Final Budget Report

2010 - 2011

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FOREWORD

This budget report is prepared annually and in a format consistent with previous years in order to enhance comparability. The report provides detailed information regarding the annual budget process, revenue and expenditure estimates and detailed financial information to enable the reader to gain a better understanding of Brock University's operating budget.

The annual budget report includes all of the general operating financial activities of the University. There are other financial activities of the University, including direct research, major capital projects, trust and endowments. As these resources are intended for restrictive purposes and are not available for general operating purposes, they are not included in the operating budget but accounted for annually in the audited financial statements.

This budget is intended as a "Final Budget". It is based on the best available assumptions concerning revenues and expenditures at this time. With the fiscal forecast process in place, updated "projections" are submitted to the Board of Trustees regularly throughout the year as changes in information about revenues and expenditures occur.

Questions or further information regarding this report may be directed to the Associate Vice-President of Finance or the Vice-President, Finance and Administration.

EXECUTIVE SUMMARY

The situation for the 2010-11 Final Budget is best described by Brock University's President and Vice-Chancellor, Jack Lightstone where he stated, "we are not yet 'out of the woods'. But we are making progress, and largely on our own steam and as a result of our own initiatives."

The 2010-11 Final Budget provides hope and optimism as the multi-year recovery plan is tracking significantly better than we could have imagined just a year ago. The following highlights the main reasons for the financial improvement and the optimism for the future:

i) A result of our own efforts

The 2009-10 enrolment projections reported during the fall 2009 showed improvements in retention that generated significant additional tuition revenue. As well this enrolment generated eligible funding from government enrolment-based accessibility grants.

ii) The provincial government's commitment to post-secondary education

All indications were that the economic situation facing the province would result in, at best, level funding. After the Government of Ontario tabled the provincial budget in March 2010, the Ministry of Training, Colleges and Universities confirmed the final allocations of the operating grants. The first good news was that the undergraduate accessibility grant would be fully funded for the university system. The second piece of good news was an increase to the General Access/Quality grant for the university system. As well, the government extended the tuition policy for two years which provides additional and predictable revenues.

iii) The compounding impact of base revenues

The most hopeful aspect of the additional revenues through the tuition and government grants is that they are projected to be on-going revenues. So the positive impact was not only in 2009-10 but continues into base funding in 2010-11 and into future years. This is key to freeing ourselves from the over reliance on one-time revenues to support on-going expenses.

iv) The availability of new additional resources

The improvement in revenues provided the resources and the opportunity to reduce the target exercise in 2010-11 from the projected 5% to 2%; provided the opportunity to make investments so revenue initiatives can take hold in future years; provided other investments into a number of university-wide strategic areas and, finally, provided the resources to pay down a substantial amount of the accumulated deficit.

v) A commitment to financial sustainability

As demonstrated through the President's regular Town Hall meetings and University-wide messages there is a commitment to continue a culture of open dialogue and transparency. Efforts are already being made toward creative and innovative ideas to increase revenue, particularly in modes of pedagogy and course delivery in order to shift the multi-year financial strategy away from reductions and toward positive growth. It is hoped that these creative initiatives will help our budget situation and even though the financial challenges may have contributed to the sense of urgency in generating creative ideas, it still makes them a worthwhile undertaking, particularly if they enhance the student experience. A continued effort and willingness to work together in a collegial way will ensure that the future well-being of Brock University will be kept on sound financial and academic footings for future generations.

THE MULTI-YEAR RECOVERY STRATEGY

A Brief Review of the Operating Budget Situation

For the first time since this new budget development process was initiated at Brock University in 2003-04, we are in the second year of a multi-year recovery strategy. This multi-year plan attempts to minimize the adverse effects to students, staff and faculty and to the quality of teaching and learning, particularly with attention to the academic mission.

All operating budgets since 2003-04 had been balanced annually. Beginning in 2006-07, the budget was balanced with one-time reserves built up from an accumulated surplus (resulting mainly from underspending in previous years).

In 2007-08, the University conducted a reduction exercise. Even though Budget Developers demonstrated great cooperation and support in submitting budget reductions, it was not enough to eliminate the shortfall. Therefore, the shortfall was closed with an amount from the accumulated operating surplus that had been held in reserve for exactly this purpose.

Given the inherent difficulties and challenges that a budget reduction exercise causes in an organization and to avoid another target reduction exercise in 2008-09, the strategy to utilize one-time funds was used to balance the 2008-09 budget. The one-time funds came from accumulated reserves that were created from taking all available resources from new grant announcements and utilizing the remaining accumulated surplus. This strategy ensured that all general operating surpluses generated at year end from underspending or through additional unexpected revenues were shared university-wide and that the distribution of global funds and reserves were first considered in light of the following year's budget pressures. These resources in 2008-09 amounted to $12.6 million dollars. The strategy of utilizing one-time resources to balance the 2008-09 budget reflected, in part, the way in which Ontario universities had been funded in previous years. A number of significant new one-time grants were provided to Ontario universities. This funding was welcomed and needed, however, given its one-time nature it made assumptions concerning future funding streams uncertain. But there was also optimism that one time government funding would be rolled into a new funding base for the 2009-10 fiscal year.

With the "savings account" being depleted in balancing 2008-09, we began 2009-10 with a 2008-09 base shortfall of $12.6 million. Adding to that were new inflationary costs for 2009-10 on the expenditure base, which were only minimally offset by the additional revenue from government-controlled tuition rate increases. Assuming a stable enrolment base and level government funding, the projected shortfall for 2009-10 was estimated at $17.4 million. However, eliminating a shortfall of $17.4 million all in one year would have caused severe damage to the University as it represented an 11.5% reduction. Therefore, a strategy to recover the 2009-10 shortfall, and each subsequent year's annual shortfall over the four -year economic cycle, was proposed.

A Review of the Plan and the Results to Date

In order to achieve a balanced budget over the next several years, a combination of revenue enhancements and expenditure savings initiatives would be required in 2009-10 and the next several years of about 5% each year.

The Plan for Year 1 (2009-10)

In June, 2009 the plan was to find, on average, 5% and reduce the projected shortfall of $17.4 million by $7.7 million and end the year with an accumulated shortfall of $8.7 million. Even though the final gap was greater than projected at $19.9 million (due to pension plan valuation costs and additional branding investments), the target exercise generated more than planned at $8.3 million and the 2008-09 results had a $2.8 million surplus instead of the $1 million projected. The combined effect was that 2009-10 was still on track with the accumulated deficit projected at the original $8.8 million estimate.

The Results for Year 1 (2009-10)

By the fall 2009, the financial outlook for 2009-10 was much better than had been projected with the improvements in retention generating additional enrolments which increased tuition revenue and government accessibility grants. By March 2010, the projections were even better with the Ministry's announcement that the undergraduate accessibility grants would be fully funded and an increase in the general quality/access grants. The additional tuition and the grants combined generated $6.1 million more funding than was projected. Modest investments were made at mid-year to undergraduate scholarships and support for revenue generating initiatives. At the time of writing, an improvement of at least $4 million was projected for 2009-10, thus reducing the opening accumulated deficit going into 2010-11 to $4.8 million.

The Plan for Year 2 (2010-11)

In February, 2010, the financial projections for 2010-11 were better than had been projected in February 2009. With the improvement in the 2009-10 mid-year revenue projections and the on-going impact to base revenues, as well as modest increases to enrolment targets and a softening of inflationary costs, the projections now had the in-year shortfall at $10.3 million and the accumulated deficit at the end of 2010-11 at $19.1 million. The original plan was to find, on average, 5% of reductions and/or revenue enhancements. However, the improvement on the revenue side provided the opportunity to reset the target for the 2010-11 budget exercise to a 2% target. Also, lowering of the target was also viewed as an opportunity to provide time for revenue enhancing investments to be made during 2010-11 so they could begin to take hold in future years.

The Final Plan for Year 2 (2010-11)

By the end of April 2010, the final projections for 2010-11 had improved even more. The final government grant announcements for the undergraduate accessibility and the general quality/access grant were better than projected. As well the 2% target exercise of $3.1 million came in at $3.5 million. The improvement of revenue projections provided the opportunity to make a number of strategic investments into base budgets of $1.6 million that provide university wide support. Once all budget figures were finalized in April, the in-year

shortfall improved by $1.2 million to $9.1 million. The $1.2 million improvement in 2010-11 along with the improvement in the 2009-10 results of $4 million together have the accumulated deficit at the end of 2010-11 at $13.9 million. This is a marked improvement from the $19.1 million deficit projected in February 2010. Full details on the changes between the preliminary assumptions as developed in February to the final results are displayed on pages 16 to 18 of this report.

The Plan for 2011-12 and beyond:

In developing the multi-year projections, three critical assumptions need to be confirmed: i) salary and benefit costs, ii) government funding; and iii) tuition revenues and enrolment projections.

i) Salary and Benefit Costs

Salary and benefit costs account for almost 80% of total operating budget expenditures and any assumptions regarding inflationary costs obviously have the most significant impact on the expenditure projections. With the provincial budget in March 2010, the government introduced the Public Sector Compensation Restraint to Protect Public Services Act, 2010 (Bill 16) to freeze compensation in the Ontario Public Service and the Broader Public Sector non-bargaining employees for two years (March 24, 2010 to March 31, 2012). Going forward, the government's fiscal plan includes no funding for incremental compensation increases for any future collective agreements. As agreements are negotiated, the government intends to work with transfer payment partners (like universities) and bargaining agents to seek agreements of at least two years' duration and to provide no net increase in compensation.

ii) Government funding

With the provincial budget, there was an announcement of new investments to fund additional postsecondary student spaces at universities and colleges but the financial details and the mechanism that gets this investment into base government funding or whether all growth will be fully funded in future years is not yet known. As well the impact that multi-year agreements and accountability measures will have on future government funding is not known.

iii) Tuition revenue and enrolment projections

Tuition revenue changes from enrolment activity are generally predictable as they are within the control of the university and supported by the enrolment model. Enrolment activity in the future is projected to increase moderately. It was announced in March, 2010, that the current government tuition policy is in place for two more years, with no changes, except for the requirement to contribute 10% of additional revenue from tuition fee increases to bursaries and other student assistance programs that provide financial aid to students most in need.

In February 2010 the assumptions concerning 2011-12 and beyond were changed to reflect modest increases in enrolment activity and modest inflationary salary and non-salary expenditure increases. Even with these changes in assumptions, an annual shortfall still exists as expenditures outpace revenues. However, with the improvement in base revenues from 2009-10 and 2010-11, the accumulated deficit is significantly less than what was projected a year ago. Furthermore, it was estimated that the targets required would be closer to a 3% target on average annually as opposed to the 5% target predicted a year ago.

Given the additional investments being made in 2010-11 to provide support for engaging in new and creative pedagogies and new approaches around the theme of experiential learning (including the new service learning course, expanded co-op education, and a continuing emphasis on community service and relationships) as well as enhancing the activities of both support and institution-wide coordination to support e-learning and other innovative pedagogical approaches, it is hoped that the necessity for future target reductions will be significantly reduced through the additional and new revenues generated from these initiatives.

With the current assumptions and an average annual target of 3% the accumulated deficit projected at the end of 2010-11 of $13.9 million would rise in 2011-12 slightly and then as revenues exceed expenses, the accumulated deficit will begin to decrease in 2012-13 and then projected to be eliminated by the end of 2013-14.

2010-11 BUDGET DEVELOPMENT AND MONITORING

With the 2010-11 budget the University embarked on the eighth budget development process since the process was first initiated, in its current format, with the 2003-04 budget year. Overall the process has remained relatively consistent, but changes and improvements to the process have evolved. Since 2003-04 when this budget development process was initiated, the first target exercise of about 3.1% took place for the 2007-08 budget. All available reserves were used to balance in 2008-09 so no target exercise took place in that year. As part of the multi-year recovery strategy a target exercise of 5% took place in 2009-10 and 2% took place in 2010-11.

The following section provides background and review of the 2010-11 budget development process including guidelines, timelines and the budget update and fiscal forecast process as well as the development of the annual enrolment/revenue model.

Budget Principles & Guidelines

The following principles and guidelines were shared by the President, Vice-President Academic and Vice-President, Finance & Administration to Budget Developers in preparation of their budgets for 2010-11. There are approximately 35 main Budget Developers that represent a major division, department or financial unit of the University.

Principles:

1. *The fiscal capacity of the University.*
2. *The operating budget is balanced over a 4-year economic cycle (by the end of fiscal 2013-14) as approved by the Board of Trustees.*
3. *The contractual, policy and legal obligations of the University to employees, students and the public.*
4. *The financial health of the University is a prerequisite to sustaining our teaching, learning, research and creative activities.*
5. *In support of the development of the new Brock resource allocation budget model.*
6. *Undergraduate and graduate enrolment activity will be increased or, at a minimum, maintained at annually established target levels.*
7. *Revenue generating activity and entrepreneurial efforts are strongly encouraged through revenue sharing arrangements that benefit both the individual units and the University at large.*
8. *Encourage innovation and long-term planning toward becoming a comprehensive and research-intensive institution.*
9. *Further enhance openness and transparency of the budget process through sharing of budget allocation priorities and decisions with faculty, staff, students and the broader university community.*

Guidelines:

1. *The 2010-11 "on-going revenue enhancement or savings target" is 2% on the 09/10 base budget (excluding non-compressible budgets). For ancillary operations and cost recovery programs the target is on the 09/10 contribution.*
2. *The target of 2% can be achieved through a combination of on-going revenue enhancement from net new external revenues or savings from cost reductions to the University's current operating budget. Targets need to consider the impact on students, programs and services. One-time savings will only be considered for those strategies that enable bridging to permanent reductions that may require a multi-year (2-3) graduated saving strategy.*
3. *Faculty units are encouraged to engage in any number of initiatives appropriate to their fields and which build on and expand our recent discussions regarding new and innovative pedagogical approaches, flexible course offering and scheduling, new and revised programming, alternate and mixed modes of delivery, and other inventive means of carrying out our mission. Such measures must be presented in a concrete and specific format so as to allow for the determination of their actual impact on revenues and/or costs.*
4. *The 09/10 base budget can be found on the on-line budget development system. In some instances, there may be adjustments made to the budget that need to be taken into account and thus your base budget will be verified by Finance.*
5. *Non-compressible budgets are defined as those costs that are university-wide contractual, regulatory compliance and other fixed costs. (e.g. utilities, insurance, debt service, mandated student bursaries.)*
6. *Permanent salaries and benefits costs have been calculated by Human Resources & Finance and include additional faculty and staff positions previously approved.*
7. *Vacant positions must be carefully reviewed in light of opportunities to achieve savings targets. All salary savings (including those from temporary delayed hires) will be considered toward the savings target.*
8. *Consistent with the practice prior to 2009-10, the savings between the retiring faculty or staff member and the approved starting salary will be returned to the centre, except as specifically approved by the VP Academic or VP Finance & Administration.*
9. *New budget requests and new initiatives (Schedule 5) that are self funded or generate net new external revenues will be considered.*
10. *Minor capital requests (Schedule 7) for central funding are to be minimized to those that are essential (e.g. those that sustain programs and services or ensure regulatory compliance) and can be submitted to Facilities Management for review and prioritization.*
11. *IT requests (Schedule 8) for central funding that are essential for programs and services will be collected and submitted to Information Technology Services for review and prioritization.*

Budget Process & Timelines

The "Timelines and Process for 2010-11" **(*Appendix II*)** is consistent with those followed in previous years and outlines the significant steps of the process as communicated to Budget Developers and other constituent groups throughout the University. The following highlights the regular and special steps taken between October 2009 and May 2010 to keep Budget Developers and constituents informed:

Communication and Information Sharing

- During the fall, various meetings with constituents were held by the Vice-President, Academic and Vice-President, Finance & Administration to review the revenue generation and cost containment strategies being explored.
- On October 23, 2009, the President conducted a Town Hall to review the multi-year outlook and update the financial information based on the 2009-10 mid-year results.
- On November 23, the Financial Planning, Audit and Human Resources Committee were updated on the 2010-11 Budget Development. Several documents were shared on the various planning activities and university-wide dialogue that had commenced earlier this year than in the past.
- On November 30 and December 9, faculty, staff and student groups were provided the opportunity to present ideas and information to the Budget Committee including a representative from the Board of Trustees.
- On January 26 and 27, 2010 meetings were held with Budget Developers to review the updated financial situation and the proposed 2010-11 revenue/savings target, timelines & process and budget principles & guidelines which provided guidance for Budget Developers in preparing their submissions.
- At the February 11th meeting of the Financial Planning, Audit and Human Resources Committee, the update on the 2010-11 budget development process and timelines, updated estimates and assumptions for major revenues and expenditures and a revised recovery strategy since last presented in February 2009 was shared.
- The report to the Financial Planning, Audit and Human Resources Committee was then shared with the Board of Trustees and the Senate Budget Advisory Group in February.
- On February 17th, President Jack Lightstone conducted a Town Hall to provide an update on the budget situation and the multi-year projections.
- As a follow up to the Town Hall, President Jack Lightstone issued a message to the Brock community on February 17, 2010.
- Various meetings were also held between the President, Vice-President, Academic and Vice-President, Finance & Administration with the executive members of the faculty associations, staff unions and student unions to respond to budget questions.
- The Vice-President, Academic and Vice-President, Finance & Administration also met with the Faculty Deans and their Chairs and Directors to provide an opportunity for them to raise questions or concerns regarding the budget.
- At the April 8, 2010 meeting of the Financial Planning, Audit and Human Resources Committee, an update on the budget development activities that had occurred since the February meeting and an overview of the provincial budget and its impact on university budgets were shared.

