2016-17 | Fiscal Framework

A guide to the upcoming budget
Introduction

Some may ask, what is a fiscal framework and why do we need one?

The fiscal framework has been designed to document current and forward looking thought on budgetary planning. It is hoped that by documenting this thought and providing some background that collegial discussion can occur to ensure we are investing where investments are needed. For all intents and purposes this framework should be considered a “living document.” Although the framework may evolve, it is anticipated that the core targets established will continue to guide us directionally even if specific needs and strategic plans change over time.

It is important to note that the framework is a fairly high-level document establishing goals and forecasting at a macro level. It is designed using comparative metrics and concepts of sustainability. At its core it recognizes revenues and expenses must balance. We ended fiscal 2015-16 with $11,000 unrestricted after 50 years of operation. Our margin of error is limited and our budgetary environment is constrained as depicted in the illustration below.

These constraints are coupled with the fact that our revenue is growing by $3 million slower than expenses, assuming flat enrolment and no expansion in service levels, as depicted on page 12. Unless we structurally adjust our spending we will continue to face budget mitigation measures to achieve the Board of Trustees mandate of a balanced budget or better.

Some may ask, what is happening to the revenue and expense model?

As users of this report may know, we started a project in fiscal 2014-15 on this topic. There have been two reports published to date that can be found at brocku.ca/finance/faculty-and-student-revenue-expense-allocation-project. The revenue and expense model was never intended to be a budget model. It was intended to help identify where revenues and expenses are being spent. This said, in the data requirements for the model are refined, this revenue and expense model was never intended to be a budget model. It was intended to help identify where revenues and expenses are being spent. This said, in

Financial results

In planning for the future it can be useful to look back and take stock. The following table illustrates the financial results of the University compared to budget and prior year actual. The information is presented on a funding basis, which represents committed cash, and is based on the audited financial statements prepared in accordance with accounting standards for not-for-profits (NFPS). A reconciliation of the two presentations can be found starting on page 20 of the Annual Report found at brocku.ca/finance

Statement of operations metrics

The following metrics were developed to identify areas of strength as well as improvement. They detail key operating metrics on a per-student headcount basis of Brock versus the median and weight-averaged of the 14 other Canadian comprehensive universities.

By student headcount

<table>
<thead>
<tr>
<th></th>
<th>April 2015</th>
<th>April 2014(1)</th>
<th>Brock Median(1) Average(1)</th>
<th>April 2015</th>
<th>April 2014(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student fees (primarily tuition)</td>
<td>7154</td>
<td>6875</td>
<td>7154</td>
<td>7154</td>
<td>6875</td>
</tr>
<tr>
<td>Grants</td>
<td>5321</td>
<td>5321</td>
<td>5321</td>
<td>5321</td>
<td>5321</td>
</tr>
<tr>
<td>Debt burden ratio</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Interest rate on long-term debt</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Net funding surplus (deficit)</td>
<td>0.09</td>
<td>0.09</td>
<td>0.09</td>
<td>0.09</td>
<td>0.09</td>
</tr>
</tbody>
</table>

(1) Calculated using financial information from 14 other comprehensive universities.

A few observations: Brock is slightly below median on student fees, which is mainly the result of lower ancillary fees; the grant revenue per-student metric dispels the commonly held assumption that all students are funded on an equal basis; although Brock has the lowest personnel costs per student, it does not specifically speak to any one reason (i.e. productivity, employee levels, etc.), and the interest and investment income metrics are in line with the following financial health metrics.

Financial health metrics

<table>
<thead>
<tr>
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Appendix

Refer to page 27 of the 2014-15 Annual Report for explanations of the financial health metrics.
Message from leadership

Everyone has invested considerable time in recent years on matters of financial sustainability. Through the engagement of so many in this process, numerous recommendations have been brought forward, which has brought the budget more or less back in line where revenues balance with expenses. Perhaps the single largest request has been for more information on the topic of financial planning. It is hoped that this framework will help provide more information on the topic of financial planning.

The goal of the framework is to recognize our history, the conduct of its business and the financial affairs of the University and given sustainability is a component of our strategic plan.

To all that have been involved and/or touched by the financial planning process in recent years, we thank you for your cooperation and efforts and we hope this document is a continuation in that process.

Governance at Brock University

The University was incorporated in 1964 through The Brock University Act (the Act), a Statute of the Province of Ontario. The University is governed by the Act and its bylaws (the Bylaws). The Act provides that except as otherwise specifically assigned to the Senate, the Board of Trustees’ fiduciary responsibility over the University’s property and the conduct of its business and affairs is vested in the Board of Trustees (the Board). The Senate is responsible for the education policy of the University. This bicameral system of governance, consisting of two governing bodies – the Board and the Senate – is shown below.

2015-16 Board of Trustees

The Board consists of 30 members, including 22 community members elected by the Board, as well as three Brock students, three faculty members and two staff members elected by their respective constituencies. The Chancellor and the President and Vice-Chancellor are ex officio members of the Board.

