
Yield	25%	35%	45%
Return Seeking	20%	30%	40%

In addition to the maximum policy allocation in the table above, the proportionate economic interest in the UEP of return seeking funds is limited to the quotient of 5.0% and the ~~target~~ allocation to illiquid investment strategies.

##### 5.2 Categories of Investments

~~Strategic Role Investment Guidelines Investment Proposals~~ shall be classified within the following categories:

###### 5.2.1 Liquidity

The primary investment objectives for assets in the liquidity category are to meet the University's daily cash flow requirements and to earn a return that meets or exceeds inflation with an acceptable level of risk. Assets in the liquidity category include cash, obligations or deposits issued by Canadian chartered banks, ATB Financial or credit unions that are 100% guaranteed, and investment grade money market securities.

###### 5.2.2 Yield

The investment objective for assets in the yield category is to generate additional return above liquidity assets with an appropriate level of risk. Yield assets include fixed income securities, mortgages, private debt, preferred ~~shares and low-volatility equities~~, and absolute return strategies.

Yield also includes loans to University of Alberta Properties Trust Inc., and internal loans to University faculties, departments, and staff. Loans to University of Alberta Properties Trust Inc. will be at prevailing commercial terms and conditions. The Internal Loan Policy approved by the Board of Governors governs internal loans.

###### 5.2.3 Return Seeking

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

##### 5.3 Budget Considerations and Risk Management

All earnings from Liquidity will form part of the base budget and be available for spending in the year in which they're earned. All realized NEIP Investment Earnings from Yield and Return Seeking not required for current budget purposes will be reinvested to build an investment income reserve. Appropriations from this investment income reserve can be made in a fiscal year when realized NEIP Investment Earnings are less than budgeted. Appropriations from this investment income reserve to the strategic initiatives fund can only be made when total market value of Yield and Return Seeking exceeds the underlying obligation (investment cost) by a factor of 1.17x.

## 5.4 Performance Benchmarks

For each component of the NEIP the benchmark is:

	NEIP Policy Benchmark (Effective April 1, 2021)	Target
Liquidity	FTSE Canada 91 Day T-Bill Index	35%
Yield	Canadian Consumer Price Index (CPI) + 3%	35%
Return Seeking	Current UEP benchmark (section 3.4)	30%
		<u>100%</u>

	<del>NEIP Policy Benchmark (Effective April 1, 2019)</del>	<del>Target</del>
<del>Liquidity</del>	<del>Canadian Consumer Price Index (CPI)</del>	<del>35%</del>
<del>Yield</del>	<del>Canadian Consumer Price Index (CPI) + 3%</del>	<del>35%</del>
<del>Return Seeking</del>	<del>Current UEP benchmark (section 3.4)</del>	<del>30%</del>
		<u><del>100%</del></u>

## 5.5 Other Non-Endowed Funds

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

## 6.0 GENERAL

### 6.1 Responsible Investment

As a responsible owner, the University will regularly engage and collaborate with its active investment managers on matters related to environmental, social and governance (ESG) risks and opportunities.

Specifically the University will:

- Integrate the consideration of ESG factors into the investment process as an additional criterion in the selection and ongoing monitoring of active investment managers.
- Regularly review and track the engagement of active investment managers with their investee companies and their proxy voting records on ESG related issues.

- Obtain and evaluate annual disclosure from all active investment managers on how ESG factors are incorporated into their investment decision making processes.
- Collaborate with other institutional investors and industry associations on ESG matters where appropriate.
- Disclose and publish a detailed listing of its investments annually, and report on ESG matters in the Investment Committee's annual report.

## **6.2 Use of Derivatives**

Derivatives offer ways to enhance risk adjusted returns or to protect against unwanted market movements. Where prudent and appropriate, derivatives may be used to gain market exposure, assist with hedging, and/or risk management.

## **6.3 Leverage**

Leverage is an integral component of certain investment strategies. Where leverage is used, investments will be structured to limit potential maximum losses to the amount invested, or notionally collateralized by UEP and NEIP cash balances. The use of leverage will not be undertaken at the portfolio or fund level.

## **6.4 Securities Lending and Commission Recapture**

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the funds at minimal risk. External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

## **6.5 Exercise of Proxies and Voting Rights**

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

## **6.6 Valuation of Infrequently Traded Investments**

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

## **6.7 Conflict of Interest Guidelines and Related Parties Transactions**

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

## **6.8 Custody**

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

## **6.9 Donated Securities**

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

## **6.10 Policy Review**

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

## **DEFINITIONS**

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

<b><u>Absolute Return</u></b>	<u>Investments and/or strategies that seek to achieve positive returns regardless of the direction of capital markets, also commonly referred to as hedge funds or liquid alternatives. These include but are not limited to strategies such as long/short equity &amp; credit, market neutral, event driven, merger arbitrage, trend following, volatility arbitrage, systematic/discretionary global macro, and tail hedging.</u>
<b>Asset Allocation</b>	The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category, or have a high sensitivity to inflation.
<b>Consumer Price Index (CPI)</b>	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
<b>Custodian</b>	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
<b>Deflation Hedging</b>	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
<b>Derivatives</b>	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
<b>Diversifiers</b>	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.
<b>Growth</b>	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities, directional long/short equity hedge funds, and credit based fixed income strategies. Private investments include private debt, private equity, and venture capital.
<b>Inflation Sensitive</b>	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and energy and renewable resources.
<b><u>Investment Earnings</u></b>	<u>The total of realized and unrealized investment gains and losses on the assets of the UEP and NEIP for any given fiscal year; where realized investment gains and losses are typically made up of interest, dividends, rents and capital gains/losses arising from the sale of investments;</u>



	<u>unrealized investment gains and losses represent the change in fair value of assets held.</u>
<b>Investment Proposal</b>	<del>A statement of objectives that defines the investment rationale, asset class and/or strategy, risk characteristics and performance expectation.</del>
<b>Liquidity</b>	Any asset class or investment strategy which can be expected to preserve capital, mature in one year or less from the date of purchase and be liquidated to cash within three months.
<b><u>Private Markets</u></b>	<u>Investments and/or strategies that consist of assets not traded on a public exchange or market. These include but are not limited to private equity, venture capital, and private credit.</u>
<b>Proxy</b>	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
<b>Rate of Return</b>	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
<b>Real</b>	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
<b><del>Real Return Bond (RRB)</del></b>	<del>These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the consumer price index (CPI). Thus rates are adjusted higher for increases in the CPI and vice versa. Also known as inflation-linked bonds (ILB).</del>
<b><u>Real Assets</u></b>	<u>Investments and/or strategies that derive their value from physical assets. These include but are not limited to natural resource equities, energy and renewable resources, commodities, agriculture, timber, and farmland.</u>
<b>Responsible Investment</b>	The integration of environmental, social, and governance (ESG) factors into investment and ownership decisions.
<b>Return Seeking</b>	Any asset class or investment strategy which can be expected to be invested without the need for liquidity for at least ten years.
<b>Risk</b>	The possibility of loss and/or the uncertainty of future returns.
<b>Risk Tolerance</b>	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
<b><u>Strategic Role Investment Guidelines</u></b>	<u>A statement of objectives that defines the investment rationale, asset class and/or strategy, risk characteristics and performance expectation.</u>
<b>Value at Risk</b>	A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

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**Yield**

Any asset class or investment strategy which can be expected to preserve capital and mature between one and ten years.

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**RELATED LINKS**

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

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

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Internal Loan Policy](#)

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

Approved:

Board of Governors, ~~March 12, 2021~~~~December 14, 2018~~

Board Investment Committee, ~~September 27, 2018 and November 29, 2018~~~~February 25, 2021~~



## University Funds Investment Policy

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

### Purpose

The *Post-Secondary Learning Act*, Statutes of Alberta, (2003), Sections 75 and 76, provides The Governors of the University of Alberta with broad investment powers, the authority to pool funds and the authority to distribute income, subject to the terms of a trust on which it may be held. The purpose of this investment policy is to establish distinct asset allocation and risk tolerances for each of the University funds according to the individual fund's spending obligations, objectives, and liquidity requirements.

## **POLICY**

### **1.0 DESCRIPTION OF UNIVERSITY FUNDS AND GOVERNANCE**

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

- The University Funds Investment Policy, which shall include the establishment of broad risk tolerances, strategic asset allocation, and responsible investment.
- The investment objectives and the University Endowment Pool Spending Policy of the University.

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

The Board Investment Committee approves Strategic Role Investment Guidelines. Management has responsibility to select, retain, monitor and dismiss investment managers in accordance with the approved Strategic Role Investment Guidelines. Funds are allocated to external managers, or, when determined to be advantageous, may be managed internally.

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

#### **1.1 University Endowment Pool (UEP)**

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

#### **1.2 Other Endowments**

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

### **1.3 Non-Endowed Investment Pool (NEIP)**

The NEIP consists of expendable funds, which are pooled for investment purposes.

### **1.4 Other Non-Endowed Funds**

Other non-endowed funds consist of restricted non-endowed donations and the funds earmarked for the Supplementary Retirement Plans, which cannot be pooled for investment purposes because of constraints or conditions attached to the funds. Other non-endowed funds also include shares in companies received as a form of compensation for licensing a University created technology.

## **2.0 UNIVERSITY ENDOWMENT POOL (UEP)**

### **2.1 Purpose**

The UEP represents the pooling of invested assets accumulated by or donated to the University for endowed purposes. The UEP's purpose is to foster an environment of academic excellence where superior teaching, learning, and research can be continuously pursued to benefit all generations equally over time.

### **2.2 Nature of UEP Liabilities (Spending Policy)**

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

## **3.0 INVESTMENT OBJECTIVES OF THE UEP**

### **3.1 Return and Risk**

The principal investment objective of the UEP is to earn a long-term real rate of return that meets or exceeds total endowment spending as outlined in the UEP Spending Policy.

Intergenerational equity requires that the UEP be managed to provide a comparable level of support to future generations as current beneficiaries receive. This means that the value of the UEP should be preserved over time in real dollar terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the UEP, the focus should be not just to preserve but to grow the real value of assets over time, as a margin of safety is required to maintain a stable level of support for endowed purposes across varying capital market and economic conditions.

Assets are allocated across four strategic classifications based on their primary role in the portfolio, which includes Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers. In order to achieve its investment objectives, the UEP will have to maintain a majority weighting in Growth assets and less liquid investment strategies. This is based on projected capital market assumptions which indicate that over long periods of time, these assets can be expected to provide returns that exceed total endowment spending. Deflation Hedging strategies are expected to help provide protection in times of equity market stress and support spending in a prolonged deflationary period. Conversely, Inflation Sensitive assets are expected to protect the UEP from high or unanticipated inflation, while Diversifiers consist of investment strategies that are expected to provide uncorrelated returns to the other three classifications.

There are many types of risk that impact investment performance, including but not limited to capital markets, economic, environmental, governance, interest rates, liquidity, political, and social. Risks will be monitored through the use of quantitative and qualitative indicators and managed where appropriate via asset allocation, active management, derivatives and other strategies.

### 3.2 Asset Allocation

The strategic asset allocation is determined by the following four factors:

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

The theoretically infinite time horizon of the UEP allows for the adoption of a strategic asset allocation policy with a high allocation to Growth assets along the following parameters:

<b>Strategic Asset Allocation</b>			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Growth	50%	60%	70%
Inflation Sensitive	15%	20%	25%
Deflation Hedging	0%	5%	10%
Diversifiers	10%	15%	20%
Total		<u>100%</u>	

To achieve diversification the UEP will invest in the following asset classes:

<b>Growth</b>			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Public Equity	30%	40%	70%*
Private Markets	5%	20%	25%
		<u>60%</u>	
<b>Inflation-Sensitive</b>			
Real Estate & Infrastructure	5%	10%	15%
Real Assets	5%	10%	15%
		<u>20%</u>	
<b>Deflation Hedging</b>			
Global Government Bonds	0%	5%	10%
		<u>5%</u>	
<b>Diversifiers</b>			
Absolute Return	10%	15%	20%
Cash	-5%	0%	5%
		<u>15%</u>	

\* The higher maximum allocation to Public Equity is required to allow for a transition from the current asset allocation to the strategic asset allocation, after which the maximum allocation will be reduced to 50%.

### 3.3 Categories of Investments

Strategic Role Investment Guidelines shall be classified in accordance with the following general categories in the context of overall fund objectives and the strategic asset allocation described above.

#### 3.3.1 Growth

Growth assets include marketable equity securities, directional long/short equity hedge funds, and credit based fixed income strategies. Private investments include private debt, private equity, and venture capital.

### 3.3.2 Inflation Sensitive

Inflation sensitive assets include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and energy and renewable resources.

### 3.3.3 Deflation Hedging

Deflation hedging assets include high quality sovereign fixed income securities.

### 3.3.4 Diversifiers

Diversifiers include cash and cash equivalents, active currency management, and liquid alternatives including but not limited to strategies such as relative value, market neutral, event driven, merger arbitrage, trend following, volatility arbitrage, systematic/discretionary global macro, and tail hedging.

## 3.4 Rate of Return Goals

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

- An annualized real return that meets or exceeds total endowment spending.
- An annualized return, in excess of the following benchmark. The current benchmark will be modified towards the target benchmark as the strategic asset allocation is implemented.

UEP Policy Benchmark (Effective April 1, 2021)	Target
MSCI ACWI IMI	55%
MSCI ACWI IMI + 3% (3 month lag)	5%
IPD/Realpac Global Property Index	10%
S&P Global Natural Resources Index	10%
FTSE Canada Federal Bond Index	5%
LIBOR + 6%	15%
	100%

## 4.0 OTHER ENDOWMENTS

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

## 5.0 NON-ENDOWED INVESTMENT POOL (NEIP)

The NEIP consists of expendable funding that is pooled for investment purposes. The purpose of the NEIP is to provide both liquidity for the University's daily operations and the potential for return enhancement to support strategic initiatives. Long-term forecasts project that a portion of the NEIP will not be required for cash flow management purposes on an on-going basis. Therefore, an investment profile that is less liquid than what would be expected for funds with a short-term investment horizon is appropriate for a portion of the NEIP.

### 5.1 Asset Allocation

The strategic asset allocation in the NEIP shall be as follows:

	Minimum	Target	Maximum
Liquidity	20%	35%	50%
Yield	25%	35%	45%
Return Seeking	20%	30%	40%

In addition to the maximum policy allocation in the table above, the proportionate economic interest in the UEP of return seeking funds is limited to the quotient of 5.0% and the allocation to illiquid investment strategies.

**5.2 Categories of Investments**

Strategic Role Investment Guidelines shall be classified within the following categories:

**5.2.1 Liquidity**

The primary investment objectives for assets in the liquidity category are to meet the University’s daily cash flow requirements and to earn a return that meets or exceeds inflation with an acceptable level of risk. Assets in the liquidity category include cash, obligations or deposits issues by Canadian chartered banks, ATB Financial or credit unions that are 100% guaranteed, and investment grade money market securities.

**5.2.2 Yield**

The investment objective for assets in the yield category is to generate additional return above liquidity assets with an appropriate level of risk. Yield assets include fixed income securities, mortgages, private debt, preferred shares, and absolute return strategies.

Yield also includes loans to University of Alberta Properties Trust Inc., and internal loans to University faculties, departments, and staff. Loans to University of Alberta Properties Trust Inc. will be at prevailing commercial terms and conditions. The Internal Loan Policy approved by the Board of Governors governs internal loans.

**5.2.3 Return Seeking**

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

**5.3 Budget Considerations and Risk Management**

All realized NEIP Investment Earnings not required for current budget purposes will be reinvested to build an investment income reserve. Appropriations from this investment income reserve can be made in a fiscal year when realized NEIP Investment Earnings are less than budgeted. Appropriations from this investment income reserve to the strategic initiatives fund can only be made when total market value of Yield and Return Seeking exceeds the underlying obligation (investment cost) by a factor of 1.17x.

**5.4 Performance Benchmarks**

For each component of the NEIP the benchmark is:

	NEIP Policy Benchmark (Effective April 1, 2021)	Target
Liquidity	FTSE Canada 91 Day T-Bill Index	35%
Yield	Canadian Consumer Price Index (CPI) + 3%	35%
Return Seeking	Current UEP benchmark (section 3.4)	30%
		100%

**5.5 Other Non-Endowed Funds**

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

## **6.0 GENERAL**

### **6.1 Responsible Investment**

As a responsible owner, the University will regularly engage and collaborate with its active investment managers on matters related to environmental, social and governance (ESG) risks and opportunities.

Specifically the University will:

- Integrate the consideration of ESG factors into the investment process as an additional criterion in the selection and ongoing monitoring of active investment managers.
- Regularly review and track the engagement of active investment managers with their investee companies and their proxy voting records on ESG related issues.
- Obtain and evaluate annual disclosure from all active investment managers on how ESG factors are incorporated into their investment decision making processes.
- Collaborate with other institutional investors and industry associations on ESG matters where appropriate.
- Disclose and publish a detailed listing of its investments annually, and report on ESG matters in the Investment Committee's annual report.

### **6.2 Use of Derivatives**

Derivatives offer ways to enhance risk adjusted returns or to protect against unwanted market movements. Where prudent and appropriate, derivatives may be used to gain market exposure, assist with hedging, and/or risk management.

### **6.3 Leverage**

Leverage is an integral component of certain investment strategies. Where leverage is used, investments will be structured to limit potential maximum losses to the amount invested, or notionally collateralized by UEP and NEIP cash balances. The use of leverage will not be undertaken at the portfolio or fund level.

### **6.4 Securities Lending and Commission Recapture**

The securities may be loaned to investment dealers and banks as part of the custodian's lending program when it is deemed that such lending may add incremental return to the funds at minimal risk. External equity investment managers may be directed to participate in a commission recapture program in order to help mitigate internal investment research related expenses.

### **6.5 Exercise of Proxies and Voting Rights**

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

### **6.6 Valuation of Infrequently Traded Investments**

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

### **6.7 Conflict of Interest Guidelines and Related Parties Transactions**

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

### **6.8 Custody**

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



## 6.9 Donated Securities

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

## 6.10 Policy Review

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

## DEFINITIONS

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

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<b>Absolute Return</b>	Investments and/or strategies that seek to achieve positive returns regardless of the direction of capital markets, also commonly referred to as hedge funds or liquid alternatives. These include but are not limited to strategies such as long/short equity & credit, market neutral, event driven, merger arbitrage, trend following, volatility arbitrage, systematic/discretionary global macro, and tail hedging.
<b>Asset Allocation</b>	The process of dividing investments into different categories (Growth, Inflation Sensitive, Deflation Hedging, and Diversifiers) based on the role that the underlying category or investment strategy performs towards achieving the return and risk tolerance objectives of the portfolio. Each category comprises a specific group of investments that have similar expected return patterns, similar expected risk profiles, high correlations with other investments in the same category, or have a high sensitivity to inflation.
<b>Consumer Price Index (CPI)</b>	A Statistics Canada index of retail prices for goods and services. Increases in the CPI are also referred to as increases in the cost of living and are directly correlated to increases in inflation.
<b>Custodian</b>	A financial institution, usually a bank or trust company, which holds an investment portfolio's securities and cash in safekeeping.
<b>Deflation Hedging</b>	Any asset class that serves the primary objective of providing protection in times of market stress, and supports spending in a prolonged deflationary period. This consists primarily of high quality government and investment grade fixed income securities.
<b>Derivatives</b>	A financial instrument whose value is dependent on the performance of an underlying instrument or asset typically a commodity, bond or equity. They are also available on currencies, interest rates, and equity indices. Futures and options are examples of derivatives.
<b>Diversifiers</b>	Any asset class or investment strategy that is expected to be uncorrelated with Growth, Inflation Sensitive, and Deflation Hedging assets. This may include cash, active currency management, managed futures, and hedge fund strategies including but not limited to low beta long/short equity, market neutral, event driven, merger arbitrage, and global macro.

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<b>Growth</b>	Any asset class or investment strategy which can be expected to provide returns that exceed the inflation adjusted rate of spending over the long-term. This may include marketable equity securities, directional long/short equity hedge funds, and credit based fixed income strategies. Private investments include private debt, private equity, and venture capital.
<b>Inflation Sensitive</b>	Any asset class or investment strategy that is expected to protect the fund from high or unanticipated inflation. This may include inflation linked bonds, real estate, infrastructure, timberland, farmland, natural resource public equities, commodities, and energy and renewable resources.
<b>Investment Earnings</b>	The total of realized and unrealized investment gains and losses on the assets of the UEP and NEIP for any given fiscal year; where realized investment gains and losses are typically made up of interest, dividends, rents and capital gains/losses arising from the sale of investments; unrealized investment gains and losses represent the change in fair value of assets held.
<b>Liquidity</b>	Any asset class or investment strategy which can be expected to preserve capital, mature in one year or less from the date of purchase and be liquidated to cash within three months.
<b>Private Markets</b>	Investments and/or strategies that consist of assets not traded on a public exchange or market. These include but are not limited to private equity, venture capital, and private credit.
<b>Proxy</b>	A written authorization given by a shareholder to another individual, usually the company's management, in order to cast his/her vote at a shareholder meeting or at some other point in time.
<b>Rate of Return</b>	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
<b>Real</b>	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
<b>Real Assets</b>	Investments and/or strategies that derive their value from physical assets. These include but are not limited to natural resource equities, energy and renewable resources, commodities, agriculture, timber, and farmland.
<b>Responsible Investment</b>	The integration of environmental, social, and governance (ESG) factors into investment and ownership decisions.
<b>Return Seeking</b>	Any asset class or investment strategy which can be expected to be invested without the need for liquidity for at least ten years.
<b>Risk</b>	The possibility of loss and/or the uncertainty of future returns.
<b>Risk Tolerance</b>	An individual's ability to handle temporary and sustained declines in the value of their portfolio.
<b>Strategic Role Investment Guidelines</b>	A statement of objectives that defines the investment rationale, asset class and/or strategy, risk characteristics and performance expectation.

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**Value at Risk**

A statistical measure of the amount of loss a portfolio might expect to experience over a specified time horizon with a given probability.

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**Yield**

Any asset class or investment strategy which can be expected to preserve capital and mature between one and ten years.

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**RELATED LINKS**

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

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

[Investment Committee Terms Of Reference](#)

[Statement of Investment Principles & Beliefs](#)

[Internal Loan Policy](#)

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

Approved:

Board of Governors, March 12, 2021

Board Investment Committee, February 25, 2021

**Governance Executive Summary  
Action Item**

<b>Agenda Title</b>	<b>University Endowment Pool (UEP) Spending Policy</b>
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**Motion**

THAT the Board of Governors, on the recommendation of the Board Investment Committee, approve the revised University Endowment Pool (UEP) Spending Policy, as set forth in Attachment 1.

