



The following Motions and Documents were considered by the Board Finance and Property Committee during an electronic vote of the committee held from May 17 to 19, 2023.

Agenda Title: **University of Alberta's 2023-2024 Consolidated Budget Amendment to Access Operating Reserves**

APPROVED MOTION: THAT the Board Finance and Property Committee, on the recommendation of General Faculties Council Academic Planning Committee, recommend that the Board of Governors approve an amended 2023-24 Consolidated Budget, with changes to reflect one-time approval to access \$39.362M in operating reserves ("carryforward funds"), as set forth in Attachment 1.

Final Recommended Item: 1.

ITEM NO. 1

Decision **Discussion** **Information**

ITEM OBJECTIVE: To obtain Board of Governor's approval to amend the University of Alberta Fiscal Year 2023-24 Consolidated Budget to reflect access to spend \$39.362M of operating reserves.

DATE	May 17, 2023
TO	Board Finance and Property Committee
RESPONSIBLE PORTFOLIO	Vice-President (University Services and Finance) Provost and Vice-President (Academic)

MOTION: THAT the Board Finance and Property Committee, on the recommendation of General Faculties Council Academic Planning Committee, recommend that the Board of Governors approve an amended 2023-24 Consolidated Budget, with changes to reflect one-time approval to access \$39.362M in operating reserves ("carryforward funds"), as set forth in Attachment 1.

EXECUTIVE SUMMARY:

As you may recall, at the time the University of Alberta Fiscal Year 2023-24 Consolidated Budget was approved in March 2023, it was known that a specific amendment for access to spend operating reserves ("carryforward funds") would be required. As part of the February 2023 Provincial Budget communication, the Government of Alberta (GOA) permitted the University to spend operating reserves of up to 15% of its unrestricted balance for a total of \$39.362M.

As such, the University of Alberta's Fiscal Year 2023-24 Consolidated Budget requires amending to reflect the one-time approval to access \$39.362M in carryforward funds.

At the time of approval, the consolidated budget reflected a modest surplus of \$520,000. The proposed consolidated budget now reflects a deficit of \$38.842M.

The following tables (see Attachment 1) reflecting the consolidated and operating budgets are amended to reflect the access to spend \$39.362M of operating reserves:

Table 1¹: Consolidated Budget (2023-24, 2024-25, 2025-26)

Table 2: Consolidated Budget by Fund (2023-24)

Table 5: Operating Budget

Table 14: Budget Consolidated Statement of Operations with Expenses by Function

Table 15: Budget Consolidated Statement of Cash Flows

Table 16: Budget Consolidated Statement of Change in Net Financial Assets

¹ Table numbers correspond to the table numbers in the approved University of Alberta Fiscal Year 2023-24 Consolidated Budget.

ITEM NO. 1

Table 1, Table 2, and Table 14 previously reflected a modest surplus of \$520,000. These now reflect a budgeted deficit of \$38.842M.

Table 5 previously reflected an operating deficit of \$1.896M. This table now reflects a budgeted deficit of \$41.258M.

Table 15 previously forecasted a 2023-24 Cash and Cash Equivalents end of year balance of \$11.569M; this is now updated to \$12.207M. Table 16 previously forecasted a 2023-24 Net Financial Assets end of year balance of \$1,731.929M; this is now updated to \$1,692.567M.

Background

As part of the approval process to access the carryforward funds, the Government requested the university submit a list of projects and initiatives earmarked for funding from the carryforwards. The following projects were included:

- Faculty Initiatives
- IT Projects including those that will impact research, teaching, student experience, and data governance
- Administrative Model Sustainability
- Reputation and Awareness Campaign
- Institution-wide Intranet

The prioritized initiatives focus on university-wide priorities that have a positive, university-wide impact. Individually and as a collective these initiatives provide a much needed focus on faculty, staff, and student engagement, morale, and experience. The faculty initiatives provide opportunity for faculties to access their carryforwards to fund one-time faculty-specific projects. The process redesign and reengineering and technology initiatives are critical to solidifying the new operating model and sustaining the savings that were achieved under the Service Excellence Transformation project.

Risk Discussion / Mitigation of the Risk As acknowledged in the budget document, the University of Alberta is forecasting a consolidated budget deficit of \$38.842M. This is due to the ability to access carryforward funds. As this is a one-time project-based request, focus on continuous operating efficiency, cost control, and revenue generation will continue to mitigate the risk of further in-year deficit.

Next Steps

1. Approval by the Board of Governors, May 29, 2023.
2. Submission of the amended budget to the Government of Alberta on or before May 31, 2023.

