

Students' Union Council
March 13, 2018

**Steve Dew, Provost and Vice-President (Academic) and
Gitta Kulczycki, Vice-President (Finance and Administration)**



- Review the current state of finances at the University of Alberta, including the structural deficit, within the provincial context.
- Go over other inflationary pressures and contractual obligations that we need to budget for.
- Review the reasons for a budget reduction and show what we aim to accomplish with 4% reduction.
- Go over the proposed international tuition, residences and meal plan rates.

- Received 2% increase in Campus Alberta grant for past three years.
- In 2016-17, there were mid-year cuts to the Ministry of Advanced Education.
- Domestic tuition and Mandatory Non-Instructional Fee (MNIFs) have been frozen for three years (2015-16 ,2016-17 and 2017-18).
- For first two years of freeze, we received increased grants (backfill) to compensate for lost tuition revenue (not MNIF revenue). This backfill did not occur for 2017-2018.
- The freeze will continue through 2018-19.
- Backfill may be forthcoming but will not be announced until 2018 provincial budget.
- Both CA grant and tuition are under review—dates for receiving recommendations have been pushed into 2018.

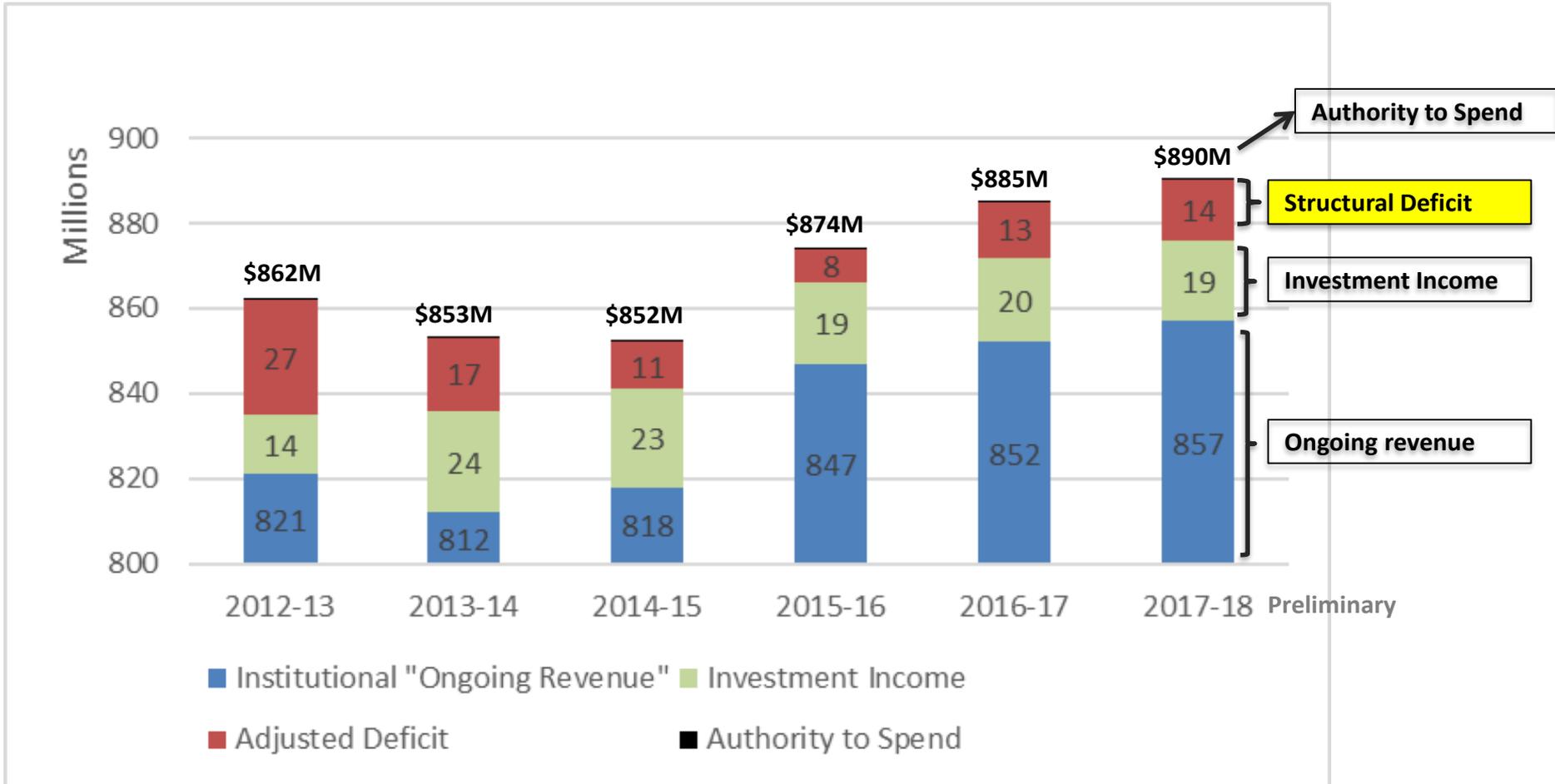
External factors:

- Costs pressures in our consumption of goods and services, including cost of utilities.
- The province's difficult fiscal situation and its potential impact on the Campus Alberta grant.
- Uncertainty from the province's review of tuition and fees.

Internal factors:

- Allocations are outpacing revenues, creating a **structural deficit** in the operating budget of approximately \$14 million.
- Reliance on short-term investment income to reduce the size of the deficit.

