



2021-22 Budget Report

April 2021

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Carleton University is pleased to present its operating budget for the 2021-22 academic year. In preparing this budget, we continue to be guided by the directions outlined in our Strategic Integrated Plan that define our 2021-22 budget priorities.

Carleton has plenty of reasons to celebrate as we have experienced much success over the years. Our Equity, Diversity and Inclusion (EDI) Action Plan, Coordinated Accessibility Strategy and *Kinàmàgawin* (Indigenous initiatives strategy) are well underway. We have undertaken a rebranding exercise to realign our key messages, storytelling, brand and marketing to enhance the university's reputation at the regional, national and international levels. We continue to support multidisciplinary research clusters, provide pathways to student success, enhance accessibility for all and establish partnerships with purpose. As the second most sustainable university in Canada, we continue to lead in sustainability and emphasize wellness and mental health in everything we do.

2020-21 was an unprecedented year that included significant operational challenges presented by the global public health crisis. In response, researchers, academic and support staff demonstrated flexibility and creativity as we adapted to the current realities while continuing to uphold our academic mission. By transitioning to remote delivery, we continue to deliver high-quality teaching and outstanding research. Throughout the pandemic, we have continued to support students by increasing levels of student aid, investing in experiential learning opportunities and introducing compassionate grading practices to respond to the additional pressures placed on students. We continue to navigate the pandemic and are planning for a gradual and safe return to campus once public health guidelines permit.

Carleton is well-positioned to pursue its three strategic directions: *Share Knowledge, Shape the Future; Serve Ottawa, Serve the World; and Strive for Wellness, Strive for Sustainability*. The 2021-22 operating budget aims to support efforts to achieve meaningful impact in each of these areas while we continue to respond to the global public health crisis.

Though Carleton is presently in good financial health, critical environmental factors continue to place pressure on maintaining a balanced budget. This budget contains investments aligned with these goals while continuing to maintain financial sustainability.



Jerry Tomberlin
Provost and Vice-President (Academic)

1.0 Executive Summary

Carleton's 2021-22 operating budget supports the university's plans for the coming year and recommends the resource allocations required to execute those plans. It also reflects the university's alignment of its strategic planning, risk assessments and annual planning activities. The primary goal of this budget is to advance the three directions of our Strategic Integrated Plan: Share Knowledge, Shape the Future; Serve Ottawa, Serve the World; and Strive for Wellness, Strive for Sustainability. It also aims to provide resources for responding to the ongoing global public health crisis, while maintaining medium and long-term financial stability.

We have identified a number of challenges as we strive to achieve our strategic goals while maintaining a balanced budget. These include the anticipation of a continued freeze on domestic tuition, a fixed operating grant, requirements for improvements in technology and IT security, a large deferred maintenance obligation, financial pressure created by annual compensation increases and changes in recruitment and enrolment strategies among Ontario post-secondary institutions. Budget assumptions for 2021-22 are based on a modest decline in first-year undergraduate student intake for the coming year, a fixed annual operating grant for the foreseeable future and compulsory cost increases that exceed annual revenue growth projections caused primarily by increases in compensation-related expenses.

The COVID-19 pandemic is expected to have a lasting economic, psychological and social impact. For Carleton, this could translate into changes in the way we deliver on our academic mission and how we approach new challenges related to student recruitment. Enrolment patterns are expected to shift in both the short and long term to reflect increased demand for graduate programs in areas that respond to human adaptations in commerce, technology, and wellness and wellbeing. Research interest and funding is also expected to shift in addressing new post-pandemic issues. In the short-term, we are seeing more steady enrolment at the graduate level and a modest decrease in first-year undergraduate student intake. At the time of writing, it remains unclear how much on-campus activity will be possible in the fall of 2021 at Carleton, along with all other Canadian post-secondary education institutions.

Carleton's operating budget projects total revenue and expenses of \$514.9 million for fiscal year 2021-22. This represents an increase of \$12.5 million from the \$502.4 million 2020-21 budget. The change is mainly attributable to international tuition fee increases ranging from 0% to 8% and flow-through of undergraduate international students. Domestic tuition fees for 2021-22 are planned to remain fixed at the 2019-20 level. These fees were reduced by 10% from those in 2018-19. The provincial government has yet to release an updated Tuition Fee Framework for post-secondary education institutions in Ontario.

The 2021-22 budgeted expenses cover compulsory increases, such as negotiated salaries and benefits, utilities, contracted increases and discretionary allocations to support the university's operating priorities. As determined by the Strategic Integrated Planning Committee, Carleton's 2021-22 priorities are intended to support the directions of our Strategic Integrated Plan and continue to respond to the global public health crisis.

As the university works toward achieving these goals, we continue to emphasize and support initiatives that promise to increase and diversify external revenue sources and those that work to identify cost containment opportunities in the long term.

In consideration of the revenue constraints posed by the enrolment mix and projections (a cautious scenario representing a 3% decline in first-year undergraduate intake from 2020-21 levels), the current tuition fee framework, Strategic Mandate Agreement and increasing base expenditures, Resource Planning Committees (RPC) have been encouraged to use existing carry forward funds to support initiatives aimed at addressing our budget priorities. The aim to draw on unit-level reserves was reinforced through conservative budget allocations in 2021-22. This has resulted in a total of \$8.6 million in base funding invested through new faculty positions (\$0.1 million toward a new librarian position, \$1.7 million in replacement positions, and \$0.8 million in benefit costs), new continuing professional staff positions (\$1.5 million), improvements to Carleton's IT infrastructure (\$1.9 million), additional student support (\$1.5 million), inflationary costs (\$0.9 million) and other strategic initiatives (\$0.2 million). As part of Carleton's financial risk mitigation strategy, a one-time \$6.8 million "strategic set aside" has been recommended for investment in future initiatives and to address unexpected income shortfall over the planning horizon.

Carleton will continue to make use of its COVID-related contingency funds to allow for in-year investments that respond to operational impacts created by the public health crisis. Process changes, such as the centralization of the approval and renewal of faculty positions, continue to ensure that one of the university's most important strategic resources are deployed effectively.

2.0 The Budget Process

Carleton's planning and budget framework is based on a five-year rolling window, with the Strategic Integrated Plan providing the direction needed for the development of individual unit plans and priorities. University-wide, long-term planning is informed by the Strategic Integrated Planning Committee. These plans, converted to a series of goals and initiatives, are then assessed by the Provost's Budget Working Group, which is tasked with setting institutional direction for the coming year and allocating resources in line with the institution's priorities.

Planning and budgeting at Carleton is a centralized process. Economic and demographic factors, collective agreements, government policies and enterprise risk assessment form the basis for budget assumptions. Working with Faculties, the Registrar determines undergraduate enrolment targets for the coming academic year.

In determining priorities for the coming fiscal year, current and previous year performance is assessed and integrated into the planning process. In-year financial updates are assessed against unit level plans, priorities and budgets, while making resourcing adjustments as necessary. These updates are shared with the Strategic Integrated Planning Committee and incorporated into budget priority setting and resource allocation decisions for the coming year.

In March, Resource Planning Committee (RPC) Chairs meet to present their proposed budgets, thus promoting transparency and fostering discussion and collaboration across units. This approach ensures that proposed initiatives are aligned with the needs of the academic enterprise and service units, establishes spending priorities and considers the alignment and efficiency of service delivery. As a result, budgetary allocations are informed not only by the overall financial situation of the university, but also by the values and priorities of individual units.

