



Lakehead
UNIVERSITY

Strategic Budgetary Plan 2016-17

April 21, 2016

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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 2016-17. The Operating Budget was developed under the direction of the President and the Executive Budget Committee. The budget planning process for 2016-17 is the second year of the new integrated budget development model that was launched the previous year following significant consultation with various stakeholders to inform a new transparent, consultative and accountable integrated budgeting process.

- Similar to most universities in the province of Ontario, Lakehead is facing significant budgetary challenges. In particular, early fiscal projections for 2016-17 indicated a more serious fiscal deficit. Each year Lakehead is tasked with mitigating a structural deficit. Projections indicated expenditure growth exceeding revenues by approximately 3.5%. This was compounded by significant enrolment decline below budgeted targets for 2015-16 that resulted in negatively impacting budget projections for 2016/17 further by 4%. Finally, the threat of grant funding cuts by government for not reaching enrolment targets in the Faculty of Education threatened Lakehead's budget position by another 3%. These three significant factors within Lakehead's fiscal environment estimated a starting shortfall for budget development of approximately \$10.6 million dollars.

The 2016-17 budget plan also needed to address the following significant challenges

- Projected declines of the post-secondary demographic profile in Northwestern Ontario and Simcoe County;
- Smaller FTE flow-through into 2016/17 due to the enrolment decline experienced in 2015-16;
- Compensation & benefit increases as negotiated, or assumed;
- Large legislated pension deficit special payments;
- Continued phase in of BIU reduction to the Faculty of Education grant funding;
- Tuition fees as required within the MTCU tuition framework including tuition set aside requirements.

The 2016-17 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 University is committed to ongoing integrated planning to ensure that the decisions made and the actions taken across the University flow 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 Budget Model

Lakehead University is committed to a financial planning process that supports the multi-year strategic plan and is highly consultative, transparent and ultimately accountable. 2016-17 is the second year of the newly refreshed budget development process that embodies these commitments.

The process that was implemented provides:

- an expression of all priorities that frame our future;
- a complete income and expenditure plan;
- a vehicle of good governance;
- an accountability system;
- meaningful consultation and engagement and provides opportunities for innovation, and incentives;
- 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.

Approved 2016-17 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 7,347 full time equivalent students (FTE) compared to 2015-16 actual results of 7,201 and is comprised of the following:

Undergraduate	6,073
Graduate	645
International	629
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Total Projected FTE 2016-17	7,347

The increase of 146 FTE from 2015-16 actual results is a combination of several factors including growth in 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 undergraduate and graduate student recruitment.

2. Revenue

Total revenue is expected to increase by 1.5% to a total of \$124.023 million.

Operating Grants are expected to increase slightly compared to last year. The increase to operating grants is a combination of the reallocation of the graduate expansion grant to operating revenue netted against the phase in of the BIU funding reduction for the Faculty of Education.

Tuition revenue is projecting an overall decrease of 4.2% which is a combination of the average annual cap increase to all programs of 3% as currently stipulated in the MTCU Tuition Framework, but also considering declines in undergraduate enrolment experienced in 2015-16.

International student tuition revenue is projected to increase by 38% representing the projected increase in the number of international students attending Lakehead next year and the increase in International tuition fees.

Other revenue and new sources of revenue representing the contribution from ancillary services are consistent with 2015-16 approved levels.

3. Expenditures

Total expenditures are expected to increase by 1.5% to a total of \$124.023 million.

Total compensation is expected to grow to \$95.627 million representing an increase of 1.1% over last year. This increase is primarily due to provisions in collective agreements.

Other costs and scholarships and bursaries are slightly lower than last year.

The strategic initiatives fund has decreased to \$1.400 million allowing the university to continue to invest in critical strategic initiatives and strategic reinvestment strategies that were approved in 2015-16.

Investment in faculties for international programs is projected to increase by 42% representing 25% of the additional net revenue received in the previous year.

Deferred maintenance remains consistent with the previous budget in 2015-16. It remains our intent to continue to grow this amount to address many of the aging infrastructure priorities.

Debt payments have decreased compared to the previous year due to changes made to debt management policies. Debt payments are netted by donations received to offset loans at the Orillia campus.

An adjustment to the 2015-16 Approved Operating Budget included 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. This adjustment is not included in the 2016-17 budget plan.

