



Setting the Stage:
2018 and Beyond
Strategic Budget Plan
2018-19

April 26, 2018

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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.

Lakehead University is committed to ongoing integrated planning to ensure that the decisions we make and the actions we take across the university all stream from a central vision and collective goals. At Lakehead the vision and goals inform all plans, including an integrated budget plan and process that supports this vision and aligns resources to pursue strategic goals and objectives.

As required by the Board of Governors, Lakehead University continues to present a balanced operating budget. The operating budget was developed under the direction of the President and the Executive Budget Committee. The budget planning process for 2018-19 fully reflects the new integrated budget development model that was launched in 2015-16 following significant consultation with various stakeholders to inform a transparent, consultative and accountable integrated budgeting process. This budget model fully supports the integration of the Strategic Plan, Academic Plan and Strategic Enrolment Management Plan (SEM).

Similar to most universities in the province of Ontario, Lakehead is facing significant budgetary challenges, including an ongoing structural deficit. Projections indicate expenditure growth exceeding revenue progression by approximately 3.5%. Universities, including Lakehead University, are also facing a number of challenges that threaten achievement of enrolment targets. These challenges include changes to how universities are funded within the province of Ontario, changing demographics, a declining post-secondary age population, increasing need for reskilling the current workforce, dependence on strong enrolment to fund institutional operations and increasing competition within the post-secondary sector for students. These pressures are expected to continue into the future, while Lakehead University continues to strive towards the goal of achieving optimal enrolment in excess of 10,000 students over the coming years.

In addition to these challenges, other significant factors within the scope of the 2018-19 budget plan include:

- Projected declines of the post-secondary demographic profile in Northwestern Ontario and Simcoe County;
- Flowthrough impact of domestic undergraduate enrolment decline experienced in 2017-18;
- Compensation & benefit increases as negotiated, or assumed;
- Impact of Bill 148 “Fair Workplace, Better Jobs Act”
- Legislated pension deficit special payments;

- Tuition fees as required within the Ministry of Advanced Education & Skills Development (MAESD) tuition framework including tuition set aside requirements.
- Inflationary increases to utility costs

The 2018-19 Budget includes carryforward funds and donations to assist with cost pressures. The budget also assumes stable grant funding for the Faculty of Education following extensive advocacy with local and provincial government which demonstrated the disproportionate impact that the changes made to education have had on Lakehead University. Lakehead was also successful in achieving continued Stage II Solvency funding relief for the Professional Pension Plan.

Within this changing environment, Lakehead University has acknowledged the need to move forward with a more strategic and methodical approach to enrolment planning and management. Our 2012-2017 Academic Plan identified the need to focus on enrolment through the development of a comprehensive, multi-year enrolment plan that includes strategies to optimize enrolment of specific segments of the student population including domestic and international students, undergraduate and graduate students, and the participation of Indigenous learners at Lakehead University. This requires that the university community become more strategic in how we collectively plan for, attract, recruit, and retain undergraduate and graduate students to sustain and optimize enrolment. The introduction of Strategic Enrolment Management (SEM) is helping Lakehead University define a comprehensive process to optimize enrolment. Ongoing implementation and adoption of Strategic Enrolment Management will help identify tactics to achieve these goals over the longer term while also informing a strategic approach to multi-year budgeting and capacity planning.

2018-2019 will be a transition year as the University enters into the first year of a new Strategic Mandate Agreement with the Ministry and finalizes development of a new strategic and academic Plan while still ensuring a financially sustainable resource plan is in place to support key priorities. The SEM Planning undertaken over the past year has resulted in the development of multiyear enrolment projections that will need to be reviewed and refreshed this year. In planning for the 2018-19 budget cycle, we look forward to building on the successes of the past and continuing the work towards aligning the institution's resources with the current strategic and academic plans.

The Budget Model

Lakehead University is committed to a financial planning process that supports the multi-year Strategic Plan, the Academic Plan, and the Strategic Mandate Agreement. The university is committed to a budget planning process that is highly consultative, transparent and ultimately accountable. 2018-19 fully implements the refreshed budget development process that embodies these commitments.

