2023-24 Operating Budget Report

April 2023

Carleton University

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Carleton University is pleased to present its operating budget for the 2023-24 academic year. This budget supports the university's plans for the coming year through an alignment of the university's strategic planning, risk assessment, operational planning and budgeting activities. The primary goal of this budget, as recommended by the Provost's Budget Working Group (PBWG), 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* as well as to encourage innovation in recruitment, retention, programming, and curriculum.

Carleton has experienced much success over the years. Our Equity, Diversity and Inclusion (EDI) Action Plan, Coordinated Accessibility Strategy and *Kinàmàgawin* (Learning Together) Indigenous initiatives strategy are well underway. We have undertaken a rebranding exercise to realign our key messages, storytelling, branding and marketing to enhance the university's reputation at the regional, national and international levels. Our research activities continue to soar, with the university receiving a record-breaking $97.4 million in external funding and $37.5 million in Tri-Agency funding towards tackling some of the world's most pressing issues. 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.

The post-secondary education sector in Ontario currently faces a number of challenges as we collectively strive to achieve our strategic goals while maintaining balanced operating budgets. Presenting balanced operating budgets have become increasingly difficult due to factors such as a continued freeze on domestic tuition for Ontario resident students, a fixed operating grant, material deferred maintenance liabilities, annual compensation increases and changes in recruitment and enrolment patterns. Despite these challenges, we are able to present a balanced operating budget for 2023-24.

Despite significant impact posed by the COVID-19 pandemic, including international student visa processing delays experienced in 2022-23, we remain confident that a return to in-person recruitment, our reputational enhancement efforts, combined with signals that international student visa processing issues have been resolved, will bring modest growth in enrolment and associated tuition revenue for 2023-24. This is driven by a planned gradual increase in domestic undergraduate and international graduate student intake along with a partial bounce-back in international undergraduate intake.

The impact of a continued domestic tuition fee freeze presents challenges to the university and each of its Resource Planning Committees (RPCs). Adjustments to RPC budgets will include some combination of changes to faculty and staff hiring plans, deferral of capital projects, and fewer investments in service improvements and new initiatives.

Students will continue to be supported by enhancements to mental health programs. A new Mental Health and Wellness website has been launched, featuring an interactive Wellness Services Navigator, to help students find tools and resources to understand, manage and improve their mental health and wellness while at university. The 2023-24 operating budget continues includes funding to support sexual violence prevention and individuals making disclosures and reports of sexual violence.

Budget priorities in Faculty RPCs include curriculum renewal; developing new and emerging programs; hiring of tenure stream faculty as well as instructors; recruitment; capital investments in teaching and research infrastructure; investments to support researchers; and expanding experiential learning opportunities.

Priorities for central support services over the next few years include: new tools and initiatives to support high-impact practices in teaching and learning; investments to address information security risks; increasing capacity in student recruitment; enhancing student services; additional funding to support researchers and sustain research growth; funding to maintain the library's acquisition and collection activities; and critical spending on deferred building maintenance and IT infrastructure evergreening.

In addition to these institutional priorities, central contingenicies will provide support to RPCs by funding compensation and benefit increases as we exit Bill 124.

Though Carleton is presently in good financial health, critical environmental factors continue to place pressure on maintaining a balanced budget. This budget represents investments geared toward accomplishing our goals while also ensuring we continue to maintain financial sustainability.

Jerry Tomberlin
Provost and Vice-President (Academic)

1.0 The Budget Process

Carleton's planning and budget framework is based on a five-year planning horizon, 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 (SIPC). These unit-level 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 directions for the coming year and allocating resources in line with institutional priorities.

In March, Resource Planning Committee (RPC) Chairs meet to present their proposed budgets, 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, spending priorities are established, and that alignment and efficiency of service delivery is considered. As a result, budget allocations are informed not only by the overall financial situation of the university, but by the values and priorities of individual units.

Annual allocations are also affected by the university's Enrolment Linked Budget Allocation (ELBA) mechanism, 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. All 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.

The planning and budgeting review process continues throughout the fiscal year. A mid-year contingency reserve is available to respond to off cycle requirements presented by the RPCs.

In concert with the university's annual Financial Report, which includes consolidated financial statements and a management discussion, the President's annual report completes the planning and budgeting cycle and highlights progress on our plans and priorities.

Basis of Budgeting
The basis of accounting for the university's financial statements is done in accordance with Canadian accounting standards for not-for-profit organizations. 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; and 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.

Fund Descriptions
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. This budget report reflects the 2023-24 operating fund budget.

