



Carleton
UNIVERSITY



2020-21 Budget Report

April 2020

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1.0 Introduction

Carleton University's annual budget planning process formally begins in the fall with the approval of the process and assumptions by the Finance committee of the Board of Governors. In line with the approved process, the 2020-21 operating budget was developed under the direction of the Provost and Vice-President (Academic) with substantial advice from the Provost's Budget Working Group (PBWG).

Our five-year Strategic Integrated Plan (SIP): Sustainable Communities – Global Prosperities continues to influence our strategic investment decisions. In addition, this year, the University has launched a new Strategic Integrated Planning process and the ideas gathered throughout the consultations have also contributed to defining our annual budget priorities for the year.

Indeed, in the initial Open Consultation Phase, the Strategic Integrated Planning (SIP) Task Force hosted more than 50 consultations and had more than 1,000 conversations with faculty, staff, students, community partners and alumni members about Carleton's strengths and vision for the future. This comprehensive input led to the Themed Consultation phase where the Carleton community was engaged in specific conversations about particular emergent themes. In early 2020, the draft Strategic Integrated Plan was distributed widely to the Carleton community in order to invite feedback and comments. Once the document is finalized, it will be presented to Senate and the Board of Governors for approval.

In parallel, during the Fall of 2019, Carleton began the process of negotiating a renewed Strategic Mandate Agreement (SMA3) with the Ministry of Colleges and Universities (MCU) of Ontario. SMA3 is aligned with the MCU's funding model reform and introduces a performance/outcomes-based grant in a differentiation funding envelope. While the document is essentially finalized, it has indeterminately been put on hold by the Province due to the current public health crisis. It is now doubtful that it will come into play for 2020-21.

Although Carleton is presently in good financial health, maintaining a balanced operating budget under the new provincial funding model, when it becomes operational, could become increasingly challenging. The following sections of this report describe the actions taken to support continued growth and further success at Carleton while continuing to maintain financial sustainability.

2.0 The Budget Process

As currently mandated by the Board of Governors, the operating budget must be balanced each year. The university uses a multi-year base budget planning cycle to ensure that this objective is achievable each year over the long term. The operating budget includes both base and one-time discretionary funding. The base budget refers to recurring revenues and expenditures. The fiscal budget includes both the base budget and one-time discretionary revenues and expenditures.

Certain funds are restricted, either internally or externally. Internally restricted funds (e.g. reserves) are established to address future commitments, such as student aid, academic programs, or investments to improve the campus facilities and infrastructure. The university also maintains restricted funds, which a donor/grantor has designated as such. The principal amount of restricted endowment funds must be maintained and the income spent in accordance with specific donor/grantor wishes. Funds may also be designated by the Board of Governors for endowment.

The university's budgeting process is built on the principle of prudent financial management with emphasis on containing costs and investing in strategically focused initiatives. Maintaining sufficient reserves to cover operating contingencies and planned projects provides Carleton with a stable operating environment. The 2020-2021 budget follows this principle.

The Provost and Vice-President (Academic) and the Vice-President (Finance and Administration), in conjunction with the Office of the Deputy Provost (Academic Operations and Planning), Financial Services, and the Office of Institutional Research and Planning (OIRP) begin the budget planning process in mid- to late fall through the Strategic Integrated Plan review.

Once strategic and operating priorities have been set, the financial planning starts with the base budget and includes forecasts of anticipated (non-discretionary) changes in revenues and expenditures. Subsequently, additional recurring (base) and one-time discretionary funds are determined and made available to Resource Planning Committees (RPCs) to pursue the university's strategic and operating goals in a manner consistent with the principle of maintaining a balanced budget.

Planning and budgeting include a series of steps that take place at specific times throughout the year, as is outlined in the Carleton University Planning Framework. The process is coordinated through the Provost Budget Working Group (PBWG) which is made-up of the President, the Vice-Presidents, the Deputy Provost, and two Deans (on a rotating basis) appointed by the Provost. The AVP (Financial Services), AVP (Institutional Research and Planning) and Planning Manager are key resources to this committee.

The PBWG relies on extensive input and consultation with various groups across campus, specifically the Strategic Integrated Planning Committee (SIPC). This committee - made up of the President, Vice-Presidents, Assistant and Associate Vice-Presidents, and Deans and some Directors - meets throughout the year to review and discuss strategic initiatives and plans for future ideas that support and advance the university's strategic plan. Consultations with key stakeholders are an important part of the budget planning process. Recommendations from SIPC are assigned to Strategic Transformation Groups (STGs), established to oversee the implementation of specific strategic initiatives, and to inform SIPC about emerging budget priorities.

The President, Vice-Presidents, Deans, University Librarian and the Chief Advancement Officer identify the resources required by their respective RPCs to ensure that priorities are adequately funded. For the Faculties, annual allocations are affected by the university's Enrolment-Linked Budget Allocation (ELBA), which provides the faculties with a share of additional revenue received from enrolment growth. The ELBA money is built into Faculty base budgets over time and is meant to cover cost increases in teaching/research, lab infrastructure and equipment, as well as student initiatives associated with increases in enrolment. The academic and administrative RPCs may 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 Chief Budget Officer obtains information from numerous sources about the factors that may impact the university's operating budget from one year to the next. This includes such things as expected enrolment growth, inflation forecasts, future capital investments, and provincial grants. Economic, regulatory and operational risks are also assessed at the enterprise level and reflected in the budget assumptions.

Following the review process, the Operating Budget is prepared and presented to the Finance Committee of Board for review and recommendation to the Board of Governors. The Board of Governors ultimately approves the university's Operating Budget.

