17-18 Trimester 2 Report

May 1, 2017 to December 31, 2017

Brock University

Executive summary

This report covers the period from May 1, 2017 to Dec. 31, 2017.

We started the year with the University's first balanced budget in over a decade. Although the 2017-18 budget is balanced and does not include a mitigation target, there were two specific risks identified in the 2017-18 Budget Report.

The enrolment forecast for the 2017-18 budget estimated a decline in undergraduate headcount of 267 students. The Office of the Registrar subsequently set a target to increase historical retention numbers across each Faculty by three per cent. This increased retention translated to an additional 255 students and an additional $3.0 million in tuition, assuming an even distribution of domestic and international students. Current enrolment figures are encouraging. At the time of writing this report, we have exceeded our 'all in'(1) headcount by 187 students, resulting in global tuition forecasted to be almost $0.5 million higher than budget. Retention efforts appear to be making headway and continue to be a focus to the end of the fiscal year.

The second inherit risk relates to the general operating grant. For 2017-18, the University budgeted to receive its 2016-17 grant plus a $1.3 million pick-up related to graduate students, which had to be negotiated through Strategic Mandate Agreement (SMA) discussions with the Ministry of Advanced Education and Skills Development (MAESD). During the second trimester, our SMA 2 was finalized and it included increases to our Masters and PhD allotments as expected, with increases to 792 and 108 students respectively for 2017-18. It should be noted that these spaces are only funded when filled. At the time of writing this report, we are expecting to fill these spaces and therefore have forecast to achieve our $1.3 million target.

The trimester two forecast for 2017-18 sets out a surplus of $3.0 million. In the past, as in this year, underspending has allowed us to generate small surpluses. That said, we reiterate the need to look closely at our operating expenditure models to find a sustainable model that does not rely on enrolment growth or under-spending of the planned budget to mitigate expenses outpacing our revenue growth.

As always, input and recommendations for future budget decisions are encouraged and can be emailed to **budgetreport@brocku.ca**

(1) 'All-in' enrolment includes all degree-seeking students (as presented by the Office of the Registrar) as well as non-degree students, auditors, additional qualifications, and certificates.

Contents

This report contains certain forward-looking information. In preparing the Trimester 2 Report, certain assumptions and estimates were necessary. They are based on information available to management at the time of preparing the forecast. Users are cautioned that actual results may vary.

Throughout the text in this report, financial values have been rounded to the nearest thousand unless otherwise stated.

On the cover: The butterfly image used on the cover symbolizes transformation, growing and evolving into something new. This past summer Brock welcomed a new President. In addition, this year Brock's budget is beginning the process of being transformed through the revenue and expense allocation model. Also, the Brock Linc and the Goodman School of Business are two major construction projects underway this year. The use of geometric shapes form one shape/ one Brock. The other sections in the shapes represent the many facets of the university, they morph from flat design to 3D design creating movement, which evokes a feeling of the ever changing and ongoing innovation and emergence of Brock as a leading edge university. There are four photos on the cover, each is from a Brock News story from Sept. 2017 to Dec. 2017.

Financial results

The following table illustrates the trimester two forecast for the University compared to budget and prior year actual. The information is presented on a funding basis, which represents committed cash, and based on the audited financial statements prepared in accordance with accounting standards for not for-profit organizations (NFPS). A reconciliation of the two presentations can be found on **page 26**.

Figure 1

($000s)	Funding 2017-18 Forecast	Funding 2017-18 Budget	NFPS 2017-18 Forecast	NFPS 2017-18 Budget	Funding 2016-17 Actual	NFPS 2016-17 Actual
Revenue						
Student fees	**167,116**	167,875	**167,116**	167,875	158,341	158,451
Grant revenue	**96,926**	96,326	**95,628**	95,028	95,009	94,160
Internal chargebacks	**8,985**	8,792			9,703	
Inter-fund revenue	**3,150**	3,138			4,859	
Other revenue	**47,107**	47,826	**69,829**	70,958	46,182	71,386
Total revenue	**323,284**	**323,957**	**332,573**	**333,861**	**314,094**	**323,997**
Operating costs						
Personnel costs	**(207,233)**	(212,939)	**(208,099)**	(212,139)	(196,994)	(201,124)
Inter-fund expenses	**(21,443)**	(18,590)			(20,965)	
Other operating costs	**(91,580)**	(92,428)	**(120,286)**	(121,437)	(90,611)	(114,055)
Total operating costs	**(320,256)**	**(323,957)**	**(328,385)**	**(333,576)**	**(308,570)**	**(315,179)**
Funding surplus/(deficit) before discretionary appropriations	**3,028**	**-**	**4,188**	**285**	**5,524**	**8,818**
Discretionary appropriations					**(5,500)**	
Funding surplus/(deficit) after discretionary appropriations	**3,028**	**-**	**4,188**	**285**	**24**	**8,818**


Brock
University
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Taking a closer look at some of the numbers

Overview

The 2017-18 trimester two forecast shows a funding surplus of $3.0 million versus the balanced 2017-18 budget and the $2.5 funding deficit projected in Trimester one. This surplus is driven by personnel costs forecast to be $5.7 million under budget; offset by inter-fund expenses forecast to be $2.9 million over budget. In addition, total revenue is forecast to be $0.7 million under budget. Figure 2 below highlights the main differences between the trimester two forecast presented in this report and the budget originally established as well as to the forecast presented in the trimester one report.

Figure 2: **What has changed in the trimester two forecast of $3 million surplus**

Let's look at it from originally established balanced budget (better by $3 million)	Let's look at it from the trimester one forecast (T1) of a $2.5 million deficit (better by $5.5 million)
Balanced Budget • Student fee revenue is forecast lower than budget by $0.8 million with global tuition gains offset by lower ISP and ESL tuition. • Grant revenue is higher by $0.6 million driven by special purpose grants. • Other revenue forecasted lower by $0.7 million • Personnel costs forecasted under budget by $5.7 million. • Inter-fund expense forecasted higher by $2.9 million. • Operating expenses forecasted under budget by $0.8 million.	**T1 Projection $2.5M deficit** • Student fee revenue is forecast higher by $0.2 million driven by an increased undergraduate headcount forecast. • Grant revenue is higher than T1 by $0.6 million driven by special purpose grants. • Other revenue is forecast $0.8 higher than T1. • Personnel costs forecasted lower than T1 by $6.6 million • Inter-fund expense forecasted higher by $3.3 million. • Operating expenses forecasted lower by $0.3 million

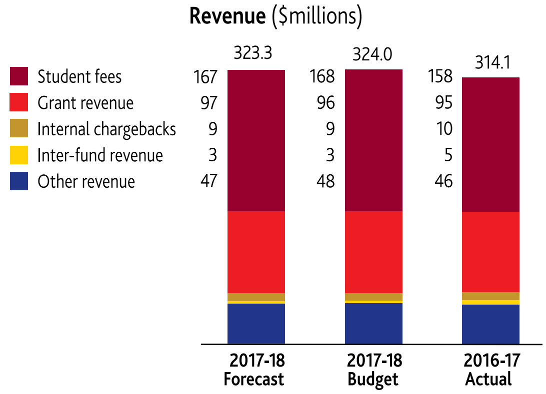
Review of overall revenue

The revenue forecast is $0.7 million below budget. This decline is driven by a lower than budgeted student fee revenue of $0.8 million and other revenue of $0.7 million, offset by higher than budgeted grant revenue of $0.6 million and higher internal chargeback revenue of $0.2 million. Student fee revenues and grants are discussed in the "tuition and enrolment" section and "operating grants" section on the following pages. The lower than budgeted other revenue is mainly driven by ancillary revenue. Although residence is anticipating higher revenue by $0.1 million, other ancillary units are expecting to generate $1.9 million less revenue than was budgeted. This lower revenue is mainly driven by the following: $0.9 million by the Campus Store, $0.5 million by Conference Services, $0.4 million by Hospitality Services and $0.1 million by Parking services.

As mentioned in the Trimester one report, this shortfall is less of an operational miss and more of a budgetary issue. While revenue in the ancillary units was budgeted to rise by a modest 1.9 per cent or $0.3 million over the 2016-17 budget, reviewing the 2017-18 budget against the 2016-17 actual results shows a revenue increase of 11.2 per cent or $1.8 million. The trimester 2 forecast however, shows a forecasted decrease of 1.0% or $0.2 million over 2016-17 actuals. It should be noted that this issue will be corrected in the upcoming 2018-19 Budget, yet to be finalized. Furthermore, at the beginning of this fiscal year, Brock updated the way it organized and delivered a wide range of support, business-oriented and service-based departments, which included the establishment of new leadership for these ancillary units.

The decrease in ancillary revenue is offset by a forecasted increase in sales and services revenue of $1.0 million.

Figure 3



Tuition and enrolment

Figure 4 below details forecasted tuition revenue by program type, separated by where the tuition is reported. The majority of tuition is reported in University Global, which is further detailed based on Faculty of major (teaching Faculty of enrolment) in Figure 6.