Budget Meetings, Development and Finalization

- Budget Developers had the opportunity to present their 2010-11 revenue enhancement and expenditure reduction targets directly to the President, Vice-President, Academic and Vice-President, Finance & Administration. At these meetings the Associate, Vice-Provost Academic, Associate Vice-President, Finance and the Budget Administrator were also in attendance. These meetings were held from March 22 to March 25th.
- The Government of Ontario's provincial budget announced on March 25, 2010 was reviewed for the impact to the University's 2010-11 operating budget and multi-year budget and implications were incorporated into the updated financial budget information.
- On April 6 and 12, the President, Vice-President, Academic and Vice-President, Finance & Administration met to review, in detail, all revenue enhancement and expenditure reduction targets and confirm the selected targets in consideration of the implications identified by the Budget Developers.
- Budget Developers were advised individually of the revenue enhancement and expenditure reduction targets agreed to by the President, Vice-President, Academic and Vice-President, Finance & Administration.
- Budget Developers finalized or amended their budget requests to the on-line budget system. Final submission of the departmental and divisional 2010-11 budget requests were completed by April 9, 2010.
- By late April, all budget submissions had been reviewed and checked for completeness and accuracy by the Budget Administrator. Final calculations of university wide benefits and global expenditure and revenue budgets were also finalized.
- By late April, summary university financial budget information reports were prepared and reviewed by the Budget Administrator and the Associate Vice-President, Finance. Year-over-year summaries and analysis were prepared to verify and confirm preliminary budget estimates.
- By the end of April, the Advisory Committee on Institutional Analysis (ACID) completed the enrolment and revenue projections with the final report completed in June.
- As in previous years, a draft final budget was presented at the May 18, 2010 meeting of the Financial Planning, Audit and Human Resources Committee. The draft final budget was also shared with Budget Developers, the Senate Budget Advisory Committee and Board of Trustees during May.
- The Final Budget is presented to the Financial Planning, Audit and Human Resources Committee at the June 17, 2010 meeting.
- The Final Budget is approved by the Board of Trustees annually in June.

Budget Updates and Monitoring

Periodic budget updates and the Fiscal Forecast Process is an integral and important aspect of budget development and has been so since the budget development process began with the 2003-04 fiscal year. The fiscal forecast process monitors actual revenues and expenditures against the budget and results in updating budget projections on revenues and expenditures to year-end.

The annual report of the final budget estimates is presented and approved annually at the June meeting of the Board of Trustees.

The projected operating budget and the Fiscal Forecast reports are shared regularly with the Financial Planning, Audit and Human Resources Committee and to the Board of Trustees, as changes in revenues and expenditures estimates occurred. The process is as follows:

- The first update occurs with the mid year budget review. This process provides an opportunity for Budget Developers to analyze financial changes that had occurred since the final budget estimates were determined and approved in June. It was assumed that the approved budget would suffice if no mid-year review adjustments were requested and it was expected that Budget Developers absorb and manage minor variances. Budget Developers have the opportunity to voluntarily meet with the Vice-Presidents' and President to present their mid-year review request. The "Mid-Year Budget Review" is presented at the November meeting of the Financial Planning, Audit and Human Resources Committee and submitted to the Board of Trustees in early December.
- The second update occurs with the January 31st results and information is provided regarding the operating budget actuals for the period ending and how they compared to the mid-year projected budget. This report is presented at the February meeting of the Financial Planning, Audit and Human Resources Committee.
- The third update occurs with the March 31st results and information is provided regarding fiscal results for the period ending and also incorporates the impact of the final government grant announcements and a review of Budget Developers year end projections. Budget Developers complete this phase of the annual fiscal forecast in conjunction with the next year's budget development. During this process they were required to include projections of the current budget to the end of the fiscal year.
- The final fiscal update occurs for the year ending April 30th. Annually the final fiscal results are presented to the Financial Planning, Audit and Human Resources Committee and the Board of Trustees at the June meetings.
- The audited financial statements are presented and approved at the first Board meeting in September.

The Enrolment/Revenue Model

An integral part of the budget process is the development of tuition revenue and enrolment-based grant estimates. These annual estimates and periodic budget updates are derived directly from the enrolment and revenue model. This model is developed annually and monitored throughout the year by the Advisory Committee on Institutional Data (ACID).

Senior Management develops enrolment targets through consultation with the Deans. The targets are then used by ACID to update its enrolment and revenue model. Along with the mandate for enrolment and revenue projections, ACID is required to continually monitor actual revenue and actual enrolment and to report findings to the campus community. These findings inform the budget updates through the fiscal forecast process.

As background, in late 2003, the Advisory Committee on Institutional Data (ACID) was charged with the responsibility of developing an enrolment and revenue projections model to inform the 2004-05 Budget process. Since then, the model has evolved. The first version, used for 2004-05 projections, worked well, but it did not include the retention behaviours of different student groups, such as 101s (those students entering directly from high school) vs. 105s or domestic vs. International (VISA) students. Thus, from the 2005-06 projections forward, the model was revised to take into account undergraduate student populations by group (Domestic 101s, Domestic 105s, and VISA) and academic progression.

For the 2008-09 projections, further refinements to the undergraduate model were made. The double cohort effect on retention was removed, the tracking of concurrent students was improved, and spring/summer admissions were added for VISA and Domestic 105s. As well, the graduate model was adjusted to reflect flow-through by cohort. Two additional modifications were made for the 2009-10 projections. Students taking a co-op work term in either the fall or winter term were excluded, and Domestic 101s who were admitted full time but registered in a part time course load in their initial year were added.

To forecast growth, we first need to understand where change will occur. Historical analysis of student retention and progression through program identified that change patterns are primarily driven by Undergraduate Degree Seeking students. The Enrolment Retention Projection Model is based on the return pattern of undergraduate students pursuing their first degree who had entered within the last seven years. These students account for 90% of the undergraduate degree-seeking population.

As usual, the Committee has developed enrolment scenarios which are separate for each of:

a) Spring and summer sessions (eligible undergraduate excluding Nursing)
b) The Fall/Winter session (eligible undergraduate excluding Nursing)
c) International (“VISA”) students
d) Nursing
e) Graduate Students

As has been the case since the 2005-06 projections, excluded from the projections model are programs subject to “special arrangements”. These include the following ineligible programs:

a) All ISP programs, such as MBA (ISP), MEd (ISP), MA in Applied Linguistics (TESL) (ISP), and IMacc
b) Native Teacher Education Program (NTEP)

c) In-Service Education
d) ESL & Testing Services

Also excluded are the following eligible (for government funding) programs, as no change in enrolment is considered in the model:

a) Enterprise Education (discontinued in 2009)
b) Teacher Education (previously called pre-service)
c) Adult Education
d) Spring/Summer Undergraduate Sessions

The summary chart for 2010-11 enrolment/revenue projections is included in this budget report on page 27.

The full "Enrolment/Revenue Projections 2010-11" report is issued annually in early June and is available from the Office of Institutional Analysis.

2010-11 PRELIMINARY AND FINAL BUDGET ESTIMATES

In February 2009, a multi-year recovery strategy and estimates and assumptions for major revenues and expenditures were presented to the Financial Planning, Audit and Human Resources Committee. In February 2010, an updated recovery strategy was presented that incorporated the improved revenue estimates for 2010-11 based on the positive 2009-10 results and the impact they would have on future years.

During the period of February to April 2010, budget submissions were completed and reviewed for completeness. By the end of April, final calculations of University wide expenditures and revenue budgets were completed and the impact of the provincial budget to revenue and expenditure estimates were more clearly understood. University financial budget information reports and year-over-year summaries and analysis were prepared to verify and confirm the preliminary budget estimates.

The draft final budget was presented at the May 2010 meeting of the Financial Planning, Audit and Human Resources Committee and included an analysis that highlighted the differences between the preliminary estimates as presented in February and this Final Budget. The following information provides a financial comparison between preliminary and final estimates and explanations regarding major variances noted.

Financial Comparison between Preliminary and Final Estimates

The following summarizes the differences in major assumptions between the preliminary budget estimates in February and the final budget estimates:

	Preliminary	Final
	Figures in (000's)	
09-10 Base Budget, Excess of Expenses over Revenues	$(11,657)	$(11,657)
i) Increases in Revenues continuing from 2009-10		
Tuition Revenues	2,000	2,500
Undergraduate Accessibility Grant Funding	1,400	2,558
General Access/Quality Grant	-	1,092
ii) Revenue changes expected during 2010-11		
Tuition Revenues		
Rate	3,582	3,608
Activity Increases	1,069	1,865
Enrolment Based Grants		
Undergraduate Accessibility Grant Funding	253	673
Graduate Expansion Funding	312	(42)
Nursing & Graduate Expansion	(92)	(25)
Base Operating Grant	1,500	–
Investment Income	(740)	(750)
Total Impact to Base Budget Revenues	9,284	11,479

	Preliminary	Final
	Figures in (000's)	
iii) Base Budget Inflationary Increases & Investments	(10,988)	(10,738)
iv) New Undergraduate Bursaries & Quality Investments		
Set-Aside 10% of Tuition Increases	-	(384)
Impact to Student Access Guarantee	-	(550)
New Quality Investments	-	(711)
	-	(1,645)
Total Impact to Base Budget Expenditures	(10,988)	(12,383)
Target Exercises 2010-11	3,100	3,460
v) Impact to Accumulated Deficit		
Difference between Revenue and Expenditures	(10,261)	(9,101)
Projected Accumulated Deficit @ April 30, 2010, opening	(8,857)	(4,857)
Projected Accumulated Deficit @ April 30, 2011, ending	$ (19,118)	$ (13,958)

Explanations Regarding Major Variances

i) Increases in Revenues Continuing from 2009-10

The improvements in retention during 2009-10, had a positive impact on both the tuition revenue and BIU (Basic Income Unit) that impacts the Undergraduate Accessibility Funding grant. The improved financial impact that was identified during the mid-year review was factored into the projections in February as they would have a "recurring" positive impact to 2010-11. Based on final 2009-10 tuition results and final confirmation of government grants announced in March 2010 this had a positive impact to both 2009-10 and 2010-11.

After the provincial budget was announced in March, the Ministry of Training, Colleges and Universities (MTCU) confirmed the final allocations of the operating grants. The General Access/Quality grant had been projected in 2009-10 based on the actual amount received in 2008-09. In March, this grant was funded at an amount that was $1,092,000 higher than projected. It is now assumed that the amount to be received in 2010-11 will be the same as that paid in 2009-10.

ii) Revenue Changes expected during 2010-11

With respect to the activity, no changes have been made to the intake targets; however, the revenue calculated from this activity increased slightly from earlier projections prepared in January.

ACID prepares enrolment projections based on activity in 2010-11 that will change over the actual activity levels experienced in 2009-10. The updated projections done in April resulted in a number of enrolment-based grants that changed slightly from the preliminary projections in January.

As part of the multi-year recovery plan back in February 2009, the base operating grant was projected to increase by about 2% beginning in 2010-11. During the 2009-10 mid-year report, an amount was held in reserve to manage this shortfall in 2010-11 in the event this funding would not materialize. We now know that the base grant will not increase by the 2% escalation in 2010-11.

iii) Base Budget Inflationary Increases & Investments

A number of expenditure increases were known based on inflationary or contractual obligations or as a result of commitments made at the mid-year review. These expenditures include salary related costs, plant operation costs for the new building expansions, graduate fellowships, undergraduate bursaries, as well as the financial impact for a number of one-time only savings indentified in 2009-10 that would not be repeated in 2010-11.

iv) New Undergraduate Bursaries and Quality Investments

As a result of the governments attempt to modernize the Ontario Student Assistance Program (OSAP), there were two financial impacts to the undergraduate bursaries. Firstly, 10% of the tuition increases in 2010-11 have to be used for undergraduate bursaries. In addition to activity changes, the undergraduate set-aside bursaries are estimated to increase. Secondly, the Student Access Guarantee (SAG) provides for students to be entitled to an amount of funding based on a specified automatic calculation.

As a result of the improvement in the revenue projections, the President, Vice-President Academic and the Vice-President, Finance & Administration were able to provide resources for urgent budget needs, seed funds necessary for the development of revenue generating opportunities in future years and to respond to budgets that have not been accommodated in many years due to fiscal restraint. As a result $711,000 of the following strategic and quality investments have been accommodated in the budget:

- $150,000 was increased to the library acquisitions.
- $ 35,000 financial need of graduate international students.
- $350,000 for the development of various pedagogical innovations
- $176,000 was used to accommodate strategic requests by the Faculties.

v) Impact to Accumulated Deficit

In summary, the impact of all of the above is that the original projected 2010-11 in-year deficit of $10,261,000 has improved by $1,160,000 for a new projected in-year deficit of $9,101,000. At the time of writing, the 2009-10 operating results were still being finalized. However an operating budget improvement of at least $4,000,000 is projected and earmarked for the 2010-11. The accumulated deficit for the year ended April 30, 2011 is now projected to be $13,958,000. This is a marked improvement of $5,160,000 from the $19,118,000 presented to the Financial Planning, Audit and Human Resources Committee in February.

PROCESS AND RESULTS OF THE 2010-11 TARGET EXERCISE

Even though this target exercise is relatively new for Brock, it certainly has been an on-going practice for years at many other universities. Under our current budget model all resources for salary increases and positions are centrally funded. Additional costs are covered by additional revenue resources and when the expenditures exceed the revenues the shortfall has to be managed by an exercise that involves the entire university.

The decision to undertake a budget reduction exercise is not an easy one but the future projections indicated that the gap between revenues and expenses would continue at an unsustainable rate. The future financial sustainability of the university would be in jeopardy if some immediate action was not undertaken. In order to return the university to a balanced position, multi-year revenue enhancements or expenditure reductions of at least 5% were required. The first year (2009-10) of the multi-year strategy reached this 5% target. During 2009-10 enrolment projections were better than projected and had a positive impact on both tuition and enrolment based grants. Combining that with the need to provide time for initiatives being developed to take hold in future years the President, Vice-President, Academic and Vice-President, Finance & Administration reset the 2010-11 target to 2%. Even though a vast improvement from a 5% target, it was recognized that a 2% target would still be a difficult challenge given that it followed target reductions in two of the last three years and expenditure budgets are at absolute minimums.

In the 2007-08 and 2009-10 target exercise, an across-the-board mandatory cut was not undertaken. Rather, a strategic approach was taken in order to provide the opportunity to consider the impact that a reduction would have on a particular unit's programs, services and on students, faculty and staff. However, for 2010-11, an across-the-board cut of 2% for all units was put in place.

As in previous years, Budget Developers were provided the opportunity to identify university-wide contractual, regulatory compliance, and other fixed costs, that should not be reduced. Thus undergraduate bursaries, graduate fellowships, library acquisitions, IT acquisitions, debt service and other fixed contracts were excluded from the target exercise.

