



Lakehead
UNIVERSITY

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1965-2015

Strategic Budgetary Plan 2015-16

April 22, 2015

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Executive Summary

Lakehead University has a strong past on which to build, and the Strategic and Academic Plans envision a bright future for Lakehead as a comprehensive, research-intensive university, recognized nationally and internationally for excellence in teaching and learning. The plans encourage the University to be ambitious and innovative while working within the fiscal constraints that we face. The Strategic Budgetary Plan supports this vision and aligns resources to pursue strategic goals and objectives.

As required by the Board of Governors, Lakehead University is projecting a balanced operating budget for fiscal 2015-16. The Operating Budget was developed under the direction of the President and the Executive Budget Committee. The budget planning process was launched in the late summer of 2014 following significant consultation with various stakeholders to inform a new transparent, consultative and accountable integrated budgeting and planning process.

Similar to most universities in the province of Ontario, Lakehead is facing significant budgetary challenges. Each year Lakehead is tasked with mitigating a structural deficit. Early projections indicate expenditure growth exceeding revenue progression by approximately 3%. 2015-16 projections proved more challenging following the 2012 announcement by the Ministry of Training, Colleges & Universities to extend the Faculty of Education program from 1 to 2 years, while reducing funding levels by 25%.

Other significant challenges within the scope of the 2015-16 budget plan include:

- Compensation & benefit increases as negotiated, or assumed;
- Large legislated pension deficit special payments;
- Projected enrolment decline;
- Reductions in government grant funding as announced in 2012; and
- Tuition fees as directed within the MTCU tuition framework including tuition set aside requirements.

The 2015-16 budget includes inclusion of carryforward funds and donations to assist with cost pressures. The budget also includes a one-time use of prior years' surplus to mitigate the one-time reduction in tuition revenue due to MTCU changes to the Faculty of Education.

Lakehead University is committed to ongoing integrated planning to ensure that the decisions made and the actions taken across the University all stream from a central vision and collective goals. At Lakehead the vision and goals are guided by our 2013-2018 Strategic Plan, and embodied within the Academic and Strategic Budgetary Plans.

The New Budget Model

Lakehead University recognized the need for a financial planning process that supports the multi-year strategic plan and is committed to a budget planning process that is highly consultative, transparent and ultimately accountable.

Recognizing that the budget development process required review, during the late summer and early fall of 2014, interviews were conducted with over 20 stakeholders with a focus on determining what principles should govern the development of our annual budget process, what should an effective budget process look like, and how did our previous budget processes adhere to these principles, or how did they not.

The interview findings were as follows:

- There was widespread agreement for the need to improve the annual budget process;
- There are no villains, and there was widespread understanding of the financial constraints we are working within;
- There has been too much focus on balancing the budget and less on using it to further strategic goals;
- Our current practices pointed to too much micro-management at the executive level;
- Decisions are not made in a timely way;
- There was recognition that the financial situation provides limited elbow room for initiative; and
- Budget management needs attention, not just budget development.

Using this feedback from stakeholders, a new vision for budget development was created committing to a process that functions as:

- an expression of all priorities that frame our future;
- a complete income and expenditure plan;
- a vehicle of good governance;
- an accountability system;
- one that includes meaningful consultation and engagement;
- one offering opportunities and innovation;
- one that provides an incentive system;
- one with budget related policies (e.g. carryovers, position control);
- one that produces a balanced budget; and
- one that protects the Public Relations Image and Reputation of Lakehead University.

Approved 2015-16 Operating Budget

The Approved Operating Budget is presented in Table 1. Department budgets follow in Table 2 and include inflationary increases due to collective agreement obligations less targeted expenditure reductions.

1. Enrolment

The majority of operating revenue is enrolment driven and is comprised of provincial grants and tuition fees.

Total enrolment is projected to be 7,671 full time equivalent students (FTE) compared to 2014-15 actual results of 7,741 and is comprised of the following:

Undergraduate	6,579
Graduate	572
International	520
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Total Projected FTE 2015-16	7,671

The reduction of 70 FTE from 2014-15 actual results is a combination of several factors including growth in the faculty of law, international students and graduate programs netted by declines in the faculty of education and domestic projections in Northwestern Ontario. Aggressive efforts to recruit and retain students must continue with a special emphasis on areas of growth, international recruitment, and domestic graduate student recruitment.