Figure 4: **Tuition by reporting unit**

($000s)	2017-18 Forecast	2017-18 Budget	2016-17 Actual	Listed below
Total tuition revenue in University Global	**142,128**	**141,667**	**134,397**	(1)
Tuition revenue budgeted in respective departments				
Professional Masters Preparation Certificate (Business) (PMPC)	**1,298**	801	801	(2)
International Masters Business Administration (IMBA)	**7,227**	7,763	6,895	(2)
International Master of Professional Accounting (IMPAcc)	**1,632**	1,835	1,461	(2)
Masters Preparation Certificate in Education (MPCE)	**325**	419	451	(3)
International Masters of Education (MEd)	**1,238**	1,161	870	(3)
Masters of Arts in Applied Linguistics (MA LING)	**49**	147	57	(4)
International Master of Science in Materials Physics (MsMP)	**103**	105	39	(6)
Total international student programs (ISP)s	**11,872**	**12,231**	**10,574**	
Continuing Teacher Education – Additional Qualifications (AQ)	**738**	950	623	(3)
Center for Adult Education and Community Outreach (CAECO)*	**867**	920	941	(3)
Other Education programs	**134**	199		(3)
Intensive English Language Program (IELP)	**3,533**	4,230	3,286	(5)
Summer English Language Program (SELP)	**398**	361	451	(5)
Total other self-funded programs	**5,670**	**6,660**	**5,301**	
Tuition revenue in respective departments	**17,542**	**18,891**	**15,875**	
Total tuition revenue	**159,670**	**160,558**	**150,272**	
Fee revenue	**7,446**	**7,317**	**8,069**	
Total student fees	**167,116**	**167,875**	**158,341**	

* Includes Aboriginal Adult Education.
Departments the tuition revenue is reported in: (1) University Global; (2) Goodman School of Business; (3) Faculty of Education; (4) Faculty of Social Sciences; (5) Student Services; (6) Faculty of Mathematics and Science

Overall forecasted student fee revenue was lower than budget by $0.8 million. International student program (ISP) tuition saw a decrease of $0.4 million compared to budget, driven mainly from the Goodman School of Business IMBA and IMAcc programs, the Faculty of Education MPCE program and the Faculty of Social Sciences MA LING program, as a result of lower than budgeted enrolment. Offsetting these declines was higher than budgeted enrolment and tuition in the Goodman PMPC program and the Faculty of Education MEd program. ESL tuition revenue and the Faculty of Education Additional Qualification revenue are also projected to be lower than budget by $0.7 million and $0.2 million respectively.

Global tuition is forecasted to be $0.5 million over budget. As you may recall, the 2017-18 undergraduate tuition budget included a retention target of $3.0 million, which translates into 255 students (assuming an even distribution of domestic and international students). Based on enrolment figures available at the time of preparing this report, it appears that this retention target has been achieved, with 'all-in' undergraduate enrolment headcount higher than budget by 148 students as detailed in Figure 7 and 8. (Note: Figure 7 does not include the retention target for the 2017-18 budget). Graduate enrolment is also forecasted higher than budget by 39 graduate students, as shown in Figure 7. This translates into undergraduate tuition being up $0.4 million to budget and graduate tuition up $0.1 million to budget, as detailed in Figure 6.

Another favourable development is the Ministry of Finance (MOF) recently released new population projections for 18-20 year olds. The new estimates show a higher than previously estimated number of university-aged youth for the 2012-2041 period. Assuming constant participation rates, the number of full-time domestic direct entry undergraduate students enrolled in Ontario universities is expected to be higher than initially projected. This is due to a 4 per cent to 5.3 per cent increase in the number of university-aged youth over the 2017-2036 period.

Figure 5

Global tuition billings by session ($millions)

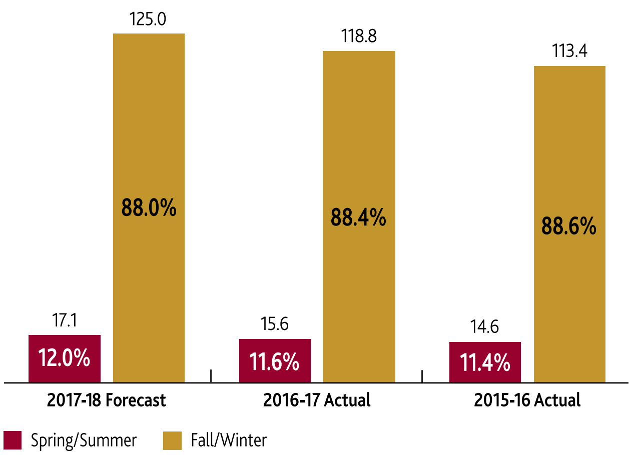


Figure 5 above details global tuition by session – spring/summer and fall/winter for the forecast and the past three years.

Figure 6: **Tuition revenue budgeted in University Global**

($000s)	2017-18 Actuals as of Jan. 19, 2018	2017-18 Budget	2016-17 Actual
Undergraduate – domestic			
Faculty of Applied Health Sciences	**23,337**	23,486	21,910
Goodman School of Business	**20,541**	19,700	18,977
Faculty of Education	**6,074**	5,802	6,007
Faculty of Humanities	**10,458**	9,809	10,267
Faculty of Mathematics and Science	**11,836**	11,170	11,135
Faculty of Social Sciences and undeclared Arts	**30,196**	30,605	30,236
Other (1)	**232**	451	264
Total undergraduate – domestic	**102,674**	**101,023**	**98,796**
Graduate – domestic			
Faculty of Applied Health Sciences	**1,428**	1,268	1,175
Goodman School of Business	**1,204**	1,508	1,289
Faculty of Education	**1,268**	1,179	1,245
Faculty of Humanities	**493**	493	520
Faculty of Mathematics and Science	**832**	693	711
Faculty of Social Sciences	**2,485**	2,699	2,592
Total graduate – domestic	**7,710**	**7,840**	**7,532**
Total domestic	**110,384**	**108,863**	**106,328**
Undergraduate – international			
Faculty of Applied Health Sciences	**1,594**	1,420	1,319
Goodman School of Business	**11,428**	11,479	10,755
Faculty of Education	**61**	47	43
Faculty of Humanities	**847**	425	523
Faculty of Mathematics and Science	**4,250**	2,757	2,837
Faculty of Social Sciences and Undeclared Arts	**9,667**	9,640	9,095
Other (1)	**52**	130	119
Total undergraduate – international	**27,899**	**25,898**	**24,691**
Graduate – international			
Faculty of Applied Health Sciences	**215**	182	141
Goodman School of Business	**1,725**	1,379	1,378
Faculty of Education	**163**	120	66
Faculty of Humanities	**243**	141	107
Faculty of Mathematics and Science	**1,192**	1,392	1,118
Faculty of Social Sciences	**588**	692	568
Total graduate – international	**4,126**	**3,906**	**3,378**
Total international	**32,025**	**29,804**	**28,069**
Retention target	-	3,000	
Total Tuition Revenue University Global	**142,409**	**141,667**	**134,397**
Forecasted change to April 30, 2018	(281)		
Total 2017-18 Forecast	**142,128**		

(1) Includes letter of permission, non-degree students and auditors.

Figure 7: **Student enrolment by type (excluding retention target)***

Type	2017-18 Forecast		2017-18 Budget		2016-17 Actual		2015-16 Actual	
	Headcount (1)	FTE (2)	Headcount (1)	FTE (2)	Headcount (1)	FTE (2)	Headcount (1)	FTE (2)
Undergraduate – domestic	**15,669**	**15,849**	15,535	15,515	15,707	15,666	15,557	15,578
Undergraduate – international	**1,386**	**15,849**	1,117	15,515	1,307	15,666	1,256	15,578
Graduate – domestic	**1,099**		1,694		1,094	1,434	1,088	1,380
Graduate – international	**634**		1,694		596	1,434	561	1,380
Total	**18,788**		**18,346**		**18,704**	**17,100**	**18,462**	**16,958**

(1) Represents Fall student headcount full-time (FT) and part-time (PT). For a definition refer to pg 89 of the 2017-18 Budget Report.
(2) Represents full-time equivalent (FTE) students. For a definition refer to pg 89 of the 2017-18 Budget Report.

Figure 8: **Undergraduate headcount forecast***

Faculty	2017-18 Forecast			2017-18 Budget			2017-18 Forecast vs. Budget
	Domestic	International	Total	Domestic	International	Total	
Faculty of Applied Health Science	3,549	74	3,623	3,585	63	3,648	(25)
Goodman School of Business	2,391	516	2,907	2,354	498	2,852	55
Faculty of Education	1,373	26	1,399	1,283	35	1,318	81
Faculty of Humanities	1,692	37	1,729	1,560	18	1,578	151
Faculty of Mathematics and Science	1,752	188	1,940	1,698	117	1,815	125
Faculty of Social Science	4,807	543	5,350	4,144	285	4,429	921
No Faculty	105	2	107	911	101	1,012	(905)
Total unadjusted headcount	**15,669**	**1,386**	**17,055**	**15,535**	**1,117**	**16,652**	**403**
Adjusted enrolment forecast (20% international)				**15,847**	**1,195**	**17,042**	**13**
Adjusted enrolment forecast (50% international)				**15,663**	**1,245**	**16,907**	**148**

*Note: the enrolment forecast used for the 2017-18 budget and forecast is 'all-in' and includes letter of permissions, non-degree students, auditors, additional qualifications and certificates. These are excluded in the 'degree-seeking only' enrolment as presented by the Office of the Registrar.

Operating grants

The Ministry of Advanced Education and Skills Development (MAESD) recently introduced a new university funding model for 2017-18. Through this new model, a number of the operating grants received in prior years have effectively been combined and re-allocated into two new grants – Core Operating Grant and the Differentiation Grant Envelope. Please refer to the 2017-18 Budget Report for further details and the background of these new grants. In anticipation of this change in funding Brock was able to negotiate with the MAESD to increase the operating grant revenue, mainly related to changes in how Brock reported its enrolment to MAESD.

At the time of preparing the 2017-18 budget it was anticipated that Brock would receive $85.3 million in 2016-17 for the general operating grants (highlighted grants in Figure 9) and an additional of $1.3 million was budgeted for 2017-18. This pick-up, which is more fully described in the 2017-18 Budget Report, is related to unfunded master's and unfilled PhD FTE allocations which were negotiated with the MAESD through the SMA process. The SMA 2 was recently signed and it does include an increased number of funded Masters and PhD student FTE allotments, with increases to 792 and 108 students respectively for 2017-18. It should be noted that these spaces are only funded when filled. At the time of writing this report, we are expecting to fill these spaces and therefore have forecast to achieve our $1.3 million target.