Structural deficit: Total “authority to spend” exceeds ongoing revenues, plus investment income



Why are we planning for a 4% reduction for 2018-19?

1. Structural deficit of approx. \$14M
2. Over-reliance on investment income
3. Multiple cost pressures
4. Freeze on domestic tuition and MNIFs
5. Recent GOA request to indicate where we will make “discretionary cuts”

What will be achieved with the 4% reduction (plus 2.5% in following years)?

- Eliminate structural deficit.
- Manage our expenses within our means.
- Be more cautious and prudent on investment income expectations.

Revenue	18-19	19-20	20-21	Sensitivity
Grant	0%	0%	0%	1% = \$6.2M
Domestic Tuition	0%	0%	0%	1% = \$1.9M
Tuition Backfill	\$0	\$0	\$0	
International Tuition	3.1%	2.5%	2.5%	1% = 0.9M
Short-term Investment	\$17 M	\$15 M	\$13 M	
Expenditures				
ATB (NASA & AASUA)	TBN	TBN	TBN	1% = \$6.3 M
Merit (μ NASA & AASUA)	1.1%	1.1%	1.1%	1% = \$6.3M
Benefits¹	4%	4%	4%	1% = \$1.6 M

¹ Note: Average annual increase will vary subject to actuarial forecasts, pension plan performance and changes in staffing patterns

Consolidated	Operating	Ancillary	Research	Capital	Special Purpose	TOTAL
Provincial Government	665.7	-	148.6	101.0	106.4	1,021.7
Federal and Other Government	1.6	-	171.8	17.2	-	190.5
Tuition and Related Fees	341.2	-	-	-	-	341.2
Sales of Services and Products	103.2	104.6	10.8	-	0.2	218.9
Grants and Donations	11.3	-	79.4	21.0	3.5	115.2
Investment Income	17.0	-	29.7	-	24.3	71.0
Total Revenue	1,140.0	104.6	440.4	139.2	134.3	1,958.5
Salaries	711.5	25.7	198.0	-	57.8	992.9
Employee Benefits	147.7	5.5	28.0	-	12.7	193.9
Materials, Supplies and Services	110.6	28.8	139.0	-	32.1	310.6
Utilities	48.4	7.1	0.4	-	-	55.9
Maintenance	32.8	26.4	2.6	30.7	0.1	92.6
Scholarships and Bursaries	37.4	-	67.4	-	11.6	116.4
Amortization of Capital Assets	54.2	11.0	-	116.7	-	181.9
Total Expense	1,142.7	104.4	435.4	147.4	114.2	1,944.1
Excess (Deficiency)	(2.7)	0.2	5.0	(8.2)	20.1	14.4
Future Benefit Liability	(15.9)	-	-	-	-	(15.9)
Excess (excl. benefit liability)	(18.6)	0.2	5.0	(8.2)	20.1	(1.5)

2018-19 Operating Fund Budget and Projections (\$ millions)

Operating	2017-18		Budget and Projections		
	Budget	Forecast	2018-19	2019-20	2020-21
Provincial Government	670.1	665.7	665.7	665.7	665.7
Federal and Other Government	8.4	1.5	1.6	1.6	1.6
Tuition and Related Fees	330.0	334.0	341.2	347.0	349.0
Sales of Services and Products	98.0	101.2	103.2	105.3	107.4
Grants and Donations	11.0	11.2	11.3	11.5	11.6
Investment Income	19.0	17.7	17.0	15.0	13.0
Total Revenue	1,136.4	1,131.4	1,140.0	1,145.9	1,148.2
Salaries	692.2	696.3	711.5	704.2	700.6
Employee Benefits	141.1	143.1	147.7	150.9	162.8
Materials, Supplies and Services	122.9	107.3	110.6	109.0	108.4
Utilities	47.8	46.6	48.4	49.0	49.8
Maintenance	34.0	32.5	32.8	32.5	32.2
Scholarships and Bursaries	35.9	36.9	37.4	38.0	38.6
Amortization of Capital Assets	53.3	53.3	54.2	55.7	56.6
Total Expense	1,127.1	1,116.0	1,142.7	1,139.3	1,149.1
Excess (Deficiency)	9.3	15.4	(2.7)	6.6	(0.8)
Future Benefit Liability	(9.3)	(14.1)	(15.9)	(16.7)	(10.7)
Excess (excl. benefit liability)	-	1.3	(18.6)	(10.1)	(11.6)

Factors in Setting International Tuition

- U of A and Government expect international tuition to cover full costs of education
- Proposing an inflationary increase to cover increased costs to deliver existing programs and services
- Rate of 3.14% for 2018-19 calculated as a weighted average of main cost drivers
- Resulting tuition levels well below U15 averages

Undergraduate	2017-18	2018-10	Change	
			\$	%
Arts and Science	\$21,009.60	\$21,668.40	\$658.80	3.14%
Business	\$27,636.32	\$28,503.12	\$866.80	3.14%
Engineering	\$25,211.52	\$26,002.08	\$790.56	3.14%
Juris Doctor (JD) Program	\$45,573.48	\$47,003.48	\$1,430.00	3.14%
Pharmacy (BSc (Pharm))	\$39,431.68	\$40,666.88	\$1,235.20	3.13%
Economics Course	\$2,680.62	\$2,764.70	\$84.08	3.14%