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 across 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, which include research funds, encompass 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 research and contracts and other specific activities. These funds comprise both special purpose funds and endowment funds. Funds can also be internally restricted by the Board for specific purposes.

2.0 Budget Priorities and Challenges in Maintaining a Balanced Operating Budget

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 year:

- Continue progress toward our Strategic Integrated Plan
  - Share Knowledge, Shape the Future;
  - Serve Ottawa, Serve the World;
  - Strive for Wellness, Strive for Sustainability; and
- Innovation in recruitment, retention, programming, and curriculum.

Priorities of Resource Planning Committees

In support of the university-wide directions established by Carleton's Strategic Integrated Plan, divisions and faculties have identified several priorities for new or continued investment in 2023-24:

- Reputation and branding;
- Recruitment;
- New and emerging programs
- Curriculum review
- Kinàmàgawin Indigenous Initiatives Strategy;
- Equity, Diversity and Inclusion (EDI) Action Plan;
- Global Talent Initiatives;
- CU @ Kanata North;
- Future Learning Lab;
- Innovation Hub;
- Student success, high-impact practices in teaching and learning;
- Continuing research momentum;
- Improving faculty to student ratios;
- Health and counselling services;
- Community engagement;
- Improvements to IT infrastructure, campus operations and maintenance;
- Accessibility Institute / Canadian Accessibility Network

Budget Pressures

Tuition and Other Fees

Tuition represents a significant portion of the university's revenue and the fee setting process is critical in ensuring financial sustainability for the institution. Fees provide Carleton the ability to offer innovative, cutting-edge programs, provide a broad range of student support (including scholarships), and attract world-class faculty along with graduate and undergraduate students in pursuit of its academic and research missions. Charging fees that are beyond market rate could have an adverse effect on enrolment and overall university revenues. Failure to increase tuition fees when provided the flexibility to do so could also have an adverse effect on overall university revenues given its compounding effect and the uncertainty over permissible future increases. This risk is mitigated by approving increases when permitted by the Provincial Framework.

Tuition fees for grant-eligible students are regulated by the government through the Tuition Fee Framework whereas tuition fees for non grant-eligible students are set to be broadly consistent with the fees charged by other Ontario universities for similar degrees. In 2019, the Ontario government announced a 10% tuition fee reduction on all grant-eligible tuition fees for the 2019-20 academic year, followed by a freeze through to 2022-23. Tuition fees for grant-eligible Ontario resident students continue to remain fixed at the 2019-20 level in 2023-24. However, the provincial government has permitted tuition fees for domestic out-of-province students to increase by 3% in 2021-22 and 5% in 2022-23 and 2023-24. Additionally, the Province of Ontario has launched a process to assess tuition fee anomalies which may permit universities to increase tuition fees for up to three programs with below-market fees. A five year period of tuition fee freeze on grant-eligible students has placed significant financial pressure on all Ontario post-secondary institutions, something the sector continues to navigate. Delays in processing international student visa applications in 2022-23 has had the effect of amplifying tuition revenue pressures.

Changes in Enrolment Patterns
Meeting enrolment targets continues to be one of Carleton's top financial risks. Healthy first-year undergraduate student enrolment, in addition to strong retention rates, are among the main drivers of the university's financial sustainability.

Strategic Mandate Agreement
During the first and second rounds of Strategic Mandate Agreements (SMA), 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 to support differentiation and student-focused outcomes. This resulted in the implementation of the corridor model (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 (SMA3). A system-average of 25% of MCU operating grant funding would be provided on the basis of performance outcomes, ramping up to 60% by 2024-25. Due to the COVID-19 pandemic context, MCU delayed the planned activation of performance-based funding for the first three years (2020-21 through to 2022-23) 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 2022-23 budget update, released in February 2023, projects a deficit of $6.5 billion, compared to a budget deficit estimate of $19.8 billion. Minister of Finance Peter Bethlenfalvy has indicated to the public that the large-deficit budgets that Ontario has tabled during the pandemic have served their purpose and that it is now time for restraint. There remains uncertainty regarding planned government spending in the future and the university's plan is based on the assumption that provincial spending constraints will impose significant pressure on all provincially-funded sectors, which may result in the corridor model continuing for the foreseeable future.

Rising Capital Project Costs
Construction demand in Ottawa is high, and recent capital project planning has seen pre-pandemic cost estimates increase as the availability of labour diminishes and material costs soar due to supply chain disruptions and increased demand. Increases in government-led infrastructure spending initiatives would likely increase cost and delivery pressure on future capital projects at Carleton.