Board of Trustees members
- Hanish Aggarwal (undergraduate student – EC)
- Mark Arthur (lay member – CIC and GNC)
- Michelle-Elise Burnett (lay member – SPC and CIC)
- Jeffrey Carns (lay member – SPC, Vice-Chair – CIC)
- Shirley Cheechoo (Chancellor)
- Allan Cole (lay member – FPIC and HRC)
- Gary Comerford (Chair SPC and EC, Vice-Chair – AC)
- Trevor Casper (lay member – CIC and AC)
- Mario De Distefano (lay member – FPIC and GNC)
- Nick DiIorio (Vice-Chair of the Board)
- John Fisher (lay member – FPIC and SPC)
- Kristine Freudenthaler (Chair CIC and EC, lay member – HRC and BRS)
- Gloria Gallagher (staff member – CIC)
- Scott Henderson (faculty member – CIC)
- Dennis Hewko (Chair – EC and FPIC, lay member – SPC)
- Jack Lightstone (President and Vice-Chancellor)
- Kelly Lockwood (faculty member – EC)
- Marco Martone (Vice-Chair – FPIC, lay member – CIC)
- Diane Miller (faculty member – SPC)
- Beverley Mostyn (lay member – FPIC, Vice-Chair – HRC)
- Hanan Moussa (undergraduate student member – SPC)
- Philip Nardangeli (staff member – EC and SPC)
- William (Bill) Rickets (Chair – EC, PC and AC)
- Joseph Robertson (Past Board Chair, Chair – GNC and EC)
- Leanne Standish (Chair – EC and HRC, lay member – GNC)
- Peter Stayanov (graduate student member – CIC)
- John Suk (Chair of the Board)
- Robin Williams (Vice-Chair – SPC, lay member – GNC)
- Elisabeth Zimmermann (lay member – FPIC and GNC)
- John Zoccoli (lay member CIC and AC)

Board of Trustees committees
- Executive Committee (EC)
- Strategic Planning Committee (SPC)
- Capital Infrastructure Committee (CIC)
- Financial Planning Investment Committee (FPIC)
- Audit Committee (AC)
- Governance/Nomination Committee (GNC)
- Human Resources Committee (HRC)
Senate

The Senate currently consists of 67 members, including 36 elected full-time teaching staff and professional librarians, two members of the Board, six undergraduate students, two graduate students and one Alumni Association representative elected by their respective constituencies. There are also 20 ex officio members of the Senate.

2015-16 Senate members

Members ex officio
- Shirley Cheechoo (Chancellor)
- Jack Lightstone (President and Vice-Chancellor)
- Neil McCartney (Provost and Vice-President, Academic)
- Greg Finn (Vice-Provost and Associate Vice-President, Academic)
- Anna Lathrop (Vice-Provost, Teaching and Learning)
- Thomas Winger (Acting Interim-President, Concordia Seminary)
- TBA (Vice-Provost and Associate Vice-President, Enrolment, Planning, Prioritization and Budget)
- Shirley Cheechoo (Chancellor)
- Jack Lightstone (President and Vice-Chancellor)
- Neil McCartney (Provost and Vice-President, Academic)
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Members
- Peter Tiidus (Dean, Faculty of Applied Health Sciences)
- Carol Merriam (Interim Dean, Faculty of Humanities)
- Thomas Dunk (Dean, Faculty of Social Sciences)
- Ejaz Ahmed (Dean, Faculty of Mathematics and Science)
- Barry Wright (Interim Dean, Goodman School of Business)
- Daniel Malleck (AHS)
- Jennifer Li (GSB)
- Nota Klentrou (AHS)
- Scott Henderson (FOSS)
- Scott Henderson (FOSS)
- Fayez Elayan (GSB)
- Sheng Deng (CSB)
- Fazey Elayan (CSB)
- Sheng Deng (CSB)
- Christe Carpenter-Cleland (FMS)
- Maureen Connolly (AHS)
- Christine Daglake (FOH)
- Sheng Deng (CSB)
- Fazey Elayan (CSB)
- Sheng Deng (CSB)
- Amalia Banava
- Undergraduate student representatives
- James O’Brien
- Alumnus Association representative
- Mario De Divitiis
- Undergraduate program
- Heather Gordon (FMS)
- Scott Henderson (FOSS)
- David Hutchison (FMS)
- Fayez Elayan (GSB)
- Sheng Deng (CSB)
- Fazey Elayan (CSB)
- Sheng Deng (CSB)
- Amalia Banava

Representatives of the Board of Trustees
- Mario De Divitiis
- Kristine Freedenhalter
- Alumni Association representative
- James O’Brien
- Undergraduate student representatives
- Amalia Barawa
- Matt Campbell
- Nigeria Goli Emiko Murphy
- Graduate student representatives
- Bryon Gaidano
- Julia Polycy O’Neil

Planning Priorities and Budget Advisory Committee

The Senate’s Planning, Priorities and Budget Advisory Committee (PPBAC) defines its terms as follows: it undertakes the responsibility to advise Senate regarding advice to the Board of Trustees in respect to the consistency of the budgets, policies, plans, and prioritization processes with academic policy, as well as their consonance with the goals of the University. The PPBAC advises Senate regarding the following:

a) The principles of allocation of the University budget and determination of strategic objectives and prioritization processes
b) The academic and fiscal priorities of the University
c) The academic and fiscal challenges of the University
d) The budget system and strategic planning processes, and any proposed changes in the budget system and strategic planning processes of the University
e) Matters requiring institutional advocacy
f) Any other matters referred to it by the Senate or Senate Governance Committee.