LAKEHEAD UNIVERSITY
APPROVED 2016-17 OPERATING BUDGET
(compared to 2015-16 Approved Budget)

Table 1

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	2015-16 APPROVED	2016-17 APPROVED
ENROLMENT (FTE) (Note 1)	7,671	7,347
REVENUE		
Grants	61,766	62,396
Tuition	49,064	47,010
Other (Note 2)	1,916	1,916
Tuition International (Note 3)	8,720	12,011
New Sources of Revenue (Note 4)	690	690
TOTAL REVENUE	122,156	124,023
EXPENSES		
Full Time Salaries & Wages	80,243	80,786
Part Time Salaries & Wages	14,328	14,842
Other Costs (Note 5)	19,386	19,172
Scholarships, Bursaries from Tuition Reinvestment	5,596	5,408
Department Income & Cost Recoveries	(3,902)	(3,476)
Strategic Initiatives (Note 6)	2,000	1,400
Distribution of Net Tuition Revenue from International Students		
Additions to Faculty Budgets	1,285	1,823
Student Financial Aid	257	365
Deferred Maintenance	400	400
Principal & Interest	4,274	3,303
TOTAL EXPENSES BEFORE ADJUSTMENTS	123,867	124,023
Adjustments		
Transfer from Prior Years' Accumulated Surplus	(1,711)	0
TOTAL EXPENSES	122,156	124,023
SURPLUS (DEFICIT)	0	0

Table 2

	000's		000's	
	2015-16 APPROVED	% TOTAL BUDGET	2016-17 APPROVED	% TOTAL BUDGET
PROVOST AND VICE PRESIDENT (ACADEMIC)				
Faculty of Social Sciences & Humanities	10,811		10,648	
Faculty of Sciences & Environmental Studies	12,885		12,732	
Faculty of Health & Behavioral Sciences	10,366		10,617	
Faculty of Business	3,451		3,522	
Faculty of Education	5,903		5,552	
Faculty of Engineering	7,408		7,734	
Faculty of Natural Resources Management	2,690		2,609	
Faculty of Law	2,235		2,257	
Orillia Campus - All Faculties	6,825		7,100	
Distribution of Net Tuition Revenue from International Students				
Additions to Faculty Budgets	1,285		1,823	
Interviews & Recruitment	100		100	
FACULTIES SUBTOTAL	63,958	51.6%	64,694	52.2%
ACADEMIC SERVICES:				
Continuing Education & Distributed Learning	1,823		1,788	
Vice Provost Student Affairs	3,522		3,625	
Provost & Vice President (Academic)	596		645	
Deputy Provost	248		234	
Library	4,661		4,474	
Institutional Planning & Analysis	394		396	
Graduate Studies	519		522	
Graduate Assistantships	4,578		4,601	
Aboriginal Initiatives	262		276	
Miscellaneous	58		48	
Ombudsperson	24		20	
ACADEMIC SERVICES SUBTOTAL	16,685	13.5%	16,629	13.4%
PROVOST AND VICE PRESIDENT (ACADEMIC) TOTAL	80,645	65.1%	81,323	65.6%
Aboriginal Post-Secondary Education & Training (APSET)	989	0.8%	989	0.8%
Scholarships & Bursaries from Tuition Reinvestment	5,596	4.5%	5,408	4.4%
Distribution of Net Tuition Revenue from International Students - Student Financial Aid	257	0.2%	365	0.3%
Orillia Campus - Administration	3,954	3.2%	4,352	3.5%
International Affairs	1,800	1.5%	2,380	1.9%

Table 2

	000'S		000'S	
	2015-16 APPROVED	% TOTAL BUDGET	2016-17 APPROVED	% TOTAL BUDGET
PRESIDENT				
Office of the President	690		690	
Media Relations	214		124	
Athletics	765		792	
Senior Advisor to the President	225		233	
University Secretariat	303		331	
PRESIDENT TOTAL	2,197	1.8%	2,170	1.7%
VICE PRESIDENT (EXTERNAL RELATIONS)				
Office of the Vice President	396		399	
Alumni & Community Relations	386		384	
Philanthropy	469		484	
Stewardship	219		197	
Government Relations	183		180	
Marketing Support	368		361	
VICE PRESIDENT (EXTERNAL RELATIONS) TOTAL	2,020	1.6%	2,005	1.6%
VICE PRESIDENT (RESEARCH & INNOVATION)				
Office of the Vice President	453		430	
AVP Research	202		206	
Research Office	459		477	
Instrumentation Laboratory	263		265	
IMO/BDO	273		275	
VICE PRESIDENT (RESEARCH & INNOVATION) TOTAL	1,650	1.3%	1,654	1.3%
VICE PRESIDENT (ADMINISTRATION & FINANCE)				
Office of the Vice President	344		331	
Risk Management & Access to Information	177		154	
Financial Services	2,101		2,062	
Human Resources	929		954	
Security	869		855	
Technology Services Centre	3,804		4,335	
Print shop and Mail Services	165		151	
Physical Plant	5,050		4,936	
VICE PRESIDENT (ADMINISTRATION & FINANCE) TOTAL	13,440	10.9%	13,777	11.1%
OTHER				
Utilities	3,316	2.7%	3,316	2.7%
General (Note 7)	1,700	1.4%	1,700	1.4%
Deferred Maintenance	400	0.3%	400	0.3%
Tuition Waiver	480	0.4%	480	0.4%
Strategic Initiatives	2,000	1.6%	1,400	1.1%
Savings from Carryforward Policy	(850)	(0.7%)	(1,000)	(0.8%)
Principal & Interest	4,274	3.5%	3,303	2.7%
TOTAL EXPENSES	123,867		124,023	