The university works to mitigate this risk by estimating market-driven cost increases, but these estimates are subject to a significant amount of estimation risk as final project costs are largely dependent on final design and market conditions at the time of implementation. Should costs continue to increase, the university will need to assess operating and capital priorities to make judicious use of available resources.

Deferred Building & Infrastructure Maintenance
Carleton has an aging physical infrastructure, with the majority of campus buildings, systems and underground infrastructure now over 30 years old. As campus infrastructure ages, maintenance and repairs become increasingly ineffective, prompting the need to fully replace major systems such as plumbing, HVAC, electrical and building envelope to improve the building performance, Facility Condition Index rating, energy efficiency and sustainability. Carleton has started an extensive multi-year program to perform an in-depth assessment of our aging infrastructure, including watermains, sewers and sanitary lines, roofs, and the high voltage electrical loop. The assessment will allow the university to prioritize the infrastructure that is in critical need of repair and/or replacement.

Deferred maintenance projects are funded by a 10-year $140 million asset renewal program, running until fiscal 2024-25, along with additional annual contributions of from the provincial government's Facilities Renewal Program (~$4M annually). Given the province's current fiscal outlook, there is some risk associated with future funding of capital renewal. Capital projects also indirectly address deferred maintenance costs through the renewal of buildings.

During the pandemic, Carleton adapted its systems to online course delivery and increased 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. Carleton will continue its IT Infrastructure Renewal project and the development of 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.

Maintaining a Balanced Budget
Carleton's operating revenues have continuously increased over the preceding 10-year period due to increased enrolment and research activity. This growth in enrolment and research brought significant increases in costs as the university was met with the need to hire new faculty and professional staff, and add to on-campus services, student support and infrastructure. Throughout this time, the university maintained a balanced budget. However, as this period of growth is anticipated to slow and given the fixed nature of many of the University's expenditures, Carleton, and the sector, face potential structural budget challenges over the mid-term planning horizon.

3.0 Financial and Budget Policies

Major financial policies are approved by the appropriate authority, including 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.

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 over $5 million are brought forward to the Building Program and Finance Committees for review and approval by the Board of Governors. The current 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.

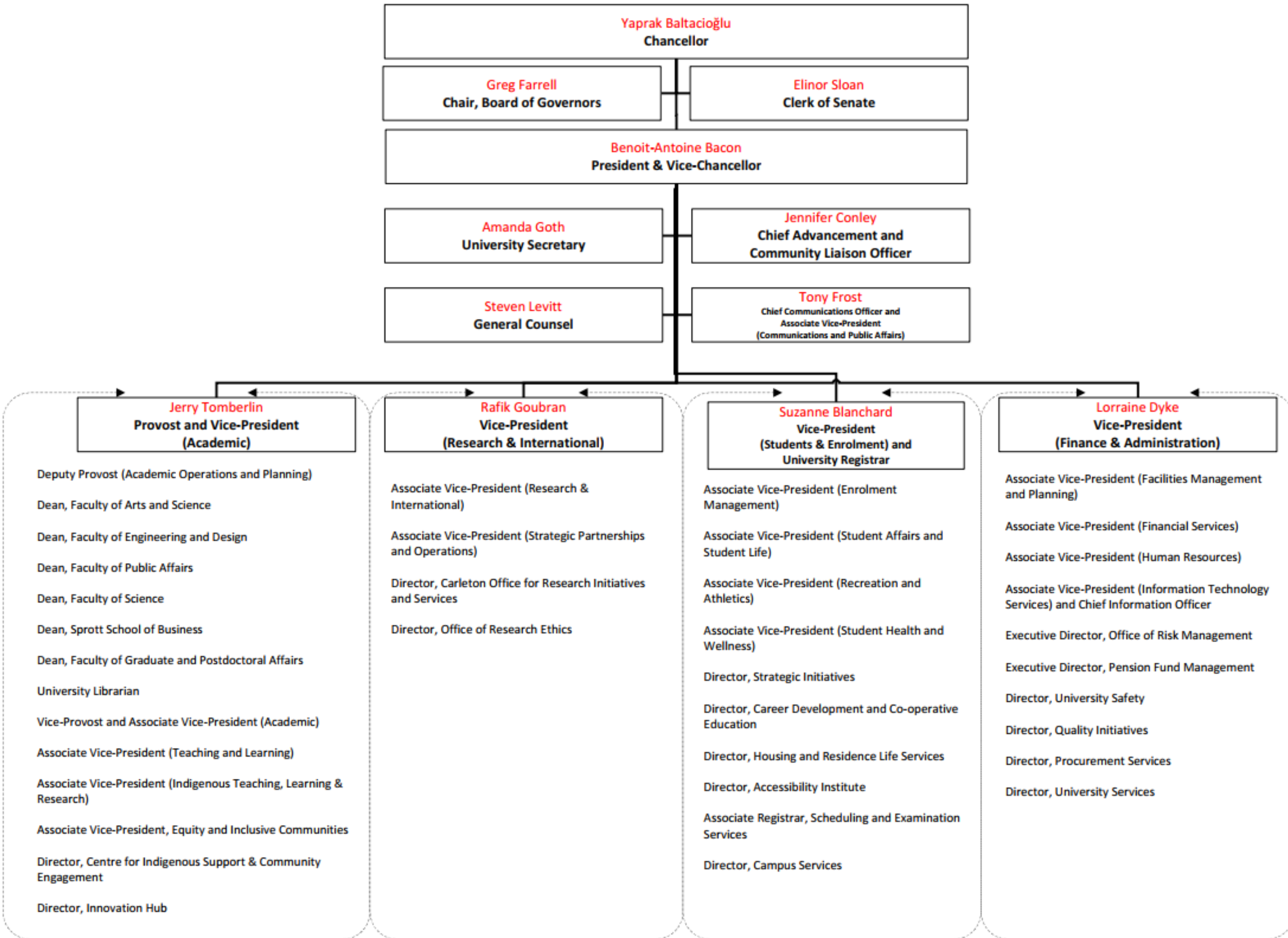
Investment Policies
The Carleton University Retirement Plan's Statement of Investment Policies and Procedures (SIPP) addresses the manner in which the Retirement Plan assists in providing plan beneficiaries with a financially secure retirement income at a reasonable cost. A similar SIPP is in place for 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 RPCs 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 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 paid for with public funds.