The following are the 2015-16 PPBAC members:
Brock University’s Mission Statement

Brock University flourishes through the scholarly, creative, and professional achievements of its students, faculty and staff. Offering a range of undergraduate and graduate programs, Brock fosters teaching and research of the highest quality. As a diverse and inclusive community, we contribute positively to Canada and beyond through our imagination, innovation and commitment.

Brock’s values

Brock is committed to seven core values that inform and strengthen our actions.

1. Integrity and respect
2. Freedom of thought and expression coupled with academic responsibility
3. Unique student experience
4. Innovation
5. Accountability and stewardship
6. Sustainability
7. Generation and mobilization of knowledge

Integrated Strategic Plan and Strategic Mandate Agreement

Brock University’s Integrated Strategic Plan, which has been endorsed by both the Board and the Senate, sets out the University’s strategic priorities, representing the principles of allocation of the University, as follows: (the full Integrated Strategic Plan can be viewed at brocku.ca/webfm_send/18651)

Brock University’s Strategic Mandate Agreement (SMA), responds to the Ministry of Training, Colleges and Universities’ (MTCU) request that every college and university in Ontario prepare a document that would articulate the mandate and vision of each institution. Brock’s SMA was the culmination of a sustained process of integrated strategic planning and was informed by the Integrated Strategic Plan. The three pillars/priorities as detailed in the SMA are as follows (The 2014-17 Strategic Mandate Agreement can be viewed at brocku.ca/webfm_send/32300):

Strategic priorities

1. Ensure Brock is a preferred place to work and study.
2. Support Brock’s undergraduate student-centred focus while maintaining excellence in graduate education.
3. Foster excellence in research, scholarship and creativity.
4. Serve the social, cultural and economic well-being of the University, as well as the local, national and global communities.
5. Encourage transdisciplinary initiatives.
6. Promote internationalization.
7. Practice accountability, fiscal responsibility and stewardship.

Pillars/priorities

1. Serving the 21st Century Learner – Putting students first. This pillar includes but is not limited to the move to online offerings, enhanced Spring/Summer offerings and expansion of service learning opportunities.
2. Establishing Trans-disciplinary Research Hubs and Developing New Graduate and Undergraduate Programs. The five TD hubs created are: Brock-Niagara Centre for Health and Well-being; Institute for Advanced Bio-manufacturing; Lifespan Development Research Institute; Social Justice Research Institute; Sustainability: A Trans-disciplinary space for Transformative Change.
3. Building a Network of Partnerships that Promote Prosperity through Entrepreneurship, Innovation and Creativity. This pillar includes but is not limited to the Niagara Observatory; the BioLinc, Centre for Healthy Development; and the Centre for Lifespan Development Research.
The big picture

The Faculty of Education has shown an identified reduction in enrolment. The only other Faculty with an identified reduction in enrolment is Humanities, which is due to the move to a comprehensive university was proposed and endorsed. An interesting observation is that the student to faculty and librarians ratios are the same level or lower in 2014-15 as they were in 1999-2000.

In planning for the future it can be useful to look back and ask “how did we get here?” The chart and historical timeline provided represent roster data (i.e. all employees holding a faculty position in academic year). The staff headcount figures include librarians and the staff to faculty and librarians ratios are the same level or lower in 2014-15 as they were in 1999-2000. These key decisions have been identified on the timeline along with undergraduate and graduate student headcount.

In 1999-00, required graduate programs had been reduced from 3 to 2.5, a full-time equivalent (FTE) student. The faculty changed from 3 to 2.5, a full-time equivalent (FTE) student. Despite the fact that the number of full-time students is lower in 2014-15, the staff headcount figures are relatively flat. The staff to faculty and librarians ratios are the same level or lower in 2014-15 as they were in 1999-2000.

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Historical timeline

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Prior to diving into the fiscal framework, let’s first look at the budget environment. The budget environment for the University is dominated by government policy, enrolment, and dare we say, ourselves. These same factors were identified in last year’s budget report and continue today. The topics identified in this section should not detract from the emphasis put on the Strategic Mandate Agreement or Integrated Strategic Plan. This discussion on the budget environment only serves to highlight three areas that significantly impact the fiscal framework and budget development.

Government policy

The University continues to appreciate its strong and positive relationship with the Province of Ontario (the Province) and acknowledges the necessity of many of the decisions the Province has had to make, given its current fiscal constraints. The Province continues to be an exceptional supporter of the University as demonstrated through its financial contributions to recent infrastructure projects, including the Cairns Family Health and Bioscience Research Complex (Cairns), the Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA) building, and most recently the new Goodman School of Business Building. The Province has also made significant pledges in the area of deferred maintenance to increase our funding from approximately $609,000 in 2013-14 to $2.2 million in 2018-19. This funding is reflected in the fiscal framework projections.

In past budget reports, we noted several decisions made by the Province that have impacted our budget significantly. These included: a change in the tuition framework, limiting the average tuition increase for domestic students who are enrolled in government-funded programs to be no greater than three per cent, compared to the previous five per cent limit; cutting the University’s core operating grants (note: the core operating grants represent the Basic Operating Grant, the Undergraduate Accessibility Grant and the Graduate Expansion Grant) by one per cent in 2013-14 and one per cent in 2014-15; the introduction of a $750 fee per international student; changes to student payment dates, flat fee and deferral fees, impacting investment and service charges; and changes to funding and enrolment caps in our Faculty of Education. In aggregate it is estimated these changes have cost the University in the neighbourhood of $30 million in lost revenue over the past three years. While all the changes have been difficult, the most problematic policy impacting us today is that there has been no inflation on the operating grants in a decade, yet the costs they fund are all increasing by at least the rate of inflation. This means that approximately 3.5 per cent of our revenue will not see an increase at all, assuming our enrolment stays flat.

