BUDGET ADVISORY COMMITTEE

OPERATING BUDGET PLAN FOR 2018-19

REPORT LVI

DALHOUSIE UNIVERSITY 1818 2018

March 28, 2018

The Budget Advisory Committee (BAC) was established by the President in 1992 to advise on budgetary matters. The BAC members do not serve as representatives of interests but are chosen for their knowledge and individual expertise. The Committee employs an open and consultative approach to budget discussions at the University. To date the BAC has issued fifty-five reports related to the University's operating budget.

The current membership of the Committee includes:
Carolyn Watters (Chair), Provost and Vice-President Academic
Josh Leon, Dean of Engineering
Ian Nason, Vice-President, Finance & Administration
Christopher Hartt, Associate Professor, Faculty of Agriculture
Michael Fournier, Associate Professor, Department of Classics
Eleanor Crowell, Director of Finance & Administration, Ancillary Services
Jad Sinno, Student Member

The Committee's resource persons are: Susan Robertson, Assistant Vice-President, Financial Services – Susan Spence, Vice-Provost, Planning & Analytics - Don Fiander, Executive Director (Acting), Dalhousie Analytics – and Mary-Ann Rowlston, Director, Budgets and Financial Analysis.

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Readers requiring further background and detail in addition to what is contained in this report should refer to the **Context Paper** released by the Budget Advisory Committee in December (Balancing Dalhousie's Operating Budget: Context for the Development of the 2018-19 Operating Budget (BAC Context Paper) and the **Supplemental Information to the Operating Budget Plan for 2018-19 (Supplemental Information)**. The Supplemental Information provides further information on:

- University roles and responsibilities in relation to the budget
- Feedback gathered after the first report was released
- Tuition fee schedule and comparative information
- Background information on other areas related to the budget

High Level Summary of the Operating Budget Plan for 2018-19

The Budget Advisory Committee (BAC) advises the President on the operating budget. The BAC develops the Operating Budget Plan through broad engagement with the Dalhousie community.

The BAC is guided by the following principles:

- the operating budget must be balanced.
- the University must be financially sustainable.
- the operating budget is driven by Dalhousie's mission and strategic priorities.
- recommendations on the Operating Budget Plan are transparent.

In December the Committee published a short context paper (Balancing Dalhousie's Operating Budget: Context for the Development of the 2018-19 Operating Budget) that identified the financial challenge faced by the University. **That challenge, simply put, is that projected operating costs increase at a faster rate than anticipated revenues, resulting in the need to identify and recommend measures to balance the budget.** This report provides important background information.

Since the release of the context paper, input from the University community has been sought through town hall discussions of priorities and pressures and a survey for students, faculty and staff. This report, Operating Budget Plan for 2018-19 considers the comments and feedback received to inform budget recommendations.

The following chart provides an overview of projected revenues and expenditures for 2018-19. See page 14 for the detailed budget model including line-by-line descriptions.

Overview of Projected Budget Revenues and Expenditures for 2018-19 compared to 2017-18

	2017-18 Budget	2018-19 Budget	Increase (Decrease)
REVENUES			
N.S. Government Grants	215.1	217.2	2.1
Tuition	159.9	168.7	8.8
Other Revenues	40.4	41.7	1.3
	415.4	427.6	12.2
EXPENDITURES			
Faculties and Service Units (1)	323.3	330.1	6.8
Student Assistance	33.4	34.1	0.7
Energy, Water, Taxes and Insurance	22.3	22.9	0.6
Facilities/Campus Renewal	28.0	29.1	1.1
Strategic Initiatives (2)	2.4	3.2	0.8
Information Technology Infrastructure	1.8	3.2	1.4
Other Costs	4.2	5.0	0.8
	415.4	427.6	12.2

Note 1

(1) A budget reduction of $4.3 million is included in the Faculty and service unit line.

(2) In 2017-18 the Strategic Initiatives budget was $3.15 million. $0.8 million has been distributed to Faculties and units year to date as base funding in 2017-18 and the fund is being replenished in 2018-19.

I 2018-19 BUDGET DEVELOPMENT PROCESS TO DATE

Following the release of the context paper "Balancing Dalhousie's Operating Budget: Context for the Development of the 2018-19 Operating Budget" feedback was requested from the Dalhousie community.

There has been much interest and engagement in the budget process this year:

1. Meetings with the Dalhousie Student Union to discuss their priorities and concerns.

2. Facilitated town hall discussions held on January 15, 2018 and January 18, 2018 to obtain input from students, faculty and staff on priorities for the BAC to consider in the development of the 2018-19 budget recommendations. Twenty-six individuals joined in person and twenty-five online.

3. An on-line survey sent in early December to students, faculty and staff asking for the top five priority areas where an increase in resources would be most important and which item was the top priority. The survey also asked for any other comments in relation to the University operating budget. There was a strong response with 1,584 respondents to the survey.

   The perspectives and points of view expressed in the surveys and the town hall discussions were generally consistent with the feedback received last year; financial assistance for students in need, investment in technology, classrooms, research support and teaching support / faculty renewal are all once again high priorities. The following list are the items chosen as the top priority from the survey:

Students	**Faculty and Staff**
Financial assistance for students in need	Teaching support/faculty renewal
Study space	Research support
Physical & mental health services	Financial assistance for students in need
Experiential learning	Investment in technology
Classroom renovations	Classroom renovations

4. Following the first release on this this report (originally issued in draft on March 2, 2018) additional sessions were held on each of the three campuses to gather further feedback from the community.

5. Through the course of the budget process email feedback was also received and reviewed by the committee.

The Supplemental Information to this report includes further detail on the main themes that were drawn from the feedback received as well as representative comments.