Annual allocations are also affected by the university's Enrolment-Linked Budget Allocation (ELBA), which provides Faculties with a share of additional revenue associated with growth in enrolment. The ELBA funds are built into Faculty base budgets over time and are intended to cover increased teaching costs, lab infrastructure and equipment, as well as student initiatives associated with increases in enrolment. The academic and administrative RPCs are permitted to carry forward unspent budgets as a contingency against unexpected change in future revenues and expenses, for short-term planning and development needs and for longer-term strategic initiatives.

Internally, Carleton restricts certain funds to respond to unexpected events that could impact revenue or expenditures. When assessing funding requests from the RPCs, the Provost's Budget Working Group examines all resources available to the RPCs.

The planning and budgeting review process continues throughout the fiscal year. A mid-year contingency reserve is available to respond to post-budget requirements presented by the RPCs to take advantage of unexpected challenges and opportunities.

The university's annual Financial Report, which includes the consolidated financial statements and management discussion, completes the planning and budgeting cycle and highlights operating and financial results.

Basis of Budgeting

The basis of accounting for the university's operating budget is different than the basis used for financial statement reporting, which is done in accordance with Canadian accounting standards for not-for-profit organizations. The major difference relates to the timing of recognition of certain transactions. For budget purposes: revenues are recognized when received and expenses when paid-out, once eligibility requirements have been met; debt service payments and capital outlays are recognized as expenses; depreciation and amortization expenses are not recognized as expenses in the budget document.

A complete reconciliation between the financial statements and the budget is provided in the annual Financial Report to the Board of Governors.

Funds Description

The Operating Fund represents the resources available for teaching, student services, and academic and administrative support. It is funded by government operating grants, tuition fees and other general revenues. The operating budget is divided into budgetary units called Resource Planning Committees (RPCs), and each RPC is responsible for the financial health of the departments within it.

The Ancillary Fund represents units that are supportive of Carleton's academic and research mission but are not directly related to its primary functions. Each ancillary is required, at minimum, to be self-supporting. Programming offered by ancillary services includes housing and dining for students, dining options throughout campus, recreation and athletic programs, medical and counselling services, retail outlets, events management both on campus (as well as off campus at the Carleton Dominion-Chalmers Centre), parking on campus, printing services, and overseeing student cards and transit passes.

The Capital Fund covers new construction, renovations to existing space and deferred maintenance projects. Large capital assets may be funded by government grants, internal resources, debt or other funding received or designated for such purposes.

Restricted Funds encompasses funds earmarked for a specific or limited purpose, with limitations placed on them by external agencies, donors or internally by the university. They are typically set up to support students through scholarships and bursaries and provide financial support relating to specific activities. These funds comprise both special purpose funds and endowment funds. Funds can also be internally restricted by the Board for specific purposes.

3.0 Budget Priorities and Pressures

As part of the annual planning and budget cycle, the Strategic Integrated Planning Committee sets the direction and priorities of the university. At the end of the SIPC planning process, the following priorities were established for the coming fiscal year:

- Share Knowledge, Shape the Future;
- Serve Ottawa, Serve the World;
- Strive for Wellness, Strive for Sustainability; and
- Responding to the Public Health Crisis.

As the university works toward achieving its goals, planning efforts will also prioritize investments aimed at improving our branding, increasing and diversifying external revenue sources, implementing cost containment initiatives and the renewal of campus infrastructure.

Priorities of Resource Planning Committees

In support of university-wide directions established by Carleton's Strategic Integrated Plan, divisions and Faculties have identified several priorities for new or continued investment in 2021-22:

- Reputation and branding;
- Recruitment;
- Kinàmàgawin Indigenous Initiatives Strategy;
- Equity, Diversity and Inclusion (EDI) Action Plan;
- Carleton University Bright Outlook committee initiatives;
- Student success, high impact pedagogy, teaching and learning
- Improving faculty to student ratios;
- Health and counselling services;
- Community engagement;
- Improvements to IT infrastructure, campus operations and maintenance;
- Research, Education, Accessibility and Design (READ) Initiative / Canadian Accessibility Network

Budget Pressures

Tuition and Other Fees

In 2019, the Ontario government announced a 10% tuition fee reduction on all domestic tuition fees for the 2019-20 academic year, followed by a tuition freeze in 2021-22. For Carleton, this policy change resulted in an opportunity cost of \$27 million. Given the current climate, Carleton is anticipating that the next Tuition Fee Framework will likely continue to hold tuition fees at 2019-20 levels. The provincial government has not yet released an updated Tuition Fee Framework for post-secondary education institutions in Ontario.

Enrolment during COVID-19 Pandemic

Carleton anticipates a moderate reduction in 2021-22 undergraduate enrolment of 2% and international enrolment of 1%, with a return to slow, moderate growth pattern beginning in 2022-23. This projected decline is due to factors such as international travel restrictions, short-term changes in student demand directed toward health and medical programs, and an over-enrolment strategy undertaken by certain Ontario universities. Applications from students in the Ottawa area have increased, which is a group that historically has a higher confirmation rate than other groups.

Meeting enrolment targets continues to be one of Carleton's top financial risks. Healthy first-year undergraduate student enrolment is one of the main drivers of the university's financial sustainability, in addition to strong retention rates. Given the pandemic and restricted access to Canada, international student recruitment is at a higher level of risk than in previous years. These students may be affected in their ability to enter Canada to study through changes in the issuance of Study Permits or Post-Graduation Work Permits, and they may be hesitant to study abroad during a global public health crisis. Strong growth in international recruitment in prior years provides the necessary level of student flow-through, coupled with increases in international tuitions fees, to mitigate the financial risk in the short-term.

Strategic Mandate Agreement

During the first and second rounds of Strategic Mandate Agreements, the Ministry of Colleges and Universities (MCU) committed to engaging the university and college sectors on changes to their respective funding models in order to better support funding predictability and stability, as well as support differentiation and student-focused outcomes. This resulted in the implementation of the corridor mechanism (universities entered enrolment corridors in 2017-18), along with the establishment of the Differentiation Envelope and the Performance/Outcomes-Based Funding Grant. The provincial government announced that performance/outcomes-based funding would be expanded through the third round of Strategic Mandate Agreements, associating a system-average of 25% of MCU operating grant funding to be provided on the basis of performance outcomes, ramping up to 60% by 2024-25. In recognition of the COVID-19 pandemic context, MCU has decided to delay the planned activation of performance-based funding for a minimum of two years (2020-21 and 2021-22) of SMA3 with a commitment to use the SMA3 Annual Evaluation process to determine readiness to proceed with activation for the remaining years of SMA3.

Provincial Government Deficit

The Ontario Government's 2020-21 budget update, released in February 2021, is projecting a deficit of \$38.5 billion, compared to a pre-budget estimate of \$20.5 billion. This deficit is planned to continue at a level of \$33.1 billion in 2021-22, \$27.7 billion in 2022-23 and \$20.2 billion in 2023-24.

This increase in planned deficit spending is directly attributed to the impact of the global pandemic on the people and businesses of Ontario. The university anticipates that provincial spending restraints will impose significant pressure on all provincially-funded sectors which may result in the corridor model continuing for the foreseeable future.

