The Multi-Year Operating Budget Framework
(2003/04 to 2006/07)

In prior years, given the high dependency of the University of Saskatchewan on the provincial operating grant, budget decisions were primarily focused around the Province's budget announcement of the amount of the operating grant (a one-year planning horizon). Following the provincial budget, the University would determine tuition rate increases for the next year in order to balance the budget. Although multi-year projections were prepared as part of the University's annual submission to Government, operating budget decisions were primarily focused on matching revenues and expenditures over the next fiscal year. Any multi-year projections that were provided tended to be mathematical calculations and not the result of articulated plans.

The focus on a one-year planning horizon disguised an underlying imbalance between operating revenues and expenditures; this became particularly clear when over the course of 2002/03, in developing the preliminary multi-year operating budget framework under the Integrated Planning Initiative, we became aware of a significant operating budget challenge – that the underlying rate of increase of operating expenditures had exceeded, and would continue to exceed, the underlying rate of increase of operating revenues. The rate of increase in costs to the institution such as those resulting from provincial salary settlement patterns, from operating new facilities, and from other ongoing operating costs, including utility rate increases, software and systems upgrades, and compliance costs associated with legal and regulatory changes, was exceeding the rate of increase in operating revenues.

This imbalance in the rates of growth between operating revenues and expenditures represents a financial relationship that is not sustainable - a **structural deficit**. To address the financial challenge caused by the structural deficit means making permanent budget adjustments. Although the challenge was identified in 2002/03, time was required to allow the Integrated Planning process to facilitate informed decisions on the redirection of resources in support of the strategic directions of the institution and on the nature of the permanent budget adjustments. The operating budget in 2003/04, the first year of the planning cycle 2003/04 to 2006/07, was therefore designed as a "bridging" solution to allow the Integrated Planning process to be completed, with decisions resulting from the process to be implemented over the remaining three years of the cycle (2004/05 to 2006/07).

This multi-year operating budget framework responds to the need to address the structural deficit, to adjust our financial activity to balance the operating budget by 2006/07, and to maintain a minimum level of general operating reserves over the multi-year period. But it also responds to the need to financially support our institutional priorities as described in the *Integrated Plan*. The Academic Priorities Fund was created and, in spite of the financial challenge caused by the structural deficit and following on the advice of the Budget Committee of Council, has been preserved to support fundamental changes in line with institutional priorities.

The multi-year framework and supporting notes are reported at the end of this attachment.

Key Planning Parameters
Before discussing the key planning parameters individually, a brief comment is required on the developing relationship between operating budget support by provincial governments to

universities and provincial governments regulation of tuition. We are conscious of freezes in tuition in certain provinces across the country, Ontario in particular, and the resulting increases in provincial operating support to mitigate the impact of the reduced tuition revenue to universities. At the University of Saskatchewan, the national norm tuition policy is based on the assumption that universities set tuition in the absence of government regulations. To the extent that there is a developing relationship in other provinces between the level of provincial government support and the setting of tuition, our national norm tuition policy will have to be adjusted to recognize this relationship.

The key planning parameters include provincial operating support, tuition revenue, and salary and benefits costs.

1. **Provincial Operating Support.** The Province increased funding to the post-secondary sector by 3.0% for 2002/03, and in March 2004 announced increased funding of 2.0% for 2004/05. This funding, however, was subject to the Saskatchewan Universities Funding Mechanism (SUFM) formula and when adjustments were made for teaching and research activity (and excluding targeted funding), the increase to the University was 2.65% in 2002/03, and 1.52% in 2003/04.

   We believe that the funding to the post-secondary sector in 2003/04 reached its low level in the current planning cycle. We further believe that the post-secondary sector will continue to be important to the province and as the economy grows, the capacity and willingness of the province to provide for the universities will grow as well. We are projecting funding increases to the sector of 2.5% and 3.0% for 2005/06 and 2006/07, with increases to the University of Saskatchewan of 2.1% and 2.7%, respectively.