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; while 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 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. This includes units such as Athletics, Health and Counselling Services, Residence Life, Dining Services, Parking Services and the Bookstore.

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

The Research Fund includes the receipt of externally restricted research funds, as well as internally designated research funds to support research and scholarly activities.

Additional funds for which activities are not reflected in this budget report include endowment funds (principal and disbursement funds) and special purpose funds that are not accounted for elsewhere that are funded by contributions for a particular use.

3.0 Budget Priorities and Pressures

As part of its annual planning cycle, SIPC met in December to review Carleton's strategic directions and to identify goals and objectives for the upcoming budget year. For 2020-21, it was agreed that the work of the Strategic Transformation Groups (STGs) would continue to include: graduation and retention rates, research culture, and employability. The community engagement STG was transformed into the Community Engagement Steering Committee. In addition, work is underway to develop a comprehensive internationalization strategy.

The university will also continue to review its strategic goals and priorities within available resources to ensure an ongoing balanced budget. To that end, Carleton uses a multi-year financial plan to assess base funding requirements of the various RPCs, including identifying recurring expenditures presently funded through one-time fiscal allocations.

2020-21 Budget Priorities

The operating priorities for the coming year are influenced by the Carleton Strategic Integrated Planning Committee and its senior leadership team. The shared university objectives and priorities for 2020-21 are:

- Improving student success and wellness;
- Increasing research productivity and impact; and
- Strengthening reputational credibility.

As the university works toward achieving its goals, planning efforts will also prioritize investments aimed at increasing and diversifying external revenue sources, implementing cost containment initiatives, the renewal off campus infrastructure, and emerging SIP themes.

Budget Pressures

Ministry of Colleges and Universities

As previously noted, the Ontario government announced a 10% reduction to all domestic tuition fees for 2019-20, followed by a tuition freeze in 2020-21. Carleton managed this tuition reduction in part by applying a 2% base budget cut to all RPC operating budgets in 2019-20, amounting to \$5.5 million. For 2020-21, an additional 1% base budget cut to all RPC operating budgets was applied, amounting to \$2.9 million, to free-up resources for strategic priorities. With the introduction of SMA 3, provincial operating grants from MCU will be capped at the 2019-20 level, with 25% of our grant becoming at-risk with the introduction of performance/outcomes-base funding. At-risk funding is planned to increase to 60% by 2024-25 and enrolment increases will continue to be limited by the corridor model introduced during SMA 2.

Regulatory Constraints

In years past, the university was able to manage annual cost increases through growth of both domestic and international students, supported by their corresponding provincial operating grants. However, current regulatory constraints introduced to the sector through SMA2, SMA3 and the tuition fee framework, result in projections of operating revenue increasing by approximately 1-2% per year over the next five years, while our base expenditures are planned to increase by 3-4%. Under this scenario, the one-time fiscal allocations, made through a base surplus, will no longer be possible by 2024-25.

The Current Public Health Crisis

The COVID-19 pandemic is having a major social and economic impact across all sectors. The disruption experienced by Carleton has affected every aspect of operations from teaching and research to administrative functions. Its impact on Carleton's financial position is expected to be material, especially if the ongoing crisis negatively impacts Fall 2020 enrolments. At this time it is not possible to accurately anticipate the nature and scale of enrolment impacts and a budget update will be presented in the Fall.

To strengthen financial stewardship, the Provost redesigned the process in which replacement faculty positions are allocated by requiring final position approval to come from PBWG. This step provides the Provost with greater control over the allocation and renewal of faculty positions, one of the university's single largest expense, and ensures that new positions and new hires are allocated to strategically important areas that support the university's teaching and research missions.

Plans are also underway to initiate an examination of the university's planning and budgeting model with the goal to (1) better align resource allocation to strategically important initiatives, (2) incentivize diversified and increased revenue streams, and (3) reward expenditure containment initiatives implemented by RPCs.

For 2020-21, Carleton remains in good financial health with an adequate level of reserves to face the impacts of unexpected events such as the current public health crisis

4.0 Financial and Budget Policies

Major financial policies are approved by the appropriate authority such as: 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 enhance the internal control structure, as well as the preparation of the budget and financial reports of the university. The following is a listing and brief description of policies and guidelines that provide the context for planning and developing the budget.

Balanced budget

As currently mandated by the Board of Governors, the operating budget must be balanced each year. The university 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 SMA2 objectives and priorities. Revenues directly attributable to an RPC remain with the RPC.

Risk management

Carleton University is committed to risk management on a university-wide basis as detailed in the university's Enterprise Risk Management Program's "Risk Management Manual". The Board of Governors require 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 University 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 \$5M 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. The university is committed to undertaking debt only when the doing so is the most advantageous financing alternative available in achieving the university's 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 Statement of Investment Policies and Procedures must be reviewed and approved annually by the Board of Governors.