Information Technology

During 2021-22, Carleton will be renewing its Digital Strategy, which will build on a shared vision of how we can use digital technology to support the Strategic Integrated Plan, select our digital investments and leverage our technological roadmap to inform and align unit-level planning and budgeting.

Due to the COVID-19 pandemic, Carleton has had to adapt its systems to online course delivery and increase remote access capabilities. While the university has been largely successful in enabling this transition and managing its systems in this new environment, there are potential risks that it may not be able to adequately respond to demands for more capacity or new services, that existing service models do not fully meet the university's needs, and that the maintenance of highly customized, legacy IT systems (technological debt) impede the introduction of new services and innovation.

Deferred Building Maintenance

Based on the province's 2020 Facilities Condition Assessment Program, the university's total deferred maintenance backlog on academic and administrative buildings presently stands at \$332 million. Deferred maintenance projects are funded by a 10-year \$140 million asset renewal program along with annual contributions of \$4.0 million from the provincial government through the Facilities Renewal Program. Plans are also underway for major renovations to two academic buildings.

Maintaining a Balanced Budget

Carleton's operating revenues have continuously increased over the preceding 10-year period. This growth has driven significant increases in costs for new faculty and professional staff positions, services, student support and infrastructure. Throughout this period of growth, the university has continued to present a balanced budget. As this period of growth is anticipated to slow, Carleton is facing a potential structural budget challenge. Projections of operating revenue indicate increases of approximately 1-2% per year over the next five years, while our base expenditures are planned to increase by 2-4%. Under this scenario, one-time fiscal allocations may be limited in the coming years. To sustainably respond to the current structural budget gap, Carleton continues to pursue revenue diversification and cost-containment strategies.

4.0 Financial and Budget Policies

Major financial policies are approved by the appropriate authority, such as the Board of Governors, Carleton senior management and the Carleton University Retirement Plan Pension Committee. Along with external regulations (GAAP, Broader Public Sector Directive), these policies are part of the university's internal financial control framework and support budgeting and financial reporting by the university. This section describes the key financial policies and guidelines that support Carleton's planning and budgeting activities.

Balanced Budget

As currently mandated by the Board of Governors, the operating budget must be balanced each year. Carleton uses a multi-year base budget planning cycle to ensure that this objective is achieved each year over the long term. There are instances where the university might plan to spend fund balances/surpluses from previous years on one-time or non-routine expenditures.

Revenue Projections

Revenues are budgeted conservatively with the intent to maximize government grant revenues through the successful achievement of SMA3 objectives and priorities. Revenues directly attributable to an RPC remain with the RPC.

Risk Management

Carleton is committed to risk management on a university-wide basis as detailed in the Enterprise Risk Management Program's *Risk Management Manual*. The Board of Governors requires an annual audit of the university's financial statements by an independent certified public accounting firm, hired through a public bidding process. In addition, Carleton employs a third-party internal auditor to conduct, on an ongoing basis, internal management and operational audits based on a risk model approved by the Board of Governors.

Capital Planning and Approvals

All proposals for infrastructure renewal, departmental/faculty projects or projects arising from dedicated government funding at or over \$5 million are brought forward to the Building Program and Finance Committees for review and approval by the Board of Governors. A new Capital Planning Policy was approved by the Board in 2019.

Debt Policy

Externally-held capital debt may only be incurred with approval from the Board of Governors. Carleton is committed to undertaking debt only when doing so is the most advantageous financing alternative available in achieving its strategic goals.

Investment Policies

Carleton University Retirement Plan's Statement of Investment Policies and Procedures (SIPP) addresses the manner in which the Retirement Plan assists in providing plan beneficiaries with a financially secure retirement income at a reasonable cost. A similar SIPP is in place for the university's endowment funds and other investable assets. The SIPP must be reviewed and approved annually by the Board of Governors.

Operating and Capital Reserves

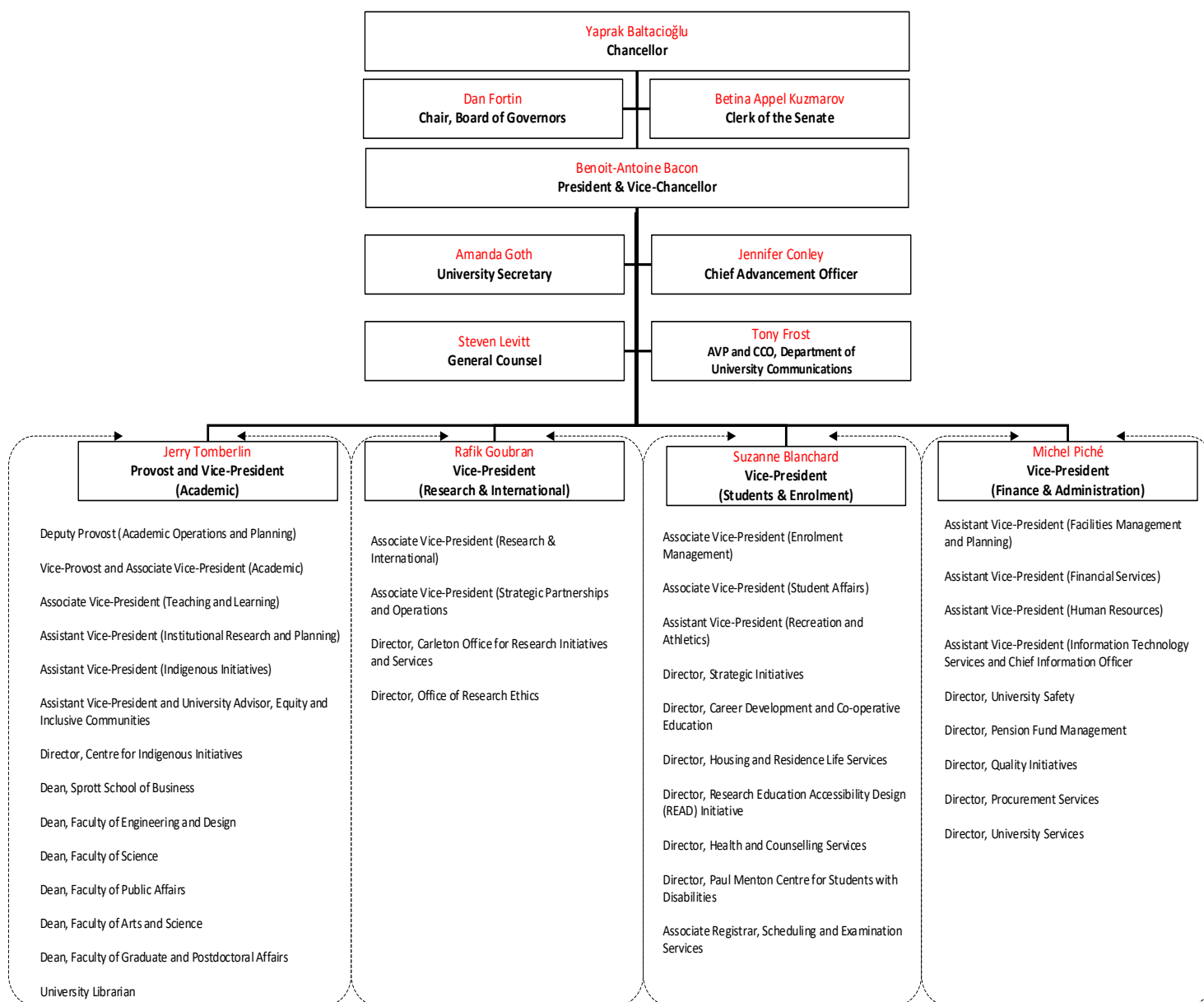
Carleton recognizes that reserves are the cornerstone of financial flexibility to manage risks inherent in long-term financial planning. Reserves are held centrally and within academic units to support specific strategic initiatives as well as to address economic uncertainties. Appropriated reserves are governed by the university's Operating and Capital Reserves Policy and are approved by the Finance Committee and, ultimately, the Board of Governors.