2. Revenue

Total revenue is expected to increase by 2.4% to a total of \$122.156 million.

Operating Grants are expected to decrease compared to last year. The reduction of 1.1% to operating grants is due primarily to the funding level reduction for the faculty of education program.

Tuition revenue is projecting an overall decrease of 0.2% which is a combination of the average annual cap increase to all programs of 3% as currently stipulated in the MTCU Tuition Framework plus additional tuition revenue from the 3rd law school cohort, but also considering declines in undergraduate enrolment as well as the loss of tuition for the faculty of education program change from 1 to 2 years.

International student tuition revenue is projected to increase by 61% representing the projected increase in the number of international students attending Lakehead next year.

Other revenue is slightly up from 2014-15 proposed levels due to recent policy changes, and new sources of revenue representing the contribution from ancillary services is projected to remain static.

3. Expenditures & Debt Payments

Total expenditures are expected to increase by 4.0% to a total of \$123.867 million.

Total compensation is expected to grow to 94.5 million dollars representing an increase of 2% over last year. This increase is primarily due to provisions in collective agreements.

Other costs are slightly higher than last year, and scholarships and bursaries remain consistent with the previous year.

The strategic initiatives fund has increased to 2 million dollars allowing the university to continue to invest in critical strategic initiatives and strategic reinvestment strategies.

Investment in faculties for international programs is projected to increase by 50% representing 25% of the additional net revenue received in the previous year.

Deferred maintenance remains consistent with the previous budget in 2014-15. It remains our intent to continue to grow this amount to address many of the aging infrastructure priorities.

The 50th anniversary budget was established in 2014-15 and unused funds will be carried forward to 2015-16.

Debt payments remain consistent with the previous year netted by donations received to offset debt at the Orillia campus.

An adjustment to the 2015-16 Approved Operating Budget includes the use of Prior Years' Surplus as a one-time strategy to assist with the one-time reduction to tuition estimates due to the changes in the faculty of education program and only being able to admit ½ the number of students in the transition year.

LAKEHEAD UNIVERSITY
APPROVED 2015-16 OPERATING BUDGET
(compared to 2014-15 Approved Budget)

Table 1

000'S

	2014-15 APPROVED	2015-16 APPROVED
ENROLMENT (FTE) (Note 1)	7,921	7,671
REVENUE		
Grants	62,476	61,766
Tuition	49,169	49,064
Other (Note 2)	1,500	1,916
Tuition International (Note 3)	5,406	8,720
New Sources of Revenue (Note 4)	690	690
TOTAL REVENUE	119,240	122,156
EXPENSES		
Full Time Salaries & Wages	78,327	80,243
Part Time Salaries & Wages	14,307	14,328
Other Costs (Note 5)	18,347	19,386
Scholarships, Bursaries from Tuition Reinvestment	5,468	5,596
Department Income & Cost Recoveries	(3,705)	(3,902)
Strategic Initiatives (Note 6)	1,000	2,000
Distribution of Net Tuition Revenue from International Students		
Additions to Faculty Budgets	856	1,285
Student Financial Aid	171	257
Deferred Maintenance	400	400
TOTAL EXPENSES BEFORE PRINCIPAL & INTEREST	115,170	119,593
Principal & Interest - Orillia Campus (Note 7)	1,675	1,675
Donations - Orillia Academic Building	(1,820)	(1,550)
Principal & Interest - Thunder Bay Campus (Note 7)	4,097	4,149
TOTAL EXPENSES BEFORE ADJUSTMENTS	119,122	123,867
Adjustments		
50th Anniversary Budget	118	0
Transfer from Prior Years' Accumulated Surplus	0	(1,711)
TOTAL EXPENSES	119,240	122,156
SURPLUS (DEFICIT)	0	0