Also, during March 2010, Budget Developers had the opportunity to present their revenue enhancement and expenditure reduction targets directly to the President, Vice-President, Academic and Vice-President, Finance & Administration and to discuss how the targets would impact students, services, programs and enrolments. The Associate Vice-President, Academic, Associate Vice-President, Finance and the Budget Administrator were also in attendance. Each and every unit participated cooperatively and was collegial throughout this exercise.

Global issues considered in the budget target exercise included ensuring reductions undertaken could be reversible whenever possible, keeping the academic mission and vision front and centre, maintaining quality of instruction and programs and promoting ideas and initiatives to increase revenues.

The targets selected included a combination of revenue enhancements, on-going budget reductions and one-time budget reductions as consideration was given to the implications of

the target reductions identified. The Faculties were given tuition credit for any agreed upon fall intake targets and increases to spring/summer enrolments.

A summary of the Faculty targets selected were detailed and shared with the Senate Budget Advisory Committee in mid May. Consideration was given to minimizing the impact on several core mission requirements, based on input from constituents of the University:

- Maintain the integrity of the seminar/small group learning environment
- Limit dramatic increases in class and seminar sizes
- Minimize the impact on faculty and both full-time and part-time staff
- Minimize the impact on part-time student employment
- Maintain current levels of Library services
- Maintain student financial aid and assistance
- Maintain course offerings year over year

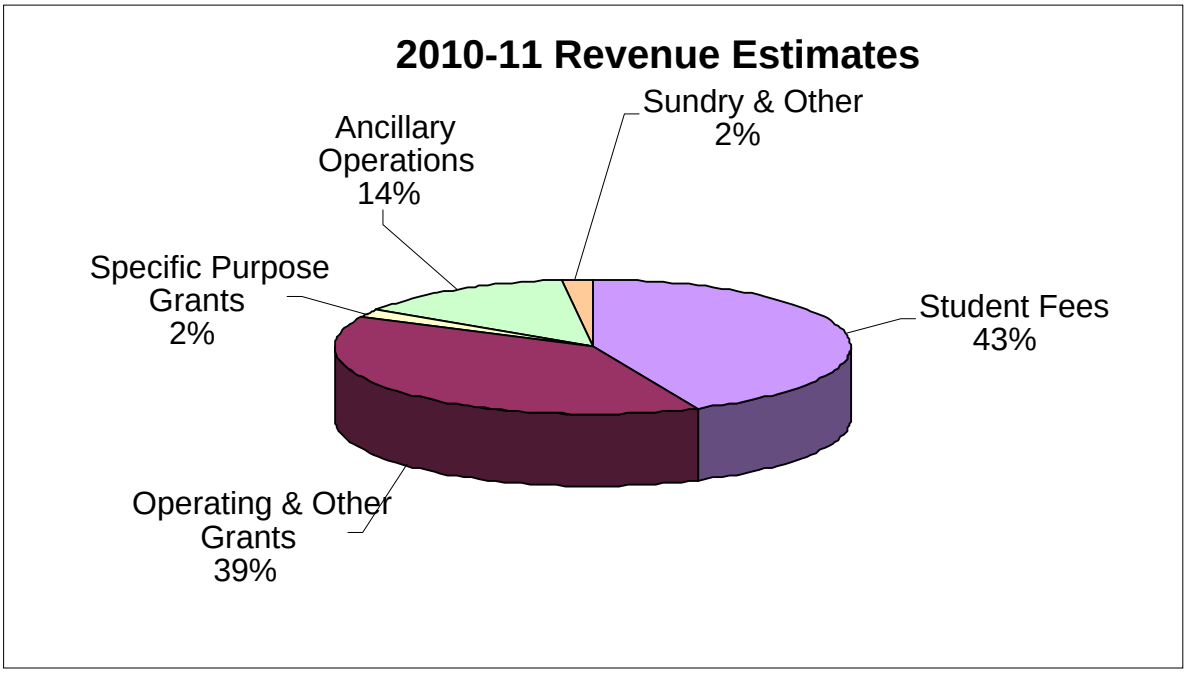
On-going expense reductions included adjusting discretionary budgets (such as equipment, postage, travel & conferences, printing, photocopying) and reductions to other non-essentials (e.g. food at meetings) and salary budget changes including adjusting budgets to reflect savings from retirements and starting salaries, voluntary reductions and delayed hires.

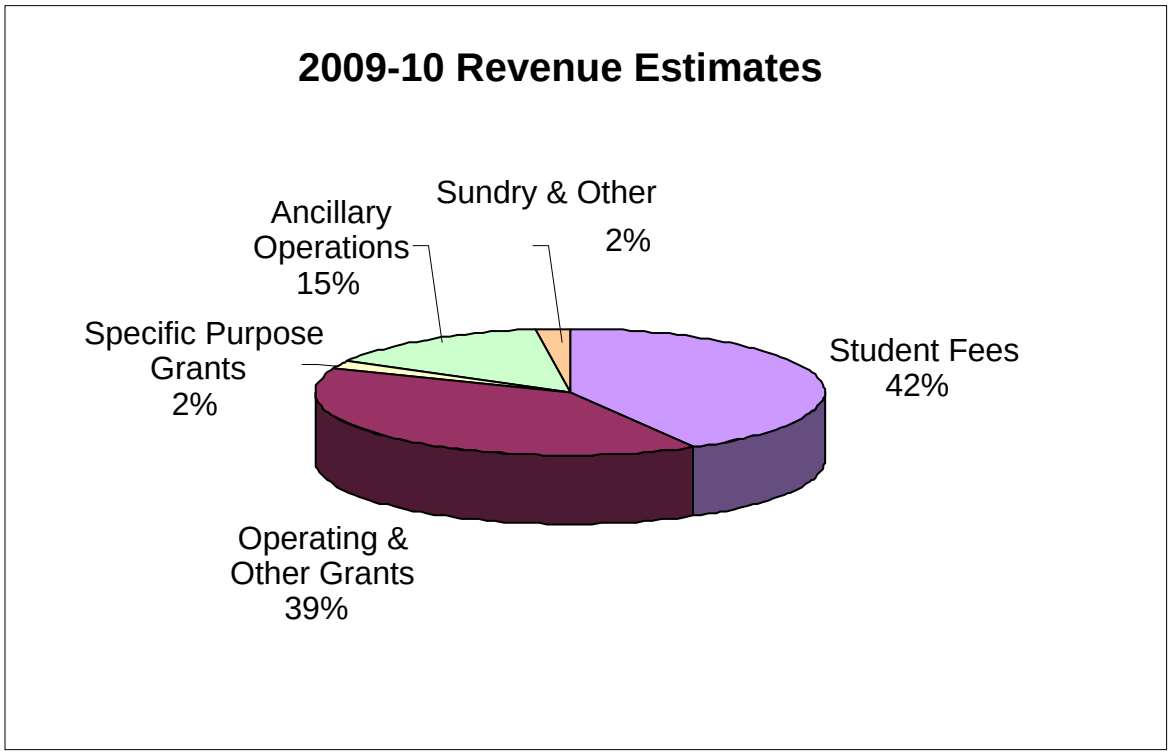
The results of the revenue enhancement and savings target of 2% or $3,100,000 resulted in exceeding this by $360,000 for a total $3,460,415. Included are one-time expenditure reductions of $269,665; on-going revenue enhancements of $471,765 as well as tuition credits of $503,000 and on-going expenditure savings of $2,215,985. The following table summarizes these target combinations by functional area:

2010-11 Target Exercise	**Expense**		**Revenue**	**Total**	**Target %**		
Functional Area	**On-Going (OG)**	**One-Time (OT)**	**On-Going (OG)**	**Target**	**OG**	**OT**	**Total**
Executive	44,939	-	-	44,939	2.0%	0.0%	2.0%
Administrative Areas	495,441	21,125	15,000	531,566	2.0%	0.1%	2.1%
Ancillary/Partial Revenue	-	122,500	305,165	427,665	1.7%	0.7%	2.4%
Academic & Student Support	187,158	126,040	130,315	443,513	1.7%	0.7%	2.3%
Faculties	1,488,447	-	524,285	2,012,732	2.0%	0.0%	2.0%
Total University Wide	**$2,215,985**	**$269,665**	**$ 974,765**	**$3,460,415**	**1.9%**	**0.2%**	**2.1%**

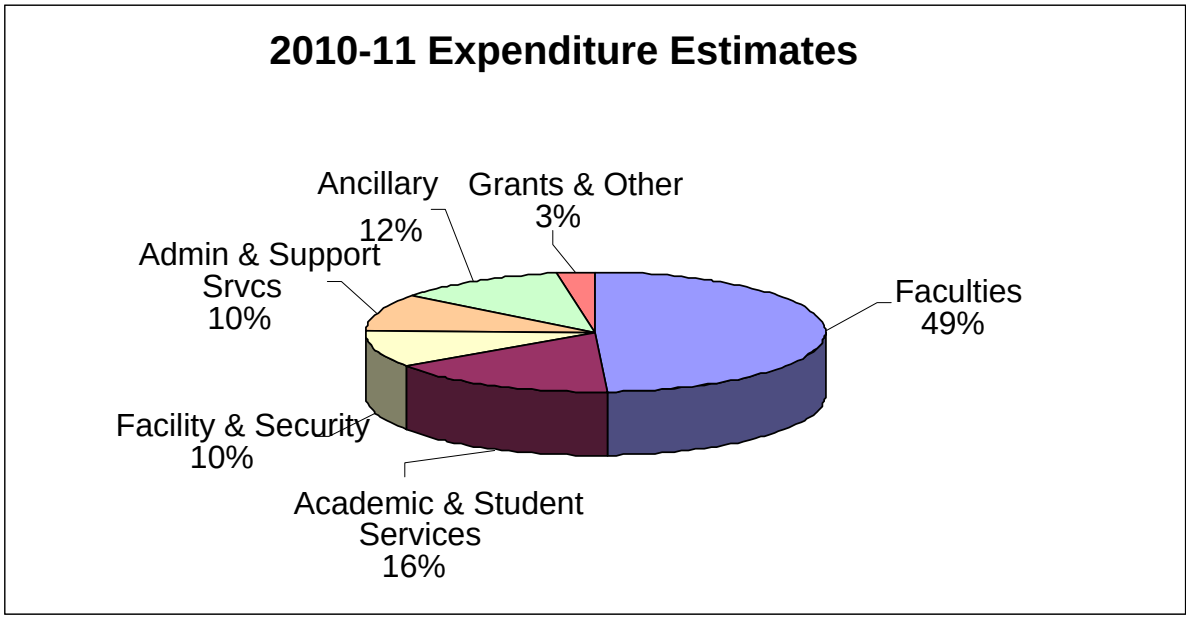
MAJOR COMPONENTS OF REVENUE AND EXPENDITURES

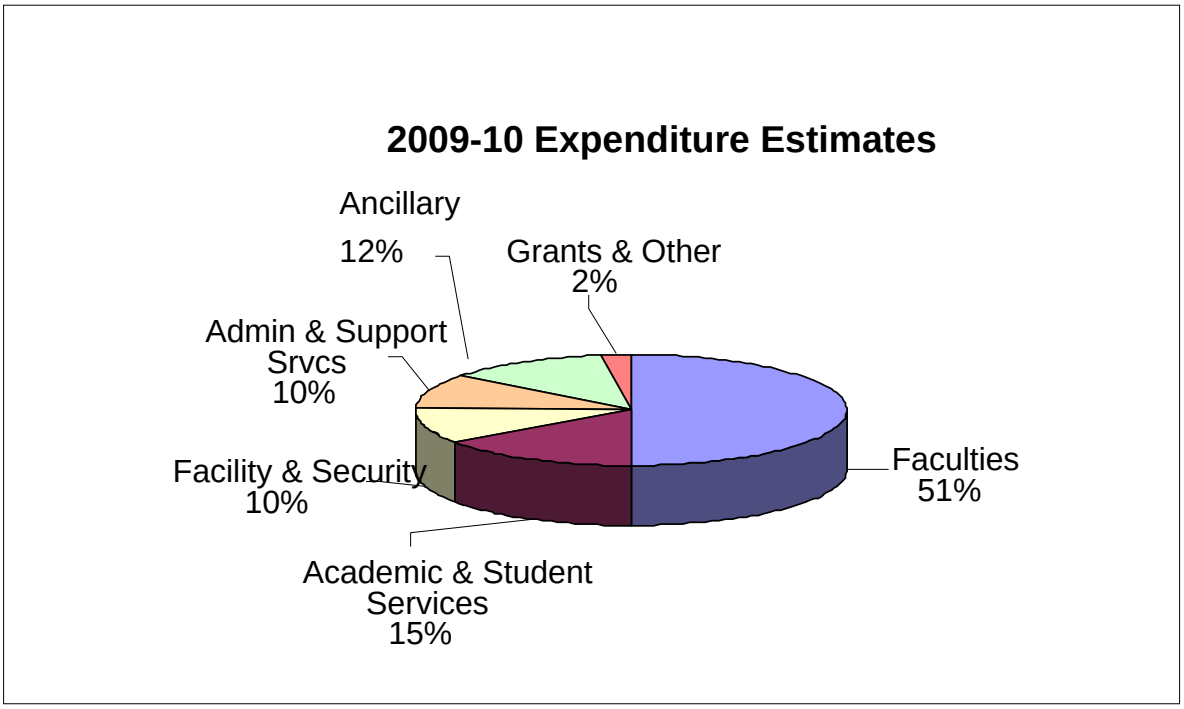
A comparison of the components of the total revenue estimates for 2010-11 with comparison to 2009-10 are illustrated below.





A comparison of the components of the total expenditure estimates for 2010-11 with comparison to 2009-10 are illustrated below.





FINANCIAL HIGHLIGHTS OF THE 2010-11 BUDGET

Full financial details for the total 2010-11 revenue and expenditure estimates are provided in ***Appendix I***. Comparative information includes the "2009-10 Approved Final Budget" as approved by the Board of Trustees in June, 2009. New this year is the comparison to the "2009-10 Current Base Budget" which includes approved budget changes made throughout the year from the mid-year or other global budget reallocations. Variances between the "2010-11 Draft Final" and the 2009-10 Approved and the Current Base Budgets have also been provided.

The following analysis highlights the major increases (decreases) for the 2010-11 revenue and expenditure estimates over the "2009-10 Approved Budget" as presented in ***Appendix I***.