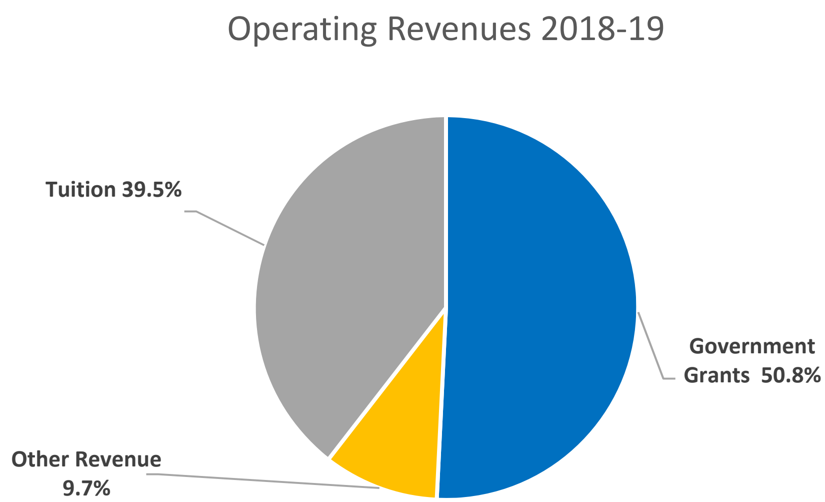
II RECOMMENDATIONS FOR THE OPERATING BUDGET PLAN FOR 2018-19

This report includes recommendations for a balanced budget for 2018-19 and direction for the following two budget cycles to enable a multi-year framework for University wide multi-year planning by Faculties and service units.

REVENUES

Operating revenues are expected to increase by $12.2 million (3.0%) in 2018-19. This section of the report highlights significant assumptions, estimates and recommendations on revenues for 2018-19. Further background and detail on the revenue streams supporting the budget can be found in the context paper released in December and the budget model and notes on page 14.

As the following graph shows, Provincial Grants and Tuition revenues provide 90.3% of the revenues that support the operating budget. Information on historical trends in funding sources are found in the Supplemental Information.



a) Provincial Operating Grants

A Memorandum of Understanding (MOU) with the Provincial Government sets the level of funding support from the Province and limits on tuition fee increases. The current MOU is included in the Supplemental Information. For 2018-19 government funding is expected to increase by 1%, contributing $2.1 million.

b) Tuition Revenues from Enrolment Changes

Each year the BAC reviews enrolment trends and projections as changing distributions of international and domestic students and variability of new to Dalhousie enrolment impacts tuition revenues. The projections consider the intake of students and attrition rates from one year of study to the next as students progress through their programs to graduation. The impact on tuition revenues is then projected based on the change in overall student numbers and the normal experience of courses taken per year.

The graphs in the Supplemental Information provide background on Dalhousie's total, international, and first year undergraduate enrolments. The following historic trends are noted over the last 5 years:

- Overall enrolment has grown by 568 students (average 0.6% per year).
- The intake of domestic new-from-high-school students has declined and therefore domestic students as a percentage of the total population has decreased from 87% to 80%.
- Overall international student enrolment has increased by 1,388 students over the last 5 years.
- International new from high school enrolment has grown, but this has recently levelled off.

This year additional modeling was done to assess the implication of the changing distribution of domestic and international enrolments on tuition revenues for 2018-19. The total number of domestic students is projected to decline by 200 while the number of international students is projected to increase by approximately 100 students. These enrolment changes are not expected to have a significant impact on revenues in the 2018-19 budget. Currently, the Registrar's Office is reporting that applications are strong, but it is too early to anticipate any change in the intake compared to the fall of 2017.

The BAC acknowledges that in recent years revenue targets based on enrolment have been surpassed. A conservative approach to estimating revenues from forecasted enrolment changes minimizes budget disruption during the year. Any additional revenues earned due to fluctuations in enrolment are allocated on a one-time basis for Strategic Priorities. In the following budget year such additional revenues are factored in to the budget plan.

As a result of the shifting demographics of domestic and international students, the University collected an additional $3.3 million between 2016-17 and 2017-18. This change is incorporated in the 2018-19 budget plan.

c) Tuition Fee Rates:

The MOU with the province limits tuition fee increases to 3% for undergraduate Nova Scotia students. This report includes BAC's recommendations on tuition fees for 2018-19. The proposed tuition fee schedule is included in the supplemental information (page 26). Each year the BAC reviews and compares tuition fees (including international differential fees) at universities across Canada. These comparisons are also included in the Supplemental Information to this report.

i. Tuition Fees and International Differential Fee – All Programs:

The BAC continues to hear concerns from students about rising tuition fees. The BAC acknowledges that tuition at Dalhousie, and at other Nova Scotia universities, is above the average in the comparator group for many programs. Compared to other provinces, Nova Scotia has one of the lowest percentages of total operating budget support provided by the Provincial Government (see Supplemental Information).

Tuition revenues are the University's second largest revenue stream at 39.5% of the budget. The BAC has concluded that lower fees cannot be accomplished in a meaningful way unless there are changes in government funding and public policy, or new revenue streams are secured. In the absence of any major changes, the BAC expects that tuition costs will continue to increase to meet rising costs in the foreseeable future.

The BAC considered ways to have a smaller increase in tuition fees but concluded that reducing fees slightly for all students will not materially help students in dollar terms. On the other hand, an investment of $500,000 in student assistance would significantly help students requiring financial aid. If tuition revenue was reduced by the same amount this would result in savings of only $25 per student.