Graduate	2017-18	2018-19	Change	
			\$	%
Course Based Master's	\$8,181.36	\$8,437.68	\$256.32	3.13%
Thesis 919 ^b	\$5,104.84	\$5,265.08	\$160.24	3.14%
Thesis Based Masters /PhD ^c	\$7,057.80	\$7,279.32	\$221.52	3.14%
Master's in Business Administration	\$16,017.84	\$16,519.68	\$501.84	3.13%
Integrated Petroleum Geosciences Course	\$2,924.12	\$3,015.86	\$91.74	3.14%
International Graduate Tuition Increase ^{f, g}	\$4,000.00	\$4,000.00	\$ -	0.00%

Source: Office of the Registrar

3.14% is a weighted average of our cost drivers
(mainly salaries + benefits)

International	Undergrad (Arts & Social Science)		M. A.		PhD	
	\$	Rank	\$		\$	Rank
University of Alberta	\$21,010	8	\$7,058	13	\$7,058	13
Dalhousie University	\$16,650	11	\$17,085	7	\$18,560	3
McGill University	\$17,331	10	\$16,373	8	\$14,697	8
McMaster University	\$25,905	7	\$17,096	6	\$17,096	6
Queen's University	\$37,490	2	\$12,927	9	\$12,927	9
Université Laval	\$16,373	12	\$19,501	3	\$17,507	5
University of British Columbia	\$34,847	3	\$8,436	12	\$8,436	12
University of Calgary	\$18,338	9	\$12,696	10	\$12,696	10
University of Manitoba	\$13,517	14	\$10,240	11	\$10,240	11
University of Ottawa	\$27,343	4	\$19,260	4	\$16,334	7
University of Saskatchewan	\$15,584	13	\$5,909	14	\$5,909	14
University of Toronto	\$45,690	1	\$21,560	1	\$21,560	1
University of Waterloo	\$26,940	5	\$19,914	2	\$19,716	2
Western University	\$26,614	6	\$17,694	5	\$17,694	4
AVERAGE	\$24,545		\$14,696		\$14,316	
AVERAGE w/out U of A	\$24,817		\$15,284		\$14,875	

Source: U15 Data Exchange

- Quality housing and good nutrition are critical to student academic and experiential success.
- All funds received from students for shelter and food stay within the residence system.
- No student tuition or government funding is invested in residences or dining services.
- Residence and dining services must operate on a breakeven basis. No profit is sought; no loss can be sustained.
- Residences will be operated as a system.
- Student input is highly valued. Students will assist in shaping the development of residence and dining plans and priorities to sustain and improve the residence and food system.

Assumptions

- Residence Fees 4.0% proposed increase
(all locations)
- Meal Fees:

		2017-18	Proposed		Cost per day after increase
			2018-19		
		Rate	Rate	Change	
<u>Lister Hall</u>	Level 1	\$4,782	\$4,999	4.54%	\$19.33*
	Level 2	\$4,317	\$4,400	1.92%	\$23.70*
	(Flex \$ included)	\$900	\$300		
<u>Peter Lougheed Hall</u>	Level 1	\$4,650	\$4,999	7.51%	\$19.33*
	(Flex \$ included)	\$400	\$300		
<u>Augustana</u>	8 months	\$4,297	\$4,422	2.9%	\$18
	4 months	\$2,247	\$2,312	2.9%	\$19

* Cost per day excludes flex dollars

Residence Rates:

Residence Rates	2014-15	2015-16	2016-17	2017-18	2018-19 (Proposed)
Lister Hall 2-bed (Classic)	\$3,074	\$3,146	\$3,200	\$3,287	\$3,419
Change: %		2.3%	1.7%	2.7%	4.0%



For a first-year student in Lister Hall, this increase equates to an increase of approximately \$0.56 per day.

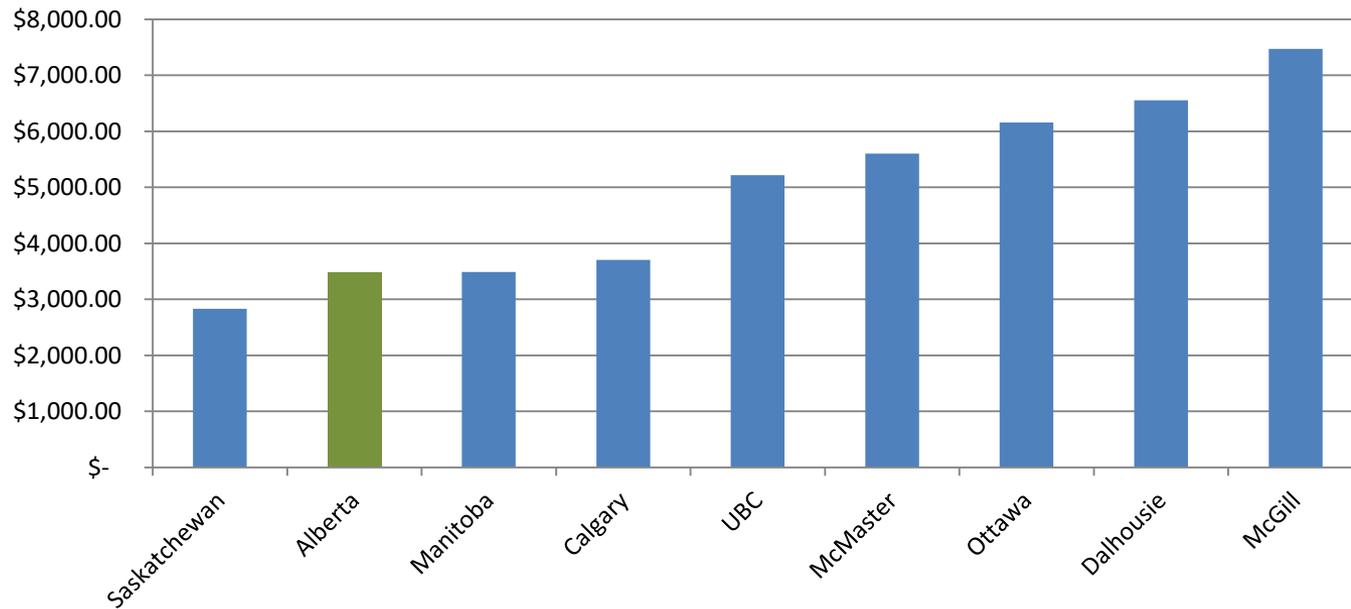
Meal Rates:

Meal Rates	2014-15	2015-16	2016-17	2017-18	2018-19 (Proposed)
7-Day Meal Plan	\$4,277	\$4,379	\$4,554	\$4,782	\$4,999
Change: %		2.4%	4.0%	5.0%	4.5%



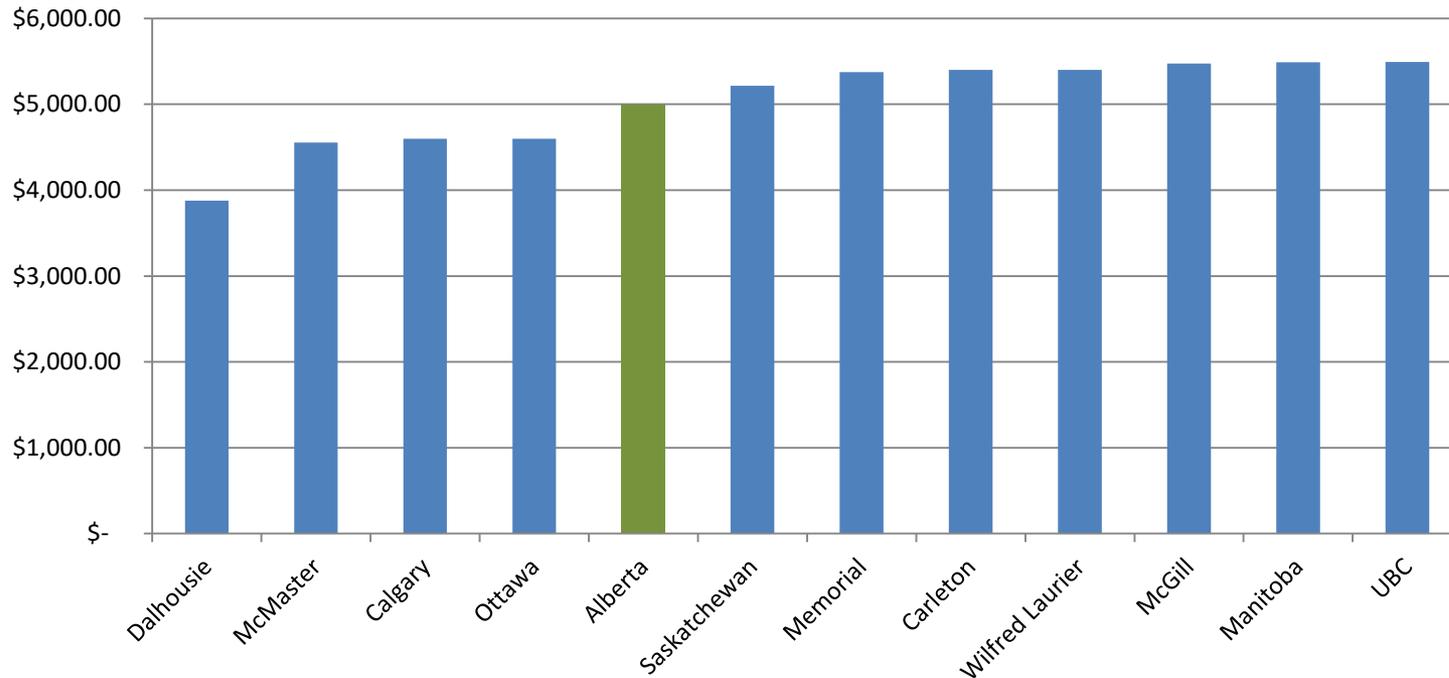
For a student with a 7-day meal plan, this equates to a total cost of approximately \$19.33 per day for all meals (not including \$300 flex).