Operating and Capital Reserves

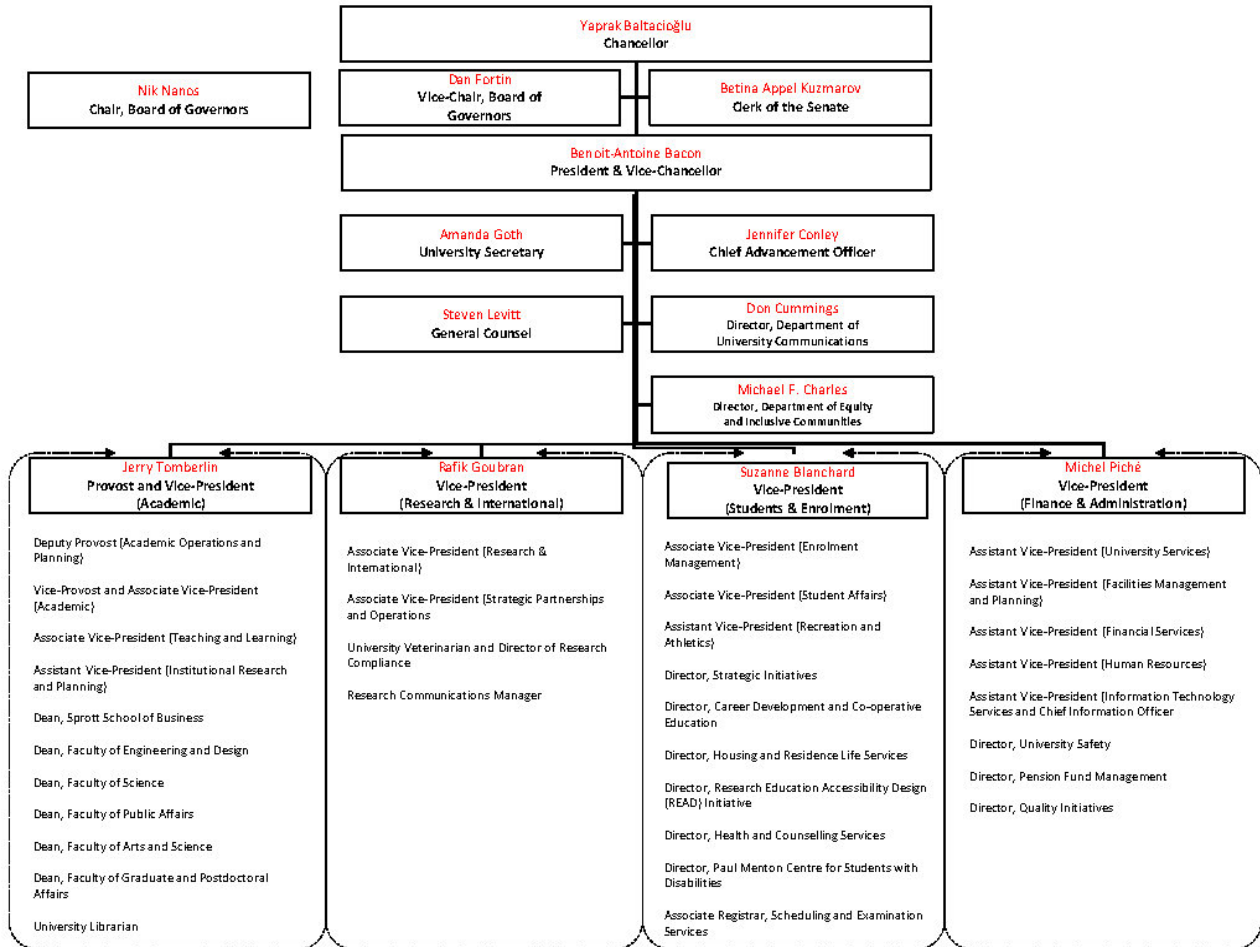
Carleton University recognizes that reserves are the cornerstone of financial flexibility to manage risks inherent in long-term financial planning. Reserves are held centrally and within academic units to support specific strategic initiatives as well as to address economic uncertainties. Appropriated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

Broader Public Sector Expenses Directive

As a designated BPS organization, Carleton University 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 (FASS)
- Sprott School of Business
- Faculty of Science
- Faculty of Engineering and Design
- Faculty of Public Affairs
- Library
- Office of the Provost and Vice-President (Academics)
- 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
- Department of University Advancement

6.0 The Operating Budget

In 2020-21, Carleton projects to generate a balanced operating budget, with revenues and expenditures of \$502.4 million, compared to \$489.1 million in 2019-20. This section provides detailed information on the components of revenues and expenditures. Section 8.0 provides further details on the operating budget.

In summary:

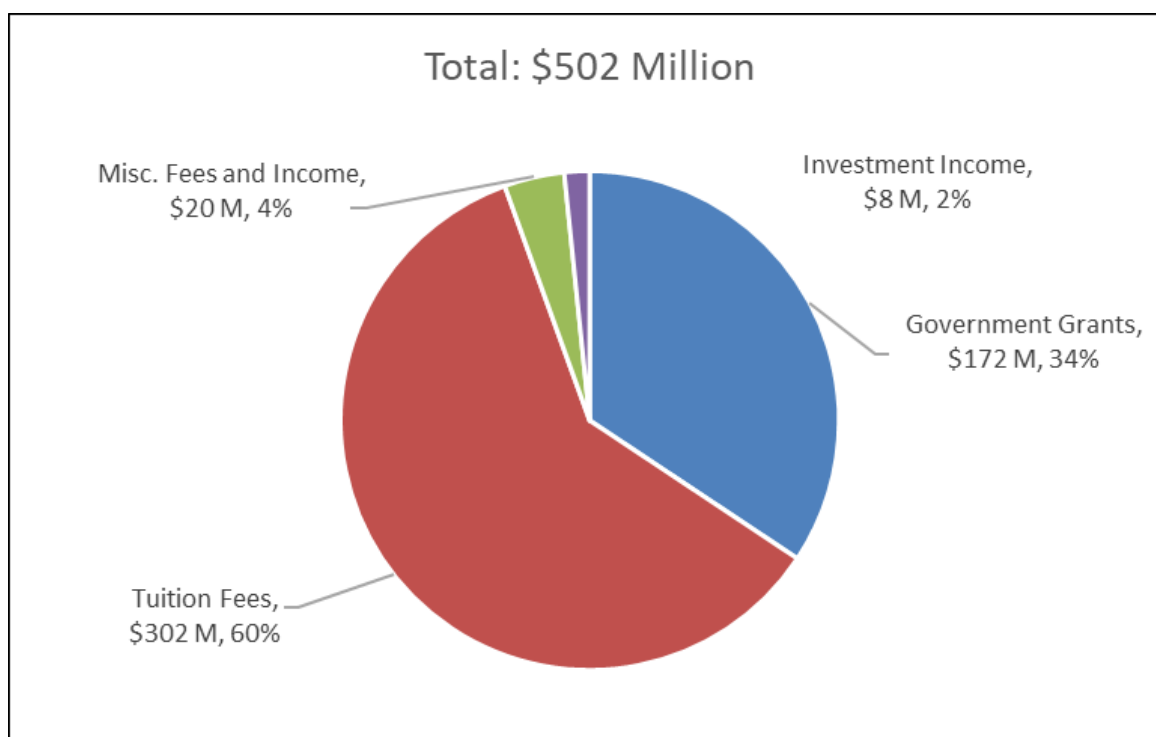
	<i>2019-2020</i>	<i>2019-2020</i>	<i>2020-2021</i>
	<i>Budget</i>	<i>Projected Actuals</i>	<i>Proposed Budget</i>
	<i>(\$000's)</i>	<i>(\$000's)</i>	<i>(\$000's)</i>
Income	489,132	509,524	502,380
Expenditures and Transfers	489,132	486,624	502,380
Net Result	-	22,900	-

