



# Strategic Budget Plan 2017-18

April 27, 2017

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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 Budget 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 2017-18. The Operating Budget was developed under the direction of the President and the Executive Budget Committee. The budget planning process for 2017-18 is the third year of the new integrated budget development model that was launched in 2015-16 following significant consultation with various stakeholders to inform a new transparent, consultative and accountable integrated budgeting process. This budget model fully supports the integration of the Strategic Plan, Academic Plan, and newly launched Strategic Enrolment Management Plan.

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 student demand.

In addition to these challenges, other significant factors within the scope of the 2017-18 budget plan include:

- Projected declines of the post-secondary demographic profile in Northwestern Ontario and Simcoe County;
- Flowthrough impact of enrolment decline experienced in 2015-16;
- Compensation & benefit increases as negotiated, or assumed;
- Legislated pension deficit special payments;
- Phase in of BIU reduction to the Faculty of Education grant funding;
- Tuition fees as required within the Ministry of Advanced Education & Skills Development (MAESD) tuition framework including tuition set aside requirements.

The 2017-18 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. The budget also recognizes the new Extension of Stage 2 Solvency Relief

for the Professional Pension Plan which requires 25% of the university's solvency deficit to be funded. Finally, the budget models a new MAESD Funding Formula for universities premised on stable funding for the next phase of the Strategic Mandate Agreement (SMA2).

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 through the development of a comprehensive, multi-year enrolment plan that includes strategies to optimize enrolment of specific segments of the student population. The introduction of Strategic Enrolment Management will inform a strategic approach to multi-year budgeting and capacity planning, ensuring a financially sustainable resource plan is in place to support key priorities.

The complete integrated planning model will ensure decisions made and actions taken across the University all stream from a central vision and collective goals embodied within the overarching Strategic Plan.

## **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. 2017-18 is the third year of the newly refreshed budget development process that embodies these commitments.

Lakehead is proud to have implemented an effective budget development process that steers budget decisions using the following guiding principles:

- 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 2017-18 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 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 7,704 full time equivalent students (FTE) compared to 2016-17 actual results of 7,637 and is comprised of the following:

Undergraduate	6,235
Graduate	645
International	824
<hr/>	
Total Projected FTE 2017-18	7,704

The increase of 67 FTE from 2016-17 actual results is a combination of several factors including modest growth in domestic undergraduate projections, stable 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 5.5% to a total of \$130.851 million.

Operating Grants are expected to decrease slightly compared to last year. The decrease to operating grants is attributable to the final year of the phase in of the BIU funding reduction for the Faculty of Education.

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 flow through due to strong enrolment results experienced in 2016-17.

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 and new sources of revenue representing the contribution from ancillary services are consistent with 2016-17 approved levels.

### **3. Expenditures**

Total expenditures are expected to increase by 5.5% to a total of \$130.851 million.

Total compensation is expected to grow to \$99.59 million representing an increase of 4.1% over last year. This increase is primarily due to provisions in collective agreements.

Other costs and scholarships and bursaries are slightly higher than last year, although minimal change.

The strategic initiatives fund is consistent with 2016-17 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 53% representing 25% of the additional net revenue received in the previous year.

Deferred maintenance remains consistent with the previous budget in 2016-17. It remains our intent to continue to grow this amount to address many of the aging infrastructure priorities.

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

**LAKEHEAD UNIVERSITY**  
**APPROVED 2017-18 OPERATING BUDGET**  
**(compared to 2016-17 Approved Budget)**

Table 1

000'S

	<b>2016-17 APPROVED</b>	<b>2017-18 APPROVED</b>
<b>ENROLMENT (FTE) (Note 1)</b>	7,347	7,704
<b>REVENUE</b>		
Grants	62,396	61,953
Tuition	47,010	49,920
Other (Note 2)	1,916	1,816
Tuition International (Note 3)	12,011	16,472
New Sources of Revenue (Note 4)	690	690
<b>TOTAL REVENUE</b>	<b>124,023</b>	<b>130,851</b>
<b>EXPENSES</b>		
Full Time Salaries & Wages	80,786	84,677
Part Time Salaries & Wages	14,842	14,913
Other Costs (Note 5)	19,201	20,818
Scholarships, Bursaries from Tuition Reinvestment	5,408	5,650
Department Income & Cost Recoveries	(3,476)	(3,682)
Strategic Initiatives (Note 6)	1,400	1,400
Distribution of Net Tuition Revenue from International Students		
Additions to Faculty Budgets	1,823	2,792
Student Financial Aid	365	558
Deferred Maintenance	400	400
Principal & Interest (Note 7)	3,274	3,325
<b>TOTAL EXPENSES</b>	<b>124,023</b>	<b>130,851</b>
<b>SURPLUS (DEFICIT)</b>	<b>0</b>	<b>0</b>

