ACTION PLAN

UNIVERSITY OF ALBERTA

Budget Presentation to General Faculties Council
Monday, October 28, 2013

Presented by
Martin Ferguson-Pell, Acting Provost and Vice President (Academic)
and
Phyllis Clark, Vice President (Finance and Administration)
Outline

1. The University’s Budget
2. Base Operating Budget Table 2012-13 to 2014-15
3. Core Budget Assumptions
4. Managing and mitigating the cuts
5. Key Decision timeline
Preserve, strengthen, and effectively support the U of A’s core mission of excellence in teaching, research, and service.

University’s consolidated budgeted revenue

$1.7 Billion Budget

- Provincial Government 45%
- Tuition & Fees 16%
- Sales of Products & Srvs 13%
- Federal & Other Gov’t 11%
- Amortization (deferred capital contrib) 7%
- Donations & Grants 5%
- Investment Income 3%

Source: Comprehensive Institutional Plan 2012
Preserve, strengthen, and effectively support the U of A’s core mission of excellence in teaching, research, and service.

Unrestricted: 59% (General Operating)

Restricted: 41% (e.g. research, capital, donations, endowment, ancillaries, etc.)

$1.7 Billion

Source: Audited Financial Statements, 2012-13
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University’s actual expenditures

$1.7 Billion

- Salaries 51%
- Materials, Supplies and Services 21%
- Amortization 10%
- Utilities 3%
- Scholarships and Bursaries 5%
- Benefits 10%

Source: Audited Financial Statements, 2012-13
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**What Makes Up the University’s Operating Budget?**

The operating budget is derived from unrestricted funds and is divided into 3 broad categories:

- **Faculty/unit** operating budgets
  - salaries, benefits, teaching and lab supplies
- **Support** (libraries, registrar, student services, AICT, FGSR etc.)
  - salaries, benefits, supplies
- **Institutional budgets**
  - utilities, insurance, supplier contracts, library collections, licenses
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How are operating budgets determined?

The university utilizes *incremental budgeting*

1. Base budget from previous year confirmed
2. Budget is incrementally increased/decreased based on specific revenue drivers or cost changes (changes to: tuition, provincial grant, compensation, inflation, enrolment)
3. Other changes such as new programs and fund transfers
   - Transfers are permanent base budget changes associated with a specific function
4. Provisional budget proposed for governance approval
5. Base budget for new fiscal year approved by Board
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**Annual Increases: Salary & Benefits vs. Grant**

(Operating Expense)

<table>
<thead>
<tr>
<th>Year</th>
<th>Salaries</th>
<th>Benefits</th>
<th>Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>11.0%</td>
<td>6.0%</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>10.1%</td>
<td>5.4%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2009-10</td>
<td>9.6%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>2010-11*</td>
<td>-0.2%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2011-12</td>
<td>7.0%</td>
<td>5.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2012-13</td>
<td>8.2%</td>
<td>5.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2013-14(f)</td>
<td>6.3%</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

* furloughs

-7.2%
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**Base Operating Budget Planning Table 2012-13 to 2014-15**

(preliminary as at October 25, 2013)

<table>
<thead>
<tr>
<th></th>
<th>Base Budget 2012-13</th>
<th>Budget Cuts 2013-14</th>
<th>Provisional Cuts 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Faculties</strong></td>
<td>512,776</td>
<td>(15,224) -3.0%</td>
<td>(34,987) -6.7%</td>
</tr>
<tr>
<td><strong>Support:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board &amp; University Governance</td>
<td>1,143</td>
<td>(38) -3.3%</td>
<td>(91) -8.0%</td>
</tr>
<tr>
<td>President’s Office (incl. General Counsel)</td>
<td>4,711</td>
<td>(146) -3.1%</td>
<td>(152) -3.3%</td>
</tr>
<tr>
<td>VP Academic</td>
<td>127,646</td>
<td>(9,306) -7.3%</td>
<td>(6,551) -5.8%</td>
</tr>
<tr>
<td>VP Advancement</td>
<td>14,213</td>
<td>(439) -3.1%</td>
<td>(1,219) -8.0%</td>
</tr>
<tr>
<td>VP Facilities &amp; Operations</td>
<td>114,403</td>
<td>(1,422) -1.2%</td>
<td>(7,671) -7.2%</td>
</tr>
<tr>
<td>VP Finance &amp; Admin</td>
<td>68,068</td>
<td>(1,174) -1.7%</td>
<td>(3,725) -5.6%</td>
</tr>
<tr>
<td>VP Research</td>
<td>14,214</td>
<td>(407) -2.9%</td>
<td>(1,016) -7.3%</td>
</tr>
<tr>
<td>VP University Relations (incl. Senate)</td>
<td>8,032</td>
<td>(287) -3.6%</td>
<td>(647) -8.0%</td>
</tr>
<tr>
<td><strong>sub-total (support)</strong></td>
<td><strong>352,430</strong></td>
<td><strong>(13,218) -3.8%</strong></td>
<td><strong>(21,073) -6.4%</strong></td>
</tr>
<tr>
<td><strong>TOTAL (U of A Operating)</strong></td>
<td><strong>865,206</strong></td>
<td><strong>(28,442) -3.3%</strong></td>
<td><strong>(56,060) -6.6%</strong></td>
</tr>
</tbody>
</table>
Understanding the Budget Planning Table 2012-13 to 2014-15?