The following sections compare the 2020-21 Proposed Budget with the 2019-20 Approved Budget.

6.1 Operating Income

The operating fund is supported by four key revenue sources:

- **Tuition fees** – With the government mandated a 10% fee cut to all domestic tuition rates in 2019-20 and a freeze for 2020-21, tuition fees now represents the university's largest funding source at approximately 60%.
- **Government operating grants** – The Ontario government is the second largest source of funding, with grants comprising 34% of operating funds. This funding includes the core operating grant and performance grants, as well as special purpose grants. Also included in operating grants is the funding for federal and provincial research overheads, at approximately 1% of total operating revenue.
- **Investment income** – Income generated on cash investments and internally financed loans provide approximately 2% of the annual operating revenue budget.
- **Other income** – These revenues represent 4% of the operating revenue budget and relate mostly to application fees, deferred payment and late registration, overhead recoveries and departmental income.



Operating income is expected to total \$502,380,000, an increase of \$13,248,000 over the 2019-20 Approved Budget. Each category is reviewed below.

6.2 Government Operating Grants

Government grants for 2020-21 are projected to be \$91,000 above that in the 2019-20 Approved Budget.

	2019-2020 Budget	2019-2020 Projection	2020-2021 Proposed Budget	Budget Change
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Core Operating Grant	151,120	150,875	150,875	(245)
Performance Funding	13,172	12,564	12,824	(348)
Research Overheads	5,147	5,701	5,701	554
Other grants	2,953	2,938	3,083	130
Grants offset by additional expense	-	4,440	-	-
Total	172,392	176,518	172,483	91

In August 2017, the Ministry of Colleges and Universities (MCU) implemented a new funding model that is to provide predictable, enrolment-based core funding based on a corridor funding system. The design of the new funding model is based on realigning a number of existing grants and includes three major components: Enrolment, Student Success, and Special Purpose. There have been no changes to this funding model for the 2020-21 fiscal year.

The overall increase in the proposed grant income budget is the result of minor variances in the performance-related funding and international student recovery, offset by positive changes in the expected research overheads.

Other grants include Access for the Disabled, Municipal Tax and Credit Transfer funding, while grants offset by additional expense relate to special purpose grants received during the year from the Ministry for targeted initiatives such as student success and financial support. The proposed opening budget for 2020-21 does not include amounts for these restricted grants, which will be adjusted during the year as amounts are confirmed and received.

6.3 Tuition Fees

On January 17, 2019, the MCU announced a new tuition framework that would see domestic tuition fees decrease by 10% in 2019-20, and then remain flat for 2020-2021. The guidelines still allow for tuition fee differentiation based on program and program year of study and does not apply to international tuition fees.

As the international fees are not regulated, fees each year are set using a number of factors, including comparison with other institutions, recruitment strategies and impact on the existing international study body. International tuition fee increases for 2020-21 are similar to those applied in 2019-20 ranging between 0% and 8%.

Fee increases, based on these guidelines, were approved by the Board of Governors at the March 12th, 2020 meeting.

The following chart compares tuition revenue by category from the Approved 2019-20 Budget to the 2020-21 Proposed Budget:

	<i>2019-2020 Budget</i>	<i>2019-2020 Projection</i>	<i>2020-2021 Proposed Budget</i>	<i>Budget Change</i>
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Undergraduate Fees	234,971	235,840	242,902	7,931
Summer Session Fees	21,133	19,710	19,980	(1,153)
Graduate Fees	34,996	38,554	39,180	4,184
Total	291,100	294,104	302,062	10,962

Tuition revenues being projected in the Proposed Budget total \$302,062,000, which is \$10,962,000 more than those presented in the 2019-20 Approved Budget. The 2019-20 tuition fee projection of \$294,104,000 accounts for \$3,004,000 of this increase, while the remaining positive variance of \$7,958,000 relates to the 2020-21 fee increases for international students, and enrolment growth flow through. It is assumed that in fall 2020, Carleton will have a first-year, full-time enrolment of 6,333 students, an increase of 60 students from fall 2019.

