2025-26 Operating Budget Report

April 2025

Carleton University

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Message from the Provost

Carleton's 2025-26 operating budget signals a year of financial instability. Since the Ontario government introduced a corridor model for distributing the operating grant in 2017, events such as the 10% domestic tuition fee cut in 2019-20 and subsequent ongoing freeze, the repeal of Bill 124, diplomatic tensions, and policy changes on international student visas imposed by Immigration, Refugees and Citizenship Canada have had a cumulative and deleterious impact on Carleton's financial position. From a $44 million base operating budget surplus presented in 2018-19, the University now presents a $32 million base operating budget deficit for 2025-26.

When assessing the financial health of the institution, the leadership team focuses its long-range financial planning on its base budget projection, which communicates the structural financial position of the institution. In 2024-25, the University budgeted a base operating deficit of $32 million, with term-limited investment income improving the fiscal result to a $26 million reported deficit. The base operating deficit is projected to remain flat in 2025-26, despite cutting $24 million in base expenditure budget for the coming year. This result highlights the current plight of Ontario universities: a sector marked by slow and constrained capacity to change coping with a rapidly evolving and unpredictable external environment. During 2024-25, the two most significant structural changes impacting Carleton University's finances are the decline in international student intake and the retroactive application of Bill 124 salary adjustments. These events have a material flowthrough effect in 2025-26 and onward.

The University had planned for a 25% and 10% reduction in undergraduate and graduate international students, respectively, in 2024-25 due to the impairment of Canada's brand as a destination for international education, along with the operational losses incurred because of a delayed introduction of Provincial Attestation Letter requirements. Actual international intake in 2024-25, however, was materially lower in undergraduate and graduate students than in 2023-24. Early application data lead us to anticipate this trend will continue into 2025-26 with a projected additional 50% international undergraduate student decline and 10% international graduate student decline against 2024-25 levels. These declines continue an international student enrolment trend that began several years ago. In 2024-25, the University registered a 72% drop in international undergraduate student intake since our peak of more than 800 students in the fall of 2018. Compared to fall 2020, our undergraduate international intake has dropped 70%. Based on current projections, we are expecting as of Fall 2025 to have dropped by 86% from the peak in 2018.

The repeal of Bill 124 also had a material financial impact on the University both in terms of retroactive salary payments and ongoing salary commitments. Salaries and benefits are the University's largest operating expenditure, representing over 75% of operating budget expenditures. The Bill 124 salary adjustment, coupled with collective agreement-driven increases, exacerbate the structural budget challenges the University faces as increases in salaries continue to outpace revenue growth. Other financial pressures include the continued expansion of deferred maintenance obligations and an aging Enterprise Resource Planning system.

A positive financial outcome for the University, however, occurred through an announcement made recently by the Ministry of Colleges, Universities, Research Excellence and Security (MCURES). On March 24, 2025, the Ministry announced an annual investment of $150M beginning in 2025-26 to support the continued delivery and enhancement of science, technology, engineering and mathematics (STEM) programming at Ontario's colleges and universities. The allocation rewards institutions where enrolment has increased above the level funded in Strategic Mandate Agreement 3 (SMA3), while also providing support to all institutions that provide STEM programming in the province to help them retain existing STEM enrolments. For Carleton, this will result in $7.8 million in additional, ongoing provincial funding. Additionally, Postsecondary Education Sustainability Fund top-up monies are being allocated to institutions based on their updated financial health risk ratings. Carleton has received a medium risk rating, which will result in a one-time 3.5% increase to our operating funding, or $5.9 million.

As revenues decrease and salary costs increase, the University has undertaken a spending reduction campaign across all Resource Planning Committees. The University has reduced its base spending by $30 million through introduction of a Voluntary Retirement Incentive Program (VRIP), reducing general and administrative spending, and making changes to class sizes and offerings. The University is reviewing the impact of staff reductions in areas where mission critical services are located and will make hiring decisions as needed. Inevitably, these budget reductions will impact service levels.