Going forward, the Province is currently in the process of renewing its funding framework. Recognizing at this time that the Province has developed nothing more than points for consideration, the framework has been designed with the funding model that exists today. This said, it is also designed to accommodate a change in the funding framework should one develop.

Readers may also find it interesting that based on a recent internal review, we now believe we receive virtually the lowest core operating grants per student and per BIU from the Province when compared to all other universities in Ontario (see Chart 1).

Budget environment

Readers may ask how this is possible. Many might be unaware that approximately 95 per cent (based on 2015-16 budget) of the core operating grants are actually fixed regardless of enrolment changes (read more on page 29 of the 2015-16 Budget Report). In the future and as the Province’s review of its funding framework unfolds, discussions will need to continue regarding this differential. It may be of interest if we were funded for each student on the BIU formula or by FTE we could stand to receive between $9.5 million and $9.7 million (see page 28) more in grants than we currently do.

In addition to these financial restraints, it has also been noted that through the Province’s new program-approval processes tied to the SMA, the Province has reduced our ability to chart our own course on program development and offerings, whereby the path to approval of new programs now requires extensive Provincial review.
Enrolment

While there continues to be an expectation that we can grow our international student population, concern regarding enrolment growth domestically has been highlighted both by last year’s application numbers from first-choice applicants to Brock being down 12.7 per cent and the applications for 2016-17 down four per cent, as well as by the anticipated reduction in Ontario’s population of students between the ages of 18-20 as shown in the Statistics Canada data (see Chart 2).

In light of this information, as part of the 2015-16 budgeting process the Office of the Registrar had created two comprehensive multi-year undergraduate enrolment forecasts, accounting for change in admission intake more than one year into the future. This model was informed and updated by the Strategic Enrolment Management plan. The forecast and financial impact is shown in Table 1. In the first scenario, 2016-17 intake is forecast flat to 2015-16 with subsequent academic years being modelled on the Ontario population projections, including the impact of the Faculty of Education changes.

The reason for the increase in 2016-17 is because it reflects the rebound in the Faculty of Education enrolment. Remember the Province temporarily cut the intake in 2015-16 to create capacity so it could change the length of the teacher education program from one year to two. If we look past this, other enrolment is projected to decline.

Note: scenario 1 was used to forecast the tuition and grant revenue in the 2015-16 budget and in the fiscal framework. In scenario 2 the assumptions are the same, with the exception of 2015-16 intake, which was forecast to reduce by 110 students. The resulting impact is a decrease of 496 students in 2015-16 (financial impact of $7.5 million) and a further cumulative decrease of 762 students in the subsequent four years (financial impact of $3.3 million).

In addition to the systematic risks of population decline addressed by the Office of the Registrar enrolment scenarios (illustrated by arrow 1 in Chart 3), it is important to realize that there are a number of other factors affecting enrolment. As noted in the pullout, the Faculty of Humanities student headcount enrolment is down approximately 1,000 students over the past five years while all other faculties have seen growth in enrolment. This may be due to trends in students’ programs of interest, and while the number of domestic students may be decreasing, those applying to university may be focusing more in certain program areas and less in others, resulting in program specific risk (illustrated by arrows 2 and 3 in Chart 3). This ultimately may mean that the decrease is realized disproportionately across Faculties.

Table 1: Undergraduate enrolment projections 2015-2020 (includes Teacher education, excluding incoming exchange students)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1:</td>
<td>17,063</td>
<td>16,668</td>
<td>16,701</td>
<td>16,494</td>
<td>16,364</td>
<td>16,198</td>
</tr>
<tr>
<td>Estimated year-over-year change</td>
<td>(375)</td>
<td>13</td>
<td>(207)</td>
<td>(166)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 2:</td>
<td>17,063</td>
<td>16,688</td>
<td>16,481</td>
<td>15,986</td>
<td>15,603</td>
<td></td>
</tr>
<tr>
<td>Estimated year-over-year change</td>
<td>(496)</td>
<td>(96)</td>
<td>(245)</td>
<td>(199)</td>
<td>(192)</td>
<td></td>
</tr>
</tbody>
</table>

Scenario 1: Estimated financial impact

<table>
<thead>
<tr>
<th>Program</th>
<th>Tuition decrease</th>
<th>Grant decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>System-wide</td>
<td>$1.17 million</td>
<td>$0.08 million</td>
</tr>
<tr>
<td>Program specific</td>
<td>$1.26 million</td>
<td>$0.41 million</td>
</tr>
</tbody>
</table>

Scenario 2: Estimated financial impact

<table>
<thead>
<tr>
<th>Program</th>
<th>Tuition decrease</th>
<th>Grant decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>System-wide</td>
<td>$2.77 million</td>
<td>$0.43 million</td>
</tr>
<tr>
<td>Program specific</td>
<td>$3.79 million</td>
<td>$0.80 million</td>
</tr>
</tbody>
</table>

Of further concern is what is illustrated in Charts 4 and 5. These charts address the question: “What if an enrolment decline is not felt proportionally by all Ontario universities?” It is possible that we could see a disproportional drop in student enrolment compared to other universities because as Chart 4 illustrates, our average entering grade is already lower compared to other Ontario universities.