6.4 Other Income

Other income is expected to total \$19,585,000, which is \$2,195,000 more than that in the 2019-20 Approved Budget. The main components are as follows:

	<i>2019-2020 Budget</i>	<i>2019-2020 Projection</i>	<i>2020-2021 Proposed Budget</i>	<i>Budget Change</i>
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Miscellaneous fees	6,533	6,736	6,578	45
Miscellaneous income	4,548	6,551	5,148	600
Department income	6,309	7,771	7,859	1,550
Total	17,390	21,058	19,585	2,195

The increase in other income relates mostly to demand-based departmental fee revenue such as Cooperative Education. Administrative overhead recoveries have also increased.

6.5 Short-Term Investment Income

Short-term investment income is forecasted to total \$8,250,000 for the 2020-21 fiscal year.

The breakdown is as follows:

	<i>2019-2020 Budget</i>	<i>2019-2020 Projection</i>	<i>2020-2021 Proposed Budget</i>	<i>Budget Change</i>
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Investment income on cash flows	6,950	16,943	6,972	22
Endowment income*	270	273	275	5
Interest charges to ancillaries and internal loans	1,030	1,034	1,003	(27)
Total	8,250	18,250	8,250	-

** 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).*

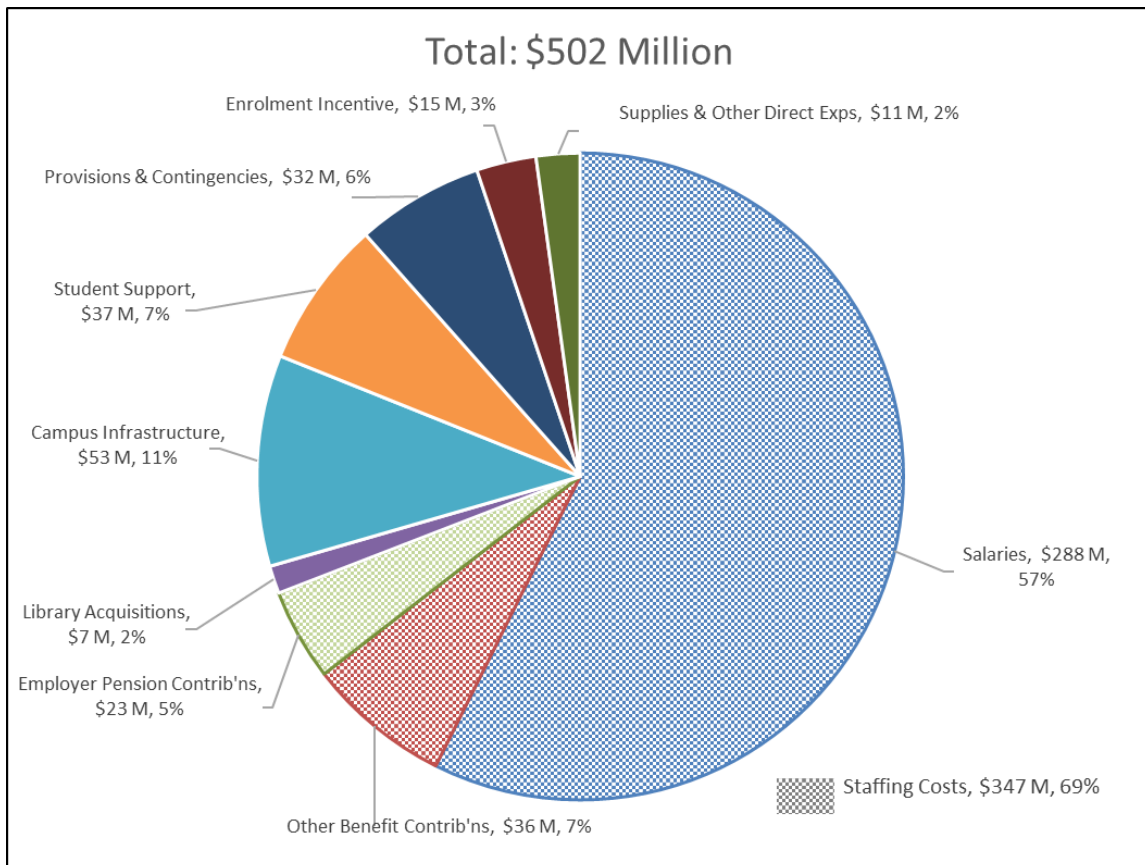
In 2015, the Investment Committee decided to invest \$100 million of available operating cash in equity funds. As of February 2020, this decision had yielded higher than expected results however, as we have seen in recent weeks, the equity funds are more susceptible to market risks. To mitigate this risk and shield the operating budget from large variations in actual results, the short-term investment income budget will remain at \$8,250,000 and any variation in actual investment income earned will be appropriated to, or drawn from, an investment income equalization fund. As at May 1, 2019, the investment income equalization fund had a balance of \$40.7 million.

6.7 Operating Expenditures

The operating expenditures proposed for 2020-21 amount to \$502,380,000, as compared to \$489,132,000 in the 2019-20 approved budget and \$486,624,000 in projected 2019-20 expenditures.

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

- Salaries and benefits – Essential to the university's mission, compensation for its people is by far the most significant expense category at 69% of the total operating expense budget.
- Campus infrastructure – The next most significant category at 11%, relates to expenditures for maintenance, renovations, facilities, utilities and equipment, all of which are essential for continuing operations.
- Student support and enrolment incentives– Approximately 10% budget funds are earmarked for costs associated with enrolment growth and student support such as – scholarships, bursaries and awards provided by the university in addition to the government's Ontario Student Assistance Program (OSAP).
- Other expenditures – The remaining areas of known expenditure amount to 9% of the operating budget and include library acquisitions, research support, campaign matching funds, travel and supplies.
- Provisions and contingencies – As noted above, the university has made revisions to its initial budget allocations such that 6% of the fiscal budget can be redirected to address financial uncertainties relating to the COVID-19 disruption.