The University's operating budget continues to be shaped by the three directions of our Strategic Integrated Plan and five operating priorities set by the Strategic Integrated Planning Committee (SIPC). These priorities have focused on increased efforts in undergraduate recruitment to ensure a broad and diverse population of students in the learning ecosystem; investments in initiatives aimed at student success and retention; development of new programs and program renewal that will help students become graduates who will make significant impacts on their communities and the world; exploration of new online markets to provide greater reach and flexibility in the delivery of our teaching mission; and service rationalization and process modernization initiatives designed to further our operational excellence efforts.

We plan to continue investing in strategically important programs such as the Bachelor of Nursing, Bachelor of Engineering (Mechatronics), Bachelor of Data Science, Bachelor of Cybersecurity, Bachelor of Accounting, Master of Biotechnology, and Master of Science in Clinical Trials in response to changes in societal needs and demands. Lastly, the University plans to allocate limited resources to continue support of our learning and research environments. After investment, the net base budget reduction is nearly $24 million.

Despite these significant efforts, the long-range financial outlook is clear: more organizational restructuring is required to restore financial stability. Continued attention to these priorities will be required to stem the depletion of university resources and the challenge to continue operating as a going concern. Organizational restructuring may begin as early as the current fiscal year. The operating budget presented for approval, however does not include an estimate for the impact of possible restructuring.

As shown in Section 3 of this report, the 2025-26 Operating Budget meets the objective set out by the Board of Governors that a budget be developed within the framework presented in November 2024.

L. Pauline Rankin
Provost and Vice-President (Academic)
Chief Budget Officer

1.0 The Budget Process

Carleton's planning and budget framework is based on a five-year planning horizon, with the Strategic Integrated Plan and operating priorities 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.

In March, Resource Planning Committee 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 alignment and efficiency of service delivery are 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 also are 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 growth in enrolment. All RPCs have been 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. Carry forward balances were scraped centrally during 2024-25 as a financial management measure and may continue to be scraped centrally to meet the demands of the University's deficit position.

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.

2.0 Challenges in Balancing the Operating Budget

Carleton's operating revenues had increased continuously over the preceding 10-year period up until 2024-25 due to increases in international tuition fees along with growth in enrolment and research. Enrolment and research growth bring with them increases in costs as the University is met with the need to hire new faculty and professional staff, expand on-campus services and student supports, and invest in its infrastructure, with these expenditures being more fixed than variable in nature. Throughout this period, the University maintained a balanced budget until 2024-25 when it reported an operating budget deficit. The factors listed below are the primary challenges the university faces in returning to a balanced operating budget.

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 with the ability to offer innovative, cutting-edge programs, provide a broad range of student support (including scholarships), and attract world-class faculty, graduate and undergraduate students in pursuit of its academic mission. 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 also could levy 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 Tuition Fee Framework.

Tuition fees for grant-eligible students are regulated by the provincial 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 2026-27. As a result of these policy decisions, current tuition levels are effectively at 2015-16 and 2016-17 nominal tuition levels, depending on the program.

The provincial government permitted tuition fees for domestic out-of-province students to increase by 3% in 2021-22 and 5% in 2022-23 through to 2026-27.

Additionally, the Province of Ontario permitted universities to increase domestic tuition fees for up to three programs with below-market fees. For Carleton, these approved programs were the Bachelor of Commerce, the Bachelor of International Business, and the Master of Business Administration. Over several years, tuition for these programs will be allowed to increase to bring them up to the average for comparable programs. A six-year period of tuition fee and grant reduction, in real terms, however, has placed significant financial pressure on all Ontario post-secondary institutions, something the sector continues to navigate.