Chart 4

If other universities lowered their entering average requirement to maintain enrolment, we will need to assess our response. We could see something similar to Chart 5 if we experience a disproportional enrolment decrease.

Chart 5
The reality is that predicting enrolment is difficult and there are many action items we can and have started to implement, including enhancement of recruitment efforts, the increase of scholarship budgets and the development of a strategic enrolment plan. It is encouraging to see individuals across the University showing a continued willingness to get involved in recruiting. This said, the Academic Program Review identifies that we have programs with low enrolment and for those programs we need to assess next steps. Historically we have continued to push growth programs in order to subsidize lower enrolment and the most costly programs. Going forward, the answer may not be in growth because many of those programs may find themselves at capacity. The answer may be that we will be forced to figure out our “right size” at a program level.

Ourselves

Going forward we are looking at revenue growth of 1.97 per cent and operating costs growth of 3.01 per cent if enrolment levels are constant. This creates an annual requirement to find one per cent or approximately $3 million annually in mitigation. If enrolment declines by one per cent, we could be looking at requiring an additional $1.8 million in mitigation. This is illustrated in the following chart (this chart was first presented in the 2015-16 budget report):

So why talk about “ourselves” as an aspect of the current fiscal environment? It’s because we all ultimately have the power to recommend changes to the programs we offer and how we offer them, our areas of focus, the pay raises we seek, and how resources are allocated.

The budget committee is open to any recommendations. As already noted, these recommendations can be sent to budgetreport@brocku.ca.

The fiscal framework is designed to help guide the distribution of resources, but it is not designed to make decisions by itself. Going forward, we must look to ourselves to make real decisions that will take us out of the repetitive process of budget mitigation. We have a great University with some amazing programs and research. We need to ensure we don’t stand in our own way.

*Net impact is 2.7% after tuition and environment reduction of 0.3%.
**Calculated deficit assumes a $290 million budget.
Introduction
This fiscal framework is designed to support budgetary planning. If nothing else it helps identify that funding sources are limited and supports a route for their investment in a transparent manner. The goal of the model is to recognize our history and budget environment and using key metrics help us address the looking forward observations and resource allocation questions to ensure a fiscally sustainable Brock University. The objective is not to replace or even compete with the revenue and expense allocation model in development at brocku.ca/finance/faculty-and-staff/revenue-expense-allocation-pro but to document budgeting thoughts and related direction. In doing so, a potential financial outcome has been illustrated (see pages 20-21) based on proposed targeted guidance that is really universal across all revenues and expenses rather than isolated to specific units. Should we decide to embrace a revenue and expenses allocation model for budgeting purposes down the road, it is envisioned it would integrate as a component of this framework adding greater definition at the unit level. To this point, the framework is developed to recognize “One Brock” and through that lens initialize and document financial planning. This fiscal framework, while being a planning tool with respect to budgetary considerations, is expected to support strategic planning. In the sections that follow regarding the specifics of the fiscal framework, numerous plans are identified – some in place, some in progress and some perhaps outstanding but required. The fiscal framework’s intent is not to establish an “edict.” Through its development additional and ongoing planning requirements were identified. These same requirements are consistent with those identified by both the Senate and Board of Trustees. The planning model identified below was actually identified when reviewing other universities’ planning processes. It came from Simon Fraser University. The plans or components referred to in this fiscal framework have been identified with an “*”.

Fiscal framework

15

2016-17 Fiscal Framework

FISCAL FRAMEWORK

14

2016-17 Fiscal Framework

FISCAL FRAMEWORK

15

2016-17 Fiscal Framework

FISCAL FRAMEWORK

14

2016-17 Fiscal Framework

FISCAL FRAMEWORK
The fact that not all plans in the planning model are addressed in this fiscal framework is not to say that all the plans are not integral to the University or have a relationship with the fiscal framework. Rather, as stated at the beginning of this fiscal framework report, the fiscal framework is expected to evolve as time progresses.

What is interesting about this model of planning is how governance of Senate and the Board of Trustees, followed by the funding available, form the outer boundary to hold the plan together. The visual is then one of core principle based planning followed by more detailed planning and then moving out to units for tactical planning. It further identifies the relationship that exists where a high degree of sharing must occur between tactical and aspirational goals where units look to implement and achieve the desired outcomes as set out in the planning exercise.

