

## The Multi-Year Operating Budget Framework (2008/09 to 2011/12)

The University of Saskatchewan's total financial activity now approaches \$675 million annually. This includes core operating activity principally funded from the Province's operating grant and tuition revenue, and other activity funded by sources of revenue including research, donations, targeted funds received for capital projects, and other sources. The multi-year operating budget framework is developed around the University's core operating activity that approximates \$335 million, or slightly less than 50% of total revenue.

This multi-year operating budget framework presents a projection of revenues and expenditures over a four-year window providing a comprehensive overview of opportunities, challenges and flexibility to decision makers around the University's core activity. The University released its first multi-year operating budget framework in 2004. That framework laid the foundation for budgetary decision making over the first four year cycle and included a balanced budget by the end of the cycle.

In the multi-year operating budget framework supporting the *First Integrated Plan*, the underlying rate of growth in operating expenditures was exceeding that in revenues representing a financial relationship that was not sustainable. To correct this imbalance, the University planned and successfully implemented \$6.2 million in permanent budget adjustments while at the same time financially supporting its priorities.

This multi-year framework presents a balanced budget in each year of the second planning cycle and maintains general operating reserves within the Board of Governors approved range of 1% to 4% of planned operating expenditures. It sustains the core activity of the University and continues to financially support fundamental change in line with the institutional priorities as expressed in its *Second Integrated Plan*. While this multi-year framework accomplishes financial goals based on planning assumptions that we believe are reasonable and achievable, it is not without its risks and consequences.

The multi-year framework and supporting notes reported at the end of this attachment will be updated and presented for Board approval annually. Commentary follows on the key planning assumptions, financial support for institutional priorities, and financial risks and consequences.

### Key Planning Assumptions

Prior to considering the key individual planning assumptions, an understanding of the Province's tuition management program and its future direction is important.

The tuition management program was introduced in 2005/06 and continues through 2008/09. Under this program, undergraduate and graduate rates have remained at 2004/05 levels (although there have been exceptions for professional graduate programs). In return for the University agreeing to maintain tuition at 2004/05 rates, the Province agreed to provide the funds for an economic increase in the operating grant and a rate increase in tuition (economic and tuition) sufficient to support our basic needs including inflationary increases.

In March 2008, the Province indicated that 2008/09 would be a transition year in which it would work with the university sector to develop a tuition management strategy that focuses on more targeted programs. Pending specific information on the nature of the changes to the tuition management program and the impact of those changes on operating grant increases (economic and tuition), we have combined the operating grant and tuition revenue in projecting related revenue increases in the multi-year framework. As the future direction of the program becomes clear, we may then be able to separate the operating grant and tuition revenue in projecting related revenue increases.

The key individual planning assumptions include the provincial operating grant<sup>1</sup>, tuition revenue, and salaries and benefits costs.

1. **Provincial operating grant.** The operating grant rate increase (economic and tuition) for 2006/7, 2007/08, and 2008/09<sup>2</sup> was 7.0%, 7.3%, and 8.2%, respectively when reported as a percentage of the operating grant; and, 4.8%, 5.1%, and 5.9%, respectively when reported as a percentage of the combined operating grant and tuition revenue.

In the multi-year framework for 2009/10, 2010/11, and 2011/12 we are projecting increases of 5.0%, 5.0%, and 5.0%, respectively when reported as a percentage of the combined operating grant and tuition revenue.

While our projected 5.0% annual increases differ from the Province's announced intention that provincial program expenditures grow at rates of 5.0%, 4.0%, and 3.0%, respectively over the same three-year period, we believe the projected increases are comparable to our experience in each of the last three years, and that the Province will continue to support our basic needs including inflationary increases as it works with the university sector to develop a new tuition management strategy.

We expect that over the second planning cycle, the Province will continue to use the Saskatchewan Universities Funding Mechanism (SUFM) to allocate provincial funding to the post-secondary sector and in particular between the two universities. While we do not expect the continued use of SUFM to have a significant impact on our relative share of provincial funding, we understand that the allocations are particularly sensitive to undergraduate and graduate enrolments as expressed in teaching activity and relative changes between us and the University of Regina are important in determining that share.

2. **Tuition revenue.**

Tuition revenue is determined by a combination of two factors – rates and enrolment.