Revenues:
Total "2010-11 Draft Final" revenues are expected to increase by **$13,052,559 or 6.7%**. The major increases (decreases) over the "2009-10 Approved Budget" are due to:

Tuition:		
Actual activity increase during 2009-10	$ 2,500,000	
Projections over 2009-10 actual levels:		
Rate increases	3,607,788	
Projected activity increase	2,368,849	
Other Tuition Sharing & Incidental Student Fees	(3,794)	
Total Tuition Revenue		8,472,843
Government Grants:		
Basic Operating Grant	335,103	
Graduate Expansion	(42,271)	
Undergraduate Accessibility Grant		
Actual activity increase during 2009-10	2,557,731	
Projections over 2009-10 actual levels	673,282	
General Access/Quality Grants	1,092,636	
Nursing Grant	257,154	
Other Grants	52,089	
Total Government Grants		4,925,724
Specific Purpose Grants with matching expenditures:		
Facilities Renewal Grants	(341,200)	
Federal – Indirect Costs Program	240,167	
Other Grants	(307,638)	
Total Specific Purpose Grants		(408,671)
Gross Revenues from Ancillary Operations		812,663
Other Revenues – Investment Income		(750,000)
2010-11 net revenue increases over 2009-10		**$13,052,559**

Expenditures:
Total "2010-11 Draft Final" expenses are expected to increase by **$10,495,996 or 5.1%**. The major increases (decreases) over the "2009-10 Approved Budget" are due to:

Increases to Departmental/Divisional Base budgets		
Faculties		$3,941,130
Academic Support & Student Services		3,110,603
Executive, Administration, Facilities		643,414
Gross expenses from Ancillary Operations		721,620
Other Global Expenditures		2,487,900
Specific Purpose Grants with matching revenues:		
Facilities Renewal Grants	(341,200)	
Federal – Indirect Costs Program	240,167	
Other Grants	(307,638)	
Total Specific Purpose Grants		(408,671)
2010-11 net expenditure increases over 2009-10		**$10,495,996**

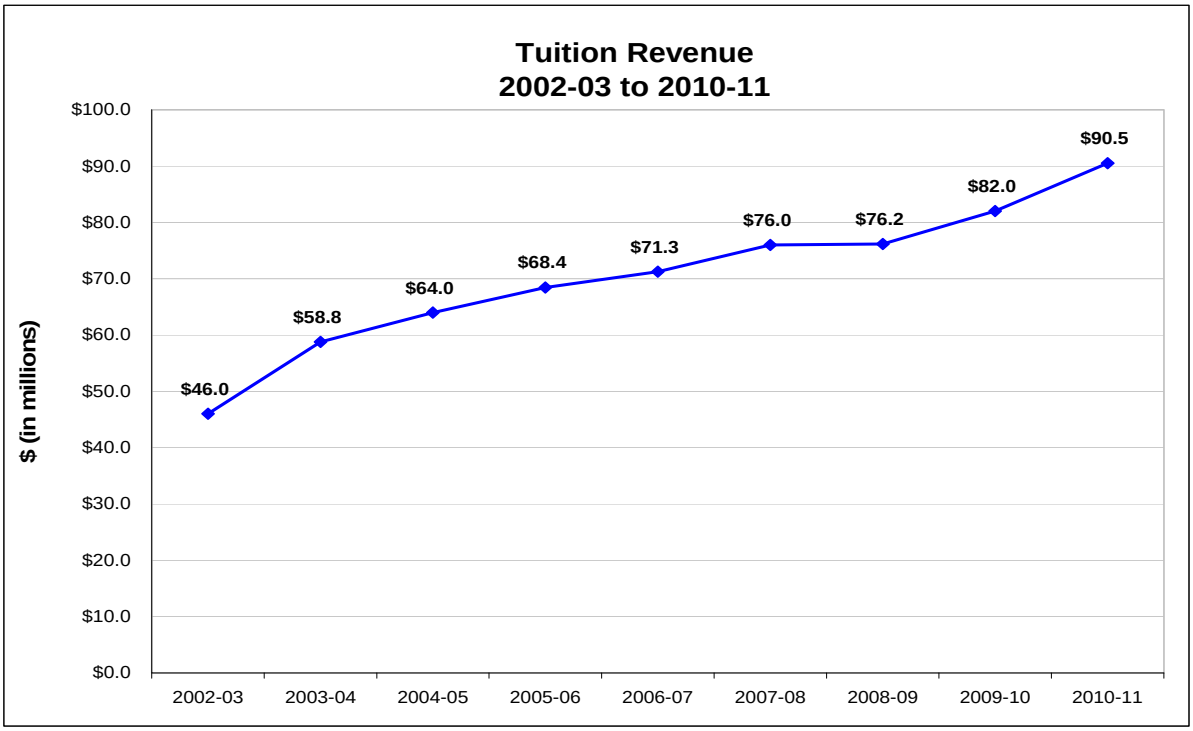
Excess of incremental revenues over expenditures	$2,556,563
Opening 2009-10 base budget shortfall	(11,657,493)
2010-11 budget shortfall	(9,100,930)
Estimated ending 2009-10 accumulated operating deficit	(4,857,183)
Estimated ending 2010-11 accumulated operating deficit	**$(13,958,113)**

The following sections provide extensive information on the major categories of the 2010-11 Budget Revenue Estimates and Expenditures as summarized above and detailed in Appendix I

REVENUE ESTIMATES & COMMENTARY

TUITION REVENUE

Tuition revenue represents almost 43% of total operating budget revenue. The total budgeted tuition revenue of **$90,485,878** (including tuition fee revenue of $87,223,093, incidental fees and the net contributions from special funding arrangements) is estimated to increase by $8,472,843 or 10.3% over 2009-10 approved budget levels. Total tuition levels have grown steadily over the several years as the following chart depicts:



The tuition fee revenue is budgeted at $87,223,093 and is determined from projected undergraduate, graduate and visa enrolment based on tuition rates for 2010-11. The estimated 2010-11 financial implications over the 2009-10 approved budget are summarized below:

Final approved tuition budget (Jun 25, 2009)		$78,746,456
Approved mid year budget changes (Nov 23, 2009)		$2,000,000
Revised 2009-10 tuition budget		$80,746,456
Incremental 2009-10 actual tuition over revised budget		$500,000
Actual tuition 2009-10		$81,246,456
Projected incremental 2010-11 over 2009-10:		
Due to activity	$2,368,849	
Due to rate	$3,607,788	
Total, activity and rate *(refer to page 27 for details)*		$5,976,637
2010-11 Projected tuition revenue		**$87,223,093**

Enrolment Projections

The single most important generator of revenue for the University is its enrolment. Two key assumptions in projecting enrolment include i) intake targets in Year 1 and ii) retention behavior of current students. Many factors such as changes in retention strategies or policies and/or changes in the economic situation, could affect student retention behavior, and the impact of such changes on student retention is very difficult to predict.

The following chart displays that the Year 1 intake for domestic and VISA students are projected at 3,655 for 2010-11, which is about 100 more than in the last two years. The chart also displays that the 2009-10 actual results were on target to the projected.

Year 1 intake, undergraduate full-time students (head count enrolment as at November 1)	**2008-09 Actual**	**2009-10 Projected**	**2009-10 Actual**	**2010-11 Projected**
Domestic 101s (directly from secondary school)	2,874	2,775	2,799	2,883
Domestic 105s (not directly from secondary school)	542	600	540	600
Subtotal Domestic 101 and 105 undergraduate students:	**3,416**	**3,375**	**3,339**	**3,483**
VISA students	125	172	175	172
Total:	**3,541**	**3,547**	**3,514**	**3,655**

The following chart displays the actuals and projections for all students by headcount, FFTEs and BIUs (see Appendix III Definitions and Counting Students):

All students (undergraduate and graduate)	**2008-09 Actual**	**2009-10 Projected**	**2009-10 Actual**	**2010-11 Projected**
Head count enrolment, as at November 1	16,850	16,939	17,493	17,733
Yearly FFTEs	16,646	16,801	17,613	17,890
Yearly BIUs	22,916	23,124	24,136	24,387

Enrolment/Revenue Model for 2010-11

The Enrolment/Revenue Model developed through ACID involves i) projecting head count enrolment ii), translating head count enrolments into FFTEs, iii) converting FFTEs to BIUs, iv) calculating tuition and grant revenue. Eligible (for government funding) fiscal full-time equivalents (FFTEs) are relevant for determining tuition revenue and grant revenue, while ineligible FFTEs generate only tuition. Refer to Appendix III for Definitions and Counting Students. The following chart from the ACID "Enrolment/Revenue Projections 2010-11" report displays the projected change of 2010-11 over the 2009-10 actuals:

Category:	2010-11 Projections (change over 2009-10 actuals)			
		Revenue Type:	**Activity Change:**		**Revenue Change:**
1.0 ACTIVITY **1.1 Undergraduate** **1.1.1 Spring/Summer Domestic** *(excluding Nursing)*		Tuition	FFTEs:	-	$0
		Grant	BIUs:	-	$0
		Total:			**$0**
1.1.2 Fall/Winter Domestic *(excluding Nursing)*		Tuition	FFTEs:	145.80	$1,068,410
		Grant	BIUs:	187.00	$673,282
		Total:			**$1,741,692**
1.1.3 VISA		Tuition	FFTEs:	43.68	$578,207
		Grant	BIUs:		
		Total:			**$578,207**
1.1.4 NURSING		Tuition	FFTEs:	-3.0	($10,964)
		Grant	BIUs:	-6.0	($25,551)
		Total:			**($36,515)**
1.1.5 Total, Undergraduate:		Tuition	FFTEs:	186.48	$1,635,654
		Grant:	BIUs:	181.00	$647,731
		Total:			**$2,283,385**
1.2 Graduate (Head count and FFTEs shown are Eligible and Ineligible; BIUs are Eligible only)		Tuition	FFTEs:	91.10	$218,263
		Grant	BIUs:	29.88	$0
		Total:			**$218,263**
1.3 Total, All Activity (Before adding in tuition rate changes)		Tuition	FFTEs:	186.48	$1,853,916
		Grant	BIUs:	181.00	$647,731
		Total:			**$2,501,647**
2.0 RATE					**$4,122,721**
3.0 GRAND TOTAL **Total, Activity + Rate**		Tuition	FFTEs:	186.48	$5,976,637
		Grant	BIUs:	181.00	$647,731
		Total:			**$6,624,368**

Fee and Rate Setting Process

Universities, through their individual acts of incorporation, have full authority to establish their own fee levels. The government, however, through the Ministry of Training, Colleges & Universities (MTCU), issues Tuition Fee Policy guidelines for government funded courses. According to the Guidelines, an institution will be penalized through a grant reduction for fees charged above the permitted levels. Universities have full discretion over tuition fee increases for non-government funded courses.

A proposed list of the upcoming academic year tuition fees is brought forward annually in February to the Financial Planning, Audit and Human Resources Committee and to the Board of Trustees for approval. This timing is important to ensure critical timelines are met for setting fees in the student information system, calendars, publications and payment notifications. Generally, tuition rate increases are effective for the next fall/winter session. Tuition rate increases may be effective for the next spring/summer session where the cohort for the 2010-11 academic year begins prior to the fall session.

Compulsory non-tuition-related ancillary fees are established through a referendum or have to follow the established Ancillary Fee Protocol agreement that is in place between the University and the University Students' Union. Some existing fees can increase automatically only after the CPI has accumulated to 5% since the last fee increase or where fees are system wide fees applicable to all Ontario University students. Ancillary fees are all assessed and collected by the University and are either administered by the University or by the BUSU (Brock University Students' Union) or the GSA (Graduate Students' Association).

Management determines miscellaneous administrative and "fee-for-service" costs. The departments that provide these services and assess the fees include the Registrar's Office, Graduate Studies, Student Accounts Finance, Career, International and Library Services. The fees are reviewed annually to ensure they cover current costs. The Department of Recreation Services annually reviews Walker Complex membership rates for use by students, staff, faculty and community members. As well, Parking Services annually proposes new permit and visitor rates. Ancillary, miscellaneous administrative and service fees were brought forward in the spring to the Financial Planning, Audit and Human Resources Committee for information.

Government Tuition Fee Policy

On April 10, 2006, the Ministry issued a "Guideline for Implementation of Tuition Fee Policy for Publicly Assisted Universities" that was in effect from 2006-07 until 2009-10 and provided a regulatory framework for all publicly-funded programs.

On March 29, 2010, the Ministry announced greater financial assistance for postsecondary students and a plan to modernize the Ontario Student Assistance Program (OSAP). The announcement also included the continuation of the current tuition framework for two years, with no changes, except for the requirement to contribute 10% of additional revenue from tuition fee increases to bursaries and other student assistance programs that provide financial aid to students most in need.

The Guideline allows for tuition fee differentiation based on program and program year of study as follows:

- Distinguishes separate maximum limits for "1st year of study" and "continuing years".

- Tuition fees may increase within specified limits with the average tuition increase not to exceed 5% (excluding changes in enrolment activity).

The following chart displays the government tuition guidelines:

MAXIMUM ALLOWABLE FEE INCREASE		
PROGRAM * TYPE	PROGRAM YEAR	
	First Year	Continuing Years
Arts & Science and Other Programs	4.5%	4%
Professional and Graduate Programs	8%	4%
Total Tuition Increase	5%	

* Program Categories are as defined by MTCU – Appendix A to the Policy

Tuition Fees – Government Funded Programs

Since 2007-08, this tuition framework has been implemented for Brock University programs. The Undergraduate Professional Programs would include Computer Science and Business and Graduate Programs include Master of Accountancy, Master of Business Administration, Master of Education, Master of Arts, Master of Science, Master of Business Economics, Master of Applied Disability Studies, PhD Arts and Science, and PhD Education.

Having implemented the Ontario government's tuition policy of fee differentiation in 2007, the 2010 fee structure will result in five differentiated rates for each program type (First year / 2009 Continuing / 2008 Continuing / 2007 Continuing / 2006 and prior Continuing). The number of differentiated rates has compound into a complex multi-rate matrix.

Tuition Fees – Non-Government Funded Programs

Fee increases for non-funded cost recovery programs and international students are proposed only after relative fee comparisons with competitive markets. VISA students in graduate and undergraduate programs are not eligible for provincial government funding and therefore are not governed by the government's tuition policy. In consideration of the increases to domestic students and the competitive market, the VISA rates will increase by 4% in 2010-11 (raised by 5% in 2009-10) for both undergraduate and graduate VISA students.

Tuition Fee Structure

As approved by the Board of Trustees on March 1, 2007, Brock University implemented changes in the tuition fee structure for 2007-08. Similar to models at other universities, Brock adopted a flat tuition fee equivalent to the rate of 5.0 credits for all undergraduate students taking a credit load of 4.0 to 5.0 credits in the fall/winter session. Students taking less than 4.0 credits pay on a per credit basis. Students taking above 5.0 credits pay on a per credit basis for the additional credits taken. Each year, the new tuition fee structure is applied to students in their first entry year and each of their subsequent years of study. Effective 2010-11, the flat tuition fee will now apply to students with a first entry year of 2010-11 and continues to apply to students with a first entry year of 2007-08, 2008-09, 2009-10. This

structure had been grandfathered to existing students at the time but now applies to all students over the last four entry years.

Incidental Fees

Incidental fees include the Athletic fee and the Health Services ancillary fees which are governed by the Ancillary Fee Protocol between the University and the Brock University Student's Union. For 2010-11, most ancillary fees administered by the University were not in a position to increase because CPI had not accumulated to 5% since the last fee increase in 2007-08. The Recreation Facilities Fee of $2 per credit fee was established in conjunction with other fees by a student referendum in 1999 and was due to expire at the end of summer 2010. Through a successful student referendum held by BUSU and GSA in March and April 2010 respectively, this fee will now continue at $2 per credit for undergraduate and $4 per term for graduate students without expiration and provides for annual increases based on CPI. This fee is to be used specifically toward student programming and operation of the department of Recreation Services. A new Zone Fitness Centre Fee of $20 per term to allow all graduate students access to the Zone Fitness Centre with no additional costs was proposed by the GSA and passed through a referendum process conducted in April 2010.

Incidental fees also include Co-op fee revenues. In 2009-10, students in Co-op work terms paid administrative fees, which are set by University administration. Effective in 2010-11, Co-op work terms will now be a new co-op education credit course and will generate tuition revenues. This was approved by Senate on March 24, 2010.

Contributions from Other Tuition

There are a number of special funded arrangements offered to the IELP (Intensive English Language Program) and Graduate – International Student Program (ISP). These programs retain the gross revenue and expenses but are required to make a contribution to the University based on gross revenues. Included in this category are the contributions expected from IELP and the graduate international cohort programs. No significant changes in the contributions to revenue over the 2009-10 adjusted budget are expected in this group.

GOVERNMENT GRANTS

Operating Grants represents almost 39% of total operating budget revenue. They are typically general purpose and largely impacted by enrolment shifts over the previous year, over a government determined base year or trends over a number of years. Also, each university's grant is usually funded in direct proportion to its enrolment share of the provincial student enrolment system. Calculation of grants can often be predicted with relative accuracy, but many are not fully known until The Ministry of Training, Colleges and Universities (MTCU) announce them throughout the fiscal year with final announcements typically confirmed at the end of the province's fiscal year end of March 31. The following section summarizes the most significant grants. Estimates are based on the University's assumptions regarding expected grant revenues.

Basic Operating Grant

Core government funding comes through Basic Operating Grants. This funding is distributed to universities based on enrolment levels. To approximate the cost of each program, the number of fiscal full-time equivalent (FFTE) students is multiplied by a program weight to

determine the number of Basic Income Units (BIUs). Refer to Appendix III for Definitions and Counting Students.

Included in the basic operating grant is an amount for Teacher Expansion Funding that was initiated in 2001-02. In March, MTCU announced that $7.5 million has to be recovered from the current 13 universities over 2 years. So the upper amount from Brock would be $517,500 but will likely be a lower amount. No reduction has been made in the 2010-11 budget grant projections for this shortfall as it will be considered in future budget updates once the amount is known.

In late 2008, MTCU started paying a number of grants as part of the bi-weekly payments as opposed to lump sum amounts. This has assisted in the predictability of the monthly cash flows. As well, a number of grants that have remained constant and part of past initiatives have been flowed as part of the Basic Operating Grant. The Quality Assurance Fund of $2,340,998 represented funding from a previous government's quality initiative program and the Tuition Compensation grant of $1,907,115 was provided in lieu of tuition rate increases during the tuition freeze of 2005-06 and 2004-05. Both of these grants have remained constant for many years and are now being paid and rolled into the base grant funding.