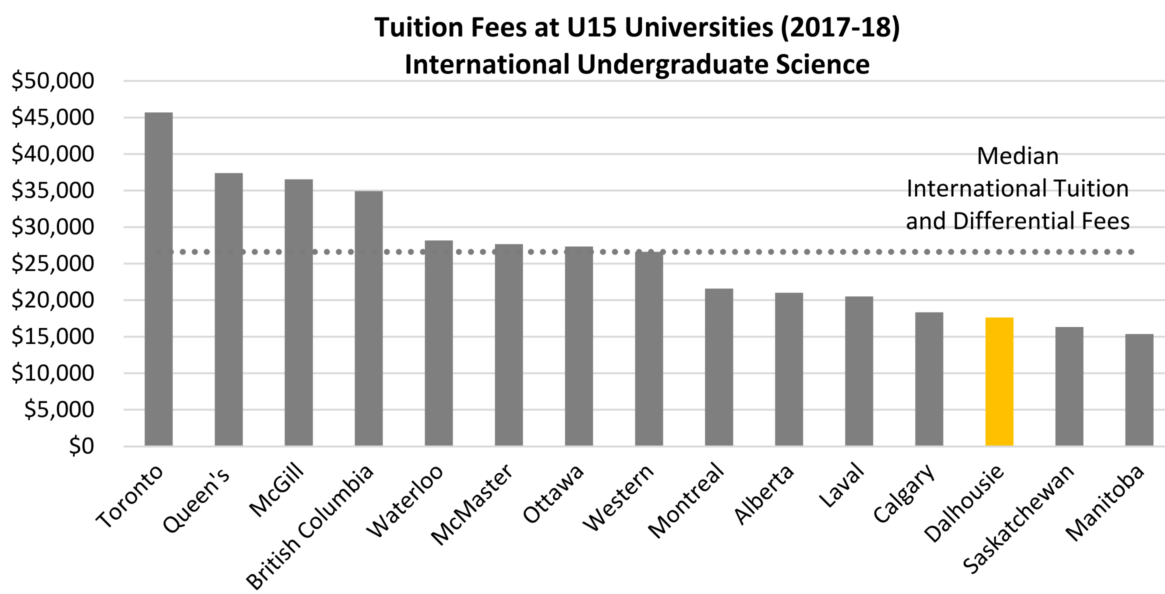
As in all areas of the budget plan, the BAC must take a multi-year view on tuition revenues. Based on the current MOU with the province, tuition increases forgone in one year cannot be made up through a larger increase in future years.

Feedback received from campus prioritized student assistance and therefore the BAC is recommending a 3% tuition fee increase together with a $500,000 increase in student assistance.

<u>Recommendation</u>: In 2018-19, a 3% tuition fee increase be implemented for all programs and the international differential fee.

In addition to regular tuition fees international students are charged a differential fee. The Supplemental Information includes comparative information on international differential fees at Dalhousie and other Canadian universities.

The following chart shows that the combination of tuition and international differential for Dalhousie undergraduate students is significantly below the median of the U15 universities. At the same time, domestic undergraduate tuitions are above the median of the U15 universities.



For Dalhousie to maintain and improve the quality of programs and student support, and to increase the competitiveness of Dalhousie within the research intensive U15 and globally, new and sustainable resources are required. This is confirmed by the comments and feedback from the campus community which makes it clear that the need for investment in these areas is significant.

The provincial government funding model for Nova Scotia Universities has not provided funding based on enrolment since 2005-06. Enrolment has grown 2,350 over this period and relates entirely to international students. A high-level calculation of the average cost to educate a Dalhousie student is $21,400 (university budget divided by headcount enrolment). Tuition and differential fees assessed to international students ($17,649 for Undergraduate Science) is below Dalhousie's average cost.

As described in this report and the BAC's earlier context paper, the University needs to consider sustainable revenue sources to fund the investments required to strengthen programs and improve Dalhousie's competitiveness both nationally and internationally.

The BAC strongly supports an increase in international differential fee rates for undergraduate students. Implementing such increases must be coupled with a clear definition of how these funds would be invested to meet our goals of excellence and competitiveness and within the context of a sustainable multiyear outlook.

Recommendation: The BAC will develop a plan for the 2019-20 budget year that addresses the longer term setting of the international fees and priority areas of investment.

ii. Prior Year Adjustments

2018-19 is the last year of phase-in of the approved market adjustments over a three-year period for Engineering and Pharmacy classes and for undergraduate classes in the Faculty of Agriculture. These fee adjustments are reflected in the proposed tuition fee schedule in the Supplemental Information.

d) Facilities Renewal Fee

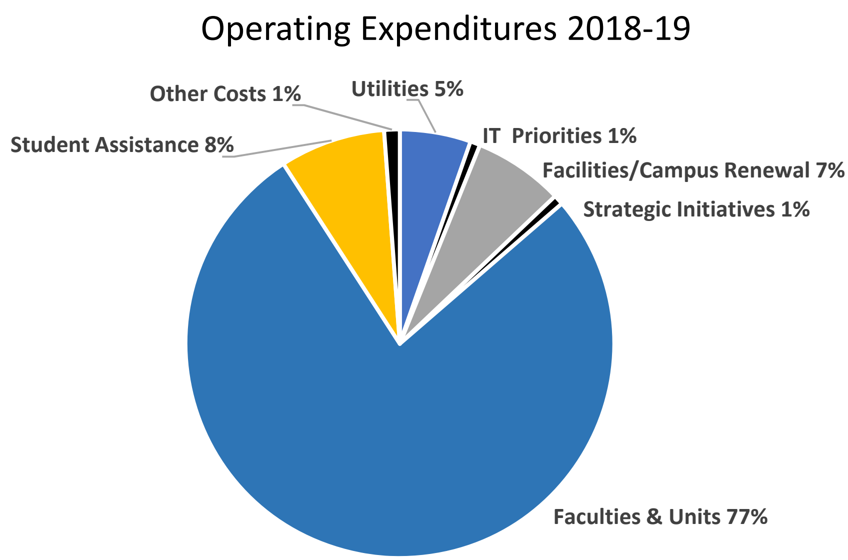
The BAC recommends an increase of 3% in the facilities renewal student fee (generating $99,000) for 2018-19. This fee is used to fund priority facility maintenance projects. Further information on facilities renewal expenditures is included in the "Expenditures" section of this report.

Recommendation: Apply a 3% increase in the auxiliary fee for facilities renewal from $89.50 to $92.20 per term.