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<sup>1</sup> For the purposes of the multi-year framework, the discussion of the operating grant excludes any targeted funding that the Province has and/or may be expected to commit for non-discretionary purposes including Medicine accreditation, seat expansions in the Medicine and Nursing programs, and new building space operating costs for the Academic Health Science Centre.

<sup>2</sup> For 2008/09, the operating grant increase included \$2.0 million that was allocated to the Academic Priorities Fund (APF). Excluding the allocation to the APF, the operating grant increase was 7.2% when reported as a percentage of the operating grant, and 5.2% when reported as a percentage of the combined operating grant and tuition revenue.

Regarding **rates**, in the multi- year framework for the first planning cycle, tuition revenue projections were based on tuition rates determined under a national norm tuition policy. With the Province's introduction of its tuition management program in 2005/06 and the continuation of that program through 2008/09, rates have been held at 2004/05 levels. Now that the Province has signaled a change in its tuition management program, the University will require a new tuition policy to guide future rate decisions.

By 2009/10, we will have developed a new tuition policy that considers student access, affordability, and retention as well as the University's budget realities.

Regarding **enrolment**, we remain sensitive to enrolment changes and we have significant financial risk in an environment where demographics indicate natural undergraduate enrolment levels are declining. In 2008/09, we are planning for modest increases in tuition revenue from graduate student and international undergraduate student numbers, but those increases will be offset by modest decreases in tuition revenue from declining domestic in-province undergraduate students.

Projected tuition revenue of \$77.5 million for 2008/09 approximates actual revenue for 2007/08. At a projected \$63.6 million, tuition revenue from undergraduate enrolment exceeds 80% of total projected tuition revenue.

While we expect continued shifts in enrolment within the various student populations over the multi-year period, we are projecting that total annual tuition revenue based on stable enrolment and excluding rate increases will continue to approximate 2007/08 actual. Increased investment in student recruitment and retention activities and services will be important if we are to maintain and grow enrolment.

Commencing in 2009/10 and as noted earlier, pending specific information on the nature of the changes to the tuition management program, we have combined tuition revenue and the operating grant in projecting related revenue increases.

- 3. Salaries and benefits costs.** Salaries and benefits constitute in excess of 70% of total operating expenditures. These costs increase annually as a result of normal 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. In the absence of any negotiated increases, salaries and benefits costs, net of turnover savings, normally progress by approximately 1% annually. Any negotiated increases would then be in addition to this normal progression.

We are projecting that salaries and benefits costs will increase by 4.5% for 2008/09. For 2009/10, 2010/11, and 2011/12, we are projecting increases of 4.7%, 4.7% and 4.9%, respectively. The projected increases are a weighted average aggregated across all bargaining units and include negotiated settlements plus normal progression, net of turnover savings, as noted above. With the recent legislative change (2007) to mandatory retirement, turnover savings will be reduced by the numbers of employees who may defer and the average length of time they choose to defer retirement.

By constituting in excess of 70% of total operating expenditures, the annual increase in salaries and benefits costs is the primary contributor to the growth rate in total operating expenditures. As we compete nationally for faculty and senior administrative positions

and as our collective bargaining is conducted in the context of national and provincial salary settlement patterns, we believe that our projected rate of growth in salaries and benefits costs and total operating expenditures are reasonable, realistic and understandably higher than increases in the Consumer Price Index.

Since 2005/06, there has been a reasonably close relationship between salaries and benefits cost increases and increases in the operating grant as the Province under its tuition management program has supported our basic needs including inflationary increases. As provincial salary patterns are heavily influenced by decisions of government, we believe the relationship will continue and will be an important consideration for the University in 2008/09 as the Province works with the university sector to develop its tuition management strategy.

Collective agreements are in place for all major bargaining units through April 30, 2008. The expiry dates of major collective agreements are: the Administrative and Supervisory Personnel Association (ASPA) - April 30, 2008; the University of Saskatchewan Faculty Association - June 30, 2009; the Canadian Union of Public Employees Local 1975 (University Employees' Union) - December 31, 2009; and, the Canadian Union of Public Employees Local 3287 (Sessional Lecturers) - August 31, 2010.