In addition, MTCU rolled the Graduate Expansion grant up to 2007-08 in the amount of $1,202,106 into the Basic Operating Grant, thereby making it permanent funding. The 2010-11 Basic Operating Grant is estimated at **$69,376,217** which is higher by $335,103 than 2009-10 due to an adjustment in 2008-09 that has now been included into base funding. The Basic Operating Grant is made up of the following components:

	2009-10	**2010-11**
Basic Operating Grant	$63,590,895	$63,925,998
Quality Assurance Fund	2,340,998	2,340,998
Tuition Compensation	1,907,115	1,907,115
Graduate Expansion	1,202,106	1,202,106
Total Basic Operating Grant	**$69,041,114**	**$69,376,217**

Graduate Expansion Grant

Since 2008-09, the Graduate Expansion grant refers only to the amount expected to be received based on graduate enrolment growth over and above the 2007-08 level. The graduate expansion funding up to 2007-08 in the amount of $1,202,106 has been rolled into the Basic Operating Grant (as noted on above).

Brock's current graduate expansion enrolment allotment for the period of 2004-05 to 2011-12 is 164.5 Masters and 17.5 PhDs (Eligible FTEs, fall and summer).

In 2009-10, Brock exceeded the above allocated targets by 36 Masters and 15 PhDs and these above-the-target enrolments are currently unfunded. We remain hopeful that MTCU will be able to fund these unfunded graduate students; however, no grant funds have been added at this time to the 2010-11 budget. Any adjustment will be considered in future budget updates if funding is confirmed.

It is projected that Brock's eligible graduate enrolment for 2010-11 is going to be flat to the enrolment in 2009-10, thus in 2010-11 Brock is again going to exceed the government approved allotment. Therefore, no change is expected in the graduate expansion grant for 2010-11 over the 2009-10 actual and is estimated at **$976,356.** Refer to the ACID projections as summarized on page 27.

Undergraduate Accessibility Growth Fund

The Ontario government introduced the undergraduate accessibility fund in 2001-02 to ensure that universities were able to cope with the expected enrolment growth due to the "double cohort". At that time, Universities received an undergraduate accessibility grant based on their year-over-year undergraduate enrolment growth. This grant rose significantly during the initial "double cohort" years and the accessibility grants a University had received up to 2004-05 were rolled into its basic operating grant.

Starting in 2005-06, an institution will have opportunity to receive an Undergraduate Accessibility Grant only if there is enrolment growth over 2004-05 undergraduate enrolment. The following is the formula for undergraduate accessibility grants:

*Change in BOI [Increase in BIU * $5,442.15(BIU Value)] minus Change in Formula Fees [Increase in FTEs * $2,362.14 (adjusted Formula Fees per FTE)]*

Also, since 2005-06 the grant had not been rolled into base operating funding and had been provided as a one-time grant. Brock received about $3 million in 2005-06 and about $2.5 million in 2006-07 but had not been eligible for this funding in 2007-08 or 2008-09.

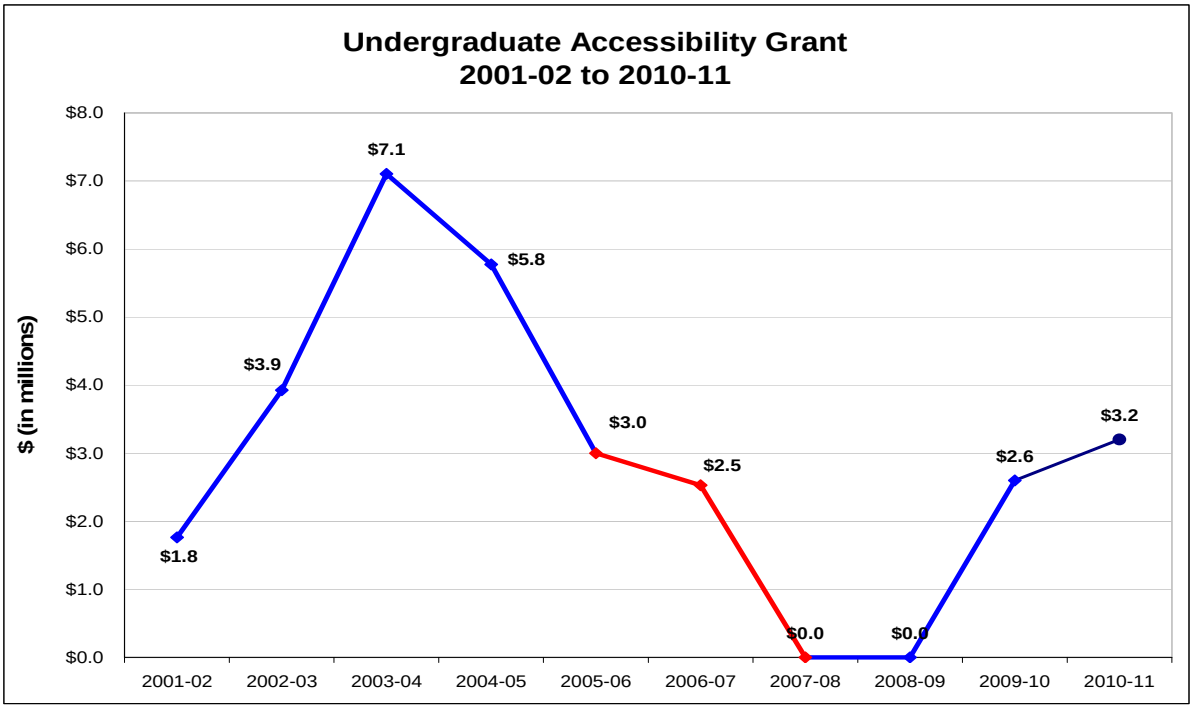
It was originally projected that, in comparison to 2004-05, that Brock's undergraduate FTEs and BIUs for 2009-10 would not be sufficient to receive the Undergraduate Accessibility funding. However, given the actual increase FTE's and projected BIUs, Brock was able to receive this funding. Based on final 2009-10 enrolment results and final confirmation by MTCU on March 31, 2010 of full funding to the system, the final 2009-10 Undergraduate Accessibility Funding Grant was $2,557,731. The change in BIUs for 2010-11 over 2009-10 is expected to be 187 and the increase in FTEs is expected to be 145.8, therefore:

Change in BOI:	187 x $5,442.15	=	$1,017,682
Change in Formula Fees:	145.8 x $2,362.14	=	$ 344,400

The increase in the Undergraduate Accessibility Grant for 2010-11 is expected to be $673,282 ($1,017,682 – $344,400). Refer to the ACID projections as summarized on page 27. Therefore the total Undergraduate Accessibility Funding Grant for 2010-11 is projected at **$3,231,013**. The incremental and total budgeted amounts for this grant are summarized in the table below:

Enrolment Based Grant	2009-10 Budget and Actuals				2010-11 Projected	
	Final Approved Budget (Jun 25, 2009) (a)	Approved Mid Year Budget Changes (Nov 23, 2009) (b)	Incremental in 2009-10 (c)	2009-10 Actual (d)=(a)+(b)+(c)	Projected incremental for 2010-11 (e)	2010-11 Requested Budget (f)=(d)+(e)
Undergraduate Accessibility Fund	$0	$1,400,000	$1,157,731	$2,557,731	$673,282	$3,231,013

As the following chart depicts, the undergraduate accessibility grant rose rapidly as the double cohort started moving into the institution in 2002-03 and 2003-04 and then rapidly declined as they moved out of the institution. For the grants received in years 2005-06 and 2006-07 they were funded on a one-time basis only (denoted in red on the chart). It is expected that the 2009-10 funding will be rolled into base funding.



General Access & Quality Grant

Funds were provided to universities to increase access to high quality postsecondary education across the province. There is a requirement for each university to sign multi-year agreements (MYA's) that will monitor the use of the funds against the goals of access, quality and accountability. These quality funds are not guaranteed to become base funding.

The General Access/Quality grant had originally been projected in 2009-10 based on the actual amount received in 2008-09 in the amount of $2,861,590. On March 29, 2010, MTCU confirmed the final allocation of the operating grants and this grant was funded at $3,954,226 which is an amount that was $1,092,636 higher than projected in 2009-10. In preparing the 2010-11 grant estimates, the assumption is that General Access/Quality grant will continue at the same level as in 2009-10 and is estimated at **$3,954,226**.

Nursing Collaborative and Completion Grant

Nursing consists of three programs that are taken into consideration when predicting enrolment (and revenue) for Nursing. The three programs are:

- Collaborative Nursing (a joint program with Loyalist College);
- Nursing Completion (the final two years of the four-year BScN program); and
- The four-year BScN program.

The Nursing grant is funded under a separate envelope through the College system envelope. Brock receives its grant through Loyalist College and is paid on a slip-year basis (that is, we

are paid based on the enrolment in the prior year). The grant revenue for Nursing is calculated by multiplying the most recent year's (2008-09) funding rate by 2010-11 projected FTEs. Using this method, Nursing grant revenue is expected to decrease by $25,551 over 2009-10 actuals. Refer to the ACID projections as summarized on page 27. The total grant for 2010-10 is expected to be **$2,371,133**. The incremental and total budgeted Nursing grant amounts are summarized in the table below:

	2009-10 Budget and Actuals				2010-11 Projected	
Enrolment Based Grant	Final Approved Budget (Jun 25, 2009)	Approved Mid Year Budget Changes (Nov 23, 2009)	Incremental in 2009-10	2009-10 Actual	Projected incremental for 2010-11	2010-11 Requested Budget
	(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)	(f)=(d)+(e)
Nursing	$2,113,979		$282,705	$2,396,684	($25,551)	$2,371,133

Performance Fund

Since 2000-01, the government has provided Performance Funding. Universities are measured on three indicators: the employment rate of graduates six months after graduation, employment rates two years after graduation, and a cohort based graduation (degree completion) rate. A benchmark is established for each of the three indicators and universities performing within 10% of the benchmark receive funding based on their share of total BIUs and to what extent they are above or under their benchmark. Given the relatively stable level of funding, we have assumed that the grant for 2010-11 would be **$699,243** based on the actual grant received in 2009-10.

Specific Purpose and Other Grants

The University receives a number of grants funded by the Provincial or Federal governments for specific expenditures of the same amount. These grants must be used for the intended purpose. Included in this category are a number of annual special grants relating to Students with Disabilities, Interpreter and Learning Opportunities, Aboriginal, provincial Research Overhead, Municipal Taxes, Womens' Campus Safety and provincial Student Bursaries. In most instances, it is expected that all of these grants will approximate 2009-10 actual levels.

Facilities Renewal Funds

One of the constraints in the provincial budget as noted by MTCU was that the Facilities Renewal Program will be reduced to $26 million (for both colleges and universities) from the 2009-10 level of $40 million. The estimated impact to Brock is about $341,000 less funding for facilities renewal expenditures. It is expected that this grant will be **$563,000** in 2010-11.

Federal Indirect Costs Program

The three federal granting agencies (CIHR, NSERC, and SSHRC) support the direct costs of conducting research. The Indirect Costs Program helps universities to defray the indirect costs of federally-supported research. These include operations, maintenance, libraries and technology. The amount is determined based on a formula that incorporates the last three years of research funding from the three agencies. Brock's funding is estimated to be **$2,014,124**. Note that the operating budget does not include the direct cost funding for Research nor does it include the direct costs associated with Research.

NET CONTRIBUTION FROM ANCILLARY OPERATIONS

Ancillary Operations includes the gross revenue from the Bookstore, Print Shop, Parking, and Residences & Conference Services. Ancillary Operations are expected to contribute $3,385,250 (compared to $3,294,207 for 2009-10) on a total financial activity of $29,370,226. Appendix I reports the gross revenues and expenses separately. The following chart summarizes the net contributions projected for 2010-11 with comparisons for 2009-10.

Approved Budget 2010-11

	Revenues	Expenses	Net
Bookstore & Printshop	11,422,400	9,698,667	1,723,733
Residences	13,372,826	13,367,488	5,338
Conference	1,675,000	1,370,684	304,316
Parking	2,900,000	1,548,137	1,351,863
Total	**$29,370,226**	**$25,984,976**	**$3,385,250**

Approved Budget 2009-10

	Revenues	Expenses	Net
Bookstore & Printshop	11,090,000	9,400,066	1,689,934
Residences	12,942,663	12,937,429	5,234
Conference	1,600,000	1,321,061	278,939
Parking	2,924,900	1,604,800	1,320,100
Total	**$28,557,563**	**$25,263,356**	**$3,294,207**

OTHER REVENUES

Investment Income

Investment income includes the interest that the University receives on the short-term investment of its temporarily invested excess operating cash. These excess cash amounts arise from the government grants, unspent reserves from mid-year and general underspending that is represented in year end carryforward requests. It is assumed that the average cash balance and investment returns received throughout the year will result in a decline of $750,000 from the Investment Income budget established in 2009-10. As a result the 2010-11 budget is projected at **$1,250,000.**

Rental and Sundry

The largest portion of this revenue category is Brock's share of the fees charged by the Ontario Universities' Application Centre. Also included are revenues from space rental, interest charges on accounts receivable, and fees for transcripts and other administrative service charges. This budget has been relatively stable from year to year and is estimated to be at **$2,616,600** for 2010-11**.**

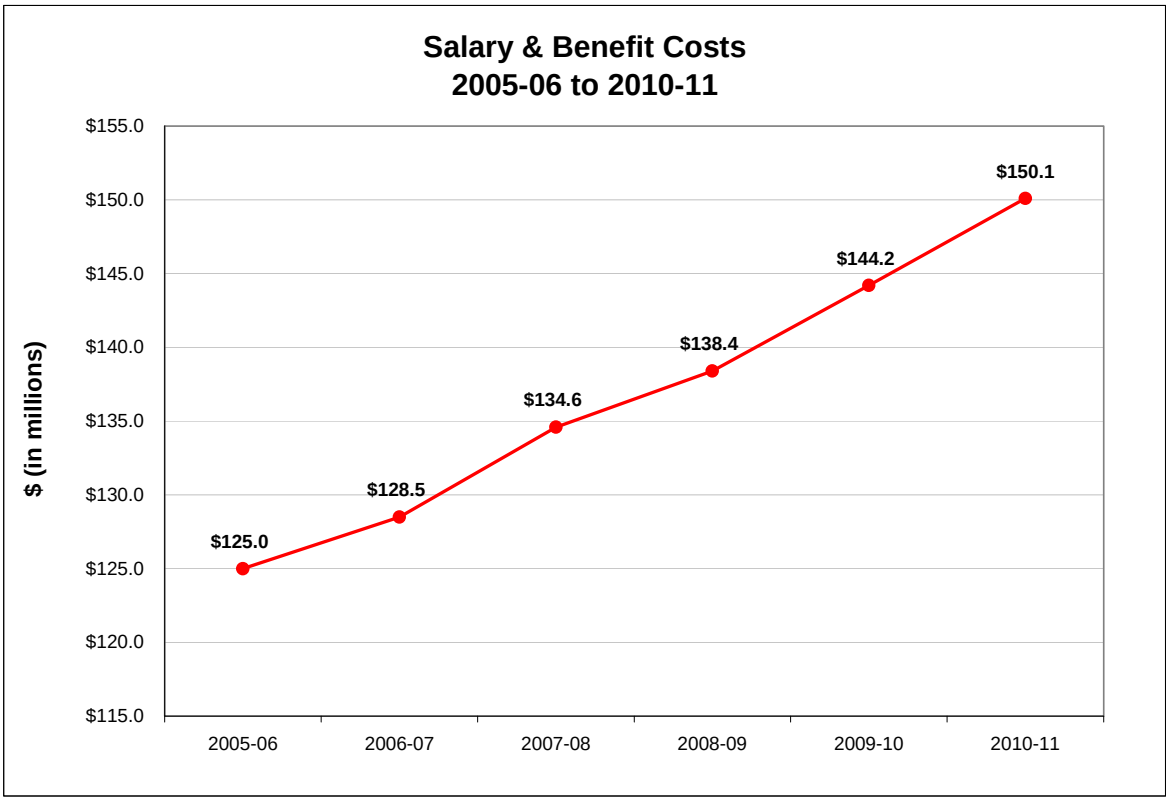
EXPENDITURE ESTIMATES & COMMENTARY

Budget Developer's prepared expenditure budgets as defined by their functional area of responsibility. The functional departments and/or divisions are generally defined by the organization structure (e.g. Academic, Student Services and Administration). Budgets are developed, analyzed and variances explained by these functional areas, thus expenditures are summarized in this format. This presentation is useful as it provides expenses in a manner that is consistent with previous periods and facilitates budget control and monitoring. However, there are categories of expenses (e.g. salaries) that weave through and impact all departments and/or divisions and thus information on these major categories of expenses has been included. The following section on the 2010-11 budget expenditure estimates will be reviewed and focus on:

- Salaries and Benefits
- Non-Salary Costs
- Functional Divisions

SALARIES AND BENEFITS

Given the nature of a university's business, it is not surprising that the largest cost would be salary and benefits of faculty and staff. Faculty and staff (full and part-time) salaries and benefits comprise the most significant portion (approximately $150,000,000 or 80%) of the University's expenditure budget (excluding the expenses for gross ancillary operations and special purpose grants). The following graph shows how the salary and benefit costs have risen continually over the last several years to the extent of almost $25 million during that period.