**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Derek Brodersen, Chair, Board Investment Committee
Presenter(s)	Derek Brodersen, Chair, Board Investment Committee

**Details**

Office of Administrative Responsibility	Vice-President (University Services and Finance)
The Purpose of the Proposal is <i>(please be specific)</i>	In accordance with the Board Investment Committee's Terms of Reference, the Committee assists the Board of Governors with its policy setting responsibilities by annually reviewing the University Endowment Pool (UEP) Spending Policy and recommending changes when required.
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p>The proposed changes to the UEP Spending Policy specify how the Annual Spending Allocation, as defined in the policy, is apportioned for financial statement purposes. Public Sector Accounting Standards provide no guidance in this area.</p> <p>Capital market volatility, the structure of the investment vehicles being utilized, and the active management decisions of the University's investment managers impact the amount of Investment Earnings realized in any given fiscal year. The proposed changes clarify how and in what sequence investment earnings are allocated for financial statement purposes. Operationally the university has always followed the order that these changes outline. The intent is to simply add this operational aspect to the policy. The proposed changes have no impact on any individual endowment.</p> <p>The Committee does not recommend any changes to the UEP Spending Policy's effective rate of spending. The UEP asset allocation study demonstrated that the current spending rate can be supported with modest changes to the present UEP investment strategy, resulting in a 51% expected probability of maintaining the long-term real value of the endowments.</p> <p>Theoretically, a probability of 50% is required to maintain intergenerational equity. Under the oversight, insight and foresight of the Committee, Management will develop Strategic Role Investment Guidelines for each asset class that seeks to achieve a higher probability by reducing overall volatility while maintaining or enhancing returns through further investment diversification.</p> <p>The endowment Spending Allocation generates more than \$50 million in annual support for endowed programs and represents approximately 3% of the University's total revenue.</p>

Item No. 3e

Supplementary Notes / context	
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**Engagement and Routing** (Include meeting dates)

Consultation and Stakeholder Participation (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> >	<u><b>Those who are actively participating:</b></u> <ul style="list-style-type: none"> <li>• Investments and Treasury, Financial Services</li> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul>
	<u><b>Those who have been consulted:</b></u> <ul style="list-style-type: none"> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul>
	<u><b>Those who have been informed:</b></u> <ul style="list-style-type: none"> <li>• Associate Vice-President Finance, Procurement and Planning</li> <li>• Vice-President (University Services and Finance)</li> <li>• Board Investment Committee</li> </ul>
Approval Route (Governance) (including meeting dates)	Board Investment Committee – February 25, 2021 (for recommendation) Board of Governors – March 12, 2021 (for approval)

**Strategic Alignment**

Alignment with <i>For the Public Good</i>			
Alignment with Core Risk Area	Please note below the specific institutional risk(s) this proposal is addressing. <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <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 style="width: 50%; vertical-align: top;"> <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		
Legislative Compliance and jurisdiction	PSLA, Banking and Investment (Section 75) PSLA, Pooled trust fund (Section 76) Board Investment Committee Terms of Reference Sections 2(h);3(a)		

Attachments

1. University Endowment Pool (UEP) Spending Policy – with tracked changes (3 pages)
2. University Endowment Pool (UEP) Spending Policy – clean (with changes incorporated) (3 pages)

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



## University Endowment Pool (UEP) Spending Policy

<b>Office of Accountability:</b>	Vice-President Finance and Administration
<b>Office of Administrative Responsibility:</b>	Financial Services
<b>Approved By:</b>	Board of Governors

### Overview

The University Endowment Pool (UEP) ~~is intended to support~~s current and future beneficiaries in perpetuity. The UEP Spending Policy, University Funds Investment Policy, and Statement of Investment Principles and Beliefs are interrelated and designed to maintain the real value of the UEP over time in order to preserve the future purchasing power of the assets. The investment goal of the UEP is to achieve a long-term Rate of Return that in Real terms shall equal or exceed the Effective Rate of Spending established in the UEP Spending Policy, and to do so at the level of risk specified in the University Funds Investment Policy.

A prudent level of spending is one that reflects an investment Rate of Return achievable with acceptable levels of risk. The current expected Real investment Rate of Return is between 5.00% and 5.50%. The annual review of the UEP Spending Policy is designed to ensure that it remains appropriate with respect to the UEP's overall goals and objectives.

### Purpose

The purpose of this Spending Policy in conjunction with the University Funds Investment Policy is to preserve the Real value of endowment assets over time, while maintaining an appropriate and stable level of support to the current generation of beneficiaries.

### POLICY

Spending from the UEP shall be in accordance with the following procedures effective fiscal years commencing April 1, ~~2018~~2021:

1. Endowment contributions enter the UEP effective the month in which the contribution is received. Investment Earnings net of Direct Costs during the fiscal year in which an endowment contribution is received will become Capitalized Investment Earnings.
2. The Annual Spending Allocation is distributed to endowment holders at the beginning of each fiscal year.
3. The Annual Spending Allocation is based on 4.0% of the 60 month average Valuation ending on December 31 of the prior calendar year and applied against the endowment Valuation at the beginning of each fiscal year.
4. The UEP shall be subject to such Administrative Assessments as may be approved by the Board from time to time. This Administrative Assessment shall be in addition to the Annual Spending Allocation and Direct Costs associated with the endowment investment program. The administrative assessment rate is ~~0.80% effective April 1, 2018, 0.75% effective April 1, 2019, 0.70% effective April 1, 2020,~~ 0.65% effective April 1, 2021, 0.60% effective April 1, 2022, and shall be calculated in accordance with section 3 of this policy.
5. In any particular fiscal year should the Rate of Return be less than the Effective Rate of Spending whereby Investment Earnings are insufficient to fund total spending, encroachment of Endowment Principal will be used to fund the deficiency, with the expectation that such amounts will be recovered from future Capitalized Investment Earnings. If pursuant to the review in section ~~7~~6 of this policy it is

determined that the encroachment is no longer temporary, an adjustment will be made to the Annual Spending Allocation and/or the Administrative Assessment.

6. The Annual Spending Allocation as outlined in section 3 above, to the extent of realized Investment Earnings in a fiscal year, shall be applied in the following funding order:

- a) the current fiscal year's Administrative Assessment and Direct Costs associated with the endowment investment program as outlined in section 4,
- b) the current fiscal year's Annual Spending Allocation,
- c) the unfunded and unspent Annual Spending Allocation associated with prior fiscal years, if any.
- d) the encroachment of Endowment Principal used to cover prior years' endowment expenditures incurred but not funded, if any, and
- e) if funding is not required for the circumstances contemplated by sections 6c and 6d, then any excess Investment Earnings become Capitalized Investment Earnings.

5.7. The Board Investment Committee shall review this spending policy on an annual basis for continued appropriateness. As outlined in the Board Investment Committee's Terms of Reference any required changes will be presented to the Board of Governors for approval.

## **DEFINITIONS**

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

<b>Administrative Assessment</b>	Indirect cost recovery for centrally funded goods and services that support the activities and development of the endowed programs.
<b>Annual Spending Allocation</b>	Amount allocated to fund the activities of the endowed programs.
<b>Capitalized Investment Earnings</b>	The excess of Investment Earnings less total spending which includes the Annual Spending Allocation, the Administrative Assessment and Direct Costs. Capitalized Investment Earnings will be permanently endowed.
<b>Direct Costs</b>	All expenditures that are directly attributable to the University Endowment Pool's investment program, including but not limited to; external investment manager costs, custodial bank charges, consulting fees and the costs of the Investment & Treasury unit within Financial Services.
<b>Effective Rate of Spending</b>	The total of the Administrative Assessment, Annual Spending Allocation, and Direct Costs expressed as a percentage of the market value of the assets in the University Endowment Pool.
<b>Endowment Principal</b>	The total of endowment contributions and cumulative Capitalized Investment Earnings.
<b>Investment Earnings</b>	The total of realized and unrealized investment <del>earnings-gains</del> and losses on the assets of the UEP for any given fiscal year; where realized investment <del>gain</del> <del>earnings</del> and losses are typically made up of interest, dividends, rents, and capital gains/losses arising from the sale of investments; unrealized investment <del>gain</del> <del>earnings</del> and losses represent the change in fair value of assets held.

<b>Rate of Return</b>	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
<b>Real</b>	Used in conjunction with asset values and rates of return and restates these nominal amounts by inflation or deflation.
<b>University Endowment Pool (UEP)</b>	The pooling of investment assets accumulated by or donated to the University for endowment purposes to facilitate investment management and administration of the funds.
<b>Valuation</b>	An accounting process that allocates each individual endowment with its proportionate share of Investment Earnings, Annual Spending Allocation, Administrative Costs and Direct Costs.

## **RELATED LINKS**

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

[Statement of Investment Principles and Beliefs](#)

[University Endowment Pool Spending Allocation Estimator](#)

[University Funds Investment Policy](#)

Approved:

~~May 31, 2017~~[February 25, 2021](#) by Board Investment Committee

~~June 23, 2017~~[March 12, 2021](#) by Board of Governors





## University Endowment Pool (UEP) Spending Policy

<b>Office of Accountability:</b>	Vice-President Finance and Administration
<b>Office of Administrative Responsibility:</b>	Financial Services
<b>Approved By:</b>	Board of Governors

### Overview

The University Endowment Pool (UEP) supports current and future beneficiaries in perpetuity. The UEP Spending Policy, University Funds Investment Policy, and Statement of Investment Principles and Beliefs are interrelated and designed to maintain the real value of the UEP over time in order to preserve the future purchasing power of the assets. The investment goal of the UEP is to achieve a long-term Rate of Return that in Real terms shall equal or exceed the Effective Rate of Spending established in the UEP Spending Policy, and to do so at the level of risk specified in the University Funds Investment Policy.

A prudent level of spending is one that reflects an investment Rate of Return achievable with acceptable levels of risk. The current expected Real investment Rate of Return is between 5.00% and 5.50%. The annual review of the UEP Spending Policy is designed to ensure that it remains appropriate with respect to the UEP's overall goals and objectives.

### Purpose

The purpose of this Spending Policy in conjunction with the University Funds Investment Policy is to preserve the Real value of endowment assets over time, while maintaining an appropriate and stable level of support to the current generation of beneficiaries.

### **POLICY**

Spending from the UEP shall be in accordance with the following procedures effective fiscal years commencing April 1, 2021:

1. Endowment contributions enter the UEP effective the month in which the contribution is received. Investment Earnings net of Direct Costs during the fiscal year in which an endowment contribution is received will become Capitalized Investment Earnings.
2. The Annual Spending Allocation is distributed to endowment holders at the beginning of each fiscal year.
3. The Annual Spending Allocation is based on 4.0% of the 60 month average Valuation ending on December 31 of the prior calendar year and applied against the endowment Valuation at the beginning of each fiscal year.
4. The UEP shall be subject to such Administrative Assessments as may be approved by the Board from time to time. This Administrative Assessment shall be in addition to the Annual Spending Allocation and Direct Costs associated with the endowment investment program. The administrative assessment rate is 0.65% effective April 1, 2021, 0.60% effective April 1, 2022, and shall be calculated in accordance with section 3 of this policy.
5. In any particular fiscal year should the Rate of Return be less than the Effective Rate of Spending whereby Investment Earnings are insufficient to fund total spending, encroachment of Endowment Principal will be used to fund the deficiency, with the expectation that such amounts will be recovered from future Capitalized Investment Earnings. If pursuant to the review in section 7 of this policy it is determined that the encroachment is no longer temporary, an adjustment will be made to the Annual Spending Allocation and/or the Administrative Assessment.

6. The Annual Spending Allocation as outlined in section 3 above, to the extent of realized Investment Earnings in a fiscal year, shall be applied in the following funding order:
- a) the current fiscal year's Administrative Assessment and Direct Costs associated with the endowment investment program as outlined in section 4,
  - b) the current fiscal year's Annual Spending Allocation,
  - c) the unfunded and unspent Annual Spending Allocation associated with prior fiscal years, if any,
  - d) the encroachment of Endowment Principal used to cover prior years' endowment expenditures incurred but not funded, if any, and
  - e) if funding is not required for the circumstances contemplated by sections 6c and 6d, then any excess Investment Earnings become Capitalized Investment Earnings.
7. The Board Investment Committee shall review this spending policy on an annual basis for continued appropriateness. As outlined in the Board Investment Committee's Terms of Reference any required changes will be presented to the Board of Governors for approval.

## **DEFINITIONS**

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

<b>Administrative Assessment</b>	Indirect cost recovery for centrally funded goods and services that support the activities and development of the endowed programs.
<b>Annual Spending Allocation</b>	Amount allocated to fund the activities of the endowed programs.
<b>Capitalized Investment Earnings</b>	The excess of Investment Earnings less total spending which includes the Annual Spending Allocation, the Administrative Assessment and Direct Costs. Capitalized Investment Earnings will be permanently endowed.
<b>Direct Costs</b>	All expenditures that are directly attributable to the University Endowment Pool's investment program, including but not limited to; external investment manager costs, custodial bank charges, consulting fees and the costs of the Investment & Treasury unit within Financial Services.
<b>Effective Rate of Spending</b>	The total of the Administrative Assessment, Annual Spending Allocation, and Direct Costs expressed as a percentage of the market value of the assets in the University Endowment Pool.
<b>Endowment Principal</b>	The total of endowment contributions and cumulative Capitalized Investment Earnings.
<b>Investment Earnings</b>	The total of realized and unrealized investment gains and losses on the assets of the UEP for any given fiscal year; where realized investment gains and losses are typically made up of interest, dividends, rents, and capital gains/losses arising from the sale of investments; unrealized investment gains and losses represent the change in fair value of assets held.
<b>Rate of Return</b>	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
<b>Real</b>	Used in conjunction with asset values and rates of return and restates

	these nominal amounts by inflation or deflation.
<b>University Endowment Pool (UEP)</b>	The pooling of investment assets accumulated by or donated to the University for endowment purposes to facilitate investment management and administration of the funds.
<b>Valuation</b>	An accounting process that allocates each individual endowment with its proportionate share of Investment Earnings, Annual Spending Allocation, Administrative Costs and Direct Costs.

**RELATED LINKS**

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

[Statement of Investment Principles and Beliefs](#)

[University Endowment Pool Spending Allocation Estimator](#)

[University Funds Investment Policy](#)

Approved:

February 25, 2021 by Board Investment Committee

March 12, 2021 by Board of Governors

**Governance Executive Summary  
 Action Item**

<b>Agenda Title</b>	<b>2021-2022 Tuition Fee Proposal and Student Financial Aid</b>
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**Motions**

**Motion:** THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the General Faculties Council Academic Planning Committee, approve the Tuition Proposal for Fall 2021 as outlined in the following tables:

Category of Student	Proposed Increase for Fall 2021	Financial Support
Domestic Undergraduate (incoming and continuing students)	7%	15% of net increase
International Undergraduate (continuing students admitted prior to Fall 2020)	4%	7.55% <sup>1</sup>

<sup>1</sup> Existing model for International tuition financial aid.

**Undergraduate Tuition Calculation Examples:**

Domestic Tuition Fees *	2020-21	2021-22	Change	
			(\$)	(%)
Undergraduate, Arts and Science	5,692.80	6,091.20	398.4	7.00%
Undergraduate, Business	7,488.48	8,012.52	524.04	7.00%
Undergraduate, Engineering	6,831.36	7,309.44	478.08	7.00%

International Tuition Fees <i>(Admitted prior to 2020)</i>	2020-21	2021-22	Change	
			(\$)	(%)
Undergraduate, Arts and Science	23,156.40	24,081.60	925.2	4.00%
Undergraduate, Business	30,461.04	31,678.80	1,217.76	4.00%
Undergraduate, Engineering	27,787.68	28,898.40	1,110.72	4.00%

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Category of Student	Proposed Increase for Fall 2021	Financial Support
Tuition for Domestic Graduate (thesis-based)	7%	15% of net increase
Domestic students Thesis based -admitted prior to Fall 2020	7% with rebate to reduce increase to 2.67% <sup>2</sup>	15% of net increase
Incoming Domestic Thesis based Students (admitted Fall 2020 and after) remain in the Regular Tuition Cohort	7%	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% <sup>1</sup>

<sup>1</sup> Existing model for International tuition financial aid.

<sup>2</sup> 2.67% is consistent with the rebated increase from last year and is designed to ensure consistency and predictability for students in alignment with cost drivers. This is of net tuition.

<sup>3</sup> Executive MBA is excluded from the increases.

<sup>4</sup> Note where International and Domestic Rates are currently the same the domestic increase of 7% will be applied.

**Graduate Tuition Calculation Examples:**

Domestic Tuition Fees *	2020-21	2021-22	Change	
			(\$)	(%)
Arts and Science Example used				
Tuition for Domestic Graduate (Thesis-Base)	3,918.60	4,192.80	274.2	7.00%
Domestic Students Admitted Prior to Fall 2020	3,760.80	3,860.40	99.6	2.67%
Incoming Domestic Students (admitted Fall 2020 and after) remain in the regular tuition cohort	3,918.60	4,192.80	274.2	7.00%
Graduate Course Based (per *3 course)	667.8	714.48	46.68	7.00%

Item No. 4a

International Tuition Fees <i>(Admitted prior to 2020)</i>	2020-21	2021-22	Change	
			(\$)	(%)
Graduate Thesis (entry before 2020)	8,004.12	8,217.60	213.48	2.67%
Graduate Course Based (per *3 course)	1,502.88	1,562.88	60	4.00%

**Item**

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

**Details**

Responsibility	Provost and Vice-President (Academic) and Vice-President (University Services and Finance)
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 2021.</p> <p>Note that the tuition for international students incoming in Fall 2021 was already approved in June 2020. The tuition proposal for international students incoming in Fall 2022 will come forward in the coming months.</p>
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<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 had been frozen for the previous five years.</p> <p>Details regarding the proposal are outlined in Attachment 1, including projected tuition proposals for Fall 2022, Fall 2023, and Fall 2023. These projections have been shared with the students as a part of the Fall 2021 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 2021/2022 academic year, the University will continue to 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.</p>

Item No. 4a

Supplementary Notes / context	<p><u>Consideration of this item at the February 24, 2021 APC meeting</u></p> <p>At its February 24, 2021 meeting, APC had a robust discussion on tuition and financial aid, including two potential amendments (as set out below). APC decided ultimately to provide these as comments to BFPC. APC committed to looking at the processes and the adequacy of available funding when they review the Annual Report on Student financial supports.</p> <ul style="list-style-type: none"> <li>• President of the Graduate Students' Association, Marc Waddingham: Propose an amendment to these recommendations to BFPC; for students admitted in Fall 2020/Winter 2021, to be included in the rebate program to reduce their tuition to API for the 2021/22 tuition increase, as for students admitted prior to Fall 2020. This would mean their tuition would still be 7% higher over 2019/2020 levels, and incoming students will see a 7% higher tuition over 2020/2021; but will ensure that less graduate students require financial support or access to services like the campus food bank, of which they are far and away the largest proportional amount of users.</li> <li>• President of the Students' Union, Joel Agarwal: APC recommend to BFPC that if tuition revenues exceed expectations, a minimum of 20% of the revenue in excess of the budgeted amount be directed to additional student aid, or other programs which directly support or benefit students.</li> </ul> <p><u>Consideration of this item at the February 25, 2021 BFPC meeting</u></p> <p>The Provost, Chair of APC, relayed the above comments to the committee, noting that neither were voted on by APC as amendments to the motion. Mr Agarwal and Mr Waddingham explained their reasons for proposing the amendments, including that students are finding tuition increases unmanageable, excess tuition revenue should be directed to student financial aid, and for graduate students, minimum funding should be enough to allow students to focus on their studies without needing a second job.</p> <p>The Provost committed to reviewing undergraduate financial aid in the fall and to discuss options for graduate funding.</p>
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**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><u><i>Those who are actively participating:</i></u></p> <ul style="list-style-type: none"> <li>• Provost and Vice-President (Academic)</li> <li>• Vice-President (University Services and Finance)</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><u><i>Those who have been consulted:</i></u></p> <ul style="list-style-type: none"> <li>• Tuition Budget Advisory Committee (October 27, 2020, November 26, 2020, January 13, 2021)</li> <li>• Deans' Council</li> </ul>
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Item No. 4a

Approval Route (Governance) (including meeting dates)	GFC Academic Planning Committee (recommendation) – Feb 24, 2021 Board Finance & Property Committee (recommendation) – Feb 25, 2021 Board of Governors (approval) – March 12, 2021
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**Strategic Alignment**

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

Attachments:

1. University of Alberta Tuition Proposal, 2021-2022 (2 pages)
2. U15 International and Domestic Tuition Comparators, 2020-2021 (2 pages)

*Prepared by:* Kathleen Brough, Chief of Staff, Office of the Provost and Vice-President (Academic)



## Fall 2021 Tuition Proposal and Future Projections

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

- a) Fall 2021 tuition proposals for all students with the exception of incoming international students who will be following a program-based tuition model.
- b) 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 Students and Continuing International Students admitted prior to Fall 2020)

Category of Student	Proposed Tuition Increase	Tuition increase projections		
		Fall 2022	Fall 2023	Fall 2024
<b>Domestic</b>	Fall 2021	Fall 2022	Fall 2023	Fall 2024
Domestic, undergraduate Incoming and Continuing students	7%	7% Average (5%-10% based on program)	CPI-restricted by Tuition Fee Regulation	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	TBD	TBD
<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%

<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

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

**Thesis Based Course Based**

Category of Student	Proposed Tuition Increase	Tuition increase projections		
		Fall 2021	Fall 2022	Fall 2023
<b>Domestic</b>				
Domestic, graduate (thesis-based) Admitted in 2020 and Incoming	7%	7%	CPI- restricted by Tuition Fee Regulation	CPI- restricted by Tuition Fee Regulation
Domestic, graduate (thesis-based) Admitted prior to Fall 2020	7% with rebate to reduce the increase to 2.67% <sup>3</sup>	7% with rebate to reduce the increase to approx 3%	CPI- restricted by Tuition Fee Regulation	CPI- restricted by Tuition Fee Regulation
Domestic, graduate (course-based) Incoming and Continuing Students	7%	7%	CPI- restricted by Tuition Fee Regulation	CPI- restricted by Tuition Fee Regulation
<i>Financial Support Offset</i> Model: Incremental based on increases	15% of increase	15% of increase	TBD	TBD
<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>4</sup>	7% with rebate to reduce the increase to approx. 3%	Approx. 3% to reflect cost drivers of the institution	Approx. 3% to reflect cost drivers of the institution
International, graduate (course- based) (continuing students admitted prior to Fall 2020)	4%	4%	4%	4%
<i>Financial Support Offset</i> Model: percent of total tuition	7.55%	7.55%	7.55%	7.55%

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

<sup>4</sup> 2.67% reflects the increase in cost drivers for the University year over year. The 3% figure used for Fall 2022 is an approximation of this value for that year. The rebate would cease in Fall 2024.

