

# TRIMESTER **ONE** **REPORT** **2018-19**

MAY 1, 2018 TO AUGUST 31, 2018



Executive summary

This report covers the period from May 1, 2018 to August 31, 2018.

This Trimester one forecast focuses on revenue given that student fees, which represent 53 per cent of all revenue, have the highest degree of risk due to its dependence on enrolment numbers. Further, undergraduate enrolment levels, which drive over 90 per cent of global tuition, are highly predictable at trimester one as registration for the year is well underway. Preparing an analysis on revenue early in the fiscal year allows management to make necessary decisions, if required, to mitigate costs for the remaining eight months of the year should revenue targets fall short of budget. Historically we find that expenses are not fully spent during the year as a result of positions included in budgets that remain unfilled for a portion of the fiscal year. Trimester two focuses on a full forecast, including expenses, when units have a better understanding of their part-time budgets that are highly dependent on enrolment outcomes and as well any gapping dollars in their full-time personnel budgets that will flow into the year-end results.

We started the year with the University's second balanced budget following many years of deficits. Although the budget is balanced and does not include a mitigation target, there were two specific risks inherent in the budget as we progressed through Trimester one.

The enrolment budget for 2018-19 estimated a 6.9 per cent headcount increase to year one undergraduate intake (Sept. start), representing a total of 4,087 students. With this increase to intake, total degree-seeking undergraduate enrolment were projected to increase by 0.4 per cent or an increase of 71 students overall. An additional target of \$1.1 million in tuition was included in the 2018-19 budget representing a further 100 students bringing the overall change in degree-seeking undergraduate enrolment up to a 1.0 per cent increase over the prior year. At the time of preparing this report, intake for year one undergraduate has increased by 6.4 per cent, and represents a total intake of 4,065 students. We have landed extremely close to budget, which reflects a well coordinated plan by our dedicated faculty and staff. Graduate student enrolment is also projected to achieve budget with the exception of our ISP programs projecting a tuition shortfall of \$1.6 million, namely from our IMBA and IMPAcc programs. When combined, student fees are expected to be short of budget by only \$0.5 million representing a nominal 0.3 per cent variance to the overall budget.

We also set a stretch target to add an additional \$0.3 million in investment income. As a result of rising interest rates, this target is also on track at the time of writing. For more details on operating investments please refer to the treasury section of this report (page 12).

Input and recommendations for future budget decisions are encouraged and can be emailed to [budgetreport@brocku.ca](mailto:budgetreport@brocku.ca)

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This report contains certain forward-looking information. In preparing the Trimester 1 Report, certain assumptions and estimates were necessary. They are based on information available to management at the time of preparing the forecast. Users are cautioned that actual results may vary.

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

- On the front cover: photos from left to right
- MAY 23, 2018: 62 Niagara high school students received Brock scholarships.
  - JULY, 2018: Construction progresses on the newly-named Rankin Family Pavilion.
  - AUGUST 01, 2018: A research team headed by Assistant Professor of Health Sciences Rebecca MacPherson has found that Alzheimer's disease mortality rates are higher in American rural counties when compared to urban areas.
  - JUNE 8, 2018: Brock's Spring Convocation celebrated its 100,000th graduate
- On the back cover: photos from left to right
- MAY 25, 2018: Climbing into Brock's Boomer the Badger costume, was one task offered to Jacqueline Harber the 21-year-old Grimsby native as she completed the University-wide Campus-Wide Co-Curriculum (CWC) program.
  - JUNE 4, 2018: Brock raised the Pride and Transgender Pride flags. Brock students Jasper Fisher and Max Hunter will be heading up two new trans-inclusion projects for the University.
  - JULY 1, 2018: Human Resources go live in the Workday system.
  - Brock students in Niagara Falls enjoying what the Niagara Region offers.

Financial results

The following table illustrates the trimester one forecast for the University compared to budget and prior year actual. The information is presented on a funding basis, which represents committed cash, and based on the audited financial statements prepared in accordance with accounting standards for not for-profit organizations (NFPS). A reconciliation of the two presentations can be found on page 19.

Figure 1

(\$000s)	2018-19 Forecast	Funding 2018-19 Budget	Difference better/(worse)	2018-19 Forecast	NFPS 2018-19 Budget	Difference better/(worse)
Revenue						
Student fees	177,550	178,091	(541)	177,550	178,091	(541)
Grant revenue	97,356	97,575	(219)	95,595	95,814	(219)
Internal chargebacks	8,927	8,994	(67)			
Inter-fund revenue	5,690	5,416	274			
Other revenue	49,546	49,130	416	73,658	73,242	416
Total revenue	339,069	339,206	(137)	346,803	347,147	(344)
Operating costs						
Personnel costs	(219,568)	(219,568)		(219,193)	(219,193)	
Inter-fund expenses	(25,293)	(25,293)				
Other operating costs	(94,345)	(94,345)		(122,889)	(122,822)	(67)
Total operating costs	(339,206)	(339,206)	-	(342,082)	(342,015)	(67)
Funding surplus/(deficit) before discretionary appropriations	(137)	-	(137)	4,721	5,132	(411)
Discretionary appropriations	-	-	-	-	-	-
Funding surplus/(deficit) after discretionary appropriations	(137)	-	(137)	4,721	5,132	(411)







## Taking a closer look at some of the numbers

### Overview

The 2018-19 trimester one forecast shows a funding deficit of \$0.1 million versus the balanced 2018-19 budget. Although the budget was balanced and did not include a mitigation target, there were two main risks described in the budget report – student tuition fees, driven by the risk of not meeting student enrolment targets, as well as investment income depending on interest rates in 2018-19.

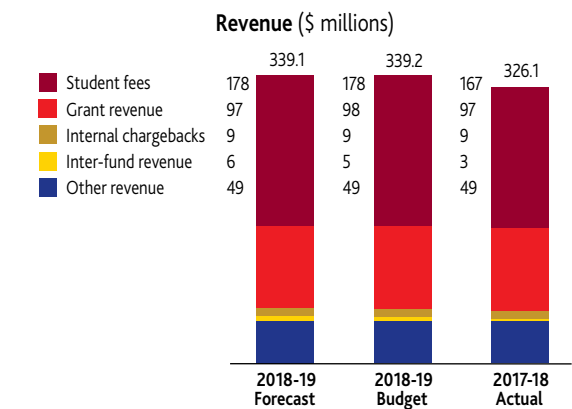
As explained in the executive summary, this forecast only reviewed revenue sources. The trimester two forecast will provide an examination of personnel and operating costs.

