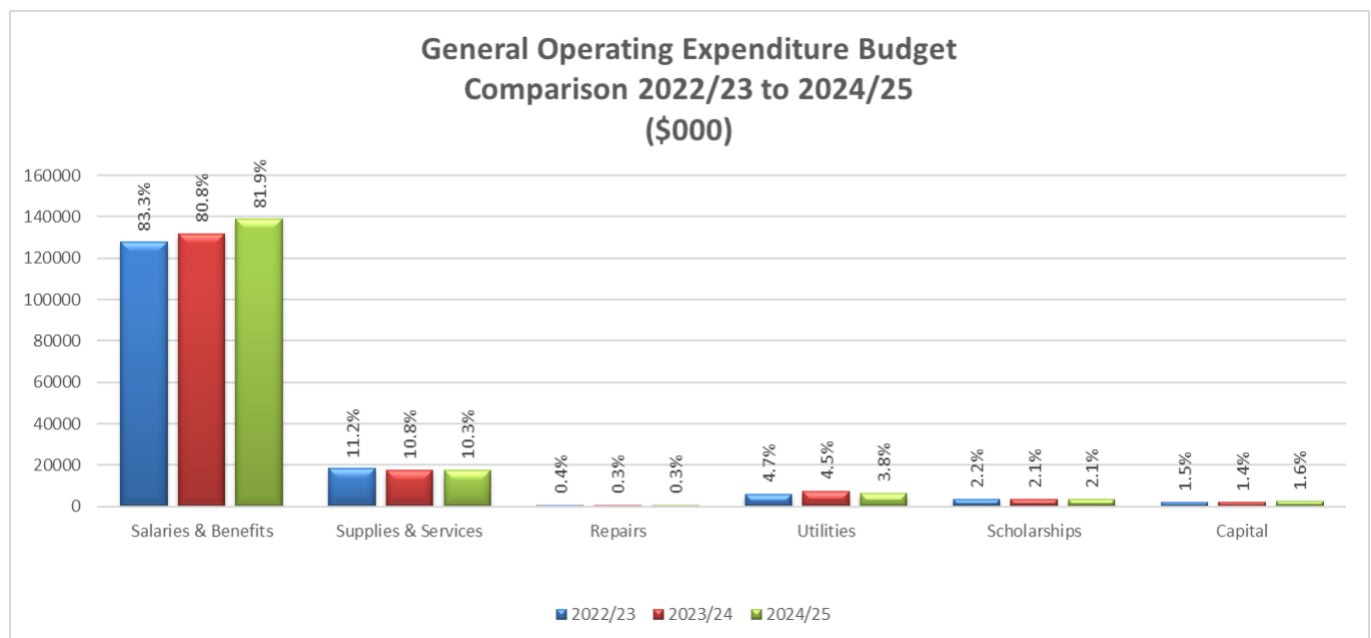




## OPERATING EXPENSES

The University presents a consolidated budget, comprised of unrestricted and restricted funds, to the Board of Governors for approval. The [Budget Advisory Committee \(BAC\)](#) focuses on the general operating fund budget as, generally, the budgets for the other funds are dictated by external granting agency conditions. The difference between unrestricted funds and restricted funds is that the University has more flexibility in how it spends unrestricted funds, but can only spend restricted funds in ways that are allowed by the external agencies, donors and organisations that contributed the funds to the University. The [“Operating Vs Restricted Budgets”](#) Budget Brief describes the various funds that comprise the consolidated budget.

This Budget Brief focuses on expenses in the general operating fund, which is the largest fund in the consolidated budget, and is an unrestricted fund. General operating funds are used to pay for the operating expenses of the University. The major expenditure line items include employee compensation costs, materials and services, facilities operations, and scholarships.