   As was the case in 2004/05, we have allowed for a continued negative SUFM adjustment in our share of the growth in funding to the sector given the capacity of the University of Regina to increase enrolment. We will, of course, work to increase enrolments as guided by the *Enrolment Plan*, and “activity” as measured by the SUFM.

2. **Tuition Revenue.** As provincial government operating support to universities has been declining as a percentage of total operating revenue, tuition revenue has been increasing. We expect this trend to continue. Tuition revenue at the University of Saskatchewan will increase over the multi-year period through a combination of percentage increases in tuition and, as guided by the *Enrolment Plan*, increases in the numbers of graduate students, along with selected increases in undergraduate student credit unit enrolment. Student demand is a key factor in projecting tuition revenue. To ensure enrolment and tuition revenue objectives are met, emphasis will be placed on student recruitment and retention activities.

   The national norm tuition policy, qualified by the comments in the introduction to this section, will continue to be applied to undergraduate programs, and graduate tuition will be reviewed and simplified over the multi-year period. In the application of the national norm tuition policy, we are noticing an increasing differentiation within the medical-doctoral institutions of tuition by program and we expect the tuition differences will not only continue, but will widen. Undergraduate students in programs such as Arts and Science should expect moderate percentage increases in tuition, while students in programs such as Commerce, Law, Medicine, and Pharmacy should anticipate high “single-digit” or even “double-digit” percentage increases. Overall, national norm undergraduate tuition is estimated to increase by a weighted average percentage for all programs of approximately 3%, 4% and 4% over the multi-year period – rates of increase that are slightly lower than the national pattern in the past few years.

As tuition rises, the allocation to student aid of 10% of the increase in tuition revenue that results from the percentage increase in national norm tuition will also increase. This allocation will be formalized and broadened through the creation of a Student Services Fund to provide funding for scholarships, bursaries, and other forms of student services. Commencing in 2005/06, this allocation is projected to increase by 5% per year, and rise to a total allocation of 30% by 2008/09.

The multi-year budget includes an increase in tuition revenue based on an increase in graduate enrolment. The multi-year budget does not include an increase in tuition revenue based on undergraduate credit unit enrolment. Selected increases in undergraduate enrolment, however, are a key factor in the permanent budget adjustments that will be required to balance the operating budget by 2006/07. A number of colleges will have financial incentives over the multi-year period to increase undergraduate credit units, particularly for international students, and thereby reduce the negative consequences of permanent budget adjustments.

3. **Salaries and Benefits Costs.** Salaries and benefits include the costs of salary progression (annual increments, merit increases, promotions through the ranks) and provisions for negotiated settlements, and are reduced by turnover savings resulting from retirements and resignations, and from payments to staff under assisted early retirement plans. In the absence of any negotiated increases, salaries and benefits costs normally progress at approximately 1% annually. Any negotiated increase would then be in addition to the normal progression.

   Along with its March 2004 Provincial Budget, the Province announced that the wage and benefit pattern for provincial government employees would be 0%, 1% and 1% over the three year period 2004/05 to 2006/07. We are estimating that our salaries and benefits pattern will be 0%, 1% and 2%, with the increase in the third year a result of faculty settlements as the national and international competition for faculty continues. Specifically for 2004/05, our salaries and benefits costs will increase at a much higher rate because a number of contracts have already been negotiated through 2004/05.

By understanding the impact of the key planning parameters on our activities over a multi-year time frame, we can manage the **structural deficit**. We have prepared a multi-year framework based on key planning parameters that, when considered together, are realistic. Although the rate of increase of expenditures will exceed that of revenue in 2004/05, the rates of increase will be similar for 2005/06 and 2006/07.

Integrated Planning Adjustments

In the absence of any adjustments to our current level of activity, we are projecting an annual operating deficit of $6.192 million in 2006/07, and a much larger accumulated deficit in our general operating reserve. The integrated planning adjustments represent the permanent and one-time selective measures and levies that are planned to balance the operating budget by the end of the multi-year period, and maintain a minimum level of general operating reserves (as established by the Board of Governor's policy) each year over the multi-year period.