Rent

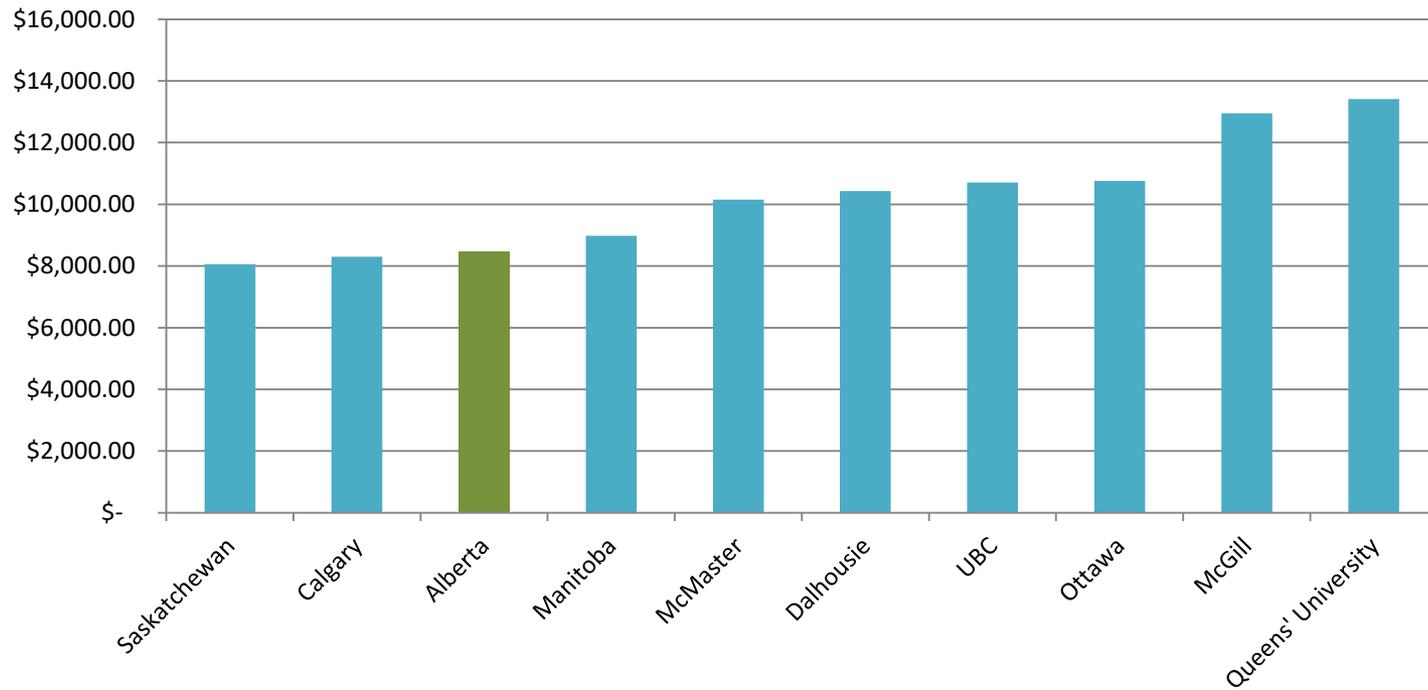


Double room dormitory style

Meal Rates



Combined Rent & Meal Rate



Residence Services

	2017-18		2018-19
	Budget	Forecast	Budget
Revenue	\$ 31,286	\$ 30,777	\$ 37,452
Expense	30,134	31,181	35,767
Annual operating surplus (deficit)	1,152	(404)	1,685
Allocations to investment in tangible capital assets	(8,445)	(3,422)	(4,588)
Transfers (net)	5,357	897	98
Annual surplus (deficit)	\$ (1,936)	\$ (2,929)	\$ (2,805)
Reserves			
Operating	\$ (3,609)	\$ (5,253)	\$ (8,429)
Capital	1,396	1,542	1,913
Total reserves (deficit)	\$ (2,213)	\$ (3,711)	\$ (6,516)

