



Office of the Undergraduate Board of Governors Representative

October 6, 2014,

Hope all Councilors and Executives are enjoying their semester back. As midterms are approaching I hope Councilors are taking time to balance school, work, and their personal lives. The Students' Union and the University of Alberta offer a number of support services for students through these stressful times of University including: The Peer Support Center, The University Health Center and Counseling and Clinical Services, both of which are located on second floor SUB.

I have been appointed to sit on both the University Relations Committee and Property and Finance Committee. Both committees met in September.

University Relations Committee

The mandate of the University Relations Committee has Five Pillars:

1. **University Reputation:** The Committee guides efforts to ensure that the University safeguards and enhances its reputation to advance its interests.
2. **University Identity:** The Committee guides efforts to ensure that the University enhances its identity and profile at the international, national, provincial, municipal and institutional levels to advance its interests.
3. **University Strategic Communication:** The Committee guides efforts to ensure that the University identifies and effectively interprets strategic communication themes and key messages to targeted audiences, to enhance relationships, influence outcomes and advance the University's interests.
4. **University Philanthropy and Advancement:** The Committee guides efforts to ensure that the University's philanthropic and advancement policies and plans, promote, attract and generate revenue to advance the University's interests.

Updates were provided by Don Hickey, Vice President (Facilities and Operations); Debra Pozega Osburn, Vice President (University Relations), and Colm Renehan, Acting Vice President (Advancement) on their portfolios.

Finance and Property Committee

The mandate of the Finance and Property Committee is:

- review the quarterly financial statements with respect to operating and capital funds,
- review and recommend to the Board the Integrated Planning and Budgeting Policy which includes guiding principles for changes to approved budgets and for transfer or reallocation of monies included in approved budgets,
- review and recommend to the Board the annual and other budgets and major issues of policy related to budgets,
- review and recommend to the Board tuition and other like fees,
- approve authorized signing officers in respect of all banking and safekeeping,

- approve original Capital Expenditure Authorization Request (CEAR) or individual Supplemental CEARs up to a maximum of \$7 million and aggregate total CEAR and Supplemental CEARs up to a maximum of \$14 million,
- review and recommend to the Board original Capital Expenditure Authorization Requests or individual Supplemental CEARs greater than \$7 million or aggregate total CEAR and Supplemental CEARs up to, but not exceeding \$14 million,
- approve the acquisition or disposal of real property, provided always that any such decision of the Committee shall be reported to the Board and shall only be effective or implemented a minimum of 24 hours following the conclusion of the Board meeting at which the decision of the Committee is reported, and provided the Board has not resolved otherwise.

Quarterly Financial Review

From total revenue of \$352.2 million, the university ended the period with a deficiency of revenue over expense of \$31.1 million. Net assets decreased by \$9.0 million, with increases in endowments (\$19.1) and unrealized investment gains (\$3.0) offset by a decrease in accumulated operating surplus. The \$31.1 million decrease in accumulated operating surplus is comprised of a \$20.0 million increase to the accumulated deficit from operations and a \$11.1 million decrease in investment in tangible capital assets.

1. Revenue

Government of Alberta (GoA) Grants: Grants from GoA represent the university's single largest source of funding for university activities. There are no significant differences compared to budget or prior year.

Federal and other government grants: Federal and other government grants primarily support the university's research activities. The \$12.4 million less than budget and the \$8.9 million decrease compared to prior year are due to lower than planned expenditures in the research fund, therefore the revenue is deferred.

Student tuition and fees: Enrollment is comparable to last year and will remain relatively stable over the next few years. The annual budgeted increase is due to the increase in instructional fees, which is based upon the increase to the annual CPI.

Sales of services and product: Ancillary services and academic and administrative units generate revenue thorough the sale of services and products to individuals and organizations external to the university. Ancillary services generated sales of \$19.5 million, while academic and administrative units generated sales of \$18.8 million. Sales revenue is \$1.1 million more than budget due to small increases across ancillary services, academic and administrative units.