International Student Visa Caps and Delays

In January 2024, Immigration, Refugees and Citizenship Canada announced the imposition of a cap on international undergraduate student permit applications to stabilize new growth for a period of two years (2024-25 and 2025-26). In January 2025, the provincial government provided institutions with allocations for Provincial Attestation Letters for international students, providing the same allocation for undergraduate students in 2025-26 as provided in 2024-25. Graduate students are now also included in the international student caps, although allocation levels allowed institutions to maintain current levels of graduate student enrolment. While efforts are being made to mitigate tuition losses at both levels, confusion and delays in international student visa processing times will continue to have serious implications.

Changes in Domestic 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. The growing financial pressures faced by Ontario universities will likely lead to greater competition for domestic students, making growth in this demographic more challenging than experienced prior to 2019.

Strategic Mandate Agreement

During the first and second rounds of Strategic Mandate Agreements (SMA), the Ministry of Colleges, Universities, Research Excellence and Security (MCURES) committed to engaging the post-secondary education sector on changes to their respective funding models 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 or outcomes-based funding would be expanded through the third round of Strategic Mandate Agreements (SMA3). SMA3 is ending soon, as 2024-25 is the fifth year of the five-year agreement. Throughout SMA3, Carleton has achieved most of its performance targets with the exception of an enrolment growth metric in the last few years. The first three years of SMA3 saw funding adjustments paused as institutions responded to COVID, but funding attached to the metrics was reactivated for Years 4 and 5. The financial impact of not achieving the enrolment related metric was very minimal in Year 4 ($250), and is expected not to be material in Year 5, in part because Carleton performed so well on other metrics, notably graduation rate, graduate earnings, and research metrics.

In March 2023, the Ontario government created the Blue-Ribbon Panel to provide advice and recommendations related to the long-term financial stability of the Ontario post-secondary education sector. On the advice of the Blue-Ribbon Panel, the Ontario Government announced in 2024 that Carleton would receive a one-time grant of $7.2 million to offset past unfunded growth in science, technology, engineering and mathematics (STEM) programs, along with an additional increase of 3%, 2% and 2% in the operating grant for 2024-25, 2025-26 and 2026-27, respectively. It is not clear whether these increases will become permanent or will be limited only to a three-year term.

In March 2025, the provincial government looked towards SMA4, which will be in place for another five years (2025 to 2030). As part of this agreement, the corridor midpoint will be adjusted upwards due to growth during SMA3, and recognition of Carleton's role in providing STEM education. The additional grant associated with this adjustment is approximately $7.8M. Additionally, for 2025-26, there will be one-time top-up funding made available to institutions based on their financial health in recognition of the impact of international student policy changes. Carleton is expected to receive approximately $5.9M based on criteria within the financial health risk ratings framework (Carleton is rated as "medium" risk in this framework).

Deferred Building and Infrastructure Maintenance

Carleton has an aging physical infrastructure. The majority of the campus's buildings, systems and underground infrastructure are now more than 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 envelopes to improve 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 its 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 an asset renewal program, running until the end of fiscal 2027-28, along with additional annual contributions from the provincial government's Facilities Renewal Program (approximately $5M annually). Given the province's current fiscal outlook, there is risk associated with the future funding of capital renewal.

Carleton has adapted its systems to provide 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. The University may not be able to respond adequately to demands for increased capacity or new services, fully meet the needs of the campus through existing service models, or continue the maintenance of highly customized, legacy IT systems (i.e., technological debt) as this will impede the introduction of new services and innovation. Carleton will continue its IT Infrastructure Renewal program and the implementation of its Digital Strategy, which will build on a shared vision of how digital technology will support the Strategic Integrated Plan. At the same time, building resilient, secure IT systems is critical in an era of escalating cybersecurity threats.

Rising Capital Project Costs

Construction demand in Ottawa is high and recent capital project planning has seen pre-2020 cost estimates increase as the availability of labour diminishes and material costs soar due to supply chain disruptions and escalating demand. Increases in government-led infrastructure spending initiatives have had the effect of elevating 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 total 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. Similarly, the costs of IT infrastructure and cybersecurity protections are escalating more rapidly than inflation.