Notes to Approved 2016-17 Operating Budget

1. The Actual Enrolment for 2015-16 is 7,201 full time equivalent students. The 2016-17 enrolment has been estimated after giving consideration to the 2015-16 trends in enrolment and estimating growth from International and graduate programs.
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 133 International students that have been budgeted in 2016-17 compared to 2015-16 actual results. International Student Revenue represents 529 International Students above the 2010-11 base of 100 International Students.
4. New Sources of Revenue

Adult Ed-ELP/Certificates & Diplomas	180
Ancillary Services	510
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Total 2016-17	690
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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 \$1.400 million (\$2.000 million 2015-16) 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. General includes municipal taxes, liability insurance, legal and audit fees, university memberships, bad debts and merchant provider costs.

Balancing the Budget and Planning for Reinvestment

In order to address the structural deficit and cost pressures, Lakehead has implemented several mitigation strategies including:

- Extensive advocacy with local and provincial government to demonstrate the disproportional impact the changes made to the Faculty of Education have had on Lakehead University. Lakehead University is optimistic that the government has acknowledged the inequities across the system and has verbally committed to maintain stable funding for the Faculty of Education for the next five years as we rebuild the program to maximum enrolment caps.
- Redistribution of the graduate expansion grant to the operating fund.
- An expenditure reduction modelling process that all units participated in. This process allowed for many departmental budget resets. Some unit budgets were able to reduce by the full amount of 3.65%, others a portion, and some not at all. The end result was a budget refresh exercise that protected the quality of programs, and minimized the impact of the academic and student support units. The results of the expenditure reduction exercise for each of the operating units are detailed in Table 2, after considering inflationary increases due to collective agreement obligations.
- A renewed focus on domestic recruitment efforts.
- Aggressive International Student Recruitment including for the English Language and other Special Programs.
- A continued focus on academic growth areas including graduate program development, and other partnership and collaborative opportunities such as the Lakehead/Georgian initiative.
- 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, and changes to debt management strategies.

The budget development process offered an opportunity to continue to invest in strategic initiatives that support alignment with strategic and academic priorities, enrolment and/or revenue growth, and/or proposals that focus on the protection of program quality and/or service viability. The reinvestment fund has decreased in the approved 2016-17 budget to \$1.400 million (2015-16 \$2.000 million) but supports the 2015/16 commitments.

Ongoing strategic initiatives 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

Research:

- Support for increased research capacity

External Relations:

- Enhanced Philanthropy Support

Administration & Infrastructure:

- Implementation of a Human Rights/Equity Office

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 the academic units and student services continues to grow or remains stable. Conversely, the proportion of operating dollars allocated to administration has decreased as a direct result of the implementation of efficiencies noted above. Funds allocated to support the academic mission have increased by over \$20 million dollars over the last 5 years.

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 2016-17 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.

Total net revenue projected for Lakehead University Ancillary Services is estimated to be \$391,000.

LAKEHEAD UNIVERSITY
APPROVED 2016-17 ANCILLARY BUDGET
(compared to 2015-16 Updated Budget)

Table 3

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	2015-16 UPDATED	2016-17 APPROVED
Retail Operations		
Revenue	4,453	3,523
Expenses	4,287	3,406
	166	117
Residence		
Revenue	11,954	11,945
Expenses	9,273	8,617
Principal & Interest	2,307	2,924
	374	404
Food Services & Vending		
Revenue	487	393
Expenses	375	284
	112	112
Parking & Lockers		
Revenue	905	981
Expenses	824	869
	81	111
English Language Program		
Revenue	808	808
Expenses	488	488
	320	320
Overhead Contribution to Administration	(609)	(670)
TOTAL INCOME	18,608	17,649
TOTAL EXPENSES	18,163	17,258
SURPLUS	444	391