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

4.0 Organizational Chart



List of Resource Planning Committees (RPC)

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

5.0 The Operating Budget

In 2023-24, Carleton proposes a balanced operating budget, with revenues and expenditures of $525 million, compared to $521 million in 2022-23. This section provides detailed information on the components of revenues and expenditures. Section 7.0 provides further details of the operating budget.

In summary:

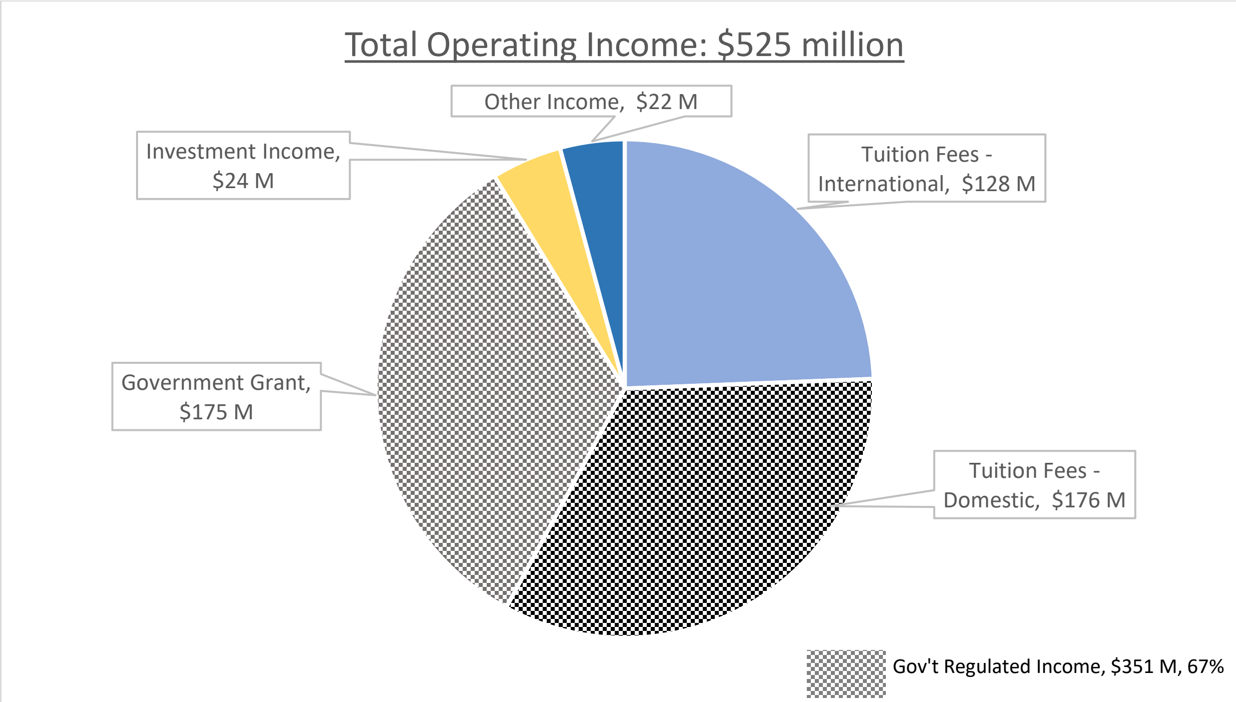
	2022-23 *Budget*	**2022-23** *Projected Actuals*	**2023-24** *Proposed Budget*
	($000's)	*($000's)*	*($000's)*
Income	520,826	517,550	525,162
Expenditures and Transfers	(520,826)	516,650	(525,162)
Subtotal	-	900	-
Planned contingency		2,800	
Net Result	-	3,700	-

