Brock University

2020-21 FISCAL FRAMEWORK UPDATE

A guide for long-term financial planning

CONTENTS

This report contains certain forward-looking information. In preparing the Fiscal Framework, certain assumptions and estimates were necessary. They are based on information available to management at the time of preparation. 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.

Overview

The 2020-21 Fiscal Framework Update is an extension of the 2016-17 Fiscal Framework and the 2018-19 Fiscal Framework Update. The focus of this update is to build upon the existing framework and refine guidance where necessary, recognizing that the University operates in a dynamic environment and must address changes to our core funding model to remain competitive. Overall, the core financial framework as set out in this document is structurally unbalanced due to recent government actions, including the 10 per cent cut to domestic tuition and the subsequent tuition freeze coupled with the lack of any additional funding through the core operating grants. Strong enrolment growth in our strategic enrolment plan combined with directed mitigation strategies assists in bridging this funding gap, but does not fully close it, resulting in the need for continued targets to establish new program contributions and further mitigations.

Figure 1 references each of the components of the framework and details which of these components will be updated in this document in relation to the 2016-17 Fiscal Framework report and the 2018-19 Fiscal Framework Update. Where appropriate, the page reference to the 2016-17 Fiscal Framework, the 2018-19 Fiscal Framework Update and/or this document is provided.

Figure 1: **The Fiscal Framework Update reference**

Framework component	Reference
Tuition: The targeted guidance for tuition rates remain consistent with the 2016-17 Fiscal Framework, despite the 10 per cent tuition reduction in domestic tuition fees in 2019-20 and subsequent tuition rate freeze as imposed by the Province. Tuition rates for unregulated programs and international students continue to target the median of other universities in the province of Ontario as well as setting annual increases to a maximum of five per cent to provide budget certainty for our international students. Enrolment forecasts are updated in this fiscal framework based on the long-term enrolment forecast consistent with the strategic enrolment plan.	See page 24 of the 2016-17 Fiscal Framework and page 9 of this document.
Grant: This 2020-21 Fiscal Framework Update addresses the Ministry of Colleges and Universities' redesign of the funding model for universities, as part of the Budget Environment. Further, overall grants are held flat for the fiscal framework forecast as set out in this report, given that the government has stated there will be no additional funding to the sector or to Brock during SMA3.	See page 9 of this document.
Ancillary and residence: The 2016-17 Fiscal Framework established targeted guidance to grow the annual contribution to the operating budget by four per cent each year. This guidance remains in this update, with incremental contributions forecasted related to the student experience projects to cover a facilities condition reserve, debt payments as well as additional contributions to the general operating budget.	See page 30 of the 2016-17 Fiscal Framework.
Salary and benefits: This fiscal framework updates the targeted guidance for salary and benefits.	See page 14 of this document.
Scholarships: This fiscal framework updates the targeted guidance for scholarships.	See page 16 of this document.
Capital: This fiscal framework updates the targeted guidance for capital, including funding of deferred maintenance, its impact on the Facilities Condition Index (FCI) and additional contributions from the Ancillary/Residence student experience projects.	See page 18 of this document.
Debt and borrowing: This fiscal framework updates the targeted guidance for debt and borrowing, including an updated forecast of debt balances out to 2024-25.	See page 22 of this document.
Utilities: This fiscal framework updates the targeted guidance for utilities.	See pages 12 and 13 of this document.
Library acquisitions: This fiscal framework update reaffirms the targeted guidance for library acquisitions as set out in the 2018-19 Fiscal Framework update – growth at two per cent annually.	See page 22 of the 2018-19 Fiscal Framework Update.
NEW: Strategic fund reserve: This fiscal framework establishes targeted guidance for a strategic funding reserve as part of the operating budget.	See page 24 of this document.
Unrestricted net assets/reserves: This fiscal framework update reaffirms the targeted guidance for unrestricted net assets/reserves – all surpluses will be split with the Faculties (further discussed in the revenue and expense allocation model section of this report), with the portion that remains in central used to support initiatives related to University strategic priorities.	See page 22 of the 2018-19 Fiscal Framework Update.
Chargebacks, other revenue and other operating costs: This fiscal framework update reaffirms the targeted guidance for chargebacks, other revenue and other operating costs – growth at two per cent annually with chargebacks continuing to be reviewed for elimination where possible.	See page 22 of the 2018-19 Fiscal Framework Update.
Financial Risk Framework: The 2016-17 Fiscal Framework detailed the University's Financial Risk Framework. As this responsibility is now incorporated into the University Risk Management (URM) portfolio, this item will be reported and updated within the URM portfolio.	Transitioned to University Risk Management unit.

Financial overview

Figure 2 illustrates the 2019-20 budget for the University on both a funding basis, which represents committed cash, as well as in accordance with accounting standards for not-for-profit (NFPS). It also illustrates the 2018-19 budget and actual results. A reconciliation of the two presentations can be found on page 64 of the 2018-19 Annual Report and page 90 of the 2019-20 Budget Report.

Figure 2

($000s)	2019-20 Budget		2018-19 Funding		2018-19 NFPS	
	Funding	NFPS	Actual	Budget	Actual	Budget
Revenue						
Student fees	**181,566**	181,566	**178,067**	178,091	178,739	178,091
Grant revenue	**97,936**	96,175	**97,927**	97,575	96,442	95,814
Internal chargebacks	**8,528**		**10,055**	8,994		
Inter-fund revenue	**4,924**		**6,712**	5,416		
Research revenue		11,261			14,592	11,031
Other revenue	**51,492**	64,266	**51,333**	49,130	64,144	62,211
Total revenues	**344,446**	**353,268**	**344,094**	**339,206**	**353,917**	**347,147**
Operating costs						
Personnel costs	**(229,302)**	(231,042)	**(212,647)**	(219,568)	(220,714)	(222,683)
Inter-fund expense	**(24,581)**		**(29,950)**	(25,293)		
Other operating costs	**(95,288)**	(122,567)	**(94,993)**	(94,345)	(117,284)	(119,332)
Total operating costs	**(349,171)**	**(353,609)**	**(337,590)**	**(339,206)**	**(337,998)**	**(342,015)**
Mitigation target – identified savings	**1,476**					
Mitigation target – required from in-year savings	**3,249**					
Funding surplus (before discretionary appropriations)	**-**	**(341)**	**6,504**	**-**	**15,919**	**5,132**
Discretionary appropriations			**(6,475)**			
Funding surplus (after discretionary appropriations)	**-**	**(341)**	**29**	**-**	**15,919**	**5,132**

Statement of operations metrics

The following metrics were developed to identify areas of strength as well as improvement.

Figure 3

By student headcount ($000s)	Brock[1]		Median[2]		Average[2]	
	April 2019	April 2018	April 2019	April 2018	April 2019	April 2018
Student fees (primarily tuition)	9.35	8.90	9.35	8.90	9.41	8.88
Grant	6.01	5.98	8.72	8.37	10.29	10.04
Personnel costs	11.55	11.26	13.40	13.37	13.64	13.15
Scholarships	1.24	1.19	1.48	1.43	1.49	1.47
Interest on long-term debt	0.37	0.38	0.37	0.31	0.32	0.33
Investment income	0.18	0.11	0.76	0.50	0.79	0.53

(1) Certain Brock metrics have been adjusted due to a change in reporting of student headcount to include the number of new-entry students in programs having a Winter Term start date.
(2) Calculated using financial information from 13 comprehensive universities. Certain 2018 metrics have been updated due to revisions in certain universities' financial statements.

Brock's tuition is in line with the average; however, grant revenue per student continues to be well below the sector average and represents an area of ongoing attention for the University. Naturally, Brock operates more efficiently given the below-average funding, and this results in lower personnel costs per student to counterbalance the lower funding. Brock continues to invest in students through increasing scholarships. Interest and investment income metrics are in line with Brock's financial health metrics, as detailed below.

Financial health metrics

Figure 4

	Brock[1]		Median[2]		Weighted average[2]	
	April 2019	April 2018	April 2019	April 2018	April 2019	April 2018
Primary reserve ratio	16.6%	17.1%	27.5%	29.1%	40.0%	39.2%
Debt burden ratio	2.8%	2.9%	2.4%	2.6%	2.5%	2.9%
Interest burden %	2.2.%	2.4%	1.4%	1.6%	1.6%	1.7%
Interest coverage	4.97	4.23	7.73	7.37	7.00	5.94
Viability ratio	44.8%	39.3%	118.2%	126.8%	137.0%	121.8%
Net operating revenues ratio	9.8%	9.2%	9.3%	10.6%	10.5%	10.3%
Employee future benefits per student headcount ($000s)	$(0.89)	$(1.47)	$(1.49)	$(1.96)	$(2.07)	$(2.09)
Endowment per student headcount ($000s)	$5.60	$5.13	$8.68	$8.44	$8.11	$7.81

(1) Certain Brock metrics have been adjusted due to a change in reporting of student headcount to include the number of new-entry students in programs having a Winter Term start date.
(2) Calculated using financial information from 13 comprehensive universities. Certain 2018 metrics have been updated due to revisions in certain universities' financial statements.

Refer to page 72 of the 2018-19 Annual Report for explanations of the financial health metrics.

Mission, Vision and the Strategic Plan

Vision

Brock University is a dynamic, comprehensive university that makes a positive difference in the lives of individuals in our Brock community, the Niagara Region, Canada and the world through leadership, innovation and excellence in learning, teaching, research, scholarship and creativity across disciplines.

Mission

Brock flourishes through the scholarly, creative and professional achievements of our students, faculty, and staff. Although we share a common purpose, we recognize and honour knowledge pursued through diverse perspectives and approaches. Our academic mission is to nurture and support our students and faculty in the discovery of knowledge through exemplary scholarship, teaching, and service.

We provide undergraduate, graduate and professional education of the highest quality. Our graduate programs enhance Brock's growing reputation for excellence in teaching, research, creativity and innovation. We provide a transformative experience for our students inside and outside the classroom by helping to develop their full potential as educated and engaged citizens in local and global communities. Brock graduates go out into the world as leaders, with a track record of entering fulfilling careers across all disciplines.

Brock University works to enhance the economic, social, cultural and intellectual lives of the communities around us — Niagara, Ontario, Canada and globally — and to demonstrate the vital ways in which we contribute to the well-being and betterment of society in the 21st century.

Guiding values

Brock is committed to the following values as it strives to make a positive difference in the lives of our students, staff, faculty and communities on a daily basis.