Supporting Materials:

1. University of Alberta Fiscal Year 2023-24 Amended Consolidated Budget (25 pages) - [link](#)



University of Alberta

Budget 2023-24

Amended - May 2023

Prepared by:
Resource Planning
Finance, Procurement and Planning

Date:
May 17, 2023



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1 Introduction

The University of Alberta's 2023–2024 budget has been developed with change adaptation at the forefront. The past three years required consistent flexibility in how the university operated, with some time spent operating primarily online—teaching, learning, and working remotely— and other time spent learning and working in-person. While we weathered striking cuts to our operating funding over the last four years, we have also worked within a new centralized service model to help us best deliver the university's missions.

During Fiscal Year 2022-23, the Targeted Enrolment Expansion funding of \$48M over 3 years was committed to by the government and the University received the first installment of this funding. Although the University received this additional targeted funding, these sources of funds from the government are restricted to the intended programs for growth, this limits the ability for the University to grow outside of these targeted programs. Additionally while the Government of Alberta has signaled funding for the fourth year, the University does not have a formal grant confirmation.

Despite the challenges, we have come together as one university to work through these challenges and are emerging stronger for having done so. From a budget perspective; we have reduced our overhead costs by \$102 million, and offset some of this reduction through increases in tuition and enrolments. These moves have positioned us competitively amongst our Canadian and global UniForum benchmark group.

To build a community that is forward-looking and continues to move as One University, we need a new budget model. To provide the time necessary to do this, the 2023–2024 budget used an incremental budget model to ensure that units receive the same base budget allocation that they received in the prior year as well as any directed new revenue sources. This will ensure we deliver a balanced budget in a year where we face increased costs due to inflation and in utilities costs. By designing and implementing a new model for Budget 2024-2025 we will start the move to a model that ensures the university's limited resources are directed in the best possible way to achieve its goals.

Our efforts to this point, and into the future, will continue to seek operating efficiencies. In doing so, we will allocate the maximum available dollars to our core missions of teaching, research, and community engagement. Overall, this budget helps further align our fiscal realities in support of the innovation and growth that will keep the university moving forward.

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.

Revised - Table 1: Consolidated Budget (2023-24, 2024-25, 2025-26)

(\$000's)	2021-22		2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
Revenue (including deferrals)							
Government of Alberta grants	726,710	694,597	751,625	711,848	711,848	728,896	710,781
Federal and other government grants	212,289	216,784	200,053	224,579	224,579	225,855	228,788
Student tuition and fees	434,622	463,270	458,377	489,800	489,800	528,832	545,745
Sales of services and products	182,153	207,391	208,551	219,295	219,295	223,220	227,937
Donations and other grants	135,311	128,429	129,145	147,101	147,101	149,963	152,302
Investment income	176,489	101,787	123,825	111,375	111,375	109,361	112,458
Investment gain (loss) from government business enterprise	(554)	-	-	(3,870)	(3,870)	1,620	8,305
Gain on sale of tangible capital assets	34,917	-	-	-	-	-	-
Total revenue	1,901,937	1,812,258	1,871,576	1,900,128	1,900,128	1,967,747	1,986,316
Expense							
Salaries	891,931	880,851	894,366	924,637	924,637	944,244	955,430
Employee benefits	194,447	200,852	182,105	186,730	186,730	191,458	198,350
Materials, supplies and services	248,593	259,492	295,219	334,613	334,613	301,037	304,930
Scholarships and bursaries	150,100	158,191	161,937	175,871	175,871	181,599	185,781
Maintenance and repairs	73,800	93,023	93,494	84,857	84,857	72,920	74,519
Utilities	56,665	59,466	71,012	68,496	68,496	68,246	69,748
Amortization of tangible capital assets	156,133	160,030	159,031	163,766	163,766	171,045	173,293
Total expense	1,771,669	1,811,905	1,857,164	1,938,970	1,938,970	1,930,549	1,962,051
Annual operating surplus (deficit)	130,268	353	14,412	(38,842)	(38,842)	37,198	24,265

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.").

Revised - Through the Provincial Budget, the Government of Alberta (GOA) permitted the University to submit a request to spend operating reserves ("carryforward funds") of up to 15% of its unrestricted balance for a total of \$39.362M. As such, the amended fiscal year 2023-24 consolidated budget forecasts a deficit of \$38,842M updated from the original \$520K surplus.

Public Sector Accounting Standards (PSAS) 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 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 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 encompasses various specializations including medicine, pediatrics, family medicine and psychiatry.

The following is the 2023-24 consolidated budget segregated into the various funds identified above.