At Brock University, the salary base has grown rapidly over the past several years. Significant investments have been made with over 115 new full-time faculty budget positions and over 60 new staff budget positions being added during 2003-04 and 2006-07. Since that time, minimal positions have been added from central funds but new positions are created from time-to-time with other resources (e.g. converting part-time into full-time). These investments add to the salary and benefit base on which annual rate increases apply. In addition, significant increases were made in the past to part-time teaching budgets as the double cohort moved through the system. In the recent years the increases to the part-time budgets reflect increased salary rate costs and the higher proportion of graduate TA's.

The majority of the expenditure increase in 2010-11 over 2009-10 is due to:

- Actual salary costs from negotiated contract settlements,
- Estimated salary costs for contracts in negotiation or rates to be determined,
- New faculty (2), Deans returning to faculty (3) and staff (7) positions,
- The benefit costs associated with increased salary rates and new positions,
- Full fiscal impact of 2009-10 approvals of new faculty and staff positions,
- The full year impact of 2009-10 faculty and salary increases (2 months).

The bargaining and non-bargaining salary groups of the University are:

- Brock University Faculty Association (BUFA) representing Faculty and Professional Librarians last settled salary negotiations in July, 2008. The contract expires June 30, 2011.
- Ontario Secondary School Teachers' Federation (OSSTF) representing support staff settled salary negotiations during the fall of 2008. The contract expired April 30, 2010. Negotiations are underway.
- Canadian Union of Public Employees (CUPE Local 1295) representing trades, maintenance, custodial last settled salary negotiations 2009. The contract expired April 30, 2010. Negotiations are underway.
- CUPE Local 4207 representing teaching assistants, lab demonstrators and part-time instructors last settled salary negotiations in 2007. The contract expires June 30, 2010.
- CUPE Local 2220 representing Rodman Hall employees. This contract expired June 30, 2009. At the time of writing, negotiations were underway.
- CUPE Local 4207 – Unit 2 representing ESL Coordinators. This contract expires June 30, 2010.
- Administration and Professional: The "Public Sector Compensation Restraint to Protect Public Services Act" (Bill 16)" have legislative general increases to zero for the next two years except for step and merit increases that will proceed as per existing and defined processes.

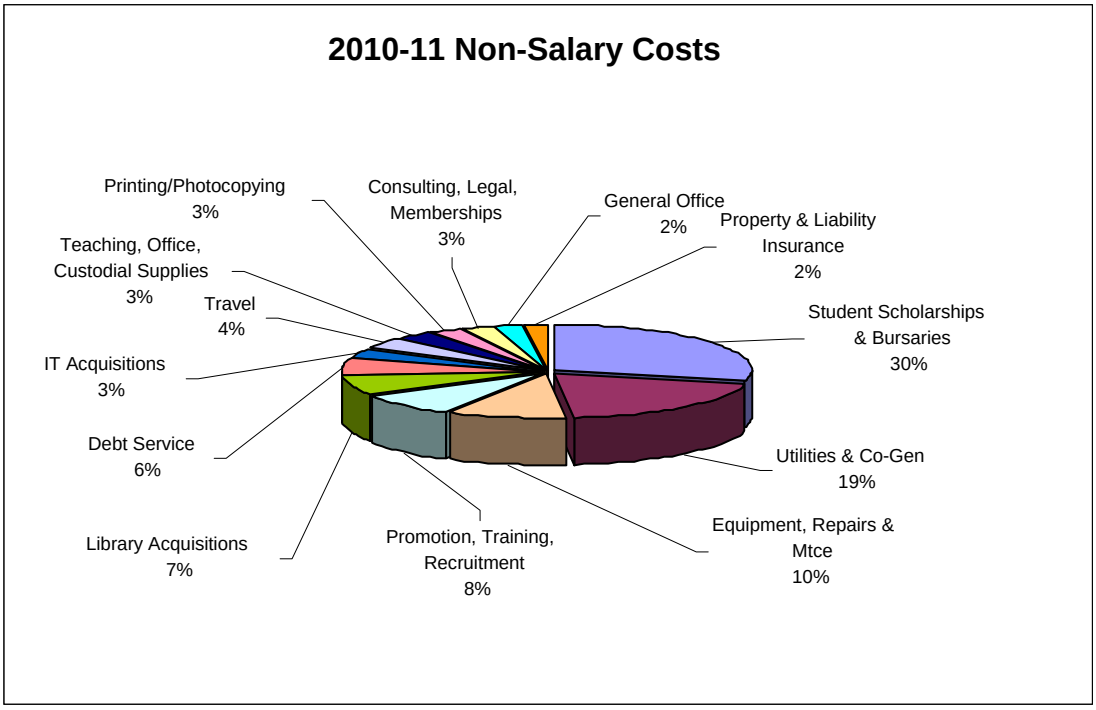
At the time of writing, contract settlements were only known for BUFA therefore actual average salary increases have been allocated to budget lines within the six Faculties and the Library. With the provincial budget in March 2010, the government introduced the Public Sector Compensation Restraint to Protect Public Services Act, 2010 (Bill 16) to freeze compensation in the Ontario Public Service and the Broader Public Sector non-bargaining employees for two years (March 24, 2010 to March 31, 2012). Going forward, the government's fiscal plan includes no funding for incremental compensation increases for any future collective agreements. As agreements are negotiated, the government intends to work

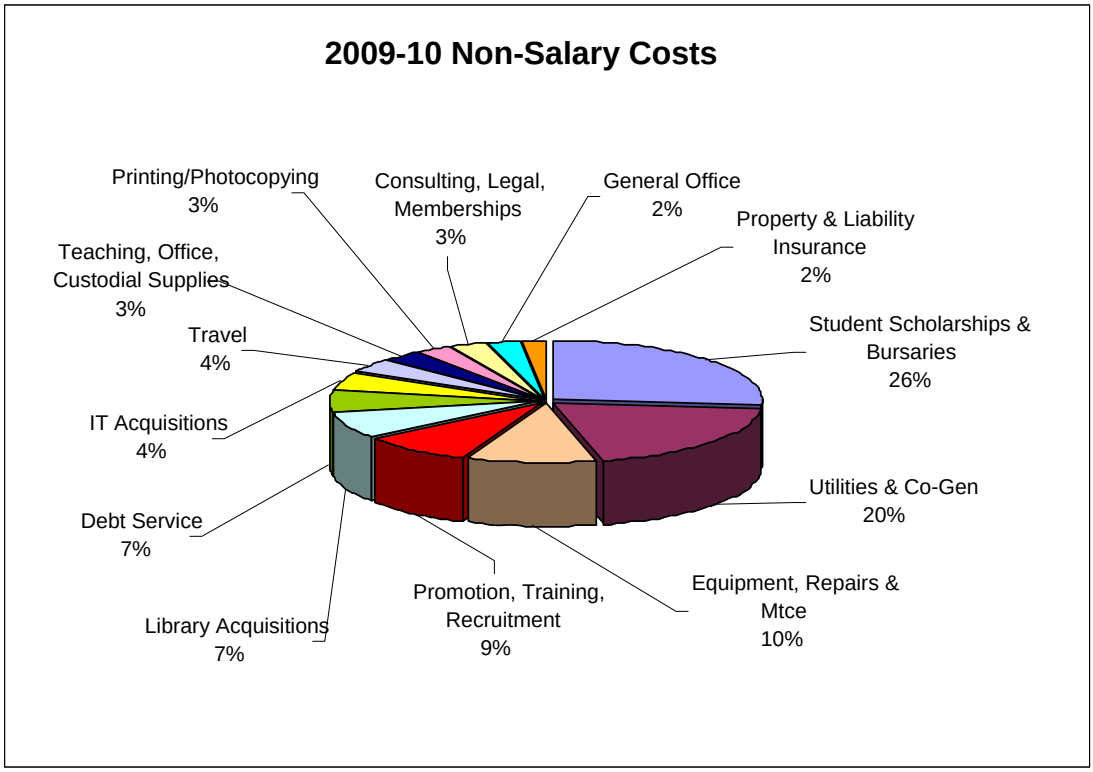
with transfer payment partners (like universities) and bargaining agents to seek agreements of at least two years' duration and to provide no net increase in compensation. The impact that this legislation will have on collective agreements currently under negotiation are not known. Therefore estimates for salary groups been set aside globally. As actual rates are known additional budget amounts will be allocated to departments and divisions throughout the year from the global estimate. Any variances between these global estimates and actual salaries are brought forward during the year through mid-year budget updates.

Benefit costs include employer contributions to the Brock University Pension Plan, dental, medical, and statutory taxes (CPP, EI, EHT, and WSIB). These costs do increase as many are a percentage of the employee's base salary, but significant enhancements have not increased the University benefit costs. The University benefit budgets are estimated using an average experience percentage for each salary group. Actual benefit costs by employee are determined through the payroll system and are charged directly to the cost centre along with the employee's actual salary costs. Any savings between the benefit amount budgeted and actual benefit costs are not available for general purpose spending by a Budget Developer and are recaptured centrally at the end of the year to support other university wide benefit and salary costs.

NON-SALARY COSTS

Non-salary expenses represent the remaining 20% of the expenditures (excluding the expenses for gross ancillary operations and special purpose grants). Budget Developers have the flexibility to manage their non-salary budgets and therefore increases or decreases can vary within the categories but have not fluctuated greatly from year to year. The components of the non-salary estimates for 2010-11 with comparison to 2009-10 are illustrated below.





FUNCTIONAL DIVISIONS

ACADEMIC FACULTIES

The Academic Faculties include, Applied Health Sciences, Business, Education, Humanities, Math & Science and Social Sciences.

The 2010-11 budget for these six faculties amount to $107,387,896 which is an increase of $3,941,130 or 3.8% over the 2009-10 approved budget. This increase is after a target reduction by the faculties of $1,488,447 or 1.4%. Therefore the inflationary increases before the target exercise were 5.2%. Total salary and benefit costs for full-time and part-time salary groups amount to about $104 million or 96.8% of the total budget.

The budgeted salary costs include known salary increases for BUFA members which are the largest component of the salary and benefit budgets within the Faculties at an amount of about $76 million. As salary increases for OSSTF and CUPE 4207 members and non-bargaining units were not known at the time of budget preparation, so these are held globally in "Other Global Expenditures".

Significant increases to staff and faculty complements have not occurred in recent years. However, two new faculty appointments approved in 2008-09 for the 2010-11 year in the Faculty of Business in support of the AACSB accreditation have been made. As well, with three new external Deans it results in three additional faculty complements added to the Faculty of Business, Education and Humanities for 2010-11.

During the budget meetings Deans identified investments required in order to respond to revenue initiatives and other strategic issues. In response, an amount of about $176,000 was used to accommodate these requests.

The revenue and reduction 2% targets for the Faculties were achieved follows:

On-going Expense Reductions	$1,488,447
Global Revenue	524,285
Grand Total	$2,012,732

ACADEMIC SUPPORT AND STUDENT SERVICES

Academic Support includes departments such as the Vice-President, Academic and Provost, Library (including acquisitions), Office of Research Services, Graduate Studies (including Fellowship bursaries), Co-op Services, the Centre for Teaching and Learning Educational Technologies and Athletics.

Student Services includes the Associate Vice-President, Student Services, Registrar, Recruitment, Financial Aid (including undergraduate bursaries and scholarships), Off-Campus Housing, Student Development, Health Services, Career Services, International Recruitment, and International Services.

The 2010-11 budget is $35,176,562 which is an increase of $3,110,603 or 9.7% over the 2009-10 approved budget. Most of this increase represents investments of $2,517,445 that are outlined below. The remaining increase would be a result of known salary increases for the Librarians (BUFA members) and fiscal impact of 2009-10 salary increases for BUFA and OSSTF for May and June. At the time of budget preparation, the salary impact for 2010-11 was not known for Administration and OSSTF salary groups and so an estimate is held in "Other Expenditure Estimates".

The revenue and reduction 2% targets for the Academic and Student Support areas including the Vice-President, Academic were as follows:

One-time expense	$ 126,040
On-going expense	207,158
On-going Revenue	130,315
Grand Total	$ 463,513

Investments of $2,517,445 were made to the Academic Support and Student Services as follows:

The Vice-President Academic will be provided with funds of $350,000 to develop the infrastructure and to build a team of subject matter experts, instructional designers, multimedia developers and technical support personnel, to assist faculty members wishing to mount and develop various pedagogical innovations and the delivery of courses in non-traditional formats (e.g. e-learning courses).

Investments in the amount of $222,000 were made within the Student Services staffing to support the commitments for the continuation and expansion of programs aimed at ensuring academic success of students.

The largest non-salary costs in this category include library acquisitions, graduate fellowships and undergraduate bursaries and scholarships. These expenses have been excluded from the target reduction exercises held in 2007-08, 2009-10 and this year as they meet the definition of "non-compressible". For 2010-11 these budgets together total $13,292,420 or 37.8% of the total budget for this division. This is an increase of $1,945,445 over the 2009-10 approved budget. The investments made for 2010-11 include:

Undergraduate Bursaries & Scholarships $1,434,000 or 29.4% increase
During the 2009-10 mid year budget review, it was determined that a $500,000 commitment was required in 2010-11 to increase the undergraduate scholarship budget in response to the increase in students eligible for these scholarships.

As a result of the governments attempt to modernize the Ontario Student Assistance Program (OSAP), there were two financial impacts to the undergraduate bursaries. Firstly, 10% of the tuition increases in 2010-11 have to be used for undergraduate bursaries. In addition to activity changes, the undergraduate set-aside bursaries are estimated to increase by $384,000.

The Student Access Guarantee (SAG) provides for students to be entitled to an amount of funding based on a specified automatic calculation. Brock University, along with many others, had an application process in place to ensure students were able to demonstrate financial need. This government's budget eliminates all "red tape" and thus this application process is expected to be removed. Therefore, based on the "automatic" calculation of need, the financial impact to the undergraduate bursaries (given obligations to other student assistance programs that provide financial aid to students in need are already in place for 2010-11), is estimated at $550,000.

Graduate Fellowships, Bursaries & Scholarships $361,000 or 8.8% increase
During the 2009-10 mid year budget review, it was determined that an increase in the graduate fellowship budget for 2010-11 would be required in the amount of $326,000.

At the University's discretion and similar to the undergraduate set-aside for students in financial need an amount of $35,000 will be set-aside from graduate tuition increases to be used by the Faculty of Graduate Studies to respond specifically to the financial need of graduate international students.

Library Acquisitions $150,000 or 6.4% increase
Even though this budget has not been subject to budget reductions, the annual purchasing power has decreased due to price increases not being accommodated. So $150,000 was added to the library acquisitions base budget.

EXECUTIVE, ADMINISTRATION AND FACILITIES

This category includes campus support departments such as Facilities Management, Campus Security, Information Technology services, the offices of the President and Vice-President, Finance & Administration, Finance and Procurement Services, Human Resources, Health & Safety, Internal Auditor, Institutional Analysis, Human Rights & Equity, the University Secretariat, Alumni Relations, Vice-President Advancement, Communications & Marketing, Development and Donor Relations. Also included are student and community support partial revenue generating services such as the Centre for the Arts, Recreation & Aquatics, and Community Services (Continuing Education, CATI, Brock One Card & Hospitality).