Lakehead has implemented an effective budget development process that steers budget decisions using the following guiding principles:

The budget process will be:

- an expression of all priorities that frame our future;
- a complete revenue and expenditure plan;
- a vehicle of good governance;
- an accountability system;
- one that includes meaningful consultation and engagement;
- one offering opportunities for efficiency and innovation;
- one that provides an incentive system;
- budget related policies (e.g. carry forward funds, position control);
- and leads to a balanced budget that protects the public relations image and reputation of Lakehead University.

Moving forward, our budget model will continue to evolve in order to respond to the institution's financial challenges. Our budget model will specify how to allocate revenue, how to distribute costs and how to define and operationalize institutional priorities.

Approved 2018-19 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, the impact of Bill 148 and minor changes to targeted expenditures.

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 7,861 full time equivalent students (FTE) compared to 2017-18 actual results of 7,583 and is comprised of the following:

Undergraduate	5,974
Graduate	735
International	1,152
<hr/>	
Total Projected FTE 2018-19	7,861

The increase of 278 FTE from 2017-18 actual results is a combination of several factors including modest growth in domestic undergraduate projections, growth in domestic graduate programs, and continued growth in international students. Aggressive efforts to recruit domestic and international students will continue with a special emphasis, through strategic enrolment management, on enhancing student retention.

2. Revenue

Total revenue is expected to increase by 6.2% to a total of \$138.995 million.

Operating grants are expected to decrease slightly compared to last year. The decrease to operating grants is attributable the international student tax imposed by the Ministry of Advanced Education and Skills Development and is based on the number of international students attending.

Tuition revenue is projected to increase due to the a combination of the average annual tuition rate cap increase to all programs of 3% as currently stipulated in the extension of the MAESD tuition framework, and also considering increases in undergraduate enrolment.

International student tuition revenue is also projected to increase due to the projected increase in the number of international students attending Lakehead next year and the increase in International tuition fees.

Other revenue are consistent with 2017-18 approved levels.

3. Expenditures

Total expenditures are expected to increase by 6.2% to a total of \$138.995 million.

Total compensation is expected to grow to \$104.422 million representing an increase of 4.9% over last year. This increase is primarily due to provisions in collective agreements as well as the impact of Bill 148 (minimum wage increases).

Other costs have increased by 8.6% which is primarily attributable to contract service increases (Bill 148), utility cost inflation, and the projected operating costs of the new CASES building.

Scholarships and bursaries are slightly higher than last year, although minimal change.

The strategic initiatives fund is consistent with 2017-18 at \$1.400 million 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 44% representing 25% of the additional net revenue received in the previous year.

Deferred maintenance remains consistent with the previous budget in 2017-18. It remains our intent to continue to grow this amount to address many of the aging infrastructure priorities; however, this amount is supplemented by the recent announcement of the funding allocations for the Climate Change Action Plan.

Debt payments are consistent with the previous year and are netted by donations received to offset loans at the Orillia campus.

LAKEHEAD UNIVERSITY
APPROVED 2018-19 OPERATING BUDGET
(compared to 2017-18 Approved Budget)

Table 1

000'S

	2017-18 APPROVED	2018-19 APPROVED
ENROLMENT (FTE) (Note 1)	7,704	7,861
REVENUE		
Grants	61,953	61,247
Tuition	47,768	48,428
Tuition International	18,624	26,814
Other (Note 2)	2,506	2,506
TOTAL REVENUE	130,851	138,995
EXPENSES		
Full Time Salaries & Wages	84,677	88,615
Part Time Salaries & Wages	14,913	15,807
Other Costs (Note 3)	20,818	22,613
Scholarships, Bursaries from Tuition Reinvestment	5,650	5,713
Department Income & Cost Recoveries	(3,682)	(3,690)
Strategic Initiatives (Note 4)	1,400	1,400
Distribution of Net Tuition Revenue from International Students	3,350	4,812
Deferred Maintenance	400	400
Principal & Interest (Note 5)	3,325	3,325
TOTAL EXPENSES	130,851	138,995
SURPLUS (DEFICIT)	0	0