Table 2

	000'S		000'S	
	2014-15	% of	2015-16	% of
	APPROVED	total	APPROVED	total
		budget		budget
PROVOST AND VICE PRESIDENT (ACADEMIC)				
Faculty of Social Sciences & Humanities	10,743		10,811	
Faculty of Sciences & Environmental Studies	12,423		12,885	
Faculty of Health & Behavioral Sciences	10,527		10,366	
Faculty of Business	3,118		3,451	
Faculty of Education	6,564		5,903	
Faculty of Engineering	7,241		7,408	
Faculty of Natural Resources Management	2,810		2,690	
Faculty of Law	1,756		2,235	
Orillia Campus - All Faculties	6,472		6,825	
Distribution of Net Tuition Revenue from International Students				
Additions to Faculty Budgets	856		1,285	
Interviews & Recruitment	100		100	
FACULTIES SUBTOTAL	62,610	54.4%	63,958	53.5%
ACADEMIC SERVICES:				
Continuing Education & Distributed Learning	1,890		1,823	
Vice Provost Student Affairs	3,499		3,522	
Provost & Vice President (Academic)	546		596	
Deputy Provost	288		248	
Library	4,648		4,661	
Institutional Analysis	386		394	
Graduate Studies	577		519	
Graduate Assistantships	4,555		4,578	
Aboriginal Initiatives	253		262	
Miscellaneous	60		58	
Ombudsperson	25		24	
ACADEMIC SERVICES SUBTOTAL	16,727	14.5%	16,685	14.0%
PROVOST AND VICE PRESIDENT (ACADEMIC) TOTAL	79,338	68.9%	80,645	67.4%
Aboriginal Post Secondary Education & Training (APSET)	969	0.8%	989	0.8%
Scholarships & Bursaries from Tuition Reinvestment	5,468	4.7%	5,596	4.7%
Distribution of Net Tuition Revenue from International Students - Student Financial Aid	171	0.1%	257	0.2%
Orillia Campus - Administration	4,058	3.5%	3,954	3.3%
International Affairs	1,128	1.0%	1,800	1.5%

Table 2

	000'S		000'S	
	2014-15 APPROVED		2015-16 APPROVED	
PRESIDENT				
Office of the President	721		690	
Media Relations	213		214	
Athletics	821		765	
Senior Advisor to the President	227		225	
University Secretariat	316		303	
PRESIDENT TOTAL	2,298	2.0%	2,197	1.8%
VICE PRESIDENT (EXTERNAL RELATIONS)				
Office of the Vice President	415		396	
Alumni & Community Relations	318		386	
Philanthropy	522		469	
Stewardship	217		219	
Government Relations	190		183	
Marketing Support	370		368	
VICE PRESIDENT (EXTERNAL RELATIONS) TOTAL	2,032	1.8%	2,020	1.7%
VICE PRESIDENT (RESEARCH, ECONOMIC DEVELOPMENT & INNOVATION)				
Office of the Vice President	529		453	
AVP Research	237		202	
Research Office	376		459	
Instrumentation Laboratory	277		263	
IMO/BDO	318		273	
VICE PRESIDENT (RESEARCH, ECONOMIC DEVELOPMENT & INNOVATION) TOTAL	1,737	1.5%	1,650	1.4%
VICE PRESIDENT (ADMINISTRATION & FINANCE)				
Office of the Vice President	312		344	
Risk Management & Access to Information	176		177	
Financial Services	1,945		2,101	
Human Resources	898		929	
Security	825		869	
Technology Services Centre	3,731		3,804	
Print shop and Mail Services	152		165	
Physical Plant	5,016		5,050	
VICE PRESIDENT (ADMINISTRATION & FINANCE) TOTAL	13,054	11.3%	13,440	11.2%
OTHER				
Utilities	3,316	2.9%	3,316	2.8%
General (Note 8)	1,700	1.5%	1,700	1.4%
Deferred Maintenance	400	0.3%	400	0.3%
Tuition Waiver	480	0.4%	480	0.4%
Strategic Initiatives	1,000	0.9%	2,000	1.7%
Savings from Carryforward Policy	(1,979)	(1.7%)	(850)	(0.7%)
TOTAL EXPENSES	115,170		119,593	

Notes to Approved 2015-16 Operating Budget

1. The Actual Enrolment for 2014-15 is 7,741 full time equivalent students. The 2015-16 enrolment has been estimated after giving consideration to the 2014-15 trends in enrolment and estimating growth from International.
2. Other Income includes revenues from the Ontario University Application Centre, Late Payment Fees, Interest on the Operating Bank Account, Overhead Income, and other miscellaneous revenues.
3. Tuition international includes an additional 145 (85 2014-15) International students that have been budgeted in 2015-16. This represents 420 (275 2014-15) International Students above the 2010-11 base for International Student Revenue.