### Salaries and Employee Benefits

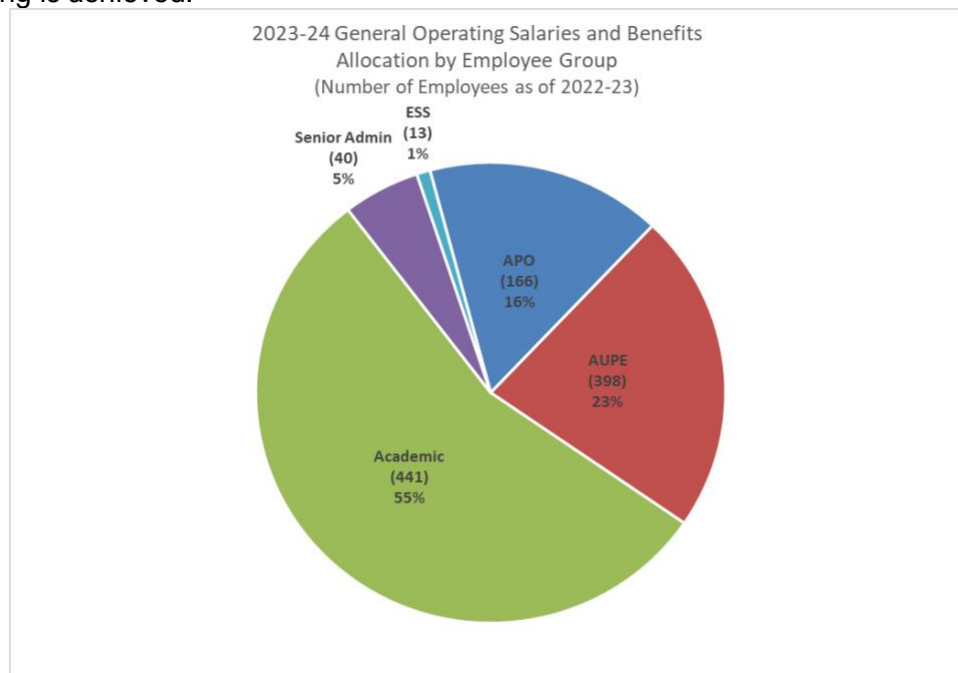
Salaries and benefits are the most notable expenditure component of the general operating fund, comprising approximately 82% (\$138 million) of the general operating expenses (excluding amortization expense) in 2024-25. Despite planning in advance to address decreased operating revenues and utilizing several different strategies a reduction in work force was inevitable starting in February 2020. The University eliminated 19 positions to balance the 2019-20 budget plus an additional 86 positions in the 2020-21 budget (105 positions; 10% of the University's workforce) which is a combination of resignations, retirements and, regrettably, position terminations.



| 2019-20 to 2021-22 Budgeted Position Eliminations |                    |                        |            |
|---|--------------------|------------------------|------------|
|   | Academic Positions | Non-Academic Positions | TOTAL      |
| Attrition - Resignation/Retirement                | 20                 | 29                     | 49         |
| Position Abolishment                              | 0                  | 56                     | 56         |
| <b>TOTAL Positions Eliminated</b>                 | <b>20</b>          | <b>85</b>              | <b>105</b> |
| 2020-21 Total Number of Employees                 | 473                | 583                    | 1,056      |
| % Reduction in Workforce                          | 4.2%               | 14.6%                  | 9.9%       |

To partially offset the \$6.4 million deficit in the 2022-23 operating fund, in 2022-23 the University implemented a hiring restraint on position replacements. A principle-based approach is used to determine which vacant academic and non-academic positions could be replaced. \$4.3 million was projected in vacant positions that were either abolished, the hire was delayed, or a term replacement was hired instead of a continuing position hire.

The improvement in international student enrolment in 2023-24 combined with resignations and retirements allowed the University to begin to replace much needed positions and increase the capacity at the institution to deliver on its mandate of teaching and research, on a limited basis in high priority areas. Hiring restraint continues in the 2024-25 Budget, due to the previous grant reductions along with newly introduced uncertainty related to international student enrolment. Despite this uncertainty, the University is reinvesting in some continuing positions in priority areas (filling some vacancies, new positions, and converting a few positions from term to continuing). An ongoing review of the university's staffing priorities will continue in future budget years, including consideration of positions in strategic areas that are currently funded on a term basis. The University still has numerous term positions which it will be unable to convert to continuing positions unless on-going stable funding is achieved.