Although permanent adjustments could be accomplished by increasing revenue and/or decreasing expenditures, the clear message from the University community has been to avoid "across-the-board" levies – a process identified as a "prescription for mediocrity". Selective cuts to both academic and administrative units, informed by the Integrated Planning process, is considered to be preferable to an "across-the board" approach. While the permanent adjustments include levies, or "across-the-board" cuts, the clear emphasis has been on selective measures.

The financial implications of the permanent selective measures and levies and the one-time measures are presented below followed by a discussion of the permanent adjustments.

1. **Permanent Selective Measures and Levies.** The projected deficit of $6.192 million in 2006/07 will be funded by selective measures of $4.712 million and levies of $1.480 million. Of the projected deficit, $3.817 million (2.6% of base operating budgets) will be from academic units, and $2.375 million (5.2% of base operating budgets), from administrative units. The permanent operating budget adjustments will not be fully implemented immediately, but will be phased-in over the multi-year period to provide units with time to properly plan, implement, and realize the required amounts.

   Of the $3.817 million in permanent adjustments from academic units, $2.617 million will come from selective measures and $1.200 million from a 1% "across-the-board" levy primarily on those academic units not participating in selective measures. Of the $2.375 million from administrative units, $2.095 million will come from selective measures and $0.280 million from a 1% "across-the-board" levy primarily on those administrative units not participating in selective measures. (The levy results in a permanent 1% reduction in operating budget support by 2006/07.)

   As indicated, the permanent adjustments will be phased-in over the multi-year period. For the selective measures, 25%, or $1.178 million, will be phased-in in each of 2004/05 and 2005/06, and 50%, or $2.382 million, in 2006/07. By 2006/07, we will have implemented a total of $4.712 in permanent selective measures. For the levies, 50%, or $0.740 million, will be phased-in in each of 2004/05 and 2005/06. By 2005/06, we will have implemented a total of $1.480 in permanent levies.

2. **One-time Measures.** The general operating reserve of the University is, by Board of Governor's policy, to be maintained within a 1% to 4% range of total operating budget expenditures, or approximately $2.600 million at the minimum of the range. With the phase-in over the multi-year period of the permanent adjustments discussed above, the general operating reserves of the University would fall below the acceptable minimum level. Therefore, to maintain a minimum level of reserves, $7.146 million of one-time measures (projected to occur evenly at $2.382 million over the three year period 2004/05 to 2006/07) will be required.

   While a 1% across-the-board levy of $1.507 million was imposed on academic and administrative units in 2003/04, the $7.146 million in one-time measures over the multi-year period does not have to result from levies. Alternative sources of funding will be found first including redeployment or sale of assets not core to the activities of the University, a thorough review of all balances in all accounts in all funds for discretionary amounts, and use of any annual operating surplus, including any surplus that might result from permanent adjustments that are phased-in earlier than planned or at an amount in excess of the plan. In addition, the accumulated balance in the Academic Priorities Fund could be used, at least in part, for transition purposes as the University implements the *Integrated Plan* and addresses its financial challenges.

3. **Discussion of Permanent Adjustments.** The permanent adjustments, including selective measures and levies, will be implemented over the multi-year period. These adjustments require academic and administrative units to reduce reliance on the operating budget and also provide a target for institution-wide savings to be realized through "changing business practices".

   The identification of the permanent adjustments and the amount of reduced reliance on the operating budget is as follows:

College of Agriculture	$1.00 million
College of Commerce	1.20 million
College of Nursing	0.26 million
College of Pharmacy & Nutrition	0.40 million
Extension Division	1.00 million
Facilities Management Division	1.20 million
Permanent levies	1.48 million
Changing Business Practices	1.40 million

   Enrolment and tuition opportunities are at the heart of the selective measures in the Colleges. With the advent of SUFM, we are particularly sensitive to enrolment levels. For all the colleges listed, an opportunity exists for the reduction to be offset by financial incentives over the multi-year period. These colleges have the ability to increase tuition revenue through higher tuition rates (Commerce and Pharmacy & Nutrition), larger graduate enrolment (the professional MBA program in Commerce), and/or increased undergraduate credit units taught (Agriculture, Nursing, and Pharmacy & Nutrition).