Broader Public Sector Expenses Directive

As a designated Broader Public Sector organization, Carleton must comply with this provincial legislation, which determines specific rules for expenses covered by the use of public funds.

All financial and budget policy details may be found at: <https://carleton.ca/secretariat/policies>.

5.0 Organizational Chart



List of Resource Planning Committees (RPC)

- Faculty of Arts and Social Sciences
- Sprott School of Business
- Faculty of Science
- Faculty of Engineering and Design
- Faculty of Public Affairs
- University Library
- Office of the Provost and Vice-President (Academic)
- Office of the Vice-President (Research and International)
- Office of the Vice-President (Students & Enrolment)
- Office of the Vice-President (Finance & Administration)
- Office of the President
- Advancement

6.0 The Operating Budget

In 2021-22, Carleton proposes a balanced operating budget, with revenues and expenditures of \$514.9 million, compared to \$502.4 million in 2020-21. This section provides detailed information on the components of revenues and expenditures. Section 8.0 provides further details on the operating budget.

In summary:

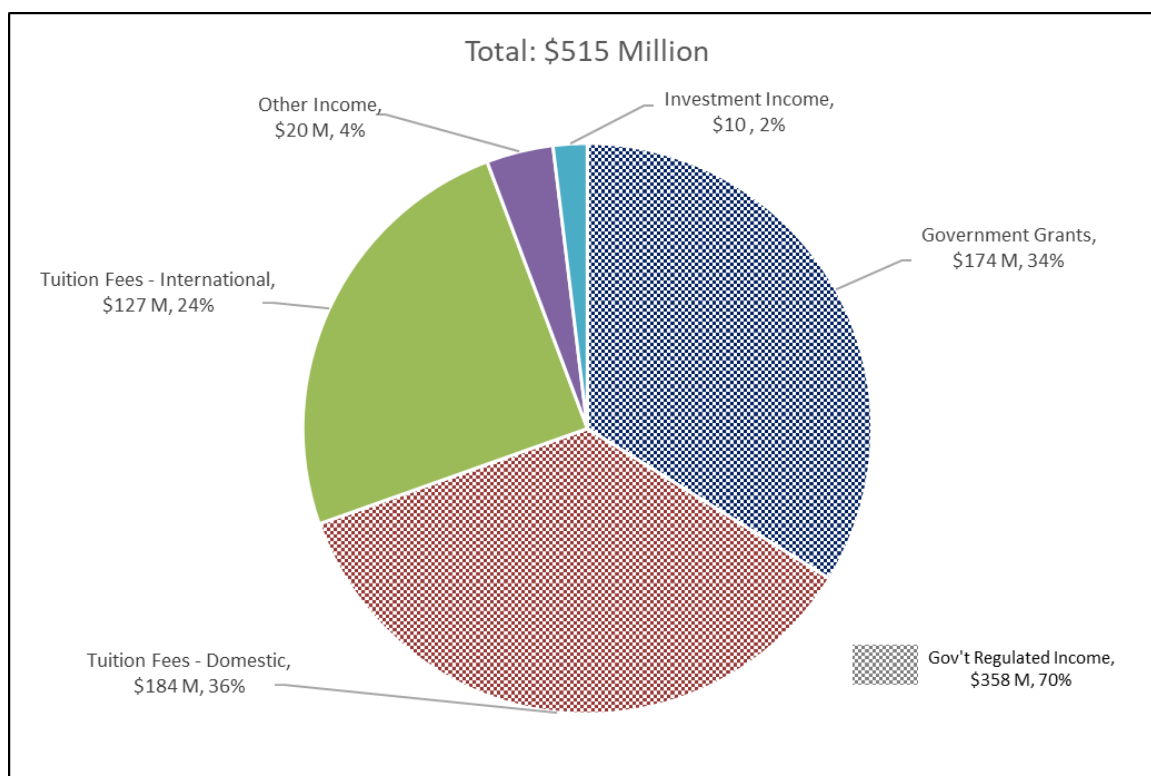
	<i>2020-2021 Budget</i>	<i>2020-2021 Projected Actuals</i>	<i>2021-2022 Proposed Budget</i>
	(\$000's)	(\$000's)	(\$000's)
Income	502,380	515,162	514,854
Expenditures and Transfers	502,380	510,162	514,854
Net Result	-	5,000	-

The following sections compare the 2021-22 Proposed Budget with the 2020-21 Approved Budget.

6.1 Operating Income

The operating fund is supported by four key revenue sources:

- **Tuition fees** –includes fees collected for domestic and international students.
- **Government operating grants** – operating envelope, differentiation envelope, special purpose envelope and funding for federal research overheads.
- **Investment income** – Income generated on cash investments and internally financed loans.
- **Other income** – application fees, deferred payment and late registration, overhead recoveries and departmental income.



Operating income is expected to total \$514,854,000, an increase of \$12,474,000 over the 2020-21 approved Budget. Each category is reviewed below.

6.2 Tuition Fees

Most tuition fee revenue is derived from undergraduate enrolment. In 2020-21, Carleton's projection of undergraduate tuition is approximately \$273 million, with the remaining \$38 million projected toward graduate tuition. Domestic tuition makes up \$184 million of the total, with the other \$127 million coming from international students. The \$9 million increase in tuition revenue from budget 2020-21 relates to fee increases for international students (0% to 8%) and international enrolment growth flow through. This projection is based on a cautious enrolment planning scenario representing a 2% reduction in undergraduate enrolment and 1% international enrolment from 2020-21 levels, along with frozen tuition fees at the 2019-20 level. This projected decline is due to factors such as international travel restrictions, short-term changes in student demand directed toward health and medical programs, and an over-enrolment strategy undertaken by select Ontario universities. Applications from students in the Ottawa area have increased, which is a group that historically has a higher confirmation rate than other groups. A return to a slow, moderate growth pattern is expected to beginning in 2022-23.

Growth in tuition will be limited by the current corridor enrolment model, established as part of the 2017-20 Strategic Mandate Agreement (SMA2). For Carleton's SMA3 (2021-25), provincial grant funding for domestic students continues to be restricted to our corridor midpoint over the next five years. The uncertainty surrounding regulatory increases in domestic, grant-eligible tuition fees creates additional pressure for Carleton to support future institutional initiatives through the traditional method of student growth and tuition fee increases.

The following chart compares tuition revenue by category from the Approved 2020-21 Budget to the 2021-22 Proposed Budget:

	2020-2021 Budget	2020-2021 Projection	2021-2022 Proposed Budget	Budget Change
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Undergraduate Fees	242,902	243,135	249,900	6,998
Summer Session Fees	19,980	26,576	23,500	3,520
Graduate Fees	39,180	40,038	37,800	(1,380)
Total	302,062	309,749	311,200	9,138

6.3 Government Operating Grants

Government grants for 2021-22 are projected to be \$1,643,000 above those identified in budget 2020-21.