6.8 Compulsory Increases and Discretionary Resource Allocation

The following table illustrates the allocation of resources, including provisions and contingencies, as well as the university mandated budget reduction of 1% due to the government's requirement to keep domestic tuition fees unchanged in 2020-21.

	<i>Budget Reduction Applied</i>	<i>Base Budget Allocation</i>	<i>Fiscal Budget Allocation</i>
	(\$000)	(\$000)	(\$000)
Faculty of Arts and Social Sciences	(558)	2,129	1,842
Faculty of Public Affairs	(371)	1,153	1,359
Sprott School of Business	(133)	591	538
Faculty of Science	(393)	3,660	4,245
Faculty of Engineering and Design	(409)	1,709	1,487
Provost and Vice-President (Academic)	(104)	250	2,900
Vice-President (Students and Enrolment)	(223)	620	3,925
Library	(178)	490	776
Vice-President (Research and International)	(54)	170	1,480
Vice-President (Finance and Administration)	(347)	717	7,370
President	(48)	276	581
Advancement	(53)	70	-
University Expense Budgets	-	4,247	6,028
Total	(2,871)	16,082	32,531

As initiatives requiring additional resources can encompass several types of expenditures, resource allocations have been grouped by RPC above, and budget priority below.

	<i>Base Budget Allocation</i>	<i>Fiscal Budget Allocation</i>
	(\$000)	(\$000)
Student success and wellness	3,835	10,750
Research productivity and external research funding	1,619	4,417
Investing in our reputation	1,823	1,771
Supporting Initiatives: community campus, SIP priorities and infrastructure	1,992	7,980
Revenue generation, cost containment initiatives	-	800
Enrolment incentive	6,813	6,813
Total	16,082	32,531

Allocations provided under both base and fiscal budgets have an ongoing and recurring nature. Allocations made under the fiscal budget only represent discretionary expenditures that are reviewed annually.

President

The President's Office will work at integrating the principles of the newly approved Strategic Integrated Plan (SIP) into the university's planning and budgeting framework. The overall goal of the SIP is to make Carleton a leading teaching and research-intensive university and the SIP will serve to frame many of the initiatives either underway or in planning. The areas of priorities in 2020-21 will include international and research strategies, indigenous initiatives, accessibility programs, a campus energy and sustainability plan, and many more. In the coming year, the Office of the President will increase capacity in communications and government relations and lead a multi-year rebranding effort.

Provost and Vice-President (Academic)

The Provost and Vice-President (Academic) is tasked with implementing measures and monitoring Carleton's results toward meeting its performance targets as identified in our renewed Strategic Mandate Agreement (SMA 3) with the Ministry of Colleges and Universities (MCU). Additionally, as co-chair of the Carleton University Indigenous Strategic Initiatives Committee, the Provost will lead the implementation of the calls to action tabled during the 2019-20 academic year beginning in the 2020-21.

The Provost, through the Office of the Deputy Provost, will undertake a review of the university's planning and budgeting cycle and mechanism, in an effort to increase entrepreneurialism, cost containment and accountability at Carleton. The faculties and the Teaching and Learning Services unit will continue to implement the recommendations of the Student Success in the Classroom Working Group. These initiatives include high-impact practices and course transformation, and experiential learning. Resources have also been approved to support the implementation of a new Learning Management System.

Faculty of Arts and Social Sciences

In 2020-21, the Faculty of Arts and Social Sciences (FASS) will be working to expand its teaching and research in the area of wellness. As a first step in implementing this strategy, the faculty will be developing a Bachelor of Wellness and Sustainability degree through a national and international flagship program. Plans are also underway to compliment this strategy with the development of a Wellness Hub to incorporate teaching, research and activities in wellness.

To enhance research activities, FASS will be investing to provide faculty with seed funding, matching funds, and start-up funds. FASS will also focus on improving the faculty's knowledge dissemination and communications to share the excellent work coming out of the faculty. FASS through the School of Indigenous and Canadian Studies, will be a key contributor to the implementation of the Provost and CUISIC Taskforce Calls to Action approved in 2019-20.

Faculty of Public Affairs

The Faculty of Public Affairs (FPA) plans to increase its research efforts to support unit-level research such as: the FPA Post-Doctoral Fellow program, the FPA Research and Grant program and the FPA Research Time Awards. Additionally, the faculty has earmarked resources for student support and recruitment, which include: teaching assistantships, experiential learning initiatives, and a Scholar-in-Residence to develop a series of case studies to engage students in problem-based learning.

FPA will also be making investments to improve the space utilization within the faculty. Kroger College, the Department of Political Sciences, and multiple spaces within Richcraft Hall and Dunton Tower will be re-designed to accommodate the changing needs of faculty and students.

Sprott School of Business

The Sprott School of Business will enhance marketing and promotion initiatives, and will work towards the creation of an innovation Hub designed to provide students across campus with access to funding, accelerate, and scale entrepreneurial ventures. The School has been able to secure FedDev funds through Invest Ottawa to launch this initiative

Sprott is also investing in increasing experiential learning activities for its students. In 2019, Sprott signed an agreement with the Rotterdam Business School to jointly run an international case competition, which will be hosted every other year by each institution (at Sprott in Fall 2021). As a host of this competition, Sprott has the opportunity to further increase student engagement and its reputation for excellence in case analysis. The new Innovation Hub will provide further opportunities for Sprott to participate in national and global competitions focused on entrepreneurship.