While there are other important planning assumptions including the prices for purchased utilities such as natural gas and electricity, the discussion above considers the key assumptions. We have prepared a multi-year operating budget framework based on planning assumptions that, when considered together, are reasonable and achievable with an underlying rate of growth in expenditures matched by that in revenues to represent a financial relationship that is sustainable.

Our multi-year operating budget framework presents a balanced budget in each year of the second planning cycle and, at a target approximating 2%, maintains general operating reserves within the Board of Governor's approved range of 1% to 4% of planned operating expenditures. The framework sustains the core activity of the University and continues to financially support fundamental change in line with our institutional priorities.

## **Financial Support for Institutional Priorities**

The University has set aside resources through its Academic Priorities Fund for institutional priorities articulated in the *Second Integrated Plan*. For other institutional needs not normally funded through the Academic Priorities Fund, resources will be made available through the operating budget. Both of these sources, however, are not sufficient to provide financial support for all institutional priorities and needs. Additional financial support is required through diversifying, broadening, and leveraging our resources and through internal resource allocation and reallocation processes.

1. **Academic Priorities Fund.** The Academic Priorities Fund (APF) continues to support fundamental change at the University in line with its institutional priorities.

Of the \$3.055 million that was available in the first planning cycle to support priorities in the *First Integrated Plan*, all the funds have been committed but \$1.806 million of the

amount will flow early in the second cycle<sup>3</sup>. For the second cycle, \$4.5 million in permanent funding has been set aside to support priorities in the *Second Integrated Plan*. By 2011/12, the total of \$6.306 million (\$1.806 million, plus \$4.5 million) will have been fully committed and to the extent possible fully allocated in the second cycle to integrated plan initiatives.

While the commitments may be made early in the second cycle, funds only flow as initiatives reach certain milestones. In the multi-year framework, the allocations to integrated plan initiatives are projected at \$2.806 million in 2008/09, \$1.5 million in 2009/10, \$1.0 million in 2010/11, and \$1.0 million in 2011/12. The projection will be reviewed and adjusted annually.

Over the second planning cycle, \$500,000 will be allocated to the APF each year. At the end of the second cycle, the accumulated balance of \$2.0 million, plus any additional funds that might be allocated over the cycle, will be available to support priorities in the *Third Integrated Plan*.

The APF represents not only a source of permanent funds to support fundamental change, but to the extent funds are held before they are permanently allocated, a pool of funds becomes available that can be drawn upon for investments in selected projects, innovative ideas and programs on a one-time only or term basis and also to fund development or start-up costs for individual initiatives. Funding of this nature provides the University with an opportunity to maintain flexibility by supporting specific endeavors or discrete projects, and to evaluate investments prior to considering further financial support.

2. **Other investments.** Resources will be made available through the operating budget for other institutional needs not normally funded through the APF. These investments cover a broad range of activities and services that can be funded within a balanced multi-year operating budget framework.

In some cases, incremental annual funding is required to meet commitments made in prior years. Examples include USR-net, a CFI supported project that brings our campus computer network up to contemporary requirements for research, teaching and service. The annual investment in USR-net of \$346,000 in 2007/08 increases to slightly in excess of \$1.0 million by 2011/12. A commitment to University Advancement to maintain the same level of activity (continuous campaigning) as it achieved through the recently completed *Thinking the World of Our Future* campaign requires a \$575,000 operating budget investment in 2008/09.

In other cases, strategic investments are required. Examples include a \$500,000 investment in 2008/09 to support recruitment and retention activities targeted at undergraduate enrolment. By 2011/12, we plan to increase our investment in the

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<sup>3</sup> The commitments in the first planning cycle included \$1.45 million to the three new interdisciplinary schools, \$1.0 million to graduate scholarship funding, and a number of other initiatives including the University Learning Centre, the Global Commons and faculty positions in Native Studies (2) and Computer Engineering (1). Annual reports on the APF can be found at [http://www.usask.ca/vpacademic/integrated-planning/academic\\_priorities/](http://www.usask.ca/vpacademic/integrated-planning/academic_priorities/)

Strategic Research Fund in support of INTERVAC operating costs from \$200,000 in 2007/08 to \$1.0 million.