	2020-2021 Budget	2020-2021 Projection	2021-2022 Proposed Budget	Budget Change
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Core Operating Grant	150,875	124,003	123,168	(27,707)
Performance Funding	12,824	42,593	42,593	29,769
Research Overheads	5,701	5,292	5,292	(409)
Other grants	3,083	3,083	3,073	(10)
Grants offset by additional expense	-	4,607	-	-
Total	172,483	179,578	174,126	1,643

With the activation of the third round of Strategic Mandate Agreements, 35% of Carleton's MCU operating grant funding in 2021-22 was to be provided on the basis of performance outcomes, moving to 45%, 55% and finally 60% by 2024-25. This means that by 2024-25, \$105 million of MCU grant funding will be at risk and distributed on the basis of achieving performance targets set by the Ministry. The grant budget for 2021-22 reflects the continued shift towards more performance-based funding, as well as a slight increase in the International Student Recovery that is a part of the core operating grant.

In response to COVID-19, the government has delayed the implementation of performance-based funding by a minimum of two years (2020-21 and 2021-22) with a commitment to use the SMA3 Annual Evaluation process to determine the university's readiness to proceed with implementation. Carleton will work toward meeting or exceeding all of its performance targets over the next five years. However, there is a risk that not all performance targets will be met over the duration of the agreement. Additionally, it is recognized that metrics such as Graduate Employment Earnings and Community/Local Impact are largely beyond the control of actions undertaken by the university.

Other grants include the Accessibility Fund for Students with Disabilities, Municipal Tax and Credit Transfer funding, while grants offset by additional expense relate to special purpose grants received during the for targeted initiatives such as student success and financial support. The proposed opening budget for 2021-22 does not include amounts for these restricted grants, which will be adjusted during the year as amounts are confirmed and received.

6.4 Other Income

	2020-2021 Budget	2020-2021 Projection	2021-2022 Proposed Budget	Budget Change
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Miscellaneous fees	6,578	5,578	6,578	-
Miscellaneous income	5,148	5,148	5,148	-
Department income	7,859	6,859	7,802	(57)
Total	19,585	17,585	19,528	(57)

Other income for 2021-22 remains relatively unchanged from the 2020-21 budget, with only small decreases in certain departmental income expected.

6.5 Short-Term Investment Income

Short-term investment income is forecasted to total \$10 million for the 2021-22 fiscal year.

The breakdown is as follows:

	2020-2021 Budget	2020-2021 Projection	2021-2022 Proposed Budget	Budget Change
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Investment income on cash flows	6,972	6,972	8,734	1,762
Endowment income*	275	275	295	20
Interest charges to ancillaries and internal loans	1,003	1,003	971	(32)
Total	8,250	8,250	10,000	1,750

** The endowment income included in the operating budget relates to those endowments for which a specific purpose has not been designated by the donor (e.g., unrestricted).*

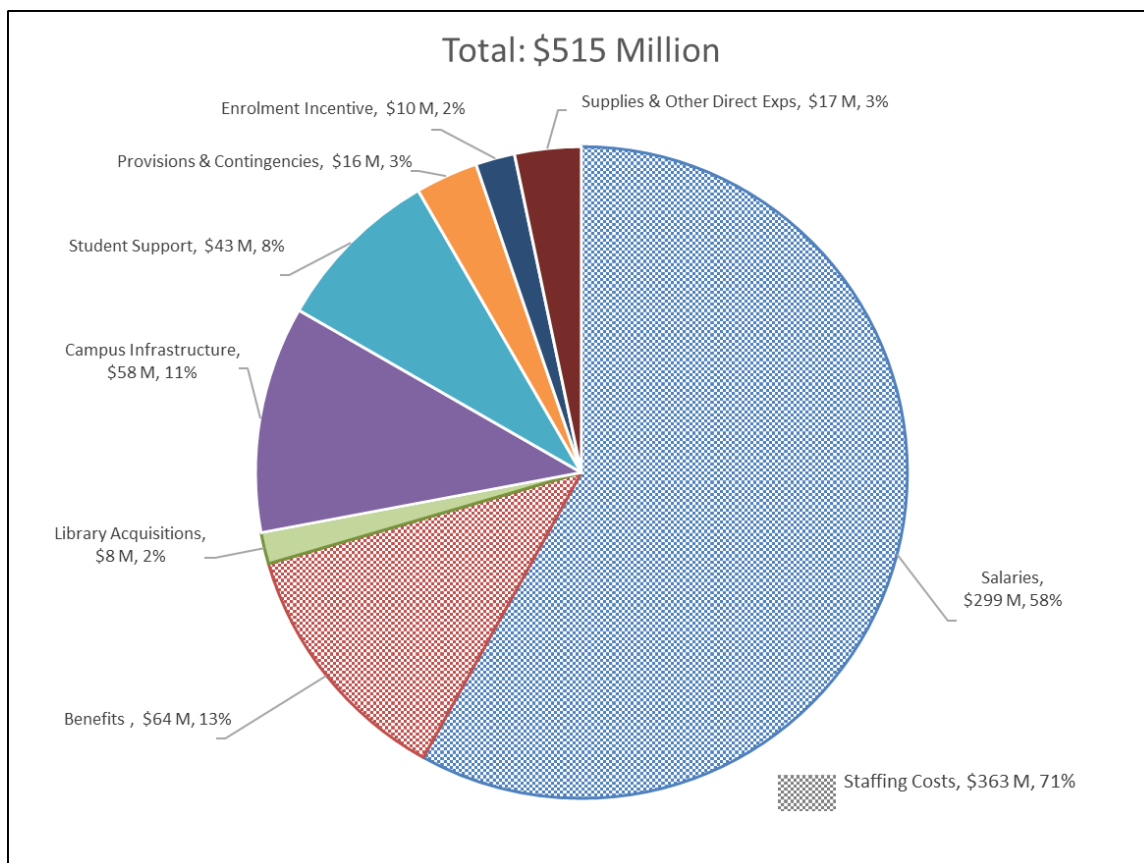
In 2015, the Investment Committee decided to invest \$100 million of available operating cash in equity funds. Over the long term, this decision had yielded higher returns, yet it is recognized that equity funds are more susceptible to market risks. To mitigate this risk and shield the operating budget from large variations in actual results, any variation in actual investment income earned against budget will be appropriated to, or drawn from, an investment income equalization fund. As at May 1, 2020, the investment income equalization fund had a balance of \$39.9 million.

6.7 Operating Expenditures

The operating expenditures proposed for 2021-22 amount to \$514,854,000, as compared to \$502,380,000 in the 2020-21 approved budget.

The planned operating expenditures are budgeted in the following expense categories:

- Salaries and benefits
- Campus infrastructure – expenditures for maintenance, renovations, facilities, utilities and equipment.
- Student support and enrolment incentives – scholarships, bursaries and awards provided by the university over and above the Ontario Student Assistance Program (OSAP).
- Other expenditures – library acquisitions, research support, campaign matching funds, travel and supplies.