4. New Sources of Revenue

Adult Ed-ELP/Certificates & Diplomas	160
Ancillary Services	449
Other	81
	<hr/>
	690
	<hr/> <hr/>

5. Expenses – Other Costs include printing & postage, office supplies, classroom & lab supplies, travel, books & related purchases, software and hardware purchases, repairs and renewals, merchant provider costs, external consulting fees, cleaning supplies, interviews & recruitment, memberships, municipal taxes and utilities.
6. Strategic Initiatives is a \$2,000 (\$1,000 2014-15) fund established for the University to make critical strategic investments. Investments from this fund are considered that support alignment with strategic and academic priorities, inclusion of plans that support enrolment and/or revenue growth, and/or proposals that focus on the protection of program quality and/or service viability.

7. Principal and Interest

	Principal	Interest	000's Sinking Fund Provision	2015-16 Approved Budget
Part of the Series A Unsecured Debenture Payable				
ATAC	193	771		964
Johnson Controls Phase 1	149	595	527	1,271
Johnson Controls Phase 2	133	532	472	1,137
Excess Borrowings	155	621		776
Orillia Academic Building	300	1,197		1,497
	930	3,716	999	5,645
Part of the RBC Orillia Residence & Cafeteria Loan	63	116		179
	993	3,832	999	5,824

8. General includes municipal taxes, liability insurance, legal and audit fees, university memberships, bad debts and merchant provider costs.

9. Certain comparative amounts presented in the 2014-15 Approved Budget have been restated to conform to the 2015-16 Approved Budget Presentation.

Balancing the Budget and Planning for Reinvestment

In order to address the structural deficit and cost pressures, Lakehead is aggressively pursuing several mitigation strategies including:

- An expenditure reduction modelling process that all units participated in. This process allowed for a complete budget reset, recognizing that base budgets had not been adjusted for many years. Some unit budgets were able to reduce by the full amount of 5%, others a portion, and some not at all. The end result was a budget refresh exercise that protected the quality of programs, with no impact to program offerings and no anticipated staff layoffs. The results of the expenditure reduction exercise are detailed in Table 2 by each department, after considering inflationary increases due to collective agreement obligations.
- International Student Recruitment efforts remain aggressive including expansion to the English Language Program.
- A continued focus to build on academic growth areas including the Orillia campus, graduate programs, growing faculties, and other partnership and collaborative opportunities.
- A continued focus on building other revenue streams.
- Critical analysis of every retirement and resignation.
- The inclusion of a portion of ancillary services in the general operating budget.
- The identification of other efficiencies and process improvements including:
 - ✓ Increased use of LED lighting
 - ✓ Changes to the lighting in the Library
 - ✓ New food services contracts offering brand new menu plans, considerable capital upgrades, sustainability initiatives and a focus on staff and students wellness.
 - ✓ Implementation of composting in our kitchens, and the elimination of the use of trays.
 - ✓ Adjustment of Retail Food outlet hours to respond to peak demands and low usage.
 - ✓ Electronic initiatives including scanning, e-travel, E-Vouchers, E-Checks, E-Paystubs, E T-4's, etc.

The new annual budget development process offered an opportunity to consider proposals for reinvestment and/or additional resources. Reinvestments were considered that supported the alignment with strategic and academic priorities, inclusion of plans that support enrolment and/or revenue growth, and/or proposals that focused on the protection of program quality and/or service viability. The reinvestment fund has increased in the Approved 2015-16 budget to a total of \$2,000,000 (2014-15 \$1,000,000).