The following sections compare the 2023-24 proposed budget with the 2022-23 approved budget.

5.1 Operating Income

The operating fund is supported by four key revenue sources:

- **Tuition fees**.
- **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.



5.2 Tuition Fees
Most tuition fee revenue is derived from undergraduate enrolment. In 2023-24, Carleton's projection of undergraduate tuition is approximately $250 million, with the remaining $54 million projected from graduate tuition. Domestic tuition makes up $176 million of the total, with the other $128 million coming from international students. The $11 million decrease in tuition revenue from budget 2022-23 is mainly attributable to the effects felt by the international student visa processing issues faced by the Federal Government. This reduction in enrolment is expected to have a multi-year financial impact. The University is planning for a partial bounce back in international enrolment in 2023-24.

The following chart compares tuition revenue by category from the approved 2022-23 budget to the 2023-24 proposed budget:

	2022-23 Budget	***2022-23 Projection***	***2023-24 Proposed Budget***	***Budget Change***
	($000's)	($000's)	($000's)	($000's)
Undergraduate Fees	264,700	252,980	250,707	(13,993)
Graduate Fees	50,300	47,475	53,700	3,400
Total	**315,000**	**300,455**	**304,407**	**(10,593)**

5.3 Government Operating Grants

Government grants for 2023-24 are projected to be $287,000 higher than budget 2022-23.

	2022-23 Budget	***2022-23 Projection***	***2023-24 Proposed Budget***	***Budget Change***
	($000's)	($000's)	($000's)	($000's)
Operating & Performance Grants	165,761	165,761	165,761	-
Research Overheads	5,292	5,292	5,579	287
Other Grants	3,401	3,401	3,688	-
Grants Offset by Additional Expense	-	4,969	-	-
Total	**174,454**	**179,423**	**174,741**	**287**

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 distributed on the basis of achieving performance targets set by the Ministry.

MCU delayed the planned activation of performance-based funding for the first three years (2020-21 through to 2022-23) of the agreement with a commitment to use the SMA3 Annual Evaluation process to determine readiness to proceed with activation for the remaining years of SMA3.

Other grants include the Accessibility Fund for Students with Disabilities, Municipal Tax and Credit Transfer funding. Grants Offset by Additional Expense relate to special purpose grants received during 2022-23 for targeted initiatives, such as student success and financial support. The proposed opening budget for 2023-24 does not include amounts for these restricted grants, which will be adjusted during the year as amounts are confirmed and received.

5.4 Other Income

	2022-23 Budget	2022-23 Projection	2023-24 Proposed Budget	Budget Change
	($000's)	($000's)	($000's)	($000's)
Miscellaneous Fees	7,378	7,378	7,600	222
Miscellaneous Income	5,675	5,675	6,850	1,175
Department Income	8,319	8,319	7,481	(838)
Total	**21,372**	**21,372**	**21,931**	**559**

Other income for 2023-24 is projected to be $0.6 million higher than budget 2022-23, driven largely by additional endowment overheads, and an expected one-time HST tax rebate.

5.5 Short-Term Investment Income

Short-term investment income is forecasted to total $24 million for the 2023-24 fiscal year.
The breakdown is as follows:

	2022-23 Budget	2022-23 Projection	2023-24 Proposed Budget	Budget Change
	($000's)	($000's)	($000's)	($000's)
Investment Income on Cash Flows	8,757	15,057	22,858	14,101
Endowment income*	305	305	325	20
Interest on internal loans	938	938	900	(38)
Total	**10,000**	**16,300**	**24,083**	**14,083**