Over the multi-year period, significant investments will be required in a number of other necessary activities and services. Examples include investments to grow University Advancement fundraising and development capacity and to sustain information technology systems. Were we to fund all of these necessary investments in whole, we would require a number of millions of dollars. For 2008/09, we have set aside \$1.0 million in the other investments category to allow us to fund one or more of these investments at least in part. While the other investments category will be reviewed annually, in the absence of an internal resource allocation and reallocation process to inform decisions, we do not have a provision for any additional investment over the multi-year period.

- 3. Diversifying, broadening and leveraging resources.** The University does not have sufficient financial resources available through the APF and the operating budget to provide financial support for all institutional priorities and needs. In the second planning cycle, we need to work together through partnerships and fundraising efforts to diversify revenue sources, broaden our resource base, and thereby find new ways to support institutional priorities and emerging needs.

Consistent with the University's determination in the first planning cycle, we will continue 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 fundraising, 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.

Through leveraging, we will maximize the limited resources that are available including those in the APF. A permanent allocation from the APF will recognize that for most individual initiatives, the allocation would have to be augmented by other sources of funds if the initiative is to proceed in a timely fashion.

- 4. Internal resource allocation and reallocation.** Through the integrated planning process, individual colleges and administrative units have indicated that they are prepared to make internal resource allocation and reallocation decisions in implementing their individual plans for the second planning cycle. We strongly encourage those decisions. While the University committed to and successfully implemented allocation and reallocation decisions over the first cycle, the decisions were not guided by principles and a formal process.

By the budget year 2010/11, the University will have defined the principles and a process for broader institutional resource allocation and reallocation decisions and once developed, will be able to use the process to inform internal resource allocation and reallocation decisions.

## **Financial Risks and Consequences**

The multi-year operating budget presents a financial framework that accomplishes our financial goals and continues to support fundamental change in line with the University's priorities. We believe this framework is based on planning assumptions that are reasonable and achievable, but is not without its risks and consequences.

While the key planning assumptions have been presented individually, they must be combined when considering financial consequences; that is, a negative outcome for one assumption may not be significant if offset by a positive outcome for another. For example, a change in the operating grant that differs from the budget must be assessed in the context of outcomes for student enrolment and salaries and benefits costs. The sensitivity can be expressed in dollar terms as: a 1% change in the operating grant (economic and tuition) is \$3.1 million; 1% in undergraduate enrolment is \$640,000; and, 1% in salaries and benefits costs is \$2.3 million. In addition, while not identified as a key planning assumption, the University purchases approximately 1.0 million gigajoules (GJ) of natural gas per year with approximately 600,000 GJ's (60%) used for internal purposes. A \$1 per GJ change in natural gas prices is \$600,000.

A new provincial government was elected in late 2007, and policy changes of that government, including its tuition management strategy, will have financial implications to the University, as will the overall state of the provincial economy.

Regarding specific risks, we face continued pressures with respect to salaries and benefits costs and these pressures are intensifying given the current state of the economy. As we negotiate collective agreements, we fix our future salaries and benefits costs but have no certainty as to the level of operating grant support from the Province to funds these increasing costs. In addition, demographics indicate natural undergraduate enrolment levels are declining. With respect to capital funding from the Province, if the funds are not insufficient to meet our basic capital needs, added financial pressure is placed on our operating budget.

Regarding consequences, if the combined outcome from the key planning assumptions is negative, and differs significantly from our multi-year projections, then our multi-year framework will need to be adjusted, but we feel confident that we can do so through a planned and responsible approach. In the first cycle, we planned and successfully implemented \$6.2 million in permanent adjustments and a number of one-time measures in order to balance the multi-year framework and maintain a minimum level of general operating reserves. The internal resource allocation and reallocation process noted earlier is not intended to guide budget reduction decisions but if required, can inform those decisions.

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 resources could then be available to provide financial support for institutional priorities.

The multi-year framework provides a comprehensive overview of opportunities and challenges. While we have financial flexibility, it is limited. We will closely monitor our key planning assumptions and as they change, measure the impact on our multi-year framework. An updated framework will be presented annually for Board approval.

## **Conclusion**

A number of institutional priorities will emerge from the integrated planning process and the University could grow significantly if these initiatives were to move forward over the next four years. Growth, however, will be severely constrained and selective if the initiatives are entirely reliant upon the financial support available through the operating budget.

We will work with the Province on a tuition management strategy that focuses on more targeted programs, but we do not expect that our operating grant will increase much beyond our basic needs if undergraduate enrolment is declining.