EXPENDITURES

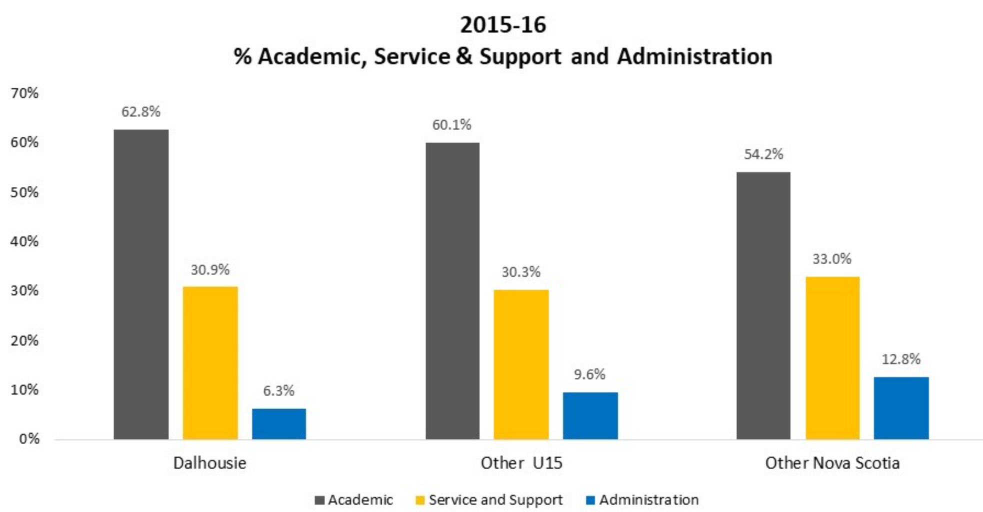
University expenditures for 2018-19 were projected to increase by $16.5 million before any budget reduction is applied.

The following graph shows the breakdown of the expenditure components of the 2018-19 operating budget.



The BAC continues to monitor the distribution of resources between Academic, Service and Support, and Administrative areas, recognizing that it is important to balance use of resources to support the University mission. There has been no notable change in the distribution over the last 3 years.

The following graph shows how Dalhousie currently allocates resources compared to the U15 and other Nova Scotia universities.



Source: Canadian Association of University Business Officers (CAUBO) Financial Information of Universities and Colleges 2015-16, Statistics Canada. (most recent data available)

The University spends 62.8% of its budget in academic areas (Faculties, including Graduate Studies and Continuing Education), 30.9% on service and support areas and 6.3% on administration. Compared with the U15 universities, Dalhousie allocates slightly more in resources to Academic and Support areas and less to Administration. Other Nova Scotia universities are slightly lower in the academic area and higher in Service and Support and Administration. All institutions operate differently, and as a result the BAC has not indicated a target profile.

This section provides information about the significant components and changes in the expenditure section of the University budget. Additional information is provided in the BAC context paper released in December and in the budget model and notes found on page 14.

1. Faculty and Staff Compensation

   The increase in the provision for compensation for all employee groups is estimated at $8.9 million for 2018-19. Compensation costs currently represent 73.6% of total expenditures. This amount includes salary and wage adjustments for the recently concluded faculty contract which will allow certainty for budget planning for the next two years. Estimates have been provided for staff compensation where contracts are still in the process of being negotiated. The provision also includes benefit costs and pension adjustments as well as the annualization of previous year increases.

   The University's contribution to the pension plan is determined on the basis of a valuation of the financial position of the plan by an actuarial consultant. The valuation as at March 31, 2017 yielded a decrease in the required employer pension contribution, resulting in a saving of approximately $3.0 million in the 2017-18 operating budget.

   Prior to March 31, 2017 triennial valuations have resulted in predictable contributions over a three-year period and allowed for stable forecasting for budget purposes. A change in the status of the fund now requires the next valuation no later than March 31, 2018. Annual valuations create less certainty resulting in more volatility in annual pension contributions.

   Given the recent downward trend in equity markets, prudence is necessary when providing for 2018-19 employer pension contribution levels. As a result, the budget plan for 2018-19 does not count on the savings being available in 2018-19. Once the March 31, 2018 actuarial valuation is completed, costs will be known, and a plan for the use of savings, if any, will be developed.

2. Adjusting Faculty Budgets for Enrolment Changes

   The ERBA formula provides an incentive for Faculties to increase student recruitment and retention. The formula allocates approximately 60% of tuition revenues attributed to Faculties based on changes in enrolment in the previous academic year. The Supplemental Information shows the recent history of ERBA adjustments by Faculty. A survey and external review of ERBA were completed in 2017-18 and a task force has been set up to consider models.

3. International Supports

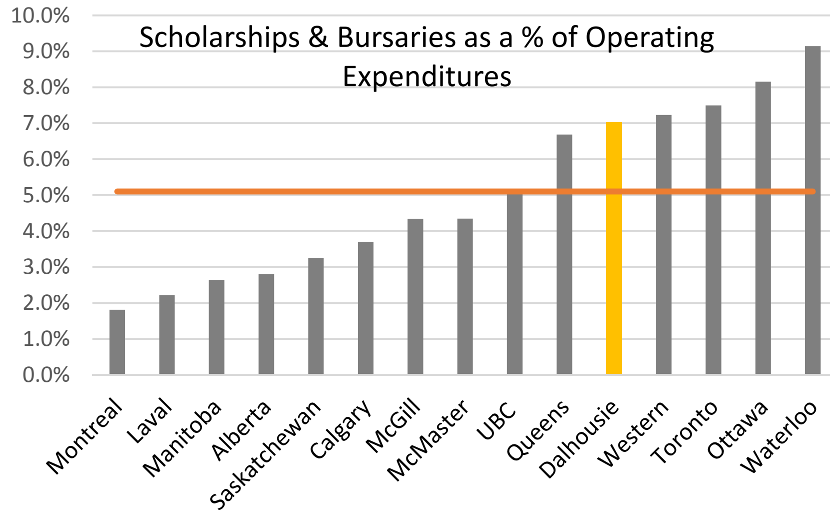
   The BAC has continued to hear that some Faculties require additional resources to meet the demand of supports and services related to the increase in the number of international students. BAC has determined that a portion of the international revenue growth be allocated across the University to those Faculties and major Service and Support Units most impacted. The Supplementary Information provides a breakdown of how this will be allocated.

   Recommendation: Funding of $350,000 be allocated to Faculties and Units to provide support related to recent growth in the number of international students.