Specific purpose grants are forecasted to beat budget by $0.6 million mainly as a result of a number of new specific-purpose MASED grants announced during trimester two, specifically the following grants: Career Ready Fund: University Kick Start, Mental Health Support for PSE Students and Mental Health Workers.

Figure 9: **General operating grants**

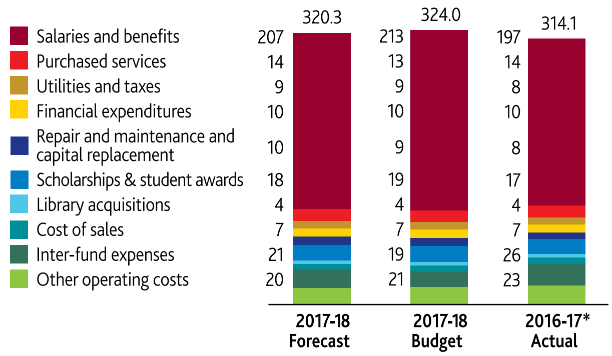
($000s)	2017-18 Forecast	2017-18 Budget	2016-17 Actual	2015-16 Actual	2014-15 Actual
Operating Grants					
Core Operating Grant	**82,000**	82,000			
Differentiation Grant Envelope	**4,633**	4,633			
Basic Operating Grant (including Teacher Education)			71,471	69,820	71,505
Undergraduate Accessibility Fund			7,250	5,824	5,461
Graduate Expansion Grant			2,415	2,019	1,947
General Access and Quality Grant			3,722	3,719	3,770
Performance Fund			706	762	746
Provincial Research Overhead Infrastructure Envelope			147	147	
International Student Recovery	**(1,465)**	(1,465)	(1,254)	(1,052)	(900)
Nursing Grant	**2,813**	2,813	2,861	2,797	2,790
Total operating grants	**87,981**	**87,981**	**87,318**	**84,036**	**85,319**
Specific purpose grants	**8,945**	**8,345**	**7,691**	**9,165**	**9,267**
Total grant revenue	**96,926**	**96,326**	**95,009**	**93,201**	**94,586**

Review of operating costs

The total operating costs are forecast to be $3.7 million under budget. Personnel costs are forecast $5.7 million below budget, which is discussed in the following "Our People" section of this report. Inter-fund expenses are forecasted to be $2.9 million over budget, driven by a the $1.6 million transfer to the pension stabilization reserve, which is discussed in the "Pension" section of this report, as well as other inter-fund transfers that were not known at the time the budget was prepared, including additional transfers to the capital and related project fund and other strategic reserves.

Figure 10

Operating costs ($millions)



*Includes discretionary appropriations.

Our people

Our people are what make everything possible at our University. Figure 11 below illustrates the cost of personnel costs in aggregate by personnel group.

Figure 11: **Personnel costs by group**

Personnel Group (1) ($000s)	Salary/Wage	Benefits	2017-18 Forecast	2017-18 Budget	2016-17 Actual	2015-16 Actual
Faculty and Professional Librarians	86,705	19,318	**106,023**	107,642	98,960	99,742
Admin/Professional	38,861	9,857	**48,718**	50,591	44,160	45,478
CUPE 4207 – Unit 1	13,363	1,386	**14,749**	14,855	13,364	13,316
OSSTF	7,741	2,349	**10,090**	10,826	10,438	10,801
CUPE 1295 FT	7,032	2,216	**9,248**	9,043	8,821	8,494
SAC	4,597	924	**5,521**	5,556	5,836	4,636
Other	13,730	1,641	**15,371**	15,326	16,315	13,013
Total	**172,029**	**37,691**	**209,720**	**213,839**	**197,894**	**195,480**
Transfer to employee future benefits reserve (EFB)		(900)	**(900)**	(900)	(900)	(900)
Transfer to pension stabilization reserve		(1,587)	**(1,587)**			
Total personnel	**172,029**	**35,204**	**207,233**	**212,939**	**196,994**	**194,580**

(1) **Faculty & Professional Librarians** – BUFA members, Professional Librarians, Associate Deans, Associate Vice-Presidents of Research and Associate Librarian; **Admin/Professional** – administrative/professional and exempt staff; **CUPE 4207 – Unit 1** – instructors, teaching assistants, lab demonstrators, course co-ordinators and marker/graders; **OSSTF** – support and technical staff; **CUPE 1295 FT** – full-time maintenance, trades and custodial staff; **SAC** – Senior Administrative Council; **Other** – all other union groups, part-time teaching and non-teaching positions and stipend transfers.

Overall personnel costs are expected to be under budget by $5.7 million. This is mainly seen in savings in the Faculty and Professional Librarians of $1.6 million, Admin/Professionals of $1.9 million and OSSTF of $0.7 million personnel groups. The figures presented in Figure 11 by personnel group are prior to the transfer to the pension stabilization reserve forecasted in trimester two. This transfer, which mainly relates to Faculty and Professional Librarians and Admin/Professionals; is explained in the "Pension" section of this report.

Unit budget and forecasts

Figure 12 and 13 on the following pages detail the funding budget by responsibility centre, where all personnel costs, operating costs and revenue have been grouped by their responsibility centre. Figure 12 has then grouped the forecast and budget into one of the following categories: Teaching Faculties, Academic Support, Student Specific, Shared Services, Ancillary, Space and Global. Figure 13 presents a different view, grouping the forecast and budget by whom each unit reports: President; Vice-President, Academic; Vice-President, Administration; Vice-President, Research and Global.

Please note that Figures 12 and 13 include certain reclassifications to the 2017-18 budget as compared to the figures presented in the 2017-18 Budget Report, mainly as a result of the university updating the way it organizes and delivers a wide range of support, business-oriented and service-based departments in April 2017. Due to the timing of this announcement, responsibility centres and their corresponding budgets were not updated for this change in the 2017-18 Budget Report. Units affected are noted in Figures 12 and 13. In addition, Figures 12 and 13 include an allocation from University Global related to payroll rate increases. All reclassifications will be fully detailed in the 2018-19 Budget Report yet to be finalized.

Figure 12: **Funding budget by responsibility centre**

($000s)	2017-18 Forecast				2017-18 Budget				Change of "Net" amounts better/(worse)
	Revenue	Personnel costs	Non-personnel costs	Net	Revenue	Personnel costs	Non-personnel costs	Net	
Teaching Faculties									
Faculty of Applied Health Sciences	454	(20,486)	(886)	**(20,918)**	340	(20,790)	(896)	**(21,346)**	428
Goodman School of Business	11,148	(26,048)	(3,567)	**(18,467)**	11,870	(26,563)	(4,085)	**(18,778)**	311
Faculty of Education	3,534	(16,846)	(1,392)	**(14,704)**	4,021	(17,185)	(1,921)	**(15,085)**	381
Faculty of Humanities	612	(20,751)	(1,045)	**(21,184)**	616	(21,010)	(1,255)	**(21,649)**	465
Faculty of Mathematics and Science	670	(21,305)	(873)	**(21,508)**	658	(21,482)	(811)	**(21,635)**	127
Faculty of Social Sciences	437	(35,526)	(1,166)	**(36,255)**	432	(36,464)	(1,287)	**(37,319)**	1,064
Total Teaching Faculties	**16,855**	**(140,962)**	**(8,929)**	**(133,036)**	**17,937**	**(143,494)**	**(10,255)**	**(135,812)**	**2,776**
Academic Support									
Centre for Pedagogical Innovation	286	(765)	(311)	**(790)**	280	(858)	(316)	**(894)**	104
Faculty of Graduate Studies	310	(1,275)	(272)	**(1,237)**	310	(1,291)	(256)	**(1,237)**	
Library	50	(4,772)	(4,978)	**(9,700)**	78	(4,977)	(4,802)	**(9,701)**	1
Research services	2,028	(1,569)	(1,637)	**(1,178)**	1,986	(1,563)	(1,636)	**(1,213)**	35
Total Academic Support	**2,674**	**(8,381)**	**(7,198)**	**(12,905)**	**2,654**	**(8,689)**	**(7,010)**	**(13,045)**	140
Student Specific									
Aquatics and Youth Programs [(1)]	2,227	(1,660)	(707)	**(140)**	2,182	(1,656)	(686)	**(160)**	20
Brock International	4,998	(4,107)	(2,146)	**(1,255)**	5,760	(4,934)	(2,273)	**(1,447)**	192
Brock Sports [(1)]	4,501	(2,937)	(2,106)	**(542)**	4,690	(3,117)	(2,147)	**(574)**	32
Co-op, Career Services and Experiential Education	2,301	(2,858)	(662)	**(1,219)**	1,924	(3,031)	(387)	**(1,494)**	275
The Office of the Registrar	2,134	(3,711)	(1,329)	**(2,906)**	2,034	(3,962)	(1,115)	**(3,043)**	137
Student Life and Community Experience	151	(697)	(160)	**(706)**	219	(696)	(229)	**(706)**	
Student Success Centre	1,092	(1,267)	(210)	**(385)**	962	(1,335)	(163)	**(536)**	151
Student Wellness and Accessibility	2,851	(2,604)	(1,472)	**(1,225)**	2,409	(2,703)	(1,145)	**(1,439)**	214
Total Student Specific	**20,255**	**(19,841)**	**(8,792)**	**(8,378)**	**20,180**	**(21,434)**	**(8,145)**	**(9,399)**	**1,021**