- This is a summary table only. Detailed faculty/unit budgets with explanations will be available at Change@Ualberta this week.
  1. Even with cuts some budgets have increased due to ATB, merit and transfers
  2. Transfers can significantly impact an operating budget both revenue and expenditures
  3. The VP portfolio budgets include both unit operating budgets and institutional budgets (utilities, supplier contracts etc.) therefore % cut calculations are impacted
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Core Budget Planning Table Assumptions

- 0 percentage change to the Campus Alberta grant
- Forecast tuition and enrolment levels
- All other current (as of October 25, 2013) assumptions regarding revenue forecasts and major expenditures
- Cuts will be required in future years if revenue does not increase

These assumptions may change between now and when the university approves its budget
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2014-15 provisional cuts

- Provisional cuts for 2014-15 were set at 7% for faculties and 8% for administrative units
- Provisional cuts have been communicated to the Deans and Vice Presidents
- Cuts to faculties range from 6% to 7.5%
- Opportunity to mitigate cuts by up to 2% through approved revenue-related plans
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Who Makes Final Decisions and Why?

• Deans and Vice Presidents will make final budget decisions within their faculties/units
  • Why? – they are best positioned to make informed decision about changes to their units
• President’s Executive Committee (Strategic) will make all final decisions on the proposed consolidated budget
  • Why? – they are best positioned to examine and understanding all budget decisions across the entire organization
• The Board approves the final budget
  • Why? – under legislation they have overall fiduciary responsibility for the university
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Managing the cuts - VSP

121 VSPs Approved

- FAC/FSO/LIB: 83 (69%)
- APO: 38 (31%)
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Managing the cuts - VSP

Breakdown of VSPs by Faculty
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Mitigating the cuts- Revenue

Plans that generate new **net** revenue through:

- Increased enrolment of international students
- Professional graduate degrees
- Continuing Education programs
- Bridging programs
- Special government initiatives (rural outreach, aboriginal student opportunities, Campus Alberta leadership)
- Advancement income
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Implementing the cuts - Expenditures

We manage remaining cuts through:

- Voluntary Severance Program savings
- Further involuntary severances
- Reductions in supplies, materials, travel
- System efficiencies
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<table>
<thead>
<tr>
<th>Issue</th>
<th>Accountability</th>
<th>Date</th>
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<tbody>
<tr>
<td>Tuition</td>
<td>BoG</td>
<td>Dec 13, 2013</td>
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<tr>
<td>Final budget assumptions</td>
<td>PEC-S</td>
<td>Jan 23, 2014</td>
</tr>
<tr>
<td>CIP and budget briefings</td>
<td>BoG/APC</td>
<td>Feb 7, 2014</td>
</tr>
<tr>
<td>APC recommends to BFPC</td>
<td>APC</td>
<td>Feb 12, 2014</td>
</tr>
<tr>
<td>BFPC recommends to BoG</td>
<td>BFPC</td>
<td>Feb 25, 2014</td>
</tr>
<tr>
<td>Provincial Budget</td>
<td>Government of Alberta</td>
<td>Mid Feb to March – TBD</td>
</tr>
<tr>
<td>CIP and budget approval</td>
<td>BoG</td>
<td>Mar 14, 2014</td>
</tr>
<tr>
<td>Final budget letters to Faculties</td>
<td>Provost</td>
<td>Late April, 2014</td>
</tr>
<tr>
<td>University Grant Letter</td>
<td>EAE</td>
<td>Late April to May, 2014</td>
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</table>
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Where can I find more information?

**Change@UAAlberta**

Has links to:
- Budget primer (video)
- Budget primer (text format)
- Budget updates
- Link to key planning and resources documents
- Timeline
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