   Regarding the College of Commerce, the intent is that by 2006/07, the tuition revenue from teaching activity in the college be sufficient to fully fund the college's base operating budget. This measure will not only eliminate the college's reliance on support from the operating budget ($1.2 million in 2003/04), but it will also provide the college with an opportunity to increase its operating budget by sharing in the increased tuition revenue.

   Adjustments required to the operating budget support of the College of Nursing are based on decreases to targeted funding for the NEPS program and the related adjustments to the SUFM calculation. We anticipate that as enrolment as calculated under SUFM stabilizes at a higher level, these funds will be returned to the College.

   In the case of the Extension Division, the reduced reliance is recommended as part of a reorientation of the Division's activities, some of which is anticipated in the *Integrated Plan*. The required reduction does not significantly affect the University's capacity to offer credit programs or engage in research. Extension programming will be affected, but the opportunity to phase in these changes gives the Division the time to make necessary adjustments.

   The reduction to Facilities Management will have long-term implications for the University. Deferred maintenance costs will continue to rise. A noticeable reduction in service is expected, which the community has expressed a willingness to absorb. As the

University's financial picture brightens, we hope to restore funding to address the deferred maintenance issues.

The $1.480 million in permanent levies will come from a 1% "across-the-board" levy primarily on those academic and administrative units not participating in selective measures. (The levy results in a permanent 1% reduction in operating budget support by 2006/07.) The University community will be alerted to the potential reductions in academic and administrative services that will result from the levy.

Savings from "changing business practices" include amounts that will be realized from managing the cost of employee benefits, increasing indirect cost recoveries from third parties and affiliated entities, increasing recoveries on research contracts, implementing fee changes such as non-refundable deposits on student registrations, rationalizing consulting costs including legal and recruitment, and increasing the dividend from the Consumer Services Division. While the financial incentives will be significantly less than for the academic units, senior administrators will have incentives for operating budget support if specific levels of savings from changes to selected business practices can be achieved.

Our assumptions in the multi-year budget framework on the amount that will be realized from permanent adjustments over the multi-year period ($6.192 million) are conservative as the total for the measures listed above exceeds the amount in the budget framework. Experience indicates, however, that there will be slippage in the timing of the adjustments (other than the permanent levies) and perhaps in the amount. But to the extent the adjustments can be phased-in earlier than planned, or an amount realized in excess of the plan, we will reduce the University's level of financial risk and increase the amount of financial flexibility.

Financial Support for Institutional Priorities

The **Academic Priorities Fund** (APF) is intended to provide a means to support fundamental changes to the University in line with its priorities. The APF was created in 2002/03 when $2.930 million in permanent funding ($3.000 million, less an initial allocation of $0.070 million) was set aside from the incremental funding received from the Province under the SUFM.

Commencing in 2003/04 and continuing through the remaining three years of the first planning cycle, the permanent balance in the APF increases annually by $0.375 million ($1.500 million). During the first planning cycle, $2.930 million will be allocated to initiatives identified in the *Integrated Plan*. At the end of the first planning cycle, the remaining permanent balance in the APF of $1.500 million (annual increases, less allocations), plus any additional funds that might be allocated to the APF over the cycle, will be available for strategic investment during the second planning cycle (2007/08 to 2010/11).

While the permanent allocations of $2.930 million during the remaining three years in the first planning cycle have not been finalized, the pattern of allocations is projected at 50%, or $1.465 million, in 2004/05, and 25%, or $0.733 million, in each of 2005/06 and 2006/07. (This pattern will be adjusted depending upon the timing of the need for funding to support initiatives.) Graduate scholarship funding support in the amount of at least $1.000 million in new funds has already been committed, conditional on the College of Graduate Studies and Research reshaping its existing devolved scholarship program. Other permanent allocations will be consistent with the commitments identified in Section B the *Integrated Plan* and would recognize that for most individual initiatives, an allocation would have to be augmented by other sources of funds if the initiative is to proceed in a timely fashion.