Revised - Table 2: Consolidated Budget by Fund (2023-24)

(\$000's)	Ancillary				Special Purpose	Total
	Operating	Operations	Research	Capital		
Revenue (including deferrals)						
Government of Alberta grants	472,804	-	83,879	75,180	79,985	711,848
Federal and other government grants	23,504	-	182,464	18,611	-	224,579
Student tuition and fees	489,300	500	-	-	-	489,800
Sales of services and products	86,438	112,771	20,086	-	-	219,295
Donations and other grants	6,750	-	120,060	15,112	5,179	147,101
Investment income	30,000	10	56,189	-	25,176	111,375
Investment gain (loss) from government business enterprise	(3,870)	-	-	-	-	(3,870)
Gain on sale of tangible capital assets	-	-	-	-	-	-
Total revenue	1,104,926	113,281	462,678	108,903	110,340	1,900,128
Expense						
Salaries	668,387	21,606	177,852	-	56,792	924,637
Employee benefits	136,512	5,469	30,589	-	14,160	186,730
Materials, supplies and services	133,623	35,349	147,242	4,408	13,991	334,613
Scholarships and bursaries	60,072	-	95,375	-	20,424	175,871
Maintenance and repairs	27,078	20,330	2,137	35,238	74	84,857
Utilities	63,475	4,798	204	-	19	68,496
Amortization of tangible capital assets	57,037	13,447	-	93,282	-	163,766
Total expense	1,146,184	100,999	453,399	132,928	105,460	1,938,970
Annual operating surplus (deficit)	(41,258)	12,282	9,279	(24,025)	4,880	(38,842)

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 2023 provincial budget on February 28, 2023. The operating support grant has remained unchanged at \$436.6M.

During the current fiscal year, the campus operated at close to pre-pandemic levels however some services are still slowly returning back to normal levels of operations. The university received additional funding from the government in the form of the Targeted Enrolment Expansion, however due to the limited nature of these funds, they did not help to address the significant cost pressures that the University faced during the year. Higher than normal inflationary costs as well as utilities resulted in unanticipated cost increases to the University which were largely unsupported by a corresponding increase in revenues.

The university continues to implement a proactive approach to managing budget reductions and rising costs. Rather than reacting to cuts in a distributed way after they have occurred, through the implementation of a new Budget Model, the institution is taking action now to address anticipated reductions in the year ahead and through pan-institutional actions.

2.1.1 Operating Revenues

2.1.1.1 Government of Alberta Grants

The institution received Operating Grant Funding of \$436.6M for the 2023-24 fiscal year, which is consistent with the grant funding from the prior year. In its Budget 2022, the Government of Alberta announced that it will invest \$171 million over three years to increase enrolment in high demand programs as part of the Alberta at Work initiative. The University received \$48M with the first installment of its funding received in July 2022 of \$8M and the second installment was announced to be \$16M as part of the 2023-24 budget. As part of Budget 2023, the Government of Alberta announced \$111 million of additional enrolment growth funding for post-secondary institutions. The University of Alberta anticipates receiving additional funding in enrolment growth funding for year 4 (fiscal year 2025-26).

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 2023-24 fiscal year is consistent with the amount forecast for 2022-23 of \$21 million.

2.1.1.3 Student Tuition and Fees

Further details on the tuition increases are presented below for both undergraduate and graduate students for the 2023-24 fiscal year.

Undergraduate

Domestic student tuition rates will increase by 5.5% in the 2023-24 academic year, with 15% of this increase dedicated to student financial support. Domestic rates are projected to increase by 2% in 2024-25 and beyond, in line with the government's cap on tuition increases.

Incoming international students will continue to be assessed a fixed program fee averaged over the nominal duration of their academic programs ("program-based" tuition). This is consistent with the government's 2018 Tuition and Fees Regulation, which requires the university to provide international students with greater certainty in the cost of their education at time of admission. International program-based tuition rates will increase by 6% in the 2023-24 academic year. International program-based rates are projected to increase by an amount commensurate with the university's expected inflationary cost increases in 2024-25 and beyond.



Continuing international students admitted prior to Fall 2020 are excluded from the program-based tuition model. For these students, tuition rates will increase by 5.5% in 2023-24.

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

Incoming domestic student tuition rates (both thesis-based and course-based) will increase by 5.5% in the 2023-24 academic year, with 15% of this increase dedicated to student financial support. Domestic rates are projected to increase by Alberta CPI in 2024-25 and beyond.

Tuition rates for continuing domestic and international students admitted prior to Fall 2020 will increase by 5.5% in the 2023-24 academic year. For continuing domestic and international thesis-based students admitted prior to Fall 2020, this will include a rebate to reduce the overall increase to 2.67% (representing the overall increase in the university's cost drivers); this rebate will be in place for four years starting in Fall 2020.

Incoming international students (both thesis-based and course-based) will continue to be assessed a fixed program fee averaged over the nominal duration of their academic programs ("program-based" tuition). This is consistent with the government's 2018 Tuition and Fees Regulation, which requires the university to provide international students with greater certainty in the cost of their education at time of admission. International program-based tuition rates will increase by 6% in the 2023-24 academic year. International program-based rates are projected to increase by an amount commensurate with the university's expected inflationary cost increases in 2024-25 and beyond.

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.

Mandatory Non-Instructional Fees

The following increases to be implemented for 2023-24 will be in place for mandatory non-instructional fees:

- An increase of 4% to the Student Health and Wellness fee, Student Academic Support fee and the Athletics and Recreation fee.