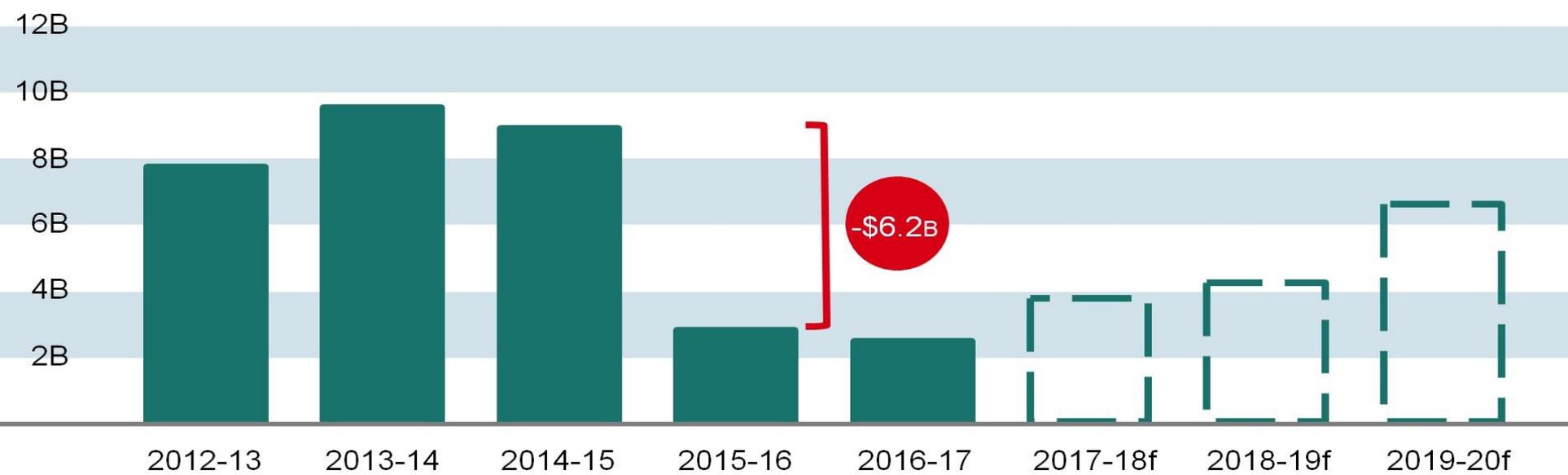
Hospitality Services

	2017-18		2018-19
	Budget	Forecast	Budget
Revenue - external	\$ 4,336	\$ 3,307	\$ 4,240
Revenue - internal	346	346	351
Expense	4,432	4,271	4,347
Annual operating surplus (deficit)	250	(618)	244
Allocations to investment in tangible capital assets	-	(200)	(750)
Transfers (net)	150	150	116
Annual surplus (deficit)	\$ 400	\$ (668)	\$ (390)
Reserves			
Operating	\$ 55	\$ 121	\$ (269)
Capital	-	-	-
Total reserves (deficit)	\$ 55	\$ 121	\$ (269)

Questions?