In the past, year-end savings and underspending have allowed us to mitigate forecasted shortfalls. We do expect budgeted expenditures to improve throughout the year, namely on personnel costs where positions are budgeted but not yet filled as well as in operating cost budgets not being fully utilized by year-end. Resulting surpluses would be allocated for strategic purposes including allocations to Faculties through the newly adopted revenue and expense allocation model. That said, two major capital projects to be completed this fiscal year, the Goodman School of Business (GSB) and the Rankin Family Pavilion (RFP) are projecting a funding shortfall of \$2.8 million. This deficit is a result of a projected shortfall in donations of \$3.4 million offset by \$0.6 million investment income earned from the investment of the Goodman Foundation capital donation prior to the funds being required for capital expenditures. Since the project budgets will be fully spent in fiscal 2018-19, additional funding sources will be required to cover the unfunded \$2.8 million in capital expenditures. A further update on the capital projects funding shortfall will be provided with the trimester two report including a funding strategy for this shortfall.

### Review of overall revenue

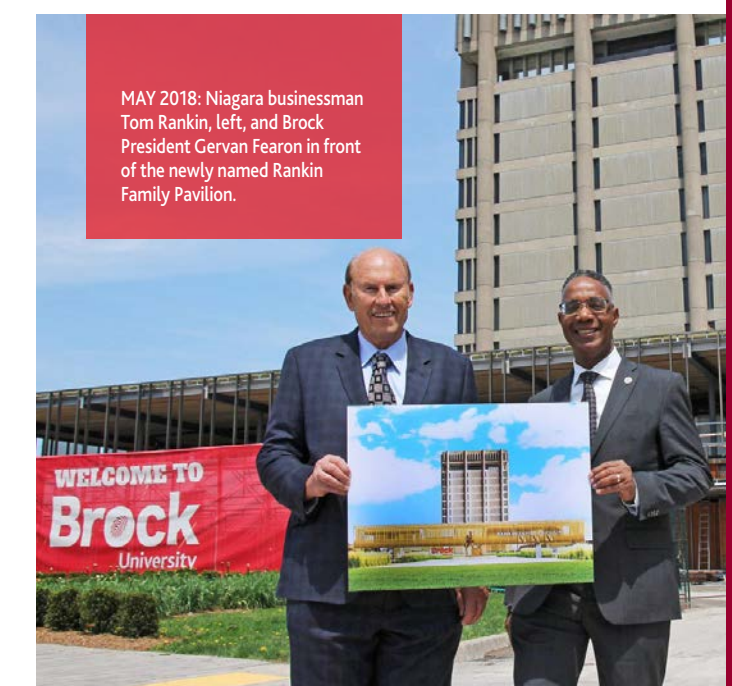
The lower than budgeted revenue is driven by lower student fee revenue of \$0.5 million and grant revenue of \$0.2 million; offset by higher than budgeted other revenue of \$0.4 million and inter-fund revenue of \$0.3 million. Student fee revenues and grant revenues are discussed in the tuition and enrolment section and the operating grant section on the following pages.

Figure 2



The higher other revenue is driven by ancillary revenue, which is expected to increase over budget by \$0.4 million. This increase is made up of higher than budgeted revenue from Residences of \$0.1 million, Conference and Event Services of \$0.2 million and Dining Services of \$0.1 million. Investment income forecast, which was one of the identified risks in the 2018-19 budget is on track at \$1.5 million, consistent with the budget.

Inter-fund revenue is forecasted to increase by \$0.3 million over the 2018-19 budget due to funding from the Strategic Initiative funds. The majority of this increase is directly offset by a decrease in special purpose grants, which is more fully described in the grants section of this report.



MAY 2018: Niagara businessman Tom Rankin, left, and Brock President Gervan Fearon in front of the newly named Rankin Family Pavilion.



Tuition and enrolment

Figure 3: Tuition by reporting unit

(\$000s)	2018-19 Forecast	2018-19 Budget	Difference better/(worse)	Listed below
Total tuition revenue in University Global	151,372	150,439	933	(1)
Tuition revenue budgeted in respective departments				
Professional Masters Preparation Certificate (Business) (PMPC)	757	757		(2)
International Masters Business Administration (IMBA)	8,282	8,516	(234)	(2)
International Master of Professional Accounting (IMPAcc)	1,540	2,653	(1,113)	(2)
Masters Preparation Certificate in Education (MPCE)	439	586	(147)	(3)
International Masters of Education (MED)	1,219	1,219		(3)
Masters of Arts in Applied Linguistics (MA LING)	9	149	(140)	(4)
International Master of Science in Materials Physics (MSc)	219	140	79	(6)
Total international student programs (ISP)s	12,465	14,020	(1,555)	
Continuing Teacher Education – Additional Qualifications (AQ)	639	636	3	(3)
Center for Adult Education and Community Outreach (CAECO)*	863	871	(8)	(3)
Other Education programs	12	12		(3)
Intensive English Language Program (IELP)	3,956	3,944	12	(5)
Summer English Language Program (SELP)	492	410	82	(5)
Total other self-funded programs	5,962	5,873	89	
Tuition revenue in respective departments	18,427	19,893	(1,466)	
Total tuition revenue	169,799	170,332	(533)	
Fee revenue	7,751	7,759	(8)	
Total student fees	177,550	178,091	(541)	

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

As detailed in Figure 3, overall forecasted tuition revenue was lower than budget by \$0.5 million. International student program (ISP) tuition saw a decrease of \$1.6 million compared to budget, driven mainly from the Goodman School of Business IMBA and IMPAcc programs and the Faculty of Education MPCE program as a result of lower than budgeted enrolment. The Faculty of Social Science MA LING program also saw lower than budgeted revenue as a result of enrolment in the program being one student compared to budgeted enrolment of six. This was off set by higher than expected ESL tuition revenue of \$0.1 million.



JUNE 2018: Brock chemist Travis Dudding and his team are working with Welland-based Atlantic Biodiesel to boost production processes.

Global tuition is forecasted to be higher than budget by \$0.9 million. It should be noted that the 2018-19 undergraduate tuition budget included a retention target of \$1.1 million, which translated into an additional 100 undergraduate students. The expected budget beat in global tuition is over and above this retention target. As detailed in Figure 5, both undergraduate and graduate global tuition are forecasted higher by \$0.7 million and \$0.2 million respectively. Readers should be cautioned however these enrolment levels are still preliminary. The focus will now be on retaining those students who have already enrolled at the University.

Note: Although Figure 5 details global tuition by Faculty of major, the revenue and expense allocation model recently adopted, records tuition based on where student take their courses (i.e. teaching Faculty).