2.1.1.4 Investment Income

The investment income budget for fiscal 2023-24 has been set at \$30 million and then returns to \$25 million in the 2024-25 and 2025-26 projection years. The increase in the upcoming fiscal year is only intended to be temporary as the university continues to review its reliance on investment income to fund ongoing expenditures on an annual basis. The recent rise in interest rates supports the increase in the investment income budget for 2023-24, but we do want to see at what level interest rates stabilize before committing to any increase in the budget for the outlying years.

2.1.1.5 All Other Sources of Revenues

Most of the revenue-generating units are projecting revenues far below Alberta's projected CPI (high inflation). The slow return to post pandemic levels has taken into account this budget which results in increased sales activity as compared to the prior fiscal year. It should be noted that even though sales are projected to increase, it will take another few years for operations to be fully at pre-pandemic levels.

2.1.2 Operating Expenditures

Operating expenditures are developed with the consideration of the increase in inflationary pressures that the University is experiencing as well as rising utilities costs. The expectation in the budget is that the largely in-person work and learning environment would mean an increase in operating expenses.

2.1.2.1 Compensation

Overall salaries are expected to change year over year reflecting two significant factors:

- Merit pay increase in salaries for existing staff.
- Across the board increases

Benefits rates are expected to increase by 1.4% in 2023-24, driven by increased government and self-insured plan costs, and partly offset by reduced pension contribution costs. Staffing levels have normalized and there are no further anticipated significant reductions.

2.1.3 Overall Budget Planning Assumptions

The above discussion provides insights into the assumptions and planning parameters used to develop the operating budget for the 2023-2024 fiscal year. The table below provides a summary of these, along with the similar figures used for the following two years.

Revised - Table 3. Assumptions and Planning Parameters

Revenue	2023-24	2024-25	2025-26
Operating and Program Support Grant (OPS)	0.0%	0.0%	0.0%
Capital Maintenance and Renewal Grant (CMR)	\$36.7M	\$36.7M	\$36.7M
Tuition - Undergraduate Domestic	5.5%	2.0%	2.0%
Tuition Rates - Undergraduate International, Legacy	5.5%	4.0%	2.0%
Tuition Rates - Undergraduate International, Program-Based	6.0%	6.5%	2.0%
Mandatory Non-Instructional Fees	4.0%	2.0%	2.0%
Investment Income	\$30M	\$25M	\$25M

Expenditures	2023-24	2024-25	2025-26
AASUA - ATB	1.9%	1.3%	TBN
AASUA - Merit	1.8%	1.8%	1.8%
NASA - ATB	2.1%	0.8%	TBN
NASA - Merit	1.0%	1.0%	1.0%
Graduate Students Association - ATB	1.9%	1.3%	TBN
Graduate Students Association - Merit	N/A	N/A	N/A
Post-Doctoral Fellows Association - ATB	1.9%	1.3%	TBN
Post- Doctoral Fellows Association - Merit	N/A	N/A	N/A
Excluded Management - ATB	2.1%	0.8%	TBN
Excluded Management - Merit	0.0%	0.0%	0.0%
Benefits	1.4%	2.5%	2.1%

Other key considerations in developing the institutional budget are the underlying sensitivities concerning major revenue sources and expenditure types. The following represent the key sensitivities.

Table 4. Key Budget Sensitivities

Sensitivity of a 1% change in:	2023-24 (\$millions)
Government OPS Grant (Base)	4.4
Undergraduate Enrolment	2.9
Tuition Rates - Domestic	2.2
Tuition Rates - International, Program-based	0.5
Tuition Rates - Mandatory Non-Instructional Fees	0.4
Investment Income - 0.25% change in short-term interest rates	0.8
Salaries - AASUA	3.9
Salaries - NASA	2.0
Salaries - Excluded	0.6
Benefits - 1% change in Operating Staff Headcount	1.5
Utilities - \$1 / GJ increase in natural gas prices	2.3

Table 5 provides an overall outline of the following in relation to the operating budget:

- Actual results for the year ending March 31, 2022
- Budget and forecast for the year ending March 31, 2023
- Budget for the year ending March 31, 2024
- Projections for the years ending March 31, 2025 and March 31, 2026