Repeal of Bill 124

In November 2022, the Ontario Superior Court of Justice declared that the *Protecting a Sustainable Public Sector for Future Generations Act* (formerly Bill 124) violated the Canadian Charter of Rights and Freedoms on the grounds that the legislation interfered with collective bargaining rights. Ontario's Court of Appeal upheld the Superior Court of Justice decision and on February 23, 2024, the Government of Ontario repealed Bill 124 in its entirety though an Order-in-Council, as was permitted through the legislation. Through discussion with its bargaining units, Carleton has increased employee salaries as a result of the repeal of Bill 124. This has had a significant and material impact on the University's overall operating expenditures.

3.0 The Operating Budget

Carleton's 2025-26 operating budget signals a year of financial instability. Since the Province introduced a corridor model for distributing the operating grant in 2017, events such as the 10% domestic tuition fee cut in 2019-20 and subsequent ongoing freeze, the repeal of Bill 124, diplomatic tensions, and IRCC-led changes to international student visas have had a deleterious impact on Carleton's financial position. From a $44 million base operating budget surplus in 2018-19, the University now presents a $32 million base operating budget deficit for 2025-26.

	Operating Fund ($ '000's)	
	2025-26 Budget	
	Base	**Fiscal**
Tuition Fees	283,100	283,100
Government Grant	192,601	198,459
Investment Income	15,000	23,000
Other Income	24,617	24,617
Total Income	**515,318**	**529,176**
Salary and Benefits	416,415	421,749
Library Acquisitions	8,321	8,321
Campus Infrastructure	66,676	67,154
Student Support	41,084	41,084
Other Operational Expenses	14,743	14,310
Total Expenditures and Transfers	**547,239**	**552,618**
Net Operating Deficit	**(31,921)**	**(23,442)**
Net Operating Deficit: % of Rev.	**6.2%**	**4.4%**

The University's operating budget continues to be shaped by the three directions of our Strategic Integrated Plan and five operating priorities set by the Strategic Integrated Planning Committee (SIPC). These priorities have focused on increased efforts in undergraduate recruitment to ensure a broad and diverse population of students in the learning ecosystem; investments in initiatives aimed at student success and retention; development of new programs and program renewal that will help students become graduates who will make significant impacts on their communities and the world; exploration of new online markets to provide greater reach and flexibility in the delivery of our teaching mission; and service rationalization and process modernization initiatives designed to further our operational excellence efforts.

3.1 Operating Income

The operating fund is supported by four key revenue sources:

- **Tuition fees** – from 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 Fund ($ '000's)			
	2025-26 Budget		Variance to 2024-25 Budget	
	Base	**Fiscal**	**Base**	**Fiscal**
Domestic Tuition Fees	195,200	195,200	7,000	7,000
Government Grant	192,601	198,459	11,687	17,545
Provincially Regulated Income	387,801	393,659	18,687	24,545
International Tuition Fees	87,900	87,900	(33,100)	(33,100)
Investment Income	15,000	23,000	3,000	1,000
Other Income	24,617	24,617	3,141	3,141
Total Income	**515,318**	**529,176**	**(8,272)**	**(4,414)**

The overall reduction in income is driven by low international student enrolment which simultaneously is increasing the economic dependence risk of the institution on the Government of Ontario. Offsetting the decline in international student tuition fee revenue is an increase in provincial operating grant funding, as explained in section 2 of this report. The following sections will provide more detail on each of these revenue sources.

3.2 Tuition Fees

Early application data lead us to anticipate the international enrolment decline trend will continue into 2025-26 with a projected additional 50% and 10% decline in undergraduate and graduate international student intake, respectively, against 2024-25 levels. These declines follow an international student enrolment trend that began several years ago. By 2024-25, the University experienced a 72% drop in international undergraduate intake since our peak of more than 800 students in the fall of 2018. Compared to fall 2020, our undergraduate international intake has dropped 70%. Based on current projections, we are anticipating, as of Fall 2025, to have dropped by 86% from the peak in 2018.