1. Integrity and respect: These principles are foundational to all our relationships and to making Brock University an exemplary and nurturing place to study, work, and visit.
2. A unique student experience: We are committed to a unique student experience that is characterized by innovative pedagogies, a quality learning environment, and high-impact teaching practices, such as experiential education and transdisciplinarity.
3. Freedom of thought and expression coupled with academic responsibility: As a university, we serve society through the cultivation of enquiring minds while acknowledging that our freedoms are accompanied by a responsibility to foster civility in critical dialogue.
4. The generation and mobilization of knowledge: Through dynamic teaching, learning, research and creative activity, we develop the intellectual potential of our students, thereby enriching the material, cultural and intellectual dimensions of the communities into which they graduate.
5. Innovation through disciplinary and transdisciplinary scholarly activities: We embrace innovation through disciplinary and transdisciplinary curricular offerings, pedagogy, e-learning, scholarship, research and service.
6. Inclusivity, diversity, equity: We recognize the dignity of each person and their right to live life to the fullest. We build inclusivity and equity through understanding and respect for diverse identities, and reflect this in our approaches to teaching and learning, research and creativity, administration and service provision, and community engagement.
7. Reconciliation and decolonization: We are committed to reconciliation with Indigenous communities and decolonization of the academy through promoting awareness and understanding of Indigenous culture, history and ways of knowing across all University activities.
8. Sustainable, accountable, transparent stewardship: As stewards of public and private resources, we are accountable for our performance and must ensure we evaluate the impact of our actions on our human, financial, and environmental resources to ensure that the outcomes will be sustainable and form a solid academic foundation for our future scholarly endeavours.

Strategic priorities

The institutional strategic plan establishes four strategic priorities, along with associated goals and action items, to advance Brock's vision over the next seven years. These priorities focus the University community on fulfilling and strengthening our mission as an engaged, comprehensive university through:

- **offering a transformational and accessible academic and university experience;**
- **building research capacity across the University;**
- **enhancing the life and vitality of our local region and beyond; and**
- **fostering a culture of inclusivity, accessibility, reconciliation and decolonization.**

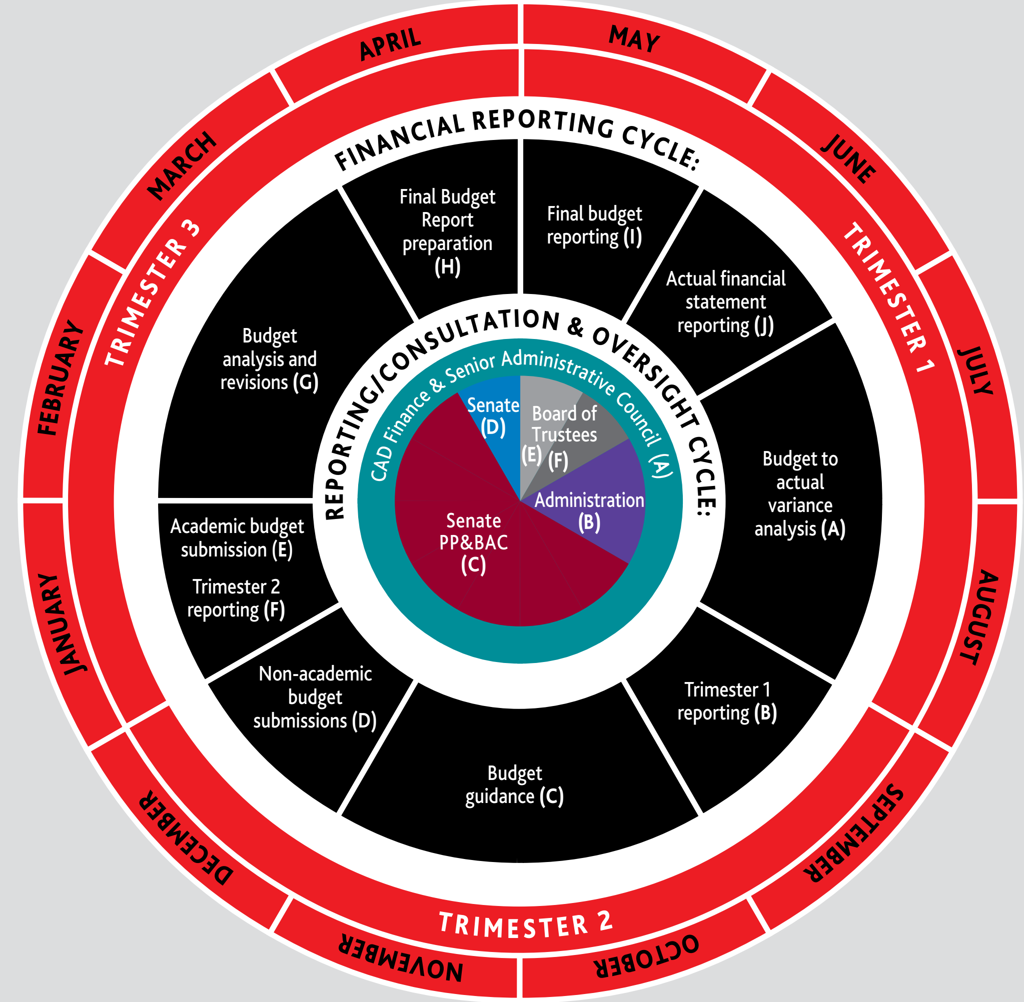
Our strategic priorities set the University on the path towards greater national and global recognition for its engagement and relevance to students and communities through enhanced innovation and excellence in teaching, learning, discovery, creativity and the application of knowledge across disciplines.

GUIDING VALUES AND STRATEGIC PRIORITIES(1)

(1) The colours in the graphic include Brock's brand standards and those from the Indigenous Medicine Wheel, the Pride Flag and the Dish with One Spoon Wampum Agreement Flag.

Budgeting and reporting cycle

Figure 5



Financial reporting cycle

(A) All units prepare an analysis of the prior year's actual results vs. budget, with the following goals: (1) analyze and understand each unit's results; (2) proactively identify funding risks and opportunities for upcoming budget development; and (3) understand the source of funding variances – structural vs. one-time.

(B) Trimester 1 (T1) reporting focuses on revenue forecasts given that undergraduate enrolment levels, which drive more than 90 per cent of global tuition, are highly predictable at T1 as registration for the year is well under way. Preparing an analysis on revenue targets early in the fiscal year allows Administration to make necessary decisions to invest surplus or mitigate costs for the remaining eight months of the year should revenue targets exceed or fall short of budget respectively.

(C) Budget guidance is prepared for the upcoming year, incorporating information obtained in the budget to actual variance analysis, T1 reporting, as well as any other risks or opportunities identified throughout the strategic planning consultation process. Guidance includes strategic allocations supported by the Strategic Plan's Fiscal Framework.

(D) & (E) Deadlines for non-academic budget submissions and Academic budget submissions are based on a number of factors, including scheduling deadlines. The submission dates allow for budget consolidation, review and related adjustments to be completed in order to meet the Senate and Board of Trustee meeting dates.

(F) Trimester 2 reporting represents a full update to all revenue and expenses, providing a more detailed and accurate update to forecasted fiscal results. This report also supports the finalization of revenue projections for the budget development process.

(1) Planning, Priorities & Budget Advisory Committee (PP&BAC), President/Vice-Presidents (PVP), Senior Academic Council (SAC), Council of Academic Deans (CAD).

(G) During the months of February and March, the full operating budget is consolidated and reviewed by Senate and Administrative committees, including PP&BAC, PVP, SAC, CAD[1] Finance, etc. Adjustments to the budget are discussed and prepared. Once complete, the final operating budget is prepared in preparation for presentation to the Senate and Board of Trustees.

(H) Financial Services prepares the final Budget Report.

(I) Final operating budget is presented to the Board of Trustees.

(J) Annual audited Financial Statements as well as the Annual Report is presented to the Board of Trustees for approval.

Reporting/consultation and oversight cycle

(A) Multiple meetings throughout the budget process leading up to a final presentation of the full operating budget to Senate in its capacity to advise the Board of Trustees that the budget is consistent with the academic policy of the University, followed by the Board's approval of the budget.

(B) PVP, along with the Strategic Planning committee, review the budget to actual variance analysis, and the Institutional Strategic Plan priorities as well as organizes for the consultation phase of the budget development.

(C) Multiple meetings throughout the budget process inform the Senate PP&BAC, with a final presentation of the full operating budget as well as responses to PP&BAC questions to inform their recommendation to Senate that the budget is consistent with the academic policy of the University.

(D) Full operating budget presented to Senate for their recommendation to the Board of Trustees that the budget is consistent with the academic policy of the University.

(E) Full operating budget presented to Board of Trustees for approval.

(F) Annual audited Financial Statements and internally restricted net assets "accumulated funding reserves" are presented to the Board of Trustees for approval.

Budget environment

Fiscal Framework Update Introduction

Demands on the University are unlimited, but the resources available to meet them are not. The University must therefore have a means of deciding how much it can afford to spend, what to spend on and how to get the most for the money spent. The Fiscal Framework (the Framework) is designed to support budgetary planning. The Framework touches everything the University does, since all university activities involve spending. It is not intended that the budget would match or achieve all framework targets immediately. An important distinction between the Budget and the Framework is that the Framework is in essence a lighthouse for guiding budget planning within the University's financial means. To facilitate long-term planning, the Framework is expected to remain directionally consistent over time; however, it must also be flexible to adapt with the evolving economic, environmental and strategic developments

of the University. The Framework does not drive strategy, rather it is a tool to ensure Brock has a funding model that promotes strategy development in a sustainable, efficient, responsive and accountable manner. The Framework recognizes the distinctive characteristics and contributions of Faculties and support units and the interdependence of units within Brock's funding model.

The 2020-21 Fiscal Framework Update is an extension of the 2016-17 Fiscal Framework document and the 2018-19 Fiscal Framework Update that were developed through a collegial effort on behalf of University stakeholders. Core themes of the Framework remain unchanged and this document serves to provide updates where necessary. For example, the funding framework for the University has changed significantly as a result of the government directive to reduce funded student tuition rates by 10 per cent for 2019-20 and a subsequent tuition rate freeze with no known end date. This document reports on the Framework as it appears today, adjusted to recognize a more constrained funding model.

The budget environment for the University is informed by the Institutional Strategic Plan, government policy and enrolment. This discussion on the budget environment serves to highlight these three areas, which significantly impact the fiscal framework and budget development process. The University operates as an autonomous organization. That said, the University maintains an important partnership with our government and community partners that support our operations by way of grants and donations.

Institutional Strategic Plan

The Institutional Strategic Plan document, entitled "Brock University: Niagara Roots – Global Reach," was developed through a broad-based, full-year consultation process and has been approved by the Board of Trustees and the Senate.

The Plan celebrates the University's connection to the Niagara region and reflects Brock's advancing global reach and reputation. Looking at a seven-year span, from 2018-2025, which includes Brock's 60th anniversary in 2024, the document brings focus on identifying and achieving the University's academic, cultural and community objectives, defined by developments and growth into a dynamic next-generation university with enhanced strengths, experiential and work-integrated learning, advanced research activity, and activated community partnerships.

The focus of this Fiscal Framework is in support of this institutional plan. Brock University faculty, staff and students worked together to balance choices in unity, to support this plan along with many other factors within our budget environment in a fiscally responsible manner.

Government Policy

Brock continues to appreciate its strong and collaborative relationship with the Province of Ontario through the Ministry of Colleges and Universities (MCU). Despite the Province's fiscal constraint, it continues to fund important activities and projects at Brock.