Figure 4

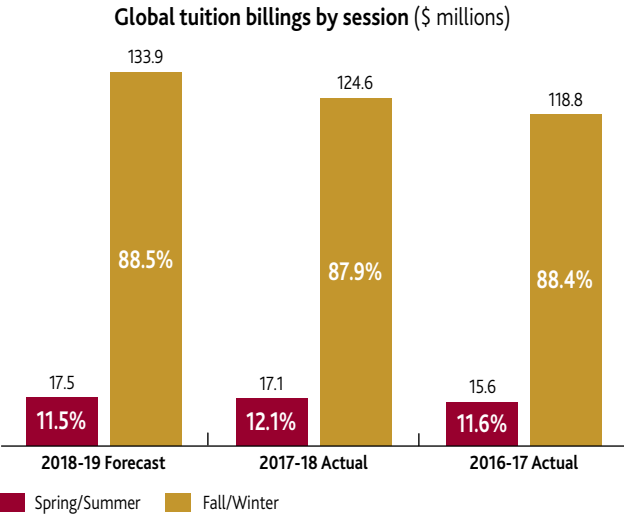


Figure 4 above details global tuition by session – spring/summer and fall/winter for the forecast and the past two years.

Figure 5: Tuition revenue budgeted in University Global<sup>(1)</sup>

(\$000s)	2018-19 Forecast	2018-19 Budget	Difference better/(worse)
Undergraduate – domestic			
Faculty of Applied Health Sciences	25,694	25,160	534
Goodman School of Business	22,065	21,802	263
Faculty of Education	6,753	6,288	465
Faculty of Humanities	10,454	10,647	(193)
Faculty of Mathematics and Science	12,570	12,438	132
Faculty of Social Sciences and undeclared Arts	29,427	30,196	(769)
Other <sup>(2)</sup>	214	277	(63)
Total undergraduate – domestic	107,177	106,808	369
Graduate – domestic			
Faculty of Applied Health Sciences	1,513	1,526	(13)
Goodman School of Business	1,244	1,413	(169)
Faculty of Education	1,327	1,347	(20)
Faculty of Humanities	450	554	(104)
Faculty of Mathematics and Science	929	993	(64)
Faculty of Social Sciences	2,568	2,630	(62)
Total graduate – domestic	8,031	8,463	(432)
Total domestic	115,208	115,271	(63)
Undergraduate – international			
Faculty of Applied Health Sciences	2,257	1,515	742
Goodman School of Business	13,164	12,440	724
Faculty of Education	64	73	(9)
Faculty of Humanities	925	810	115
Faculty of Mathematics and Science	5,680	4,438	1,242
Faculty of Social Sciences and Undeclared Arts	9,876	11,189	(1,313)
Other <sup>(2)</sup>	50	69	(19)
Total undergraduate – international	32,016	30,534	1,482
Graduate – international			
Faculty of Applied Health Sciences	179	184	(5)
Goodman School of Business	2,026	1,792	234
Faculty of Education	57	78	(21)
Faculty of Humanities	127	133	(6)
Faculty of Mathematics and Science	1,290	864	426
Faculty of Social Sciences	469	483	(14)
Total graduate – international	4,148	3,534	614
Total international	36,164	34,068	2,096
Retention target (Undergraduate)		1,100	(1,100)
Total tuition revenue in University Global	151,372	150,439	933

(1) Figures based on Faculty of major.  
(2) Includes letter of permission, non-degree students and auditors.



Figures 6 and 7 detail all-in headcount enrolment. All-in enrolment includes degree-seeking students, non-degree students, auditors, and those pursuing additional qualifications and certificates, irrespective of where the tuition is charged. On an overall basis, headcount is expected to beat budget by 0.5 per cent (101 students), with graduate up 0.2 per cent and undergraduate up 0.6 per cent which is reflected in the \$0.9 million positive variance to global tuition. As previously mentioned this global tuition beat is offset by a \$1.6 million ISP budget miss.

Figure 6: All in student enrolment by types\*

Type	2018-19 Forecast		2018-19 Budget		Difference – better/(worse)				2016-17 Actual	
	Headcount <sup>(1)</sup>	FTE <sup>(2)</sup>	Headcount <sup>(1)</sup>	FTE <sup>(2)</sup>	Headcount <sup>(1)</sup>	FTE <sup>(2)</sup>			Headcount <sup>(1)</sup>	FTE <sup>(2)</sup>
Undergraduate – domestic	15,756	16,132	15,898	16,048	(142)	(0.9%)	84	0.5%	15,669	15,862
Undergraduate – international	1,589		1,350		239	17.7%			1,386	
Graduate – domestic	1,770	1,591	1,766	1,588	4	0.2%	3	0.2%	1,099	1,558
Graduate – international									634	
Total	19,115	17,723	19,014	17,636	101	0.5%	87	0.5%	18,788	17,420

(1) Represents Fall student headcount full-time (FT) and part-time (PT). For a definition refer to pg 89 of the 2018-19 Budget Report.  
(2) Represents full-time equivalent (FTE) students. For a definition refer to pg 89 of the 2018-19 Budget Report.

Figure 7: All in undergraduate headcount forecast\*

Faculty	2018-19 Forecast			2018-19 Budget			2018-19 Budget vs forecast
	Domestic	International	Total	Domestic	International	Total	
Faculty of Applied Health Science	3,882	113	3,995	3,754	67	3,821	174
Goodman School of Business	2,437	571	3,008	2,438	519	2,957	51
Faculty of Education	1,415	24	1,439	1,396	25	1,421	18
Faculty of Humanities	1,622	45	1,667	1,644	33	1,677	(10)
Faculty of Mathematics and Science	1,800	295	2,095	1,767	170	1,937	158
Faculty of Social Science	4,538	487	5,025	4,708	511	5,219	(194)
No Faculty	62	54	116	111	5	116	
Total unadjusted headcount	15,756	1,589	17,345	15,818	1,330	17,148	197
Adjusted enrolment forecast (20% international)				15,898	1,350	17,248	97

\*Note: the enrolment forecast used for the 2018-19 budget and forecast is 'all-in' and includes letter of permissions, non-degree students, auditors, additional qualifications, and certificates. These are excluded in the 'degree-seeking only' enrolment as presented by the Office of the Registrar.



Figure 8: General operating grants

(\$000s)	2018-19 Forecast	2018-19 Budget	2017-18 Actual
Operating Grants			
Core Operating Grant	82,000	82,000	81,743
Differentiation Grant Envelope	5,067	5,067	4,404
International Student Recovery	(1,345)	(1,400)	(1,319)
Nursing Grant	2,787	2,787	2,838
Total operating grants	88,509	88,454	87,666
Specific purpose grants	8,847	9,121	9,705
Total grant revenue	97,356	97,575	97,371

Operating grants

Figure 8 above details the grant revenue. Starting in 2017-18 the Ministry of Advanced Education and Skills Development (MAESD) introduced a new university funding model. Through this new model, a number of operating grants received in prior years were effectively combined and re-allocated into two new grants – Core Operating Grant and the Differentiation Grant Envelope. At the time of preparing the forecast, it is forecasted that Brock will receive the budgeted level of funding for these grants for 2018-19; however, we note there are external risks related to budgetary changes the new government could pass with little notice.