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 teaching, research and staff positions. There are also plans to renovate the Steacie Building for Chemistry and the McMullin lab. Development in the following new programs that begun in 2019-20, will continue:

- Masters of Biotechnology (Biology);
- Masters of AI and Machine Learning (SCS);
- Masters of Actuarial Science (M&S);
- Graduate Diplomas and Certificates are being developed in Chemistry, Neuroscience, and Health Science.

Faculty of Engineering and Design

The Faculty of Engineering and Design (FED) has identified a need to increase its teaching and research capacity. The faculty has seen a 111% increase in undergraduate students since 2003 and a 32% increase in academic positions over that same time. To maintain FED's leading position in its fields of study and research, it plans to significantly increase its faculty complement during the next three years. This hiring strategy is the basis that will support FED's operating objectives and priorities for 2020-21.

Vice-President (Research and International)

The Office of the Vice-President (Research and International) will continue to invest in supporting technology transfer, commercialization, and intellectual property management through patents, outreach, promotion, and administrative support. Efforts will focus on providing resources to researchers in support of their grant applications and multidisciplinary research clusters. Investments will be made to gain new partnerships, while strengthening existing ones, as well as to increase delegate visits, and showcase Carleton's research.

Vice-President (Student and Enrolment)

Priorities for the Office of the Vice-President (Student and Enrolment) include increasing the capacity of the Paul Menton Centre, the ACT to Employ program, which helps students with disabilities find paid experiential learning opportunities, and student counselling services. The office is also overseeing the establishment of the Canadian Accessibility Network, which oversees the Carleton's Research, Education, Accessibility and Design (READ) Initiative. Work will continue in the implementation of the university's Customer Relationship Management (CRM) system, and upgrades to Carleton's mobile applications are planned to begin.

Vice-President (Finance and Administration)

A key priority for the Finance and Administration RPC (F&A) in 2020-21 will center around the development of a university-wide digital strategy, with emphasis on identifying sustainable IT solutions that align existing capabilities with new service delivery models. The strategy will also include a multi-year IT infrastructure renewal plan. Related IT priorities will be to enhance existing technology to improve F&A systems and processes, and to continue with the implementation of the university's multi-year Research IT Support Plan.

Other priorities will focus on the delivery of the major capital projects underway, such as the new business building and student residence, and the renewal of the campus buildings and infrastructure. Of particular importance will be the management of campus transportation and parking during the O-Train expected 24-month shutdown.

Library

The Library plans to continue to improve access to collections & data for research, teaching, and learning and 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 and the Book Arts lab.

Advancement

Advancement will continue to build on the success of the recently completed \$300 million campaign by growing the base of donors and to work with outside partners to advance the research mission of the university.

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 scholarships and bursaries were awarded additional base amounts, particularly at the international PhD graduate level.

Allocations of one-time fiscal budget to 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.

6.9 Provisions and Contingencies

The 2020-21 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	5,946	10,880	16,826
b) Enrolment incentive (ELBA)	12,002	(5,653)	6,349
c) Strategic contingency	7,000	3,000	10,000
Total provisions and contingencies	24,948	8,227	33,175

- a) The general contingencies total \$16.8 million and relate mostly to foreseen requirements that cannot be immediately quantified.
- b) In 2009-2010 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 2020-21, \$6.8 million of undergraduate enrolment growth incentive is being distributed to the faculties on May 1, 2020. The balance in the contingency represents an undistributed base amount of \$5.2 million from previous years, as well as a \$1.2 million estimate of the enrolment growth incentive required for the 2020-21 academic year.
- 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 special payments on the plan's deficit. 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, solvency funding will not be required, as the plan's funded status was above 85%. However, the going-concern deficit of \$59.3M is allowed to be amortized over 10 years. The Pension Committee recommended the accelerated funding of this deficit by making an immediate special payment. Doing so is expected to save the university \$27 million in special payments had the deficit been funded over 10 years. The Board of Governors approved this accelerated payment at its March 12, 2020 meeting.

Given the global and economic uncertainty of the impacts the COVID-19 outbreak will have on investments, student enrolments and other market factors, the university has repurposed the existing \$7 million pension special payment budget towards a special contingency to address COVID-19 financial impacts. This contingency will also hold an additional \$3 million from fiscal savings related to new hires that do not happen immediately at the start of the fiscal year.

7.0 Five-year Financial Outlook

The university uses a five-year rolling forecast to inform the allocations for the upcoming budget year. The premise of the model is that the budget must break even in every year. It is expected that ongoing base expenditures will equal ongoing base revenues in year five of the plan. This outlook assumes that the effects of the COVID-19 pandemic are not long term in nature, and the base budget will remain unaffected.

On the revenue side, the enrolment projection included in the plan is based on 2019-20 student flow-through, plus an increase in new full-time first year enrolment of 1.1%. Tuition fee rates are assumed to start increasing by an average of 3% starting in 2021-2022, after the current framework expires.

The majority of operating grant dollars starting in 2020-21, will be governed by Carleton's Strategic Mandate Agreement (SMA3). SMA3, which comes into effect May 1, 2020 for the next five academic years, introduces performance-based funding with a grant ceiling capped at the 2019-20 level. Carleton expects to meet its performance standards going forward, and as such, core operating grant revenue is assumed to remain constant over that period.