## U15 International and Domestic Tuition and Fees, 2020-21

As shown in Table 1, although the U of A's international undergraduate tuition has been increased to \$29,500 (or \$30,312 when MNIFs are considered) for the Fall 2020 intake, the rate is still slightly lower than the U15 average.

U of A's international tuition for the M.A. program is higher than only three institutions, namely Calgary, Manitoba and Saskatchewan.

When MNIFs are included, U of A's international tuition & fee for the M.A. program is higher than UBC and the three institutions noted above.

Overall, the U of A's international tuition (and fees) at the M.A. level is considerably lower than the U15 average, whereas at the PhD level, the gap is smaller but still substantial.

**Table 1. International Tuition for BA, MA, & PhD, 2020-2021**

2020-21 Tuition	International								
	Arts & Social Science Undergraduate			MA			PhD		
	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total
University of Alberta	\$ 29,500	\$ 812	\$ 30,312	\$ 8,700	\$ 812	\$ 9,512	\$ 8,700	\$ 812	\$ 9,512
Dalhousie University	\$ 21,180	\$ 351	\$ 21,531	\$ 15,552	\$ 517	\$ 16,069	\$ 6,330	\$ 517	\$ 6,847
McMaster University	\$ 33,852	\$ 682	\$ 34,533	\$ 17,096	\$ 270	\$ 17,366	\$ 6,307	\$ 270	\$ 6,577
Queen's University	\$ 48,501	\$ 558	\$ 49,058	\$ 12,927	\$ 378	\$ 13,305	\$ 12,927	\$ 378	\$ 13,305
University of British Columbia	\$ 39,574	\$ 270	\$ 39,844	\$ 8,952	\$ 231	\$ 9,183	\$ 8,952	\$ 231	\$ 9,183
University of Calgary	\$ 20,172	\$ 874	\$ 21,046	\$ 8,081	\$ 646	\$ 8,727	\$ 8,081	\$ 646	\$ 8,727
University of Manitoba	\$ 15,891	\$ 524	\$ 16,415	\$ 6,875	\$ 627	\$ 7,502	\$ 3,670	\$ 627	\$ 4,297
University of Ottawa	\$ 36,161	\$ 203	\$ 36,364	\$ 25,472	\$ 129	\$ 25,601	\$ 6,367	\$ 129	\$ 6,496
University of Saskatchewan	\$ 17,615	\$ 224	\$ 17,839	\$ 6,731	\$ 279	\$ 7,010	\$ 6,731	\$ 279	\$ 7,010
University of Toronto	\$ 57,020	\$ 1,023	\$ 58,043	\$ 24,960	\$ 1,023	\$ 25,983	\$ 6,210	\$ 1,023	\$ 7,233
University of Waterloo	\$ 38,656	\$ 427	\$ 39,083	\$ 21,762	\$ 519	\$ 22,281	\$ 21,546	\$ 519	\$ 22,065
Western University	\$ 33,526	\$ 513	\$ 34,039	\$ 18,612	\$ 523	\$ 19,135	\$ 6,360	\$ 523	\$ 6,883
McGill University	\$ 21,500	\$ 1,230	\$ 22,730	\$ 17,961	\$ 1,158	\$ 19,120	\$ 16,122	\$ 1,158	\$ 17,280
Universite de Montreal	\$ 23,684	\$ 1,054	\$ 24,739	\$ 14,369	\$ 1,582	\$ 15,951	\$ 12,897	\$ 1,585	\$ 14,482
Universite Laval	\$ 17,500	\$ 692	\$ 18,191	\$ 14,369	\$ 692	\$ 15,060	\$ 19,346	\$ 841	\$ 20,188
<b>AVERAGE (Excluding U of A)</b>	<b>\$ 30,345</b>	<b>\$ 616</b>	<b>\$ 30,961</b>	<b>\$ 15,266</b>	<b>\$ 612</b>	<b>\$ 15,878</b>	<b>\$ 10,132</b>	<b>\$ 623</b>	<b>\$ 10,755</b>

Sources: U15 2020-2021 Tuition & Fees results.

Institutions' tuition & fees websites.

As shown in Table 2, domestic undergraduate tuition at the U of A is the third lowest in the country, approximately 14% lower than the U15 average.

When MNIFs are included, the U of A becomes the fourth lowest in the country, about 9% lower than the U15 average.

Domestic graduate tuition is substantially lower than the U15 average. Approximately 55% below the U15 average at the masters level (or 41% when MNIFs are included) and 25% below the U15 average at the PhD level (or 16% when MNIFs are included).

**Table 2. Domestic Tuition for BA, MA, & PhD, 2020-2021**

2020-21 Tuition	Domestic								
	Arts & Social Science			MA			PhD		
	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total
University of Alberta	\$ 5,693	\$ 812	\$ 6,505	\$ 3,919	\$ 812	\$ 4,731	\$ 3,919	\$ 812	\$ 4,731
Dalhousie University	\$ 8,103	\$ 351	\$ 8,454	\$ 8,580	\$ 507	\$ 9,087	\$ 6,330	\$ 507	\$ 6,837

McMaster University	\$ 6,043	\$ 682	\$ 6,724	\$ 6,307	\$ 270	\$ 6,577	\$ 6,307	\$ 270	\$ 6,577
Queen's University	\$ 6,083	\$ 558	\$ 6,641	\$ 5,773	\$ 378	\$ 6,151	\$ 5,773	\$ 378	\$ 6,151
University of British Columbia	\$ 5,507	\$ 270	\$ 5,777	\$ 5,096	\$ 231	\$ 5,327	\$ 5,096	\$ 231	\$ 5,327
University of Calgary	\$ 5,763	\$ 874	\$ 6,637	\$ 3,464	\$ 646	\$ 4,110	\$ 3,464	\$ 646	\$ 4,110
University of Manitoba	\$ 4,169	\$ 524	\$ 4,693	\$ 3,670	\$ 627	\$ 4,297	\$ 3,670	\$ 627	\$ 4,297
University of Ottawa	\$ 6,088	\$ 203	\$ 6,291	\$ 7,370	\$ 129	\$ 7,499	\$ 6,367	\$ 129	\$ 6,496
University of Saskatchewan	\$ 6,452	\$ 224	\$ 6,676	\$ 4,260	\$ 279	\$ 4,539	\$ 4,260	\$ 279	\$ 4,539
University of Toronto	\$ 6,100	\$ 1,023	\$ 7,123	\$ 6,210	\$ 1,023	\$ 7,233	\$ 6,210	\$ 1,023	\$ 7,233
University of Waterloo	\$ 6,128	\$ 427	\$ 6,555	\$ 6,762	\$ 519	\$ 7,281	\$ 6,762	\$ 519	\$ 7,281
Western University	\$ 6,050	\$ 513	\$ 6,563	\$ 6,360	\$ 523	\$ 6,883	\$ 6,360	\$ 523	\$ 6,883
McGill University	\$ 8,186	\$ 1,230	\$ 9,416	\$ 8,186	\$ 1,158	\$ 9,345	\$ 2,623	\$ 1,158	\$ 3,781
Universite de Montreal	\$ 8,186	\$ 1,054	\$ 9,241	\$ 6,549	\$ 1,582	\$ 8,131	\$ 2,035	\$ 1,585	\$ 3,620
Universite Laval	\$ 8,186	\$ 692	\$ 8,878	\$ 6,549	\$ 692	\$ 7,241	\$ 3,147	\$ 841	\$ 3,989
<b>AVERAGE (Excluding U of A)</b>	<b>\$ 6,503</b>	<b>\$ 616</b>	<b>\$ 7,119</b>	<b>\$ 6,081</b>	<b>\$ 612</b>	<b>\$ 6,693</b>	<b>\$ 4,886</b>	<b>\$ 623</b>	<b>\$ 5,509</b>

Sources: U15 2020-2021 Tuition & Fees results.

Institutions' tuition & fees websites.

NOTES:

- 1) Dalhousie, McGill, Laval and Montreal domestic tuition is for out-of-province students
- 2) Undergraduate data are for an Arts & Social Science program, except for UBC, which is from an Arts program. Data for UBC's Arts & Social Science program are unavailable.
- 3) Graduate tuition is 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.
- 5) Institution fees include Athletics, College/Faculty Activity Fees, General Student Service Fee, Health Service, and Other Fees.
- 6) The University of Alberta's calculations for "MNIFs retained by Institution" are based on two terms of study.
- 7) U of Ottawa's calculations for "MNIFs retained by Institution" are sourced from the institution's website. It includes fees for health services, sports services and University Centre services.
- 8) Fees retained by student government and flow-through fees (e.g. UPASS) are not included.
- 9) Laval, U of Manitoba and McGill have a declining graduate tuition structure for both domestic and international M.A. and PhD students.
- 10) Dalhousie has declining tuition at the M.A. level for both international and domestic students.
- 11) At UBC, domestic graduate students are only placed on the declining tuition schedule if they have not finished their programs within a defined period of time.
- 12) At U of Ottawa, international M.A. students are subjected to a declining graduate tuition schedule.

Item No. 4b

**Governance Executive Summary  
Action Item**

<b>Agenda Title</b>	<b>University of Alberta 2021-22 Budget and Capital Plan</b>
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**Motion I**

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee, approve the 2021-2024 Capital Plan as set forth in Attachment 2.
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**Motion II**

THAT the Board of Governors, on the recommendation of the Board Finance and Property Committee and the General Faculties Council Academic Planning Committee, approve the 2021-22 Consolidated Budget as set forth in Attachment 3.
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**Item**

Action Requested	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Recommendation
Proposed by	Todd Gilchrist, Vice President (University Services and Finance) Steven Dew, Provost and Vice President (Academic) Andrew Sharman, Vice President (Facilities and Operations)
Presenter(s)	Todd Gilchrist, Vice President (University Services and Finance) Steven Dew, Provost and Vice President (Academic) Andrew Sharman, Vice President (Facilities and Operations)

**Details**

Responsibility	Vice President (University Services and Finance) Provost and Vice President (Academic) Vice President (Facilities and Operations)
The Purpose of the Proposal is <i>(please be specific)</i>	To propose the University of Alberta 2021-22 Budget and Capital Plan for approval by the Board of Governors.
Executive Summary <i>(outline the specific item – and remember your audience)</i>	<p>The <b>University of Alberta 2021-22 Budget</b> document provides a comprehensive overview of the university’s budget, inclusive of all its component parts.</p> <p>The document was originally developed prior to the official release of the provincial budget tabled on February 25, 2021. The estimate for one of the university’s main sources of revenue, the Campus Alberta Grant, was based on the last official guidance received from the Government of Alberta, which translated into a 9.7% cut. Similarly, we had received no specific indication related to the former Infrastructure Maintenance Program funds for the upcoming fiscal year and the budget was based on the expectation of these amounts remaining stable.</p> <p>Even though we had already been planning for an incredibly difficult financial challenge, the cut was even worse than anticipated. The budget tabled on February 25 imposed a \$60M cut to the University of Alberta’s share of the Campus Alberta Grant, translating into an 11% reduction over the previous year. This is \$7M more than initially anticipated, and it comes on top of a \$110M cut in the past 2 years.</p> <p>It is only due to the transformative work that the institution is undertaking through the University of Alberta for Tomorrow initiative that we can see a path to manage these unprecedented cuts.</p>

Item No. 4b

	<p>On a positive note, the February 25 provincial budget did provide an increase of 37% or \$13M to the Infrastructure Maintenance Program grant. While restricted, the grant will assist in addressing the deferred maintenance needs of the institution. Unfortunately, the budget also projected a precipitous reduction in this funding in future years.</p> <p>The <b>2021-2024 capital plan</b> was developed through the lens of the Integrated Asset Management Strategy in support of the University of Alberta for Tomorrow. Projects that are underway, those scheduled to move forward, and those identified as priorities pending funding availability are equally focused on maximizing use of university-owned space while reducing the overall cost of operating that space. Renewal projects will make space more functional, more efficient, and better able to serve the students and researchers of tomorrow. In some instances, aged infrastructure that is incapable of meeting the needs of the university and is drawing limited resources away from our more critical infrastructure will be decommissioned and, in some cases, taken down.</p> <p>Although the capital plan was prepared based on a historical level of support from the Government of Alberta, it is deliberately scalable to respond to varying levels of support such as the increase in IMP this year or any other changes that may emerge over the year.</p>
Supplementary Notes and context	<p><b>The Consolidated Budget was first recommended at the February 25, 2021 BFPC meeting, and a revised version (following the release of the Provincial Budget) is being considered by BFPC on March 9, 2021.</b></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 (University Services and Finance)</li> <li>● Vice President (Facilities &amp; Operations)</li> </ul> <p><b><u>Those who have been consulted:</u></b></p> <ul style="list-style-type: none"> <li>● President's Executive Committee - Strategic</li> <li>● Resource Planning</li> </ul> <p><b><u>Those who have been informed:</u></b></p> <ul style="list-style-type: none"> <li>●</li> </ul>
Approval Route (Governance) (including meeting dates)	<p>Board Finance &amp; Property Committee (capital plan only, recommendation) – February 25, 2021</p> <p>Academic Planning Committee (budget only, recommendation) – March 8, 2021</p> <p>Board Finance &amp; Property Committee (budget only, recommendation) - March 9, 2021</p> <p>Board of Governors (approval) – March 12, 2021</p>

**Strategic Alignment**

Alignment with <i>For the Public Good</i>	<p><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.</i></p> <p><b>OBJECTIVE:</b> <i>Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals.</i></p>
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Item No. 4b

	<p><i>i. Strategy: Seek and secure resources needed to achieve and support our strategic goals.</i></p> <p><i>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.</i></p>	
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 2021-22 Budget Presentation (45 slides) – for information
2. Capital Plan (19 pages) – **for approval**
3. University of Alberta 2020-21 Budget (25 pages) – **for approval**

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



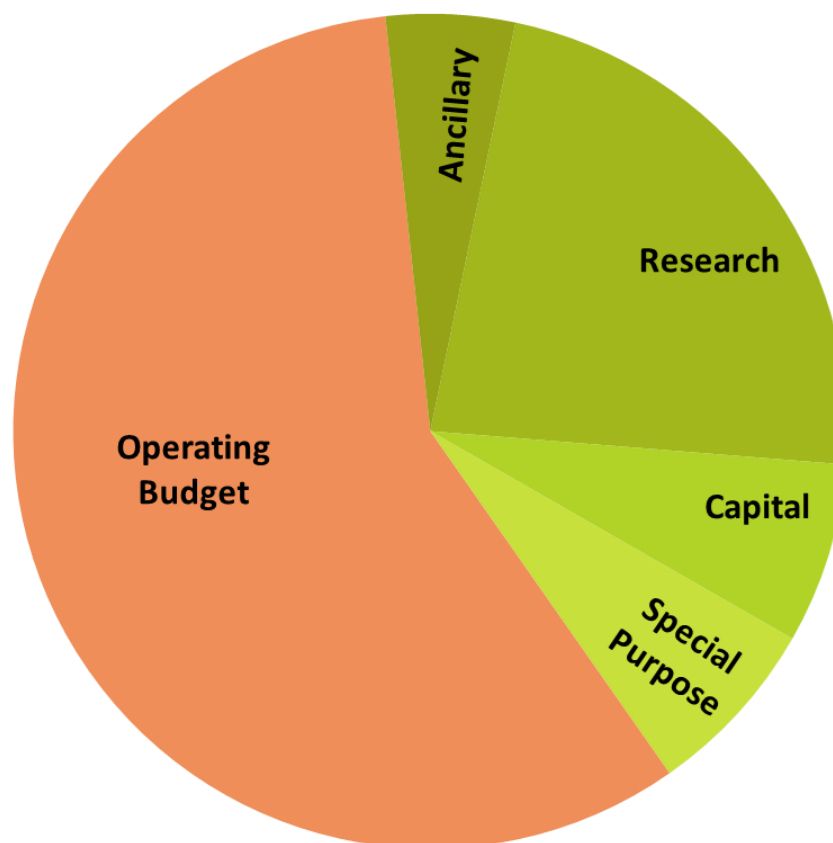
# University of Alberta 2021-22 Budget

Board of Governors - March 12, 2021



# University of Alberta 2021-22 Budget

# Consolidated Budget



# 2021-22 Consolidated Budget

(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	872,029	827,563	784,056	739,412	677,204	680,337
Federal and other government grants	213,653	208,037	210,074	202,366	206,815	209,353
Student tuition and fees	362,593	395,417	397,202	424,908	450,332	467,728
Sales of services and products	209,786	216,284	139,424	182,482	205,575	217,335
Donations and other grants	144,367	133,676	114,735	124,361	126,307	128,368
Investment income	52,596	90,519	95,505	91,269	92,918	95,938
<b>Total revenue</b>	<b>1,855,024</b>	<b>1,871,496</b>	<b>1,740,996</b>	<b>1,764,798</b>	<b>1,759,151</b>	<b>1,799,059</b>
<b>Expense</b>						
Salaries	941,083	916,911	898,580	873,496	857,019	859,962
Employee benefits	209,241	198,992	210,204	193,052	178,947	189,433
Materials, supplies and services	279,345	288,450	198,194	239,468	269,377	273,209
Scholarships and bursaries	135,461	134,735	144,606	142,179	145,285	148,461
Maintenance and repairs	100,243	95,881	79,926	103,194	89,040	90,078
Utilities	47,521	51,671	48,124	50,383	52,483	52,519
Amortization of tangible capital assets	182,376	183,871	157,348	159,873	162,127	172,196
<b>Total expense</b>	<b>1,895,270</b>	<b>1,870,511</b>	<b>1,736,982</b>	<b>1,761,645</b>	<b>1,754,278</b>	<b>1,785,858</b>
<b>Annual operating surplus (deficit)</b>	<b>(40,246)</b>	<b>985</b>	<b>4,014</b>	<b>3,153</b>	<b>4,873</b>	<b>13,201</b>

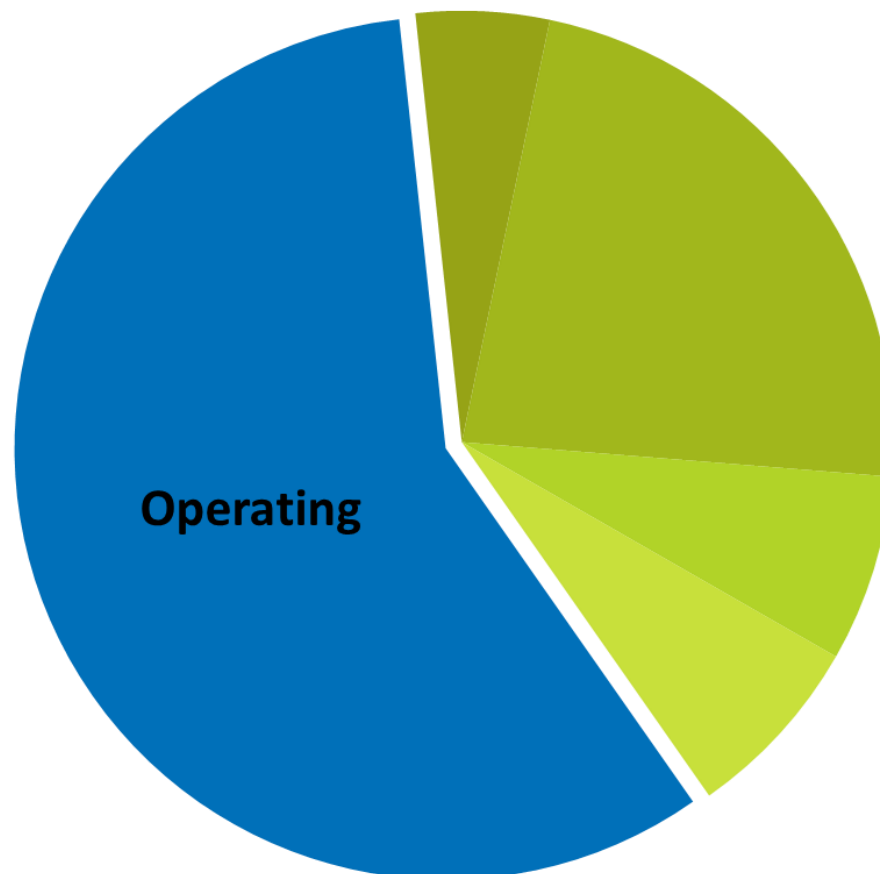
## Consolidated Budget Components

- **Operating:** represents the institution's general operations. The budget process focuses on the allocation of these funds
- **Ancillary:** stand-alone enterprises funded by their own revenues
- **Research:** subject to external 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/deferred maintenance projects
- **Special Purpose:** primarily related to the Academic Medicine and Health Sciences program, and annual endowment spending allocations from non-research related endowments

## 2021-22 Consolidated Budget by Fund

(\$000's)	Ancillary				Special	Total
	Operating	Operations	Research	Capital	Purpose	
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	508,235	-	65,094	92,954	73,129	<b>739,412</b>
Federal and other government grants	22,008	-	162,392	17,966	-	<b>202,366</b>
Student tuition and fees	424,354	554	-	-	-	<b>424,908</b>
Sales of services and products	89,700	75,231	17,422	-	129	<b>182,482</b>
Donations and other grants	8,262	-	89,927	23,058	3,114	<b>124,361</b>
Investment income	15,000	513	52,852	-	22,904	<b>91,269</b>
<b>Total revenue</b>	<b>1,067,559</b>	<b>76,298</b>	<b>387,687</b>	<b>133,978</b>	<b>99,276</b>	<b>1,764,798</b>
<b>Expense</b>						
Salaries	645,034	20,232	157,706	-	50,524	<b>873,496</b>
Employee benefits	145,668	5,155	27,964	-	14,265	<b>193,052</b>
Materials, supplies and services	80,352	26,673	110,610	3,693	18,140	<b>239,468</b>
Scholarships and bursaries	45,840	-	84,480	-	11,859	<b>142,179</b>
Maintenance and repairs	33,407	18,731	2,543	48,413	100	<b>103,194</b>
Utilities	46,191	3,713	479	-	-	<b>50,383</b>
Amortization of tangible capital assets	53,026	10,773	-	96,074	-	<b>159,873</b>
<b>Total expense</b>	<b>1,049,518</b>	<b>85,277</b>	<b>383,782</b>	<b>148,180</b>	<b>94,888</b>	<b>1,761,645</b>
<b>Annual operating surplus (deficit)</b>	<b>18,041</b>	<b>(8,979)</b>	<b>3,905</b>	<b>(14,202)</b>	<b>4,388</b>	<b>3,153</b>