4. Student Assistance

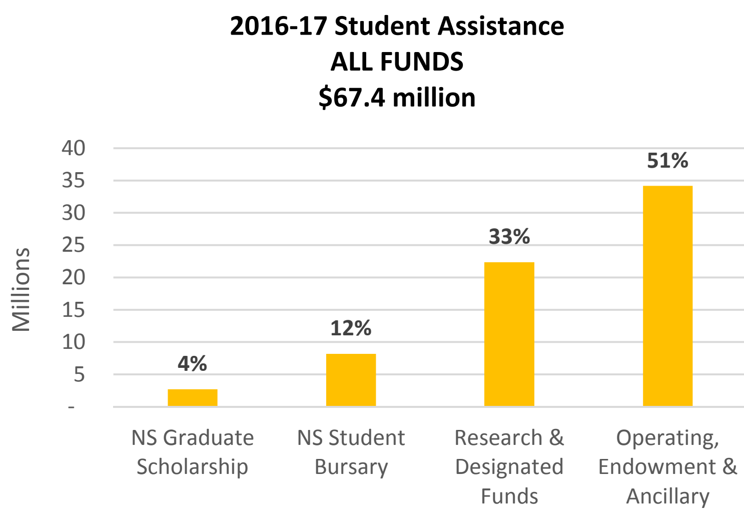
A key area of importance for resource allocation identified by students, faculty and staff continues to be the need for student assistance. Students highlighted the need for the university to do more for students who are under-represented.

Dalhousie spends 7.0% of total operating expenditures on scholarships and bursaries compared to an average of 5.1% at other U15 universities.



Source: Canadian Association of University Business Officers (CAUBO) Financial Information of Universities and Colleges 2015-16, Statistics Canada. (most recent data available)

Across all University funds, Dalhousie currently spends $67.4 million on direct student support (including student employment) for undergraduate and graduate students. Total support to students represents 43% of tuition revenues (note that not all such assistance comes from the operating budget as per the graph below).



The BAC concluded that where there is a choice between setting a lower tuition fee increase for all students or increasing funds to support students requiring financial assistance, Dalhousie should provide additional student assistance. This is consistent with feedback received that more needs to be done to support students requiring financial aid.

Recommendation: A further $500,000 be allocated for student assistance in 2018-19.

Student assistance continues to be an important focus of fundraising efforts. University endowments will provide support for students totaling $11.4 million for 2018-19, an increase of $250,000 over the prior year. Overall student assistance from operating, endowment and ancillary funds will increase by $750,000.

5. <u>Facilities Renewal</u>

There continues to be significant and widespread concern about the condition of Dalhousie facilities. Classroom renovations, accessibility, and improved facilities were mentioned in the feedback received. The Supplemental Information provides significant context about Dalhousie's facilities and their impact on the operating budget as well as information on the funding of construction projects.

In 2005-06 the Board's Long Term Financial Planning Committee recommended the budget for facilities renewal be increased by $1.0 million per year until 2% of asset replacement value is reached ($30 million) based on a standard suggested for public entities such as Dalhousie. The University currently allocates $21.4 million annually for Facilities Renewal.

In 2017-18 the BAC made a multi-year commitment that recognized the importance of continuing investment in facilities renewal, but also recommended that a long-term funding plan should be developed by 2019-20. The BAC reaffirms this multi-year commitment in 2018-19.

<u>Recommendation</u>: An additional $1 million be provided for facilities renewal in each of the next two years to allow time for the development of a long-term funding plan.

6. <u>Information Technology - Network Capacity and Infrastructure</u>

The renewal and upgrade of technology infrastructure continues to be a challenge. There are increasing demands for network and wireless services, and more individuals on campus with wireless devices accessing more data and applications. In addition, changes in pedagogy translate to faculty members requiring more online content for their students. Network equipment is aging and beyond its reasonable expected life span. Finally, cyber security a key priority given the evolving risk of cyber-attacks. Information technology services has developed a multi-year plan to address these and other issues.

In recognizing that the information technology infrastructure is crucial to University operations, BAC is recommending continued investment in ongoing renewal of $600,000 in 2018-19 and 2019-20.

<u>Recommendation</u>: The BAC renews its 2017-18 recommendation to increase base investment of $600,000 per year for the next 2 years targeted for network capacity and infrastructure requirements to bring the commitment for network renewal to $3 million, at which time a review will be undertaken.

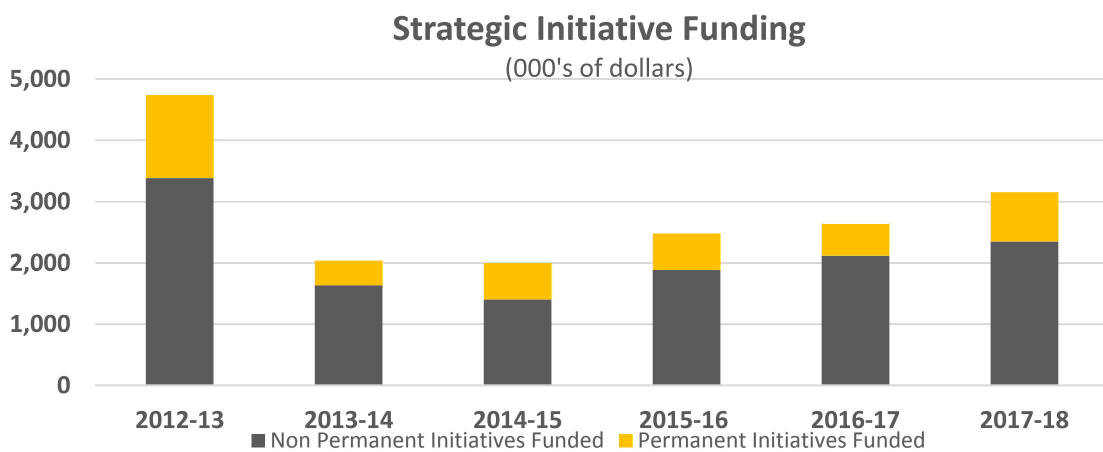
In addition, the University has undertaken a major upgrade to Banner, which supports the operations of the Registrar's Office, Student Accounts, Financial Services, Advancement and Human Resources. Banner was first implemented in 1998, and this upgrade will allow for a significant revitalization of the software and functionality. As part of this process, business units are reviewing process and practices to gain efficiencies with the new technology offered. The Banner upgrade project was approved by the Board of Governors; $800,000 is included in the 2018-19 budget.