Strategic initiatives Approved for consideration include (listed by portfolio):

Academic & Student Support Services:

- Strategic Hiring for Growth Areas
- Support for the Native Nurses' Entry Program
- Support for our Enterprise Resource Program
- Enhanced Marketing and Recruitment Initiatives
- Support for Web Development
- Extended Library Hours
- Increased Support of International Graduate Assistantships

Research:

- Support for increased research capacity

External Relations:

- Enhanced Philanthropy Support

Administration & Infrastructure:

- Implementation of a Human Rights/Equity Office
- Energy Efficiency Projects (LED Lamping)
- Wireless Expansion

As reinvestment decisions are planned for, careful consideration is given to the percentage of operating resources dedicated to academic programs compared to administrative services. From 2010 to present, the percentage of operating dollars dedicated to academic programs and student services continues to grow. Conversely, the proportion of operating dollars allocated to administration has decreased as a direct result of the implementation of efficiencies noted above. Academic programs have increased by over \$20 million dollars over the last 5 years at a growth rate of 5.47% over the same five year period.

Looking ahead, Lakehead University remains committed to reviewing all service departments to provide useful information on the effectiveness and efficiency of each

unit. This information can support improvements and inform the integrated planning process. The review processes will also be the catalyst for self-assessment and innovation with the goal of improving internal systems and client service.

Ancillary Operations Approved 2015-2016 Budgets

Ancillary services provide a vital service to students, staff and faculty and contribute to a student's experience while attending University.

Ancillary units are self-sustaining business enterprises providing goods and services to the University in support of core educational and research missions. They are not supported by the central university operating budget, and are expected to break-even or generate profit.

Two years ago, the ancillary service model started contributing overhead and a portion of net profits to general university operations.

Table 3 provides Approved operating budgets for all ancillary operations at both the Thunder Bay and Orillia campuses.

Retail operations at the Thunder Bay campus include the Bookstore and Campus Tech. Both operations are realizing a decline in sales over the last few years due to the use of eBooks and online sales venues as well as Apple pulling the right to sell computers in university outlets. Retail operations in Orillia are projected to remain status quo.

Residence and Conference Services provides housing options for students living both on campus and off campus as well as food service & meal plans. Revenue in Thunder Bay is expected to decline with Prettie Residence vacant in 2015-16 and the remaining room inventory projecting a reduced vacancy rate. The Orillia Residence remains financially challenged due to the payment of debt and is projecting close to 100% occupancy.

Food & Vending Services represent retail food sales on both campuses. Projections for 2015-16 remain fairly consistent with prior year's budgets.

Parking services at both campuses project minimal change from the prior year, as does the English Language Program.

Total net revenue projected for Lakehead University Ancillary Services is estimated to be \$444,000.

Table 3

	2014-15 APPROVED	2015-16 APPROVED
Retail Operations - Thunder Bay		
Revenue	4,041	3,803
Expenses	4,005	3,653
	36	150
Retail Operations - Orillia		
Revenue	650	650
Expenses	641	634
	9	16
Residence - Thunder Bay		
Revenue	9,687	9,259
Expenses	7,877	7,581
Principal & Interest	1,131	1,131
	679	546
Residence - Orillia		
Revenue	2,468	2,695
Expenses	1,578	1,692
Principal & Interest	1,176	1,176
	(286)	(173)
Food Services & Vending - Thunder Bay		
Revenue	467	452
Expenses	318	340
	149	112
Food Services & Vending - Orillia		
Revenue	63	35
Expenses	63	35
	0	0
Parking & Lockers - Thunder Bay		
Revenue	800	742
Expenses	732	672
	68	70
Parking - Orillia		
Revenue	154	163
Expenses	143	152
	11	11
English Language Program		
Revenue	808	808
Expenses	488	488
	320	320
Overhead Contribution to Administration	(609)	(609)
TOTAL INCOME	19,137	18,608
TOTAL EXPENSES	18,760	18,163
SURPLUS	377	444
OPENING SURPLUS (DEFICIT)	(5,753)	(5,376)
CLOSING SURPLUS (DEFICIT)	(5,376)	(4,932)