Table 2

	000'S	% of total budget	000'S	% of total budget
	2016-17 APPROVED		2017-18 APPROVED	
<b>PROVOST AND VICE PRESIDENT (ACADEMIC)</b>				
Faculty of Social Sciences & Humanities	10,750		10,935	
Faculty of Sciences & Environmental Studies	12,732		12,624	
Faculty of Health & Behavioral Sciences	10,503		11,159	
Faculty of Business	3,521		3,563	
Faculty of Education	5,552		5,640	
Faculty of Engineering	7,733		8,198	
Faculty of Natural Resources Management	2,608		2,636	
Faculty of Law	2,259		2,560	
Orillia Campus - All Faculties	7,231		7,723	
Distribution of Net Tuition Revenue from International Students				
Additions to Faculty Budgets	1,823		2,792	
Interviews & Recruitment	100		100	
<b>FACULTIES SUBTOTAL</b>	<b>64,812</b>	<b>52.3%</b>	<b>67,930</b>	<b>51.9%</b>
<b>ACADEMIC SERVICES:</b>				
Continuing Education & Distributed Learning	1,668		1,666	
Vice Provost Student Affairs	3,625		3,738	
Provost & Vice President (Academic)	597		601	
Deputy Provost	234		217	
Library	4,473		4,465	
Institutional Planning & Analysis	396		473	
Graduate Studies	522		537	
Graduate Assistantships	4,601		4,662	
Aboriginal Initiatives	278		272	
Miscellaneous	48		48	
Ombudsperson	20		25	
<b>ACADEMIC SERVICES SUBTOTAL</b>	<b>16,462</b>	<b>13.3%</b>	<b>16,703</b>	<b>12.8%</b>
<b>PROVOST AND VICE PRESIDENT (ACADEMIC) TOTAL</b>	<b>81,274</b>	<b>65.6%</b>	<b>84,632</b>	<b>64.7%</b>
Aboriginal Post Secondary Education & Training (APSET)	989	0.8%	989	0.8%
Truth & Reconciliation	0	0%	176	0.1%
Scholarships & Bursaries from Tuition Reinvestment	5,408	4.4%	5,650	4.3%
Distribution of Net Tuition Revenue from International Students - Student Financial Aid	365	0.3%	558	0.4%
Orillia Campus - Administration	4,355	3.5%	4,725	3.6%
International Affairs	2,381	1.9%	3,909	3.0%



Table 2

	000'S		000'S	
	2016-17 APPROVED		2017-18 APPROVED	
<b>PRESIDENT</b>				
Office of the President	690		693	
Media Relations	120		119	
Athletics	792		898	
Senior Advisor to the President	233		260	
University Secretariat	335		420	
<b>PRESIDENT TOTAL</b>	<b>2,170</b>	<b>1.7%</b>	<b>2,391</b>	<b>1.8%</b>
<b>VICE PRESIDENT (EXTERNAL RELATIONS)</b>				
Office of the Vice President	399		451	
Alumni & Community Relations	384		397	
Philanthropy	484		508	
Stewardship	197		202	
Government Relations	180		184	
Marketing Support	361		352	
<b>VICE PRESIDENT (EXTERNAL RELATIONS) TOTAL</b>	<b>2,005</b>	<b>1.6%</b>	<b>2,095</b>	<b>1.6%</b>
<b>VICE PRESIDENT (RESEARCH &amp; INNOVATION)</b>				
Office of the Vice President	430		432	
AVP Research	206		218	
Research Office	477		542	
Instrumentation Laboratory	265		281	
IMO/BDO	275		277	
<b>VICE PRESIDENT (RESEARCH, ECONOMIC DEVELOPMENT &amp; INNOVATION) TOTAL</b>	<b>1,653</b>	<b>1.3%</b>	<b>1,751</b>	<b>1.3%</b>
<b>VICE PRESIDENT (ADMINISTRATION &amp; FINANCE)</b>				
Office of the Vice President	331		332	
Risk Management & Access to Information	154		155	
Financial Services	2,062		2,191	
Human Resources	954		1,047	
Security	855		878	
Technology Services Centre	4,484		4,790	
Physical Plant	4,935		4,986	
<b>VICE PRESIDENT (ADMINISTRATION &amp; FINANCE) TOTAL</b>	<b>13,775</b>	<b>11.1%</b>	<b>14,378</b>	<b>11.0%</b>
<b>OTHER</b>				
Utilities	3,316	2.7%	3,616	2.8%
General (Note 8)	1,777	1.4%	1,876	1.4%
Deferred Maintenance	400	0.3%	400	0.3%
Tuition Waiver	480	0.4%	480	0.4%
Strategic Initiatives (Note 6)	1,400	1.1%	1,400	1.1%
Savings from Carryforward Policy	(1,000)	(0.8%)	(1,500)	(1.1%)
Principal & Interest	3,274	2.6%	3,325	2.5%
<b>TOTAL EXPENSES</b>	<b>124,023</b>		<b>130,851</b>	