Figure 12 continued

($000s)	2017-18 Forecast Revenue	2017-18 Forecast Personnel costs	2017-18 Forecast Non-personnel costs	2017-18 Forecast Net	2017-18 Budget Revenue	2017-18 Budget Personnel costs	2017-18 Budget Non-personnel costs	2017-18 Budget Net	Change of "Net" amounts better/(worse)
Shared Services									
Development and Alumni Relations	655	(1,657)	(646)	**(1,648)**	655	(1,705)	(620)	**(1,670)**	22
Financial Services (1)	482	(2,666)	(626)	**(2,810)**	437	(3,014)	(691)	**(3,268)**	458
Human Resources	243	(3,217)	(772)	**(3,746)**	257	(3,413)	(782)	**(3,938)**	192
Information Technology Services	431	(5,985)	(2,044)	**(7,598)**	458	(5,953)	(2,223)	**(7,718)**	120
Leadership	72	(2,782)	(674)	**(3,384)**		(2,617)	(526)	**(3,143)**	(241)
Marketing and Communications (1)	1,783	(1,695)	(2,204)	**(2,116)**	1,789	(1,568)	(2,184)	**(1,963)**	(153)
Shared Services Support	46	(1,799)	(453)	**(2,206)**		(1,972)	(216)	**(2,188)**	(18)
Total Shared Services	**3,712**	**(19,801)**	**(7,419)**	**(23,508)**	**3,596**	**(20,242)**	**(7,242)**	**(23,888)**	**380**
Ancillary									
Ancillary Operations (1)	15,604	(2,942)	(9,823)	**2,839**	17,540	(2,475)	(9,448)	**5,617**	(2,778)
Department of Residence	17,680	(2,818)	(13,204)	**1,658**	17,560	(2,880)	(13,550)	**1,130**	528
Total Ancillary	**33,284**	**(5,760)**	**(23,027)**	**4,497**	**35,100**	**(5,355)**	**(22,998)**	**6,747**	**(2,250)**
Space									
Campus Security Services	35	(1,416)	(1,114)	**(2,495)**	59	(1,468)	(1,104)	**(2,513)**	18
Facilities Management	718	(11,986)	(3,711)	**(14,979)**	659	(12,292)	(3,405)	**(15,038)**	59
Financing	301		(6,465)	**(6,164)**	301		(6,490)	**(6,189)**	25
Heritage Place Plaza and Community Agreements	286		(954)	**(668)**	345		(963)	**(618)**	(50)
Utilities, Taxes and Insurances	2,989		(10,477)	**(7,488)**	2,833		(10,332)	**(7,499)**	11
Total Space	**4,329**	**(13,402)**	**(22,721)**	**(31,794)**	**4,197**	**(13,760)**	**(22,294)**	**(31,857)**	**63**
Global									
Capital	4,526		(12,150)	**(7,624)**	4,503		(12,127)	**(7,624)**	
Scholarships, Bursaries and Student Awards	1,081		(17,835)	**(16,754)**	1,007		(18,348)	**(17,341)**	587
University Global	236,568	914	(4,952)	**232,530**	234,783	35	(2,599)	**232,219**	311
Total Global	**242,175**	**914**	**(34,937)**	**208,152**	**240,293**	**35**	**(33,074)**	**207,254**	**898**
Total University	**323,284**	**(207,233)**	**(113,023)**	**3,028**	**323,957**	**(212,939)**	**(111,018)**	**-**	**3,028**

(1) These unit budgets were affected by the reorganization noted on page 11. All reclassifications will be fully detailed in the 2018-19 Budget Report yet to be finalized.

Figure 13: **Funding budget by responsibility centre leader**

($000s)	2017-18 Forecast				2017-18 Budget				Change of "Net" amounts better/(worse)
	Revenue	Personnel costs	Non-personnel costs	Net	Revenue	Personnel costs	Non-personnel costs	Net	
President									
Development and Alumni Relations	655	(1,657)	(646)	**(1,648)**	655	(1,705)	(620)	**(1,670)**	22
Marketing and Communications (2) (3)	1,783	(1,695)	(2,204)	**(2,116)**	1,789	(1,568)	(2,184)	**(1,963)**	(153)
Leadership (Split) (1)	1	(1,891)	(567)	**(2,457)**		(1,730)	(465)	**(2,195)**	(262)
Shared Services Support (Split) (1)		(170)	(17)	**(187)**		(265)	(18)	**(283)**	96
Total President	**2,439**	**(5,413)**	**(3,434)**	**(6,408)**	**2,444**	**(5,268)**	**(3,287)**	**(6,111)**	**(297)**
Vice-President Academic									
Faculty of Applied Health Sciences	454	(20,486)	(886)	**(20,918)**	340	(20,790)	(897)	**(21,347)**	429
Goodman School of Business	11,148	(26,048)	(3,567)	**(18,467)**	11,870	(26,563)	(4,084)	**(18,777)**	310
Faculty of Education	3,534	(16,846)	(1,392)	**(14,704)**	4,021	(17,185)	(1,921)	**(15,085)**	381
Faculty of Humanities	612	(20,751)	(1,045)	**(21,184)**	616	(21,010)	(1,255)	**(21,649)**	465
Faculty of Mathematics and Science	670	(21,305)	(873)	**(21,508)**	658	(21,482)	(811)	**(21,635)**	127
Faculty of Social Sciences	437	(35,526)	(1,166)	**(36,255)**	432	(36,464)	(1,287)	**(37,319)**	1,064
Faculty of Graduate Studies	310	(1,275)	(272)	**(1,237)**	310	(1,291)	(256)	**(1,237)**	
Library	50	(4,772)	(4,978)	**(9,700)**	78	(4,977)	(4,802)	**(9,701)**	1
Centre for Pedagogical Innovation	286	(765)	(311)	**(790)**	280	(858)	(316)	**(894)**	104
Co-op, Career Services and Experiential Education	2,301	(2,858)	(662)	**(1,219)**	1,924	(3,031)	(387)	**(1,494)**	275
The Office of the Registrar	2,134	(3,711)	(1,329)	**(2,906)**	2,034	(3,962)	(1,115)	**(3,043)**	137
Student Life and Community Experience	151	(697)	(160)	**(706)**	219	(696)	(229)	**(706)**	
Student Wellness and Accessibility	2,851	(2,604)	(1,472)	**(1,225)**	2,409	(2,703)	(1,145)	**(1,439)**	214
Student Success Centre	1,092	(1,267)	(210)	**(385)**	962	(1,335)	(163)	**(536)**	151
Brock International	4,998	(4,107)	(2,146)	**(1,255)**	5,760	(4,934)	(2,273)	**(1,447)**	192
Leadership (Split) (1)	71	(891)	(107)	**(927)**		(887)	(61)	**(948)**	21
Shared Services Support (Split) (1)		(378)	(33)	**(411)**		(366)	(48)	**(414)**	3
Total Vice President Academic	**31,099**	**(164,287)**	**(20,609)**	**(153,797)**	**31,913**	**(168,534)**	**(21,050)**	**(157,671)**	**3,874**

Figure 13 continued

($000s)	2017-18 Forecast				2017-18 Budget				Change of "Net" amounts better/(worse)
	Revenue	Personnel costs	Non-personnel costs	Net	Revenue	Personnel costs	Non-personnel costs	Net	
Vice-President Administration									
Brock Sports [2]	4,501	(2,937)	(2,106)	**(542)**	4,690	(3,117)	(2,147)	**(574)**	32
Aquatics and Youth Programs [2]	2,227	(1,660)	(707)	**(140)**	2,182	(1,656)	(686)	**(160)**	20
Information Technology Services	431	(5,985)	(2,044)	**(7,598)**	458	(5,953)	(2,223)	**(7,718)**	120
Financial Services [2]	482	(2,666)	(626)	**(2,810)**	437	(3,014)	(691)	**(3,268)**	458
Human Resources	243	(3,217)	(772)	**(3,746)**	257	(3,413)	(782)	**(3,938)**	192
Ancillary Operations [2]	15,604	(2,942)	(9,823)	**2,839**	17,540	(2,475)	(9,448)	**5,617**	(2,778)
Department of Residence	17,680	(2,818)	(13,204)	**1,658**	17,560	(2,880)	(13,550)	**1,130**	528
Facilities Management	718	(11,986)	(3,711)	**(14,979)**	659	(12,292)	(3,405)	**(15,038)**	59
Campus Security Services	35	(1,416)	(1,114)	**(2,495)**	59	(1,468)	(1,104)	**(2,513)**	18
Shared Services Support (Split) [1]	46	(1,251)	(403)	**(1,608)**		(1,341)	(150)	**(1,491)**	(117)
Total Vice President Administration	**41,967**	**(36,878)**	**(34,510)**	**(29,421)**	**43,842**	**(37,609)**	**(34,186)**	**(27,953)**	**(1,468)**
Vice-President Research									
Research Services	2,028	(1,569)	(1,637)	**(1,178)**	1,986	(1,563)	(1,636)	**(1,213)**	35
Total Vice President Research	**2,028**	**(1,569)**	**(1,637)**	**(1,178)**	**1,986**	**(1,563)**	**(1,636)**	**(1,213)**	**35**
Global									
Heritage Place Plaza and Community Agreements	286		(954)	**(668)**	345		(963)	**(618)**	(50)
Utilities, Taxes and Insurances	2,989		(10,477)	**(7,488)**	2,833		(10,332)	**(7,499)**	11
Financing	301		(6,465)	**(6,164)**	301		(6,490)	**(6,189)**	25
Scholarships, Bursaries and Student Awards	1,081		(17,835)	**(16,754)**	1,007		(18,348)	**(17,341)**	587
Capital	4,526		(12,150)	**(7,624)**	4,503		(12,127)	**(7,624)**	
University Global	236,568	914	(4,952)	**232,530**	234,783	35	(2,599)	**232,219**	311
Total Global	**245,751**	**914**	**(52,833)**	**193,832**	**243,772**	**35**	**(50,859)**	**192,948**	**884**
Total University	**323,284**	**(207,233)**	**(113,023)**	**3,028**	**323,957**	**(212,939)**	**(111,018)**	**-**	**3,028**

(1) Refer to Page 62 and 66 of the 2017-18 Budget Report for details on the split within Leadership and Shared Services Support.
(2) These unit budgets were affected by the reorganization noted on page 11. All reclassifications will be fully detailed in the 2018-19 Budget Report yet to be finalized.
(3) As part of a re-alignment of the University's organizational structure at the end of April 2016 the Marketing and Communications responsibility centre's responsibility moved from the Vice-President Administration to the President. Due to the timing of this announcement, this change was not reported in the 2017-18 Budget report.