The overall decrease in grant revenue versus budget of \$0.2 million is mainly due to a reduction in the MAESD funded First Generation Project grant. This decrease was not known at the time of preparing the 2018-19 budget. This reduction will be funded by the Provost Strategic Initiative Fund, as inter-fund revenue for 2018-19. This funding cut will be addressed in the 2019-20 budget development process currently underway.

Unit and budget forecasts

Figures 9 and 10 on the following pages detail the funding by responsibility centre. Figure 9 has then grouped the forecast and budget into one of the following categories: Teaching Faculties, Academic Support, Student Specific, Shared Services, Ancillary, Space and Global. Figure 10 presents a different view, grouping the forecast and budget by whom each unit reports: President; Vice-President, Academic; Vice-President, Administration; Vice-President, Research and Global. **Due to the fact that revenue was the focus of trimester one, only the budgeted and forecasted revenue by responsibility centre are included in these figures.**

Please note that Figures 9 and 10 include certain reclassifications to the 2018-19 budget as compared to the figures presented in the 2018-19 Budget Report. Figure 10 shows the University Secretariat’s office and the Human Rights and Equity Office both now reporting into the President instead of the Vice President Administration. In addition, Figures 9 and 10 include an allocation from University Global related to salary and wage increases that were budgeted globally, as they were anticipated but not known or awarded at the time of preparing the budget. All reclassifications will be fully detailed in the future 2019-20 Budget Report.



Figure 9: Funding by responsibility centre

Responsibility centres	2018-19 Forecast revenue	2018-19 Budget revenue	Change of revenue amounts
<b>Teaching Faculties</b>			
Faculty of Applied Health Sciences	875	875	
Goodman School of Business	11,700	13,048	(1,348)
Faculty of Education	3,593	3,736	(143)
Faculty of Humanities	480	616	(136)
Faculty of Mathematics and Science	720	641	79
Faculty of Social Sciences	319	459	(140)
<b>Total Teaching Faculties</b>	<b>17,687</b>	<b>19,375</b>	<b>(1,688)</b>
<b>Academic Support</b>			
Centre for Pedagogical Innovation	233	233	
Faculty of Graduate Studies	360	360	
Library	507	507	
Research services	2,136	2,136	
<b>Total Academic Support</b>	<b>3,236</b>	<b>3,236</b>	<b>-</b>
<b>Student Specific</b>			
Brock Sports and Recreation	6,936	6,936	
Brock International	5,722	5,631	91
Co-op, Career Services and Experiential Education	2,564	2,516	48
The Office of the Registrar	2,039	2,039	
Student Life and Community Experience	185	185	
Student Success Centre	1,042	1,042	
Student Wellness and Accessibility	2,684	2,684	
<b>Total Student Specific</b>	<b>21,172</b>	<b>21,033</b>	<b>139</b>
<b>Shared Services</b>			
Development and Alumni Relations	740	740	
Financial Services	493	493	
Human Resources	263	263	
Information Technology Services	444	444	
Leadership			
Marketing and Communications	1,552	1,552	
Shared Services Support			
<b>Total Shared Services</b>	<b>3,492</b>	<b>3,492</b>	<b>-</b>
<b>Ancillary</b>			
Ancillary Operations	16,008	15,765	243
Department of Residence	18,796	18,696	100
<b>Total Ancillary</b>	<b>34,804</b>	<b>34,461</b>	<b>343</b>
<b>Space</b>			
Campus Security Services	122	122	
Facilities Management	731	731	
Financing	316	316	
Campus Development Services and Community Agreements	477	341	136
Utilities, Taxes and Insurances	2,857	2,857	
<b>Total Space</b>	<b>4,503</b>	<b>4,367</b>	<b>136</b>
<b>Global</b>			
Capital	5,046	5,046	
Scholarships, Bursaries and Student Awards	2,842	2,842	
University Global	246,287	245,354	933
<b>Total Global</b>	<b>254,175</b>	<b>253,242</b>	<b>933</b>
<b>Total University</b>	<b>339,069</b>	<b>339,206</b>	<b>(137)</b>

Figure 10: Funding by responsibility centre leader

(\$000s)	2018-19 Forecast revenue	2018-19 Budget revenue	Change of revenue amounts
<b>President</b>			
Development and Alumni Relations	740	740	
Marketing and Communications	1,552	1,552	
Leadership (Split) <sup>(1)</sup>			
Shared Services Support (Split) <sup>(2)</sup>			
<b>Total President</b>	<b>2,292</b>	<b>2,292</b>	<b>-</b>
<b>Vice-President Academic</b>			
Faculty of Applied Health Sciences	875	875	
Goodman School of Business	11,700	13,048	(1,348)
Faculty of Education	3,593	3,736	(143)
Faculty of Humanities	480	616	(136)
Faculty of Mathematics and Science	720	641	79
Faculty of Social Sciences	319	459	(140)
Faculty of Graduate Studies	360	360	
Library	507	507	
Centre for Pedagogical Innovation	233	233	
Co-op, Career Services and Experiential Education	2,564	2,516	48
The Office of the Registrar	2,039	2,039	
Student Life and Community Experience	185	185	
Student Wellness and Accessibility	2,684	2,684	
Student Success Centre	1,042	1,042	
Brock International	5,722	5,631	91
Leadership (Split) <sup>(1)</sup>			
Shared Services Support (Split) <sup>(2)</sup>			
<b>Total Vice President Academic</b>	<b>33,023</b>	<b>34,572</b>	<b>(1,549)</b>
<b>Vice-President Administration</b>			
Brock Sports and Recreation	6,936	6,936	
Information Technology Services	444	444	
Financial Services	493	493	
Human Resources	263	263	
Ancillary Operations	16,008	15,765	243
Department of Residence	18,796	18,696	100
Facilities Management	731	731	
Campus Security Services	122	122	
Shared Services Support (Split) <sup>(2)</sup>			
<b>Total Vice President Administration</b>	<b>43,793</b>	<b>43,450</b>	<b>343</b>
<b>Vice-President Research</b>			
Research Services	2,136	2,136	
<b>Total Vice President Research</b>	<b>2,136</b>	<b>2,136</b>	<b>-</b>
<b>Global</b>			
Campus Development Services and Community Agreements	477	341	136
Utilities, Taxes and Insurances	2,857	2,857	
Financing	316	316	
Scholarships, Bursaries and Student Awards	2,842	2,842	
Capital	5,046	5,046	
University Global	246,287	245,354	933
<b>Total Global</b>	<b>257,825</b>	<b>256,756</b>	<b>1,069</b>
<b>Total University</b>	<b>339,069</b>	<b>339,206</b>	<b>(137)</b>

(1) Refer to Page 62 of the 2018-19 Budget Report for details on the split within Leadership.  
(2) As part of a re-alignment of the University's organizational structure during the summer of 2018 the Office of the Secretariat and the Human Rights and Equity Services units moved to be under the Shared Services Support of the President instead of the Vice-President Administration. Shared Services Support is split between the leaders as follows: President (Government Relations, Secretariats Office, Human Rights and Equity Services), Vice-President Academic (Institutional Analysis) and Vice President Administration (Internal Audit).