### Timeline and process

The budget process is one that starts each year soon after the completion of the prior year budget and completes in May at the beginning of the new fiscal year. The budget is subdivided into a number of different sections and reports to allow for sufficient review, discussion, and time for implementation. These components are as follows:

<table>
<thead>
<tr>
<th>Budget components</th>
<th>Approval</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition, auxiliary and residence</td>
<td>December</td>
<td>Approving these components in the time frames identified allows information to be published prior to the start of the upcoming fiscal year(s) to support students in planning and to support recruitment and retention activities.</td>
</tr>
<tr>
<td>Fellowships, scholarships, bursaries and awards</td>
<td>June</td>
<td>The majority of capital-related activity occurs in the spring and summer when the campus is generally less busy. Approving this budget in December allows for planning and procurement processes to commence so projects can be “shovel” ready come spring or summer.</td>
</tr>
<tr>
<td>Capital and related project budget</td>
<td>December</td>
<td>This is the final component of the budget process. When the operating budget is proposed, the aggregated consolidated budget with the three components approved between June and December are also included in the budget submission. The operating budget is then linked to above for course and people planning, with the approval coinciding with the beginning of the fiscal year the budget relates to.</td>
</tr>
</tbody>
</table>

### Capital and related project budget

- **Fellowships, scholarships, bursaries and awards:**
  - Units with oversight are asked to review the structure and make recommendations.
  - Recommendations are taken to the Council of Academic Deans, the President, and to the Senate Administration Council for support.
  - Budget Committee submits to Financial Planning and Investment Committee (FPIC) for recommendation to the Board of Trustees.
  - Approval by the Board of Trustees (Dec.)

- **Student Awards and Financial Aid:**
  - Operating budget (May)
  - Departments are asked to review the structure and make recommendations.
  - Recommendations are taken to the President, and to the Senate Administration Council for support.
  - Budget Committee submits to the Board of Trustees.
  - Approval by the Board of Trustees (June)

- **Graduate Studies:**
  - Operating budget (May)
  - Departments are asked to review the structure and make recommendations.
  - Recommendations are taken to the President, and to the Senate Administration Council for support.
  - Budget Committee submits to the Board of Trustees.
  - Approval by the Board of Trustees (June)

- **Facilities Management and Information Technology Services:**
  - Operating budget (May)
  - Departments are asked to review the structure and make recommendations.
  - Recommendations are taken to the President, and to the Senate Administration Council for support.
  - Budget Committee submits to the Board of Trustees.
  - Approval by the Board of Trustees (June)

### Operating budget

- **Units with oversight are asked to review the structure and make recommendations.**
- **Recommendations are taken to the President, and to the Senate Administration Council for support.**
- **Budget Committee submits to the Board of Trustees.**
- **Final input is received from Senate with respect to consistency with academic policy.**
- **Budget Committee submits to the Board of Trustees.**
- **Approval by the Board of Trustees (May).**

### Timeline

<table>
<thead>
<tr>
<th>Funds</th>
<th>Budget Committee Approval</th>
<th>Board of Trustees Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition, auxiliary and residence</td>
<td>December</td>
<td>Approve</td>
</tr>
<tr>
<td>Fellowships, scholarships, bursaries and awards</td>
<td>June</td>
<td>Approve</td>
</tr>
<tr>
<td>Capital and related project budget</td>
<td>December</td>
<td>Approve</td>
</tr>
<tr>
<td>Operating budget</td>
<td>May</td>
<td>Approve</td>
</tr>
</tbody>
</table>

The budget components are approved by the Board of Trustees at the recommendation of the Financial Planning and Investment Committee. The fiscal framework acts as a financial guide in their development. The components are aligned with the University mission after much consultation. To this point consultation occurs throughout the development of each budgetary component. The general process of initial consultation to final approval can be visualized as follows:

Information on the committees identified above can be found at brocku.ca/university-secretariat with the exception of the Budget Committee and CAD Finance. The Budget Committee consists of the President, Vice-Presidents, Vice-Provost/AVP Academic, AVP Human Resources and AVP Finance. The CAD Finance committee consists of the Provost/VP Academic, Vice-Provost/AVP Academic, Vice-Provost Teaching and Learning, all Deans, Librarian, and supported by the Registrar, Director of Faculty Relations and the AVP Finance.
Guidance

Specific guidance on the funding budget revenues and expenses can be found on the pages identified in the graphs on the following page.

The guidance provided in this framework is relatively straightforward. We spend more of our operating dollars on salary than comparative Ontario comprehensive universities. This will need to change over time while maintaining and improving quality. Further, we need to invest in areas such as the library, technology, our space through deferred maintenance, and student recruitment and retention. Therefore, the key aspects of this framework are as follows:

Tuition and grants
- Student tuition and grants are almost entirely regulated by the Province of Ontario. This framework incorporates the 5 per cent undergraduate enrolment decline, which was originally outlined in the 2015-16 Budget Report.

Our people
- Personnel costs are 72 per cent of operating expenses, while other Ontario comprehensive universities average only 68 per cent, based on the Council of Ontario Finance Officers (COFO) reporting 2013-14.

Our operating resources
- Our library is second last in acquisition funding compared to other comprehensive universities per Maclean’s.
- Further investment in technology is essential in order to compete.

Our space
- Our infrastructure has a facility condition index of 0.18 compared to an Ontario University Index of 0.10.

Demographics
- The demographic outlook requires a further emphasis on student recruitment and retention. This will require greater funding for students through scholarships, bursaries, and awards.

The following charts identify the relative size of each revenue and expense component, based on the 2015-16 funding budget, as well as where the specific guidance can be found in this document.
We reiterate that this framework contains future oriented information. It is the accumulation of financial information obtained from units across the University. In preparing the following forecasts and budgets, certain assumptions and estimates were necessary. These assumptions and estimates are based on information available to Financial Services at the time of preparing the assumptions and estimates were based on information obtained from units across the University. It is the accumulation of financial information obtained from units across the University.