Treasury

Operating fund investment scorecard

Government of Canada ten year bond yields have been increasing from 1.55 per cent at May 1, 2017 to 2.03 per cent at Dec. 31, 2017. The Bank of Canada (BOC) increased its benchmark overnight rate in July by 25 basis points (bps) and again in September by another 25 bps. Scotiabank increased their prime rate from 2.70 per cent to 2.95 per cent following the July BOC hike and then to 3.20 per cent following the September BOC hike. This move improves the yield on cash balances and short-term investments given that Brock's agreement with Scotiabank for our cash account is linked to the prime rate (prime minus 165bps) and the 30 day hold investment account (prime minus 150bps). We also continue to roll the maturing guaranteed investment certificate (GIC) ladder strategy (1) to enhance yields. A summary of investment holdings as of Dec. 31, 2017 is shown in Figure 17. The recent pick-up in interest rates has also improved the rates being offered for these investments. GICs are the main enhancement to yield in the operating investment portfolio. Figure 15 on the following page outlines monthly investment income performance compared to 2016-17 and Figure 16 details month-end cash deposits for the past 5 years. As detailed in Figure 14, operating investments have achieved 108 per cent of budget as we reach 67 per cent of the way through the fiscal year. Investment income has exceeded budget as a result of higher interest rates improving yield over the budget rate and higher than budgeted investment balances due to the projected year-end surplus.

The sinking fund performed negatively during the first four months of fiscal 2017-18 generating a 7.0 per cent loss; however, this trend reversed with strong returns during the last four months in this reporting period bringing returns for the eight months ending Dec. 31, 2017 to 6.1 per cent. Volatility is common and expected with this fund. We continue to support this fund as a long-term investment strategy to fund the 2045 payout of the University's $93 million debenture and the employee future benefits reserve. The fund requires a 5 per cent annual rate of return to achieve its goal and this rate of return is aligned with the asset mix and skill of the fund manager.

(1) An investment strategy in which GICs that have different maturities are assembled into a portfolio.

Figure 14: **Summary investment income – Operating Funds**

($000s) Unless otherwise stated	2017-18 Actuals to Dec. 31	2017-18 Budget	2016-17 Actual	% of Budget achieved
Operating investment income	970	900	1,137	108%
Sinking fund	387	301	766	130%
Employee future benefits reserve	152		315	N/A
Investment income	**1,509**	**1,201**	**2,218**	**126%**

Figure 15

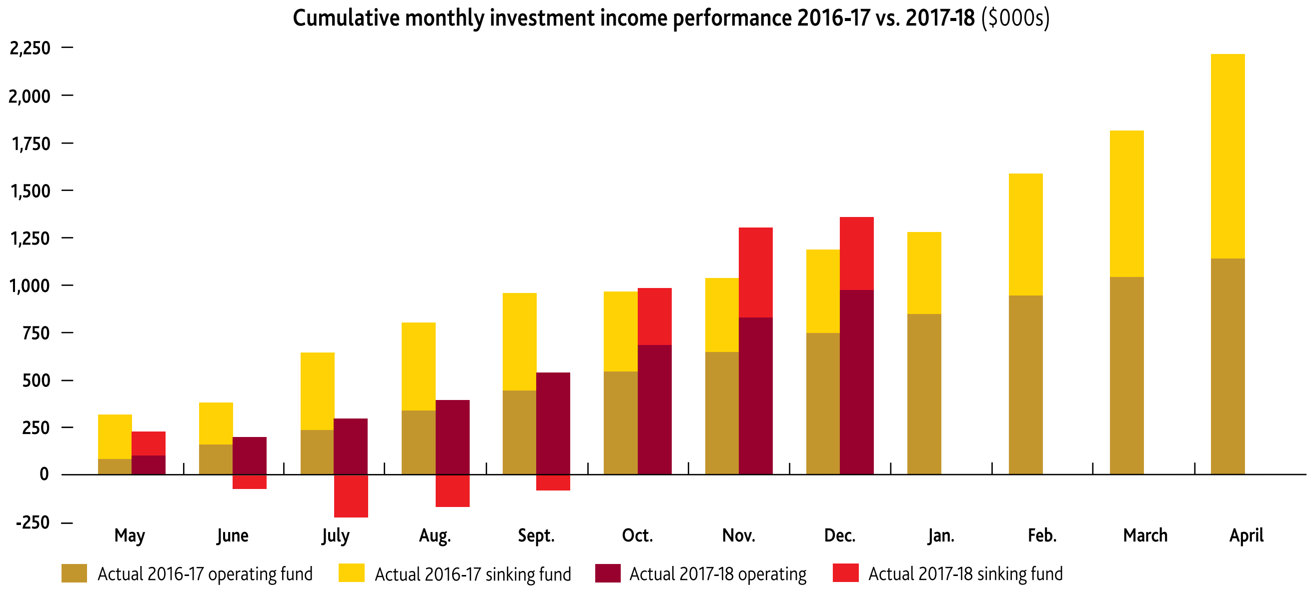


Figure 16

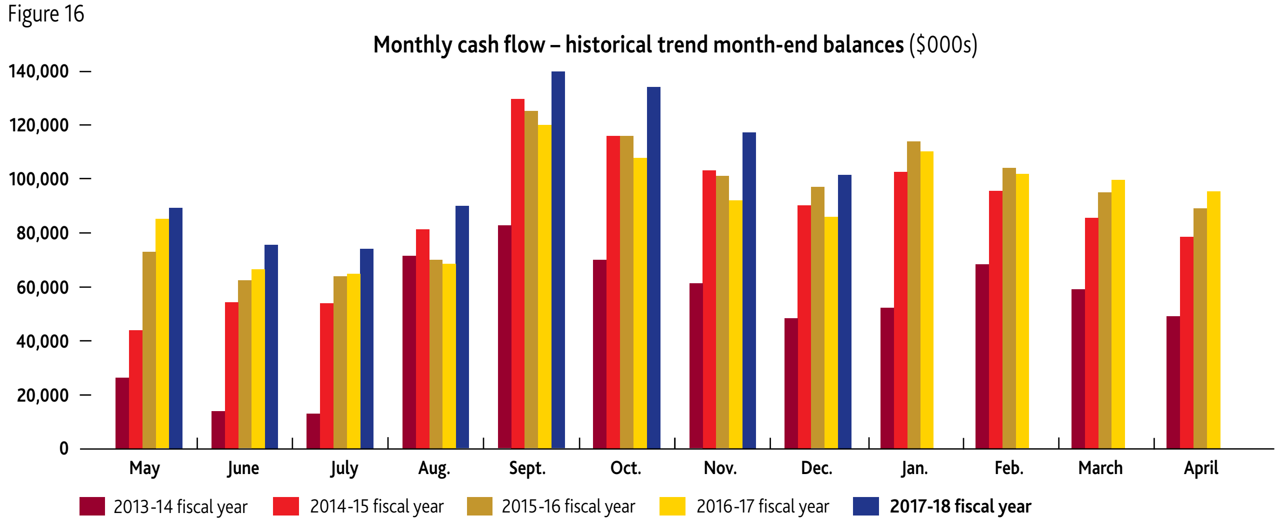


Figure 17: **Summary of investment holdings**

($000s) Unless otherwise stated	Market Value as at Dec. 31, 2017	Annualized rate of return	Fees	Net annualized rate of return
Scotiabank				
General account ($20 million average minimum balance)	17,686	1.55%	0.00%	1.55%
30 Day GIC	30,000	1.70%	0.00%	1.70%
6 Month GIC	3,000	1.76%	0.00%	1.76%
7 Month GIC	3,000	1.81%	0.00%	1.81%
8 Month GIC	3,000	1.86%	0.00%	1.86%
9 Month GIC	3,000	1.91%	0.00%	1.91%
10 Month GIC	4,000	1.97%	0.00%	1.97%
11 Month GIC	4,000	2.02%	0.00%	2.02%
2 Year GIC	2,500	1.95%	0.00%	1.95%
2 Year GIC	2,500	2.03%	0.00%	2.03%
2 Year GIC	2,500	2.10%	0.00%	2.10%
2 Year GIC	5,000	1.71%	0.00%	1.71%
3 Year GIC	2,500	2.15%	0.00%	2.15%
3 Year GIC	2,500	2.20%	0.00%	2.20%
Total for account	**85,186**	**1.77%**	**0.00%**	**1.77%**
BMO Nesbitt Burns				
Savings Account	93	1.20%	0.05%	1.15%
2 Year GIC	5,150	1.75%	0.05%	1.70%
Total for account	**5,243**	**1.74%**	**0.05%**	**1.69%**
TD Waterhouse				
HISA		0.00%	0.00%	0.00%
Total for account	**-**	**0.00%**	**0.00%**	**0.00%**
Mawer – balanced fund				
Sinking fund	6,648			
Employee future benefits reserve	4,093			
Total for account	**10,741**	**6.10%**	**0.25%**	**5.85%**
Portfolio consolidated total	**101,170**	**2.23%**	**0.03%**	**2.20%**

Our debt

Figure 18 details the current and projected external debt of the University. It does not reflect any new external debt going forward. At the time of writing this report, there are no approved projects that would require additional debt financing and as such no new debt has been reflected.