## Notes to Approved 2017-18 Operating Budget

1. The Actual Enrolment for 2016-17 is 7,637 full time equivalent students. The 2017-18 enrolment has been estimated after giving consideration to the 2016-17 trends in enrolment and estimating growth from International programs.
2. Other Income includes revenues from the Ontario University Application Centre, Late Payment Fees, Interest on the Operating Bank Account, Overhead Income net of Overhead Allocation, and other miscellaneous revenues.
3. Tuition international includes an additional 195 (109 2016-17) International students that have been budgeted in 2017-18. This represents 724 (529 2016-17) International Students above the 2010-11 base for International Student Revenue.
4. New Sources of Revenue comprises an overhead contribution to operating costs from ancillary operations. Retail Operations, Residence, Food Services, Vending, Parking, Lockers and English Language Program are included in ancillary operations.
5. 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.
6. Strategic Initiatives is an annually renewable fund of \$1.400 million (\$1.400 million 2016-17) 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 three types of investments: 1) 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, 2) President's request for initiatives which are relatively small amounts for which units will compete, 3) 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.

7. Principal & Interest

Amounts included in Principal & Interest are as follows:

	Principal	Interest	2017-18 Approved Budget
	<u>\$000's</u>	<u>\$000's</u>	<u>\$000's</u>
Part of the Series A Unsecured Debenture Payable			
ATAC	\$ 214	\$ 750	\$ 964
Johnson Controls Phase 1	165	578	744
Johnson Control Phase 2	148	517	665
Excess Borrowings	173	604	777
Orillia Academic Building	333	1,164	1,497
	<u>1,032</u>	<u>3,614</u>	<u>4,647</u>
Part of RBC Orillia Residence & Cafeteria Loan	<u>69</u>	<u>109</u>	<u>178</u>
	<u>1,101</u>	<u>3,723</u>	<u>4,825</u>

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 2016-17 Approved Budget have been restated to conform to the 2017-18 Approved Budget Presentation.

## **Balancing the Budget and Planning for Reinvestment**

In order to address the structural deficit and cost pressures, Lakehead began aggressively pursuing several mitigation strategies in 2016-17 that continue in 2017-18 including:

- Extensive advocacy with local and provincial government to demonstrate the disproportionate impact the changes made to the Faculty of Education have had on Lakehead University. The government has acknowledged the inequities across the system and has committed to maintain stable funding for the Faculty of Education for the next four years as we rebuild the program to maximum enrolment caps.
- Redistribution of the graduate expansion grant to the operating fund.
- A renewed focus on domestic recruitment efforts.
- Aggressive International Student Recruitment including 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 supported 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 remained stable in the 2017-18 budget at \$1.400 million.

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

***Research:***

- Support for increased research capacity

***External Relations:***

- Enhanced Philanthropy Support

***Administration & Infrastructure:***

- 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 academic units and student services continues to grow or remains stable.

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 2017-18 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.

Three 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 \$598,000.

Table 3

	<b>2016-17 APPROVED</b>	<b>2017-18 APPROVED</b>
Retail Operations		
Revenue	3,523	3,374
Expenses	3,488	3,339
	35	35
Residence		
Revenue	11,945	12,925
Expenses	8,922	9,973
Principal & Interest	2,924	2,924
	99	27
Food Services & Vending		
Revenue	393	411
Expenses	334	361
	59	49
Parking & Lockers		
Revenue	981	981
Expenses	939	960
	41	21
English Language Program		
Revenue	808	1,900
Expenses	648	1,434
	160	466
<b>TOTAL INCOME</b>	<b>17,649</b>	<b>19,590</b>
<b>TOTAL EXPENSES</b>	<b>17,255</b>	<b>18,993</b>
<b>SURPLUS</b>	<b>394</b>	<b>598</b>

Note: Total Expenses include an overhead contribution to the Operating Budget of \$690K in 2017-18.