7. Strategic Initiatives Fund

The Strategic Initiatives Fund (SIF) in the Operating Budget supports key initiatives in support of the University mission. Funds allocated will have a positive impact on teaching and learning, service, research, partnerships and reputation, infrastructure and support. Examples include improving student service, adapting pedagogy, building capacity for research, and assisting Faculty and departments to gain efficiencies in day to day operations. These plans are viewed with a lens of the University's overarching strategic priorities. The initiatives supported by the program in 2017-18 are outlined in the Supplemental Information, along with a summary of the Strategic Priorities.

The funds are predominantly allocated to items that are of a one-time nature and less to permanent base (ongoing) budget requirements. Where funds are allocated to ongoing costs (such as salaries) they become part of the Faculty or service unit's permanent budget.

This graph shows the total funding available and the portion allocated to fund non-permanent costs in each of the last 6 years.



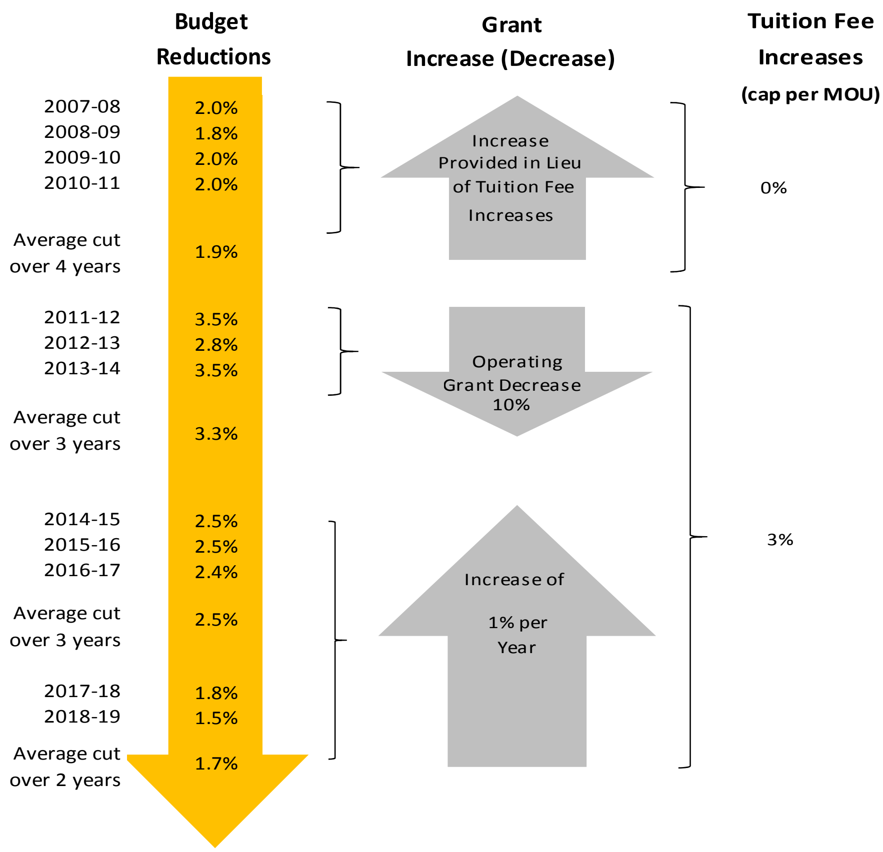
The BAC continues to recommend that this funding be maintained or increased over time as the SIF is critical for the evolution of the institution in alignment with University strategic priorities. To maintain a stable fund, funds permanently allocated to a Faculty or unit must be replenished. $800,000 was allocated to ongoing costs in 2017-18.

Recommendation: Replenish the Strategic Initiatives Fund to $3.15 million for allocation in 2018-19 for multi-year initiatives that align with strategic priorities.

8. 2018-19 Base Budget Reduction:

The University must manage projected revenues and expenditures towards a balanced budget. Dalhousie's revenues are projected to increase in 2017-18 by $12.2 million, from $415.4 million to $427.6 million. The budget plan includes estimated expenditure increases of $16.5 million. Major components of the increase include compensation ($8.9 million), student assistance ($0.75 million), facilities renewal ($1.04 million), and network infrastructure technology ($1.4 million). This leaves a difference between revenues and expenditures of $4.3 million.

Faculties and Units continue to express concern about the capacity to absorb continued annual cuts. The following table shows the history of budget reductions over 12 years and the relationship with government funding and tuition fee increases:



Prior to 2010-11, the government increased funding and compensated the University for freezing tuition fee increases. Between 2011-12 to 2013-14, funding for Universities was reduced by 10% and it was necessary for the BAC to recommend significant budget reductions to balance the budget, while tuition fees were held to a 3% increase. More recently the Nova Scotia Government's commitment to a 1% grant increase has provided some stability for planning.

The BAC recognizes it is important to keep the level of the budget to Faculties and Service units at a more sustainable level. Moderating budget reductions and the ability to make strategic investments going forward will depend on the ability to secure sufficient revenues to meet expenditures. In 2017-18, the BAC recommended lowering the budget cuts over the upcoming three-year period.

As per the table on page 1, Faculty and service unit budgets will increase by $6.8 million after accounting for salary adjustments and the budget reduction. The BAC acknowledges that although budgets are increasing, spending power is reduced due to inflation.

The BAC recommends a budget reduction of $4.3 million (1.5%) be applied to Faculties and service units to bring expenditures in balance with revenues available. This is lower than in previous years and is consistent with BAC's multi-year recommendation; which is intended to keep more resources within Faculties and units.

<u>Recommendation</u>: A 1.5% reduction be applied to all Faculties and service units for 2018-19.

III NEXT PHASES OF THE 2018-19 BUDGET DEVELOPMENT AND APPROVAL PROCESS

This report includes recommendations on the Operating Budget Plan for 2018-19. In addition to gathering input from stakeholders on University priorities, the BAC analyzed operating revenues sources, expenditure pressures and strategic investments for 2018-19. The committee continues to monitor the balance of resources across the mission and considered multi-year goals for specific allocations to allow for more predictable planning (Strategic priority 5.3 - Integrated Multi-Year Planning).

Tuition and student fees recommendations go to the Board for approval in April. The University's operating budget goes to the Board for approval in June. The University's annual operating budget and financial reports are available on the website at dal.ca/budget.