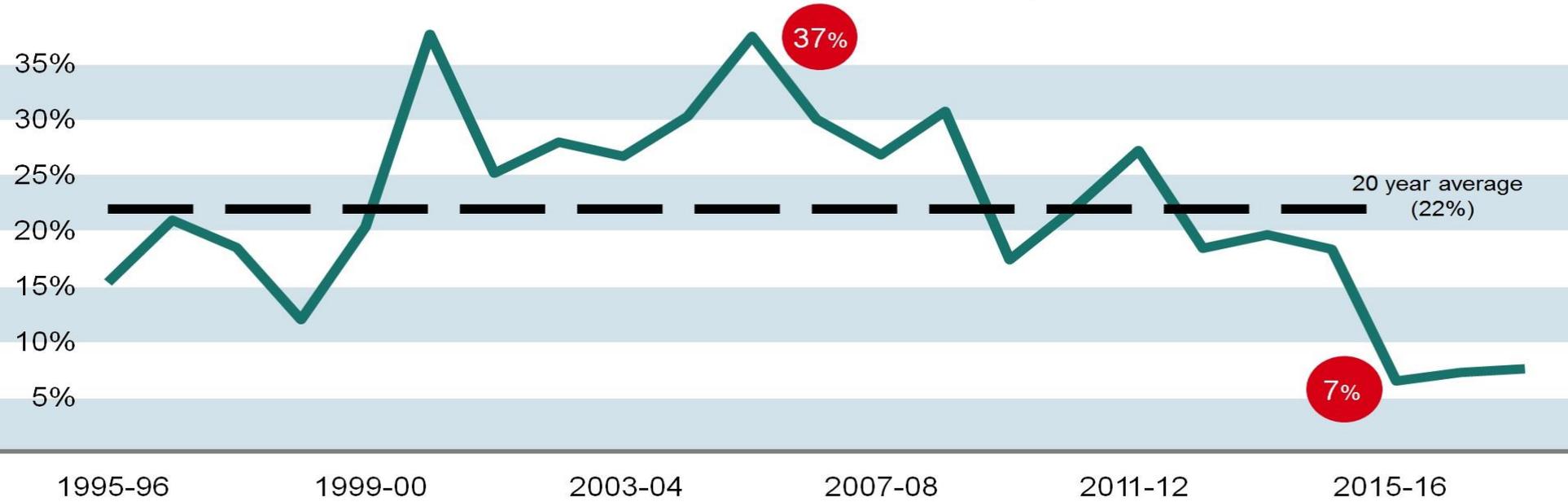
Provincial Context

Government non-renewable resource revenue



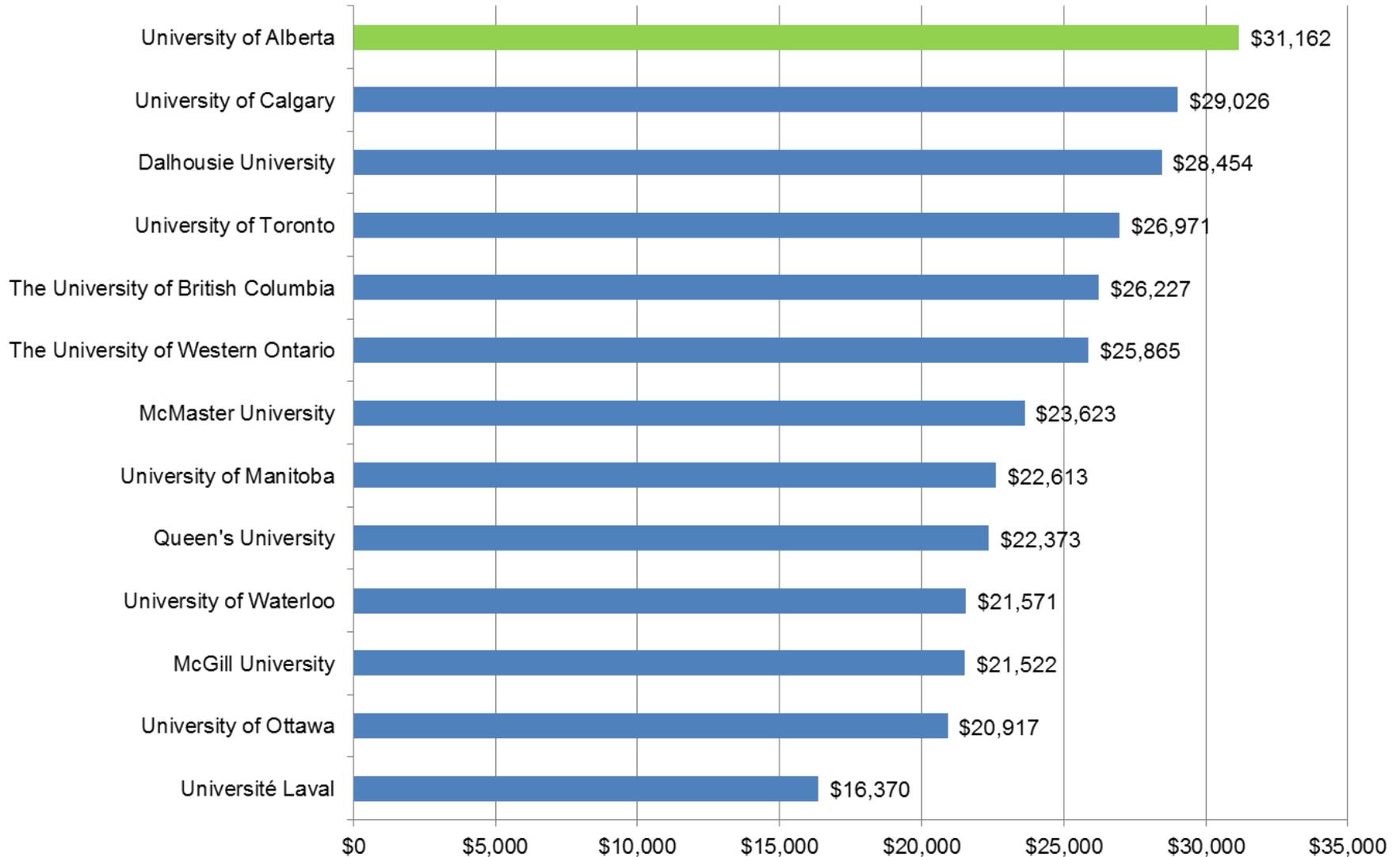
Source: Alberta Treasury Board and Finance

Non-renewable resource revenue (% OF TOTAL)