Donations and other grants: Donations are \$3.3 million less than budget primarily in the research fund (refer to federal and other grants for explanation).

2. Expenses

Salaries and benefits: Salaries and benefits are the university's largest expense representing 64% of total expense. Salaries decreased \$13.2 million (6%) and benefits decreased \$3.1 million. The salary expense budget included negotiated salary increases (1.65%) and merit increases for

eligible employees. Salary expense is \$10.4 million less than budget due to the reduction in staff count as a result of the voluntary severance program for academic staff and other similar initiatives for non-academic staff. Benefits expense is comparable to budget.

Materials, supplies and services, utilities, cost of goods sold (COGS): Materials, supplies and services expenses are \$17.8 million less than budget mainly due to lower than anticipated expenditures in the research fund. All other categories are comparable to budget.

Other expenses: Maintenance and repairs is \$2.6 million more than budget, with no individually significant items. Scholarships and bursaries are comparable to budget

Instruction and non-sponsored research: Instruction and non-sponsored research effectively represents the operating activities of the university and therefore a significant component of this category is staff salary and benefit costs. This expense is \$8.5 million less than than budget due to less than expected staff count.

Sponsored research: Expenses for sponsored research activities are specifically funded by restricted grants and donations. This expense is \$11.2 million less than budget as expenditures are lower than planned for the first quarter.

Facility operations and maintenance: The cost of maintaining university facilities and grounds is \$6.1 million less than budget. This is mainly due to the timing of various renovation projects across campus.

Special purpose: Special purpose is non-research activity that is funded through restricted grants and donations and includes student scholarships and bursaries, teaching and learning programs and community service. This expense is comparable to budget.

Ancillary services: Ancillary services include the university bookstore, parking services, utilities and student residences. Ancillary services are \$4.6 million less than budget mainly due to closure of the MicroStore and reduced accessibility to the Bookstore due to SUB renovations; therefore lower than planned cost of goods sold.

3. Areas of Financial Risk

The university operates in a complex environment and must deal with a variety of risks which it manages through its integrated enterprise risk management framework. The major risks that can affect the university from a financial perspective are as follows:

Provincial Funding: The GoA has announced that for fiscal 2014-15 there will be no change from the university's 2013-14 operating grant. GoA grants represent the university's single largest source of funding for university activities, any reduction in the Campus Alberta grant results in significant budgetary pressure.

The university has developed detailed plans and strategies that will achieve a consolidated balanced budget for fiscal 2014-15. With no increase to operating grant funding, the university will need to generate new sources of revenue and reduce costs.

Deferred Maintenance: The university's deferred maintenance is estimated at over \$800 million. While the university is making progress on deferred maintenance on its older facilities,

the overall amount of deferred maintenance remains relatively unchanged. This area remains a high priority as deferred maintenance puts some risk on the university's programs and initiatives. The continuation of appropriate levels of Infrastructure Maintenance Program funding is needed to avoid a return to increasing amounts of deferred maintenance.

Pension and Employee Future Benefits: The university currently carries a liability of approximately \$250 million for employee future benefits, representing probable future payments to be made for benefits earned to date. This balance can change for many reasons outside the university's control, including inflation and investment returns.

On the whole, the university's cost of benefits is expected to increase by between 5% and 7% per year in the upcoming years and this is not sustainable. Approximately 65% of the university's non-pension benefit costs relate to programs the university and its staff co-operatively manage and which could be changed through negotiation.

The largest of the unfunded liabilities is the university's share of the UAPP, which is approximately \$170 million. Both the UAPP and PSPP deficiencies are expected to be eliminated within 15 years, based on conditions at the time of the last actuarial valuations when the new contribution rates were set. However, without structural reforms to the pension plans, the level of pension plan contributions as a percentage of total benefit costs will not be sustainable.