A large portion of this category includes university-wide budgets for facilities, infrastructure, utilities, co-generation plant, interest and debt service, audit, legal, consulting costs, pension, insurance, and health and safety.

The 2010-11 budget is $43,508,264 which is an increase of $643,414 or 1.5% over the 2009-10 approved budget. Most of this increase represents additional plant operating costs. The remaining increase would be the fiscal impact of salary increases for May and June resulting from 2009-10 salary increases for CUPE 1295 and OSSTF. The salary impact for 2010-11 is not known and has been captured globally for Administration, OSSTF, CUPE 1295 (representing trades, maintenance, and custodial staff in the Facilities Management area).

The revenue and reduction 2% targets for the Executive, Administrative and Partial Revenue Generating areas were as follows:

On-going expense	$ 520,380
One-time expense	143,625
On-going Revenue	27,306
Grand Total	$ 691,311

Debt Service Expenditures

In 2005, Brock University issued $93 million of senior unsecured debentures. Proceeds from the debentures were used to refinance existing debt and new capital requirements. These funds were acquired at an annual interest rate of 4.967 per cent over a 40-year term, with the principal due as a bullet payment in 2045. A sinking fund has been established to ensure adequate funds are available to retire the debt in 2045.

The operating budget implications effective with 2006-07 were that the additional interest costs on the new debt acquired and the sinking fund contributions had been more than offset by relief of principal payment savings on retired debt by $1,400,000. This savings will continue until such time that new debt service requirements from the operating budget are planned.

The total debt service costs approximates $7.9 million with $5.7 million covered by the ancillary operations and $2.2 million covered from general operating sources which is include in this category

Employee Future Benefits

Pension Plan

The University provides pension benefits to employees primarily through a hybrid pension plan. It is essentially a defined contribution but with a minimum benefit guarantee. Under this arrangement, the University and employees are required to make contributions based on a specified percentage of the employee's earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount.

The severity of the market meltdown that occurred in 2008 and the impact to a university's financial situation depends on whether their pension fund is a defined benefit or defined contribution plan. The risks and rewards of investment returns are borne by the employer with a defined benefit plan but with the pensioner with a defined contribution plan. Since Brock's plan is primarily a defined contribution plan (with a minimum guarantee component), the greatest impact is borne by the pensioners.

The "Report on the Actuarial Valuation for Funding Purposes as at July 1, 2008" shows the Plan has a funding shortfall of $4,203,000 at July 1, 2008 on an ongoing basis. So commencing July 1, 2008, the University was required to pay the estimated current service cost of $606,000 and the minimum annual special payments to amortize the deficiency of $421,000 for an annual payment of $1,027,000. This is budgeted within the Human Resources department global budget. This annual payment is required until the next valuation in 2011. The greatest impact on the Plan's funding shortfall was increasing salary wage costs and actuarial assumptions regarding life expectancies. The next valuation is due in 2011 with impacts to the operating budget being known in early 2012.

Other Non-Pension Post Employment Benefits

The University also has a number of defined benefit programs that provide employees with benefits upon retirement or cessation of active service. Under the terms of this agreement, faculty retiring on or after July 1, 2006, are at least 55 years of age and have worked at the University for at least eight years are entitled to a health care spending account (HCSA) of $2,100 per annum, effective January 1, 2010 which increases to $2,150 effective January 1, 2011.

The cost of these programs is determined on an actuarial basis using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions including salary changes, withdrawals, mortality rates and expected health care costs.

The budget or cash impact is relatively minimal however, the audited financial statement impact is significant as liability and the amount to be expensed each year is determined actuarially.

OTHER GLOBAL EXPENDITURES

The 2010-11 budget is $1,701,603 which is an increase of $2,487,900 over the 2009-10 approved budget that was actually in a "credit" budget position of $319,946. Note that this was previously reported as budget of $707,054 until the pension budget of $1,027,000 was reallocated to the Human Resources global account to match the annual payments. This category includes costs that are not specific to any one department or division, such as consulting and professional allowances. This category also includes global funds that are earmarked for specific purposes such as for salary increases and start-up and recruitment for new faculty until such time as they are approved and budget transfers are made to the specific department or division. There are no reserve budgets held in this category. The increase is due to the salary global budget. Other than BUFA all salary amounts were not known or finalized for 2010-11 and therefore are held globally. This was not the case in 2009-10 as most salary costs were known and allocated to the departmental budgets. Furthermore, a number of "recovery" budgets were captured in this category in 2009-10 for control purposes to ensure one-time commitments, those pending final decisions or one-time funding coming forward from year end carryforward budgets were followed up from Budget Developers by Finance. The target exercise in 2010-11 had minimal one-time funds to be recovered.

ANCILLARY OPERATIONS

Ancillary Operations include the gross expenses of the Bookstore, Print Shop, Parking, and Residences & Conference Services. Refer to the revenue section (page 35) for further information on gross expenses and net contribution for each category. The 2% revenue target for the Ancillary Operations was met with an increase to the on-going contribution of $292,859.

SPECIFIC PURPOSE AND OTHER GRANTS

The University receives a number of grants that are funded by the Provincial or Federal government for specific expenditures. Generally speaking, there are matching expenses of the same amount. Refer to the revenue section (page 35) for further information on the types of grants included in this category.

To be continued….

APPENDICES

BROCK UNIVERSITY OPERATING BUDGET

	2009-10 Approved Budget June-09	2009-10 Current Base Budget April-10	2010-11 Draft Final Budget June-10	2010-11 Incr/(Decr) Over Current Base Budget	2010-11 Incr/(Decr) Over 2009-10 Approved Budget	
Revenues						
Student Fees						
Tuition Revenue	78,746,456	81,246,456	87,223,093	5,976,637	8,476,637	10.8%
Incidental Fees	2,423,080	2,423,080	2,426,100	3,020	3,020	0.1%
Contribution from Other Tuition	843,499	836,685	836,685	-	(6,814)	-0.8%
sub-total	82,013,035	84,506,221	90,485,878	5,979,657	8,472,843	10.3%
Operating & Other Grants						
Total Basic Operating Grant	69,041,114	69,041,114	69,376,217	335,103	335,103	0.5%
Graduate Expansion	1,018,627	1,018,627	976,356	(42,271)	(42,271)	-4.1%
Accessibility Grant - undergraduate		2,557,731	3,231,013	673,282	3,231,013	
General Access/ Quality Grant	2,861,590	3,954,226	3,954,226	-	1,092,636	38.2%
Nursing Grant	2,113,979	2,113,979	2,371,133	257,154	257,154	12.2%
Performance Fund	699,243	699,243	699,243	-	-	0.0%
Other Grants	741,741	741,741	793,830	52,089	52,089	7.0%
sub-total	76,476,294	80,126,661	81,402,018	1,275,357	4,925,724	6.4%
Specific Purpose Grants						
Facilities Renewal Grants	904,200	904,200	563,000	(341,200)	(341,200)	-37.7%
Federal - Indirect Costs Program	1,773,957	1,773,957	2,014,124	240,167	240,167	13.5%
Other Grants	1,443,103	1,443,103	1,135,465	(307,638)	(307,638)	-21.3%
sub-total	4,121,260	4,121,260	3,712,589	(408,671)	(408,671)	-9.9%
Gross Revenues from Ancillary Operations						
Bookstore & Printshop Operations	11,090,000	11,090,000	11,422,400	332,400	332,400	3.0%
Residences & Conference Services	14,542,663	14,542,663	15,047,826	505,163	505,163	3.5%
Parking	2,924,900	2,924,900	2,900,000	(24,900)	(24,900)	-0.9%
sub-total	28,557,563	28,557,563	29,370,226	812,663	812,663	2.8%
Other Revenues						
Investment Income	2,000,000	2,000,000	1,250,000	(750,000)	(750,000)	-37.5%
Rental & Sundry	2,616,600	2,626,600	2,616,600	(10,000)	-	0.0%
sub-total	4,616,600	4,626,600	3,866,600	(760,000)	(750,000)	-16.2%
Total Revenues	195,784,752	201,938,305	208,837,311	6,899,006	13,052,559	6.7%

BROCK UNIVERSITY OPERATING BUDGET	2009-10 Approved Budget June-09	2009-10 Current Base Budget April-10	2010-11 Draft Final Budget June-10	2010-11 Incr/(Decr) Over Current Base Budget	2010-11 Incr/(Decr) Over 2009-10 Approved Budget	
Expenditures						
Academic Faculties						
Faculty of Applied Health Sciences	12,928,049	12,979,030	13,270,168	291,138	342,119	2.6%
Faculty of Business	15,723,593	15,679,076	16,741,819	1,062,743	1,018,226	6.5%
Faculty of Education	14,623,105	14,650,949	15,190,816	539,867	567,711	3.9%
Faculty of Humanities	18,843,500	18,898,083	19,546,497	648,414	702,997	3.7%
Faculty of Math & Science	15,672,414	15,749,938	16,191,961	442,023	519,547	3.3%
Faculty of Social Sciences	25,656,105	25,660,885	26,446,635	785,750	790,530	3.1%
sub-total	103,446,766	103,617,961	107,387,896	3,769,935	3,941,130	3.8%
Academic Support & Student Services						
Library Department	4,851,962	4,886,175	4,985,912	99,737	133,950	2.8%
Library Acquisitions	2,347,875	2,347,875	2,497,875	150,000	150,000	6.4%
Research & VP Research	1,520,963	1,529,158	1,593,795	64,637	72,832	4.8%
Graduate Studies & Fellowships	5,005,821	5,010,240	5,376,441	366,201	370,620	7.4%
VP Acad, Co-op, CTLET, Athletics, CARP	4,228,418	4,265,698	4,667,271	401,573	438,853	10.4%
Financial Aid - Set Aside	3,429,000	3,429,000	3,812,972	383,972	383,972	11.2%
Financial Aid - Operating Support	1,455,500	1,955,500	2,505,500	550,000	1,050,000	72.1%
AVP, Registrar, Recruitment, Support Student Services	9,226,420	9,331,741	9,736,796	405,055	510,376	5.5%
sub-total	32,065,959	32,755,387	35,176,562	2,421,175	3,110,603	9.7%
Executive, Administration, Facilities						
Facilities Mgmt Operating Costs	11,908,364	12,087,438	12,502,443	415,005	594,079	5.0%
Facilities Mgmt - Utilities & Co-gen Plant	5,313,225	5,373,646	5,351,512	(22,134)	38,287	0.7%
Interest & Principal	2,248,271	2,248,271	2,248,271	-	-	0.0%
Campus Security	1,446,245	1,471,570	1,551,823	80,253	105,578	7.3%
Emergency Management Plan	18,500	18,500	14,850	(3,650)	(3,650)	-19.7%
Information & Technology Services/Acquisitions	7,322,579	7,411,773	7,327,601	(84,172)	5,022	0.1%
President & University Secretariat	1,405,975	1,411,355	1,402,007	(9,348)	(3,968)	-0.3%
Planning, Internal Audit and Human Rights & Equity	441,018	447,703	442,434	(5,269)	1,416	0.3%
VP Finance/Admin, Finance, HR & Health & Safety	6,529,775	6,582,201	6,572,466	(9,735)	42,691	0.7%
BCA, Recreation, Other Community Services	1,575,051	1,602,523	1,433,350	(169,173)	(141,701)	-9.0%
VP Advancement, Develop., Alumni, Telegrad, Marketing & Comm.	4,655,847	4,716,503	4,661,507	(54,996)	5,660	0.1%
sub-total	42,864,850	43,371,483	43,508,264	136,781	643,414	1.5%
Gross Expenses from Ancillary Operations						
Bookstore & Printshop Operations	9,400,066	9,400,066	9,698,667	298,601	298,601	3.2%
Residences & Conference Services	14,258,490	14,258,490	14,738,172	479,682	479,682	3.4%
Parking	1,604,800	1,604,800	1,548,137	(56,663)	(56,663)	-3.5%
sub-total	25,263,356	25,263,356	25,984,976	721,620	721,620	2.9%
Other Global Expenditures	(319,946)	466,351	2,167,954	1,701,603	2,487,900	777.6%
Specific Purpose Grants						
Facilities Renewal Grants	904,200	904,200	563,000	(341,200)	(341,200)	-37.7%
Federal - Indirect Costs Program	1,773,957	1,773,957	2,014,124	240,167	240,167	13.5%
Other Grants	1,443,103	1,443,103	1,135,465	(307,638)	(307,638)	-21.3%
sub-total	4,121,260	4,121,260	3,712,589	(408,671)	(408,671)	-9.9%
Total Expenditures	207,442,245	209,595,798	217,938,241	8,342,443	10,495,996	5.1%
Difference between Revenue and Expenses	(11,657,493)	(7,657,493)	(9,100,930)	(1,443,437)	2,556,563	-21.9%
Accumulated Operating Surplus/(Deficit), beginning of year	2,800,310	2,800,310	(4,857,183)			
Accumulated Operating Deficit, ending of year	**(8,857,183)**	**(4,857,183)**	**(13,958,113)**			

Brock University
Budget Development 2010-11
Timelines & Process

Preliminary Budget discussions with:	
CAD/CAA	**Fall 09**
FAD & other Budget Developers	**Fall 09**
Town Hall Meetings with Faculty, Staff, Student Unions	**Oct.23/09**
Open on-line 10/11 Budget Development to Budget Developers	**Dec.21/09**
	2010
Budget schedules available on Finance website	**Jan.5**
Finance distribute Permanent Employees on Benefits (Schedule 3) to Budget Developers	
Deans	**Jan.13**
All (except Deans)	**Jan.15**
Meetings with Budget Developers to review Budget Process & Guidelines:	
SAC	**Jan.26**
FAD	**Jan.27**
Budget Developers submit Salary Schedule 3 to Finance:	
All (except Deans)	**Jan.27**
Deans	**Feb.1**
Residence Preliminary Budget submission (re: rate setting)	**Jan.29**
Review current status of 2010-11 Budget Development with:	
Senate Budget Advisory Committee	**Feb 3**
Financial Planning, Audit and Human Resources Committee	**Feb.11**
Board of Trustees	**Feb.18**
Budget Developers submit Schedule 7/Minor Capital Renovation Requests directly to Facilities	**Feb.12**
Town Hall Meetings with Faculty, Staff, Student Unions	**Feb.17**
Budget Developers submit Schedule 8/IT Project Requests directly to IT	**Feb.19**
Budget Developers submit Requested Budget with Targets (include remaining schedules) to Finance as per guidelines:	
All (except Deans)	**Feb.25**
Deans	**Mar.5**
Budget Developers submit 09/10 Year End Projections on-line	**Mar.12**
Finance compilation and analysis of Budget Developer's Requested Budget with Targets	**Mar.19**
President and VPs meetings with Budget Developers to review Requested Budgets with Targets	**Mar.22-26**
Review status of 2010-11 Budget Development with:	
Financial Planning, Audit and Human Resources Committee	**Apr.8**
Senate Budget Advisory Committee	**Apr.7, May 4**
Board of Trustees	**Apr.29**
On-line budget development access closed to all Budget Developers	**Apr.9**
Finance compilation and analysis of 2010-11 Budget	**May 3**
Review "Draft" Final Budget with:	
Financial Planning, Audit and Human Resources Committee	**May 18**
Senate Budget Advisory Committee	**May 20**
Senate	**May 26**
Formal presentation and submit Final Budget for approval to :	
Financial Planning, Audit and Human Resources Committee	**Jun 17**
Board of Trustees	**Jun 24**
Approved budgets available to Budget Developers	**Jun 30**
Mid-Year Review - Budget Update and meetings	**end of October**
Review updated 2010-11 Budget with:	
Budget Developers	**November**
Senate Budget Advisory Committee	**November**
Review update 2010-11 budget and approval of variances with:	
Financial Planning, Audit and Human Resources Committee	**November**
Board of Trustees	**November**
Commence cycle for 2011-12	**December**