Revised - Table 5. Operating Budget

(\$000's)	2021-22		2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
Revenue (including deferrals)							
Government of Alberta grants	508,309	456,463	464,830	472,804	472,804	480,423	456,554
Federal and other government grants	22,817	22,799	22,731	23,504	23,504	24,044	24,526
Student tuition and fees	434,282	462,705	458,176	489,300	489,300	528,322	545,225
Sales of services and products	82,475	84,942	83,073	86,438	86,438	88,426	90,194
Donations and other grants	5,618	6,250	5,400	6,750	6,750	6,905	7,043
Investment income	66,994	20,000	44,052	30,000	30,000	25,000	25,000
Investment gain (loss) from government business enterprise	(554)	-	-	(3,870)	(3,870)	1,620	8,305
Gain on sale of tangible capital assets	2,531	-	-	-	-	-	-
Total revenue	1,122,472	1,053,159	1,078,262	1,104,926	1,104,926	1,154,740	1,156,847
Expense							
Salaries	648,088	638,641	641,912	668,387	668,387	684,797	694,702
Employee benefits	148,223	152,901	133,940	136,512	136,512	140,471	146,992
Materials, supplies and services	81,886	71,707	87,724	133,623	133,623	95,538	97,310
Scholarships and bursaries	46,121	52,513	51,657	60,072	60,072	63,078	64,370
Maintenance and repairs	20,173	25,370	21,619	27,078	27,078	27,701	28,255
Utilities	52,061	54,829	65,300	63,475	63,475	63,124	64,524
Amortization of tangible capital assets	53,170	55,328	53,823	57,037	57,037	58,597	58,657
Total expense	1,049,722	1,051,289	1,055,975	1,146,184	1,146,184	1,133,306	1,154,810
Annual operating surplus (deficit)	72,750	1,870	22,287	(41,258)	(41,258)	21,434	2,037

2.2 Ancillary Enterprises

It is common for an institution as large and expansive as the University of Alberta to own and operate a number of ancillary enterprises operating as stand-alone units funded by self-generated revenues. At virtually every university, this would include enterprises such as parking, residences, and student and retail dining. Additionally, the University operates more specialized units including the Glen Sather Sports Medicine Clinic, the Technology Training Centre, the University Bookstore, a retail pharmacy, commercial property and real estate, and the District Energy System.

Each of these units is expected to generate revenue sufficient to cover operating costs as well as establish appropriate and adequate operating and capital reserves. Additionally, the university has established financial targets for these enterprises and, on an aggregate basis, they will be contributing \$5.6 million to support the teaching and research objectives of the institution.

Last year, the Board approved dynamic pricing; a demand-based model, for parking on campus. While parking rates generally increase marginally every year, the highest-demand parking facilities on campus saw rates increase by anywhere from 10 to 22 percent – a practice that is very much the norm for higher-demand services. This shift brought in an additional \$350K from permit holders alone plus that which was received from hourly and daily parkers visiting campus. Notwithstanding these increases, every available spot is still reserved with waiting lists that are longer than ever.

Each summer, the Lister complex transforms into Edmonton's largest hotel. It is very popular with groups involved in large sporting events on campus or just those looking for a relatively inexpensive place to stay. Regardless, with virtually all pandemic-related restrictions behind us, we are seeing great interest in our offerings and bookings are flowing in for this spring and summer.

The Bookstore is actively working toward designing and implementing a university-wide equitable access program through which, in return for a modest flat fee, students will have unfettered access to all of the books (primarily digital) necessary for their course load without having to worry about not being able to afford necessary resources. Students have told us repeatedly that cost certainty is of the utmost importance.

Table 6. Ancillary Budget

(\$000's)	2021-22	2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Projection	Projection
Revenue (including deferrals)						
Government of Alberta grants	-	-	-	-	-	-
Federal and other government grants	-	-	-	-	-	-
Student tuition and fees	340	565	201	500	510	520
Sales of services and products	79,861	104,157	101,736	112,771	114,307	116,846
Donations and other grants	5	-	-	-	-	-
Investment income	763	10	118	10	10	10
Investment gain (loss) from government business enterprise	-	-	-	-	-	-
Gain on sale of tangible capital assets	32,386	-	-	-	-	-
Total revenue	113,355	104,732	102,055	113,281	114,827	117,376
Expense						
Salaries	19,508	20,979	21,321	21,606	21,965	22,277
Employee benefits	4,735	5,331	4,983	5,469	5,661	5,805
Materials, supplies and services	24,158	32,169	30,840	35,349	35,617	36,866
Scholarships and bursaries	3	-	2	-	-	-
Maintenance and repairs	16,268	20,009	17,264	20,330	20,715	21,005
Utilities	4,417	3,863	5,211	4,798	4,894	4,992
Amortization of tangible capital assets	10,632	12,061	12,567	13,447	12,658	8,989
Total expense	79,721	94,412	92,188	100,999	101,510	99,934
Annual operating surplus (deficit)	33,634	10,320	9,867	12,282	13,317	17,442