Since the APF was created, a balance has accumulated to be used to fund selected projects, innovative ideas, and programs on a one-time-only or a planning cycle basis. Funding of this nature provides us with an opportunity to maintain flexibility by supporting specific endeavours or discrete projects, and to evaluate our investments prior to considering further funding support. The accumulated balance could also be used, at least in part, for transition purposes as the University implements the *Integrated Plan* and addresses its financial challenges.

Consistent with the core themes of the *Integrated Plan*, the University has made a determination to rely on partnership funding wherever deemed appropriate, wherein colleges and administrative units will, in all but a small number of instances, be required to identify funding sources other than the University's operating budget to match central contributions for new initiatives. Revenue gained from sources such as fund-raising, targeted programming, external grants and contracts, and cost-recovery activities have to be seen as part of the University's overall financial resources and all academic and administrative units have to be encouraged to capitalize on suitable and available opportunities. That said, and apart from any internal reallocations colleges and administrative units choose to make in implementing there individual plans, the central contributions for new initiatives will come primarily from the APF.

Risks and Consequences

The multi-year operating budget presents a financial framework that accomplishes our financial objectives. We believe this multi-year budget framework is realistic and achievable. Yes, significant financial targets have been established, including permanent budget adjustments of $6.192 million, but we are confident these adjustments can be achieved within the time frame of the multi-year budget.

We have a financial framework, however, that has limited flexibility and could be considered fragile. In 2004/05, we are projecting an operating deficit of $2.456 million and general operating reserves that, at $3.264 million, would approach the minimum level acceptable under the Board of Governor's policy. The balances in the APF provide additional financial security in the event that our financial situation weakens, but the APF is key to providing the necessary financial support for our priorities and for leveraging other resources to move the *Integrated Plan* forward.

Actual outcomes for provincial operating support, tuition revenue, and salaries and benefits costs that are negative, and differ significantly from our planning parameters, would have adverse consequences to the activities of the University. These consequences would most surely result in further "across-the-board" levies as financial plans are adjusted to balance the operating budget by the end of the multi-year period, and actions are taken to maintain a minimum level of general operating reserves. While additional selective measures would be considered, the most likely measures have already been selected and the likelihood of significant adjustments in a short period of time from new measures is reduced as we progress through the multi-year period.

If actual outcomes are positive and differ significantly from our planning parameters (although perhaps less likely that the outcomes would be both positive and significant), the integrated planning adjustments would continue, with any increased funds providing additional support for the *Integrated Plan*.

Nonetheless, we will closely monitor our key planning parameters, the rates of increase of expenditures and revenue as the parameters change, and our progress in achieving the permanent and one-time operating budget adjustments.

Financial Accountability and Transparency

The University is engaging in multi-year planning and budgeting processes. Financially, we are thinking further into the future. With a distant horizon, comes speculation and risk - a need for more and better information to inform our decisions. We are obliged to share information broadly and to be more forthcoming with each other.

The College Plans Review Committee remarked that underlying all its comments was a feeling that the University needs to rise to new standards of accountability and transparency both internally, in planning and relations between units, and externally, with respect to the University's publics. Sound financial management and adherence to accountable, transparent budgetary practices aligned with institutional priorities is an undercurrent that weaves its way though much of the *Integrated Plan*. We now have to take our financial management and our budgetary practices to a new level.

Financial accountability is not an event to be fulfilled by a single requirement such as the submission of an annual report. Rather, it is an evolutionary, on-going process perhaps best characterized by an institutional culture that recognizes the need to follow sound business practices and appreciates financial monitoring and controls.

The specific financial challenges and risks posed by this multi-year framework are many, requiring that we must now extend our vision beyond the operating fund to encompass a comprehensive view of all the University's entities and activities, including financial relationships with third parties and research centers. We must strive individually and together in support of not a number of disparate activities, but of one University.