Source: Alberta Treasury Board and Finance

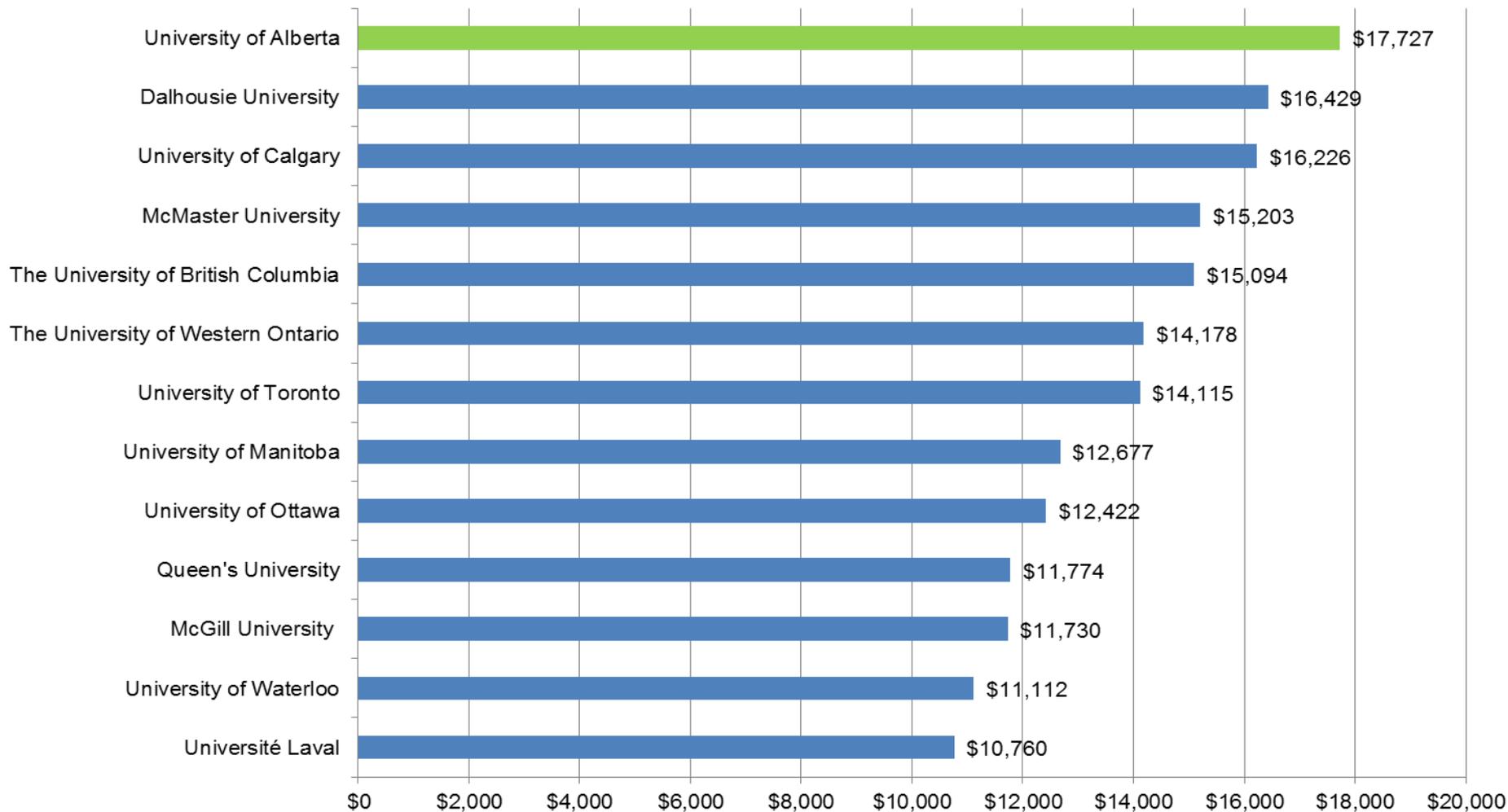
The National Post-Secondary Context



Source: CAUBO Financial Information of Universities and Colleges and the U15

Note: Two institutions omitted due to errors and non-reporting

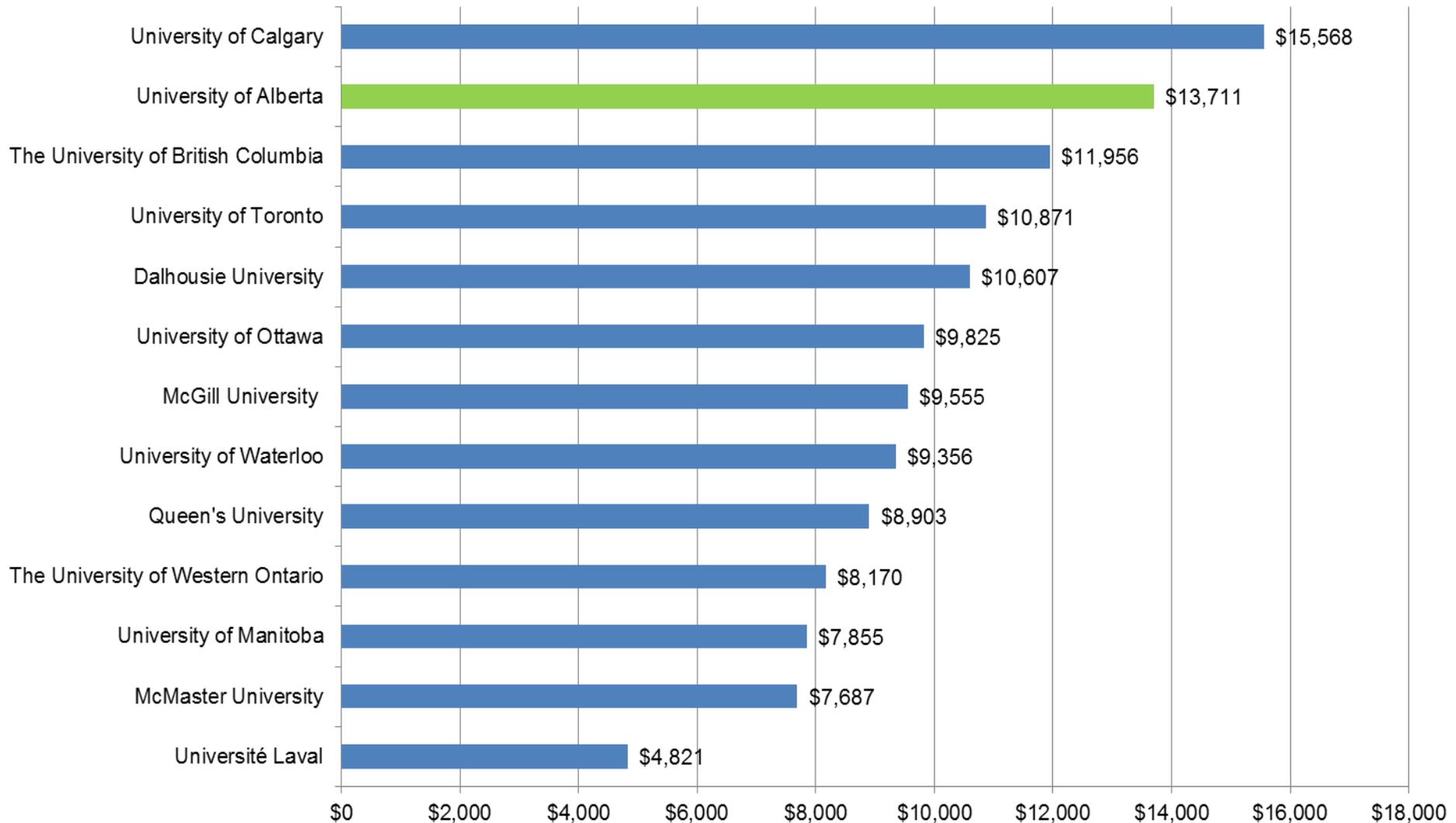
Operating Expenditures per FTE on Instruction and Non-sponsored Research, U15 2015-16



Source: CAUBO Financial Information of Universities and Colleges and the U15

Note: Two institutions omitted due to errors and non-reporting

Operating Expenditures per FTE for Non-credit Instruction, Library, Computing, Admin., Student Services, Physical Plant & External Relations. U15 2015-16



Source: CAUBO Financial Information of Universities and Colleges and the U15

Note: Two institutions omitted due to errors or non-reporting