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

Table 7. Research Budget

(\$000's)	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Projection	Projection
Revenue (including deferrals)					
Government of Alberta grants	68,629	67,723	117,565	83,879	85,500
Federal and other government grants	172,397	174,075	162,407	182,464	185,985
Student tuition and fees	-	-	-	-	-
Sales of services and products	19,795	18,169	23,742	20,086	20,897
Donations and other grants	108,394	98,347	105,601	120,060	122,431
Investment income	72,257	55,908	55,881	56,189	60,389
Investment gain (loss) from government business enterprise	-	-	-	-	-
Gain on sale of tangible capital assets	-	-	-	-	-
Total revenue	441,472	414,222	465,196	462,678	469,577
Expense					
Salaries	173,634	164,328	175,679	177,852	179,310
Employee benefits	29,864	28,447	31,583	30,589	30,840
Materials, supplies and services	117,156	125,245	145,394	147,242	150,439
Scholarships and bursaries	87,270	86,673	93,206	95,375	97,282
Maintenance and repairs	1,955	1,757	2,819	2,137	2,225
Utilities	187	774	501	204	209
Amortization of tangible capital assets	-	-	-	-	-
Total expense	410,066	407,224	449,182	453,399	465,691
Annual operating surplus (deficit)	31,406	6,998	16,014	9,279	9,511



2.4 Capital Budget

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 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 unexpected philanthropic gifts), capital projects may be added or changed in scope 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 Budget Development

The university is required by legislation 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 Infrastructure Management System (BLIMS). Recent submissions, the latest submitted in June 2022, included a number of priorities with an acute focus on renewing and refurbishing existing buildings. The following capital budget is reflective of the information contained within both the capital plan (current year projects only) and the BLIMS submission.

2.4.3 Capital Budget

Table 8. Capital Budget

(\$000's)	2021-22	2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Projection	Projection
Revenue (including deferrals)						
Government of Alberta grants	75,221	91,431	93,163	75,180	81,817	85,742
Federal and other government grants	17,075	19,910	14,915	18,611	17,264	18,277
Student tuition and fees	-	-	-	-	-	-
Sales of services and products	-	-	-	-	-	-
Donations and other grants	16,352	19,770	14,363	15,112	16,166	17,115
Investment income	437	700	700	-	-	-
Investment gain (loss) from government business enterprise	-	-	-	-	-	-
Gain on sale of tangible capital assets	-	-	-	-	-	-
Total revenue	109,085	131,811	123,141	108,903	115,247	121,134
Expense						
Salaries	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Materials, supplies and services	8,880	16,561	17,185	4,408	5,080	2,380
Scholarships and bursaries	-	-	-	-	-	-
Maintenance and repairs	35,364	45,739	51,752	35,238	22,248	22,956
Utilities	-	-	-	-	-	-
Amortization of tangible capital assets	92,331	92,641	92,641	93,282	99,790	105,647
Total expense	136,575	154,941	161,578	132,928	127,118	130,983
Annual operating surplus (deficit)	(27,490)	(23,130)	(38,437)	(24,025)	(11,871)	(9,849)

As part of Government of Alberta grants, the University of Alberta received \$36.7 million for capital maintenance and renewal in 2023-24.

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 - Revenues

Historically, Government of Alberta grants have provided targeted funding for multi-year capital projects (e.g. University Commons renewal). Additionally, capital maintenance and renewal funds are provided 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 10 and 11) or the resulting asset is capitalized (table 12).

Table 9. Capital Budget Revenues

(\$000's)	2023-24	2024-25	2025-26
	Budget	Projection	Projection
Provincial Government Grants			
Capital Maintenance and Renewal (CMR)	36,694	36,694	36,694
Subtotal	36,694	36,694	36,694
Other Projects	6,900	-	-
Total revenue	43,594	36,694	36,694

Capital Budget: Materials, Supplies, and Services

These are expenditures related to projects across our campuses. 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 10. Capital Budget: Materials, Supplies, and Services

(\$000's)	2023-24	2024-25	2025-26
	Budget	Projection	Projection
Project			
Alberta High Containment Research Infrastructure	600	4,500	1,800
Biological Sciences Renewal	550	-	-
South Campus Tennis Courts	2,426	-	-
Other MSS	832	580	580
Total materials, supplies and services	4,408	5,080	2,380

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 11. Capital Budget: Maintenance and Repairs

(\$000's)

Project	2023-24	2024-25	2025-26
	Budget	Projection	Projection
Agriculture Forestry/GSB Link Roof Repair/Replacement	-	-	2,000
Biological Sciences Air Handling Unit	150	1,500	-
Biological Sciences Genetics Switchgear Replacement	1,000	-	-
College of Health Sciences	1,500	500	-
College of Natural and Applied Sciences	1,500	500	-
CSJ Library Digital Learning Classrooms	1,000	-	-
ECERF Nano Fab Lab Ventilation Upgrade and Renewal	1,439	-	-
Education South First People's House	2,000	1,000	-
Health Sciences Library ECHA Integration	1,931	-	-
NINT Roof Repairs/Replacement	-	-	2,000
NREF Roof Replacement	-	2,000	-
Peter Lougheed Hall Dining Hall Expansion	1,250	1,675	975
Residence- Upgrade Alarms, Electrical Panel	5,635	5,450	6,628
SAB Elevator Replacement	-	100	1,000
School of Business Student Collaboration Space	1,250	-	-
Other Maintenance and Repairs	16,583	9,523	10,353
Total maintenance and repairs	35,238	22,248	22,956