Figure 18: **Outstanding debt**

($000s) (unless otherwise noted)				Budget	Forecast				
	April 30, 2015	April 30, 2016	April 30, 2017	April 30, 2018	April 30, 2019	April 30, 2020	April 30, 2021	April 30, 2022	April 30, 2023
Bond	93,000	93,000	93,000	**93,000**	93,000	93,000	93,000	93,000	93,000
Cairns building	26,269	25,583	24,863	**24,109**	23,319	22,491	21,623	20,714	10,154
Residence	16,801	16,037	15,215	**14,333**	13,385	12,366	11,271	10,095	8,931
Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA)	17,400	16,680	15,960	**15,240**	14,520				
Total debt	**153,470**	**151,300**	**149,038**	**146,682**	**144,224**	**127,857**	**125,894**	**123,809**	**112,086**
Total student FFTE (1)	**20,056**	**19,885**	**20,086**	**19,983**	**20,780**	**21,309**	**21,822**	**22,368**	**22,848**
Total debt/FFTE (in dollars) (1)	**7,652**	**7,609**	**7,420**	**7,340**	**6,941**	**6,000**	**5,769**	**5,535**	**4,906**
Debt reduction strategy									
Sinking fund	5,462	5,647	6,413	**6,322**	6,639	6,970	7,319	7,685	8,069
Debt repayment reserve	475	950	2,895	**3,917**	5,220		2,937	6,159	
M. Walker donation – MIWSFPA	5,045	5,181	5,326	**5,465**	5,612				
Other donations – MIWSFPA	250	324	399	**473**	548				
Total assets for debt reduction	**11,232**	**12,102**	**15,033**	**16,177**	**18,019**	**6,970**	**10,256**	**13,844**	**8,069**
Net debt	**142,238**	**139,198**	**134,005**	**130,505**	**126,205**	**120,887**	**115,638**	**109,965**	**104,017**
Net debt/FFTE (in dollars) (1)	**7,092**	**7,000**	**6,672**	**6,531**	**6,073**	**5,673**	**5,299**	**4,916**	**4,553**

(1) Fiscal full-time enrolment (FFTE) – used for tuition and grant forecasting. For a definition refer to page 89 of the 2017-18 Budget Report.

As set out in the Fiscal Framework document, any new debt capital financing is highly dependent on donations and/or other incremental sources of funding. The fiscal framework does identify that if any debt is recommended that debt only be issued where: 1. The debt is for capital purposes; 2. A strong financial case can be made with significant visibility to a reasonable rate of return that considers capital, maintenance and operating costs; and 3. The capital project is forecasted to be net cash flow positive within two to three years.

In March 2015, the Board of Trustees approved a debt reduction strategy that would see $0.475 million set aside each year starting in 2014-15. As presented in the 2016-17 Fiscal Framework document, a revised debt reduction strategy was established to repay the loan on the Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA) by it's renewal date in 2019-20; the loan on the Cairns building by 2024-25 and the debt (other than the bond) on residence loans by 2029-30. When the debt is paid off, the fiscal framework identifies the funding being repurposed to support deferred maintenance infrastructure initiatives and the sinking fund to repay the 40-year bullet taken out in 2005 for $93 million due in 2045.

The next maturity of external debt is June 3, 2019 related to the $18 million financed in fiscal 2014-15. The amount due at maturity will be $14.46 million. Other future debt maturities can be found in the audited financial statements of the University.

The requirement for the debt reduction strategy is supported by Brock's key financial health metrics found on Page 1 of the 2017-18 Budget Report, which also compares these metrics to that of the median and average of other universities in our comprehensive category.

Figure 19: **Long-term debt**

	Interest rate	Payment terms	Date to be paid in full	Annual payment ($000s)
Earp/Lowenberger – Residence	7.200%	Monthly blended payments of principal and interest of $162,443.70.	October 2028	1,949
Cairns Building	4.690%	Monthly blended payments of principal and interest of $158,668.10. Interest rate swap on $28 million. Payment based on 25 year amortization.	July 2037	1,904
MIWSFPA Building	2.450%	Loan is setup as a serial debenture with declining interest payments as the principal is paid off. Monthly fixed payments of principal $60,000 plus interest. Interest rate swap on $18 million. Payment based on 25 year amortization.	June 2019	Approx 1,150
Debenture payable (bullet)	4.967%	Interest payable semi-annually $2,309,655.	December 2045	4,619

Debt retirement assets

	Required rate of return	Payment terms	Date to be paid in full	Annual payment ($000s)
Sinking fund investment	5.000%	Policy requires Brock to annually review sinking fund investment performance and required contributions. Interest rate reduced to 5% through Fiscal Framework.	December 2045	Determined annually
MIWSFPA investment	2.700%	$5 million endowment being repurposed to pay down debt at the request of the Donor. Cash invested in a BNS GIC earning an arbitrage spread of 25bps until loan renews in 2019.	June 2019	N/A
Debt reduction reserve	N/A	Annual contribution ($1,022 in 2017-18 as per fiscal framework) to an internally restricted reserve for debt repayment initially approved by the Board of Trustees on March 12, 2015.	N/A	1,022

Figure 20: **Debt metrics**

	DBRS published range current credit rating	2016-17 Fiscal year	2015-16 Fiscal year
Fiscal full-time equivalent (FFTE)		20,058	19,885
Total long-term debt/FFTE ($)	10.000 – 15.000	7,430	7,609
Interest coverage ratio	1.3 times to 2.5 times	3.7 times	3.35 times
Surplus-to-revenue	0% to 1% (5 year average)	2.7%	2.0%

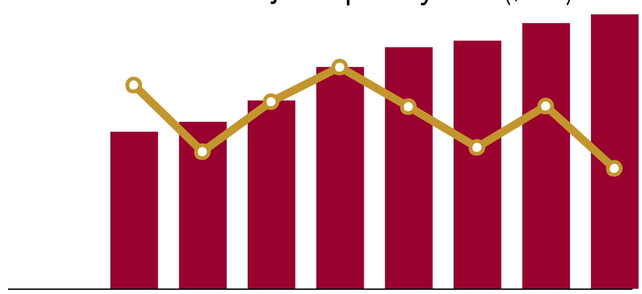
Pension

The actuarial valuation on the pension plan was recently completed as at July 1, 2017, indicating the plan was 96 per cent funded on a going-concern basis (99 per cent as at July 2014) and 105 per cent on a solvency basis (105 per cent as at July 2014). The main contributor to the going concern deficit was a reduction in the pension plan discount rate 5.45 per cent (6.0 per cent as at July 2014). The actuary sets the expected rates of returns based on industry best practices guided by the Canadian Institute of Actuaries. The University has no control or influence over these assumptions used by the actuary. The going concern deficit of $17.88 million ($3.56 million as at July 2014) increased the required special payments into the plan by $1.53 million and the current service cost payments for the defined benefit component of the plan by $0.44 million for a total increase in University contributions of $1.97 million annually. The largest contributor to the going concern deficit is active members (65 per cent of the total deficit) and within the active member groups, BUFA has the largest impact on the deficit (87 per cent of the active member deficit). As previously reported, we performed a valuation estimate at Jan. 1, 2017 on the pension plan, testing various assumptions on discount rates and salary growth. As a result of the funding test, the University budgeted an increase of $2.0 million in annual pension contributions to the defined benefit portion of the plan. Since the last valuation, the Ontario Pension Benefits Act has changed to allow for a 12 month deferral on changing required payments into the pension plan. The Financial Planning and Investment Committee approved a recommendation to take advantage of this deferral and invest the budgeted savings of $1.6 million into a pension stabilization reserve to be drawn upon at the next valuation in July 2020 should the funded status of the pension plan deteriorate.

Additional information on the pension plan may be found at **brocku.ca/about/university-financials/#audited-pension-statements**

Figure 21

Pension Plan as of June 30 pension year end ($000s)



	2011	2012	2013	2014	2015	2016	2017	2018 (1)
Assets	283,889	301,612	341,391	402,252	438,141	449,900	481,842	497,939
Return	13.8%	3.0%	11.1%	16.7%	10.3%	3.7%	10.4%	0.3%

(1) Represents the 3-month period ending Sept. 30, 2017.

Figure 22 details the initiatives which have been undertaken to mitigate risk and maintain the health of the plan for all stakeholders.

Figure 22: **Mitigation options**

Risk type	Mitigation strategy
Pension deficit, funding level and volatility	Planning is ongoing to make additional payments into the pension plan to fund the deficit. The 2017-18 budget plans for additional payments of $2 million. The University continues to work toward a 50/50 funding model with employees, a requirement to joint a Joint Sponsored Pension Plan (JSPP). Other risk management strategies are also supportive of reducing this risk type.
Currency risk	While currently the pension plan has no currency hedges, a US dollar hedging strategy is in place.
Asset mismatch risk	An asset liability study has been performed to inform the investment strategy.
Equity return risk	Investment managers are monitored utilizing subject matter experts. Investment managers are selected to help project on the downside. A recent change to global managers was enacted (moved from Aberdeen to Mawer and CARNEGIE). Diversification into alternative asset classes is ongoing. Ultimately lower returns and lower interest rates would mean higher payments into the plan.