Domestic enrolment assumptions are to maintain 2024-25 undergraduate intake levels in 2025-26 and for a 2% increase in graduate intake. Enrolment numbers for newly launched programs are promising at the time of writing this report.

	2024-25 Budget	**2024-25 Projection**	**2025-26 Budget**	**Budget Change**
	($000's)	($000's)	($000's)	($000's)
Domestic Tuition Fees	188,200	190,600	195,200	7,000
International Tuition Fees	121,000	104,100	87,900	(33,100)
Total	**309,200**	**294,700**	**283,100**	**(26,100)**

3.3 Government Operating Grants

Government grants for 2025-26 are projected to be $17.5 million higher than Budget 2024-25. This growth is driven by the term-limited 2% increase in the operating grant as part of the government's 2024 response to the Blue-Ribbon Panel, as well as the recent announcement of an additional sustainability top-up grant and ongoing funding for the University to retain its STEM enrolment. Additional details related to the SMA are outlined in section 2.

	2024-25 Budget	2024-25 Projection	2025-26 Budget	Budget Change
	($000's)	($000's)	($000's)	($000's)
Operating and Performance Grants	172,577	172,577	189,744	17,167
Research Overheads	5,047	5,047	5,455	408
Other Grants	3,290	3,290	3,260	(30)
Grants Offset by Additional Expense	-	3,000	-	-
Total	**180,914**	**183,914**	**198,459**	**17,545**

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 2024-25 for targeted initiatives, such as student success and financial support. The opening budget for 2025-26 does not include amounts for these restricted grants, which will be adjusted during the year as amounts are confirmed and received.

3.4 Other Income

	2024-25 Budget	2024-25 Projection	2025-26 Budget	Budget Change
	($000's)	($000's)	($000's)	($000's)
Miscellaneous Fees	7,837	8,037	8,341	504
Miscellaneous Income	6,110	6,410	8,255	2,145
Department Income	7,529	7,729	8,021	492
Total	**21,476**	**22,176**	**24,617**	**3,141**

Other income for 2025-26 is projected to be $3 million higher than budget in 2024-25. The increase in budgeted other income is, primarily, the result of an increase in internal overhead charges to ancillaries.

3.5 Short-Term Investment Income

Short-term investment income is forecasted to total $23 million for the 2025-26 fiscal year.
The breakdown is as follows:

	2024-25 Budget	2024-25 Projection	2025-26 Budget	Budget Change
	($000's)	($000's)	($000's)	($000's)
Investment Income on Cash Flows	20,684	20,684	21,324	640
Endowment income*	325	325	330	5
Interest on Internal Loans	991	991	1,346	355
Total	**22,000**	**22,000**	**23,000**	**1,000**

* The endowment income included in the operating budget relates to endowments for which a specific purpose has not been designated by the donor.

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 additional investment income in 2025-26.

3.6 Operating Expenditures

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

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

	Operating Fund ($ '000's)			
	2025-26 Budget		Variance to 2024-25 Budget	
	Base	Fiscal	Base	Fiscal
Salary & Benefits	415,415	421,749	10,837	5,473
Library Acquisitions	8,321	8,321	161	161
Campus Infrastructure	66,676	67,154	(4,377)	(1,893)
Student Support	41,084	41,084	523	523
Other Operational	14,743	14,310	830	2,863
Total Expenditures and Transfers	**547,239**	**552,618**	**7,974**	**7,127**

The repeal of Bill 124 had a material financial impact on the University, both in terms of retroactive salary payments and ongoing salary commitments, as salary and benefits are the University's largest operating expenditure, representing over 75% of operating budget expenditures. This salary adjustment coupled with collective agreement-driven increases exacerbate the structural budget challenges the University faces, as increases in salaries continue to outpace revenue growth. Other financial pressures include the continued growth of deferred maintenance obligations and an aging Enterprise Resource Planning system.