The BAC welcomes feedback from the University community on budget matters. Written feedback should be sent to BAC@dal.ca.

Readers requiring further background and detail in addition to what is contained in this report should refer to the Context Paper and the Supplemental Information to the Operating Budget Plan for 2018-19.

Dalhousie University

Operating Budget Revenue and Expenditure Model

Assumptions	**2018-19**
Government Grant Change	1%
Tuition Revenue	
General Fee Increase (Per current MOU)	3%
Facilities Renewal fee Increase	3%
Base Budget Reduction	1.5%
Nova Scotia Bursary	No Change
Compensation Provision	per agreements and estimates
Library Acquisitions	3%
Non Salary Inflationary Increase	2%

	2017-18 Approved Budget	**Reommendations and Estimates**	**2018-19 Projection**
REVENUES - INCREASE(DECREASE)			
1. Government Funding			
a) Operating Grant: Labour & Advanced Education	191,593	2,119	193,712
b) Grant to support Nova Scotia Student Bursary	8,190		8,190
c) Nova Scotia Graduate Scholarships Program Grant	3,015		3,015
d) Facilities/Space Grant	1,000		1,000
e) Other Government Grants - Enrolment Expansion	11,297		11,297
Total Government Funding	215,095	2,119	217,214
2. Tuition revenues	159,900		159,900
a) 2017-18 Enrolment Change		3,300	3,300
b) Fee increases		4,896	4,896
b) Market Adjustments		631	631
Total Tuition Revenue	159,900	8,827	168,727
3. Endowment Income	26,546	1,059	27,605
4. Operating Interest Income	2,850	300	3,150
5. Facilities Renewal Student Fee	3,299	99	3,398
6. Federal Research Support Fund Grant	7,668	-	7,668
7. Retire shortfall AC grant 2016-17		(132)	(132)
TOTAL REVENUES - INCREASE (DECREASE)	415,358	12,272	427,630
EXPENDITURES - INCREASE (DECREASE)			
8. Faculty and Unit Budget Allocations			
a) Compensation*			
i) Salary and Benefit Costs	305,745	8,900	314,645
b) Non-Salary*	46,538	1,381	47,919
c) Faculty/Unit Revenue	(36,719)	-	(36,719)
d) Budget Unit Adjustments			
i) ERBA adjustment		TBD	-
ii) International Supports		350	350
iii) Base budget reduction		(4,336)	(4,336)
e) Library Acquisitions	7,736	230	7,966
f) Market Adjustment Faculty Support		276	276
Total Faculty and Unit Budget Allocations	323,300	6,801	330,101
9. Student Assistance			
a) Operating Support	11,041	500	11,541
b) Endowment Support	11,151	250	11,401
c) Nova Scotia Student Bursary (see line 1b)	8,190		8,190
d) Nova Scotia Graduate Scholarships Program Grant (see line 1c)	3,015		3,015
Total Student Assistance	33,397	750	34,147
10. Operating costs - new Buildings		686	686
11. Energy, Water, Taxes and Insurance	22,250	641	22,891
12. Equipment and Furniture Allocation	2,394	24	2,418
13. Strategic Initiatives	2,350	800	3,150
14. Facilities Renewal	21,448	1,039	22,487
15. Campus Renewal - Long term debt/rent	6,531	131	6,662
16. Information Technology	1,788	1,400	3,188
17. Contingency	1,900		1,900
TOTAL EXPENDITURES - INCREASE (DECREASE)	415,358	12,272	427,630
SURPLUS (SHORTFALL)	-	-	-

* Net of recoveries

Notes to 2018-19 Budget Model

These notes have been prepared to provide the reader with further background on the nature of the revenues and expenditures included in each of the lines and the estimates and assumptions on changes for the 2018-19 budget year.

REVENUES

Government Funding (Line 1)

Line 1 includes the provincial operating grants from the Province of Nova Scotia, as well as program expansions (line 1e) and targeted grants (line 1d).

The budget plan assumes that Dalhousie's operating grants will be increased by $2.1 million (1%) in 2018-19, consistent with the Memorandum of Understanding with the Province of Nova Scotia.

Also included in Line 1 (b and c) are two provincial grants which provide direct bursary and scholarship support to students. Directly offsetting expenditures are on line 9 c and d. The Nova Scotia Bursary Program provides $8.19 million in support to reduce the cost to Nova Scotia Students through an automatic bursary. The province also supports graduate students through $3.0 Million from the Nova Scotia Graduate Scholarship Program.

Tuition Revenues (Line 2)

This line includes tuition revenues and international differential fees. Changes in tuition revenues are generated by enrolment changes and fee rate changes:

(a) 2017-18 Enrolment Increase: The $3.3 million in increased revenue on this line is a result of increased international enrolment in the fall of 2017.

The budget plan assumes no change in enrolment in 2018-19 over 2017-18. The Operating Budget plan for 2018-19 includes further discussion of this item.

(b) Tuition Fee Rates: The budget plan for 2018-19 (line 2b) assumes annual increases in tuition fees of $4.9 million as permitted by the current Memorandum of Understanding (MOU) with the Province of Nova Scotia and as recommended in this report. Line 2c includes an estimate of $0.6 million for the third and final year of increases associated with the market adjustments in Engineering, Pharmacy and Agriculture.

Investment Income (Line 3 and 4)

Endowment expenditures from the University's 1400 plus individual endowments are funded through earnings from the endowment investment program. In 2018-19 endowment spending will increase by $1.1 million to support student assistance, academic chairs and salaries, library and research. This increase is based on a combination of new gifts, increased spending in existing endowments and in endowment management fees. Line 3 includes the investment income required to support expenditures for the 2018-19 year. The 2017-18 & 2018-19 endowment expenditures are included in the budget lines as follows:

	2017-18	2018-19
Compensation Costs -Line 8a	7,491	7,692
Library Acquisitions - Line 8e	239	244
Student Assistance -Line 9	11,152	11,401
	18,882	19,337
Non-Salary- Line 8b		
Endowment Management Expense	3,100	3,400
General and Research Support	4,564	4,868
	7,664	8,268
Total Endowment Revenues and Expenditures	26,546	27,605

Line 4 includes operating interest income. The University invests short term cash flows which provides interest income to support the University operating budget. Operating interest income is projected to increase by $300,000 based on projected cash flows and interest rates earned through investments managed in accordance with the University's Expendable Funds Policy.