While this multi-year framework presents a balanced budget, maintains a reasonable level of general operating reserves, and allows us to continue to invest in institutional priorities, albeit modestly relative to the needs, it also comes with numerous risks and limited flexibility. There is a significant risk that at some time over the next four years we will be faced by a financial challenge or a budget “shock” of one type or another. With limited financial capacity to meet a challenge or shock of large magnitude, the financial consequences could be similar to those at the outset of the first planning cycle when permanent and one-time selective budget measures and levies were required.

In 2008 and over this planning cycle, we have tremendous opportunities – opportunities that come from diversifying our revenue sources, broadening our resource base, leveraging our resources including those in the Academic Priorities Fund, and through internal resource reallocations at all levels within the University.

We must now extend our vision beyond the operating fund and actively seek out and engage in partnerships and fundraising opportunities. Resources gained from third party and external sources have to be seen as part of the University’s overall financial resources and all academic and administrative units are encouraged to capitalize on suitable and available opportunities.



**Multi-Year Operating Budget Framework 2008/09 to 2011/12**  
(expressed in \$000's)

|  | Notes | 2008/09          | 2009/10       |             | 2010/11          |               |             | 2011/12          |               |             |                  |
|--|-------|------------------|---------------|-------------|------------------|---------------|-------------|------------------|---------------|-------------|------------------|
|  |       | Projected Budget | Change        | Key %       | Projected Budget | Change        | Key %       | Projected Budget | Change        | Key %       | Projected Budget |
| <b>Revenue</b>                           |       |                  |               |             |                  |               |             |                  |               |             |                  |
| Provincial government grant              | 1     | 230,391          |               |             |                  |               |             |                  |               |             |                  |
| Credit and non-credit course tuition     | 2     | 77,504           |               |             |                  |               |             |                  |               |             |                  |
| Combined grant and tuition               | 3     | 307,895          | 15,395        | 5.0         | 323,290          | 16,164        | 5.0         | 339,454          | 16,973        | 5.0         | 356,427          |
| Other government (WCVM)                  | 4     | 15,590           | 780           | 5.0         | 16,370           | 818           | 5.0         | 17,188           | 859           | 5.0         | 18,047           |
| Income from investments                  |       | 8,500            |               |             | 8,500            |               |             | 8,500            |               |             | 8,500            |
| Fees and other income                    |       | 3,967            |               |             | 3,967            |               |             | 3,967            |               |             | 3,967            |
| <b>Total</b>                             |       | <b>335,952</b>   | <b>16,174</b> | <b>4.8%</b> | <b>352,126</b>   | <b>16,983</b> | <b>4.8%</b> | <b>369,109</b>   | <b>17,832</b> | <b>4.8%</b> | <b>386,941</b>   |
| <b>Expenditures and transfers</b>        |       |                  |               |             |                  |               |             |                  |               |             |                  |
| Salaries and benefits                    | 5     | 234,241          | 11,018        | 4.7         | 245,259          | 11,634        | 4.7         | 256,893          | 12,702        | 4.9         | 269,595          |
| Central utilities                        | 6     | 18,025           | 635           |             | 18,660           | 1,028         |             | 19,688           | 965           |             | 20,653           |
| Academic Priorities Fund                 | 7     |                  |               |             |                  |               |             |                  |               |             |                  |
| First and second cycles                  |       | 3,500            | (1,500)       |             | 2,000            | (1,000)       |             | 1,000            | (1,000)       |             | 0                |
| Third cycle                              |       | 500              | 500           |             | 1,000            | 500           |             | 1,500            | 500           |             | 2,000            |
| Student Services Fund                    | 8     | 394              | 394           |             | 788              | 394           |             | 1,182            | 394           |             | 1,576            |
| Library acquisitions                     | 9     | 8,275            | 414           | 5.0         | 8,689            | 434           | 5.0         | 9,123            | 456           | 5.0         | 9,579            |
| Medicine accreditation                   | 3     | 16,893           | 795           | 4.7         | 17,688           | 839           | 4.7         | 18,527           | 916           | 4.9         | 19,443           |
| Indirect costs of research grant         | 10    | (2,939)          | (228)         |             | (3,167)          |               |             | (3,167)          |               |             | (3,167)          |
| Other operating costs (net)              | 11    | 47,264           | 807           |             | 48,071           | 623           |             | 48,694           | 866           |             | 49,560           |
|  |       | 326,153          | 12,834        |             | 338,987          | 14,452        |             | 353,439          | 15,799        |             | 369,239          |
| Requirements and new initiatives         |       |                  |               |             |                  |               |             |                  |               |             |                  |
| Integrated plan initiatives              | 7     | 2,806            | 1,500         |             | 4,306            | 1,000         |             | 5,306            | 1,000         |             | 6,306            |
| Other provincial targeted funding        | 3     | 3,133            | 147           | 4.7         | 3,280            | 156           | 4.7         | 3,436            | 170           | 4.9         | 3,606            |
| Directed revenue                         | 12    | 597              | 278           |             | 875              | 278           |             | 1,153            | 243           |             | 1,396            |
| New building space                       | 13    | 429              | 478           |             | 907              | 0             |             | 907              | 0             |             | 907              |
| Other investments                        | 14    | 2,834            | 936           |             | 3,770            | 1,097         |             | 4,867            | 620           |             | 5,487            |
| <b>Total</b>                             |       | <b>335,952</b>   | <b>16,174</b> | <b>4.8%</b> | <b>352,126</b>   | <b>16,983</b> | <b>4.8%</b> | <b>369,109</b>   | <b>17,832</b> | <b>4.8%</b> | <b>386,941</b>   |
| <b>Surplus (deficit)</b>                 |       | <b>0</b>         | <b>0</b>      |             | <b>0</b>         | <b>0</b>      |             | <b>0</b>         | <b>0</b>      |             | <b>0</b>         |
| General operating reserve, beginning     |       | 6,719            |               |             | 6,719            |               |             | 6,719            |               |             | 6,719            |
| <b>General operating reserve, ending</b> | 15    | <b>6,719</b>     |               |             | <b>6,719</b>     |               |             | <b>6,719</b>     |               |             | <b>6,719</b>     |
| <b>% of planned expenditures</b>         |       | <b>2.0%</b>      |               |             | <b>1.9%</b>      |               |             | <b>1.8%</b>      |               |             | <b>1.7%</b>      |