6.8 Resource Allocations

\$19.6 million in base and \$37 million in fiscal are being recommended for allocation. This level of resourcing has been made available through a base budget surplus planned in 2020-21, a projected \$12.5 million increase in revenue, and savings realized through faculty renewals. The following table illustrates the allocation of resources to Resource Planning Committees (RPCs), university budgets, and provisions and contingencies.

	<i>Retirement Reduction Applied</i>	<i>Base Budget Allocation</i>	<i>Fiscal Budget Allocation</i>
	(\$000)	(\$000)	(\$000)
Faculty of Arts and Social Sciences	(265)	219	146
Faculty of Public Affairs	(1,094)	785	229
Sprott School of Business	(330)	287	626
Faculty of Science	(416)	224	-
Faculty of Engineering and Design	(563)	343	-
Provost and Vice-President (Academic)		28	3,236
Vice-President (Students and Enrolment)		176	2,602
Library		100	330
Vice-President (Research and International)		175	175
Vice-President (Finance and Administration)		302	8,330
President		555	934
Advancement		-	-
Subtotal	(2,668)	3,194	16,608
University Expense Budgets		5,419	11,659
Provisions and Contingencies	-	11,017	8,724
Total	(2,668)	19,630	36,991

All requests for funding from Resource Planning Committees were required to demonstrate connection to the budget priorities of the current cycle.

	<i>Base Budget Allocation</i>	<i>Fiscal Budget Allocation</i>
	(\$000)	(\$000)
Share Knowledge, Shape the Future	2,221	9,799
Serve Ottawa, Serve the World	564	1,676
Strive for Wellness, Strive for Sustainability	409	4,533
Respond to public health crisis	-	600
Total	3,194	16,608

In response to these allocation decisions, RPCs are planning to accomplish the following in the coming year:

President

The strategic directions outlined in Carleton's new and exciting Strategic Plan will guide budgeting priorities and resource allocations for the following five annual cycles. In addition to investments in teaching, research and the student experience, the plan outlines priorities in community engagement, internationalization, wellness (EDI, Indigenous initiatives, accessibility, mental health) and sustainability. In the coming year, the Office of the President will work with the Department of University Communications towards a major push in increasing the university's visibility and reputation through the Reputational Enhancement Project (storytelling, branding and marketing).

Provost and Vice-President (Academic)

The Provost and Vice-President (Academic) is tasked with overseeing Carleton's success in meeting the university's performance targets identified in the Strategic Mandate Agreement (SMA3), and strategic initiatives in support of the new Strategic Integrated Plan, the Equity, Diversity and Inclusion (EDI) Action Plan, and the 41 calls to action outlined in the *Kinàmàgawin* (Learning Together) Indigenous initiatives strategy. With the Provost's portfolio having expanded to include Equity and Inclusive Communities, the Centre for Indigenous Initiatives and the new Office of the Associate Vice-President Indigenous Initiatives, Indigenous initiatives and activities that support EDI have taken on increased importance on campus. The New Names for New Times Initiative will also see the renaming of three buildings on campus to reflect the university's commitment to EDI.

The Provost, through the Office of the Deputy Provost (Academic Operations and Planning), will undertake a review of the University's planning and budgeting model, in an effort to increase transparency and accountability, and will develop and launch a new Carleton Academic Plan. Teaching and Learning Services, along with the Faculties, will continue to implement the recommendations of the Student Success in the Classroom Working Group and implement Brightspace, Carleton's new Learning Management System.

Faculty of Arts and Social Sciences

The Faculty of Arts and Social Sciences (FASS) will be directing its efforts to intensify communications support for recruitment efforts, coordinate substantive response to action items in *Kinàmàgawin*, the EDI Action Plan, and the Coordinated Accessibility Strategy, and continue development of academic programming focused on the SIP theme of Strive for Wellness, Strive for Sustainability. For the student experience, plans are underway to expand experiential learning opportunities to align with the region's post-COVID recovery priorities and grow community engagement, as well as to design employability courses tailored to FASS disciplines. The Faculty plans to enhance research dissemination to support the early findings of the Reputational Enhancement Project and increase fiscal support to facilitate faculty leadership of large-scale, Tri-Council projects. Plans are also underway to transition *Learning in Retirement* to a FASS-wide *Lifelong Learning* program.

Faculty of Public Affairs

A new and important objective for FPA in the coming year is to underscore its commitment to Indigenousization and equity, diversity and inclusion. Creating a new Assistant Dean position and earmarking a level of funding to support various initiatives are key to meeting this objective.

FPA has achieved tremendous success in strengthening its research profile in recent years, which is of central importance for enhancing its—and Carleton's—reputation. A key goal in 2021-2022 is to sustain this success in the face of the challenges introduced by COVID-19.

Uncertainty exists, however, in the face of declining enrolments in recent years in the Faculty. Embarking on a strategic planning exercise and linked concerted marketing efforts will assist in addressing and arresting this decline and its associated financial ramifications. Similarly, continued attention to innovative programming and the student experience is of the utmost importance to stemming this decline.

Sprott School of Business

Carleton has made a significant investment in the Nicol Building, the new Sprott brand and the Innovation Hub. Sprott has put in place new plans and structures that will allow it to leverage these investments through enhanced marketing and recruitment, program innovations and external partnerships.

Despite the challenges of the 2021-22 academic year, Sprott's management team has led the school through strategic and operational planning, which position it for growth and reputation enhancement in the years to come. In 2020, the School launched *Vision 2025: Business for a Better World*, a strategic plan that was developed through deep consultation within and outside of our community.

In line with the strategic plan, Sprott has already begun its transformation. Preparations have been made to open the Nicol Building, ensuring that it is equipped and ready for more collaborative and experiential learning. The School is ready to launch a new Innovation Hub that will serve all Carleton students, with an incubator and educational space in the main floor area of the Nicol Building. A four-year \$900,000 grant from Invest Ottawa, as well as seed investment, has been received to begin new innovation activities, to re-launch the Lead to Win program and to leverage the Wes Nicol Entrepreneurship Funding for students. In addition, new funds have been raised to expand partnerships to support innovation activities. Sprott Faculty also submitted a comprehensive proposal to become Canada's Black Entrepreneurship Knowledge Hub, bringing 90 university and industry partners in our application. A new Global Centre for Indigenous Entrepreneurship in partnership with Indigenous Works has been launched with university partners in Australia and New Zealand.

As Sprott works in collaboration with the Department of University Communications and Banfield on the new Sprott brand, it has been laying the groundwork for a launch with a complete revision of its website and an enhanced social media strategy. Work has begun on new recruitment activities and planning, including extended outreach to high schools and new international partnerships and recruitment initiatives, particularly in Africa and Southeast Asia. In January 2021, an innovative partnership with Atlantic Hall high school in Nigeria began, providing entrepreneurship education for their teachers and experiential learning through the Sprott Student Consultancy Group for 14 junior and senior high school students. Considerable efforts have been made to enhance the School's reputation through outreach and partnership. The Sprott Student Consultancy Group has been a key vehicle for collaboration with local businesses, enabling a close working relationship with several businesses as they respond and pivot during the pandemic. Significant outreach to businesses in Kanata North is also underway, working in partnership with the Faculty of Engineering and Design and the Faculty of Science to set up offices in Kanata North and accelerate Carleton's outreach and partnerships in the region. The Dean of Sprott has been appointed to the Board of the Kanata North Business Association and has participated in planning for new development with the area's designation as a Special Economic Zone.