Forecast

At a high level if the target guidance was achieved and the guidance has been applied or put forward as “assumptions” below, the following financial outcomes identified in “Illustrative funding budget A,” would follow, as identified below:

Table 2: Illustrative funding budget A

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student fees</td>
<td>145,946</td>
<td>150,998</td>
<td>153,634</td>
<td>162,821</td>
<td>169,033</td>
<td>175,016</td>
</tr>
<tr>
<td>Grants</td>
<td>94,594</td>
<td>90,398</td>
<td>92,256</td>
<td>95,510</td>
<td>96,510</td>
<td>98,972</td>
</tr>
<tr>
<td>Additional facilities &amp; Program funds</td>
<td>375</td>
<td>423</td>
<td>465</td>
<td>510</td>
<td>565</td>
<td>1,025</td>
</tr>
<tr>
<td>Additional parking revenue</td>
<td>400</td>
<td>410</td>
<td>420</td>
<td>430</td>
<td>440</td>
<td>450</td>
</tr>
<tr>
<td>Other operations</td>
<td>58,245</td>
<td>56,118</td>
<td>56,241</td>
<td>59,315</td>
<td>58,514</td>
<td>59,683</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td>298,785</td>
<td>297,595</td>
<td>306,312</td>
<td>312,358</td>
<td>319,445</td>
<td>326,236</td>
</tr>
</tbody>
</table>

| Expense | Total personnel costs | (183,885) | (200,242) | (200,242) | (201,476) | (204,501) | (204,606) |
|         | Financing costs | (9,441) | (9,610) | (9,510) | (9,573) | (9,556) | (9,651) |
|         | External financing costs | (9,441) | (9,610) | (9,510) | (9,573) | (9,556) | (9,651) |
|         | Debt payment reserve | 475 | 475 | 475 | 475 | 475 | 475 |
|         | Debt payment reserve | 475 | 475 | 475 | 475 | 475 | 475 |
|         | Financing costs total | (9,916) | (10,085) | (10,315) | (10,530) | (10,631) | (11,121) |
|         | Repair and maintenance and capital replacement | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) |
|         | Deferred maintenance (DM) | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) |
|         | Capital loss (DM) | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) | (3,320) |
|         | Repair and maintenance | (7,344) | (7,344) | (7,344) | (7,344) | (7,344) | (7,344) |
|         | Repair and maintenance and capital replacement | 21,302 | 22,057 | 27,660 | 28,370 | 30,458 |
|         | Scholarships | (15,265) | (16,315) | (17,340) | (18,483) | (19,247) | (20,024) |
|         | Scholarship & student aid | (15,265) | (16,315) | (17,340) | (18,483) | (19,247) | (20,024) |
|         | Library acquisitions | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Library acquisitions | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Purchased services | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Purchased services | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Utilities and taxes | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Utilities and taxes | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Cost of sales | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Cost of sales | (2,897) | (3,132) | (3,882) | (4,310) | (4,746) | (4,841) |
|         | Other operating | (27,127) | (28,077) | (30,512) | (32,335) | (37,443) | (326,236) |
|         | Budget surplus (deficit) | 7,014 | (8,851) | (8,851) | (8,851) | (8,851) | (8,851) |

Strategic investments

- Debt payment reserve: time-up debt costs to increase at 2.5%/year.
- To lower personnel costs as a percentage of overall budget to bring closer alignment to other universities.
- Additional investment in scholarships.
- Investment in Library acquisitions to increase the Library acquisitions ratio.
- Includes additional investment in recruitment in 2016-17.
- Additional investment in new capital projects based on the capital funding model.

Assumptions

<table>
<thead>
<tr>
<th>($000s)</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library acquisitions</td>
<td>$1,078 inc. (UG); $332 inc. (ex. $1m reserve in 15-16)</td>
<td>Based on capital funding model.</td>
<td>Based on capital funding model.</td>
<td>Based on capital funding model.</td>
</tr>
<tr>
<td>Scholarships</td>
<td>$94,594</td>
<td>90,998</td>
<td>92,254</td>
<td>91,239</td>
</tr>
<tr>
<td>Student fees</td>
<td>$145,946</td>
<td>150,998</td>
<td>153,634</td>
<td>162,821</td>
</tr>
<tr>
<td>Total personnel costs (183,885)</td>
<td>(200,242)</td>
<td>(200,242)</td>
<td>(201,476)</td>
<td>(204,501)</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>(7,344)</td>
<td>(7,344)</td>
<td>(7,344)</td>
<td>(7,344)</td>
</tr>
<tr>
<td>Deferred maintenance</td>
<td>(3,320)</td>
<td>(3,320)</td>
<td>(3,320)</td>
<td>(3,320)</td>
</tr>
<tr>
<td>Capital loss</td>
<td>(3,320)</td>
<td>(3,320)</td>
<td>(3,320)</td>
<td>(3,320)</td>
</tr>
<tr>
<td>Repair and maintenance and capital replacement</td>
<td>21,302</td>
<td>22,057</td>
<td>27,660</td>
<td>28,370</td>
</tr>
<tr>
<td>Total non-personnel</td>
<td>(97,406)</td>
<td>(100,847)</td>
<td>(106,288)</td>
<td>(109,682)</td>
</tr>
<tr>
<td>Operating expense</td>
<td>(291,271)</td>
<td>(301,071)</td>
<td>(306,512)</td>
<td>(312,358)</td>
</tr>
<tr>
<td>Budget surplus (deficit)</td>
<td>(8,514)</td>
<td>(9,361)</td>
<td>(10,215)</td>
<td>(10,215)</td>
</tr>
</tbody>
</table>