As revenues decrease and salary costs increase, the University has undertaken a spending reduction campaign across all Resource Planning Committees. The University has reduced its base spending by $30 million by introducing a Voluntary Retirement Incentive Program (VRIP), reducing general and administrative spending, and making changes to class sizes and offerings. These budget reductions will impact service levels. The University is reviewing the impact of staff reductions in areas where mission critical services are located and will make hiring decisions as needed. We plan to continue investing in strategically important programs such as the Bachelor of Nursing, Bachelor of Engineering (Mechatronics), Bachelor of Data Science, Bachelor of Cybersecurity, Bachelor of Accounting, Master of Biotechnology, and the Master of Science in Clinical Trials in response to changes in societal needs and demands. Lastly, the University plans to allocate limited resources to continue support of our learning and research environments. After investment, the net base budget reduction from these activities is nearly $24 million, one of the largest single-year cost cutting initiatives implemented in the University's history.

The $24 million in base budget reductions planned for the 2025-26 fiscal year are part the University's mission sustainability priorities. Continued attention to these priorities will be required to stem the depletion of university resources and the challenge to continue operating as a going concern. Organizational restructuring may begin as early as the current fiscal year. The operating budget presented for approval, however, does not include an estimate for the impact of possible restructuring.

4.0 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.

For intake assumptions, we are mindful of the financial situation of Ontario universities in general which will precipitate greater competition for domestic students. We have projected using conservative increase assumptions in domestic intake, therefore, both at the undergraduate and graduate levels in the later years of the planning horizon. Given current geopolitical events coupled with new government regulations and process changes, we anticipate ongoing challenges with new international student cohort sizes. We have seen declines in application numbers at both the international undergraduate and graduate levels. The federal government's policy on international student caps thus far, however, has had less of a negative impact on graduate student registration than on undergraduate numbers; given that demand is growing in some programs geared to international graduate students, we anticipate that the impact won't be as significant at the graduate level as at the undergraduate level. The outer year projections in the University's long-range financial outlook include a conservative assumption that growth in international student numbers will be modest following a year of material decline in 2025-26 at the previous year's level.

Unfortunately, the provincial government has again decided to extend the freeze of domestic tuition for Ontario residents. The Ministry has clarified that the freeze will extend to 2026-27. We are assuming a 2% increase in domestic, provincial resident fees thereafter.

Operating grant income is regulated by the Ministry of Colleges, Universities, Research Excellence and Security. Essentially, this grant is fixed at the level of the funded midpoint of the University's enrolment corridor and is not indexed to inflation. Per student funding has not increased during the era of the Strategic Mandate Agreements which has the effect of dramatically reducing the value of operating grant, in real terms, since 2019-20. With the Ministry announcement in relation to the recommendations of the Blue-Ribbon Panel, the core funding envelope is expected to increase by 2% per year for the next two years.

In March 2025, the Ontario Government is looking towards SMA4, which will be in place for another five years: 2025-2030. As part of this agreement, the corridor midpoint will be adjusted upwards due to growth during SMA3, and recognition of our role in providing STEM education. This has been reflected in our long-range financial forecast.

Expenditure increases for 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.

Should no intervening action be taken, the University's base budget deficit is projected to materially increase over the next five fiscal years.

Favourable changes to the forecast will require enrolment growth, higher non-regulated revenues and operating efficiencies, including significant organizational restructuring. Unfavourable changes would be driven by higher than planned cost increases.