Treasury  
Operating fund investment scorecard

Government of Canada ten year bond yields were 2.23 per cent at Aug. 31, 2018 (1.85 per cent at the same time last year). This compares to the yield on the operating investment portfolio of 2.16 per cent with an average duration of less than 1 year (1.54 per cent yield and 1.5 year average duration at the same time last year). Scotiabank increased their prime rate from 3.45 per cent to 3.70 per cent in July 2018 (prime was 2.95 per cent at the same time last year). This move improves the yield on cash balances and short-term investments given that Brock's agreement with Scotiabank for our cash account is linked to the prime rate (prime minus 165 basis points) and the 30 day hold investment account (prime minus 150 basis points). We also continue to roll the maturing guaranteed investment certificate (GIC) ladder strategy<sup>(1)</sup> to enhance yields; however, we are beginning to shorten the ladder to account for upcoming cash flow needs for projects that will be internally financed (ie. Zone expansion). A summary of investment holdings as of Aug. 31, 2018 is shown in Figure 14. GICs are the main enhancement to yield in the

operating investment portfolio. Figure 12 on the following page outlines monthly investment income performance compared to 2017-18. As shown in Figure 14, cash deposits are high for August month end due to the expected inflow of tuition payments received near the end of the month leading up to the fall term payment deadline. Cash surpluses will be invested into higher yielding shorter term GICs during September. As detailed in Figure 11, operating investments have achieved 41 per cent of budget as we reach 33 per cent of the way through the fiscal year. The current forecast has operating investment income on track.

The sinking fund outperformed during the first four months of fiscal 2018-19 generating an annualized 12.3 per cent gain (7.0 per cent loss at the same time last year). Short-term volatility is common and expected with this fund. We continue to support this fund as a long-term investment strategy to fund the 2045 payout of the University's \$93 million debenture and the employee future benefits reserve. The fund requires a 5 per cent annual rate of return to achieve its goal and this rate of return is aligned with the asset mix and skill of the fund manager.

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

Figure 11: Summary investment income – Operating Funds

(\$000s) Unless otherwise stated	2018-19 year to date Actual	2018-19 Budget	2017-18 Actual	% of Budget achieved
Operating investment income	487	1,200	1,539	41%
Sinking fund	279	316	283	89%
Employee future benefits reserve	172		182	NA
Investment income	938	1,516	2,004	62%



AUGUST 2018: Theatre community professionals descended on the Marilyn I. Walker School of Fine and Performing Arts for the 28th annual CITT/ICTS Rendez-vous Conference.