# Operating Budget



## 2021-22 Operating Budget

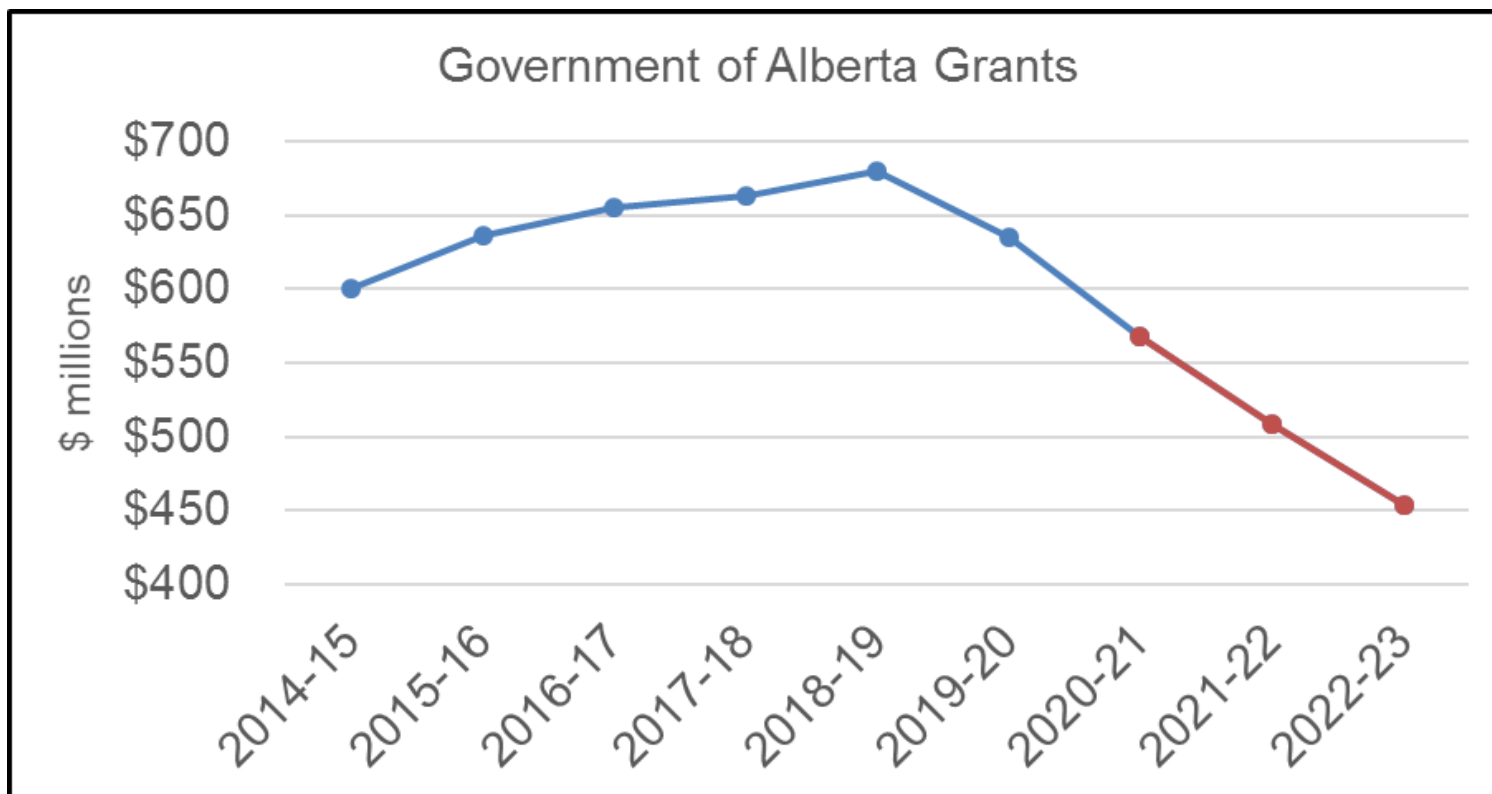
(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	635,292	568,703	568,405	508,235	454,388	455,487
Federal and other government grants	21,679	21,159	21,640	22,008	22,492	22,942
Student tuition and fees	362,593	395,417	397,202	424,354	449,767	467,152
Sales of services and products	99,680	103,944	76,916	89,700	92,674	94,508
Donations and other grants	10,555	10,622	7,040	8,262	8,444	8,612
Investment income	16,012	20,000	20,000	15,000	15,000	15,000
<b>Total revenue</b>	<b>1,145,811</b>	<b>1,119,845</b>	<b>1,091,203</b>	<b>1,067,559</b>	<b>1,042,765</b>	<b>1,063,701</b>
<b>Expense</b>						
Salaries	704,886	681,341	664,774	645,034	635,673	638,501
Employee benefits	163,896	152,464	165,336	145,668	132,689	143,048
Materials, supplies and services	109,301	103,454	50,833	80,352	87,612	88,301
Scholarships and bursaries	42,194	45,977	42,937	45,840	46,849	47,786
Maintenance and repairs	39,719	30,812	30,667	33,407	34,231	34,995
Utilities	41,362	45,221	42,715	46,191	48,206	48,156
Amortization of tangible capital assets	55,070	53,435	50,582	53,026	57,335	61,956
<b>Total expense</b>	<b>1,156,428</b>	<b>1,112,704</b>	<b>1,047,844</b>	<b>1,049,518</b>	<b>1,042,595</b>	<b>1,062,743</b>
<b>Annual operating surplus (deficit)</b>	<b>(10,617)</b>	<b>7,141</b>	<b>43,359</b>	<b>18,041</b>	<b>170</b>	<b>958</b>

## Provincial Education Grant

- The Government of Alberta released the 2021 provincial budget on February 25, 2021. The University of Alberta's provincial grant (operating) has been decreased by a further 11%, or \$60 million in 2021-22.
- Further uncertainty is expected with the re-introduction of the investment management agreements (IMA) that are expected to introduce performance-based funding to the provincial grant.
- The provincial government has not provided sufficient information to gain any level of meaningful insight into what this might look like moving forward.



## Provincial Education Grant History



Years 2020-21, 2021-22 and 2022-23 are displaying forecasted amounts

## 3-Year Revenue Assumptions

	2021-22	2022-23	2023-24
Campus Alberta Grant	-11.0%	-11.0%	0.3%
Infrastructure Maintenance Program <sup>4</sup>	\$48M	\$35M	\$35M
Domestic Tuition <sup>1</sup>	7%	7%	2%
International Tuition <sup>2</sup> (existing students)	4%	4%	4%
International Tuition <sup>2</sup> (program-based)	0%	2%	2%
MNIF <sup>3</sup>	1.6%	2%	2%
Investment Income	\$15M	\$15M	\$15M
Residence Rates (Ancillary)	5%	2%	2%
Meal Plan Rates (Ancillary)	2%	2%	2%

- 1) 15% of the net increase to domestic tuition will be dedicated to student financial support.
- 2) 7.55% of all international tuition will be directed to support international students. Program based tuition applies to students admitted Fall 2020 or later.
- 3) API in 2023 and 2024 is estimated at the 2022 rate. Note API is calculated annually and is typically in the 2% range.
- 4) May be transitioned to Capital Maintenance & Renewal Program

## 3-Year Expense Assumptions

<b>Fiscal Year</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Other Costs*	1.7%	2.2%	2.0%
ATB (AASUA & NASA)	TBN	TBN	TBN
Merit, AASUA**	1.2%	1.2%	1.2%
Merit, NASA**	0.8%	0.8%	0.8%
Benefits**	2.3%	2.4%	2.2%

\* Non-salary costs such as materials, supplies, etc.

\*\* Average per employee (although the number of employees is actually decreasing)

## Revenue/Expense Sensitivities

<b>Sensitivity of a 1% change in:</b>	<b>2021-22</b>
Campus Alberta Grant	\$5.5M
Infrastructure Maintenance Program (IMP) / Capital Maintenance Renewal (CMR)	\$0.35M
Undergraduate Enrolment	\$2.9M
Domestic Tuition Rates	\$2.0M
International Tuition Rates	\$1.1M
MNIF	\$0.3M
Investment Income	\$0.2M
AASUA Salaries	\$4.0M
NASA Salaries	\$2.0M
Excluded Salaries	\$0.5M
Benefits	\$1.5M
Utilities	\$0.5M

The above sensitivities pertain only to operating funds (100/210) except CMR / IMP which relates to the capital fund

Sensitivity of a 1% change to all salary types (across all funds) is \$9M

# Tuition and Mandatory Non-Instructional Fees

## Undergraduate Enrolment Planning - Fall 2021

	2020/21 Plan	2020/21 Current	2021/22 Plan
<b>DOMESTIC</b>	23,353	25,060	25,954
<i>Change from prior year</i>			894 (3.6%)
<b>INTERNATIONAL</b>	4,289	4,387	4,387
<i>Change from prior year</i>			0 (0.0%)
<b>TOTAL Undergraduate</b>	<b>27,642</b>	<b>29,447</b>	<b>30,341</b>
<i>Change from prior year</i>			<b>894 (3.0%)</b>

Notes:

1. Excludes Postgraduate Medical Education students and Postgraduate Dental Education students.
2. 2020/21 FLE is based on December 1 headcount and historical FLE conversion rates for each faculty.
3. 2021/22 FLE: Domestic FLE is based on current faculty enrolment plans as contained in their enrolment planning document as well as in the Dean's confirmation of their enrolment plans to the Provost. International FLE is assumed to stay at 2020/21 levels.

## Fall 2021 Tuition Proposal, Domestic (in line with what was proposed last year)

Domestic tuition fees proposed to increase by 7%, including:

1. Undergraduate
2. Graduate thesis-based, except:
  - Continuing graduate thesis students increase by 7% with a rebate to bring the effective increase down to 2.67%
3. Graduate course-based programs

Financial support offset of 15% of increase for domestic students continues (implemented in the fall of 2020)

## Undergraduate Domestic Tuition Offset

Tuition offset approved to increase needs-based funding 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 families, students with dependents, Indigenous students, students with disabilities, and students facing emergent financial challenges).



## Undergraduate Domestic Tuition Offset (cont.)

- 1) Based on original budget projections, approximately \$1.7M was committed to programs administered by the Office of the Registrar
- 2) Funding was utilized in the following fashion:
  - Increase annual maximum from \$8,000 to \$11,000 for needs-based funding
  - Allocation of additional funding to students from varying needs based situations (\$1,000 - \$2,000 per student)
  - Support repayment of emergency student loans issued in previous 12 months

## Fall 2021 Tuition Proposal, International (approved by the Board in June 2020 for Fall 2021)

International tuitions increase by 4% for students **admitted prior to Fall 2020** in undergraduate and graduate course-based programs.

International graduate thesis students **admitted prior to Fall 2020** increase by 7% with a rebate to bring the effective increase down to 2.67%

International Students admitted Fall 2020 or later subject to program based tuition.

Continuation of financial support offset for international students of 7.55% on total tuition (longstanding U of A initiative)

## International Student Support Offset

Approximately 7.55% of international student tuition is allocated to the Office of the Registrar and University of Alberta International for financial support

- The funds are provided via recruitment scholarships, bursaries and in some cases reduction of tuition charged (waivers applied to tuition in winter semester)
- Total committed in the current year through these mechanisms is approximately \$7.6M

## Mandatory Non-Instructional Fees (MNIF)

MNIF's are proposed to increase by 1.6% in 2021-22, as per an agreed upon formula based on the university's cost drivers.

A second special increase of \$1.50 per student, per term (fall and winter only), will also apply to the Health and Wellness Fee<sup>1</sup>.

MNIF's (full time rates)*	2020-21	2021-22 (after API)	Change		Special Increase <sup>1</sup>	2021-22
			(\$)	(%)		
Student Health and Wellness	122.64	124.60	1.96	1.60%	3.00	127.60
Student Academic Support	509.08	517.20	8.12	1.60%	n/a	517.20
Athletics and Recreation	180.40	183.28	2.88	1.60%	n/a	183.28

*\*Annual Amounts based on full time enrollment in Fall and Winter semesters.*

*1. Additional increase will fund sexual violence prevention and coordination services at the University. This increase is a student proposed and led initiative that enjoys broad support from student leadership.*

# Tuition – U15 Comparators

## Domestic Tuition

2020-21 Tuition	Domestic								
	Arts & Social Science Undergraduate			MA			PhD		
	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total
University of Alberta	\$5,693(13th*)	\$812 (5th*)	\$6,505(12th*)	\$3,919(13th*)	\$812 (4th*)	\$4,731(12th*)	\$3,919(10th*)	\$812 (5th*)	\$ 4,731 (9th*)
<b>AVERAGE (Excluding U of A)</b>	<b>\$ 6,503</b>	<b>\$ 616</b>	<b>\$ 7,119</b>	<b>\$ 6,081</b>	<b>\$ 612</b>	<b>\$ 6,693</b>	<b>\$ 4,886</b>	<b>\$ 623</b>	<b>\$ 5,509</b>
Dalhousie University	\$ 8,103	\$ 351	\$ 8,454	\$ 8,580	\$ 507	\$ 9,087	\$ 6,330	\$ 507	\$ 6,837
McMaster University	\$ 6,043	\$ 682	\$ 6,724	\$ 6,307	\$ 270	\$ 6,577	\$ 6,307	\$ 270	\$ 6,577
Queen's University	\$ 6,083	\$ 558	\$ 6,641	\$ 5,773	\$ 378	\$ 6,151	\$ 5,773	\$ 378	\$ 6,151
University of British Columbia	\$ 5,507	\$ 270	\$ 5,777	\$ 5,096	\$ 231	\$ 5,327	\$ 5,096	\$ 231	\$ 5,327
University of Calgary	\$ 5,763	\$ 874	\$ 6,637	\$ 3,464	\$ 646	\$ 4,110	\$ 3,464	\$ 646	\$ 4,110
University of Manitoba	\$ 4,169	\$ 524	\$ 4,693	\$ 3,670	\$ 627	\$ 4,297	\$ 3,670	\$ 627	\$ 4,297
University of Ottawa	\$ 6,088	\$ 203	\$ 6,291	\$ 7,370	\$ 129	\$ 7,499	\$ 6,367	\$ 129	\$ 6,496
University of Saskatchewan	\$ 6,452	\$ 224	\$ 6,676	\$ 4,260	\$ 279	\$ 4,539	\$ 4,260	\$ 279	\$ 4,539
University of Toronto	\$ 6,100	\$ 1,023	\$ 7,123	\$ 6,210	\$ 1,023	\$ 7,233	\$ 6,210	\$ 1,023	\$ 7,233
University of Waterloo	\$ 6,128	\$ 427	\$ 6,555	\$ 6,762	\$ 519	\$ 7,281	\$ 6,762	\$ 519	\$ 7,281
Western University	\$ 6,050	\$ 513	\$ 6,563	\$ 6,360	\$ 523	\$ 6,883	\$ 6,360	\$ 523	\$ 6,883
McGill University	\$ 8,186	\$ 1,230	\$ 9,416	\$ 8,186	\$ 1,158	\$ 9,345	\$ 2,623	\$ 1,158	\$ 3,781
Universite de Montreal	\$ 8,186	\$ 1,054	\$ 9,241	\$ 6,549	\$ 1,582	\$ 8,131	\$ 2,035	\$ 1,585	\$ 3,620
Universite Laval	\$ 8,186	\$ 692	\$ 8,878	\$ 6,549	\$ 692	\$ 7,241	\$ 3,147	\$ 841	\$ 3,989

## Notes:

\*Ranking within U15, based on the highest to lowest tuition costs

1. U of A international graduate tuition figures do not include the \$4,000 Graduate International Tuition (Reduction), which is charged and then remitted.
2. The University of Alberta's calculations for "MNIFs retained by Institution" are based on two terms of study.
3. Fees retained by student government and flow-through fees (e.g. UPASS) are not included.

# Tuition – U15 Comparators

## International Tuition

2020-21 Tuition	International								
	Arts & Social Science Undergraduate			MA			PhD		
	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total	Tuition	MNIFs retained by Institution	Total
University of Alberta	\$29,500 (8th*)	\$812 (5th*)	\$30,312 (8th*)	\$8,700(12th*)	\$812 (4th*)	\$9,512(11th*)	\$8,700 (7th*)	\$812 (5th*)	\$9,512 (6th*)
<b>AVERAGE (Excluding U of A)</b>	<b>\$ 30,345</b>	<b>\$ 616</b>	<b>\$ 30,961</b>	<b>\$ 15,266</b>	<b>\$ 612</b>	<b>\$ 15,878</b>	<b>\$ 10,132</b>	<b>\$ 623</b>	<b>\$ 10,755</b>
Dalhousie University	\$ 21,180	\$ 351	\$ 21,531	\$ 15,552	\$ 517	\$ 16,069	\$ 6,330	\$ 517	\$ 6,847
McMaster University	\$ 33,852	\$ 682	\$ 34,533	\$ 17,096	\$ 270	\$ 17,366	\$ 6,307	\$ 270	\$ 6,577
Queen's University	\$ 48,501	\$ 558	\$ 49,058	\$ 12,927	\$ 378	\$ 13,305	\$ 12,927	\$ 378	\$ 13,305
University of British Columbia	\$ 39,574	\$ 270	\$ 39,844	\$ 8,952	\$ 231	\$ 9,183	\$ 8,952	\$ 231	\$ 9,183
University of Calgary	\$ 20,172	\$ 874	\$ 21,046	\$ 8,081	\$ 646	\$ 8,727	\$ 8,081	\$ 646	\$ 8,727
University of Manitoba	\$ 15,891	\$ 524	\$ 16,415	\$ 6,875	\$ 627	\$ 7,502	\$ 3,670	\$ 627	\$ 4,297
University of Ottawa	\$ 36,161	\$ 203	\$ 36,364	\$ 25,472	\$ 129	\$ 25,601	\$ 6,367	\$ 129	\$ 6,496
University of Saskatchewan	\$ 17,615	\$ 224	\$ 17,839	\$ 6,731	\$ 279	\$ 7,010	\$ 6,731	\$ 279	\$ 7,010
University of Toronto	\$ 57,020	\$ 1,023	\$ 58,043	\$ 24,960	\$ 1,023	\$ 25,983	\$ 6,210	\$ 1,023	\$ 7,233
University of Waterloo	\$ 38,656	\$ 427	\$ 39,083	\$ 21,762	\$ 519	\$ 22,281	\$ 21,546	\$ 519	\$ 22,065
Western University	\$ 33,526	\$ 513	\$ 34,039	\$ 18,612	\$ 523	\$ 19,135	\$ 6,360	\$ 523	\$ 6,883
McGill University	\$ 21,500	\$ 1,230	\$ 22,730	\$ 17,961	\$ 1,158	\$ 19,120	\$ 16,122	\$ 1,158	\$ 17,280
Universite de Montreal	\$ 23,684	\$ 1,054	\$ 24,739	\$ 14,369	\$ 1,582	\$ 15,951	\$ 12,897	\$ 1,585	\$ 14,482
Universite Laval	\$ 17,500	\$ 692	\$ 18,191	\$ 14,369	\$ 692	\$ 15,060	\$ 19,346	\$ 841	\$ 20,188

### Notes:

\*Ranking within U15, based on the highest to lowest tuition costs

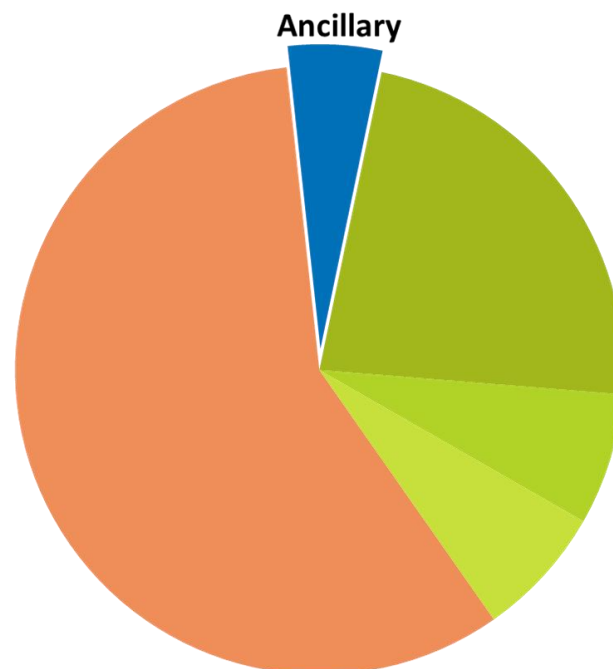
1. U of A international graduate tuition figures do not include the \$4,000 Graduate International Tuition (Reduction), which is charged and then remitted.
2. The University of Alberta's calculations for "MNIFs retained by Institution" are based on two terms of study.
3. Fees retained by student government and flow-through fees (e.g. UPASS) are not included.

## Tuition Revenue Sensitivities

<b>Sensitivity of a 1% Change:</b>	<b>2021-22</b>
Domestic Tuition Rate	\$2.0M
International Tuition Rate- Legacy	\$0.7M
International Tuition Rate- Cohort <sup>2</sup>	\$0.4M
MNIF Rates	\$0.3M
<b>Total impact of a change to rates <sup>1</sup></b>	<b>\$3.4M</b>
<b>Undergrad enrolment volume (1% change)</b>	<b>\$2.9M</b>

1. Reflects a 1% change to instructional rates (Domestic, International- Legacy, International- Cohort (incoming year only)) and MNIF rates.
2. Cohort Rates are fixed for the entire program duration.