The Province released its 2019-20 budget on April 11, 2019. The budget aims to restore fiscal balance by 2023-24. The Province's vision for post-secondary education is to ensure that people have the "skills they need to get a good job." Some of the important initiatives put forth in the budget plan is to tie our grant funding to labour market outcomes beginning with the Strategic Mandate Agreement 3, which will take effect in 2020-21. By 2024-25, 60 per cent of funding will be tied to performance outcomes. Performance-based funding will start in 2020-21, with 25 per cent of funding tied to outcomes, to be increased annually by 10 per cent for three years and 5 per cent in the last year until it reaches a steady state of 60 per cent in 2024-25. Brock, along with our peers across the province, will have ten metrics used to determine funding allocations. Six metrics will be aligned with priorities in skills and job outcomes: graduate earnings; experiential learning; skills and competencies; graduate employment; graduation rates; and a negotiated metric based on institutional strength/focus. Four metrics would be related to economic and community impacts: research funding and capacity (Tri-Council funding); research funding from industry; impact in the local community; and a negotiated institution-specific metric. Brock's newly adopted Institutional Strategic Plan aligns our strategic priorities well with government priorities. Future budgets will focus on progressing towards our strategic goals, and our world-class faculty and dedicated staff will allow Brock to continuously advance our outcomes in a meaningful way. While there is no new government funding planned for the sector or for Brock specifically, our plan within the context of this framework is to achieve our target metrics and maintain our grant funding at current amounts.

Enrolment

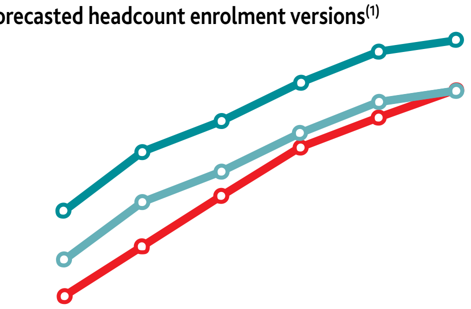
Enrolment generates the majority of the University's revenue and is a focus of our planning process. Every unit's budget is influenced to some extent by enrolment projections. The University's current budgetary model relies on enrolment growth to offset inflationary pressures on existing expenses. This reliance on enrolment growth was intensified following government action to reduce domestic tuition rates by 10 per cent, resulting in a $15.4 million reduction to planned revenue. Domestic tuition rates are now subject to a rate freeze and, for the purposes of this framework, the tuition freeze guidelines are assumed to carry forward for the duration of the forecast.

When the Institutional Strategic Plan was approved in November 2018, Brock's strategic enrolment plan called for an 18 per cent increase in degree-seeking students by the year 2024. The Institutional Strategic Plan supported growth, including new programs such as engineering. Enrolment targets established for the purpose of this forecast are based on existing programs only and their planned growth rates. Salient to this forecast is that new enrolment levels exceed those set out in the strategic plan as a result of strong enrolment results in 2018-19 and 2019-20.

Additional revenue targets and further mitigations are identified in the fiscal framework forecast with expectations that new programs such as engineering and continuing education, as well as program reviews will help achieve these targets (see the bottom of Figure 14). Figure 6 outlines projected enrolment growth to 2024-25 compared to the strategic enrolment plan. Figures 7 to 12 provide detailed headcount enrolment forecasts by Faculty.

Figure 6

Forecasted headcount enrolment versions(1)

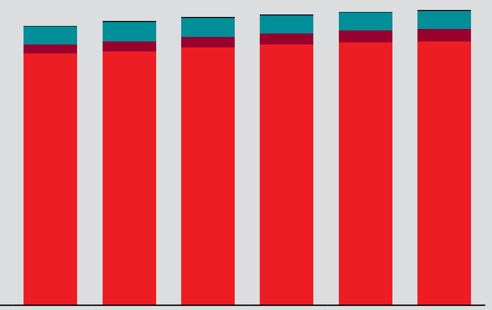


	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Strategic Plan – Degree-seeking	18,762	19,372	19,982	20,574	20,939	21,282
Current forecast – Degree-seeking	19,201	19,909	20,280	20,747	21,128	21,268
Current forecast – All-in	19,797	20,522	20,893	21,360	21,741	21,881

(1) The 'all-in' enrolment forecast includes letters of permission, non-degree students, auditors, additional qualifications and certificates. These are excluded in the degree-seeking-only enrolment (typically presented by the Office of the Registrar).

Figure 7

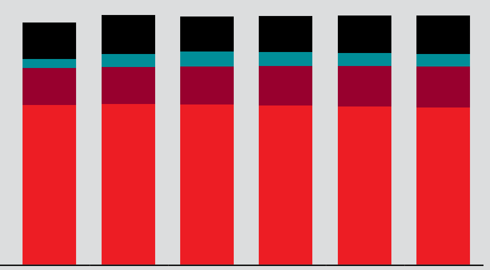
Faculty of Applied Heath Sciences enrolment forecast (Headcount)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	14	12	10	11	12	14
Graduate Domestic	264	291	284	267	267	267
Undergraduate International	137	151	161	171	181	186
Undergraduate Domestic	3,753	3,782	3,840	3,884	3,916	3,934

Figure 8

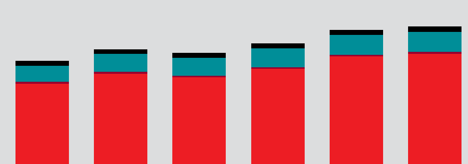
Goodman School of Business enrolment forecast (Headcount)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	545	580	522	540	558	577
Graduate Domestic	132	190	221	208	196	185
Undergraduate International	552	553	568	583	598	608
Undergraduate Domestic	2,368	2,384	2,374	2,366	2,350	2,335

Figure 9

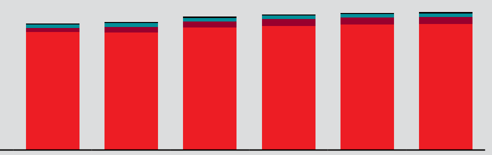
Faculty of Education enrolment forecast (Headcount)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	69	72	75	77	79	81
Graduate Domestic	240	270	268	281	293	305
Undergraduate International	25	24	24	24	24	24
Undergraduate Domestic	1,435	1,582	1,526	1,652	1,840	1,881

Figure 10

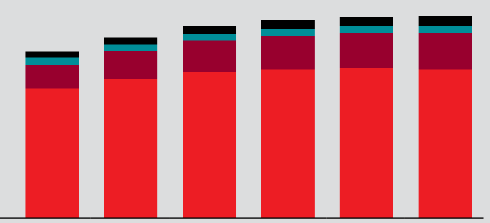
Faculty of Humanities enrolment forecast (Headcount)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	10	11	15	15	15	15
Graduate Domestic	53	62	58	55	53	51
Undergraduate International	65	79	89	99	104	109
Undergraduate Domestic	1,751	1,750	1,821	1,847	1,866	1,873

Figure 11

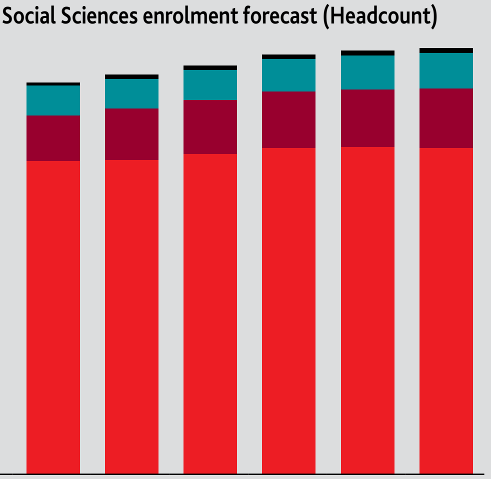
Faculty of Mathematics and Science enrolment forecast (Headcount)



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	89	108	121	129	137	145
Graduate Domestic	106	90	99	101	103	104
Undergraduate International	357	424	464	504	524	544
Undergraduate Domestic	1,922	2,062	2,171	2,205	2,225	2,208

Figure 12

Faculty of Social Sciences enrolment forecast (Headcount)

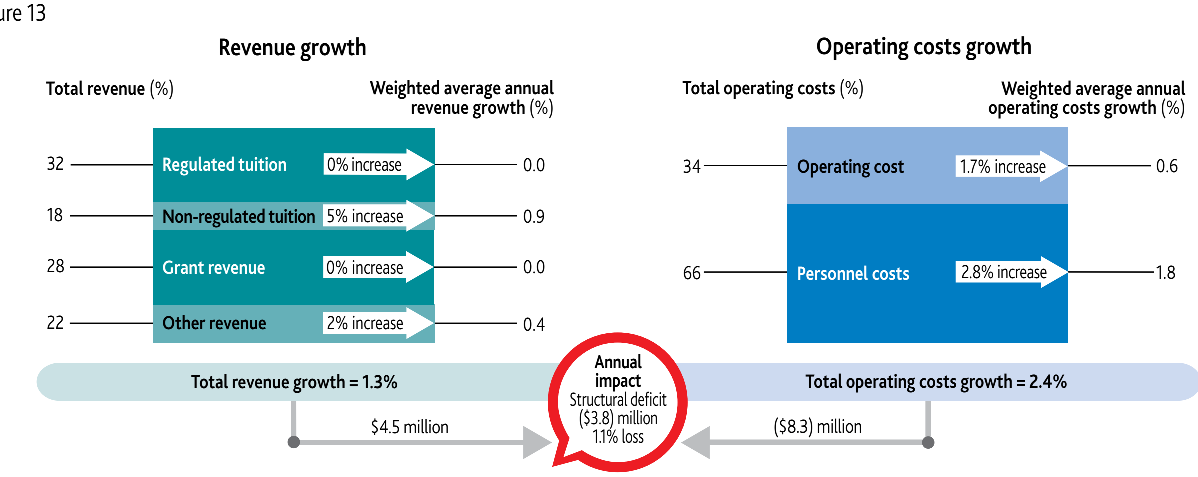


	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Graduate International	46	64	65	68	71	75
Graduate Domestic	443	444	453	479	504	530
Undergraduate International	681	759	799	839	859	879
Undergraduate Domestic	4,657	4,677	4,766	4,855	4,866	4,854

Overall financial budget structure

As noted previously, regulated tuition is now subject to zero per cent inflation, down from three per cent allowed within the last update to the Fiscal Framework. This change has significant implications on the sector's long-term financial sustainability. With Brock receiving the lowest level of grant funding on a per-student (WGU) basis in the Province, this freeze on tuition has greater impact on Brock's financial flexibility than it would for other institutions since a greater proportion of our revenue is generated from tuition. As detailed in Figure 13, Brock is looking at 1.3 per cent revenue inflation without enrolment growth, which compares to 2.4 per cent revenue growth prior to the tuition freeze. Under the previous fiscal model, Brock would balance expense inflation with revenue inflation when personnel cost growth achieved 2.7 per cent. This update forecasts personnel cost inflation at 2.8 per cent, indeed very close to the sustainable rate under the previous fiscal framework. However, with revenue now growing at a reduced 1.3 per cent, a balanced fiscal framework without enrolment growth would require a maximum personnel costs growth rate of 1.1 per cent. While this is mathematically possible, this level of wage restraint would be an unrealistic target. Looking forward for the duration of this forecast, we are planning on a tuition freeze and no increases to operating grants. This results in a structural gap between revenue and expense inflation of 1.1 percent or a $3.8-million structural deficit. To address this structural deficit, our planning incorporates incremental enrolment, new net revenues from programs not currently included in our operating framework, and mitigations to balance our budgets. This Fiscal Framework Update outlines a set of financial assumptions and targets to achieve fiscal balance. The Institutional Strategic Plan will guide our decision-making within the parameters of a sustainable future outlined by the Fiscal Framework.