Figure 12

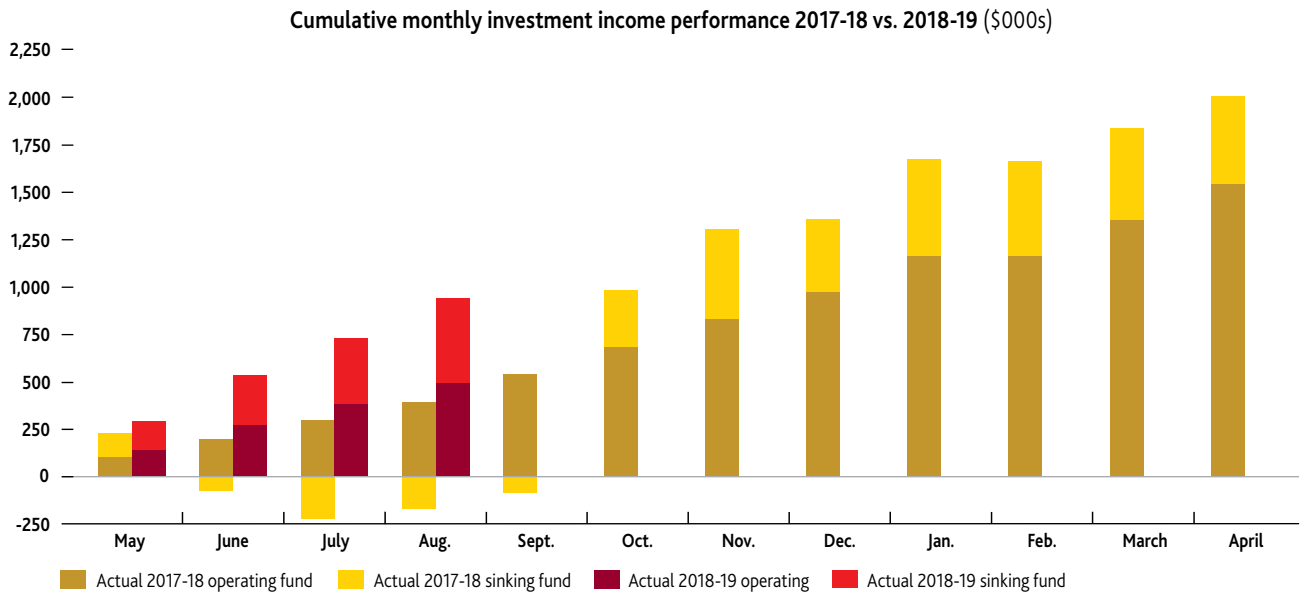


Figure 13

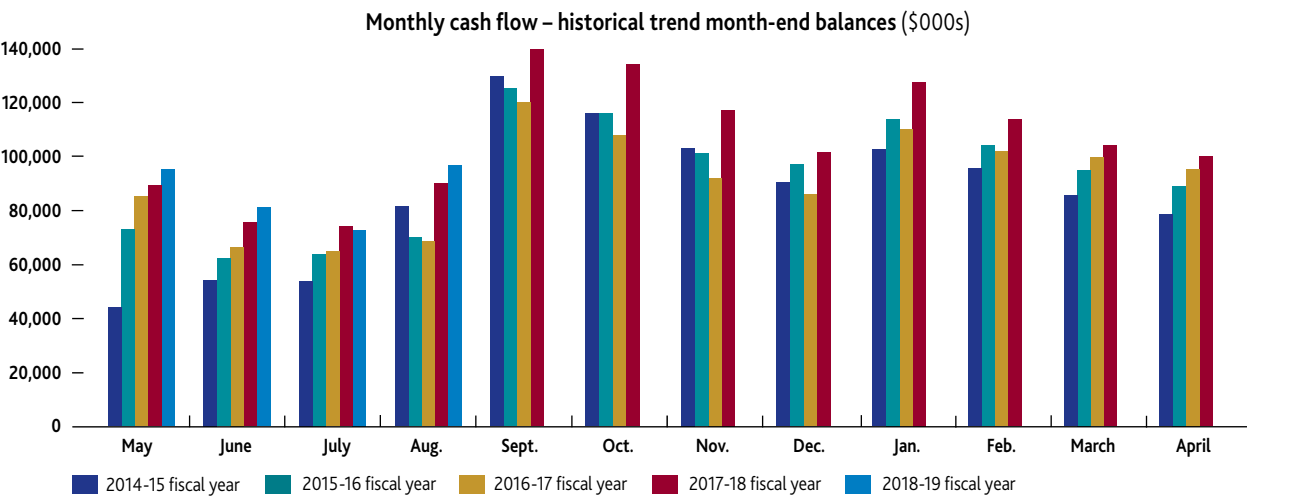


Figure 14: Summary of investment holdings

(\$000s) Unless otherwise stated	Market Value as at Aug. 31, 2018	Annualized rate of return	Fees	Net annualized rate of return
<b>Scotiabank</b>				
General account (\$20 million average minimum balance)	45,316	2.05%	0.00%	2.05%
30 Day GIC	10,000	2.20%	0.00%	2.20%
1 Year GIC	4,000	2.66%	0.00%	2.66%
2 Year GIC	2,500	1.95%	0.00%	1.95%
2 Year GIC	2,500	2.03%	0.00%	2.03%
3 Year GIC	5,000	3.08%	0.00%	3.08%
3 Year GIC	2,500	2.65%	0.00%	2.65%
3 Year GIC	2,500	2.15%	0.00%	2.15%
3 Year GIC	2,500	2.20%	0.00%	2.20%
3 Year GIC	2,200	2.15%	0.00%	2.15%
<b>Total for account</b>	<b>79,016</b>	<b>2.19%</b>	<b>0.00%</b>	<b>2.19%</b>
<b>BMO Nesbitt Burns</b>				
Savings Account	91	1.20%	0.05%	1.15%
2 Year GIC	5,150	1.75%	0.05%	1.70%
<b>Total for account</b>	<b>5,241</b>	<b>1.74%</b>	<b>0.05%</b>	<b>1.69%</b>
<b>TD Waterhouse</b>				
HISA		0.00%	0.00%	0.00%
<b>Total for account</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Mawer – balanced fund</b>				
Sinking fund	6,971			
Employee future benefits reserve	5,199			
<b>Total for account</b>	<b>12,170</b>	<b>12.30%</b>	<b>0.25%</b>	<b>12.05%</b>
<b>Portfolio consolidated total</b>	<b>96,427</b>	<b>3.44%</b>	<b>0.03%</b>	<b>3.41%</b>



Our debt

Figure 15 details the current and projected external debt of the University. It does not reflect any new external debt going forward. At the time of writing this report, there are no approved projects that would require additional debt financing and as such no new debt has been reflected.

Figure 15: Outstanding debt

(\$000s) (unless otherwise noted)	Actual				Budget April 30, 2019	Forecast			
	April 30, 2015	April 30, 2016	April 30, 2017	April 30, 2018		April 30, 2020	April 30, 2021	April 30, 2022	April 30, 2023
Bond	93,000	93,000	93,000	93,000	<b>93,000</b>	93,000	93,000	93,000	93,000
CFHBRC building	26,269	25,583	24,863	24,109	<b>23,319</b>	22,491	21,623	20,714	10,154
Residence	16,801	16,037	15,215	14,333	<b>13,385</b>	12,366	11,271	10,095	8,831
Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA)	17,400	16,680	15,960	15,240	<b>14,520</b>				
<b>Total debt</b>	<b>153,470</b>	<b>151,300</b>	<b>149,038</b>	<b>146,682</b>	<b>144,224</b>	<b>127,857</b>	<b>125,894</b>	<b>123,809</b>	<b>111,985</b>
<b>Total student FFTE<sup>(1)</sup></b>	<b>20,056</b>	<b>19,885</b>	<b>19,895</b>	<b>20,053</b>	<b>20,188</b>	<b>20,696</b>	<b>21,203</b>	<b>21,711</b>	<b>22,219</b>
<b>Total debt/FFTE (in dollars)<sup>(1)</sup></b>	<b>7,652</b>	<b>7,609</b>	<b>7,491</b>	<b>7,315</b>	<b>7,144</b>	<b>6,178</b>	<b>5,938</b>	<b>5,703</b>	<b>5,040</b>
<b>Debt reduction strategy</b>									
Sinking fund	5,462	5,647	6,413	6,696	<b>6,639</b>	6,970	7,319	7,685	8,069
Debt repayment reserve	475	950	2,895	4,457	<b>5,760</b>		2,937	6,159	
M. Walker donation – MIWSFPA	5,045	5,181	5,321	5,470	<b>5,612</b>				
Other donations – MIWSFPA	250	324	399	473	<b>548</b>				
<b>Total assets for debt reduction</b>	<b>11,232</b>	<b>12,102</b>	<b>15,028</b>	<b>17,096</b>	<b>18,559</b>	<b>6,970</b>	<b>10,256</b>	<b>13,844</b>	<b>8,069</b>
<b>Net debt</b>	<b>142,238</b>	<b>139,198</b>	<b>134,010</b>	<b>129,586</b>	<b>125,665</b>	<b>120,887</b>	<b>115,638</b>	<b>109,965</b>	<b>103,916</b>
<b>Net debt/FFTE (in dollars)<sup>(1)</sup></b>	<b>7,092</b>	<b>7,000</b>	<b>6,736</b>	<b>6,462</b>	<b>6,225</b>	<b>5,841</b>	<b>5,454</b>	<b>5,065</b>	<b>4,677</b>

(1) Fiscal full-time enrolment (FFTE) – used for tuition and grant forecasting. For a definition refer to page 89 of the 2018-19 Budget Report.

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

In March 2015, the Board of Trustees approved a debt reduction strategy that would see \$0.475 million set aside each year starting in 2014-15. As presented in the 2016-17 Fiscal Framework document, a revised debt reduction strategy was established to repay the loan on the Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA) by it’s renewal date in 2019-20; the loan on the Cairns’ Family Health and Bioscience Research Complex (CFHBRC) building by 2024-25 and the debt (other than the bond) on

residence loans by 2029-30. When the debt is paid off, the Fiscal Framework identifies the funding being repurposed to support infrastructure initiatives in support of academic and research facilities, and the sinking fund to repay the 40-year bullet taken out in 2005 for \$93 million due in 2045.