## **Multi-Year Operating Budget Framework 2008/09 to 2011/12 Supporting Notes**

### **1. Provincial government grant**

The Province's tuition management program continued in 2008/09. Under the program and excluding targeted funding, the University received an 8.2% operating grant increase and continues to hold tuition at 2004/05 rates. The Province has indicated that 2008/09 is a transition year in which it will work with the university sector to develop a tuition management strategy that focuses on more targeted programs.

Commencing in 2009/10 and pending specific information on the nature of the changes to the tuition management program and the impact of those changes on an economic increase in the operating grant and on a rate increase in tuition, we have combined the operating grant and tuition revenue in projecting related revenue increases.

### **2. Credit and non-credit course tuition**

Tuition revenue has a rate component and an enrolment component. Under the Province's tuition management program, the University will hold tuition at 2004/05 rates. In 2008/09, we expect modest increases in graduate and international undergraduate student enrolment, but a modest decline in domestic in-province undergraduate student enrolment. The enrolment changes represent a shift in annual tuition revenue within the student population.

For the multi-year period 2008/09 to 2011/12, we are projecting that total annual tuition revenue based on stable overall enrolment and excluding rate increases will approximate the actual for 2007/08.

Commencing in 2009/10 and pending specific information on the nature of the changes to the tuition management program, we have combined tuition revenue and the operating grant in projecting related revenue increases.

### **3. Combined grant and tuition**

Under the Province's tuition management program and excluding provincial targeted funding, the University received an 8.2% increase when reported as a percentage of the operating grant; and, a 5.9% increase when reported as a percentage of the combined operating grant and tuition revenue.

Commencing in 2009/10, we are projecting combined annual increases of 5.0%. The combined increase exclude any new or increased targeted provincial funding such as that for Medicine accreditation, seat expansions in the Medicine and Nursing programs, and the new building space operating costs for the Academic Health Sciences Centre.

### **4. Other government (WCVI)**

Other government revenue results from billings to provinces under the Inter-Provincial Agreement for the Western College of Veterinary Medicine. The latest five-year Agreement expires 2011/12. Under that agreement, the billings would increase by the same percentage as the economic increase in the provincial government grant. For the three year period 2009/10 to 2011/12, we are projecting an annual 5.0% increase.