Figure 13



Fiscal Framework forecast

Figure 14: **Fiscal Framework forecast**

($000s)	2019-20 Budget	2020-21 Preliminary estimate	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	Figure 13 Note #
Revenue							
Student fees – base	181,566	181,566	181,566	181,566	181,566	181,566	
Student fees – rate on base		3,232	6,347	9,610	13,028	16,609	(1)
Student fees – enrolment		13,977	16,616	22,029	26,365	29,347	(2)
Grant revenue	97,936	97,288	97,288	97,288	97,288	97,288	(3)
Ancillary/Residence revenue	34,835	39,699	42,213	43,211	44,239	45,606	(4)
Endowment inter-fund revenue	2,190	2,432	2,554	2,682	2,815	2,957	(5)
Other operations	27,919	28,283	28,849	29,426	30,014	30,615	(6)
Total operating revenue	**344,446**	**366,477**	**375,433**	**385,812**	**395,317**	**403,988**	
Year-over-year change		*6.4%*	*2.4%*	*2.8%*	*2.5%*	*2.2%*	
Expenses							
Personnel costs	**(229,302)**	**(236,827)**	**(243,399)**	**(250,153)**	**(257,095)**	**(264,229)**	(7)
Financing costs							
External financing costs (excluding bank charges)	(8,892)	(8,473)	(8,472)	(8,790)	(8,472)	(8,877)	(8)
External financing costs – student experience projects		(2,781)	(2,763)	(2,745)	(2,727)	(3,018)	(9)
Debt payment reserve	(1,487)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(10)
Financing costs total	**(10,379)**	**(12,754)**	**(12,735)**	**(13,035)**	**(12,699)**	**(13,395)**	
Repairs and maintenance and capital related costs							
Core capital funding (Deferred maintenance)	(5,988)	(6,997)	(6,000)	(6,000)	(6,000)	(6,000)	(11)
Flexible capital funding	(5,135)	(7,041)	(8,038)	(8,038)	(8,038)	(8,038)	(11)
Incremental student experience contribution			(758)	(777)	(796)	(816)	(12)
Repairs, maintenance and capital replacement costs	(8,548)	(9,499)	(9,689)	(9,883)	(10,081)	(10,283)	(13)
Repairs and maintenance and capital related costs total	**(19,671)**	**(23,537)**	**(24,485)**	**(24,698)**	**(24,915)**	**(25,137)**	
Scholarships							
Scholarships – operating	(17,089)	(17,872)	(18,511)	(19,282)	(19,995)	(20,454)	(14)
Scholarships – endowment	(2,190)	(2,432)	(2,554)	(2,682)	(2,815)	(2,957)	(15)
Scholarships total	**(19,279)**	**(20,304)**	**(21,065)**	**(21,964)**	**(22,810)**	**(23,411)**	
Library acquisitions	**(4,942)**	**(5,041)**	**(5,142)**	**(5,245)**	**(5,350)**	**(5,457)**	(13)
Other operating costs							
Purchased services	(17,666)	(20,341)	(20,748)	(21,163)	(21,586)	(22,018)	(13)
Utilities and taxes	(7,062)	(6,771)	(6,906)	(7,044)	(7,185)	(7,329)	(13)
Cost of sales	(5,673)	(5,476)	(5,586)	(5,698)	(5,812)	(5,928)	(13)
Other operating	(33,697)	(32,906)	(33,564)	(34,235)	(34,920)	(35,618)	(13)
Strategic fund	(1,500)	(3,600)	(3,754)	(3,858)	(3,953)	(4,040)	(16)
Canada Games facilities operating costs			(915)	(933)	(952)	(971)	(17)
Other operating costs total	**(65,598)**	**(69,094)**	**(71,473)**	**(72,931)**	**(74,408)**	**(75,904)**	
Total non personnel costs	**(119,869)**	**(130,730)**	**(134,900)**	**(137,873)**	**(140,182)**	**(143,304)**	
Total operating expenses	**(349,171)**	**(367,557)**	**(378,299)**	**(388,026)**	**(397,277)**	**(407,533)**	
Year-over-year change		*5.3%*	*2.9%*	*2.6%*	*2.4%*	*2.6%*	
Budget Surplus/(Deficit)	**(4,725)**	**(1,080)**	**(2,866)**	**(2,214)**	**(1,960)**	**(3,545)**	
New program contributions/mitigation	**1,476**	**1,080**	**2,866**	**2,214**	**1,960**	**3,545**	
Final Budget Surplus/(Deficit)	**(3,249)**	**-**	**-**	**-**	**-**	**-**	

The Fiscal Framework forecast, as detailed in Figure 14, is built on our strategic enrolment plan, a number of directed mitigation strategies, as well as a number of other assumptions and estimates based on information available to Financial Services at the time of preparation. These estimates are detailed in Figure 15. While enrolment growth is included in the forecast, it does not cover all of Brock's funding needs. It is anticipated that these remaining funding requirements will be established through new sources of revenue from new programs contributing positive net contributions to support the base budget, as well as ongoing mitigation strategies, as shown in the second-to-last line of Figure 14.

Figure 15: **Assumptions**

Note #	Assumption
(1)	Domestic and regulated program tuition rate is flat from 2019-20. International and unregulated program rate increases are 5%, except for research-based master's and PhD programs where tuition rates have been frozen to support the University's research priority.
(2)	Enrolment is based on enrolment forecast provided by Institutional Analysis. See Figures 6 to 12 in this document.
(3)	Flat to the preliminary estimate for 2020-21, including the assumption for no growth in MCU core operating grants.
(4)	4.0% annual contribution growth and additional contributions from the student experience projects to cover the debt payments, the maintenance reserve plus an additional $0.8 million annual contribution to the operating budget.
(5)	5.0% annual increase
(6)	2.0% annual increase
(7)	2.8% annual increase – including the impact of Bill 124.
(8)	Based on actual debt payment requirements, excluding the student experience projects.
(9)	Based on forecasted debt payment requirements for the student experience projects.
(10)	Held flat at $1.5 million annually.
(11)	Overall capital funding held flat to the preliminary estimate for 2020-21, with $6 million guaranteed for deferred maintenance and the remaining for flexible capital funding.
(12)	Student experience projects maintenance reserve – growing at 2.5% annually.
(13)	2.0% annual increase.
(14)	Growth required for overall scholarship budget to increase at 2.0% annually plus the enrolment growth rate.
(15)	Growth per endowment investment gains – 5.0% annually.
(16)	Represents 1.0% of total revenue.
(17)	Based on the estimated Canada Games facilities operating costs, growing at 2.0% annually.

Salary and benefits

Targeted guidance

Achieve salary and benefit growth of 2.8 per cent or lower annually.

Maintain compensation and hiring strategies that support engagement and productivity while also maintaining salary and benefit rate growth at 2.8 per cent or lower.

Where obligations for post-employment benefits exist, a funding strategy is required to maintain generational equity.

Maintain a funding strategy for employee future benefits, much like the pension fund, to ensure liabilities are matched with an identified funding source. This fund must be over and above what is included in each year's budget to cover in-year post-retirement payments. Any investment income earned on the fund is to be restricted for reinvestment in the fund.

Update

The 2018-19 Fiscal Framework Update focused on a move towards a model that would work for Brock, while also being flexible enough to invest strategically with the resources available. The single most important component of the 2018-19 Fiscal Framework Update was the matching of revenue and cost inflation rates under a no enrolment growth scenario. We understand revenue growth is for the most part restricted by inflation and regulations outside of our control. We also understand non-personnel expenses are subject to inflationary pressures and there is a limit to how much we can continue to cut from these expenses year over year. The remaining component of our Fiscal Framework is our personnel costs. Aligning personnel cost inflation with our revenue inflation, assuming constant enrolment, is a model that would end the requirement to cut our budgets to mitigate costs that have historically grown at a faster rate than revenues. A model that balances revenue inflation with cost inflation, excluding enrolment growth, would unilaterally transform our strategic planning process, as we would find ourselves in a situation where revenues generated from any incremental enrolment growth would be unencumbered in the budget model and would be immediately available for investment in academic, research or service priorities.

This 2020-21 Fiscal Framework Update was developed in recognition of government actions to freeze tuition rates and the new reality that balancing revenue inflation with cost inflation is unrealistic. Figure 16 was previously presented in the 2018-19 Fiscal Framework Update as a representation of a structurally balanced fiscal framework target; with the same report also presenting the actual salary growth rate experienced at 4.3 per cent. Since the 2018-19 Fiscal Framework, actual salary growth rates have decreased to 2.8 per cent when encompassing estimated salary growth impacts of Bill 124, Protecting a Sustainable Public Sector for Future Generations Act, 2019. This means Brock has almost achieved the 2018-19 Fiscal Framework Update target with respect to salary and benefit growth rate of 2.7 per cent.

However, Figure 17 outlines the new structural gap between revenue and cost inflation due to the freeze on domestic tuition rates. With revenue inflation now projected to be capped at 1.3 per cent, the ability to align expense growth rates at this level is highly unlikely; thus, a reliance on enrolment growth persists.

Luckily, the Institutional Strategic Plan endeavours to increase enrolment on average by 2.4 per cent each year until 2024-25. As well, with one year almost complete within this strategic plan, Brock has exceeded the enrolment projections by 395 students.

The previous Fiscal Framework guidance established an employee future benefits reserve, which has allowed Brock to establish a fund to ensure a portion of non-pension employee future benefit obligations may be supported. While current fiscal constraints have limited Brock's ability to fund additional contributions to this reserve, the reserve is invested and the requirement to reinvest any investment income earned will allow for its continued enhancement.