## Ancillary Enterprises Budget





## 2021-22 Ancillary Enterprises Budget

(\$000's)	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection
<b>Revenue (including deferrals)</b>					
Government of Alberta grants	-	-	-	-	-
Federal and other government grants	-	-	-	-	-
Student tuition and fees	-	-	-	554	565
Sales of services and products	90,280	94,944	45,783	75,231	105,276
Donations and other grants	1	-	-	-	-
Investment income	1,465	1,276	1,400	513	25
<b>Total revenue</b>	<b>91,746</b>	<b>96,220</b>	<b>47,183</b>	<b>76,298</b>	<b>105,867</b>
<b>Expense</b>					
Salaries	20,190	21,106	16,247	20,232	20,994
Employee benefits	4,535	5,127	3,946	5,155	5,543
Materials, supplies and services	19,515	25,869	19,541	26,673	30,615
Scholarships and bursaries	-	1	-	-	-
Maintenance and repairs	19,719	25,377	14,622	18,731	21,787
Utilities	5,670	6,090	5,019	3,713	3,788
Amortization of tangible capital assets	11,478	15,742	10,915	10,773	12,171
<b>Total expense</b>	<b>81,107</b>	<b>99,312</b>	<b>70,290</b>	<b>85,277</b>	<b>96,044</b>
<b>Annual operating surplus (deficit)</b>	<b>10,639</b>	<b>(3,092)</b>	<b>(23,107)</b>	<b>(8,979)</b>	<b>9,823</b>

# Residence Fees and Meal Plan Rates

## Proposed Rates for 2021/22

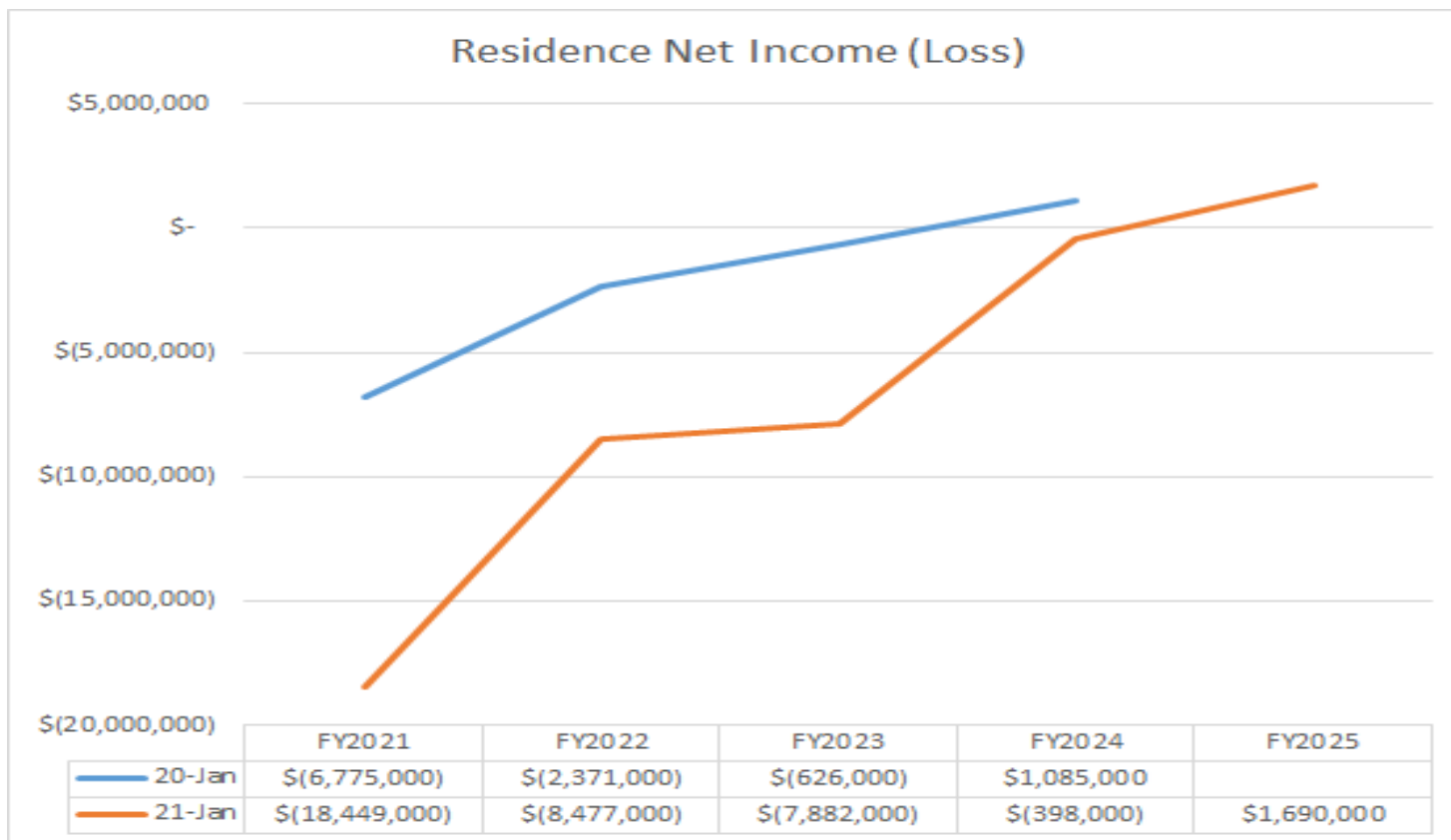
### Residences

- 5.0% increase to rates for all residences
- Third and final year of 5% increases to address historic underfunding as presented in 2018
- Commitment to limit increase to CPI in 2022/23

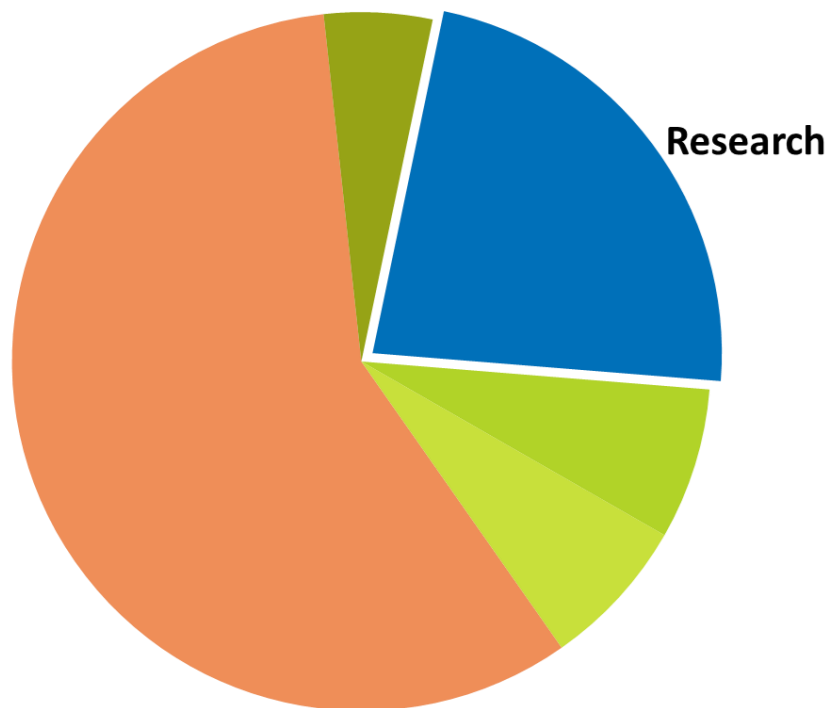
### Meal Plan

- 2.0% increase to meal plan rates
- Eliminate flex (\$300) results in a decrease from current rates
  - 7-day = \$5,059 (\$201 below current year)
  - 5-day = \$4,416 (\$213 below current year)

## Residence Services (Net income [loss])



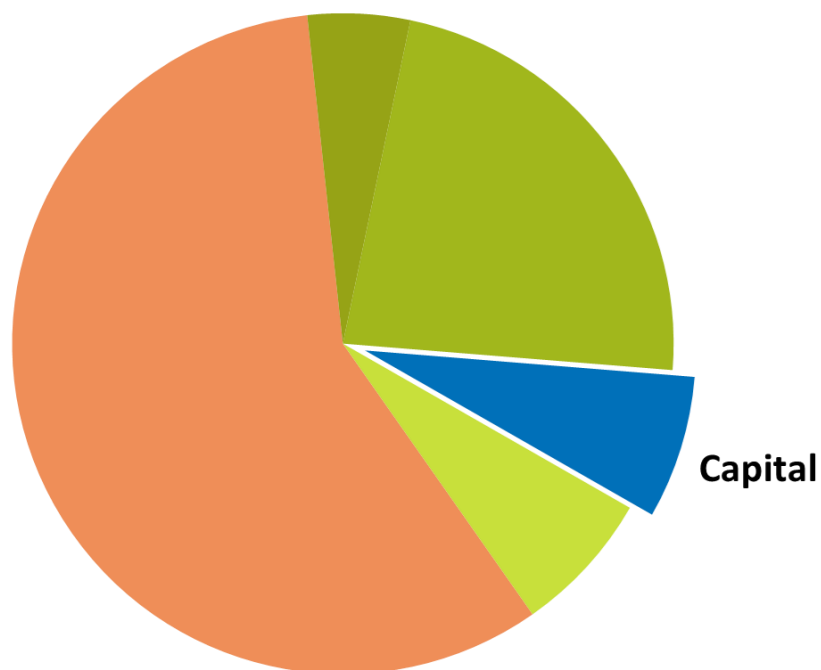
## Research Budget



## 2021-22 Research Budget

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	76,134	80,960	60,842	65,094	65,094	66,943	67,443
Federal and other government grants	172,047	167,609	171,948	162,392	162,392	167,003	168,251
Student tuition and fees	-	-	-	-	-	-	-
Sales of services and products	19,650	17,271	16,705	17,422	17,422	17,422	17,422
Donations and other grants	99,001	93,312	79,395	89,927	89,927	92,378	93,041
Investment income	25,369	48,279	51,460	52,852	52,852	54,337	56,443
<b>Total revenue</b>	<b>392,201</b>	<b>407,431</b>	<b>380,350</b>	<b>387,687</b>	<b>387,687</b>	<b>398,083</b>	<b>402,600</b>
<b>Expense</b>							
Salaries	162,584	163,588	163,694	157,706	157,706	149,820	149,820
Employee benefits	28,829	27,472	28,951	27,964	27,964	26,566	26,566
Materials, supplies and services	131,473	131,409	103,236	110,610	110,610	129,992	132,591
Scholarships and bursaries	78,135	76,940	84,669	84,480	84,480	86,170	87,893
Maintenance and repairs	3,426	4,398	1,587	2,543	2,543	2,671	2,724
Utilities	489	360	390	479	479	489	499
Amortization of tangible capital assets	-	-	-	-	-	-	-
<b>Total expense</b>	<b>404,936</b>	<b>404,167</b>	<b>382,527</b>	<b>383,782</b>	<b>383,782</b>	<b>395,708</b>	<b>400,093</b>
<b>Annual operating surplus (deficit)</b>	<b>(12,735)</b>	<b>3,264</b>	<b>(2,177)</b>	<b>3,905</b>	<b>3,905</b>	<b>2,375</b>	<b>2,507</b>

## Capital Plan and Capital Budget (Integrated Asset Management Strategy)



## 2021-22 Capital Budget

(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	84,278	100,302	79,748	92,954	83,047	84,780
Federal and other government grants	19,927	19,269	16,486	17,966	17,320	18,160
Student tuition and fees	-	-	-	-	-	-
Sales of services and products	-	-	-	-	-	-
Donations and other grants	29,198	27,182	23,613	23,058	22,229	23,306
Investment income	1,786	-	-	-	-	-
<b>Total revenue</b>	<b>135,189</b>	<b>146,753</b>	<b>119,847</b>	<b>133,978</b>	<b>122,596</b>	<b>126,246</b>
<b>Expense</b>						
Salaries	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Materials, supplies and services	2,555	6,871	9,881	3,693	2,653	3,250
Scholarships and bursaries	-	-	-	-	-	-
Maintenance and repairs	37,347	35,176	33,000	48,413	30,250	30,358
Utilities	-	-	-	-	-	-
Amortization of tangible capital assets	115,828	114,694	95,851	96,074	92,621	97,110
<b>Total expense</b>	<b>155,730</b>	<b>156,741</b>	<b>138,732</b>	<b>148,180</b>	<b>125,524</b>	<b>130,718</b>
<b>Annual operating surplus (deficit)</b>	<b>(20,541)</b>	<b>(9,988)</b>	<b>(18,885)</b>	<b>(14,202)</b>	<b>(2,928)</b>	<b>(4,472)</b>



## 2021-22 Capital Budget (continued)

### Capital Budget: Revenue (cash basis)

(\$000's)	2021-22	2022-23	2023-24
	Budget	Projection	Projection
<b>Provincial Government Grants</b>			
Capital Maintenance Renewal (CMR) / Infrastructure Maintenance Program (IMP)	47,956	34,914	34,914
Dentistry/Pharmacy Renewal	44,000	56,000	-
UA District Energy System (DES)	1,900	-	-
<b>Subtotal</b>	<b>93,856</b>	<b>90,914</b>	<b>34,914</b>
Other Projects	-	-	-
<b>Total revenue</b>	<b>93,856</b>	<b>90,914</b>	<b>34,914</b>

## 2021-22 Capital Budget (continued)

### Capital Budget: Materials, Supplies and Services (MSS)

(\$000's)

Project	2021-22	2022-23	2023-24
	Budget	Projection	Projection
UA District Energy System (DES)	2,475	2,653	3,250
<b>Subtotal</b>	<b>2,475</b>	<b>2,653</b>	<b>3,250</b>
Other MSS	1,218	-	-
<b>Total materials, supplies and services</b>	<b>3,693</b>	<b>2,653</b>	<b>3,250</b>

### Capital Budget: Maintenance and Repairs

(\$000's)

Project	2021-22	2022-23	2023-24
	Budget	Projection	Projection
Michener Park Demo	5,000	500	-
John Scott Library	2,750	3,530	-
CAB Renewal - Phase 2	2,355	-	-
HUB Mall Residence Renewal	2,000	2,000	4,067
<b>Subtotal</b>	<b>12,105</b>	<b>6,030</b>	<b>4,067</b>
Other Maintenance	4,378	-	-
CMR / IMP Maintenance*	31,930	24,220	26,291
<b>Total maintenance and repairs</b>	<b>48,413</b>	<b>30,250</b>	<b>30,358</b>

\* Remaining CMR / IMP projects listed in lines above and/or in TCA

## 2021-22 Capital Budget (continued)

### Capital Budget: Tangible Capital Acquisitions

(\$000's)

Project	2021-22	2022-23	2023-24
	Budget	Projection	Projection
Dentistry Pharmacy Renewal & Repurpose	47,450	55,625	79,130
Lister Centre Classic Towers - Kelsey Hall	19,000	7,750	-
Lister Centre Classic Towers - Henday Hall	13,072	-	-
Brain & Aging Research Building	8,000	1,070	-
Morrison Structures Lab	7,500	1,367	-
Enterprise Square- UAT- HUB	7,500	-	-
Tory - Mechanical Piping System Renewal	4,850	2,115	-
Diwan Pavilion	4,713	-	-
Outdoor Tennis Courts Relocation	4,500	-	-
Education Electrical Distribution Upgrade	2,754	2,750	-
Envision Year 4	2,500	792	-
UA District Energy System (DES)	2,475	2,653	3,250
Fine Arts Building Mechanical and Electrical Renewal	2,245	-	-
Education UAT	-	3,000	-
<b>Subtotal</b>	<b>126,559</b>	<b>77,122</b>	<b>82,380</b>
Other Capital Projects	6,385	1,750	-
CMR / IMP Capital*	6,195	7,944	8,623
<b>Total tangible capital acquisitions</b>	<b>139,139</b>	<b>86,816</b>	<b>91,003</b>

\* Remaining CMR / IMP projects listed in lines above and/or in TCA

### Tangible Capital Acquisitions

#### Operating

(\$000's)

Project	2021-22	2022-23	2023-24
	Budget	Projection	Projection
<b>Total operating tangible capital acquisitions</b>	<b>40</b>	<b>1,100</b>	<b>1,122</b>
<b>Total tangible capital acquisitions</b>	<b>139,179</b>	<b>87,916</b>	<b>92,125</b>

## Infrastructure Maintenance Program (IMP) Grant

- IMP has historically been provided to address specific deferred maintenance items
- Our current and 5-year deferred maintenance liabilities for supported infrastructure are \$385 million and \$1.04 billion respectively
- The 2021-22 IMP is set to be \$48 million however the current increase is expected to be only temporary.
- The expectation is that funding levels revert to 2020-21 levels or lower in 2022-23 and 2023-24 given the forecasted allocation to the sector in Budget 2021
- IMP to be replaced by a Capital Maintenance and Renewal Program - no details have yet been released
- New program appears riskier, less certain, and less flexible than its predecessor

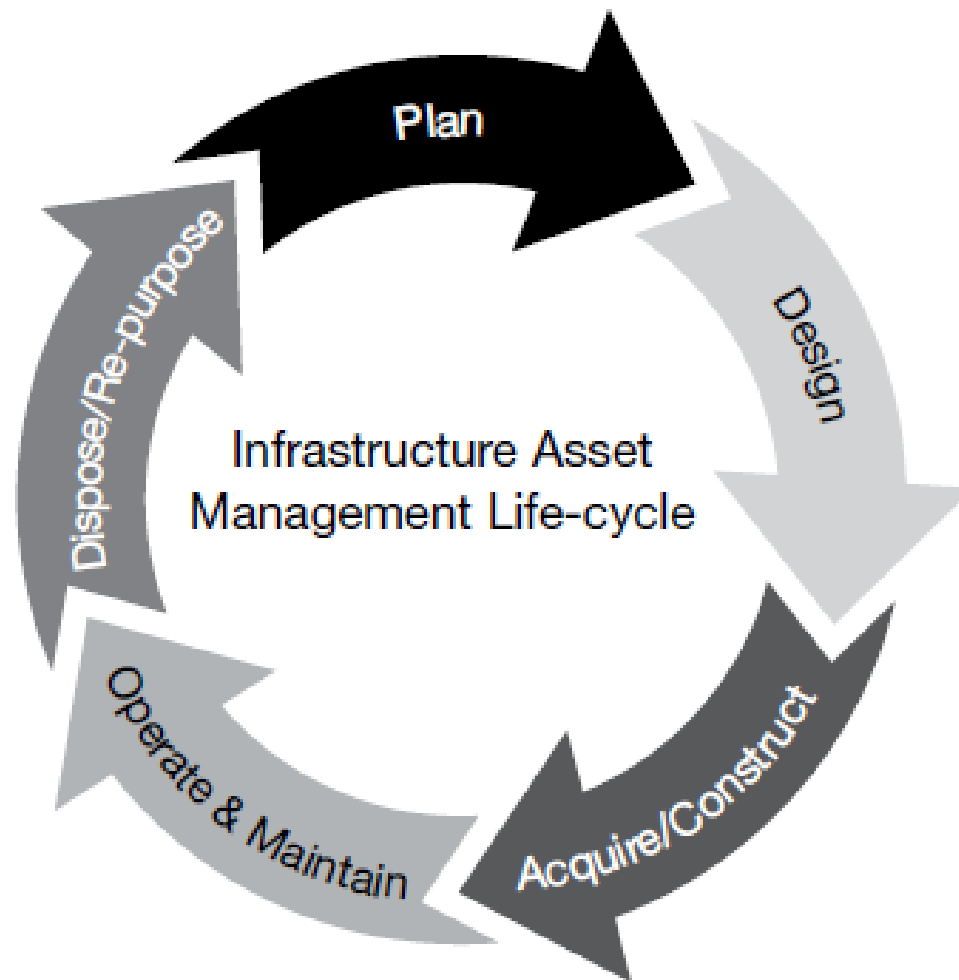
## Capital Budget vs. Capital Projects

- Capital and maintenance projects and the resulting capital budget are 'point-in-time'
- Unanticipated grants, pressures (e.g. COVID-19, budget reductions, building failures), or philanthropic gifts will alter the plan and, therefore the budget
- Material changes remain subject to normal governance approvals

## Capital Projects - Process and Priorities

- Every known potential capital, large maintenance, and equipment project is prioritized based on approved academic and research plans
- All decisions aligned with principles found in the Integrated Asset Management Strategy
- Capital and maintenance decisions are heavily influenced by the Academic Restructuring and Service Excellence Transformation initiatives

## Life Cycle of Capital



## Major Projects - In Progress or Approved

**Lister (classic towers) renewal  
(\$85.5 million)**



**Dentistry-Pharmacy renewal  
(\$249.6 million)**

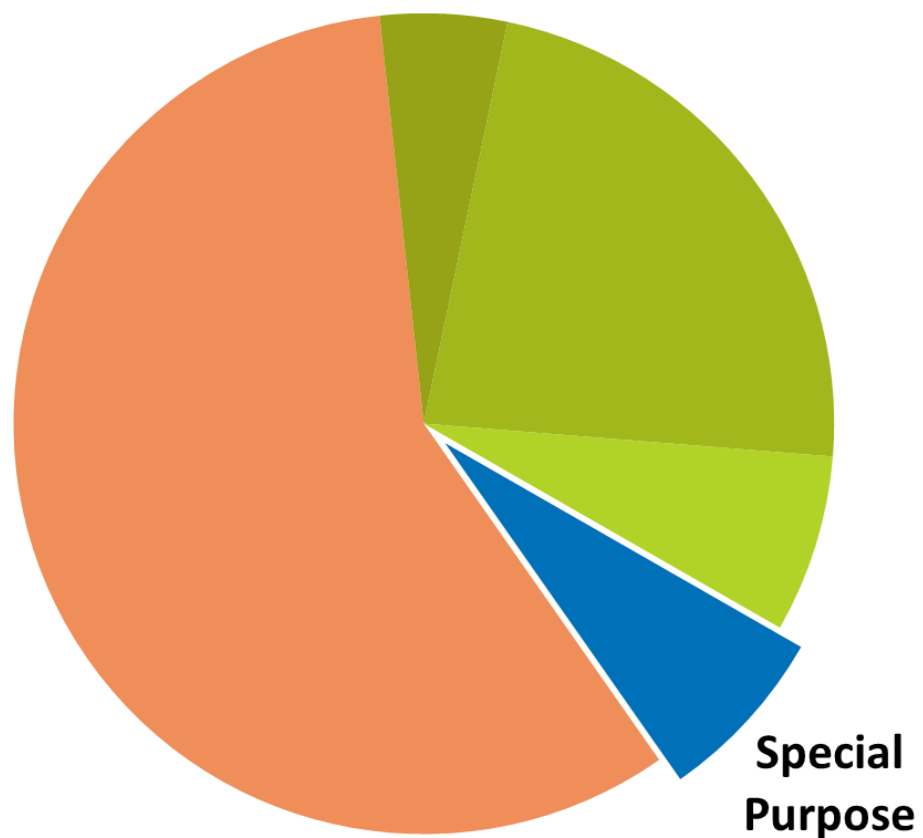


## Significant Projects - Shovel-Ready Pending Funding

- Education North and South (\$21.95 million)
- College of Social Sciences and Humanities, Faculty of Arts (\$72.8 million)
- Biological Sciences (\$59.6 million)
- Cameron Library (\$24.79 million)
- Critical Deferred Maintenance Projects (>\$35M)
- Universiade Pavilion (\$32.5 million)\*

*\*Proposed provincial priority - emergency response*

## Special Purpose Budget



## 2021-22 Special Purpose Budget

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	76,325	77,598	75,061	73,129	72,826	72,627	
Federal and other government grants	-	-	-	-	-	-	-
Student tuition and fees	-	-	-	-	-	-	-
Sales of services and products	176	125	20	129	129	129	
Donations and other grants	5,612	2,560	4,687	3,114	3,256	3,409	
Investment income	7,964	20,964	22,645	22,904	23,556	24,480	
<b>Total revenue</b>	<b>90,077</b>	<b>101,247</b>	<b>102,413</b>	<b>99,276</b>	<b>99,767</b>	<b>100,645</b>	
<b>Expense</b>							
Salaries	53,423	50,876	53,865	50,524	50,575	50,647	
Employee benefits	11,981	13,929	11,971	14,265	14,270	14,276	
Materials, supplies and services	16,501	20,847	14,703	18,140	18,270	18,452	
Scholarships and bursaries	15,132	11,817	17,000	11,859	12,266	12,782	
Maintenance and repairs	32	118	50	100	101	103	
Utilities	-	-	-	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	-	-
<b>Total expense</b>	<b>97,069</b>	<b>97,587</b>	<b>97,589</b>	<b>94,888</b>	<b>95,482</b>	<b>96,260</b>	
<b>Annual operating surplus (deficit)</b>	<b>(6,992)</b>	<b>3,660</b>	<b>4,824</b>	<b>4,388</b>	<b>4,285</b>	<b>4,385</b>	

**Questions?**



# DRAFT CAPITAL PLAN

## Infrastructure

2021-2024



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***The University of Alberta respectfully acknowledges that we are situated on Treaty 6 territory, traditional lands of First Nations and Métis people.***

# Background

The University of Alberta is renowned for its world-leading research, strength of academic programs, and excellence of its students. A key component of success in continuing to attract strong students, researchers, faculty, and staff is the quality of the infrastructure and equipment to ensure leading edge research continues and that it is relevant and responsive to the needs of the 21st century. The buildings, equipment, and grounds are also catalysts for partnerships with other post-secondary institutions, organizations, and businesses. These partnerships are mutually beneficial to industry, public organizations, community, and citizens as they explore, create, and innovate on the campuses while contributing to the needs of Alberta's economy, social fabric, and culture.