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

The requirement for the debt reduction strategy is supported by Brock’s key financial health metrics found on Page 1 of the 2018-19 Budget Report, which also compares these metrics to that of the median and average of other universities in our comprehensive category. Further, paying down debt will reduce interest costs that can be used to support the academic and research priorities of the University.





Figure 16: Long-term debt

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

Debt retirement assets

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

Figure 17: Debt metrics

	published range current credit rating	2017-18 Fiscal year	2016-17 Fiscal year
Fiscal full-time equivalent (FFTE)		20,053	19,895
Total long-term debt/FFTE (\$)	10.000 – 15.000	7,315	7,491
Interest coverage ratio	1.3 times to 2.5 times	4.2 times	3.7 times
Surplus-to-revenue	0% to 1% (5 year average)	3.6%	2.7%

Pension

The actuarial valuation on the pension plan was recently completed as at July 1, 2017, indicating the plan was 96 per cent funded on a going-concern basis (99 per cent as at July 2014) and 105 per cent on a solvency basis (105 per cent as at July 2014). The main contributor to the going concern deficit was a reduction in the pension plan discount rate of 5.45 per cent (6.0 per cent as at July 2014). The actuary sets the expected rates of returns based on industry best practices guided by the Canadian Institute of Actuaries. The University has no control or influence over these assumptions used by the actuary. The going concern deficit of \$17.88 million (\$3.56 million as at July 2014) increased the required special payments into the plan by \$1.53 million and the current service cost payments for the defined benefit component of the plan by \$0.44 million for a total increase in University contributions of \$1.97 million annually. Overall, employee annual contributions into the pension plan represent \$7.4 million and Brock's annual contributions represent \$16.0 million. Brock currently funds the pension at a 2.2:1.0 ratio employer to employee.

Pension returns have been strong over the eight years, as shown in Figure 18. Given the duration of the current bull market cycle, our investment consultants are noting headwind risk facing the pension plan given high equity valuations, rising interest rates and signs of inflation becoming stronger in some major markets. Mercer, Brock's pension plan actuary, recently performed a forecast of our pension liabilities and some sensitivity analysis on asset returns. Figure 19 shows that by 2023 Brock's pension liabilities could be approximately \$750 million in comparison to Brock's budget of approximately \$400 million. Should the plan experience a recession event between now and next valuation 2020 (15 per cent loss scenario in one year), the projected deficit of the plan in 2020 could be \$71.1 million. This deficit would require a \$9.5 million special payment each year to fund the plan, compared to the \$1.9 million currently required.

Pension payments are on track with budget for this trimester update. The investment returns and investment balance for the last eight years are detailed in Figure 18.

Additional information on the pension plan may be found at [brocku.ca/about/university-financials/#audited-pension-statements](http://brocku.ca/about/university-financials/#audited-pension-statements)



Figure 18

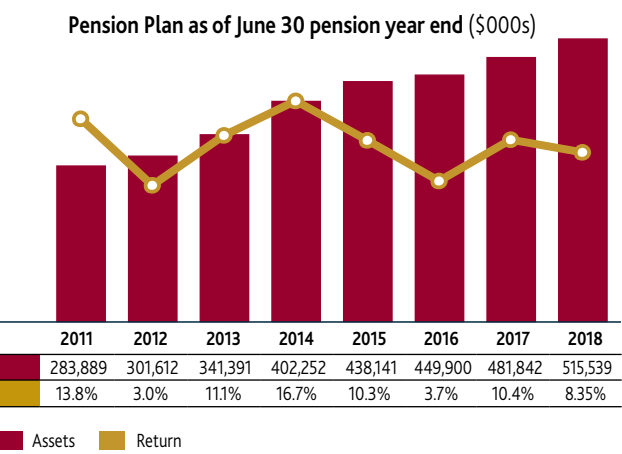
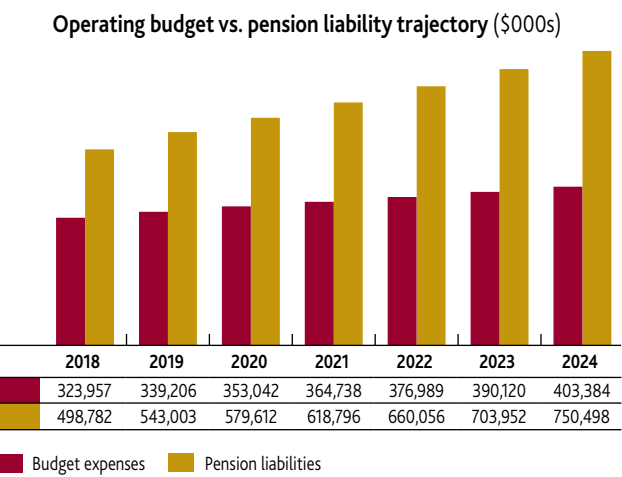


Figure 19





Capital

Figure 20: Status of capital projects as of Aug. 31, 2018

(\$000s)	Facilities Management	Residence and ancillary services	Information Technology Services
Open projects as of April 30, 2018	55	19	30
Projects opened to Aug. 31, 2018	19	5	19
Projects closed/completed to Aug. 31, 2018	(23)	(4)	(4)
Remaining projects open Aug. 31, 2018	51	20	45

Figure 21: Capital and related project summary

Project type (\$000s)	Revenue/funding <sup>(1)</sup>	Spending to Aug. 31, 2018	Remaining to spend
Facilities Management			
Above surface/sub surface utilities and distribution	693	(676)	17
Adaptations/renovations and major renewal projects	3,128	(1,790)	1,338
AODA* projects	344	(208)	136
Audits and studies	318	(107)	211
Buildings	2,603	(1,757)	846
Energy conservation and demand management	675	(23)	652
Major capital projects	64,958	(40,850)	24,108
New construction and replacement (under \$1M)	250	(221)	29
Vehicles and wheeled equipment	100		100
FM – surplus/(deficit)	210	(28)	182
Total Facilities Management projects	73,279	(45,660)	27,619
Residence and ancillary			
Above surface/sub surface utilities and distribution	1,029	(315)	714
Adaptations/renovations and major renewal projects	553	(340)	213
Audits and studies	750	(84)	666
Buildings	4,120	(1,012)	3,108
Residence and Ancillary – surplus/(deficit)	131		131
Total residence and ancillary	6,583	(1,751)	4,832
Information Technology Services			
Enterprise software projects	12,643	(9,836)	2,807
Hardware evergreening projects	2,550	(1,481)	1,069
Hardware growth projects	631	(145)	486
IT infrastructure projects	268		268
ITS – surplus/(deficit)	77		77
Total Information Technology Services projects	16,169	(11,462)	4,707
Total capital and related projects	96,031	(58,873)	37,158

\* AODA – Accessibility for Ontarians with Disabilities.  
(1) Funding revenue represents total expected funding and cash received. This amount is not reflective of all funding received to date.