Figure 16

2018-19 Fiscal Framework Update target

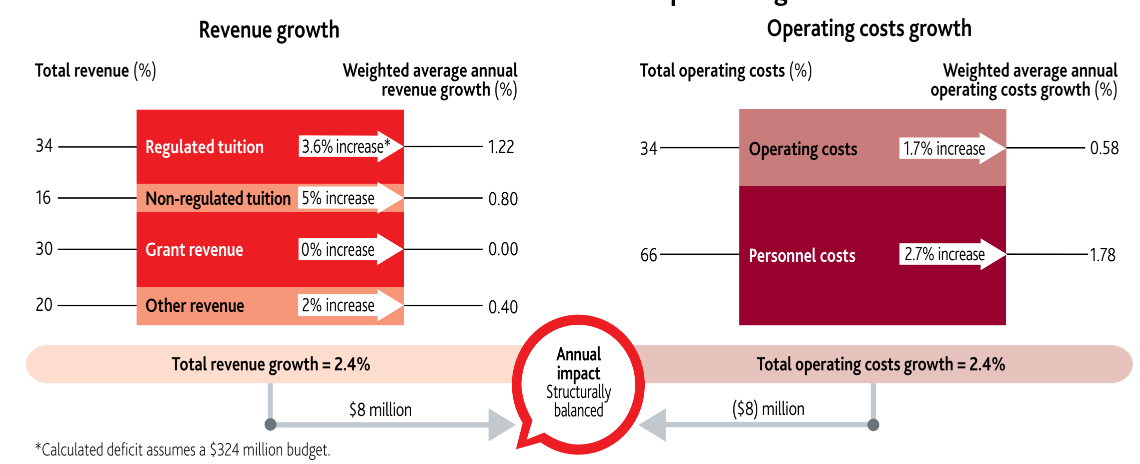
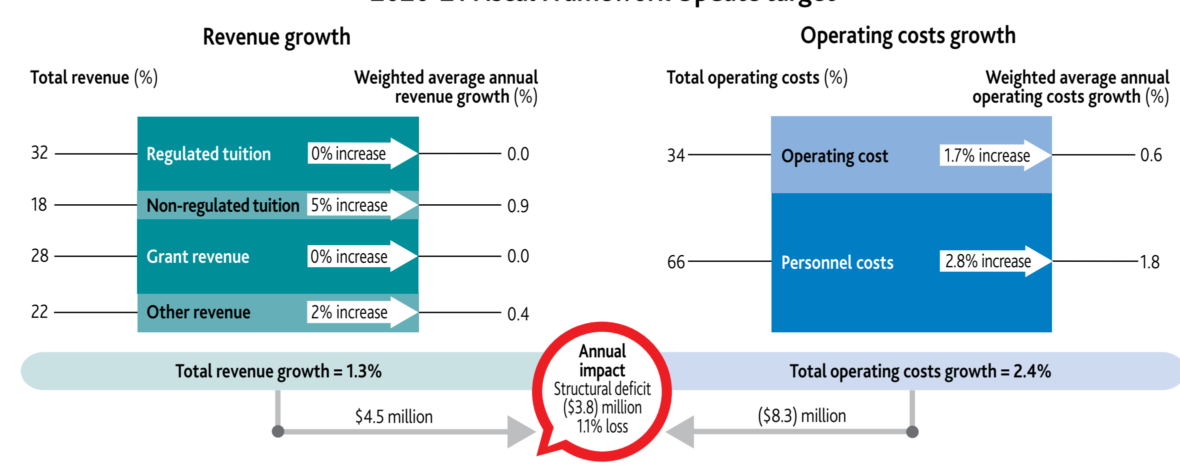


Figure 17

2020-21 Fiscal Framework Update target



Scholarships, fellowships, bursaries and awards

Targeted guidance

Grow the scholarships, fellowships, bursaries and awards budget by the rate of inflation plus the rate of enrolment growth.

The 2018-19 Fiscal Framework Update targeted guidance items remain in effect with adjustments to the annual growth rate in the budget to support planned strategic enrolment growth. By increasing scholarships, fellowships, bursaries and awards funding by the rate of inflation plus the rate of enrolment growth, the University will ensure the purchasing power of the funding provided to students remains consistent into the future and that the funding grows in harmony with the number of students attending Brock.

Update

This Fiscal Framework Update sets a growth rate in the scholarships, fellowships, bursaries and awards budget equal to the rate of inflation plus forecasted enrolment growth to ensure the per-student funding is maintained, as well as the economic value of the awards into the future. Brock's Institutional Strategic Plan includes strategic enrolment growth, and one of the key factors in achieving this growth will be maintaining a competitive funding package for our students. As experienced over recent years, Brock has achieved its target of reaching the median level of funding within the comprehensive university category as outlined in recent *MacLean's* survey, placing Brock eighth of 15 institutions for student scholarships. As well, investing in entrance awards and rewarding high achievements has resulted in a meaningful increase in students entering Brock with higher admit averages as outlined in Figure 18.

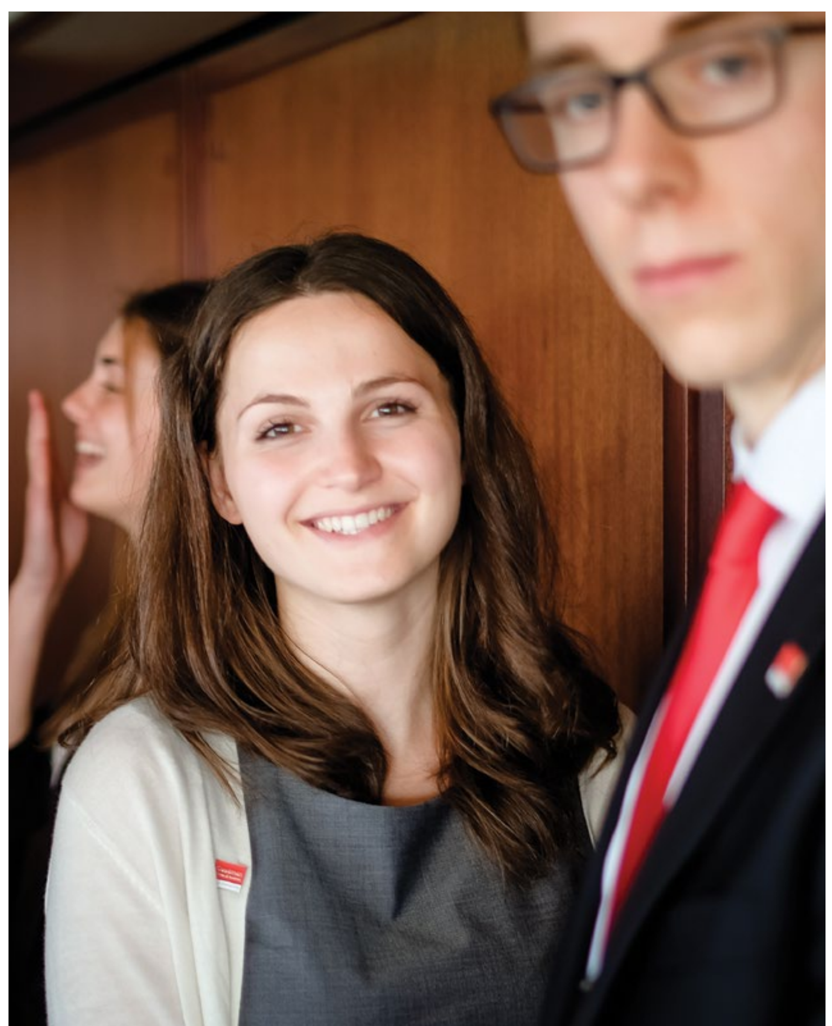
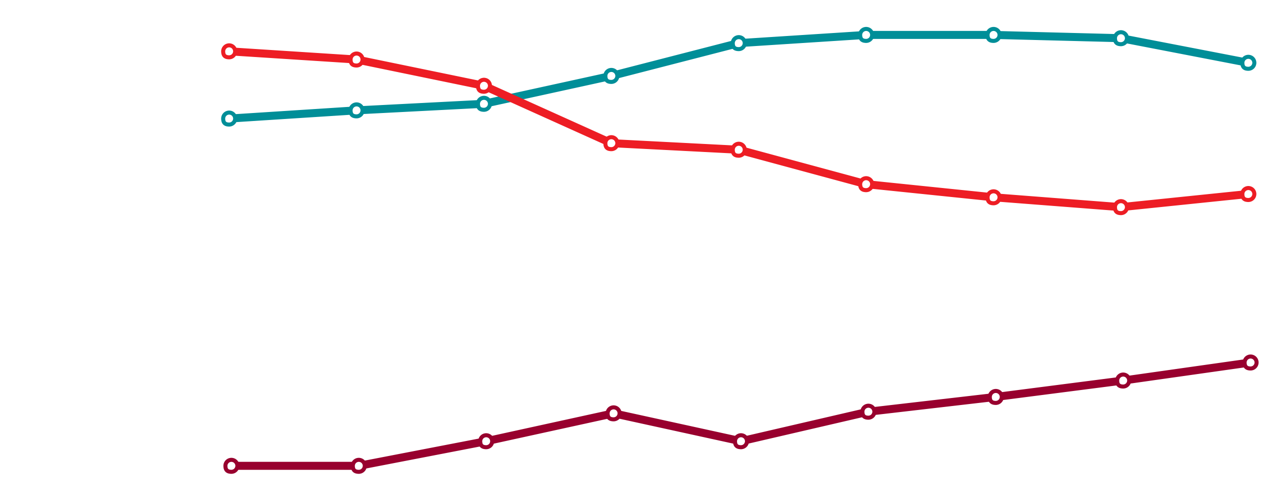


Figure 18

Mean admit averages of new 101 students registered by year

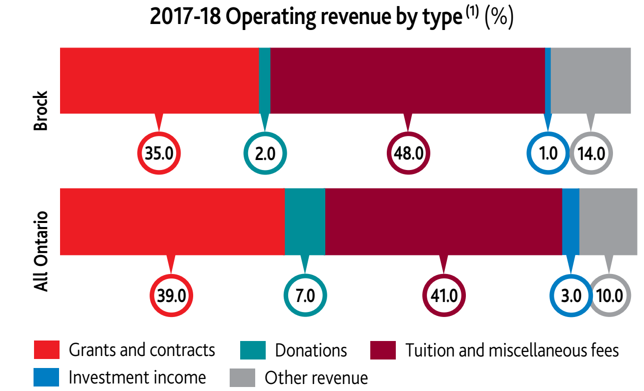


	2011	2012	2013	2014	2015	2016	2017	2018	2019
<80%	48%	47%	46%	42%	42%	40%	39%	38%	39%
80-89%	44%	44%	44%	46%	48%	49%	49%	48%	47%
90%+	8%	8%	9%	11%	9%	11%	12%	13%	14%

This Fiscal Framework Update also continues to support efforts within fundraising as a mechanism to supplement the scholarships, fellowships, bursaries and awards budget. Moving Brock closer to the Ontario average of seven per cent of operating revenue sourced from donations (see Figure 19), which largely funds students, will provide needed flexibility to either relieve the operating budget and enhance student award offerings.

Figure 19

2017-18 Operating revenue by type [1] (%)



(1) Information based on the Council of Ontario University Finance officers (COFO) reporting.

Capital and support costs

Targeted guidance

To maintain the capital and related project program funding at the 2020-21 approved budget levels.

To improve Brock's Facilities Condition Index (FCI).

Providing and maintaining infrastructure that meets the needs of students and staff is critical. Guaranteeing that a minimum of $6 million in committed funding for deferred maintenance from each year's budget is consistent with the Oct. 3, 2013 Board of Trustees endorsed motion to invest $6 million in deferred maintenance.

Consistent with the business case for the new student infrastructure projects, Residence Operations will invest 1.7 per cent of the current replacement value of the renovated residences into a capital reserve to supplement the capital budget to maintain those buildings in good facilities condition.

Update

The 2018-19 Fiscal Framework update included increasing investments each year into the capital project plans, namely to address deferred maintenance. This update recognizes that the capital plan has been accelerated through decisions to source external financing (incremental funding outside of the constraints of the operating budget) and invest in student experience projects. When completed in 2021, the student experience projects will reduce deferred maintenance by $20.5 million and increase the current replacement value of University assets by $46.8 million. Figure 20 represents spending on deferred maintenance, including the significant contribution made in 2021 to address deferred maintenance within student residences.