Student Fee for Facilities Renewal (Line 5)

The student fee for Facilities Renewal is recommended to increase by 3% and supports increased facilities renewal expenditures in line 14.

Federal Research Support Fund Grant (Line 6)

This line includes the grant received from the Federal Government to support the indirect costs of research. It is estimated that the 2017-18 operating budget included $43.7 million in costs such as lighting, heating and maintenance for research space, salaries for staff that provide technical or administrative research support, cost or regulatory requirements such as training costs for workplace health and safety, and the costs associated with intellectual property. Further information on the program and detail on the types of expenditures can be found on the research service website.

Funding for the program in 2018-19 has not been confirmed.

Agricultural Campus grant shortfall (Line 7)

A revenue shortfall from government funding on the Agricultural Campus in 2017-18 will be retired in 2018-19 though additional funding from the Province.

EXPENDITURES

Faculty and Service Unit Budget Allocations (Line 8)

This section includes the components of the budget allocations to Faculty and service units. Faulty and unit Budgets are expected to grow overall by $6.1 million in 2018-19. This figure is net of the budget reduction described below.

Compensation (Line 8a): The budget model includes the estimated costs of progression increases (CDIs, steps, etc.), scale, pension adjustments, and benefit increases for all employee groups.

This line also includes endowment supported expenditures and increases in endowment support in 2018-19 (see breakdown in line 3 above)

(This budget line is shown net of direct salary and benefit recoveries.)

Non-Salary Expenditures (Line 8b): This line includes University expenditures for all costs that are not related to compensation within Faculty and unit budgets. Costs include program supplies, materials and contracted services. The budget model includes a general inflationary increase of 2% for most components of the non-salary budget except where indicated below. The model also includes increased endowment allocations (see line 3 above for breakdown) resulting in an overall increase of 3%. (This budget line is shown net of direct cost recoveries).

Faculty and Service Unit Revenues (Line 8c): This line includes other revenue sources that are managed by Faculties and other budget units. In Faculties examples include revenue from auxiliary fees, full cost recovery programs, and extended learning and farm revenue in Truro. Other revenues included in this category are the student services fee, application fees, Kings transfer for teaching services and revenue from services provided to external parties.

Budget Unit Adjustments (Line 8d): The following items are adjustments that will be made to Faculty and service unit budgets once the final budget plan for 2018-19 is established.

Enrolment Based Budget Adjustment (ERBA) (Line 8 d) i): ERBA is the annual adjustment to Faculty budgets based on year over year changes in enrolments. The adjustment approximates 60% of the change in tuition revenue generated by the change in enrolments. ERBA calculations are competed in the Spring. Based on enrolment the overall change across all Faculties is expected to be flat for 2018-19

International Supports (Line d) ii): This line includes an allocation of a portion of the international revenue growth for allocation to Faculties and Units most impacted by the demands of support and services related to growth in international student enrolment.

Base Budget Reduction (Line 8d) iii): This model includes a base budget reduction of $4.3 million. A 1.5% reduction has been applied to Faculties and service units. This is necessary to reach a balance of operating revenues and expenditures.

Library Acquisitions (Line 8(e)): This line includes the costs of library acquisitions including electronic media. The budget model assumes a 3% increase in 2018-19.

Market Adjustments (Line 8(f)): This line includes $276,000 which represents 60% of the increased tuition revenue from the market adjustments recommended for Engineering and Pharmacy. This funding will be allocated to these faculties for priority investments to benefit students in these programs. The full increase in fees to agricultural students will support the budget on that campus.

Student Assistance (Line 9)

The budget plan for 2018-19 includes student assistance totaling $34.1 million. Lines 9 a and b are operating and endowment student assistance expenditures totaling $22.9 million. Operating support for scholarships and bursaries has increased by $500,000. Endowment supported scholarships will increase by $250,000 in 2018-19. Lines 9 c and d are student assistance programs that are fully funded through grants from the Province (see line 1c and 1d above). The model makes no assumption about change in the current program structure for the Nova Scotia Bursary Program in 2018-19. The program currently provides full time Nova Scotia Students with an automatic bursary of $1,283 applied against tuition.

Operating Costs- New Buildings (Line 10)

Costs of operating University buildings are included in other lines of the budget model. This line includes the estimated additional costs of utilities, cleaning and maintenance for the IDEA project (Emera IDEA Building and the Design Building on Morris Street)

Utilities, Taxes and Insurance (Line 11)

Line 11 includes estimated costs for natural gas, biomass (Truro) electricity, water, tax and insurance for University buildings. It also includes annual payments on projects funded through related energy savings until the project costs is retired. This line includes an estimated net increase of $641,000 or approximately 3% in 2018-19 based on pricing of natural gas, other utilities and normal consumption patterns as wells as estimated insurance and civic tax costs. Estimates are included for the operation of the biomass thermal plant upgrade in Truro.

Equipment and Furniture Allocation (Line 12)

Line 11 is a central pool of funding which is allocated to Faculties and service units to support teaching and equipment purchases. An inflationary increase of 1% has been included in line.

Strategic Initiatives (Line 13)

This pool of funding is allocated to Faculties and other budget units by the Provost Committee to support new initiatives in support of the Universities mission. Further commentary on this item is included in the 2018-19 Operating Budget Plan.

Facilities Renewal (Line 14)

The budget model assumes a $1.0 million increase in the budget for Facilities Renewal in Halifax and a $39,000 (2%) increase in Truro. There is further commentary on this item in the Operating Budget Plan. This includes the increase in the student fee (line 5) for Facilities Renewal of $99,000.

Campus Renewal – Long term (Line 15)

This line includes the costs of debt service and rental requirements for University space. The budget model assumes an increase in the cost of leased space in 2018-19.

Information Technology (Line 16)

This line includes a $1.4 million increase for information technology infrastructure as described in the report.

Contingency (Line 17)

This line is the annual allocation for contingency items. The budget is currently set at less than 0.5% of the total operating budget.