APPENDIX III

Definitions and Counting Students

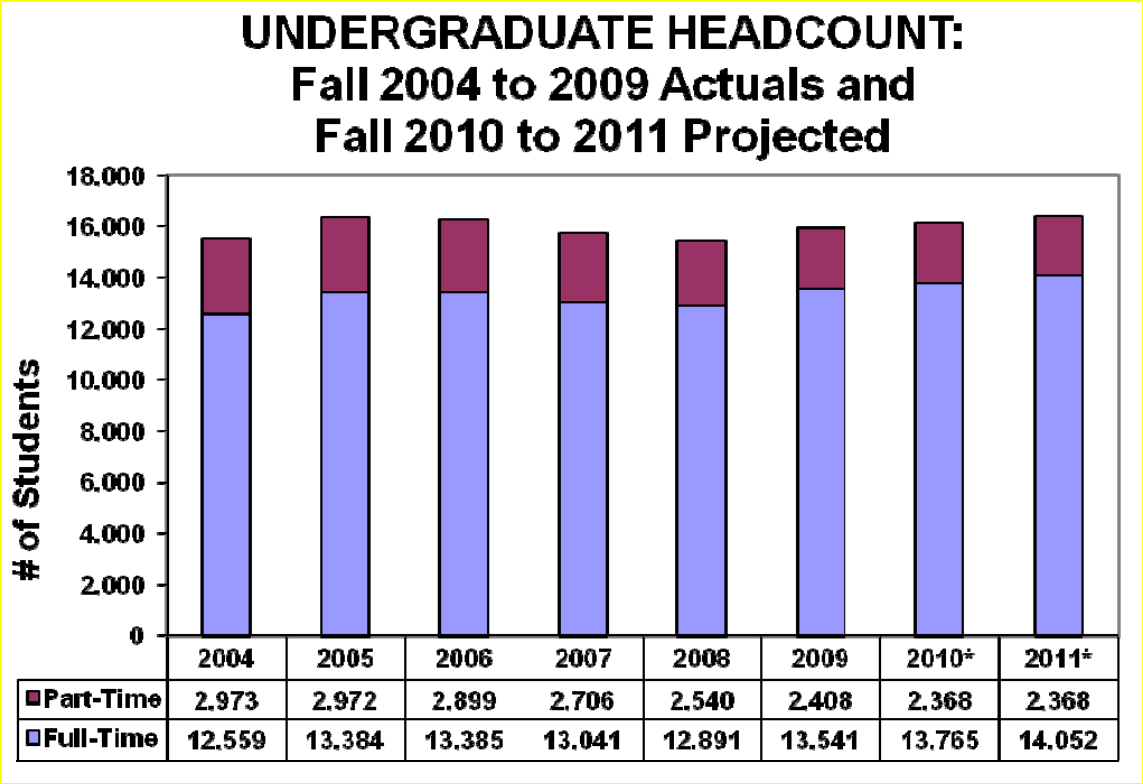
There are essentially three major ways of measuring enrolment at a university in Ontario.

1. Headcount Enrolment:
A "snapshot" of the number of individuals who are attending the university at a particular point in time and the response to the commonly asked question: "How many students does Brock have?"

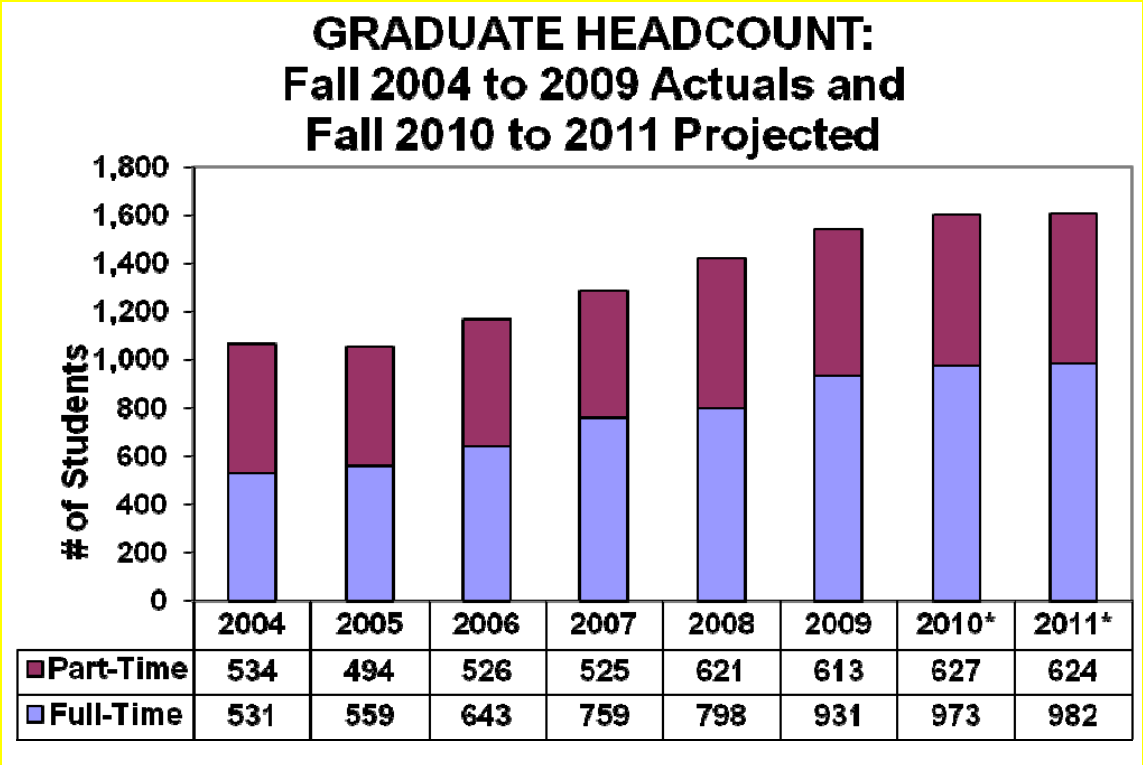
2. Full-Time Equivalent (FTE) Enrolment:
FTEs are used to provide enrolment expressed as the equivalence to full-time students. For undergraduate students, FTEs are calculated by dividing total course enrolments by 5 (the nominal load of a full-time student). Graduate students are counted on the basis of their registration status such that 1 full-time graduate student equals 1.000 FTE per term and 1 part-time graduate student equals 0.300 FTE per term.

3. Basic Income Units (BIUs):
BIUs are used in reporting enrolment to the Ontario government for funding purposes and represent a weighted enrolment measure. Thus, one FFTE undergraduate student in the "Arts" represents 1.0 BIU if enrolled in a pass (three-year) program and 1.5 BIUs if an honours student. Certain programs have higher weights (e.g., Business is 1.5 and Education is 2.0); otherwise Year 1 students (regardless of program) have a weight of 1.0.

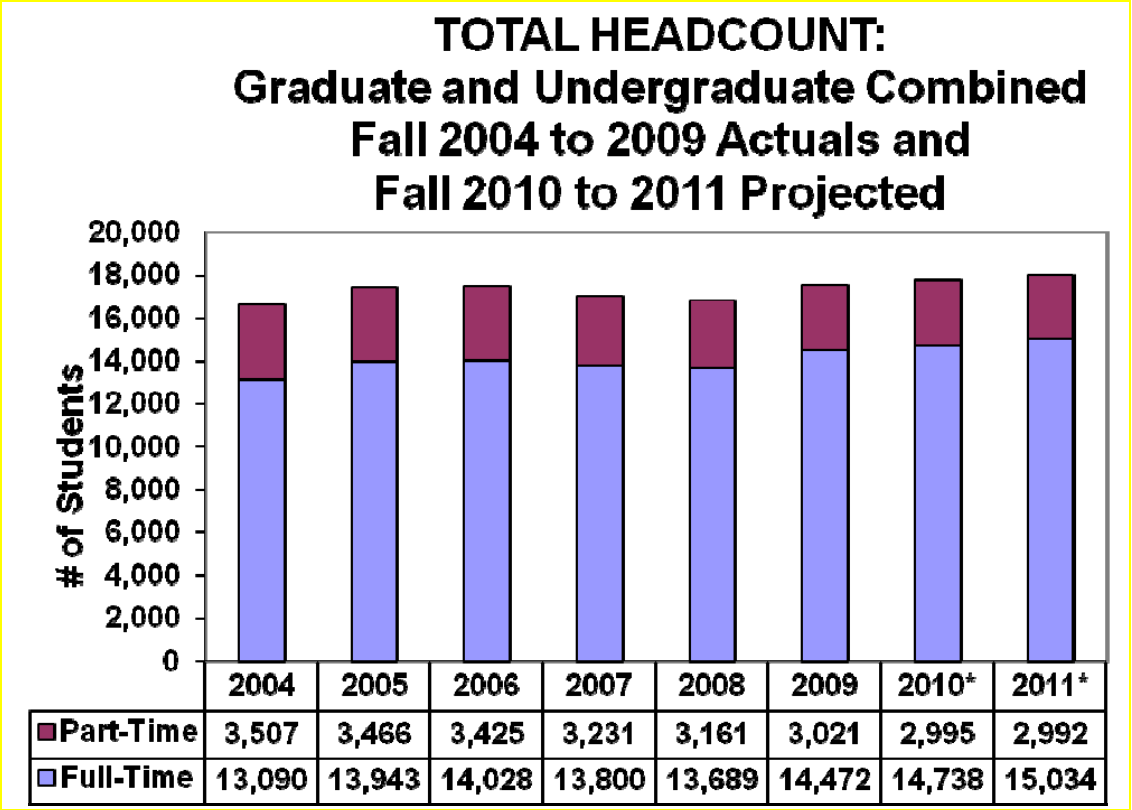
"Eligible" BIUs (and FFTEs) are those which are associated with programs which have been approved by the Ontario government for funding purposes. Also, certain categories of students are "ineligible" (international, additional qualification and coop on work term being the three largest groups).



	2004	2005	2006	2007	2008	2009	2010*	2011*
Part-Time	2,973	2,972	2,899	2,706	2,540	2,408	2,368	2,368
Full-Time	12,559	13,384	13,385	13,041	12,891	13,541	13,765	14,052



	2004	2005	2006	2007	2008	2009	2010*	2011*
Part-Time	534	494	526	525	621	613	627	624
Full-Time	531	559	643	759	798	931	973	982



	2004	2005	2006	2007	2008	2009	2010*	2011*
Part-Time	3,507	3,466	3,425	3,231	3,161	3,021	2,995	2,992
Full-Time	13,090	13,943	14,028	13,800	13,689	14,472	14,738	15,034

Enrolment Tables

Fall Head Count Enrolment

Year	Undergraduate			Graduate			Total		
	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total
2004	**12,559**	**2,973**	**15,532**	**531**	**534**	**1,065**	**13,090**	**3,507**	**16,597**
Change:	825	-1	824	28	-40	-12	853	-41	812
2005	**13,384**	**2,972**	**16,356**	**559**	**494**	**1,053**	**13,943**	**3,466**	**17,409**
Change:	1	-73	-72	84	32	116	85	-41	44
2006	**13,385**	**2,899**	**16,284**	**643**	**526**	**1,169**	**14,028**	**3,425**	**17,453**
Change:	-344	-193	-537	116	-1	115	-228	-194	-422
2007	**13,041**	**2,706**	**15,747**	**759**	**525**	**1,284**	**13,800**	**3,231**	**17,031**
Change:	-150	-166	-316	39	96	135	-111	-70	-181
2008	**12,891**	**2,540**	**15,431**	**798**	**621**	**1,419**	**13,689**	**3,161**	**16,850**
Change:	650	-132	518	133	-8	125	783	-140	643
2009	**13,541**	**2,408**	**15,949**	**931**	**613**	**1,544**	**14,472**	**3,021**	**17,493**
Change:	224	-40	184	42	14	56	266	-26	240
2010*	**13,765**	**2,368**	**16,133**	**973**	**627**	**1,600**	**14,738**	**2,995**	**17,733**
Change:	287	0	287	9	-3	6	296	-3	293
2011*	**14,052**	**2,368**	**16,420**	**982**	**624**	**1,606**	**15,034**	**2,992**	**18,026**

FFTEs (Fiscal Full-Time Equivalents)

Year	Undergraduate			Graduate			Total		
	Eligible	Ineligible	Total	Eligible	Ineligible	Total	Eligible	Ineligible	Total
2004-05	**12,504.0**	**1,400.1**	**13,904.1**	**1,185.2**	**552.7**	**1,737.9**	**13,689.2**	**1,952.8**	**15,642.0**
Change:	752	108	860	42	51	93	794	158	952
2005-06	**13,256.0**	**1,507.7**	**14,763.7**	**1,227.0**	**603.5**	**1,830.5**	**14,483.0**	**2,111.2**	**16,594.2**
Change:	53	-41	12	52	173	225	105	132	236
2006-07	**13,308.8**	**1,466.5**	**14,775.2**	**1,279.1**	**776.2**	**2,055.3**	**14,587.9**	**2,242.7**	**16,830.5**
Change:	-445	-130	-574	198	20	218	-247	-109	-356
2007-08	**12,863.9**	**1,336.8**	**14,200.8**	**1,476.9**	**796.5**	**2,273.4**	**14,340.8**	**2,133.3**	**16,474.2**
Change:	-135	32	-103	245	29	274	111	61	171
2008-09	**12,729.4**	**1,368.9**	**14,098.3**	**1,722.2**	**825.1**	**2,547.3**	**14,451.6**	**2,194.0**	**16,645.6**
Change:	487.4	108.2	595.5	167.2	204.6	371.8	654.7	312.8	967.3
2009-10	**13,216.8**	**1,477.1**	**14,693.8**	**1,889.4**	**1,029.7**	**2,919.1**	**15,106.2**	**2,506.8**	**17,612.9**
Change:	143	44	186	8	83	91	151	126	278
2010-11*	**13,359.6**	**1,520.7**	**14,880.3**	**1,897.7**	**1,112.5**	**3,010.1**	**15,257.2**	**2,633.2**	**17,890.4**
Change:	236	13	249	28	10	38	263	24	287
2011-12*	**13,595.4**	**1,534.1**	**15,129.5**	**1,925.2**	**1,122.7**	**3,048.0**	**15,520.6**	**2,656.9**	**18,177.5**

Yearly BIUs (Basic Income Units)

Year	Undergraduate			Graduate			Total		
	Eligible	Ineligible	Total	Eligible	Ineligible	Total	Eligible	Ineligible	Total
2004-05	**17,614.5**	**2,221.5**	**19,836.0**	**1,326.3**	**597.5**	**1,923.8**	**18,940.8**	**2,819.0**	**21,759.8**
Change:	927	181	1,107	67	70	136	993	250	1,243
2005-06	**18,541.0**	**2,402.0**	**20,943.0**	**1,393.0**	**667.0**	**2,060.0**	**19,934.0**	**3,069.0**	**23,003.0**
Change:	93	-48	45	60	200	260	153	153	305
2006-07	**18,633.9**	**2,354.4**	**20,988.3**	**1,452.6**	**867.3**	**2,319.9**	**20,086.5**	**3,221.7**	**23,308.2**
Change:	-839	-204	-1,042	250	25	275	-589	-179	-768
2007-08	**17,795.4**	**2,150.5**	**19,945.9**	**1,702.3**	**892.5**	**2,594.7**	**19,497.7**	**3,043.0**	**22,540.6**
Change:	8	17	25	307	44	351	315	60	376
2008-09	**17,803.8**	**2,167.1**	**19,970.8**	**2,009.4**	**936.1**	**2,945.4**	**19,813.1**	**3,103.1**	**22,916.3**
Change:	811.6	-55.2	756.3	220.1	243.3	463.4	1,031.7	188.1	1,219.8
2009-10	**18,615.3**	**2,111.8**	**20,727.2**	**2,229.5**	**1,179.4**	**3,408.9**	**20,844.8**	**3,291.2**	**24,136.0**
Change:	181	66	247	30	-25	**4.8**	**210.9**	**40.4**	**251.3**
2010-11*	**18,796.3**	**2,177.4**	**20,973.7**	**2,259.4**	**1,154.3**	**3,413.6**	**21,055.7**	**3,331.6**	**24,387.3**
Change:	316	20	336	67	-23	**44.0**	**383.1**	**-3.1**	**380.0**
2011-12*	**19,112.2**	**2,197.5**	**21,309.7**	**2,326.6**	**1,131.0**	**3,457.6**	**21,438.8**	**3,328.5**	**24,767.3**

* = estimated