As noted, the FCI improves significantly in 2021 as a result of this accelerated capital spending. Figure 21 compares the updated FCI forecast against the FCI forecast developed with the 2016-17 Fiscal Framework. Utilizing a consistent methodology adopted in the 2016-17 Fiscal Framework, we see a marked improvement in the FCI despite a freeze in the capital budget. Due to accelerated spending sourced from external financing, which reduces deferred maintenance and adds to the current replacement values, Brock's FCI forecast is now exceeding original plans within the Fiscal Framework. The freeze to the capital budget is also in recognition of the constraints on university funding due to government restrictions on tuition rates, as well as no expected growth in grant funding.

Figure 20

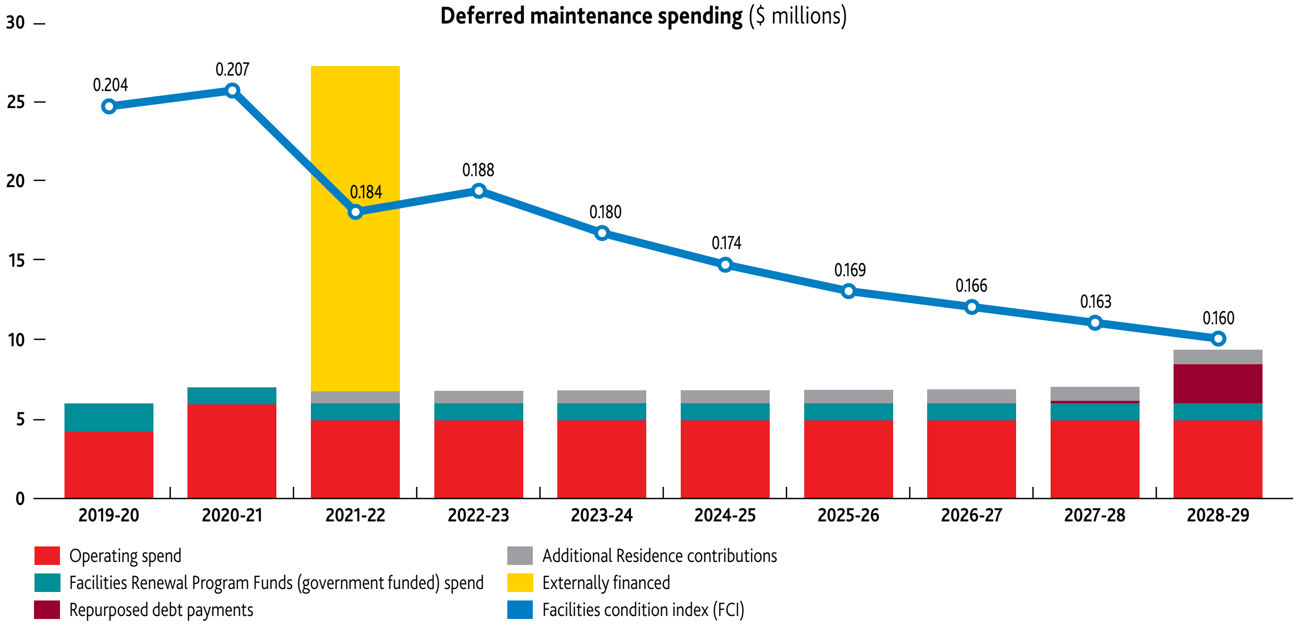
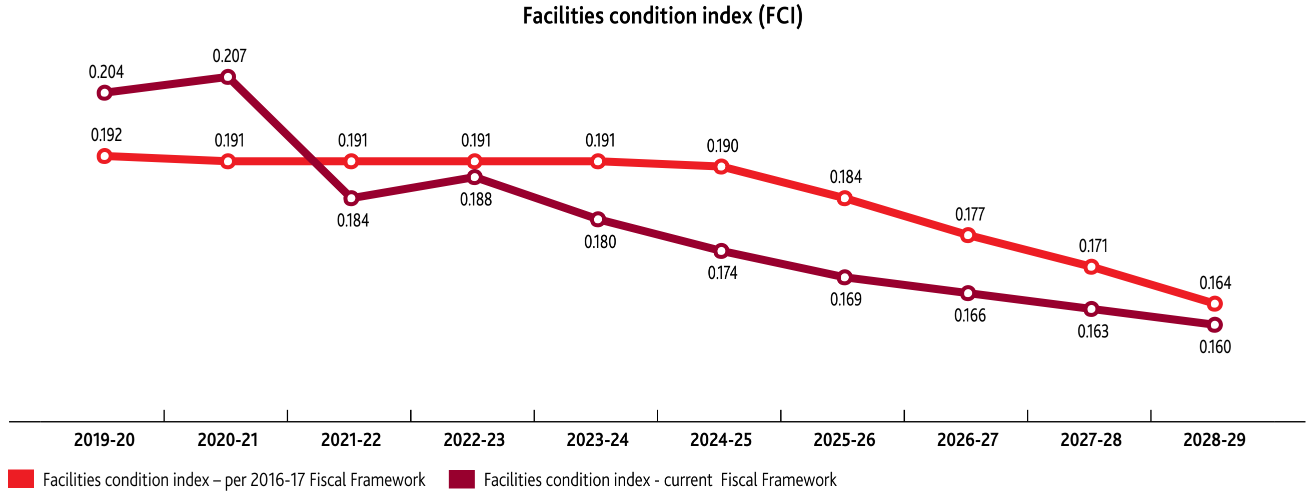


Figure 21



The capital and related projects funding will remain fixed at the 2020-21 budget levels with a commitment that a minimum of $6.0 million will be allocated to deferred maintenance each year. In addition, incremental revenues from the student infrastructure projects equal to 1.7 per cent of the assets' current replacement value will be allocated each year to a reserve from residence operating revenues. Figure 23 details the deferred maintenance forecasted funding model and it's impact on the FCI.

Capital and related projects budget

The 2016-17 Fiscal Framework set out the capital and related projects budget for both Facilities Management and Information Technology Services to 2020-21. The 2018-19 Fiscal Framework update extended that guidance to 2021-22. Figure 22 below details updated funding envelopes for the overall capital and related project budget. The funding envelopes for deferred maintenance are noted as core capital with the remainder noted as flexible. Both the base Ancillary/Residence contributions and the additional Residence contributions to a facilities reserve, which will be funded from incremental Residence revenues, are noted to complete the capital funding forecast to 2024.

Figure 22: **Facilities Management capital and related debt project budget**

($000s)	2020-21 Budget	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
New or "flexible" capital	7,041	4,792	4,792	4,792	4,792
Core capital (deferred maintenance)	6,997	6,000	6,000	6,000	6,000
Base Ancillary/Residence contribution		3,246	3,246	3,246	3,246
Additional Residence contribution		758	777	796	816
Total	**14,038**	**14,796**	**14,815**	**14,834**	**14,854**

OCT. 28, 2019: Brock University broke ground on a new 300-room residence building on its main campus. An artist's rendering of Residence 8, which will be built beside the existing Alan Earp Residence and is scheduled to open in Summer 2021.

Figure 23

Opening deferred maintenance (DM) balance.

+ Inflation on the opening DM balance growing at Construction Consumer Price Index (CPI).

+ New deferred maintenance of 1% of the current replacement value (CRV); the 1% was determined as a growth target after reviewing the 30-year Cairns and Schmon Tower asset replacement schedules prepared by engineers.

− DM spend – funded by operating – starting at $7.0 million in 2020-21 and subsequently a commitment to maintain a minimum funding of $6.0 million. This funding includes a portion funded by the Facilities Renewal Program funds (assumed to flat to 2020-21).

− DM spend – additional Residence contribution – starting at $0.8 million in 2021-22 and increasing at 2.5% each year.

− DM spend – repurpose of Residence debt payments (starting in 2027-28).

= **Yearly closing deferred maintenance value**

	2020-21	2022-23	2024-25	2026-27	2028-29
FCI	0.207	0.188	0.174	0.166	0.160
DM ($000s)	212,437	210,947	233,912	262,707	295,416
CRV ($000s)	1,024,263	1,124,087	1,344,230	1,583,783	1,844,145

Note: Figure 23 is based on the model established in the 2016-17 Fiscal Framework – see page 40 of that report.

Debt and borrowing

Targeted guidance

To maintain the University's credit rating of A (High) or better.

Maintain an average annualized rate of return on the sinking fund of five per cent through December 2045.

In 2005, Brock took out a 40-year bullet for $93 million. This means in 2045, Brock will need to repay the loan. The funding plan in this framework is reconfirmed with a five per cent average annual rate of return over the life of the investment. New base budget contributions of $405,000 begin in 2024-25. In 2028-29, when the Earp and Lowenberger Student Residence loan is paid off, the budgeted debt payments of $1.95 million are added to the sinking fund annual contribution budget.

Any new debt must be evaluated under the guiding principle of maintaining the University's credit rating while advancing the strategic priorities of the University.

Update

As detailed in the 2016-17 Fiscal Framework, generally speaking there exists a concept of "good debt" and "bad debt." The term "good debt" normally refers to situations where funds are borrowed to produce a positive financial return on investment, such as building a residence. The term "bad debt" normally refers to situations where funds are borrowed with no financial return on investment. Most public sector organizations limit borrowing only for the purpose of raising funds for capital and related projects.

The update to this guidance is linking decision-making to a principle that any new debt must maintain the University's credit rating at A (High) or better. This updated guidance takes a holistic approach to Brock's capital financing strategy and allows for decisions to be made in support of strategic priorities in a fiscally sustainable manner. Any new debt must be supported by a complete repayment plan, including Board-approved assumptions for sinking fund strategies if required. By way of example, the University is undergoing upgrades to parking, food services and residence buildings, including the construction of an additional student residence. These projects are supported by a business plan that is 100 per cent self-funded, including financing costs and a contribution back to the University; supports the Institutional Strategic Plan by offering a transformational and accessible academic and university experience for our growing student population; and had no negative impact on the University's credit rating.