Capital Budget: Tangible Capital Acquisitions

Major renewal projects often involve both repairs and maintenance in addition to capital investments and/or overall building improvements. The following projects represent capital investments 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 12. Capital Budget: Tangible Capital Acquisitions

Project	2023-24	2024-25	2025-26
	Budget	Projection	Projection
Athabasca Hall Electrical Upgrade	1,081	-	-
BARB Mechanical Ventilation Upgrade	2,000	1,100	-
Biological Sciences Zoology Wing Wet Lab Modernization	10,750	15,000	-
Boiler #4 Burner Management System Replacement	1,450	-	-
Chemistry Centre East Roof Repair/Replacement	-	-	2,000
Chemistry East Exhaust Fan System	2,910	-	-
Chemistry West Fan Wall Replacement	2,959	-	-
Computing Science High Voltage Buildings Replacement	1,586	-	-
Cooling Plant River Water Intake Piping Repair	3,082	-	-
CSJ Electrical Vault	3,273	-	-
Dentistry Pharmacy Renewal & Repurpose	36,395	42,231	-
District Energy System (DES)	4,443	-	-
Install Backflow Preventers (50 Buildings)	-	1,500	-
RTF Decant Interior Renewals	2,000	-	-
Rutherford Complex Electrical Vault Replacement	-	500	7,000
SUB Mechanical (Steam Station, Heat Exchangers)	-	-	2,000
SUB New Electrical Vault	3,398	-	-
Tory Business Atrium Skylight Renewal	7,623	-	-
Tory Fan Wall Replacement	-	400	2,000
Tory Service Vault Replacements	-	500	4,500
Tory Tower Mechanical Upgrade	1,117	-	-
University Terrace Changeout Existing Simplex Panel	-	-	1,000
Other Capital Projects	9,936	2,240	4,890
Total tangible capital acquisitions	94,003	63,471	23,390

2.4.4 Deferred Maintenance

Excellence in teaching and research is only possible with 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 March 1, 2023, the deferred maintenance liability for supported infrastructure stands at \$319 million, with a five-year projected aggregate liability of \$1 billion.



Because the need vastly exceeds the available resources, a diligent adherence to a system of prioritizing projects is crucial. Relying on Government of Alberta parameters, priorities are as follows:

- **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 include risk of failure of structural supports or major building systems and requirements under a multitude of building codes.
- **Medium – immediate needs:** Elements demanding attention to prevent them escalating to the highest priority, 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

This fund is funded by endowment investment income available for spending, donations and grants. Expenditures include scholarships and bursaries, student loans and other projects involving teaching and public service.

Forward looking analysis indicates that 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 remain relatively stable.

Table 13. Special Purpose Budget

(\$000's)	2021-22	2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Projection	Projection
Revenue (including deferrals)						
Government of Alberta grants	74,551	78,980	76,067	79,985	81,818	82,985
Federal and other government grants	-	-	-	-	-	-
Student tuition and fees	-	-	-	-	-	-
Sales of services and products	22	123	-	-	-	-
Donations and other grants	4,942	4,062	3,781	5,179	5,438	5,713
Investment income	36,038	25,169	23,074	25,176	26,100	27,059
Investment gain (loss) from government business enterprise	-	-	-	-	-	-
Gain on sale of tangible capital assets	-	-	-	-	-	-
Total revenue	115,553	108,334	102,922	110,340	113,356	115,757
Expense						
Salaries	50,701	56,903	55,454	56,792	58,172	59,141
Employee benefits	11,625	14,173	11,599	14,160	14,486	14,713
Materials, supplies and services	16,513	13,810	14,076	13,991	14,363	14,595
Scholarships and bursaries	16,706	19,005	17,072	20,424	21,239	22,087
Maintenance and repairs	40	148	40	74	76	78
Utilities	-	-	-	19	19	19
Amortization of tangible capital assets	-	-	-	-	-	-
Total expense	95,585	104,039	98,241	105,460	108,355	110,633
Annual operating surplus (deficit)	19,968	4,295	4,681	4,880	5,001	5,124



3 Concluding Comments

The nature of our funding is changing and Budget 2023-2024 supports our commitment to staying agile and adapting to our changing environment. Our community has shown considerable ingenuity and resilience over the past several years, and this budget represents our shift toward continued growth. We continue to seek operational efficiencies to best support core missions while also driving innovation to build the University of Alberta of the future.