Capital Projects Report

The Finance and Property Committee were provided an update on the status of Capital Projects. Updates on projects of student interests include:

1. Camrose Performing Arts Centre (CPAC)

The Center is a partnership with the University of Alberta, the City of Camrose is constructing a 550 seat Performing Arts Centre at the University of Alberta Augustana Campus.. Opening is a 4-day event scheduled for the first week of October followed by the Gala performance on November 1, 2014. Theatre management is planning an announcement shortly outlining their opening line-up. **[NTD: There are concerns amongst Augustana Students about how much time students will be able to use for learning at the center].**

2. Edmonton Clinic Health Academy (ECHA)

The glazed east elevation panels (blue and red colours) require replacement given a latent defect with the color bonding, the panel replacement program (under warranty) has commenced and will continue throughout the summer months.

3. Innovation Centre for Engineering (ICE)

The project has an approved budget of \$89.76 million, the current contract value of EllisDon for the Core and Shell as of June 30, 2014, is \$58,938,242. The construction completion date of the fit out project has been set for May 1, 2015 and remains unchanged.

4. Cell and Tissue Innovative Research Centre (CTIRC) cGMP

The Cell and Tissue Innovation Research Centre (CTIRC) project will be a state of the art Good

Manufacturing Practice (GMP) laboratory facility used for producing the live therapeutic cells and tissues necessary for new regenerative medicine treatments. This GMP facility will be located on the 7th floor of LKS (previously HRIF East) at the University of Alberta. The CTIRC will be composed of a single, separate, detached laboratory (class 5, with its own air-handling systems in compliance with regulations) for processing porcine islets for clinical use, and five laboratories (class 5, with a shared air-handling system) for processing human cells and tissues. The “xeno” stream will support xenotransplantation of porcine islets, whereas the five human tissue laboratories are designed to be flexible and can be cleaned and re-tooled to accommodate ongoing, as well as future projects. Three of the five human laboratories will support research in lung repair, skin regeneration and a Stem Cell Core facility to isolate and bank umbilical cord blood cells and mesenchymal stem cells to support projects in the CTIRC. The other two human cell and tissue laboratories are currently proposed to support research in cardiac repair and articular cartilage regeneration.

Construction of the main fit out started in May 2012 with substantial completion occurring in April 2014 and facility takeover planned for August 2014.

5. Physical Activity and Wellness Centre (PAW)

The PAW Centre is a new physical activity and wellness facility that includes several program components such as a fitness centre, climbing wall, enclosed concourse complete with commercial space, community/teaching kitchen, multipurpose rooms, Steadward Centre, and academic space. The project is a partnership that includes several stakeholders including the Students’ Union (SU), Graduate Students’ Association (GSA), the institution represented by the Faculty of Physical Education and Recreation (FPER), and the Steadward Centre.

Construction activities through the first quarter of 2014/15 included drywall and painting work in the Social Street and north lounges, ongoing mechanical electrical rough-in work in the fitness centre as well as ongoing exterior curtain wall and cladding work. The second quarter of the 2014/15 fiscal year construction work will include completion of mechanical and electrical rough in, completion of concrete, completion of steel erection as well as start of finishing work, and installation of the climbing wall. Current schedules are tracking behind their original base schedules and the University is working with the contractor to mitigate impacts including: re-sequencing work flow, weekend activities, and additional trade staffing. Based on the current plans, the building will be turned over in a phased use approach between September and December of this year. The new fitness center is still on track to be open to students later this semester.

Land Trust Update

The Board Finance and Property Committee recommended to the Board of Governors, the approval of the governance model for the University of Alberta Properties Trust Corporation which included Articles of Incorporation and By-laws, Trust Deed and Supplemental Trust Deed.

For further inquiries please feel free to ask during Question Period, or contact me at: hansra@ualberta.ca.

Regards,

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J.D Candidate, 2015

Undergraduate Board of Governors Representative | University of Alberta Students' Union

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