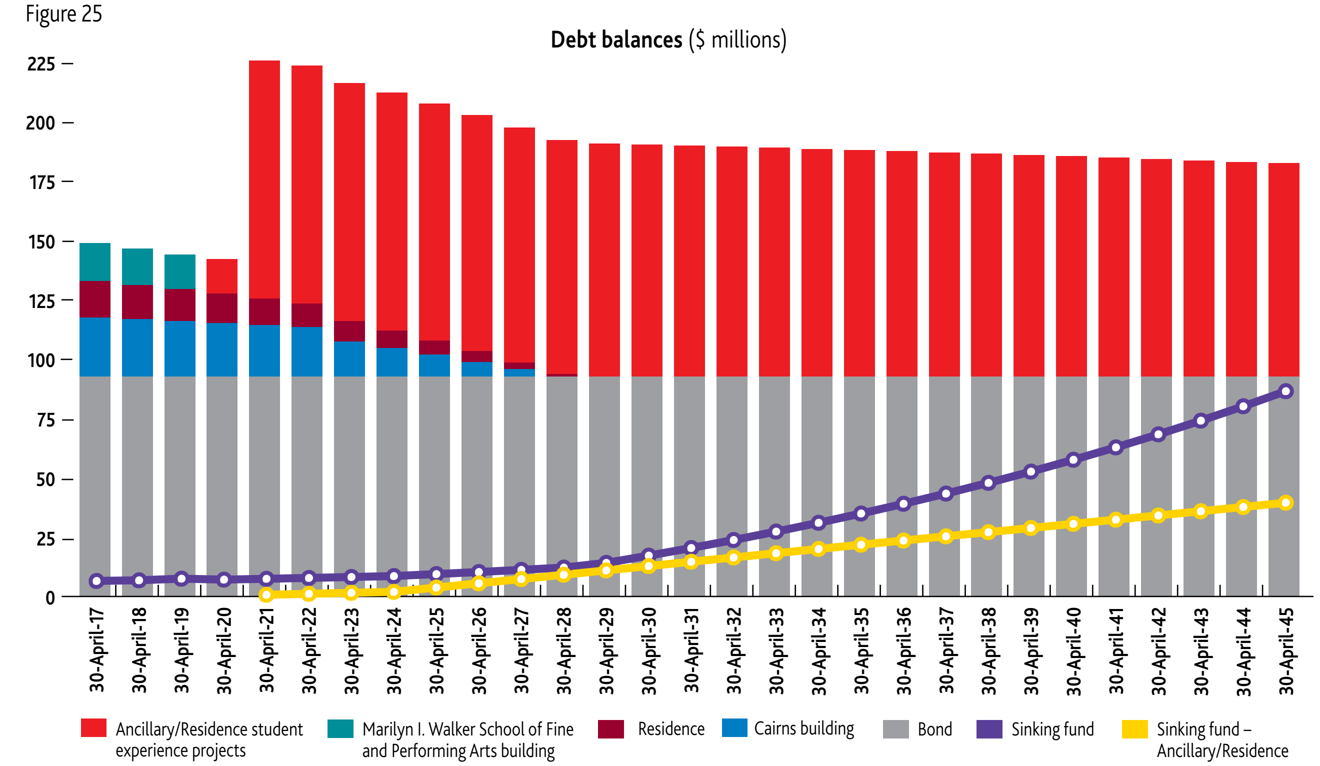
Figure 24 details the outstanding debt to 2025, including debt and net debt per student (fiscal full-time equivalent). Figure 25 shows the forecasted balances of Brock's current debt until 2045.

Figure 24: **Outstanding debt**

($000s) (unless otherwise noted)	Actual			Budget	Forecast				
	April 30, 2017	April 30, 2018	April 30, 2019	April 30, 2020	April 30, 2021	April 30, 2022	April 30, 2023	April 30, 2024	April 30, 2025
Bond	93,000	93,000	93,000	**93,000**	93,000	93,000	93,000	93,000	93,000
Cairns building	24,863	24,109	23,319	**22,491**	21,623	20,714	14,627	11,954	9,148
Residence	15,215	14,333	13,385	**12,366**	11,271	10,095	8,831	7,473	6,014
Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA)	15,960	15,240	14,520						
Ancillary/Residence student experience projects				**14,400**	100,000	100,000	100,000	100,000	99,620
Total debt	**149,038**	**146,682**	**144,224**	**142,257**	**225,894**	**223,809**	**216,458**	**212,427**	**207,782**
Total student FFTE (1)	**20,086**	**20,303**	**20,548**	**21,441**	**22,270**	**22,659**	**23,173**	**23,602**	**23,752**
Total debt/FFTE (in dollars)(1)	**$7,420**	**$7,225**	**$7,019**	**$6,635**	**$10,143**	**$9,877**	**$9,341**	**$9,000**	**$8,748**
Debt reduction strategy									
Sinking fund	6,413	6,696	7,370	**6,971**	7,319	7,685	8,069	8,473	9,301
Sinking fund – Ancillary/Residence					583	996	1,409	1,822	3,625
Debt repayment reserve	2,895	4,457	6,753	**384**	1,884	3,384			
M. Walker donation – MIWSFPA	5,326	5,470	5,617						
Other donations – MIWSFPA	717	851	932						
Total assets for debt reduction	**15,351**	**17,474**	**20,672**	**7,355**	**9,786**	**12,065**	**9,478**	**10,295**	**12,926**
Net debt	**133,687**	**129,208**	**123,552**	**134,902**	**216,108**	**211,744**	**206,980**	**202,132**	**194,856**
Net debt/FFTE (in dollars)(1)	**$6,656**	**$6,364**	**$6,013**	**$6,292**	**$9,704**	**$9,345**	**$8,932**	**$8,564**	**$8,204**

(1) Fiscal full-time enrolment (FFTE) – used for tuition & grant forecasting. For a definition refer to page 87 of the 2019-20 Budget Report.

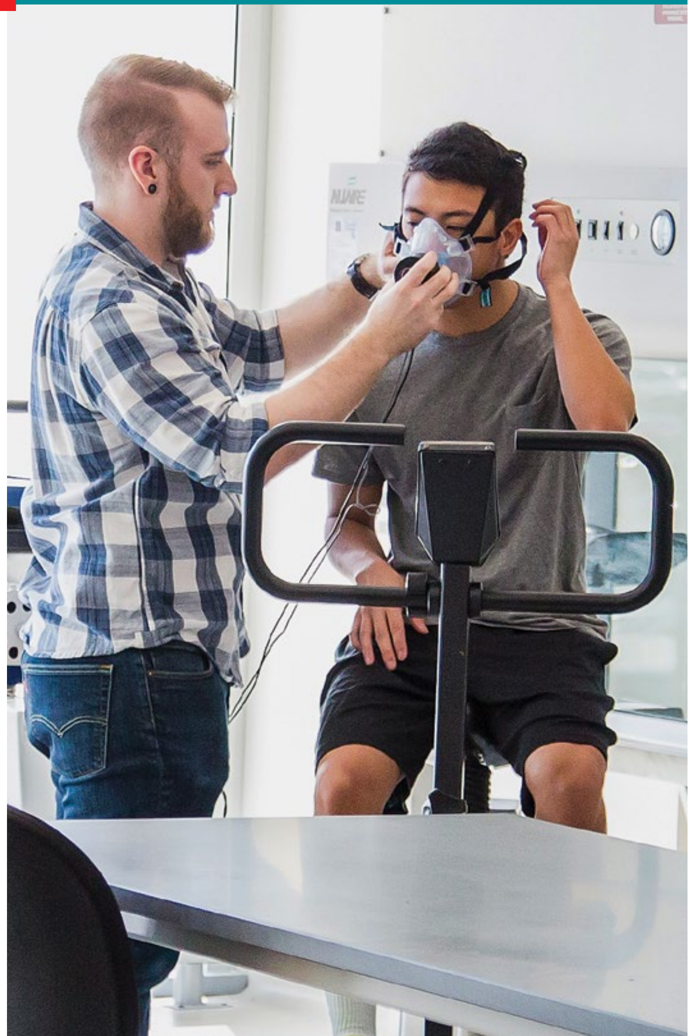
Figure 25



Strategic funding

Targeted guidance

To provide an operating budget allocation for a strategic funding reserve equal to at least one per cent of revenue to support strategic initiatives in need of start-up funding.

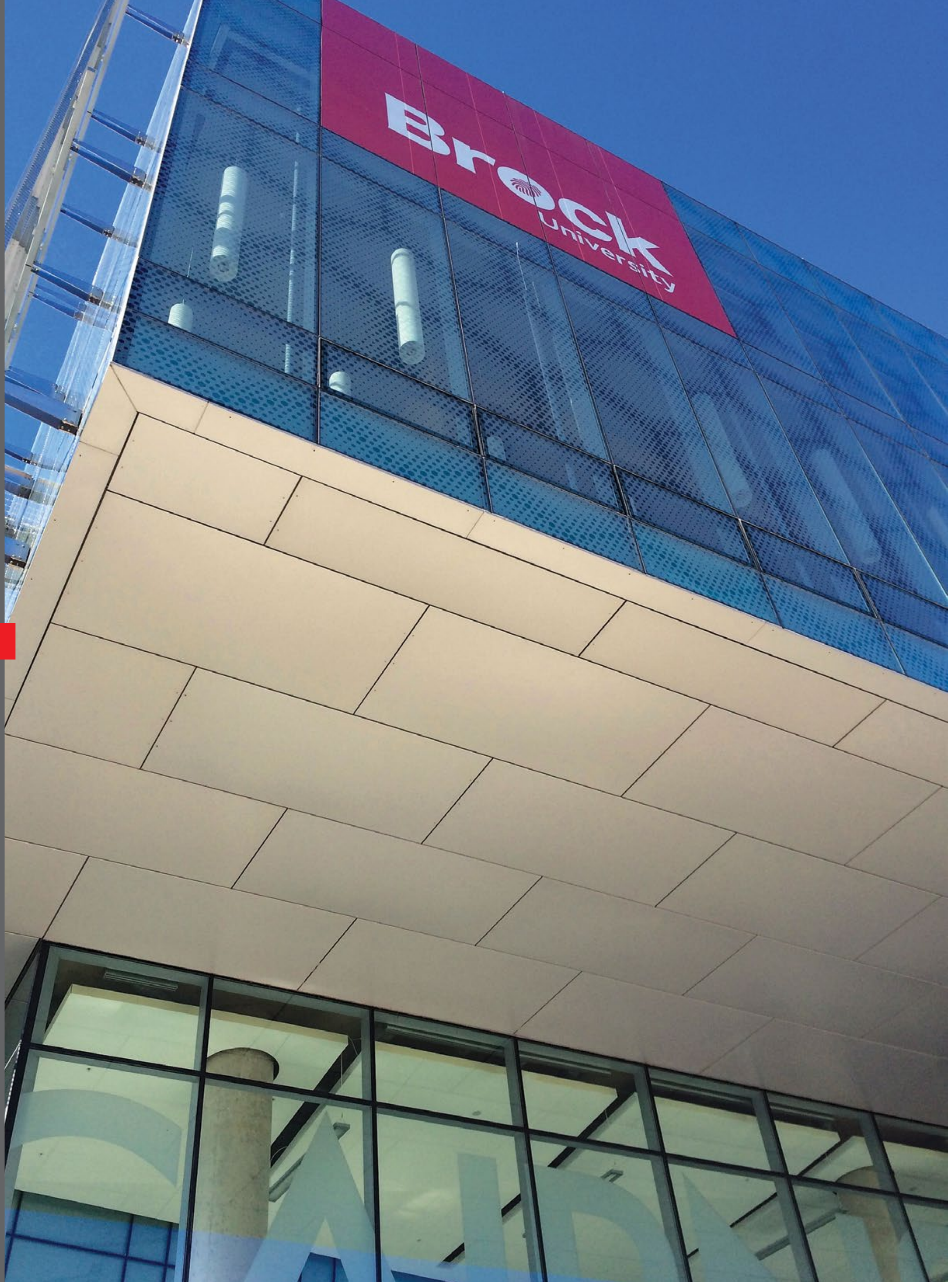


Update

The University has recovered financially from its consolidated deficit of $22.6 million at April 30, 2012 to its recent position where the deficit has been eliminated and funding has accumulated into internally restricted reserves totalling $49.1 million as of April 30, 2019. Within the existing reserve balance is $7.6 million set aside into strategic funds supporting initiatives for the President, Provost, Vice-President, Research and Deans. Up until now, these reserves have relied on year-end surplus to generate new funding. Since May 1, 2016 to April 30, 2019, these strategic reserves have supported more than $6 million worth of spending requirements for strategic initiatives in need of one-time funding. As noted, these reserves do not have a reliable funding source. For the University to remain financially nimble to capitalize on opportunities and invest strategically in-year, a reserve line must be established within the funding budget.