Table 2

	000'S		000'S	
	2017-18	% of	2018-19	% of
	APPROVED	total	APPROVED	total
		budget		budget
PROVOST AND VICE PRESIDENT (ACADEMIC)				
Faculty of Social Sciences & Humanities	10,935		11,151	
Faculty of Sciences & Environmental Studies	12,624		13,169	
Faculty of Health & Behavioral Sciences	11,159		11,597	
Faculty of Business	3,563		3,734	
Faculty of Education	5,640		5,788	
Faculty of Engineering	8,198		8,472	
Faculty of Natural Resources Management	2,636		2,702	
Faculty of Law	2,560		2,899	
Orillia Campus - All Faculties	7,723		8,174	
Distribution of Net Tuition Revenue from International Students				
Additions to Faculty Budgets	2,792		4,050	
Interviews & Recruitment	100		100	
FACULTIES SUBTOTAL	67,930	51.9%	71,835	51.7%
ACADEMIC SERVICES:				
Distributed Learning	1,666		1,715	
Vice Provost Student Affairs	3,495		3,902	
Provost & Vice President (Academic)	601		681	
Deputy Provost	217		221	
Library	4,465		4,619	
Institutional Planning & Analysis	473		511	
Graduate Studies	537		626	
Graduate Assistantships	4,662		5,095	
Aboriginal Initiatives	272		313	
Miscellaneous Academic	48		48	
Ombudsperson	25		34	
ACADEMIC SERVICES SUBTOTAL	16,461	12.6%	17,765	12.8%
PROVOST AND VICE PRESIDENT (ACADEMIC) TOTAL	84,391	64.5%	89,600	64.5%
Post Secondary Education Funding for Aboriginal Learners (PEFAL)	989	0.8%	989	0.7%
Truth & Reconciliation	176	0.1%	220	0.2%
Scholarships & Bursaries from Tuition Reinvestment	5,650	4.3%	5,713	4.1%
Distribution of Net Tuition Revenue from International Students - Student Financial Aid	558	0.4%	761	0.5%
Orillia Campus - Administration	4,525	3.5%	4,620	3.3%
Lakehead International	3,909	3.0%	4,622	3.3%

Table 2

	000'S		000'S	
	2017-18 APPROVED		2018-19 APPROVED	
PRESIDENT				
Office of the President	693		710	
Media Relations	119		128	
PRESIDENT TOTAL	812	0.6%	837	0.6%
CHIEF OF STAFF	260	0.2%	260	0.2%
UNIVERSITY SECRETARIAT	420	0.3%	520	0.4%
VICE PRESIDENT (EXTERNAL RELATIONS)				
Office of the Vice President	409		419	
Alumni & Community Relations	397		417	
Philanthropy	508		518	
Stewardship	244		245	
Government Relations	184		192	
Marketing Support	552		564	
Web Development Services	243		250	
VICE PRESIDENT (EXTERNAL RELATIONS) TOTAL	2,537	1.9%	2,604	1.9%
VICE PRESIDENT (RESEARCH & INNOVATION)				
Office of the Vice President	432		449	
AVP Research	218		226	
Research Office	542		554	
Instrumentation Laboratory	281		286	
Economic Development & Innovation	277		297	
VICE PRESIDENT (RESEARCH & INNOVATION) TOTAL	1,751	1.3%	1,812	1.3%
VICE PRESIDENT (ADMINISTRATION & FINANCE)				
Office of the Vice President	332		342	
Athletics	898		1,046	
Risk Management & Access to Information	155		160	
Financial Services	2,191		2,282	
Human Resources	1,047		1,090	
Human Rights & Equity	0		212	
Security	878		931	
Technology Services Centre	4,790		4,722	
Physical Plant	4,983		5,193	
VICE PRESIDENT (ADMINISTRATION & FINANCE) TOTAL	15,276	11.7%	15,977	11.5%
OTHER				
Utilities	3,616	2.8%	3,916	2.8%
General (Note 6)	1,876	1.4%	1,889	1.4%
Deferred Maintenance	400	0.3%	400	0.3%
Tuition Waiver	480	0.4%	680	0.5%
Strategic Initiatives (Note 4)	1,400	1.1%	1,400	1.0%
Savings from Carryforward Policy	(1,500)	(1.1%)	(1,150)	(0.8%)
Principal & Interest (Note 5)	3,325	2.5%	3,325	2.4%
TOTAL EXPENSES	130,851		138,995	