** 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).*

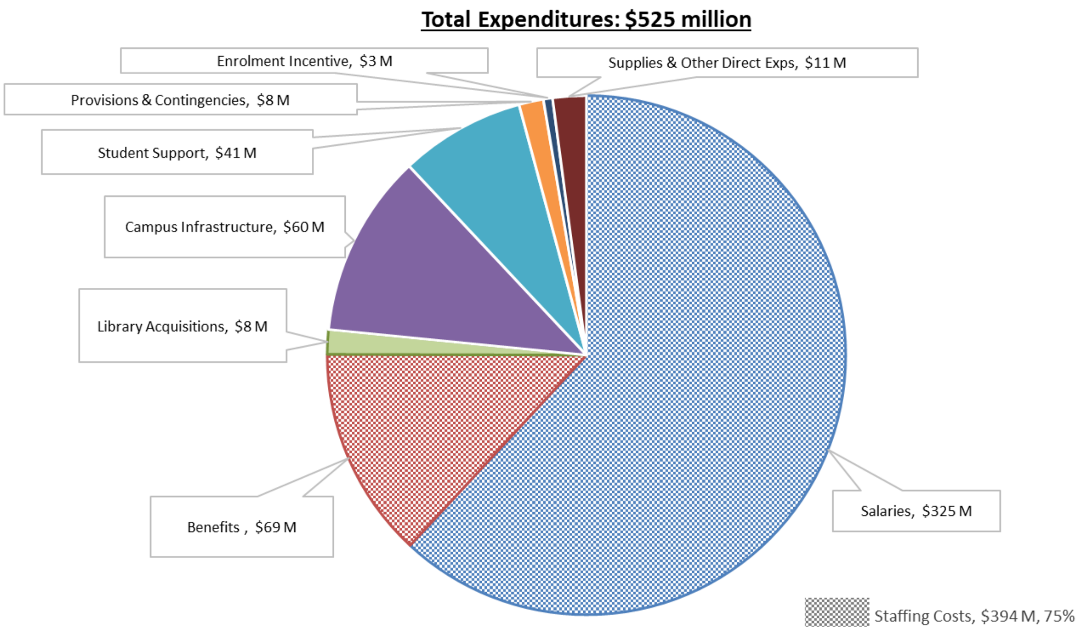
In 2015, the Investment Committee recommended to invest $100 million of available operating cash in equity funds. Over the long term, this decision has yielded higher returns, yet it is recognized that equity funds are more susceptible to market risks. To mitigate this risk and shield the operating budget 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. The current value of the fund is $39 million, equal to the fund's capped value.

In November 2022, the university invested the available proceeds from its $220 million debenture offering in a laddered series of Guaranteed Investment Certificates (GICs). These GICs will provide an additional $6.3 million of investment income in 2022-23 and $12 million in 2023-24. The general increase in interest rates are expect to provide an additional $2 million in investment earnings on the university's general cash balances.

5.6 Operating Expenditures

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.



The following table illustrates the shift in resources away from more discretionary expenditures towards human capital.

	2022-23 Budget	***2023-24 Proposed Budget***	***Budget Change***
	($000's)	($000's)	($000's)
Salaries and benefits	382,615	393,393	10,778
Student supports	43,867	41,436	(2,431)
Campus infrastructure	60,695	60,193	(502)
Other operating expenditures	33,648	30,140	(3,508)
Total Expenditures	**520,825**	**525,162**	**4,337**

The increase in salary and benefits has been expected and planned for, with financial resources earmarked for this expense using the university's provisions and contingency budget. As term-limited student support funding during the public health crisis has now ended, the 2023-24 budgeted amount for student support has decreased relative to 2022-23. Lastly, other operating expenditure budgets are being reduced by RPCs to respond to the 2% across-the-board budget cut.

5.7 New Resource Allocations

For the fiscal year 2023-24, we recommend a base budget allocation of $8.9 million and fiscal allocation of $15.3 million, to be allocated as follows:

	Base Budget Allocation	*Fiscal Budget Allocation*
	($000)	($000)
President	30	530
Provost and Vice-President (Academic)	65	1,845
Vice-President (Finance and Administration)	(661)	787
Vice-President (Students and Enrolment)	(408)	92
Vice-President (Research and International)	263	263
Advancement	(110)	(110)
Faculty of Arts and Social Sciences	(980)	(783)
Faculty of Engineering and Design	(1,326)	(1,326)
Faculty of Public Affairs	(1,197)	(943)
Faculty of Science	(1,154)	(1,277)
Sprott School of Business	(171)	2
MacOdrum Library	(239)	(99)
Subtotal	**(5,888)**	**(1,019)**
University Budget	3,772	5,872
Provisions and Contingencies	10,997	10,397
Total	**8,881**	**15,250**

The university proposes reducing allocated funding to RPCs by $1.0 million over the previous year through a combination of a $6.8 million base budget cut followed by $5.8 million in strategic allocations to support undergraduate recruitment, research, Kinàmàgawin, experiential learning, reputation enhancement initiatives, and Information Technology services. Proposed non-discretionary allocations to University Budget totals $5.9 million. These allocations are in support of IT Infrastructure Modernization, student scholarships and aid, and to respond to contractual and inflationary increases. The Provisions and Contingencies budget includes funding set aside to support salary increases, debt servicing, international agency commission fees and the Enrolment-Linked Budget Allocation mechanism.