Capital

University infrastructure investment is ongoing as we invest in new and current space and technology to support and improve the teaching and learning experience. Figure 23 illustrates the number of open capital and related projects. These projects include all 2017-18 projects as well as uncompleted prior year projects. Note: the majority of the 2017-18 projects were opened prior to May 1, 2017.

Figure 23: **Status of Capital Projects as of Dec 31, 2017**

	Facilities Management	Information Technology Services
Open projects as of April 30, 2017	89	44
Projects opened to Dec. 31, 2017	22	1
Projects closed/completed to Dec. 31, 2017	(44)	(16)
Remaining projects open Dec 31, 2017	**67**	**29**

Figure 24 illustrates the activity with respect to the type and dollar amount of projects by Facilities Management (FM) and Information Technology Service (ITS). As explained in the 2017-18 Budget Report, $0.7 million of the 2017-18 capital and related project budget was funded from savings from prior year approved projects. An additional $0.3 million was funded through the discretionary appropriations at April 30, 3017

Figure 24: **Capital and related project summary**

Project type ($000s)	Revenue/funding	Spending to Dec. 31, 2017	Remaining to spend
Facilities Management			
Above surface/sub surface utilities, drainage, roads, parking lots, sidewalks	1,265	(1,000)	265
Adaptations/renovations and major renewal projects	5,242	(4,628)	614
AODA* projects	323	(152)	171
Audits and studies	678	(629)	49
Buildings	3,118	(2,462)	656
Energy conservation and demand management	199	(106)	93
Major capital projects	56,421	(23,222)	33,199
New construction and replacement (under $1M)	343	(303)	40
Residence projects	3,925	(1,128)	2,797
Vehicles and wheeled equipment	228	(228)	
FM – surplus/(deficit)	304	(28)	276
Total Facilities Management projects	**72,046**	**(33,886)**	**38,160**
Information Technology Services			
Enterprise software projects	8,771	(6,201)	2,570
Hardware evergreening projects	2,907	(1,850)	1,057
Hardware growth projects	808	(609)	199
IT infrastructure projects	196	(81)	115
ITS – surplus/(deficit)	322		322
Total Information Technology Services projects	**13,004**	**(8,741)**	**4,263**
Total capital and related projects	**85,050**	**(42,627)**	**42,423**

* AODA – Accessibility for Ontarians with Disabilities

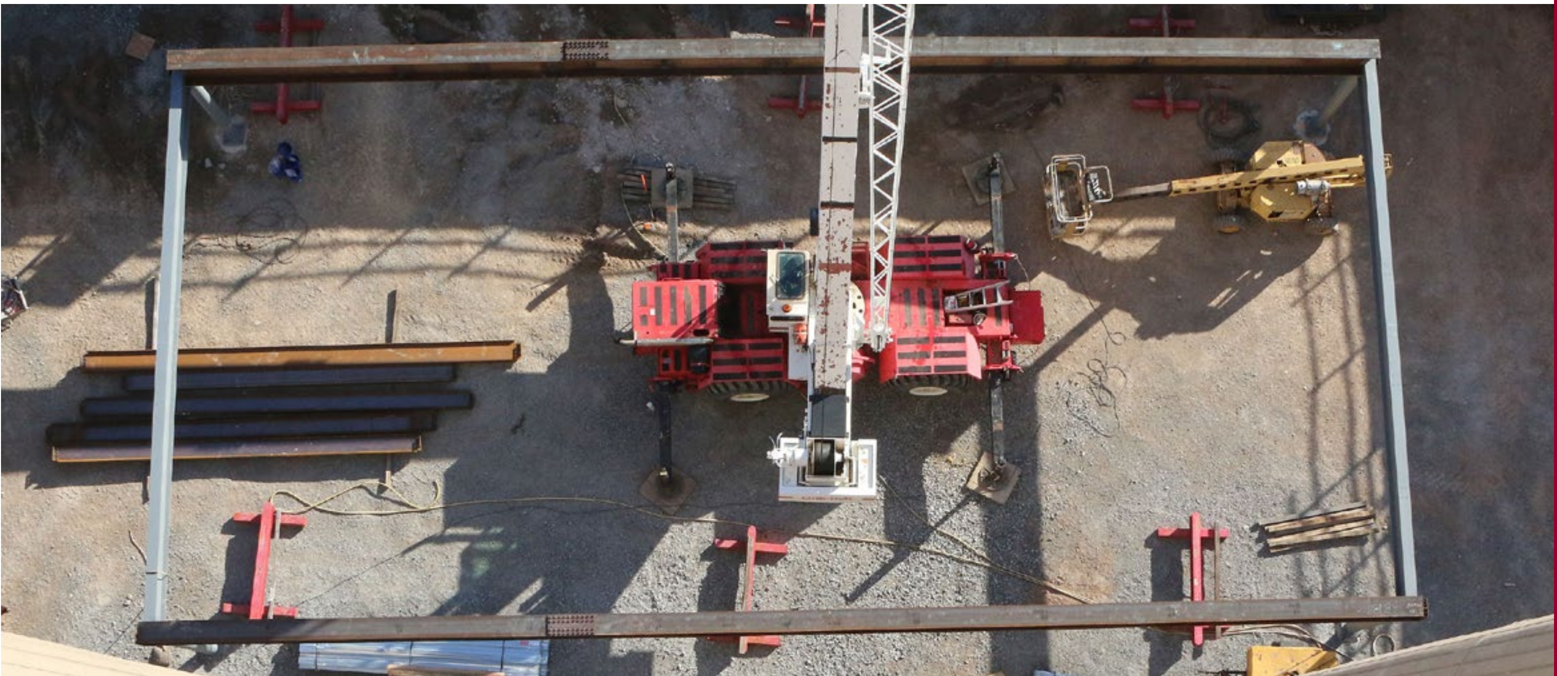
Paramount to the FM project selection is the ongoing emphasis to reduce the outstanding deferred maintenance backlog as reported in the condition assessments performed by VFA Inc. (through the Council of Ontario Universities). The outstanding deferred maintenance balance based on the VFA Asset List Report as of May 2017 was $167 million that has accumulated over a number of year of under-investing. This level of deferred maintenance translates into an overall facilities condition index (FCI) rating of 0.18 (deferred maintenance divided by the current replacement value). The lower the FCI, the better the condition of the asset. An FCI rating of 0.18 is considered "poor" especially compared to other Ontario Universities with an average FCI index of 0.10.

Capital fund balance activity

Figure 25 highlights the forecasted activity and ending balance of internally restricted capital and infrastructure projects and reserves (the capital fund). The negative ending balance forecasted in the ITS capital fund is the result of pre-encumbering the 2018-19 and 2019-20 capital and related project budgets for the implementation of the new HR system – the HR component of Workday.

Figure 25: **Capital fund activity**

($000s)	FM	ITS	Total capital fund	Source
Opening balance (April 30, 2017)	9,696	2,016	11,712	Audited Financial Statements
2017-18 approved capital and related project budget (recorded as an expense in operating costs)	8,719	3,408	12,127	2017-18 Budget
Other transfers from operating (various units)	825		825	Unit forecasts
Funding from encumbrance reserve	28	100	128	
Less: forecasted spending	(35,443)	(9,741)	(45,184)	Capital plan
Spending covered by external grants and donations	26,080		26,080	Ministry of Advanced Education and Skills Development and external donations
Forecasted ending balance (April 30, 2018)	**9,905**	**(4,217)**	**5,688**	
Components				
Work-in-progress	9,905	(4,217)	5,688	
Reserve				
Total	**9,905**	**(4,217)**	**5,688**	



Trimester two and remaining year activity

Last year we moved to trimester reporting to better match financial reporting with the inherent timing of the operations of Brock. Figure 26 details the in-year activity and forecast on a funding basis for trimester two. As shown in Figure 27, personnel costs as of Dec. 31 are 64.0 per cent of the forecasted spend which is comparable to that as of Dec. 31, 2016; while other operating costs are only 61.0 per cent of the forecast spend which compares to 63.7 per cent as of Dec. 31, 2016.

Figure 26: **Funding in-year activity and forecast**

($000s)	2016-17 Funding actual	2017-18 Funding budget	Activity from May 1 to Dec. 31	Forecast for Jan. 1 to April 30	2017-18 Funding Forecast @ Dec. 31
Revenue					
Student fees	158,341	167,875	165,713	1,403	167,116
Grant revenue	95,009	96,326	59,751	37,175	96,926
Internal chargebacks	9,703	8,792	3,081	5,904	8,985
Inter-fund revenue	4,859	3,138	1,459	1,691	3,150
Other revenue	46,182	47,826	37,394	9,713	47,107
Total revenues	**314,094**	**323,957**	**267,398**	**55,886**	**323,284**
Operating costs					
Personnel costs	(196,994)	(212,939)	(132,512)	(74,721)	(207,233)
Inter-fund expenses	(20,965)	(18,590)	(15,532)	(5,911)	(21,443)
Other operating costs	(90,611)	(92,428)	(55,819)	(35,761)	(91,580)
Total operating costs	**(308,570)**	**(323,957)**	**(203,863)**	**(116,393)**	**(320,256)**
Funding surplus/(deficit) before discretionary appropriations	**5,524**	**-**	**63,535**	**(60,507)**	**3,028**
Discretionary appropriations	**(5,500)**				
Funding surplus/(deficit) after discretionary appropriations	**24**	**-**	**63,535**	**(60,507)**	**3,028**

Figure 27

	2016-17 Actual			2017-18 Forecast		
	May 1 to Dec. 31	Full year	Per cent spent to Dec. 31	Actual May 1 to Dec. 31*	Full Year	Per cent spend to Dec. 31
Personnel costs	126,160	196,994	64.0%	132,577	207,233	64.0%
Other operating costs	57,396	90,110	63.7%	55,819	91,580	61.0%

* The 2017-18 May 1 to Dec. 31 actual personnel costs have been adjusted for comparison purposes to the 2016-17 actuals due to the transition from monthly pay to bi-weekly pay for certain personnel groups during the year.