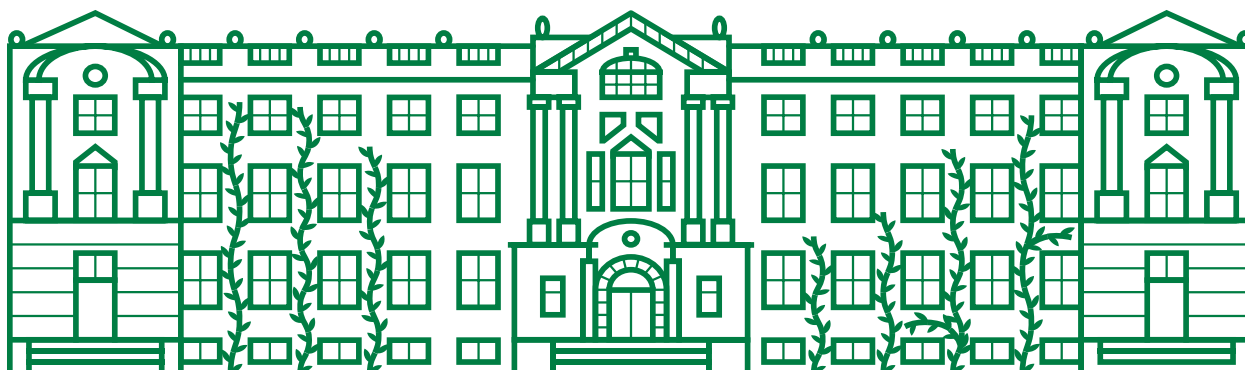
The U of A's rolling three year capital plan reflects its academic priorities as outlined in its strategic plan, For the Public Good, and the cascading academic plans across the institution. It also aligns with the U of A's Integrated Asset Management Strategy (IAMS): Taking Care of our Campuses. This strategy sets the direction for the University of Alberta's infrastructure assets, while defining a long-term roadmap. It describes the current state and the conditions that created some of the challenges currently being faced, while also identifying the future direction and actions to be taken. Lastly, it outlines how the institution intends to be effective and efficient stewards of its physical assets (buildings, roads, grounds, and utility infrastructure) through risk based maintenance, triaging critical deferred maintenance, strategic investments, and appropriate partnerships.

An important focus of IAMS is that all students, staff, faculty, visitors, and members of the community are stewards of the university's buildings and grounds and

how each uses the institution today has a direct impact on its future state. IAMS also sets a collective mission, vision, principles, goals, and actions for future-proofing the university's infrastructure and helps guide decisions that meet the needs of learners, faculty, staff, and community, while balancing the risks, opportunities, and fiscal environment within which the institution operates.

## The U of A for Tomorrow

The University of Alberta is in the midst of a significant strategic transformation that will position it for continued success, long-term sustainability, and greater competitiveness amongst post-secondary institutions with research and teaching, and a stronger financial foundation. By 2025, the University of Alberta will have a new faculty structure firmly in place, consolidated administrative services, a smaller infrastructure footprint, and an increased focus on space optimization. Overall, the U of A has more space than other universities in Canada and 50 per cent more lab space than comparative U-15 universities. At the same time, the deferred maintenance liability is forecast to be over \$1 billion in 2023 on the assumption that there is no investment and that future liabilities beyond the upcoming five years are not considered. It is critical that the U of A continues to consolidate its space, remains strategic in its maintenance and capital renewal investments, reduces its volume of buildings, and decants and/or repurposes space that does not meet academic or research purposes. This will be an uncomfortable shift for many faculty, staff, and students on campus, but is paramount to long term sustainability and good fiscal stewardship.



# Context

As Alberta’s oldest and largest post-secondary institution, the U of A manages more than 1.7 million square metres of complex facility inventory across five distinct campuses. While the institution emerged from a period of significant growth in formal learning and research spaces, it actively managed aged infrastructure, some of which predates World War I. Greater than 50 per cent of our buildings were built in the post-war (1951-1975) or modern (1976-1990) periods; both of which are known for lower standard construction practices. These buildings, which were built with a projected life-span of 50 to 60 years, are past their life expectancy with many of these buildings’ critical systems (mechanical, electrical and building envelope) at or near their end of life—catastrophic building failures are imminent.

In 2021, Alberta continues to be impacted by the global pandemic, changing non-renewable resource policies in the United States of America, and the overall effect on the local economy with a period of considerable economic turmoil. The result has been reduced employment, dramatically reduced revenues for all levels of government, and changing demand and expectations from post-secondary institutions largely manifesting in reduced budgets for publicly-funded organizations. With the additional impacts of COVID-19 on the economy, the U of A recognizes its obligation of greater restraint. However, even in times of fewer resources, failure to invest in maintaining existing infrastructure will only lead to a deepening deferred maintenance deficit, which will impact teaching and research, with no conceivable means of recovery.





To operate and maintain its supported buildings, the U of A relies on grants from the Government of Alberta, with an amount embedded into the Campus Alberta grant to offset general operational and maintenance costs (eg. custodial, utilities and insurance). Additionally, the government provides a variable grant under the Capital Maintenance Renewal (CMR) program, which, at its core is intended to reduce an institution's deferred maintenance liability. While these allocations are appreciated and crucial to the institution, the reality is that, given the size and complexity of the university's infrastructure assets, for decades these allocations have been unable to allow for adequate investments in preventative or reactive maintenance resulting in increasing deferred maintenance liabilities across the institution.

Infrastructure not eligible for government support (e.g. residences, dining facilities, roads, and parking structures) are considered self-funded, meaning all costs related to construction, maintenance, and renewal must be generated by the users of these spaces. All revenue generated from these operations remains within the system as no tuition or government funding is available for any aspect of these operations. Unfortunately, a preoccupation with keeping student residence rates as low as possible resulted in many of the older residences being in poor condition and in dire need of renewal or, as in the case of Michener Park, beyond use resulting in this residence being decommissioned.

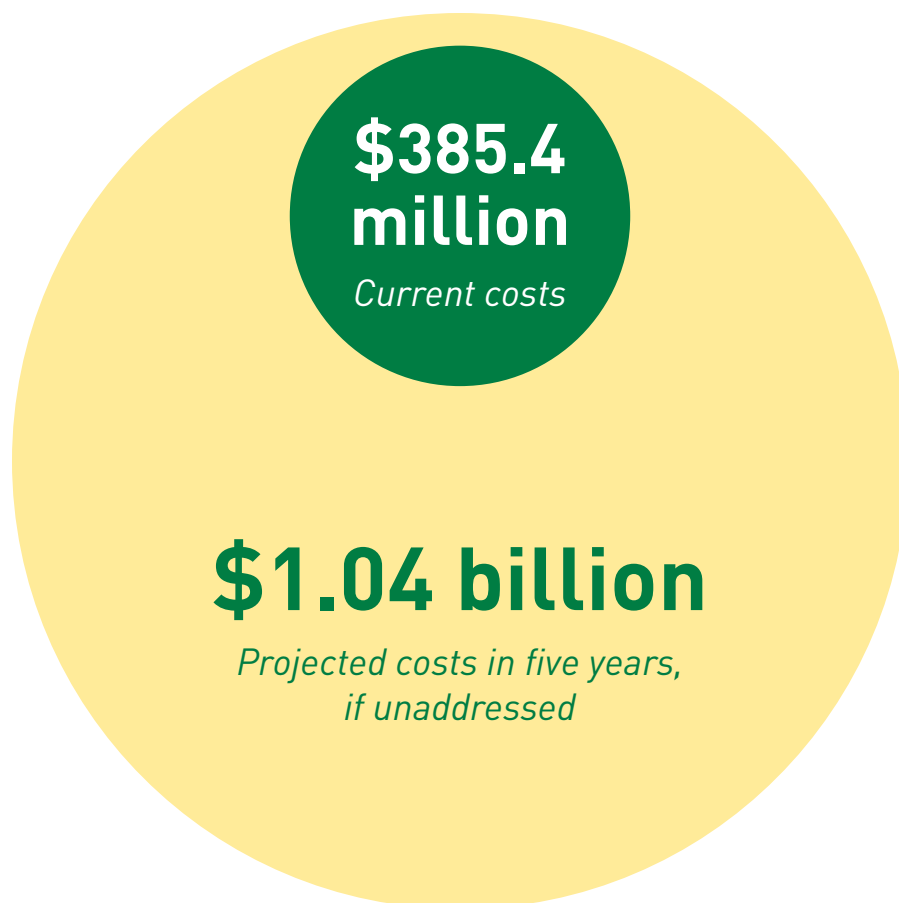


## Deferred maintenance

Deferred maintenance is an area of particular focus as the current liability for the U of A stands at \$385.4 million with a five year projected aggregate liability of \$1.04 billion (as of December 31, 2020). We continue to identify and address deferred maintenance through joint renewal and repurposing projects to maintain, and optimally improve, the condition and functionality of our building inventory. The \$34.9 million in capital renewal (historically through the infrastructure maintenance [IMP] program) has been strategically allocated to priority projects. Access to sustained and predictable funding for deferred maintenance needs to be in the order of \$50 million annually to begin a gradual reduction of this liability. Even this amount would not be sufficient to address ongoing lifecycle renewal and

is well below the industry best practice of two to four percent of the current replacement value invested annually in maintenance and lifecycle renewal.

The U of A has concluded a detailed strategic evaluation of all facilities and is well positioned to employ robust integrated planning with a view to ensuring the most efficient use of existing space, and significant reductions to our ecological and carbon footprint. The results of the evaluation inform where capital renewal and other capital investments will most effectively advance U of A's objectives. This evaluation has also identified buildings where the cost of maintaining or renewing has become prohibitive and, therefore, must be scheduled for decommissioning and demolition.



## Capital plan and budget

This capital plan identifies two major capital projects, both focused on renewal, with total funding of over \$335 million that are underway within the three-year window of this plan. There are also three major capital renewal and preservation projects that require funding that total over \$154 million. Lastly, there are fifteen unfunded smaller capital projects totalling more than \$173 million. These projects demonstrate a commitment to investing in our facilities—investments driven by our priorities for teaching and research—that are possible with the requisite funding.

The capital plan accounts for long-term budget impacts on operations, maintenance, utilities, and debt servicing. These obligations are included in the university's long range budget planning. In some instances, cash-flow expenditures extend beyond the five year planning period. It is also important to recognize that there may be shifts if funding sources are impacted, schedules change, scope is altered, cost estimates are refined, and/or the external environment introduces unanticipated hurdles. The projects identified in years two and onward may slightly evolve as some projects prove more feasible than others based upon shifting funding realities and academic priorities.



## Strategic investments to date

The University of Alberta has had considerable success in identifying opportunities to leverage funding and explore creative partnerships and project delivery models. This has been an inherently delicate endeavour considering the five distinct campuses, each of which serve unique and separate constituencies in Alberta.

### Provincial priority project

The Universiade Pavilion (Butterdome) has been called upon to assist the Government of Alberta respond to provincial emergencies and disasters over the last six years, ranging from the wildfires in Fort McMurray, through to COVID testing for the greater Edmonton area, and lastly, through to an alternate care centre for patients. The building provides incredible flexibility and space to support broader provincial-based needs than solely the interests of students. The building has deferred maintenance needs that need to be remedied prior to continuing to meet the needs of campus, but as important, the needs of the province for critical provincial-based purposes.

Universiade Pavilion (Butterdome)	
Description	Project cost
In order to continue having the Universiade Pavilion accessible as a provincial resource, significant deferred maintenance needs to be addressed for it to be a reliable, safe, and effective space. This ranges from exterior cladding and panels to replace those in disrepair and falling off the building, mechanical air handling units that ensure air changes per hour are at optimal health and safety levels, mechanical/electrical work throughout the building, and replacement of flooring.	<b>\$32.5 million</b>



## Major capital projects

The U of A has defined major capital projects as those exceeding \$20 million. At present there are two major capital projects that are funded, underway, and at varying stages of completion.

Dentistry/Pharmacy Centre		
Description	Project cost	Completion
<p>As one of the premier buildings on North Campus, Dentistry/ Pharmacy Building has served the institution for nearly 100 years.</p> <p>Renewal and repurposing of this building will allow the U of A to effectively use a significant infrastructure asset. The renewed facility will provide new teaching, student-focused academic, and administrative space at the heart of North Campus. In addition to allowing the institution to divest itself of externally-leased space, this project is also addressing major health and safety issues (asbestos, fire safety, and indoor air quality), building code and physical condition issues, as well as focusing building outcomes to reduce its carbon footprint.</p>	<b>\$249 million</b>	2023





Lister Residence Complex - Classic Towers		
Description	Project cost	Completion
<p>The three original residence towers in the Lister Complex are in the process of being renewed to meet current building codes and address deferred maintenance (including the installation of fire suppression systems).</p> <p>The design includes particular attention to amenities such as study areas and social spaces which, by promoting casual interactions between students, positively contributes to student engagement, attachment and success.</p>	<b>\$85.5 million</b>	2022



## Top capital priorities

In support of the institution’s academic and research priorities, the University of Alberta has identified its top three major capital projects (detailed in the following table in priority order), which represent a total of \$154.35 million in funding. These are aspirational in that, until the requisite funding is secured, they remain at the planning stage. However, the planning undertaken has all three projects at a stage where they could commence in very short order once funding is committed. These all focus on existing buildings with the aim of reducing deferred maintenance, renewing access to meet current code requirements, and focusing on student experience and capacity demands.

The priorities that follow are reflective of our 2021 Building and Land Information System (BLIMS) submission to the Government of Alberta.

Education Complex				
Description				
<p>Renew and redevelop (functional renewal) the Education complex to meet the requirements of modern academic teaching and learning pedagogy and renewing the existing electrical building systems, and bring the building up to modern standards for student learning and well-being.</p> <p>Based on comprehensive utilization studies and growth projections, the two education towers have a capacity to be repurposed to accommodate large decant and the closure of other buildings. The primary outcome will be improved building service reliability (renewal of existing mechanical building systems), expanded infrastructure capacity for building renewal, and reduced deferred maintenance in the building.</p>				
Type	Total Project Cost	Funding sources	Government approved	Estimated project timelines
Preservation	\$21.95 million	100% GoA	No	September 2021 – June 2023



## College of Social Sciences and Humanities - Asset Optimization

### Description

Based on the programming and functional assessment of the Faculty of Arts, several initiatives have been identified as an alternative to a new development. A multi-year phased renewal and replacement program will address program pressures, deferred maintenance, and functionality.

Through a multi-year building renewal program, several buildings including Fine Arts, Industrial Design, HUB, and select other buildings would be renewed to accommodate changing program objectives. This would also permit several buildings to be better utilized to decrease operational costs and reduce deferred maintenance while aligning with the Integrated Asset Management Strategy. This project will permit low-quality, expensive-to-maintain buildings to be decommissioned.

Type	Total Project Cost	Funding sources	Government approved	Estimated project timelines
Preservation & Expansion	<b>\$72.8 million</b>	100% GoA	No	December 2021 – January 2027

## Biological Sciences

### Description

An ongoing renewal program for a 60-year-old facility focusing on mechanical and electrical base building infrastructure. As aged infrastructure is starting to fail, the ability to continue teaching and research in this space is at risk. There are significant challenges in renewing the systems in this building as each wing is cross-linked meaning the renewal is most feasibly undertaken for the entire building. As planned, mechanical and electrical system renewals will also support internal architectural renewals.

Type	Total Project Cost	Funding sources	Government approved	Estimated project timelines
Preservation	<b>\$59.6 million</b>	100% GoA	No	May 2021 – June 2024



Beyond our top capital projects, we have categorized additional projects into one of four categories listed below. These categories focus on: 1) emerging capital projects that are unfunded, but could be advanced to a state of readiness if funding becomes available; 2) fully- or partially-funded projects that are shovel ready-to-go; 3) projects that are fully-funded and underway; and 4) projects that will be complete in 2021/22.

## Emerging capital priorities

Recognizing the uniqueness of operating multiple distinct and unique campuses, in addition to the top three identified above, numerous other projects have been identified as institutional priorities and are included in our Building Land Information Management System (BLIMS) submission. These are presented in order to emphasize the breadth and depth of necessary capital investment across the largest inventory of buildings and grounds of any post secondary institution in Canada. For ease of presentation, these, which only highlight key projects, have been grouped by campus and, as with the three above, each is ready to proceed pending the emergence of the requisite funding.

Campus Saint-Jean				
Type	Description	Cost	Funding source	Government approved
Preservation	Campus Electrical Infrastructure	\$8.7 million	GoA	No
Preservation/ Expansion	Science (classroom renewals and expansion)	\$7.85 million	\$4.122 million GoA \$3.728 million GoC	No
North Campus				
New	Plant Based Research and Innovation Centre Greenhouse Facility	\$45.6 million	\$44.594 million GoA \$1.006 million U of A	No
Preservation	Animal Research Lab Renewals in HMRC, MSB, and Bio Sci	\$7.2 million	\$6.2 million GoA \$1 million U of A	No
Preservation	BioSci Wet & Dry Labs	\$13.5 million	GoA	No
Preservation	Cameron Building Envelope	\$24.8 million	GoA	No
Preservation	Chem West Main floor renewal	\$10 million	GoA	No
Preservation	Con Hall - Space Renewal	\$10 million	GoA	No
Preservation	Earth Sciences Building - Infrastructure Renewal	\$14 million	GoA	No

<b>North Campus (continued)</b>				
<b>Type</b>	<b>Description</b>	<b>Cost</b>	<b>Funding source</b>	<b>Government approved</b>
Preservation	NINT EMSO Renewals	\$5 million	EMSO	No
Minor Preservation	IAMS Renovation & Renewal across Campus	\$4.65 million	GoA	No
Minor Preservation	Campus Wide Classroom & Technology Renewals	\$6.4 million	GoA	No
Minor Preservation	HMRC - Supply Side Ventilation Renewal	\$4 million	\$3 million GoA \$1 million U of A	No
Demo	Research Transition Facility (Hazmat & Demo)	\$7.3 million	GOA	No
<b>South Campus</b>				
New	Outdoor Tennis Court Relocation	\$4.5 million	U of A	No

## Partially funded or unfunded priorities

Recognizing the uniqueness of operating multiple distinct and unique campuses, in addition to the top three identified above, numerous other projects have been identified as institutional priorities and are included in our Building Land Information Management System (BLIMS) submission. These are presented in order to emphasize the breadth and depth of necessary capital investment across the largest inventory of buildings and grounds of any post secondary institution in Canada. For ease of presentation, these, which only highlight key projects, have been grouped by campus and, as with the three above, each is ready to proceed pending the emergence of the requisite funding.