5.8 Provisions and Contingencies

The 2023-24 Proposed Budget contains the following central provisions and contingencies:

	Existing Base Budget	*New Allocations*	*2023-24 Proposed Budget*
	($000's)	($000's)	($000's)
a) General contingencies	6,220	10,582	16,802
b) Enrolment-Linked Budget Allocation	1,324	(185)	1,139
c) Debt servicing	5,729	-	5,729
Total provisions and contingencies	**13,273**	**10,397**	**23,670**

a) The general contingencies total $16.8 million and relate mostly to foreseen requirements that cannot be immediately quantified.

b) In 2009-10, the university introduced a plan whereby Faculties would receive additional budget to support enrolment growth. The plan calls for the resources to be built into the Faculty base over time. For 2023-24, $1.1 million of enrolment growth incentive is available for distribution to the Faculties.

c) In June 2021, the university completed its inaugural bond offering of $220 million, providing proceeds for significant future capital plans. The 40-year bullet bond is repayable in 2061 and carries an interest rate of 3.264%. The $5.7 million debt servicing contingency represents the operating fund's annual interest payment and contribution to the required sinking fund. The housing operation will be assuming $80 million of the debt with annual debt servicing costs of $3.3 million.

6.0 Five-year Financial Outlook

The university uses a five-year planning horizon to inform the availability of resources for the upcoming budget year as well as to assess the mid-term financial landscape of the institution.

On the revenue side, enrolment assumptions for 2023-24 include: a gradual increase in domestic undergraduate and international graduate student intake; a partial bounce-back in international undergraduate intake following the international student visa processing delays experienced in 2022-23; flat domestic graduate student intake; and modest growth in intake driven by the launch of new graduate programs.

Domestic tuition fees for Ontario resident students are assumed to continue to be frozen; domestic tuition fees for domestic out-of-province students permitted to increase by 5%; and international tuition fees to continue to increase in line with the approved international tuition fee framework.

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. MCU delayed the planned activation of performance-based funding for the first three years (2020-21 through to 2022-23) with a commitment to use the SMA3 Annual Evaluation process to determine readiness to proceed with activation for the remaining years of SMA3. It is assmped that operating grant income will remain frozen over the planning horizon.

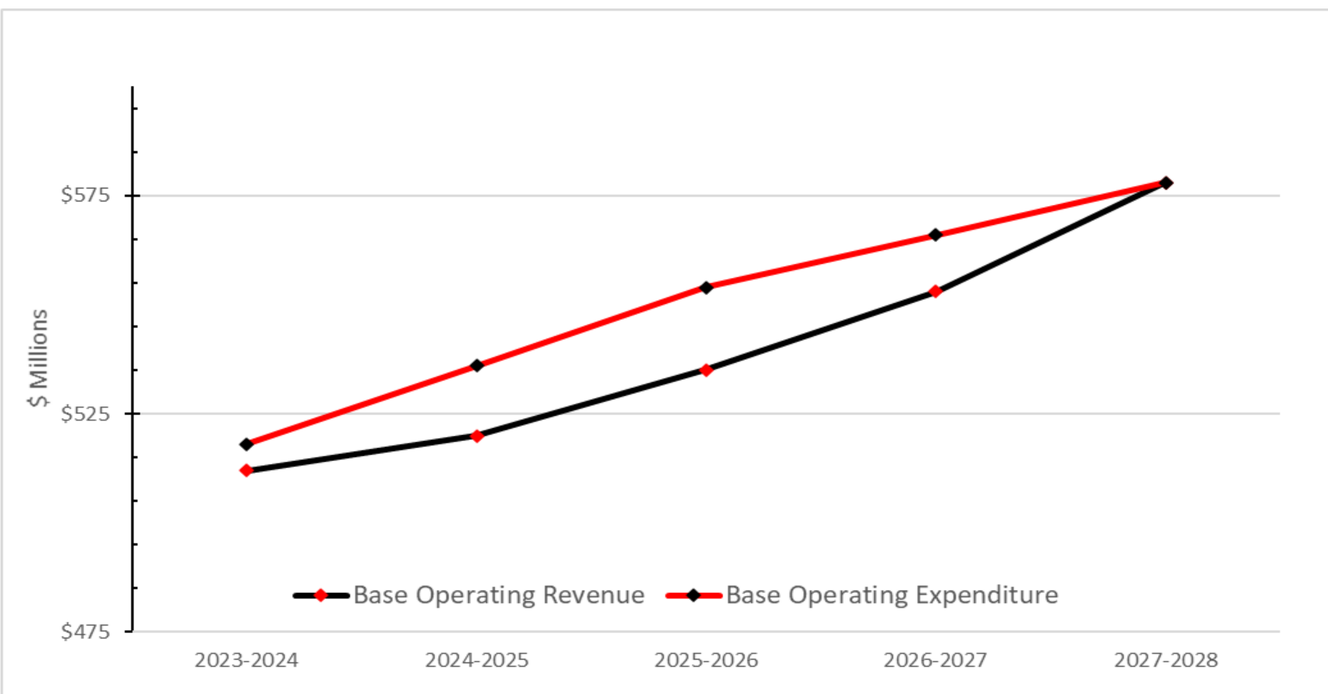
Expenditure increases for non-discretionary and/or strategic university budgets (e.g., utilities and student support) are included in the forecast. Compensation increases are based on collective agreements where applicable, and projections for subsequent years not covered by collective agreements.