A key area of focus for Sprott in the next year will be to continue with curricular innovations and new programming that allow the school to grow and to increase the accessibility of business education to wider audiences. This includes a comprehensive plan to strengthen the culture of Sprott to ensure that the school is a welcoming and supportive community offering personalized educational opportunities that allow all students to realize their potential. Plans are underway for a more inclusive curricula, ladder credentials to access our programs, an Alternative Pathway to the Bachelor of Commerce (BComm) program and increased opportunities for professional learners (PMBA, MBA Online, professional and executive programs). Sprott has taken the lead on Education City, a joint initiative of four Ottawa post-secondary education institutions to offer degrees that are more flexible and work-integrated. The school is redesigning its main programs, the BComm, BiB and MBA to better respond to market needs and to align with the priorities in our strategic plan, with significant enhancements of experiential learning opportunities and growth in key areas, mainly Entrepreneurship, Sustainable Business and Business Analytics.

Faculty of Science

The Faculty of Science continues to experience steady growth in many of its programs, with the area of computer sciences growing at a rate that outpaces any other. To support this continuing growth, the Faculty will be increasing the number of teaching, research and staff positions. Renovation projects in the Steacie Building, the Nesbitt Building and the Herzberg Buildings are underway or planned.

We are expanding our research and programming strength in areas of strategic importance to Science and that align with the SIP, including: Conservation and Sustainability; Data Science; and Health and Wellness.

The Faculty is continuing the development new cost-recovery programs, micro-credentials, and professional development opportunities. Collaborations with the other Faculties continue in an effort to offer more truly interdisciplinary programming, such as the new Collaborative Specialization in Climate Change.

Faculty of Engineering and Design

The Faculty of Engineering and Design has identified the need to increase its teaching and research capacity in order to maintain its leading position in its fields of study and research. Significant resources are being directed toward an aggressive faculty hiring plan to add a significant number of faculty members to its four departments. The natural consequence of hiring faculty is the need for more research space, the need to address significant legacy issues in non-library student study space and the need for additional undergraduate labs. The Engineering and Design Centre is the first step in addressing space needs for the Faculty.

Vice-President (Research and International)

The main objectives of the Office of the Vice-President (Research and International) (OVPRI) are to support and promote research, create incentives to increase research productivity, establish strong partnerships and coordinate our international activities.

During the past two years, Carleton was successful in boosting its research productivity as evident from the increase in external research funding, partnerships, publications, and citations. While continuing to expand the ongoing initiatives, it is important to ensure that these successes translate into improvements in our reputation and rankings. This goal can only be achieved through telling our research success story sharply, strategically and loudly.

OVPRI will continue to invest in supporting researchers, innovation transfer, outreach and partnerships. OVPRI will continue to work with other units such as Advancement, Information Technology Services and Research Financial Services to achieve these objectives.

Vice-President (Student and Enrolment)

Priorities for the Office of the Vice-President (Student and Enrolment) for 2021-22 include the implementation of the university's Accessibility Strategy and Employability framework. The Student Mental Health Framework continues to be a focus toward supporting student success on campus, as is the implementation of the Academic Continuing Evaluation and Advising Framework.

VPSE will be active in ensuring Carleton's rebranding efforts are reflected in enrolment efforts, as competition for high-achieving students continues to increase among post-secondary education institutions in Ontario.

VPSE will continue to develop the Research, Education, Accessibility and Design (READ) initiative and the Canadian Accessibility Network, seek to achieve Excellence Canada's Excellence, Innovation and Wellness (EIW) silver status, and complete IT projects such as Carleton 360, Ventus and the Carleton mobile app.

Vice-President (Finance and Administration)

Continuing to support faculty, staff, and students throughout the pandemic will remain the top priority of the Finance and Administration (F&A) division in 2021-22. This includes planning and supporting the eventual return to campus with attention given to: maintaining a safe work environment, providing appropriate IT provisioning and resiliency, managing evolving demand for space and campus transportation challenges, among many others.

While the focus of the F&A division will remain on COVID-19 in the coming year, other important initiatives will continue, such as consultations towards developing a university-wide Digital Strategy, led by the Office of Quality Initiatives (OQI) and Information Technology Services (ITS), and the update to the Campus Master Plan, led by Facilities Management and Planning. Efforts will also continue to improve the efficiency of administrative processes using OQI's lean reviews and ITS system team. The Human Resources Department will work to implement its new Talent Management Framework and will oversee the adoption of flexible work practices for a post-COVID-19 environment. As part of its operating plan, F&A will adopt Sustainability and EDI initiatives, such as working towards net zero emissions, enhance green spaces and conservation, promote sustainable procurement, and the Engagement and Inclusion Officer Program led by Campus Safety Services.

University Library

The MacOdrum Library plans to continue to improve access to collections and data for research, teaching and learning, as well as to provide capacity for core and emergent initiatives in the areas of digital preservation, researcher identifiers, research performance, analytics and online reference services. Investments continue to support the Statistics Canada Research Data Centre, the Book Arts lab and Indigenous initiatives.

Advancement

This budget focuses on core Advancement priorities: building new revenue, brokering partnerships, and empowering personal and departmental resilience through challenging times.

University Budgets

University Budgets represent expenditure items that are integral to the operations of the university, yet are often out of the direct control of the units that manage them. Examples include student support, utilities, facilities upgrade and IT systems. Most increases to university budgets relate to normal annual increases. Investments in IT infrastructure and scholarships and bursaries were awarded additional base funding.

Allocations of one-time fiscal budget for facility upgrades (e.g., classrooms, washrooms, lab refits) relate to improving student experience, while investments in IT infrastructure for research, teaching and administration support the priorities of research excellence and effective and efficient administrative functions. A one-time fiscal budget was also awarded toward additional on-campus cleaning related to COVID-19 restrictions.

6.9 Provisions and Contingencies

The 2021-22 Proposed Budget contains the following provisions and contingencies:

	<i>Existing Base Budget</i>	<i>New Allocations</i>	<i>2020-2021 Proposed Budget</i>
	(\$000's)	(\$000's)	(\$000's)
a) General contingencies	7,117	5,417	12,534
b) Enrolment incentive (ELBA)	6,349	-	6,349
c) Strategic provisions	7,000	3,307	10,307
Total provisions and contingencies	20,466	8,724	29,190

- a) The general contingencies total \$12.5 million and relate mostly to foreseen requirements that cannot be immediately quantified.
- b) In 2009-10, the university introduced a plan whereby Faculties would be rewarded for enrolment growth. The plan calls for the resources to be built into the Faculty base over time. For 2021-22, \$6.3 million of enrolment growth incentive is available for distribution to the Faculties.
- c) Prior to March 2020, the status of the pension plan continued to be a financial liability for the university and \$7 million of base operating funds were earmarked for required pension special payments. The plan's July 1, 2019 valuation was completed under the province's new pension plan funding rules and was filed in March 2020. Under these new rules, the plan's funded status was above 85% and solvency funding will not be required during the existing valuation period (2019-20 to 2021-22). In addition, the university made a special payment in 2019-20 to address the going-concern deficit of \$59.3 million, which makes the pension plan fully funded on a going-concern basis.

Given the ongoing global and economic uncertainty of the impacts the COVID-19 pandemic, the university continues to hold funds as a provision for future needs.