There are several unknowns as we prepare our long-term financial forecast:

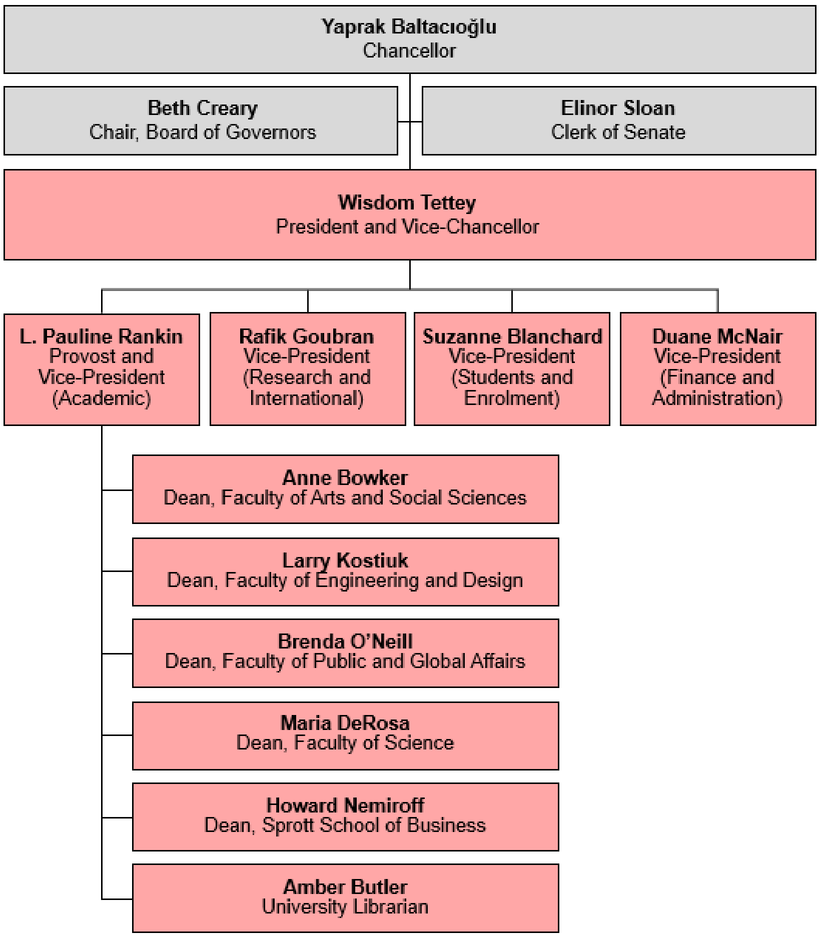
1. Continued uncertainty about when international recruitment trends will reverse.
2. A lack of clarity as to whether the government will maintain the 3%/2%/2% operating grant increase ($12 million impact) as part of the continuing funding envelope as of 2027-28.
3. Whether changes to domestic tuition fee increases will be permitted once the current Tuition Fee Framework expires at the end of 2026-27.

Consequently, the work to be undertaken as part of the Efficiency and Accountability review mandated by MCURES in April 2025 will be critical in identifying opportunities for continued cost compression and organizational restructuring.

Appendix A: Senior Leadership Team

Organizational Chart

(Effective April 1, 2025)



Resource Planning Committee (RPC) Chairs

- President and Vice-Chancellor
- Provost and Vice-President (Academic)
- Vice-President (Finance and Administration)
- Vice-President (Research and International)
- Vice-President (Students and Enrolment)
- Dean, Faculty of Arts and Social Sciences
- Dean, Faculty of Engineering and Design
- Dean, Faculty of Public and Global Affairs
- Dean, Faculty of Science
- Dean, Sprott School of Business
- University Librarian

Appendix B: 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. All financial and budget policy details are available on the University Secretariat's website: carleton.ca/secretariat/policies.

Risk Management

Carleton is committed to risk management on a campus-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.

Appendix C: 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.

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 for students, dining options across campus, recreation and athletic programs, medical and counselling services, retail outlets, events management, 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, contracts and other specific activities. These funds comprise both special purpose funds and endowment funds. Funds also can be internally restricted by the Board for specific purposes.