Figure 28

($000s)	2015-16	2016-17	2017-18
Funding surplus/(deficit)			
Budget	(3,937)	(3,920)	-
First forecast (Q2/T1) [1]	(1,620)	(4,696)	**(2,537)**
Second forecast (Q3/T2)[1]	2,350	(156)	**3,028**
Final actual results	4,510	5,524	**N/A**
Funding surplus/(deficit) as a percentage of revenue			
Final actual revenue [2]	301,418	314,094	**323,284**
Budget	-1.3%	-1.2%	**0.0%**
First forecast (Q2/T1) [1]	-0.5%	-1.5%	**-0.8%**
Second forecast (Q3/T2)[1]	0.8%	0.0%	**0.9%**
Final actual results	1.5%	1.8%	**N/A**

(1) In 2015-16 Q2 represents the second quarter and Q3 represents the third quarter. In 2016-17 and 2017-18 T1 represents trimester one and T2 represents trimester two.
(2) 2017-18 represents the trimester two forecast.

This report is forward-looking and requires certain assumptions and estimates. Users are cautioned that actual results may differ. Since we began reporting financial information in this capacity we have documented the approval of deficit or balanced budgets followed by actual year-end surplus. The history is detailed in Figure 28. There is often the question of what happens to the surplus funds at the year-end. In 2016-17 these funds went to support capital projects, the strategic initiative fund (i.e. funding for Canadian Foundation for Innovation grants, Provost Fund, President's Enhancement Fund), and the debt repayment reserve. It is envisioned that through the adoption of a new responsibility-based budget model a portion of future surpluses will be retained by Faculties in their strategic fund starting in 2018-19.

Funding forecast presented in accordance with NFPS

Throughout this report financial information has been reported on a funding basis (sometimes referred to as committed cash basis). Figure 29 details the entries and reclassifications required to convert the funding budget to be in accordance with the Canadian accounting standards for not-for-profit organizations (NFPS). Please refer to page 93 of the 2017-18 Budget Report for detailed explanations of all the adjustments, reclassifications and eliminations. These adjustments, reclassifications and eliminations for the 2017-18 forecast were consistently applied with those of the 2017-18 budget with the following three changes. The post-retirement benefits adjustment (#10 in Figure 30) uses the 2016-17 actual net actuarially calculated benefit plus a growth rate. The 2015-16 actual benefit was used for the 2017-18 budget given the 2016-17 actuals were not available at the time of preparing the budget. The "funding from reserves" and the "funding of capital and reserves" figures (#2 and #8 in Figure 30) were updated based on forecasted transfers. In addition, the pension adjustment (#11 in Figure 30) was adjusted as only $0.4 million of the budgeted $2.0 million "paydown" of the pension liability will take place in 2017-18, with the remaining $1.6 million being transferred to the pension stabilization reserve, now included in the "funding of capital and reserves" adjustment (#8 in Figure 30).

Figure 29

($000s)	2017-18 NFPS budget	2017-18 Funding forecast	NFPS adjustments	Note	Reclass of inter-fund transfers	Eliminate Internal chargebacks	2017-18 NFPS forecast
Revenue							
Student fees	167,875	167,116					167,116
Grant revenue	95,028	96,926	(1,298)	1			95,628
Internal Chargebacks		8,985				(8,985)	-
Inter-fund revenue		3,150	(1,141)	2	(2,009)		-
Other revenue	70,958	47,107	20,713	3-5	2,009		69,829
Total revenue	**333,861**	**323,284**	**18,274**		**-**	**(8,985)**	**332,573**
Personnel costs	(212,139)	(207,233)	(866)	10-11			(208,099)
Inter-fund expenses		(21,443)	17,313	8-9	4,130		-
Operating costs	(121,437)	(91,580)	(33,561)	3-7	(4,130)	8,985	(120,286)
Total costs	**(333,576)**	**(320,256)**	**(17,114)**		**-**	**8,985**	**(328,385)**
Funding surplus/ (deficit)	**285**	**3,028**	**1,160**		**-**	**-**	**4,188**

Figure 30

Note	Reconciliation of NFPS adjustments ($000s)	
1	Capital grants	(1,298)
2	Funding from reserves	(1,141)
3	Amortization of deferred capital contributions	7,618
4	Research, including fellowships	11,011
5	Endowment & trust spending	2,084
	Total revenue adjustments	**18,274**
3	Amortization of capital assets	(19,923)
4	Research, including fellowships	(11,011)
5	Endowment & trust spending	(2,084)
6	Principal payments	2,357
7	Non-capital purchases in capital and infrastructure project reserves net of capital purchases from operating	(2,900)
8	Funding of capital and reserves	17,012
9	Sinking fund	301
10	Post-retirement benefits	(1,279)
11	Pension	413
	Total costs adjustments	**(17,114)**

Internally restricted reserves

The funding basis is prepared on a committed cash receipts/disbursements accounting basis and recognizes transfers to/from reserves and other funds as revenue/expenses. An example of this is the $12 million budgeted for the capital and related project program recorded in the funding budget as an operating expense. As a general rule, by budgeting these transfers we can ensure we have not overextended and have the actual cash to pay for planned initiatives. In this respect, we maintain a number of internally restricted reserves. Figure 31 details these reserves as well as their forecasted activity to the end of the year.

The forecast for the operating project accounts, research funds with no external obligations, start-up funds, professional expense reimbursement accounts and the encumbrance reserve are forecasted to have no net change. While funding from the funding budget does exist for these reserves, the expectation is an equal amount of spending will occur. The change in each of the remaining funds is based on the expected funding/spending in each reserve during the year.

Figure 31: **Internally restricted reserve balances**

($000s)	Opening balance (May 1, 2017)	Forecast increase/(decrease)	Forecasted closing balance (April 30, 2018)
Capital and infrastructure projects and reserves	11,712	(6,024)	**5,688**
Operating project accounts	1,664		**1,664**
Research funds with no external obligations	2,083		**2,083**
Start-up funds	1,142		**1,142**
Professional expense reimbursement (PER) accounts	2,556		**2,556**
Sinking fund	6,413	301	**6,714**
Employee future benefits reserve	3,041	2,487	**5,528**
Debt repayment reserve	2,895	1,022	**3,917**
Contingency reserve	2,568	551	**3,119**
Strategic initiative fund	3,894	(1,185)	**2,709**
Encumbrance reserve	745		**745**
Total	**38,713**	**(2,848)**	**35,865**

A number of these reserves can be allocated to the Teaching Faculties. Figure 32 below, details the balances of three of these reserves as of the end of the second trimester – Dec. 31, 2017. Figure 32 also includes the balances in External Research Grants as of Dec. 31, 2017, which is included in deferred revenue in the NFPS financial statements.

Figure 32: **Balances by Faculty as of Dec. 31, 2017**

($000s)	Internally restricted reserves			External Research Grants	Total
	Research funds with no external obligations	Start-up funds	PER and accountable allowance accounts		
Faculty of Applied Health Sciences	818	643	511	561	2,533
Faculty of Education	12	20	302	198	532
Faculty of Humanities	23	10	453	223	709
Faculty of Mathematics and Science	568	103	664	2,024	3,359
Faculty of Social Sciences	1,003	582	827	2,207	4,619
Goodman School of Business	(167)	(32)	494	512	807
Library	5		36		41
Other units	4		23	2,546	2,573
Total	**2,266**	**1,326**	**3,310**	**8,271**	**15,173**

Appendix 1

Multi-year financial results on a funding basis

Figure 33

($000s)	2017-18 Forecast	2017-18 Budget	2016-17 Actual	2015-16 Actual	2014-15 Actual
Revenue					
Student fees	**167,116**	167,875	158,341	151,382	145,167
Grant revenue	**96,926**	96,326	95,009	93,201	97,324
Internal chargebacks	**8,985**	8,792	9,703	7,522	7,111
Inter-fund revenue	**3,150**	3,138	4,859	2,585	180
Other revenue	**47,107**	47,826	46,182	46,728	49,003
Total revenue	**323,284**	**323,957**	**314,094**	**301,418**	**298,785**
Operating costs					
Personnel costs	**(207,233)**	(212,939)	(196,994)	(193,777)	(192,894)
Inter-fund expenses	**(21,443)**	(18,590)	(20,965)	(17,700)	(15,364)
Other operating costs	**(91,580)**	(92,428)	(90,611)	(85,431)	(83,013)
Total operating costs	**(320,256)**	**(323,957)**	**(308,570)**	**(296,908)**	**(291,271)**
Funding surplus/(deficit) before discretionary appropriations	**3,028**	**-**	**5,524**	**4,510**	**7,514**
Discretionary appropriations			**(5,500)**	**(4,499)**	**(6,175)**
Funding surplus/(deficit) after discretionary appropriations	**3,028**	**-**	**24**	**11**	**1,339**

Inside back cover: Close up photo of the Pale Black Rajah butterfly wing. Also, the front cover is a silhouette of a Black Rajah butterfly credited as follows: "Charaxes solon jordani (Fruhstorfer, 1914)" by Didier Descouens is licensed under CC BY-SA 3.0, it has been darkened from original photograph (**en.wikipedia.org/wiki/Charaxes_solon#/media/File:Charaxes_solon_jordani_MHNT_ventre.jpg**).

Brock University
Niagara Region
1812 Sir Isaac Brock Way
St. Catharines, ON
L2S 3A1 Canada
905 688 5550

trimester2report@brocku.ca

brocku.ca/finance