Multi-Year Operating Budget Framework
2003/04 to 2006/07

	Notes	2003/04 Detailed Budget	2004/05 Projected Change	2004/05 Key % Change	2004/05 Projected Budget	2005/06 Projected Change	2005/06 Key % Change	2005/06 Projected Budget	2006/07 Projected Change	2006/07 Key % Change	2006/07 Projected Budget
Revenue											
Provincial government grant	**1**	154,669	2,598	1.7%	157,267	3,303	2.1%	160,570	4,335	2.7%	164,905
Other government (WCVM)	**1**	10,820	164	1.5%	10,984	231	2.1%	11,215	303	2.7%	11,518
Credit and non-credit course tuition	**2**	78,499	2,275	2.9%	80,774	3,016	3.7%	83,790	3,194	3.8%	86,984
Income from investments		4,065			4,065			4,065			4,065
Sales of products and services	**3**	8,379	251	3.0%	8,630	259	3.0%	8,889	267	3.0%	9,156
Fees and other miscellaneous income		2,095			2,095			2,095			2,095
Total revenue		**258,527**	**5,289**	**2.0%**	**263,816**	**6,808**	**2.6%**	**270,624**	**8,099**	**3.0%**	**278,722**
Expenditures and transfers											
Salaries and benefits	**4**	200,327	7,398	3.7%	207,725	4,416	2.1%	212,141	6,770	3.2%	218,911
Purchased utilities	**5**	10,376	1,481		11,857	890		12,747	681		13,428
Scholarships, bursaries, prizes		9,104			9,104			9,104			9,104
Academic Priorities Fund	**6**	3,305	(1,090)		2,215	(358)		1,857	(357)		1,500
Other operating costs	**7**	52,083			52,083			52,083			52,083
Internal cost recoveries	**3**	(33,264)	(998)	3.0%	(34,262)	(1,028)	3.0%	(35,290)	(1,059)	3.0%	(36,348)
Interfund transfers:											
Capital expenditures		3,454			3,454			3,454			3,454
Library acquisitions	**8**	6,808	340	5.0%	7,148	357	5.0%	7,506	375	5.0%	7,881
Federal funds for indirect research	**9**	(3,050)	550		(2,500)			(2,500)			(2,500)
Other		10,891			10,891			10,891			10,891
		260,034	7,681		267,715	4,278		271,993	6,411		278,404
Essential requirements/new initiatives											
Integrated Plan initiatives	**6**	0	1,465		1,465	733		2,198	732		2,930
Provincial commitments	**10**	0	250		250	0		250	0		250
Student Services Fund	**11**	0	163		163	385		549	534		1,083
New building space	**12**	0	467		467	499		966	171		1,137
Other requirements	**13**	0	511		511	300		811	300		1,111
Total expenditures and transfers		**260,034**	**10,538**	**4.1%**	**270,572**	**6,195**	**2.3%**	**276,767**	**8,148**	**2.9%**	**284,915**
Surplus (deficit) before adjustments		(1,507)	(5,249)		(6,756)	613		(6,143)	(50)		(6,192)
Integrated planning adjustments	**14**										
Permanent selective measures	**2**	0	1,178		1,178	1,178		2,356	2,356		4,712
Permanent levies		0	740		740	740		1,480	0		1,480
sub-total		0	1,918		1,918	1,918		3,836	2,356		6,192
One-time measures		1,507	875		2,382	0		2,382	0		2,382
Total adjustments		1,507	2,793		4,300	1,918		6,218	2,356		8,574
Surplus (deficit) after adjustments		**0**	(2,456)		**(2,456)**	2,531		**75**	2,306		**2,382**
General operating reserve, begining		5,720			5,720			3,264			3,339
General operating reserve, ending		**5,720**			**3,264**			**3,339**			**5,721**

Multi-Year Operating Budget Framework 2003/04 to 2006/07 Supporting Notes

1. **Provincial and other government grants**
   In the March 2004 Provincial Budget, the Province announced an increase in funding to the post-secondary sector of 2.0% in 2004/05, with an increase to the University of 1.52% (1.68% including the provincial commitment explained in Note 10). The funding increases to the sector are projected at 2.5% and 3.0% for 2005/06 and 2006/07, with increases to the University of 2.1% and 2.7%, respectively. In all cases, the lower increase to the University results from application of the SUFM funding formula.