<b>Type</b>	<b>Description</b>	<b>Cost</b>	<b>Funding source</b>	<b>Funding gap</b>	<b>Government approved</b>
Preservation	Asset reduction impacts program - (Phase 1)	\$8 million	\$4.5 million GoA \$3.5 million U of A	\$4.5 million	No
Preservation	Brain & Aging Research Building - wet lab fit-up	\$6 million	GoA	\$6 million	No
Preservation	Chemistry East - research labs	\$11 million	GoA	\$11 million	No

Type	Description	Cost	Funding source	Funding gap	Government approved
Preservation	Clinical Sciences Building - envelope renewal	\$18 million	GoA	\$18 million	No
Preservation	Education - electrical vault	\$6 million	IMP/TBD	\$5.5 million	Yes
Preservation	HUB Mall - suite renewals	\$10 million	U of A	\$4.2 million	No
Preservation	Mechanical Engineering Building - redevelopment	\$94 million	\$70 million GoA \$24 million U of A	\$94 million	No
Preservation	Medical Sciences Building - floor renewals	\$82.3 million	GoA	\$82.3 million	No
Preservation	Medical Sciences Building - infrastructure renewal	\$33.6 million	GoA	\$33.6 million	No
Minor Preservation	Campus wide - elevator renewal	\$3.05 million	CMR	\$2.86 million	No
Minor Preservation	Campus wide - radio infrastructure	\$1.5 million	U of A	\$500,000	No
Minor Preservation	Chemistry West - mechanical renewal	\$4.5 million	CMR	\$4.5 million	No
Minor Preservation	Standing-open programs - (trades, HVAC, grounds)	\$7.2 million /year	IMP/CMR	\$3.1 million for FY22	No
Minor Preservation	Other critical deferred maintenance priorities (<\$2.5 million)	\$24.58 million	CMR	\$24.58 million	No
Minor Preservation	RSF standing-open programs and critical priorities - (fume hoods, Canadian Council on Animal Care compliance, biosafety)	\$1.098 million /year	RSF	TBD	Yes
Demolition	Michener Park demolition	\$22 million	U of A	\$16 million	No

## Fully funded projects

This table represents projects that are fully funded regardless of whether they are emerging or in construction. The majority of these projects are in the active construction phase of project delivery, are being actively designed to go into construction, or are substantially complete from a construction perspective.

Type	Project name	Project completion
New	Devonian Gardens: Entry Pavilion	2020-2023
Preservation	Brain & Aging Research Building - Renewal	2019-2023
Preservation	CAB Renewal - Phase 2	2021-2023
Preservation	Chemistry West: 1st and 2nd Flr Renewal	2020-2022
Preservation	Dentistry/Pharmacy Building Renewal	2018-2024
Preservation	Enterprise Square Renovation	2020-2022
Preservation	John Scott Library / ECHA Re-stack	2020-2023
Preservation	Lister Tower Renewals	2019-2023
Preservation	Morrison Structures Engineering Lab	2019-2023
Preservation	Tory Tower Mechanical Renewal	2020-2022
Preservation	Chemistry Electrical Vault	2019-2022
Minor Preservation	Bio Science - Lab & Infrastructure Renewals	2020-2023
Minor Preservation	Clinical Sciences Building - Replacements & Renewals	2020-2022
Minor Preservation	Fine Arts Building - Maintenance & Renewal	2020-2022



## Utilities

University of Alberta owns and operates a district energy system (DES) supplying utility services to the greater campus area. The University's DES partners are Alberta Health Services (Walter C. McKenzie Health Sciences Centre, Kaye Clinic, and Cross Cancer Institute), Alberta Infrastructure (Canadian Blood Services and Northern Alberta Jubilee Auditorium), and others such as St. Joseph's College, St. Stephen's College, and the National Institute of Nanotechnology (leased to the National Research Council). Greater than ten kilometers of service corridors bring steam; electricity; natural gas; compressed air; and domestic, demineralized, and chilled water to our partners.

Operating a DES has many benefits, not the least of which is significantly reduced emissions over conventional energy systems. UAlberta's DES prevents approximately 60,000 tonnes of carbon dioxide emissions from entering the atmosphere every year.

With guidance from Advanced Education, the University of Alberta Utilities department, together with its engineering and regulatory consultants, conducted a review of the long-term capital renewal and maintenance funding liability for the DES and examined potential funding options.

Phase 1 of this work was to review capital renewal and maintenance liabilities for the next 10 years for the DES that serves the University as well as other Government of Alberta funded facilities located in the Greater Campus Area. Stantec Consulting was retained to complete an engineering study to support this work. This study indicated a capital renewal and maintenance liability of approximately \$200 million over the next 10 years. The results of this report are being used to prioritize capital renewal and maintenance spending for the DES.

Capital renewal costs over the next 3 years is estimated at approximately \$43 million. The costs here are indicative of the total costs of renewal, the sourcing of these funds will come from a variety of places including, but not limited to DES Reserve, Government grants, IMP/CMR, etc.

Phase 2 of this work includes discussions and consultation with Government of Alberta stakeholders (Advanced Education, Infrastructure, and Health) to address this liability. To support these discussions, submissions have been made to the GoA through the BLIMS and IMP / CMR processes. Some of the larger value near term projects include: two high priority civil projects (utility service corridor repair at station 1530 and 1540 and the Cooling Plant river water intake) and renewal of the

Heating Plant Emergency Diesel Generator Controls and Switchgear. The funding source for these repairs has not yet been determined.

Other major projects are currently underway to address capital renewal, expansion, and reliability issues. The first is the replacement of the ageing electrical infrastructure in the Heating Plant. Phase six, of approximately ten phases, is currently underway. This project is currently funded through utilities reserves. The second major project is the expansion and renewal of the electrical service from EPCOR's Garneau substation to UAlberta's DES electrical distribution system. This renewal is critical to ensuring a continuous supply of electrical power to UAlberta, Alberta Health Services, and the Government of Alberta facilities, thereby avoiding disruptions like those experienced across Edmonton in the summer of 2017 to a distribution system that contains a high density of critical medical and high-end teaching and research facilities. This project has received regulatory approval and is now moving forward and is being funded via a Government of Alberta grant.



<b>District Energy System</b>			
<b>Project description</b>	<b>Approx. cost</b>	<b>Completion</b>	<b>Alignment</b>
<b>Expansion</b> EPCOR Garneau Substation Switchgear Renewal / North Campus Electrical Feed	\$29.5 million	2024	Alberta Adult Learning System • Accountability  For the Public Good
<b>Expansion</b> Heating Plant - Emergency Diesel Generator Controls & Switchgear Renewal	\$4.128 million	Estimate 2022-2024	100% GoA
<b>Expansion</b> Utilities Civil Infrastructure Renewals	\$14.491 million	Estimate 2022-2024	100% GoA



# University of Alberta

## 2021-22 Budget



March, 2021



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## 1. Introduction

The University of Alberta's 2021-22 budget was developed during a time of rapid change and increased uncertainty. The emergence of the COVID-19 pandemic at the end of the last fiscal year coupled with large cuts to the provincial government grant meant that the upcoming fiscal year would be unprecedented. To address these challenges, the university launched a major transformation initiative in May 2020 called University of Alberta for Tomorrow (UAT). Through fundamental transformation, our goals are to meet the financial challenge, achieve financial sustainability, position the university for future growth, and become an even stronger driver of economic growth, social change, innovation, and creativity in the province and beyond.

We are doing this by reimagining and restructuring how we organize our academic units and functions, as well as how we provide services across the university, focusing on achieving the savings that are possible with economies of scale, increased levels of specialization and investments in automation. Our short-term financial goal is to reduce our administrative costs through the Service Excellence Transformation (SET), while longer term, our goal is to reinvest in our core mission of teaching, research, and community engagement. On the academic side, through the establishment of three new colleges, which organize 13 faculties into the College of Health Sciences, College of Natural and Applied Sciences, and College of Social Sciences and Humanities, we are building a more collaborative, interdisciplinary, and nimble academy. Maintaining our commitment to accountability and service excellence throughout this transformation will be critical, and we will continually monitor and report on levels of service satisfaction with a clear focus on meeting the needs of all our service users, including faculty, staff and students.

The Government of Alberta released the 2021 provincial budget on February 25, 2021. The University of Alberta's provincial grant (operating) has been decreased by a further 11%, or \$60.1 million in 2021-22. This 11% reduction, combined with cuts in 2019-20 and 2020-21, totals a \$170M reduction in our provincial funding (operating) over the last two and a half years. These cuts also come with the caveat that the institution must handle them in-year as mandated by the Government of Alberta and it is not permitted to post a deficit while managing the cuts as well as any ongoing impacts associated with COVID-19.

## 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.

**Table 1: Consolidated Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	872,029	827,563	784,056	739,412	677,204	680,337	
Federal and other government grants	213,653	208,037	210,074	202,366	206,815	209,353	
Student tuition and fees	362,593	395,417	397,202	424,908	450,332	467,728	
Sales of services and products	209,786	216,284	139,424	182,482	205,575	217,335	
Donations and other grants	144,367	133,676	114,735	124,361	126,307	128,368	
Investment income	52,596	90,519	95,505	91,269	92,918	95,938	
<b>Total revenue</b>	<b>1,855,024</b>	<b>1,871,496</b>	<b>1,740,996</b>	<b>1,764,798</b>	<b>1,759,151</b>	<b>1,799,059</b>	
<b>Expense</b>							
Salaries	941,083	916,911	898,580	873,496	857,019	859,962	
Employee benefits	209,241	198,992	210,204	193,052	178,947	189,433	
Materials, supplies and services	279,345	288,450	198,194	239,468	269,377	273,209	
Scholarships and bursaries	135,461	134,735	144,606	142,179	145,285	148,461	
Maintenance and repairs	100,243	95,881	79,926	103,194	89,040	90,078	
Utilities	47,521	51,671	48,124	50,383	52,483	52,519	
Amortization of tangible capital assets	182,376	183,871	157,348	159,873	162,127	172,196	
<b>Total expense</b>	<b>1,895,270</b>	<b>1,870,511</b>	<b>1,736,982</b>	<b>1,761,645</b>	<b>1,754,278</b>	<b>1,785,858</b>	
<b>Annual operating surplus (deficit)</b>	<b>(40,246)</b>	<b>985</b>	<b>4,014</b>	<b>3,153</b>	<b>4,873</b>	<b>13,201</b>	

The Government requires that the university has a balanced budget on a consolidated basis for all fiscal years. This requirement is found in legislation. (Post-Secondary Learning Act, Subsection 78(6): "The board of a public post-secondary institution shall not submit a budget in which consolidated operating expense exceeds consolidated operating revenue unless the board has the written approval of the Minister to do so.")

Public Sector Accounting Standards (PSAS) also require a budgeted Statement of Change in Net Financial Assets and a consolidated budget with expenses by function (the above representation is by object). Additionally, the government requires a consolidated Statement of Cash Flows. All of these statements are derived from the figures included in the consolidated budget. All these statements will appear as comparatives in the institution's annual audited financial statements. Please refer to **Appendix A** for this information.

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 endeavors. 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. The AMHSP is mainly comprised of various specializations including medicine, pediatrics, family medicine and psychiatry.

The following is the 2021-22 consolidated budget segregated into the various funds identified above.

**Table 2: Consolidated Budget by Fund (2021-22)**

(\$000's)	Ancillary				Special	Total
	Operating	Operations	Research	Capital	Purpose	
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	508,235	-	65,094	92,954	73,129	<b>739,412</b>
Federal and other government grants	22,008	-	162,392	17,966	-	<b>202,366</b>
Student tuition and fees	424,354	554	-	-	-	<b>424,908</b>
Sales of services and products	89,700	75,231	17,422	-	129	<b>182,482</b>
Donations and other grants	8,262	-	89,927	23,058	3,114	<b>124,361</b>
Investment income	15,000	513	52,852	-	22,904	<b>91,269</b>
<b>Total revenue</b>	<b>1,067,559</b>	<b>76,298</b>	<b>387,687</b>	<b>133,978</b>	<b>99,276</b>	<b>1,764,798</b>
<b>Expense</b>						
Salaries	645,034	20,232	157,706	-	50,524	<b>873,496</b>
Employee benefits	145,668	5,155	27,964	-	14,265	<b>193,052</b>
Materials, supplies and services	80,352	26,673	110,610	3,693	18,140	<b>239,468</b>
Scholarships and bursaries	45,840	-	84,480	-	11,859	<b>142,179</b>
Maintenance and repairs	33,407	18,731	2,543	48,413	100	<b>103,194</b>
Utilities	46,191	3,713	479	-	-	<b>50,383</b>
Amortization of tangible capital assets	53,026	10,773	-	96,074	-	<b>159,873</b>
<b>Total expense</b>	<b>1,049,518</b>	<b>85,277</b>	<b>383,782</b>	<b>148,180</b>	<b>94,888</b>	<b>1,761,645</b>
<b>Annual operating surplus (deficit)</b>	<b>18,041</b>	<b>(8,979)</b>	<b>3,905</b>	<b>(14,202)</b>	<b>4,388</b>	<b>3,153</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

The Government of Alberta released the 2021 provincial budget on February 25, 2021. The University of Alberta's provincial grant (operating) has been decreased by a further 11%, or \$60.1 million in 2021-22. This 11% reduction, combined with cuts in 2019-20 and 2020-21, totals a \$170M reduction in our provincial funding (operating) over the last two and a half years. These cuts also come with the caveat that the institution must handle them in-year as mandated by the Government of Alberta and it is not permitted to post a deficit while managing these two extremely challenging factors.

This is in addition to the impacts of COVID-19 and the ongoing campus closure. The budget was developed with the expectation that the campus would remain relatively closed for the spring and summer months with a gradual reopening in the fall. This was done with the best information available at the time given the evolving nature of the situation. The expectation is that by the beginning of the 2022-2023 fiscal year, the pandemic will have subsided and operations will resume; however, it is uncertain what normal operations will truly look like after this event.

In order to address the continued and expected cuts, the UAT initiative commenced in earnest during the fiscal year with the intention to address the cuts through four major areas:

- Administrative savings (SET) through the development of a more centralized model using service partners, centers of expertise and processing hubs
- Procurement savings through outsourcing opportunities, supply management system enhancements and a reduction in purchasing levels
- Space and facilities savings through the Integrated Asset Management Strategy
- Academic restructuring through achieving economies of scale by providing services through larger academic units.

This also marks a new proactive approach to managing budget reductions. Rather than reacting to cuts in a distributed way after they have occurred, through UAT and SET, the institution is taking action now to address anticipated reductions in the year ahead and through pan-institutional actions. The approach next year will be similar; 2021-22 budget planning reflects the intention to address the cuts anticipated in 2022-23 during the latter half of 2021-22. Given that the largest expenditure for the institution remains salaries and benefits, the need for further savings will result in job losses.

While the overall impacts to the institution involve a number of one-time factors, the overall ongoing impact of the cuts amount to \$34 million. This is composed of the following:

- The \$60M reduction to the Campus Alberta Grant (section 2.1.1.1)
- The \$5M reduction to investment income (section 2.1.1.4)
- The above items are offset by the overall increase in tuition budget by approximately \$29M in comparison to the 2020-21 fiscal year and a reduction of \$2M in the amount of funding required to cover institutional utility costs as well as associated capital / maintenance requirements.

These cuts are being addressed by the SET process and amount to cuts averaging 3% to the faculties and 7% to the administrative units. While these may seem modest, consider that they are on top of 8.3% cuts to the faculties and 12.8% to the administrative portfolios in the previous fiscal year.

## Operating Revenues

### 2.1.1.1. Government of Alberta Grants

As noted in the introduction, the institution received an 11% grant cut in 2021-22 which amounts to \$60 million.

### 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 2021-22 fiscal year is consistent with the amount forecast for 2020-21 at \$18 million.

### 2.1.1.3. Student Tuition and Fees

The budget incorporates enrollment remaining at the same level as 2020-21. Student numbers for 2020-21 are 33,186 and 8,202 for undergraduate and graduate students respectively (headcount basis). This is the highest enrollment ever experienced at the University of Alberta. The budget incorporates holding that level of enrolment for 2021-22, 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 that the current year represents record enrolment and the unpredictable nature of the potential impacts of COVID-19. This especially holds true for international students and there is no expectation of increase in their enrolment levels due to the impact of travel restrictions and softening demand from certain international markets.

Further details on the tuition increases are presented below for both undergraduate and graduate students for the 2021-22 fiscal year. These proposed rates are based on the second year implementation of the four-year plan developed last year.

#### Undergraduate

Tuition for both incoming and continuing domestic students reflects a 7% increase with an offset of 15% of the increase to be dedicated to student financial support. The same increase is suggested to be applied for the 2022-23 fiscal year, with an expected rate increase equal to projected CPI for 2023-24.

New undergraduate international students will continue to be provided a fixed annual tuition fee based on the assumption of a full course load for their four-year academic career. These students are permitted five years to take the courses without the payment of additional tuition. This tuition methodology is consistent with the government's revision of the Alberta Tuition Framework in February 2020, which requires us to provide international students with more certainty in the cost of their education. These rates are projected to increase for the outlying years by an amount commensurate with the university's expected inflationary cost increases.

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 total 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 an offset of 15% of the increase to be dedicated to student financial support. The same increase is intended to be applied for the 2022-23 fiscal year, with a rate increase equal to projected CPI for 2023-24.

Tuition for domestic graduate (thesis-based) students reflects a 7% increase with a built-in rebate for those admitted prior to Fall 2020 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 three years.

Tuition for both incoming and continuing domestic graduate (course-based) students reflects a 7% increase with an offset of 15% of the increase to be dedicated to student financial support. The same increase is intended to be applied for the 2022-23 fiscal year, with a rate increase equal to projected Alberta CPI for 2023-24.

Tuition for continuing international graduate (course-based) students reflects a 4% increase for all three fiscal years.

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).

Effective Fall 2020, new international graduate students will be provided a fixed annual tuition fee for four (Masters) and six (PhD) years in order to finish their program. This

tuition methodology was developed in response to the government's recent Tuition Fee Regulation, which required us to provide international students with more upfront 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

The following increases to be implemented for 2021-22 will be in place for mandatory non-instructional fees:

- An increase of 1.6% to the Student Health and Wellness fee, Student Academic Support fee and the Athletics and Recreation fee.
- An additional \$3 to the Student Health and Wellness fee for the fall and winter semesters (\$1.50 per student per semester) to fund a sexual violence prevention and coordination function.

#### 2.1.1.4. Investment Income

The investment income projections in each of the following three years have been set at \$15 million. This was reduced from the previous year amount of \$20 million as the increase for last fiscal year was only intended to be temporary as the University continues to reduce its reliance on investment income to fund ongoing expenditures.

#### 2.1.1.5. All Other Sources of Revenues

These revenue streams are budgeted with an increase comparable to Alberta CPI for the year and consideration for the gradual re-opening of campus throughout the next fiscal year which results in increased sales activity as compared to the current fiscal year. It should be noted that these revenues have been impacted by the campus closure in the current year and are expected to rebound partially in 2021-22 and return to normal in 2022-23.

### 2.1.1. Operating Expenditures

Operating expenditures are developed with the consideration of the cuts to be implemented through UAT along with the assumption of a gradual re-opening of the campus with the expectation that the current largely remote work and learning environment will continue for the spring and summer months due to the ongoing COVID-19 pandemic.



### 2.1.3.1. Compensation

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

- Merit pay 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.

Benefit costs are expected to increase at a rate of 2.3%, but this will be more than offset by the impact of reduced staffing levels.

We are projecting approximately 400 job losses in 2020-21 (this is in addition to the approximately 400 job losses in 2019-20) with the expectation that an additional 400 job losses will be required in 2021-22 in anticipation of the expected budgetary cuts in the next fiscal year. Please note that these figures are exclusive of any potential reductions in staffing levels as a result of the campus closure in the current fiscal year.

### 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 the next fiscal year. The table below provides a summary of these, along with the similar figures used for the following two years.

<b>Revenue</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Operating Grant	-11.0%	-11.0%	0.3%
Domestic Tuition	7%	7%	2%
Financial aid (holdback of increased domestic tuition dollars)	15%	15%	15%
International Tuition (Existing students)	4%	4%	4%
International Tuition (Program-based)	0%	2%	2%
Financial aid (holdback of international total tuition to be used for student support)	7.55%	7.55%	7.55%
Mandatory Non- Instructional Fees	1.6%	2%	2%

Investment Income	\$15 million	\$15 million	\$15 million
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<b>Expenditures</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
ATB (NASA & AASUA)	TBN	TBN	TBN
Merit (NASA, based on one-step merit) *	0.8%	0.8%	0.8%
Merit (AASUA, based on one-step merit)*	1.2%	1.2%	1.2%
Employee Benefits *	2.3%	2.4%	2.2%
Other Costs**	1.70%	2.20%	2.00%

\* Average per employee across all groups

\*\* Non-salary costs such as materials, supplies, etc.

TBN: To be negotiated

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 of a 1% Change in 2021-22</b>	<b>Amount (\$millions)</b>
Operating Grant	\$5.5
Undergraduate enrolment	\$2.9
Domestic Tuition Rates	\$2.0
International Tuition Rates	\$1.1
Mandatory Non-Instructional Fees	\$0.3
Investment Income	\$0.2
AASUA Salaries	\$4.0
NASA Salaries	\$2.0
Excluded Salaries	\$0.5
Benefits	\$1.5

Utilities	\$0.5
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The table below provides an overall outline of the following in relation to the operating budget:

- Actual results for the year ending March 31, 2020
- Budget and forecast for the year ending March 31, 2021
- Budget for the year ending March 31, 2022
- Projections for the years ending March 31, 2023 and March 31, 2024

**Table 3: Operating Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	635,292	568,703	568,405	508,235	454,388	455,487
Federal and other government grants	21,679	21,159	21,640	22,008	22,492	22,942
Student tuition and fees	362,593	395,417	397,202	424,354	449,767	467,152
Sales of services and products	99,680	103,944	76,916	89,700	92,674	94,508
Donations and other grants	10,555	10,622	7,040	8,262	8,444	8,612
Investment income	16,012	20,000	20,000	15,000	15,000	15,000
<b>Total revenue</b>	<b>1,145,811</b>	<b>1,119,845</b>	<b>1,091,203</b>	<b>1,067,559</b>	<b>1,042,765</b>	<b>1,063,701</b>
<b>Expense</b>						
Salaries	704,886	681,341	664,774	645,034	635,673	638,501
Employee benefits	163,896	152,464	165,336	145,668	132,689	143,048
Materials, supplies and services	109,301	103,454	50,833	80,352	87,612	88,301
Scholarships and bursaries	42,194	45,977	42,937	45,840	46,849	47,786
Maintenance and repairs	39,719	30,812	30,667	33,407	34,231	34,995
Utilities	41,362	45,221	42,715	46,191	48,206	48,156
Amortization of tangible capital assets	55,070	53,435	50,582	53,026	57,335	61,956
<b>Total expense</b>	<b>1,156,428</b>	<b>1,112,704</b>	<b>1,047,844</b>	<b>1,049,518</b>	<b>1,042,595</b>	<b>1,062,743</b>
<b>Annual operating surplus (deficit)</b>	<b>(10,617)</b>	<b>7,141</b>	<b>43,359</b>	<b>18,041</b>	<b>170</b>	<b>958</b>

## 2.2. Ancillary Enterprises

Ancillary enterprises at the University of Alberta include the following units:

- Augustana Ancillary Services – residences, residence dining, retail dining, and parking
- Campus Services
  - Glen Sather Sports Medicine Clinic
  - Parking operations
  - Residence and dining services on North Campus and Campus Saint-Jean
  - Retail dining on all Edmonton campuses
  - Technology Training Centre
  - University Bookstore
  - University Health Centre Pharmacy
- Commercial property and real estate
- District Energy System (serves the U of A [North Campus], Alberta Health Services, the Government of Alberta, and other proximate customers)

Ancillary enterprises are stand-alone units funded by self-generated revenues, meaning each is expected to cover operating costs as well as establish appropriate and adequate operating and capital reserves. To the extent that 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 university is evaluating the degree to which any of these enterprises (e.g. commercial real estate and parking services) may be able to make net contributions to the broader operating budget. This involves a focused review of each service as well as moving towards the provision of some administrative services as envisioned in the UAT initiative.