7.0 Five-year Financial Outlook

The university uses a five-year rolling forecast to inform the availability of resources for the upcoming budget year. The premise of the model is that the budget must break even every year. It is expected that ongoing base revenues will be sufficient to cover base expenditures throughout the five-year timeframe. This outlook assumes that the effects of the COVID-19 pandemic will be temporary.

On the revenue side, the enrolment projection included in the plan is based on first-year student intake rebounding in 2022-23 and flat domestic tuition rates until 2023. Subsequent to that, domestic tuition fee rates are assumed to follow a framework allowing for moderate increases between 2% and 3% beginning in 2023.

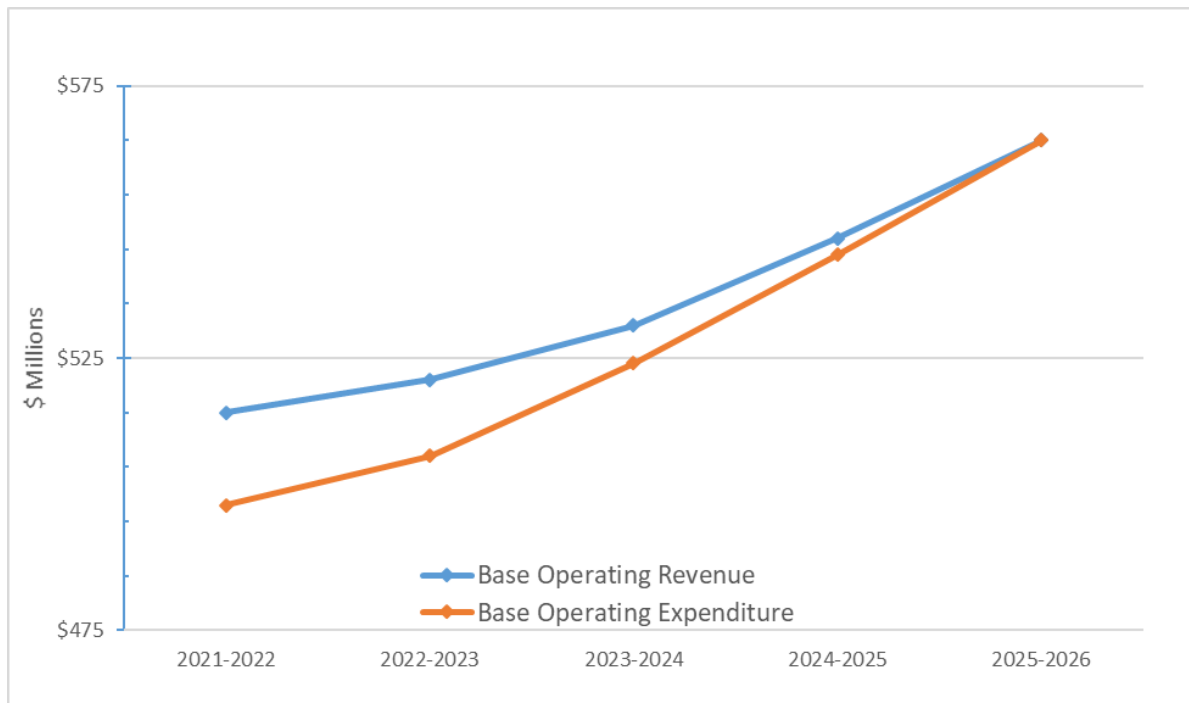
The majority of operating grant income is regulated by the Ministry of Colleges and Universities. With the activation of the third round of Strategic Mandate Agreements, the total funding envelope through to 2024-25 is capped at the 2019-20 level. In response to COVID-19, the government has decided to delay the implementation of performance-based funding by a minimum of two years (2020-21 and 2021-22) with a commitment to use the SMA3 Annual Evaluation process to determine the university's readiness to proceed with implementation. Carleton will work toward meeting or exceeding all of its performance targets over the next five years. However, there is a risk that not all performance targets will be met over the duration of the agreement.

Expenditure increases for non-discretionary and/or strategic university budgets (e.g., utilities and student support) are included in the forecast. Compensation increases are based on collective agreements where applicable, and projections for subsequent years not covered by collective agreements.

Applying the assumptions described above shows that expenditures are expected to increase at a faster rate than revenues. In order to achieve a break-even result in year five of the plan, discretionary allocations towards base expenditures cannot exceed \$4 million in each of the next four years.

The long-term plan is based on conservative assumptions, and will be revisited in the fall of 2021, once actual enrolment is known. Favourable changes to the forecast would be influenced by enrolment growth, higher non-regulated revenues and operating efficiencies. Unfavourable changes would be impacted by a continuing tuition fee freeze, funding grant reductions or higher than planned cost increases.

Operating Fund	2021-2022 Base Budget	2022-2023 Outlook	2023-2024 Outlook	2024-2025 Outlook	2025-2026 Outlook
	(\$M's)	(\$M's)	(\$M's)	(\$M's)	(\$M's)
<u>Base Revenues</u>					
Tuition	311	317	327	343	361
Grants	174	174	174	174	174
Other revenues	30	30	30	30	30
Total revenue	515	521	531	547	565
<u>Base Expenditures</u>					
Faculties, Student and Professional Services	312	322	335	350	367
Provisions and Contingencies	15	8	8	8	8
University Budgets	169	173	177	182	186
Base Available for Allocation	2	4	4	4	4
Total Base Expenditures	498	507	524	544	565
Fiscal amount available	17	14	7	3	-



8.0 Approval of the 2021-22 Operating Budget

Carleton University 2021-2022 Proposed Operating Budget (000's)			
	Approved Budget 2020-2021	Proposed Budget 2021-2022	Change from Prior Year Budget
<u>Income</u>			
Government Grant	172,483	174,126	1,643
Tuition Fees	302,062	311,200	9,138
Investment Income	8,250	10,000	1,750
Other Income	19,585	19,528	(57)
Total Operating Income	502,380	514,854	12,474
<u>Expenditures and Transfers</u>			
Faculty of Arts and Social Sciences	56,448	57,550	1,102
Faculty of Public Affairs	37,654	37,765	111
Sprott School of Business	13,480	14,092	612
Faculty of Science	42,854	42,897	43
Faculty of Engineering and Design	41,915	42,503	588
Provost and Vice-President (Academic)	15,327	16,428	1,101
Vice-President (Students and Enrolment)	26,869	26,897	28
Library	12,547	11,915	(632)
Vice-President (Research and International)	6,939	5,814	(1,125)
Vice-President (Finance and Administration)	41,819	43,790	1,971
Advancement	5,289	5,438	149
President	4,515	5,200	685
University Budgets and Transfers	163,549	175,375	11,826
Provisions and Contingencies	33,175	29,190	(3,985)
Net Appropriations	-		-
Total Expenditure and Transfers	502,380	514,854	12,474
Net Result	-	-	-

As shown above, the proposed 2021-22 Operating Budget meets the objective set out by the Board of Governors in the fall of 2020 that a balanced budget be developed.

The 2021-22 Operating Budget is therefore respectfully submitted to the Board of Governors.



J. Tomberlin
Provost and Vice-President (Academic)
Chief Budgeting Officer



C. Taylor
Interim Vice-President (Finance and
Administration)