Notes to Approved 2018-19 Operating Budget

1. The actual enrolment for 2017-18 is 7,583 full time equivalent students. The 2018-19 enrolment has been estimated after considering the 2017-18 trends in enrolment and estimating growth from international programs.
2. Other revenue includes revenues from the Ontario University Application Centre, late payment fees, interest on the operating bank account, investment income, overhead income net of overhead allocation, and an overhead contribution to operating costs from ancillary operations.
3. Expenses – Other Costs include printing & postage, office supplies, classroom & lab supplies, travel, books & related purchases, advertising, telephone, maintenance agreements, legal and audit, insurance, equipment purchases, software and hardware purchases, repairs and renewals, merchant provider costs, external consulting fees, cleaning supplies, interviews & recruitment, memberships, municipal taxes and utilities.
4. Strategic Initiatives is an annually renewable fund of \$1.400 million (\$1.400 million 2017-18) established for the university to make critical strategic investments. The overall amount will remain stable so that having annual funds available will be dependent on avoiding clogging the funds with ongoing operating costs. There are two types of investments - long-term investments, including permanent staff, to be provided during the start-up phase for programs that have almost certain realizable potential for stable and growing long-term revenues, and temporary and medium term funds including capital equipment, consulting fees, term employees and other start-up funds for new projects. These funds must be related to either increasing revenue or decreasing future costs.

5. Principal & Interest

Amounts included in Principal & Interest are as follows:

	Principal	Interest	2018-19 Approved Budget
	<u>\$000's</u>	<u>\$000's</u>	<u>\$000's</u>
Part of the Series A Unsecured Debenture Payable			
ATAC	\$ 226	\$ 738	\$ 964
Johnson Controls Phase 1	174	580	744
Johnson Control Phase 2	156	509	665
Excess Borrowings	182	595	777
Orillia Academic Building	350	1,146	1,497
	<u>1,088</u>	<u>3,558</u>	<u>4,647</u>
Portion of RBC Orillia Residence & Cafeteria Loan	<u>72</u>	<u>105</u>	<u>178</u>
	<u>1,160</u>	<u>3,664</u>	<u>4,825</u>

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

7. Certain comparative amounts presented in the 2017-18 Approved Budget have been restated to conform to the 2018-19 Approved Budget presentation.

Ancillary Operations Approved 2018-19 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.

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

Beginning in 2018-19, Lakehead University assumed ownership and control of Lakehead Thunderwolves Hockey.

Table 3 provides Approved operating budgets for all ancillary operations.

Total net revenue projected for Lakehead University Ancillary Services is estimated to be \$204,000.

Table 3

	2017-18 APPROVED	2018-19 APPROVED
Retail Operations		
Revenue	3,374	3,500
Expenses	3,339	3,426
	35	74
Residence		
Revenue	12,925	13,164
Expenses	9,973	10,226
Principal & Interest	2,925	2,924
	27	14
Food Services & Vending		
Revenue	411	430
Expenses	362	401
	49	29
Parking & Lockers		
Revenue	981	981
Expenses	960	960
	21	21
English Language Centre		
Revenue	1,900	2,250
Expenses	1,434	2,187
	466	63
Lakehead Thunderwolves Varsity Hockey		
Revenue	-	978
Expenses	-	975
	-	3
TOTAL INCOME	19,590	21,303
TOTAL EXPENSES	18,993	21,099
SURPLUS	598	204

Note: Total Expenses include an overhead contribution to the Operating Budget of \$820K in 2018-19.