### Materials, Supplies, and Services

This category includes supplies used for administrative purposes (i.e. office supplies), instructional supplies and teaching aids, janitorial and cleaning supplies, telecommunications, employee training and development, employee recruitment, equipment, travel, professional fees, insurance, property taxes, and cost of good sold.

Expenses for materials, supplies and services have increased over the past three years, especially with the recent supply chain challenges and significant increase in inflation. IT maintenance and site license contracts are projected to increase by 2% in 2024-25, based on a combination of contract price increases and new maintenance and site licenses, offset by concerted efforts to not renew non-essential contracts or to negotiate more favourable terms for the University in existing site licenses.

Insurance premiums are projected to increase by 4% for 2024-25. The modest increase in the premiums for 2024-25 is a result of improved loss controls over the past several years, as well as the favourable insurance rates obtained by CURIE (Canadian Universities Reciprocal Insurance Exchange) which the University is a member of.

Costs of goods sold relate to purchasing items that will subsequently be resold, such as inventory sold through Sport and Recreation Services.

### Scholarships and Bursaries

While many scholarships and bursaries are funded from restricted funds and endowments, the University also supports its students through scholarships and bursaries that are funded through general operating funds (\$3.4 million in 2024-25). The Board of Governors approved, effective March 2022, the establishment of a student scholarship endowment fund, through a transfer of \$10 million one-time funds from the University's Strategic Priority Fund, which will reduce over time the burden on the operating budget allocated to student scholarships as these student scholarships will be funded from the endowment.

The benefits of transferring the funds to an endowment protects the purchasing power of University funded scholarships and bursaries and guarantees the continuity of University sponsored scholarships and bursaries even during difficult financial environments. The endowment will also provide matching funds to incent donors to contribute to scholarships and bursaries. There will be minimal impact on the operating budget immediately from the transfer of \$10 million to establish this endowment; however, since the purchasing power of endowments is protected over time the amount available for awards will increase and reduce the burden on the operating budget to fund scholarships and bursaries.

### Utilities

Utilities expenses include charges for domestic water and sewage consumption, electrical power consumption, and natural gas consumption. The University works to minimize utility costs by building sustainable facilities that are better for the environment and at the same time minimize the amount of ongoing maintenance and operating costs to the University. Three buildings at the University hold Silver LEED (Leadership in Energy and Environmental Design) status: the 1st Choice Savings Centre for Sport & Wellness, the Alberta Water and Environmental Science Building, and Markin Hall. The Science Commons facility holds LEED Gold status, which is the first facility on campus to achieve this.



The University also uses energy supply contracts to provide, fixed, competitive electrical supply rates. Utilities costs generally increase year over year as utility prices rise. The utilities budget will decrease by 13% in 2024-25.

### Capital

Capital expenditures budgeted in the general operating fund include expendable equipment, such as computers, mobile devices, furnishings, software, lab equipment, scientific and research equipment, with a value less than \$5,000.

### Facility Operations and Maintenance

The expenses in this category relate to maintenance and renewal of facilities that house teaching, research, administrative and common areas within the University. These expenses include facilities administration, building maintenance, custodial services, grounds keeping, as well as major repairs and maintenance. These expenses include payments to external vendors for costs relating to repairing and maintaining machinery and equipment, repairs and upkeep costs to University vehicles, and general repairs and maintenance costs of University buildings.

### Amortization of Capital Assets

Amortization expense recognizes the use of capital assets by reducing the value of each capital asset, including buildings, equipment, software, vehicles, and learning resources, by prorating its cost over a period of years (each asset's useful life). Amortization costs are approximately \$20 million per year (2024) but have been excluded in the above chart of budgeted expenses as amortization costs are non-cash. Amortization expenses are included in the University's financial statements as it is important to recognize the "cost" of the use of our capital assets.