## Multi-Year Operating Budget Framework 2008/09 to 2011/12 Supporting Notes (continued)

### 5. Salaries and benefits

Salaries and benefits include the costs of normal 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.

In the absence of any negotiated increases, salaries and benefits costs normally progress by approximately 1% annually. Any negotiated increases would then be in addition to this normal progression.

### 6. Central utilities

Central utilities includes items such as electricity, natural gas, telephone, water, hardware and network maintenance, 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.

### 7. Academic Priorities Fund and Integrated plan initiatives

The Academic Priorities Fund (APF) is used to support fundamental change at the University in line with its priorities as expressed in its *Integrated Plans*.

Of the \$2.93 million that was available in the first planning cycle, all the funds have been committed but \$1.806 million of the amount will flow early in the second cycle. For the second cycle, \$4.5 million in permanent funding has been set aside to support priorities in the *Second Integrated Plan*. By 2011/12, the total of \$6.306 million (\$1.806 million, plus \$4.5 million) will have been fully committed and to the extent possible fully allocated in the second cycle to integrated plan initiatives.

Over the second planning cycle, the APF will increase by \$500,000 each year and at the end of the second cycle, \$2.0 million in permanent funding will have been set aside to support priorities to be identified in the *Third Integrated Plan*.

### 8. Student Services Fund

The Student Services Fund provides funding for scholarships, bursaries, and other forms of student services. With the continuation of the tuition management program in 2008/09, increases in this fund will continue at the same level as in the prior three years under that program. Commencing in 2009/10, the intent and purpose of this fund will need to be reviewed in light of anticipated changes to the tuition management program.

### 9. Library acquisitions

Consistent with the annual percentage increases in the first planning cycle, the acquisitions budget is projected to increase by 5% in 2008/09 to offset the escalation in costs including serials and internet-based services. The continued projected increase of 5.0% will be reviewed annually.

## **Multi-Year Operating Budget Framework 2008/09 to 2011/12 Supporting Notes (continued)**

### **10. Indirect costs of research grant**

Federal funding is provided to support the indirect costs of research and is recorded as revenue in the Research Fund. A portion of the Federal Indirect Costs of Research Grant is transferred to the operating budget on an ongoing basis to help defray indirect costs of research paid from the operating budget.

### **11. Other operating costs (net)**

This category includes all other expenditures and transfers and is reported net of external sales and internal cost recoveries. A number of these costs including the non-salary budgets for colleges and administrative unit are subject to inflationary pressures and have not been increased for a number of years. If it is determined to be sustainable, a calculated 2% annual increase has been projected for the non-salary budgets of colleges and administrative units. The basis for the increase to individual colleges and units is to be determined but may differ depending upon the nature of non-salary costs.

### **12. Directed revenue**

Directed revenue refers to increases in the provincial government grant and tuition revenue from certain programs that require offsetting amounts directed to colleges.

### **13. New building space**

New building space costs include utilities and operating and maintenance costs as new buildings come on stream, excluding the Academic Health Sciences Centre (AHSC). We expect the Province to provide targeted funding for these AHSC costs.

### **14. Other investments**

Incremental funding is required to invest in activities and services and to fulfill existing commitments for institutional priorities not normally funded through the APF. Commencing in 2008/09, the funding includes required on-going investments in USR-net and Huskie Athletics, pre-opening costs for the Academic Health Sciences Centre, continuous campaign funding for University Advancement, and an investment in recruitment and retention activities. In addition, \$1.0 million has been set aside for allocation to one or more priority activities including University Advancement, information technology systems, recruitment and retention activities, the consumer services unit for increased student services, and for capital purposes.

Commencing in 2009/10, other investments includes an incremental investment in the Strategic Research Fund to support INTERVAC operating costs, with the investment increasing to \$1.0 million annually by 2011/12; and, also commencing in 2009/10 the budget includes a general provision (contingency) for unknown future costs and/or revenue decreases, with the provision increasing to \$750,000 annually by 2011/12.

### **15. General operating reserve**

The general operating reserve approximates 2% of planned expenditures and is to be maintained within a Board approved range of 1.0% to 4.0%.