COVID-19 has significantly curtailed the revenue streams of units relying heavily on an in-person experience. For example, in 2020-21, residence occupancy rates plummeted from over 80% to 24% and parking revenues were only 40% of a typical year. While immediate measures such as temporary layoffs were taken to reduce expenditures, the financial impact was substantial.

In 2021-22, Campus Services' fiscal outlook is predominantly driven by the return of greater numbers of people to campus for the 2021-22 academic year and augmented by targeted rate increases:

- A proposed 5% increase to all residence rates. This is the third year of three years of such increases originally presented in 2018. This increase comes with a commitment to return to increases more closely aligned with the consumer price index in the medium term.
- A proposed 2% increase to meal plan rates. However, with the elimination of the \$300 flex requirement, students in Lister and Peter Lougheed Hall will actually see a decrease in rates relative to last year.
- Permitted parking rates will increase by 1.7%.

Of particular note, rate increases in the residence system reflect the fact that, 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 entire University of Alberta residence system has accumulated a significant deferred maintenance liability of approximately \$68.7 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. Although last year we deferred an annual \$2 million investment in the HUB residence, this critical work will proceed in 2021-22. The following renewal projects are in varying states of progress to, above all, improve our students' experience:

	<b>2021-22 Budget (\$000's)</b>	<b>2022-23 Projection (\$000's)</b>	<b>2023-24 Projection (\$000's)</b>
<b>Lister Complex</b>	32,072	7,750	
<b>HUB Residences</b>	2,000	2,000	4,067

*The Lister project was approved in May of 2018 and the improvements in HUB have been ongoing for the past 5 years.*

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 December 2020, the residence system is carrying \$220 million in mortgage debt with terms extending to 2049.

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 remains positive with the expectation that losses will cease by 2023-24.

**Table 4: Ancillary Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	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	-	-	-	-	554	565	576
Sales of services and products	90,280	94,944	45,783	45,783	75,231	95,350	105,276
Donations and other grants	1	-	-	-	-	-	-
Investment income	1,465	1,276	1,400	1,400	513	25	15
<b>Total revenue</b>	<b>91,746</b>	<b>96,220</b>	<b>47,183</b>	<b>47,183</b>	<b>76,298</b>	<b>95,940</b>	<b>105,867</b>
<b>Expense</b>							
Salaries	20,190	21,106	16,247	16,247	20,232	20,951	20,994
Employee benefits	4,535	5,127	3,946	3,946	5,155	5,422	5,543
Materials, supplies and services	19,515	25,869	19,541	19,541	26,673	30,850	30,615
Scholarships and bursaries	-	1	-	-	-	-	-
Maintenance and repairs	19,719	25,377	14,622	14,622	18,731	21,787	21,898
Utilities	5,670	6,090	5,019	5,019	3,713	3,788	3,864
Amortization of tangible capital assets	11,478	15,742	10,915	10,915	10,773	12,171	13,130
<b>Total expense</b>	<b>81,107</b>	<b>99,312</b>	<b>70,290</b>	<b>70,290</b>	<b>85,277</b>	<b>94,969</b>	<b>96,044</b>
<b>Annual operating surplus (deficit)</b>	<b>10,639</b>	<b>(3,092)</b>	<b>(23,107)</b>	<b>(23,107)</b>	<b>(8,979)</b>	<b>971</b>	<b>9,823</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 (Jobs, Economy and Innovation, and Alberta Innovates)
- 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

In the current year, the full campus closure during the spring and summer coupled with travel restrictions and restrictions on lab occupancy had a particular impact on research activity. It led to a reduced level of spending on materials, supplies and services thereby reducing the amount of restricted research revenues recognized. It is expected that as restrictions slowly ease up over the next 12 months that research activity will also rebound. The decline in salaries over the fiscal years is driven primarily by reductions in provincial research funding (Jobs, Economy and Innovation, and Alberta Innovates) that occurred in the previous year and is expected to continue over all three budget years.

**Table 5: Research Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	76,134	80,960	60,842		65,094	66,943	67,443
Federal and other government grants	172,047	167,609	171,948		162,392	167,003	168,251
Student tuition and fees	-	-	-		-	-	-
Sales of services and products	19,650	17,271	16,705		17,422	17,422	17,422
Donations and other grants	99,001	93,312	79,395		89,927	92,378	93,041
Investment income	25,369	48,279	51,460		52,852	54,337	56,443
<b>Total revenue</b>	<b>392,201</b>	<b>407,431</b>	<b>380,350</b>		<b>387,687</b>	<b>398,083</b>	<b>402,600</b>
<b>Expense</b>							
Salaries	162,584	163,588	163,694		157,706	149,820	149,820
Employee benefits	28,829	27,472	28,951		27,964	26,566	26,566
Materials, supplies and services	131,473	131,409	103,236		110,610	129,992	132,591
Scholarships and bursaries	78,135	76,940	84,669		84,480	86,170	87,893
Maintenance and repairs	3,426	4,398	1,587		2,543	2,671	2,724
Utilities	489	360	390		479	489	499
Amortization of tangible capital assets	-	-	-		-	-	-
<b>Total expense</b>	<b>404,936</b>	<b>404,167</b>	<b>382,527</b>		<b>383,782</b>	<b>395,708</b>	<b>400,093</b>
<b>Annual operating surplus (deficit)</b>	<b>(12,735)</b>	<b>3,264</b>	<b>(2,177)</b>		<b>3,905</b>	<b>2,375</b>	<b>2,507</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 research focused and renovation projects), the capital budget also incorporates building construction projects and larger scale renewal and maintenance projects and equipment.

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 capital construction and maintenance activities occur (e.g. impacts due to COVID-19 or unpredictability in government grants and approvals or philanthropic gifts), 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’s consolidated budget is subject to complex financial accounting requirements. The figures throughout the capital budget have been restated for the purposes of being presented within the institution’s audited financial statements.

## 2.4.2. Capital Plan Development

The university is required to develop an annual capital and maintenance plan and, further, identify 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 July 2020, included a number of priorities with a particular focus on renewing and refurbishing existing buildings. The following capital budget is reflective of the information contained within the capital plan and that which is contained within the BLIMS submission.

## 2.4.3. Capital Budget

**Table 6: Capital Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20		2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection	
<b>Revenue (including deferrals)</b>							
Government of Alberta grants	84,278	100,302	79,748	92,954	83,047	84,780	
Federal and other government grants	19,927	19,269	16,486	17,966	17,320	18,160	
Student tuition and fees	-	-	-	-	-	-	
Sales of services and products	-	-	-	-	-	-	
Donations and other grants	29,198	27,182	23,613	23,058	22,229	23,306	
Investment income	1,786	-	-	-	-	-	
<b>Total revenue</b>	<b>135,189</b>	<b>146,753</b>	<b>119,847</b>	<b>133,978</b>	<b>122,596</b>	<b>126,246</b>	
<b>Expense</b>							
Salaries	-	-	-	-	-	-	
Employee benefits	-	-	-	-	-	-	
Materials, supplies and services	2,555	6,871	9,881	3,693	2,653	3,250	
Scholarships and bursaries	-	-	-	-	-	-	
Maintenance and repairs	37,347	35,176	33,000	48,413	30,250	30,358	
Utilities	-	-	-	-	-	-	
Amortization of tangible capital assets	115,828	114,694	95,851	96,074	92,621	97,110	
<b>Total expense</b>	<b>155,730</b>	<b>156,741</b>	<b>138,732</b>	<b>148,180</b>	<b>125,524</b>	<b>130,718</b>	
<b>Annual operating surplus (deficit)</b>	<b>(20,541)</b>	<b>(9,988)</b>	<b>(18,885)</b>	<b>(14,202)</b>	<b>(2,928)</b>	<b>(4,472)</b>	

As part of Government of Alberta grants, the University of Alberta is set to receive \$48 million in Infrastructure Maintenance Program (IMP) funding, also known as Capital Maintenance and Renewal (CMR) funding in fiscal year 2021-22. Under the previous Infrastructure Maintenance Program, the University of Alberta received \$34.9 million in 2020-21. The increase in funding is intended to stimulate job growth and support Alberta's economy. However, the expectation is that funding levels revert to 2020-21 levels or lower in 2022-23 and 2023-24 given the forecasted allocation to the sector in Budget 2021.

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 four tables provide a view of the capital budget for next year on a “near cash” basis.

### Capital budget - revenue

Historically, Government of Alberta grants have provided targeted funding for multi-year capital projects (e.g., the Dentistry/Pharmacy Renewal). The Infrastructure Maintenance Program (to be replaced with the Capital Maintenance and Renewal Program) provided the university with a relatively stable \$34.9 million annually (except in 2019-20 when it was reduced to zero) to address critical maintenance needs across the institution, principally by reducing our significant deferred maintenance liability. The following table provides an outline of revenue on a cash basis.

Please note that the following table shows when the revenue will be received by the institution whereas subsequent tables outline when the funds will be either spent (tables 8 and 9) or the resulting asset is capitalized (table 10).

**Table 7: Capital Budget Revenues (2021-22, 2022-23, 2023-24)**

<b>Capital Budget: Revenue</b>			
(\$000's)	2021-22	2022-23	2023-24
	Budget	Projection	Projection
<b>Provincial Government Grants</b>			
Capital Maintenance Renewal (CMR) / Infrastructure Maintenance Program (IMP)	47,956	34,914	34,914
Dentistry/Pharmacy Renewal	44,000	56,000	-
UA District Energy System (DES)	1,900	-	-
<b>Subtotal</b>	<b>93,856</b>	<b>90,914</b>	<b>34,914</b>
Other Projects	-	-	-
<b>Total revenue</b>	<b>93,856</b>	<b>90,914</b>	<b>34,914</b>

### Capital budget - materials, supplies and services

These are expenditures related to projects across campus. These costs are expensed as they do not extend the useful life of the buildings.

The following table outlines materials, supplies and services to be used within the capital fund.

**Table 8: Capital Budget Materials, Supplies and Services (2021-22, 2022-23, 2023-24)**

<b>Capital Budget: Materials, Supplies and Services (MSS)</b>			
<b>(\$000's)</b>			
<b>Project</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>Budget</b>	<b>Projection</b>	<b>Projection</b>
UA District Energy System (DES)	2,475	2,653	3,250
<b>Subtotal</b>	<b>2,475</b>	<b>2,653</b>	<b>3,250</b>
Other MSS	1,218	-	-
<b>Total materials, supplies and services</b>	<b>3,693</b>	<b>2,653</b>	<b>3,250</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 buildings.

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

**Table 9: Capital Budget Maintenance and Repairs (2021-22, 2022-23, 2023-24)**

<b>Capital Budget: Maintenance and Repairs</b>			
<b>(\$000's)</b>			
<b>Project</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>Budget</b>	<b>Projection</b>	<b>Projection</b>
Michener Park Demo	5,000	500	-
John Scott Library	2,750	3,530	-
CAB Renewal - Phase 2	2,355	-	-
HUB Mall Residence Renewal	2,000	2,000	4,067
<b>Subtotal</b>	<b>12,105</b>	<b>6,030</b>	<b>4,067</b>
Other Maintenance	4,378	-	-
CMR / IMP Maintenance*	31,930	24,220	26,291
<b>Total maintenance and repairs</b>	<b>48,413</b>	<b>30,250</b>	<b>30,358</b>

\* Remaining CMR / IMP projects listed in lines above and/or in TCA

**Capital budget - tangible capital acquisitions**

Major renewal projects often involve 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.

**Table 10: Capital Budget Tangible Capital Acquisitions (2021-22, 2022-23, 2023-24)**

<b>Capital Budget: Tangible Capital Acquisitions</b>			
<b>(\$000's)</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>Project</b>	<b>Budget</b>	<b>Projection</b>	<b>Projection</b>
Dentistry Pharmacy Renewal & Repurpose	47,450	55,625	79,130
Lister Centre Classic Towers - Kelsey Hall	19,000	7,750	-
Lister Centre Classic Towers - Henday Hall	13,072	-	-
Brain & Aging Research Building	8,000	1,070	-
Morrison Structures Lab	7,500	1,367	-
Enterprise Square- UAT- HUB	7,500	-	-
Tory - Mechanical Piping System Renewal	4,850	2,115	-
Diwan Pavilion	4,713	-	-
Outdoor Tennis Courts Relocation	4,500	-	-
Education Electrical Distribution Upgrade	2,754	2,750	-
Envision Year 4	2,500	792	-
UA District Energy System (DES)	2,475	2,653	3,250
Fine Arts Building Mechanical and Electrical Renewal	2,245	-	-
Education UAT	-	3,000	-
<b>Subtotal</b>	<b>126,559</b>	<b>77,122</b>	<b>82,380</b>
Other Capital Projects	6,385	1,750	-
CMR / IMP Capital*	6,195	7,944	8,623
<b>Total tangible capital acquisitions</b>	<b>139,139</b>	<b>86,816</b>	<b>91,003</b>
<i>* Remaining CMR / IMP projects listed in lines above and/or in TCA</i>			
<b>Tangible Capital Acquisitions</b>			
<b>Operating</b>			
<b>(\$000's)</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>Project</b>	<b>Budget</b>	<b>Projection</b>	<b>Projection</b>
<b>Total operating tangible capital acquisitions</b>	<b>40</b>	<b>1,100</b>	<b>1,122</b>
<b>Total tangible capital acquisitions</b>	<b>139,179</b>	<b>87,916</b>	<b>92,125</b>

#### 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, 2020, the deferred maintenance liability stands at \$385 million, with a five-year projected aggregate liability of \$1.04 billion.

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 aside from the expectation that spending on materials, supplies and services is expected to rebound (current year spending impacted by campus closure). Overall revenues and expenses are expected to remain relatively stable.

**Table 11: Special Purpose Budget (2021-22, 2022-23, 2023-24)**

(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	76,325	77,598	75,061	73,129	72,826	72,627
Federal and other government grants	-	-	-	-	-	-
Student tuition and fees	-	-	-	-	-	-
Sales of services and products	176	125	20	129	129	129
Donations and other grants	5,612	2,560	4,687	3,114	3,256	3,409
Investment income	7,964	20,964	22,645	22,904	23,556	24,480
<b>Total revenue</b>	<b>90,077</b>	<b>101,247</b>	<b>102,413</b>	<b>99,276</b>	<b>99,767</b>	<b>100,645</b>
<b>Expense</b>						
Salaries	53,423	50,876	53,865	50,524	50,575	50,647
Employee benefits	11,981	13,929	11,971	14,265	14,270	14,276
Materials, supplies and services	16,501	20,847	14,703	18,140	18,270	18,452
Scholarships and bursaries	15,132	11,817	17,000	11,859	12,266	12,782
Maintenance and repairs	32	118	50	100	101	103
Utilities	-	-	-	-	-	-
Amortization of tangible capital assets	-	-	-	-	-	-
<b>Total expense</b>	<b>97,069</b>	<b>97,587</b>	<b>97,589</b>	<b>94,888</b>	<b>95,482</b>	<b>96,260</b>
<b>Annual operating surplus (deficit)</b>	<b>(6,992)</b>	<b>3,660</b>	<b>4,824</b>	<b>4,388</b>	<b>4,285</b>	<b>4,385</b>

### 3. Concluding Comments

This is a challenging time for the University of Alberta as we respond to a much lower level of government support while dealing with the unique impacts of the COVID-19 pandemic and related campus closure. We continue to live in a time of unprecedented change and uncertainty. The pandemic has the potential to change our planning parameters and assumptions significantly over the coming weeks and months. This budget has been developed with reasonable assumptions and we will proceed forward both on a note of caution and prudence and with a commitment to continued innovation and quality.

#### 4. Appendix A: Supplemental financial information

##### Budgeted Consolidated Statement of Operations with expenses by function

(\$000's)	2019-20	2020-21		2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Budget	Projection	Projection
<b>Revenue (including deferrals)</b>						
Government of Alberta grants	872,029	827,563	784,056	739,412	677,204	680,337
Federal and other government grants	213,653	208,037	210,074	202,366	206,815	209,353
Student tuition and fees	362,593	395,417	397,202	424,908	450,332	467,728
Sales of services and products	209,786	216,284	139,424	182,482	205,575	217,335
Donations and other grants	144,367	133,676	114,735	124,361	126,307	128,368
Investment income	52,596	90,519	95,505	91,269	92,918	95,938
<b>Total revenue</b>	<b>1,855,024</b>	<b>1,871,496</b>	<b>1,740,996</b>	<b>1,764,798</b>	<b>1,759,151</b>	<b>1,799,059</b>
<b>Expense by function</b>						
Academic costs and institutional support	1,100,086	1,040,163	977,273	977,945	969,276	992,305
Research	471,604	478,245	453,511	454,099	462,535	468,119
Facility operations and maintenance	142,927	151,877	136,110	147,304	130,073	131,142
Special purpose	99,546	100,914	99,798	97,020	97,425	98,248
Ancillary services	81,107	99,312	70,290	85,277	94,969	96,044
<b>Total expense</b>	<b>1,895,270</b>	<b>1,870,511</b>	<b>1,736,982</b>	<b>1,761,645</b>	<b>1,754,278</b>	<b>1,785,858</b>
<b>Annual operating surplus (deficit)</b>	<b>(40,246)</b>	<b>985</b>	<b>4,014</b>	<b>3,153</b>	<b>4,873</b>	<b>13,201</b>

Please note that the groupings used for Special Purpose and Research are slightly different than those used for the development of the overall budget. In particular, special purpose includes the attribution of amortization in this presentation where it does not in the tables above. Research in this context also includes costs related to the administration of research and costs related to graduate studies.

## Budgeted Consolidated Statement of Cash Flows

(\$000's)	2019-20	2020-21		2021-22
	Actual	Budget	Forecast	Budget
<b>Operating Transactions</b>				
Annual (deficit) surplus	(14,656)	985	4,014	3,153
Add (deduct) non-cash items:				
Amortization of tangible capital assets	182,376	183,871	157,348	159,873
Expended capital recognized as revenue	(115,828)	(114,694)	(95,851)	(96,074)
(Gain) loss on sale of portfolio investments	20,309	(85,176)	(95,435)	(90,626)
(Gain) loss on disposal of tangible capital assets	1,967	-	-	-
Increase (decrease) in employee future benefit liabilities	1,283	924	14,548	(2,223)
Change in non-cash items	90,107	(15,075)	(19,390)	(29,050)
(Increase) decrease in accounts receivable	(341)	(2,964)	(2,472)	(3,254)
(Increase) decrease in inventories held for sale	139	(44)	(34)	(45)
Increase (decrease) in accounts payable and accrued liabilities	17,177	3,522	3,208	4,222
Increase (decrease) in deferred revenue	(9,016)	(29,589)	133,371	8,845
(Increase) decrease in prepaid expenses	(1,169)	(166)	(158)	(208)
<b>Cash provided by (applied to) operating transactions</b>	<b>82,241</b>	<b>(43,331)</b>	<b>118,539</b>	<b>(16,337)</b>
<b>Capital Transactions</b>				
Acquisition of tangible capital assets	(149,855)	(225,201)	(161,059)	(202,612)
<b>Cash applied to capital transactions</b>	<b>(149,855)</b>	<b>(225,201)</b>	<b>(161,059)</b>	<b>(202,612)</b>
<b>Investing Transactions</b>				
(Purchases) of portfolio investments, net of sales	(5,011)	160,900	(46,284)	100,613
<b>Cash provided by (applied to) investing transactions</b>	<b>(5,011)</b>	<b>160,900</b>	<b>(46,284)</b>	<b>100,613</b>
<b>Financing Transactions</b>				
Debt - new financing, net of (debt repayment)	67,753	(16,051)	(17,466)	(17,336)
Increase in spent deferred capital contributions	60,634	119,244	64,305	105,093
<b>Cash provided by financing transactions</b>	<b>128,387</b>	<b>103,193</b>	<b>46,839</b>	<b>87,757</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>55,762</b>	<b>(4,439)</b>	<b>(41,965)</b>	<b>(30,579)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>19,581</b>	<b>29,442</b>	<b>75,343</b>	<b>33,378</b>
<b>Cash and cash equivalents, end of year</b>	<b>75,343</b>	<b>25,003</b>	<b>33,378</b>	<b>2,799</b>

**Budgeted Consolidated Statement of Changes in Net Financial Assets**

(\$000's)	2019-20		2020-21		2021-22
	Actual	Budget	Forecast	Budget	
Annual (deficit) surplus	(14,656)	985	4,014		3,153
Acquisition of tangible capital assets	(157,333)	(225,201)	(161,059)		(202,612)
Amortization of tangible capital assets	182,376	183,871	157,348		159,873
Loss on disposal of tangible capital assets	1,967	-	-		-
Change in prepaid expenses	(1,169)	(166)	(158)		(208)
Change in spent deferred capital contributions	(47,716)	4,550	(31,546)		9,019
Change in accumulated remeasurement gains	(182,010)	58,788	144,905		55,539
<b>Increase (decrease) in net financial assets</b>	<b>(218,541)</b>	<b>22,827</b>	<b>113,504</b>		<b>24,764</b>
<b>Net financial assets, beginning of year</b>	<b>1,334,493</b>	<b>1,296,259</b>	<b>1,115,952</b>		<b>1,229,456</b>
<b>Net financial assets, end of year</b>	<b>1,115,952</b>	<b>1,319,086</b>	<b>1,229,456</b>		<b>1,254,220</b>