This reserve is forecasted to provide start-up funding for programs in need of one-time spending to allow operations to ramp up, after which the programs would be expected to operate on a self-funded basis and provide contributions back to the general operating fund of the University. Programs will be evaluated based on their alignment with the Institutional Strategic Plan, the amount of funding required, the timeline for the program to become self-funded and the level of contribution the program is expected to return back to the University once it becomes self-funded.

This reserve will support the advancement of the Institutional Strategic Plan and also provide financial flexibility to invest in revenue-generating endeavours to assist in achieving the targeted additional contributions/mitigations shown in the forecast necessary to eliminate the structural deficit.



Revenue and expense allocation model

The Revenue and Expense Allocation Model (the model) was introduced into the 2018-19 Fiscal Framework Update. The model allocates revenue to the Faculties that generate it, and allocates direct and indirect costs to the Faculties that incur them, creating accountability for both academic and financial performance.

The model was developed through a consultative process with allocation methodologies approved by the Deans and Provost. The model has three key functions to support academic and financial planning of the University.

1. Enhances the understanding of how revenues are generated and how costs are incurred and allocated at the Faculty level in a transparent manner.
2. Supports longer-term resource allocation decision-making for academic units.
3. Establishes an incentive mechanism to ensure year-end surplus funds are allocated to the Faculties and to support institutional strategic priorities.

The model has certainly improved stakeholder understanding of University activities from a financial perspective and reinforces the interdependence of all Faculties and support units, building a culture of unity. Since the model's establishment, financial performance has also improved for all Faculties. Unspent funding is allocated back to Faculties in accordance with the terms of reference approved by the Provost and Deans. These allocations support strategic priorities of the Faculties consistent with the institutional strategic plan. The terms of reference are provided on Page 29.

The model is also flexible to change with strategic priorities as required. Figure 26 outlines the revenue and expense allocation methodologies. Since the 2018-19 Fiscal Framework Update, the allocation of tuition has changed to a full-service teaching model. Regardless of a student's home Faculty, tuition is now allocated to the Faculty teaching the course. The other change relates to allocating the cost of Research Services to Faculties. Specifically, it allocates the revenue budgeted in Research Services related to the Research Support funding from the Government of Canada at the gross level as part of revenue rather than netting the amount in overhead expense. This adjustment did not change the net results at the Faculty level; however, it more clearly outlines the revenue and expenses from research and research services, respectively.

The model continues to be an integral component of financial reporting, budget development and strategic funding allocations.

Figure 26: **Revenue and expense allocation – allocation methods**

Units/Revenue/Costs allocated	Method	Source
Revenue for service teaching	100% of Tuition by Teaching Faculty (where courses are taught)	Tuition by Faculty of major general ledger reconciled to revenue by teaching Faculty from Power BI.
Core Operating Grant	Weighted grant units (WGUs) of Faculty of major	Institutional Analysis
Other MCU grants	International student headcount (Faculty of major) and graduate student FTE by Faculty	Budget Report/Annual Report/ Institutional Analysis
Graduate Studies	Graduate student headcount (Faculty of major)	Budget Report/Annual Report/ Institutional Analysis
Library	Faculty FTE and student headcount (Faculty of major)	Budget Report/Annual Report/ Institutional Analysis
Research Services, including Research Support Fund	Three-year rolling average of External Research Grants	Budget Report/Annual Report/Research Services
CPI, Leadership(1), Marketing and Communications(1), Shared Service Support (Secretariat Office, Government Relations, Internal Audit, Institutional Analysis and Human Rights and Equity Services)(1), Capital, Information Technology Services(1)	Faculty/Librarian and staff FTE and student headcount (Faculty of major)	Budget Report/Annual Report/ Institutional Analysis
Student-specific units (The Office of the Registrar, Student Life and Community Experience, Student Wellness and Accessibility Centre, Student Success Centre, Brock International, Co-op, Career and Experiential Education, and Brock Sports and Recreation) Ancillary Operations, Department of Residence and University Global	Student headcount (Faculty of major)	Budget Report/Annual Report
Financial Services (including procurement, SAFA and mail services)(1)	Three-year rolling average of operating costs	Budget Report/Annual Report
Human Resources(1)	Faculty/Librarian and staff FTE	Budget Report/Annual Report
Development and Alumni Relations(1)	10-year rolling average of funds raised	Development and Alumni's Raiser's Edge tracking system
Facilities Management, Campus Security, Campus Development and Community Agreements, Utilities, taxes and insurance, Financing	Net Assignable Square Metres (NASM)	Facilities Management
Scholarships, bursaries and student awards	Scholarships, bursaries and student awards by student recipient (Faculty of major)	Student Awards and Financial Aid office and the Faculty of Graduate Studies

(1) Shared Services units.

Office of the Provost and
Vice President, Academic

Deans' Discretionary Funds (DDF)
Terms of Reference
November 22, 2018

Purpose: The Deans' Discretionary Fund is designed for Faculties to retain their share of the consolidated funding surplus at year-end. These funds can be used within the Faculty to support institutional and Faculty-level priorities.

Source for the Deans' Discretionary Fund

1) Funds to build and enhance the DDF result only when a Consolidated Funding Surplus (i.e. funds available at year-end for Board of Trustees Discretionary Appropriations approval) exists.
2) In such a case, 50 per cent of funding surplus goes to the centre and 50 per cent to the DDF.
3) The DDF is further reallocated as follows:
   a. 50 per cent of the Dean's share is allocated based on the Faculty's proportional positive contribution margin after space costs, as outlined in the Revenue and Expense Allocation Model.
   b. 50 per cent of the Dean's share is allocated based on the Faculty's proportional year-over-year contribution margin change after space costs improvements, as outlined in the Revenue and Expense Allocation Model.

Implications if there is no surplus but a deficit:

a. Deficit recovered from remaining balance at year-end proportionally based on funds available at year-end in Dean's Fund, up to and including all funds available
b. If deficit > Dean's Fund balances, a central deficit will result.
c. Subsequent surpluses allocated in order of priority to:
   i. Repay all central deficits.
   ii. Repay monies taken from Dean's Fund dollar for dollar in the same proportions they were withdrawn to cover past deficits.
   iii. Allocated based on standard methodology in (2, 3, 4 above)

(For various scenario details please see Appendix 1 – DDF TOR, taken for the Sept. 25, 2018 CAD Finance PowerPoint presentation.)

Enrolment targets and retention goals of the Faculty must be met in order to access the Faculty's share of the funds to the DDF.

Distribution of DDF

Shared or direct funding to support implementation of actions which serve to address the strategic priorities within the Institutional Strategic Plan.

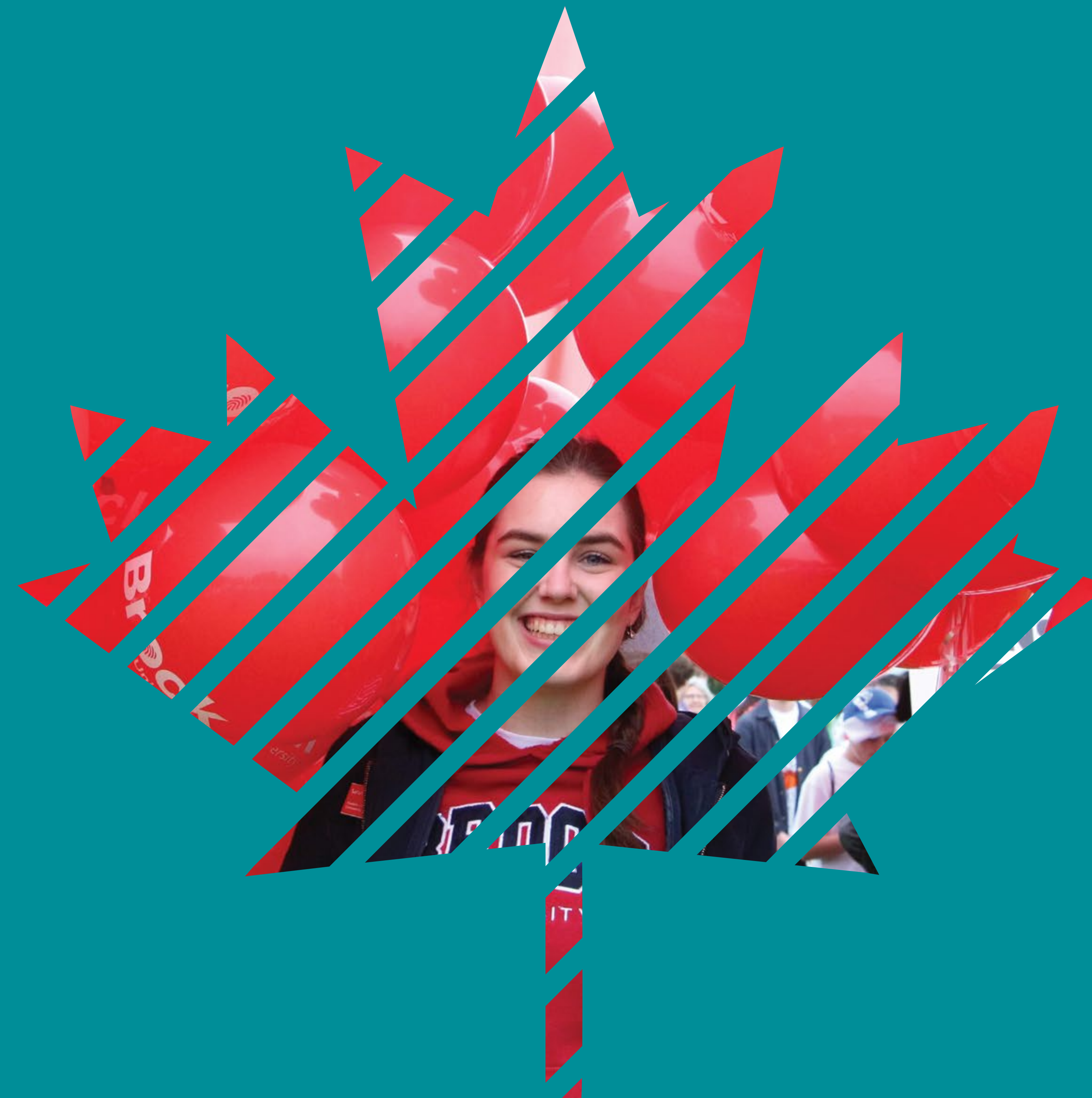
Shared or direct funding to support initiatives that serve to address priorities identified within the Faculty's Strategic Plan.

Support for strategic initiatives within the Faculty, new programs and new program development.

Bridge support for projects/activities that currently are not budgeted for but are expected to be included in the Faculty's future base budget.

Not to be used to support ongoing permanent positions.

Any use of the DDF outside the above criteria will require consultation with the Provost.



Institutional Strategic Priorities

Student Experience

Research

Community Engagement

Inclusivity

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