University infrastructure investment is ongoing as we invest in new and current space and technology to support and improve the academic and research experience. Figure 20 illustrates the number of open capital and related projects. These projects include all 2018-19 projects as well as uncompleted prior year projects. Note: the majority of the 2018-19 projects were opened prior to May 1, 2018. Figure 21 illustrates the activity to Aug. 31, 2018 with respect to the type and dollar amount of projects.

Historically the capital project budget has been separated for reporting purposes into Facilities Management (FM) and Information Technology Services. Starting in this Trimester One report, Residence and Ancillary projects have been separated for reporting purchases.

Figure 22

(\$000s)	2018-19 NFPS budget	2018-19 Funding forecast	NFPS adjustments	Note	Reclass of inter-fund transfers	Eliminate Internal chargebacks	2018-19 NFPS forecast
Revenue							
Student fees	178,091	177,550					177,550
Grant revenue	95,814	97,356	(1,761)	1			95,595
Internal Chargebacks		8,927				(8,927)	
Inter-fund revenue		5,690	(2,075)	2	(3,615)		
Other revenue	73,242	49,546	20,497	3-5	3,615		73,658
Total revenue	347,147	339,069	16,661		-	(8,927)	346,803
Personnel costs	(219,193)	(219,568)	375	10-11			(219,193)
Inter-fund expenses		(25,293)	18,827	8-9	6,466		
Operating costs	(122,822)	(94,345)	(31,005)	3-7	(6,466)	8,927	(122,889)
Total costs	(342,015)	(339,206)	(11,803)		-	8,927	(342,082)
Funding surplus/(deficit)	5,132	(137)	4,858		-	-	4,721

Figure 23

Note	Reconciliation of NFPS adjustments (\$000s)	
1	Capital grants	(1,761)
2	Funding from reserves	(2,075)
3	Amortization of deferred capital contributions	8,009
4	Research, including fellowships	11,031
5	Endowment & trust spending	1,457
	Total revenue adjustments	16,661
3	Amortization of capital assets	(20,486)
4	Research, including fellowships	(11,031)
5	Endowment & trust spending	(1,457)
6	Principal payments	2,458
7	Non-capital purchases in capital and infrastructure project reserves net of capital purchases from operating	(489)
8	Funding of capital and reserves	18,511
9	Sinking fund	316
10	Post-retirement benefits	(1,310)
11	Pension	1,685
	Total costs adjustments	(11,803)

Funding forecast presented in accordance with NFPS

Throughout this report financial information has been reported on a funding basis (sometimes referred to as committed cash basis). Figures 22 and 23 detail the entries and reclassifications required to convert the funding budget to be in accordance with the Canadian accounting standards for not-for-profit organizations (NFPS). Please refer to page 92 and 93 of the 2018-19 Budget Report for detailed explanations of all the adjustments, reclassifications and eliminations. These adjustments, reclassifications and eliminations for the 2018-19 forecast were consistently applied with those of the 2018-19 budget with one slight exception. The funding from reserves adjustment (#2) was updated to the 2018-19 forecast.



Reserves

Figure 24 outlines reserves that have been established for research and faculty professional development with internal funding as well as externally funded research grants. In total, Brock has \$21.7 million in research and professional development support dollars for faculty of which \$13.5 million is funded externally. Externally funded research revenues and expenses are not included in the funding budget given that external research revenues and expenses are an exact offset. Predicting timing of research grant receipts and expenditures is challenging and would be unnecessary administration for researchers to build

this process. Details of external research revenue and expenses were enhanced in the 2017-18 Audited Financial Statement notes to provide transparency on the use of these funds. That said, \$1.85 million research support overhead is included in the budget, which is directly related to the dollar amount of external research grants received. This funding is budgeted as revenue to offset the cost of the Office of Research Services. Brock continues to fund internal research grants in the funding budget and the development of the Strategic Plan is establishing enhancements to this funding strategy.

Figure 24: Balances by Faculty as of Aug. 31, 2018

(\$000s)	Research funds with no external obligations	Start-up funds	PER and accountable allowance accounts	External Research Grants	Total
Faculty of Applied Health Sciences	1,084	731	545	1,052	3,412
Faculty of Education	70	12	316	315	713
Faculty of Humanities	66	23	475	520	1,084
Faculty of Mathematics and Science	1,279	33	716	2,600	4,628
Faculty of Social Sciences	502	699	927	3,040	5,168
Goodman School of Business	(172)	(26)	654	566	1,022
Library	1		39		40
Other units	149		101	5,393	5,643
Total	2,979	1,472	3,773	13,486	21,710



JUNE 2018: Joshua Maniowabi, presented during a Canada 150 celebration in Killarney, is one of 16 Brock student researchers who were awarded \$565,000 in funding from the Social Sciences and Humanities Research Council of Canada for 2018.



MAY 2018: A Brock University researcher is being lauded as one of 16 women who have made an indelible mark on the wine world.





Appendix 1

Multi-year financial results on a funding basis

Figure 25

(\$000s)	2018-19 Forecast	2018-19 Budget	2017-18 Actual	2016-17 Actual	2015-16 Actual
Revenue					
Student fees	177,550	178,091	167,446	158,341	151,382
Grant revenue	97,356	97,575	97,371	95,009	93,201
Internal chargebacks	8,927	8,994	9,426	9,703	7,522
Inter-fund revenue	5,690	5,416	3,239	4,859	2,585
Other revenue	49,546	49,130	48,600	46,182	46,728
Total revenue	339,069	339,206	326,082	314,094	301,418
Operating costs					
Personnel costs	(219,568)	(219,568)	(205,233)	(196,994)	(193,777)
Inter-fund expenses	(25,293)	(25,293)	(23,288)	(20,965)	(17,700)
Other operating costs	(94,345)	(94,345)	(92,419)	(90,611)	(85,431)
Total operating costs	(339,206)	(339,206)	(320,940)	(308,570)	(296,908)
Funding surplus/(deficit) before discretionary appropriations	(137)	-	5,142	5,524	4,510
Discretionary appropriations	-	-	(5,132)	(5,500)	(4,499)
Funding surplus/(deficit) after discretionary appropriations	(137)	-	10	24	11



JUNE 2018: Rebecca Alcock celebrated after being named Brock University's 100,000th graduate during Spring Convocation Friday, June 8.



JULY 2018: Lisa Brown, participated in a Brock BaseCamp rock-climbing expedition in Milton.



MAY 2018: Lee Martin (BEd '12), a Brock Faculty of Education graduate and instructor, has been awarded a Prime Minister's Award for Teaching Excellence. (Photo by Patrick Doyle)



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