Appendix A: Supplemental Financial Information

Revised - Table 14. Budget Consolidated Statement of Operations with Expenses by Function

(\$000's)	2021-22		2022-23		2023-24	2024-25	2025-26
	Actual	Budget	Forecast	Budget	Budget	Projection	Projection
Revenue (including deferrals)							
Government of Alberta grants	726,710	694,597	751,625	711,848	711,848	728,896	710,781
Federal and other government grants	212,289	216,784	200,053	224,579	224,579	225,855	228,788
Student tuition and fees	434,622	463,270	458,377	489,800	489,800	528,832	545,745
Sales of services and products	182,153	207,391	208,551	219,295	219,295	223,220	227,937
Donations and other grants	135,311	128,429	129,145	147,101	147,101	149,963	152,302
Investment income	176,489	101,787	123,825	111,375	111,375	109,361	112,458
Investment gain (loss) from government business enterprise	(554)	-	-	(3,870)	(3,870)	1,620	8,305
Gain on sale of tangible capital assets	34,917	-	-	-	-	-	-
Total revenue	1,901,937	1,812,258	1,871,576	1,900,128	1,900,128	1,967,747	1,986,316
Expense by function							
Academic costs and institutional support	985,683	975,895	966,906	1,047,640	1,047,640	1,043,926	1,067,095
Research	467,814	474,556	513,896	520,820	520,820	528,819	536,056
Facility operations and maintenance	141,493	161,439	181,633	159,811	159,811	143,563	143,806
Special purpose	96,958	105,603	102,541	109,700	109,700	112,731	115,160
Ancillary services	79,721	94,412	92,188	100,999	100,999	101,510	99,934
Total expense	1,771,669	1,811,905	1,857,164	1,938,970	1,938,970	1,930,549	1,962,051
Annual operating surplus (deficit)	130,268	353	14,412	(38,842)	(38,842)	37,198	24,265

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.



Revised - Table 15. Budget Consolidated Statement of Cash Flows

(\$000's)	2021-22		2022-23		2023-24
	Actual	Budget	Forecast	Budget	Budget
Operating Transactions					
Annual surplus (deficit)	149,516	353	41,200		(38,842)
Add (deduct) non-cash items:					
Amortization of tangible capital assets	160,165	160,030	159,031		163,766
Expended capital recognized as revenue	(92,331)	(92,641)	(92,641)		(93,282)
Investment loss from government business enterprise	554	-	-		3,870
(Gain) loss on sale of portfolio investments	(163,557)	(101,060)	(123,051)		(111,336)
(Gain) loss on disposal of tangible capital assets	(30,059)	-	-		-
Increase (decrease) in employee future benefit liabilities	(476)	3,644	(12,472)		(11,136)
Increase (decrease) in asset retirement obligations	20	-	21		22
Change in non-cash items	(125,684)	(30,027)	(69,112)		(48,096)
(Increase) decrease in accounts receivable	(2,817)	(2,789)	(4,748)		(3,321)
(Increase) decrease in inventories held for sale	394	(68)	(100)		(70)
Increase (decrease) in accounts payable and accrued liabilities	17,559	3,896	7,041		4,925
Increase (decrease) in deferred revenue	75,526	(43,522)	43,886		(58,340)
(Increase) decrease in prepaid expenses	(2,527)	(197)	(413)		(289)
Cash provided by (applied to) operating transactions	111,967	(72,354)	17,754		(144,033)
Capital Transactions					
Acquisition of tangible capital assets	(143,573)	(195,581)	(195,581)		(162,763)
Cash applied to capital transactions	(143,573)	(195,581)	(195,581)		(162,763)
Investing Transactions					
(Purchases) of portfolio investments, net of sales	(144,809)	143,250	68,416		200,420
Cash provided by (applied to) investing transactions	(144,809)	143,250	68,416		200,420
Financing Transactions					
Debt - new financing, net of (debt repayment)	(5,651)	(17,336)	(17,941)		(17,180)
Increase in spent deferred capital contributions	104,941	131,548	131,551		112,381
Cash provided by financing transactions	99,290	114,212	113,610		95,201
Increase (decrease) in cash and cash equivalents	(77,125)	(10,473)	4,199		(11,175)
Cash and cash equivalents, beginning of year	96,308	10,739	19,183		23,382
Cash and cash equivalents, end of year	19,183	266	23,382		12,207

Revised - Table 16. Budget Consolidated Statement of Change in Net Financial Assets

(\$000's)	2021-22	2022-23		2023-24
	Actual	Budget	Forecast	Budget
Annual (deficit) surplus	149,516	353	41,200	(38,842)
Acquisition of tangible capital assets	(197,122)	(195,581)	(195,581)	(162,763)
Proceeds on disposal of tangible capital assets	48,569	-	-	-
Amortization of tangible capital assets	160,165	160,030	159,031	163,766
(Gain) loss on disposal of tangible capital assets	(30,059)	-	-	-
Change in prepaid expenses	(2,527)	(197)	(413)	(289)
Change in spent deferred capital contributions	17,590	38,907	38,910	19,099
Change in accumulated remeasurement gains	4,914	82,844	50,921	96,545
Increase (decrease) in net financial assets	151,046	86,356	94,068	77,516
Net financial assets, beginning of year	1,369,937	1,719,142	1,520,983	1,615,051
Net financial assets, end of year	1,520,983	1,805,498	1,615,051	1,692,567