   The other government funding is based on the Inter-Provincial Agreement for the Western College of Veterinary Medicine. Under the Agreement, this funding will increase by the same percentage as the provincial grant, after the SUFM adjustment.

2. **Credit and non-credit course tuition**
   Credit unit enrolments for undergraduate students are projected to continue at the current level, while undergraduate tuition revenue will increase from the continued application of the national norm tuition policy. A number of colleges will have financial incentives to increase undergraduate credit unit enrolments and thereby offset the negative consequences of any permanent budget adjustments to be implemented over the multi-year period. An increase in graduate tuition revenue has been projected based on increased enrolment as guided by the *Enrolment Plan: Bridging to 2010*.

3. **Sales of products and services and Internal cost recoveries**
   External sales and internal recoveries are projected to increase by 3.0% annually.

4. **Salaries and benefits**
   Salaries and benefits include the costs of salary progression (annual increments, merit increases, promotions through the ranks) and provisions for negotiated settlements, and are reduced by turnover savings resulting from retirements and resignations, and from payments to staff under assisted early retirement plans.

5. **Purchased utilities**
   Purchased utilities includes items such as electricity, natural gas, water, and software licenses that are critical to the University's overall operations including teaching and service delivery. Projections are based on patterns of consumption and use and include contracted rate increases.

6. **Academic Priorities Fund and Integrated Plan initiatives**
   The Academic Priorities Fund (APF) is projected to increase by $0.375 million annually, with $2.930 million permanently allocated over the multi-year period to support fundamental changes in line with institutional priorities under the *Integrated Plan*. An APF balance of $1.500 million at the end of the multi-year period will be available for strategic investments during the second planning cycle from 2007/08 to 2010/11.

Multi-Year Operating Budget Framework
2003/04 to 2006/07
Supporting Notes (continued)

7. **Other operating costs**
Numerous types of operating costs such as materials, supplies, services, travel, and building and equipment maintenance and rental have been aggregated. Although these costs are subject to inflationary increases and changes in the rate of the provincial sales tax, they are generally controllable with cost increases managed internally.

8. **Library acquisitions**
The acquisitions budget is projected to increase by 5% annually to fund the projected escalation in costs and the need to provide internet-based services.

9. **Federal funds for indirect research**
Federal funding is provided to support the indirect costs of university research and is recorded as revenue in the Research Fund. Of the approximate $4.5 million of annual funding, $2.5 million will continue to be transferred to the operating budget on an ongoing basis to help defray a portion of the indirect costs of research paid from the operating budget.

10. **Provincial commitments**
For 2004/05, a commitment of $0.25 million to Medicine represents the final payment for 5 additional seats in the program. The details of the commitments over the multi-year period for targeted funding for Medicine (accreditation) and Nursing (expansion of the NEPS program) are not final as to nature, timing and/or amount and the commitments are not included in the multi-year budget.

11. **Student Services Fund**
The Student Services Fund will provide funding for scholarships, bursaries, and other forms of student services. In 2004/05, 10% of the increase in tuition revenue that results from the percentage increase in tuition will be allocated to the fund. Commencing in 2005/06, the allocation is projected to increase by 5% per year, and rise to a total allocation of 30% by 2008/09.

12. **New building space**
New building space costs include utilities and operating and maintenance costs as new building come on stream.

13. **Other requirements**
The multi-year projection recognizes incremental funding will be required in future years to meet regulatory and legal requirements, to fund increases in insurance premiums, and to fulfill existing commitments.

14. **Integrated planning adjustments**
The adjustments represent the permanent and one-time selective measures and levies that are planned to balance the operating budget by the end of the multi-year period, and maintain a minimum level of general operating reserves.