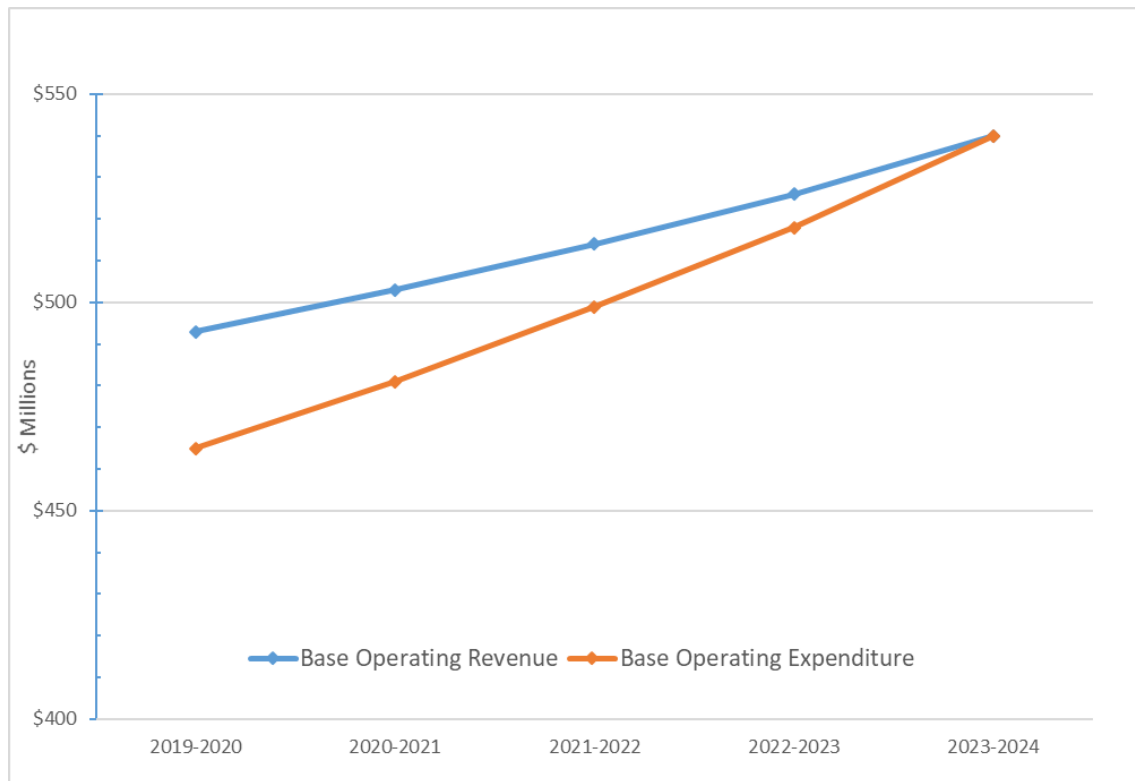
Expenditure increases for non-discretionary and/or strategic university budgets (e.g. utilities, student support) are included in the forecast. Compensation increases are based on collective agreements where applicable, and projections for subsequent years not covered by collective agreements.

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 \$6.0 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 2020, once actual enrolment is known. Favorable changes to the forecast would be influenced by enrolment growth, higher non-regulated revenues, and operating efficiencies. Unfavorable changes would be impacted by a continuing tuition fee freeze, funding grant reductions or higher than planned cost increases.

Carleton University – 2020-21 Budget Notes

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
	<i>Base Budget</i>	<i>Base Budget</i>	<i>Outlook</i>	<i>Outlook</i>	<i>Outlook</i>
	(\$M's)	(\$M's)	(\$M's)	(\$M's)	(\$M's)
Base Revenues					
Tuition	294	302	313	325	339
Grants	172	172	172	172	172
Other revenues	27	29	29	29	29
Total revenue	493	503	514	526	540
Base Expenditures					
Faculties, Student and Professional Services	288	304	321	339	361
Provisions and Contingencies	25	16	14	12	10
University Budgets	152	155	158	161	163
Base Available for Allocation	-	6	6	6	6
Total Base Expenditures	465	481	499	518	540
Fiscal amount available	28	22	15	8	-



8.0 Approval of the 2020-2021 Operating Budget

Carleton University 2020-2021 Proposed Operating Budget (000's)			
	Approved Budget 2019-2020	Proposed Budget 2020-2021	Change fm Prior Year Budget
<u>Income</u>			
Government Grant	172,392	172,483	91
Tuition Fees	291,100	302,062	10,962
Investment Income	8,250	8,250	-
Other Income	17,390	19,585	2,195
Total Operating Income	489,132	502,380	13,248
<u>Expenditures and Transfers</u>			
Faculty of Arts and Social Sciences	54,260	56,448	2,188
Faculty of Public Affairs	35,794	37,654	1,860
Sprott School of Business	13,044	13,480	436
Faculty of Science	39,179	42,854	3,675
Faculty of Engineering and Design	39,606	41,915	2,309
Provost and Vice-President (Academic)	11,551	14,329	2,778
Vice-President (Students and Enrolment)	24,020	26,869	2,849
Library	17,693	18,350	657
Vice-President (Research and International)	6,407	6,939	532
Vice-President (Finance and Administration)	40,687	41,819	1,132
Advancement	5,459	5,289	(170)
President	5,469	5,513	44
University Budgets and Transfers	157,170	157,746	576
Provisions and Contingencies	38,793	33,175	(5,618)
Net Appropriations	-	-	-
Total Expenditure and Transfers	489,132	502,380	13,248
Net Result	-	-	-

As shown above, the 2020-2021 Operating Budget being proposed meets the objective set out by the Board of Governors in the fall of 2019 in that a balanced budget be developed.

The 2020-2021 Operating Budget is therefore respectfully submitted to the Board of Governors.

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

M. Piché
Vice-President (Finance and
Administration)