Applying the assumptions described above, the university projects it may need to present operating budget deficits between 2024-25 and 2026-27 before returning to balance in 2027-28. Fiscal resources set aside from previously earmarked reserves and/or additional one-time GIC investment income would be required to be draw upon for the university to maintain its momentum toward achieving its strategic and operational goals.

The long-term plan is based on conservative assumptions and will be revisited in the fall of 2023 once actual 2023-24 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	*2023-24 Base Budget*	*2024-25 Outlook*	*2025-26 Outlook*	*2026-27 Outlook*	*2027-28 Outlook*
	($M's)	($M's)	($M's)	($M's)	($M's)
Base Revenues					
Tuition	304	312	327	344	368
Grants	175	175	175	175	175
Other revenues	33	33	33	34	35
Total revenue	512	520	535	553	578
Base Expenditures					
Faculties, Student and Professional Services	346	362	376	386	394
Provisions and Contingencies	6	6	6	6	6
University Budgets	164	166	170	174	178
Base Available for Allocation	2	2	2	2	-
Total Base Expenditures	518	536	554	566	578
Fiscal amount available	**(6)**	**(16)**	**(19)**	**(13)**	**-**

* It should be noted that the university has included an additional-fiscal only $13 million in the Other Revenue budget for 2023-24. This relates mostly to additional term-limited GIC investment income and some one-time tax credits.



7.0 Approval of the 2023-24 Operating Budget

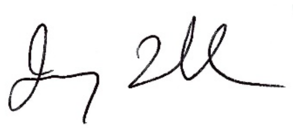
Carleton University
2023-24 Proposed Operating Budget
(000's)

	Restated Budget 2022-23*	**Proposed Budget 2023-24**	Change fm Prior Year Budget
Income			
Government Grant	174,454	**174,741**	287
Tuition Fees	315,000	**304,407**	(10,593)
Investment Income	10,000	**24,083**	14,083
Other Income	21,372	**21,931**	559
Total Operating Income	520,826	**525,162**	4,336
Expenditures and Transfers			
President	5,179	5,870	691
Provost and Vice-President (Academic)	16,191	16,129	(62)
Vice-President (Finance and Administration)	34,369	35,775	1,406
Vice-President (Students and Enrolment)	27,623	26,939	(684)
Vice-President (Research and International)	6,575	6,816	241
Advancement	5,501	5,467	(34)
Faculty of Arts and Social Sciences	64,747	65,236	489
Faculty of Engineering and Design	51,207	50,540	(667)
Faculty of Public Affairs	44,483	43,944	(539)
Faculty of Science	49,292	48,957	(335)
Sprott School of Business	15,406	16,142	736
MacOdrum Library	12,246	11,904	(342)
University Budgets and Transfers	164,587	167,773	3,186
Provisions and Contingencies	23,420	23,670	250
Total Expenditure and Transfers	520,826	**525,162**	4,336
Net Result	-	**-**	**-**

* 2022-23 budget figures reflect the opening May 1, 2022 budget, with reallocations made to assist in comparison.

As shown above, the proposed 2023-24 Operating Budget meets the objective set out by the Board of Governors that a balanced budget be developed.

The 2023-24 Operating Budget is therefore respectfully submitted to the Board of Governors.



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