Budget submissions

As units throughout the University prepare their budgets for submission the following points are considered integral to that process:

- Budgets should be prepared so they are consistent with the academic policy and the goals of the University.
- Budgets should be zero-based. They should take into account historical budget to actual experience as well as future requirements.
- Budgets should be clear and easily understood.
- Key changes should be communicated such as, changes in personnel and related financial implications, impact of salaries, wages and benefits expenses, impact of changes in student and/or other significant revenue and expense drivers, new/expanded and/or discontinued initiatives.

Unit budgets related to Administrative Units must be submitted by Dec. 15 and Academic Units are due to be submitted by Jan. 15. Prior to submitting each unit lead should review their budget with their reporting President or Vice President.

Budget guidance at a unit level can be found starting on page 50.

In order to achieve the overall forecasts, all units will be expected to work towards the guidance formulated in detail in the sections that follow.
Risks to framework

When looking at the framework it is important to recognize it is forward looking and requires a number of estimates and assumptions which were made using information available at the time of preparing this report. Along these lines, the following page identifies some risks to the framework. By design the fiscal framework was put forward as flexible. For example, in the event new funding opportunities or new expense pressures arise such as those identified in Table 3, the funding formula provides for one of two options:

1. The impact can be spread across all units mathematically by way of the funding envelope percentages (pages 50-51); or
2. Strategic adjustments could be made to specific units to accommodate and/or implement the change (pages 50-51).

Table 3: Risks to framework

<table>
<thead>
<tr>
<th>Risk</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrolment</td>
<td>As noted in the budget environment enrolment, is projected to decline. Any variation in the enrolment estimates will impact the financial forecast and actual results.</td>
</tr>
<tr>
<td>Provincial government policy</td>
<td>As noted in the budget environment section of this report, provincial government policy has been a major factor during budget development in the past couple of years. Any change in government policy could impact the financial forecasts and actual results. Some examples of Provincial government policy decisions include: new program approvals, tuition regulations, grant funding (note: a new funding formula is currently being developed by the Province), cap-and-trade legislation (note: legislation has just passed but the details of implementation have yet to be finalized), freedom of information interpretation changes (note: these requirements are constantly evolving, most recently changes were noted with respect to sharing competitive bid information) and Ontario Pension Plan broader public sector purchasing directives.</td>
</tr>
<tr>
<td>Pension plan</td>
<td>The following chart illustrates recent investment returns of the pension plan.</td>
</tr>
</tbody>
</table>

As a result of the returns and an improvement in the discount rate, the actuarial valuation on the plan was updated as of July 1, 2014 which indicated the fund was 99.1 per cent funded on a going-concern basis and 105 percent on a solvency basis. This was a significant improvement from the July 1, 2011 valuation. This aside, there are risks leading into the next valuation to be performed for July 1, 2017.

As an example, if we experience a 15 per cent reduction in investment value or a one per cent reduction in the discount rate, the plan could go from almost being fully funded to a $50 million deficit, which would require a significant increase in operating budget contributions to reduce the deficit. Any variation from the current actuarial valuation will impact the financial forecast and actual results.

---

Table 3: Risks to framework

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding deficit ($000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>251,587</td>
</tr>
<tr>
<td>2011</td>
<td>283,889</td>
</tr>
<tr>
<td>2012</td>
<td>301,612</td>
</tr>
<tr>
<td>2013</td>
<td>341,391</td>
</tr>
<tr>
<td>2014</td>
<td>432,752</td>
</tr>
<tr>
<td>2015*</td>
<td>446,855</td>
</tr>
</tbody>
</table>

*As of April 30, 2015.

---

Chart 9

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

As an example, if we experience a 15 per cent reduction in investment value or a one per cent increase in salary scale:

- Sensitivity of funding deficit (% of baseline)

Chart 10

Funding deficit ($000s)

As an example, if we experience a 15 per cent reduction in investment value or a one per cent reduction in the discount rate, the plan could go from almost being fully funded to a $50 million deficit, which would require a significant increase in operating budget contributions to reduce the deficit. Any variation from the current actuarial valuation will impact the financial forecast and actual results.
Delegated authority

The Financial Planning Investment Committee (FPIC) has the responsibility to establish tuition fees and make recommendations to the Board of Trustees, which has the responsibility to approve tuition fees.
was established. This helped university growth because there was no other way to cover the increasing cost of universities. Further, from the beginning, and over time, differences in funding per BIU and FTE have emerged, which stem from institutions’ previously negotiated grants, as well as the mix and structure of programs that were developed and changed.

Risks and mitigation

Similar to undergraduate funding, the variable portion of the graduate funding (Graduate Expansion Grant) is based on growth in master’s and PhD FTEs over a base year, currently 2007-08. However, this funding is only up to a maximum number of FTEs, which in 2015-16 were 643.41 master’s FTEs and 105.08 PhD FTEs. See the 2015-16 Budget Report for further information.

History

The grant framework currently in effect was established back in the early 2000s. It consolidated the prior grant program into one basic operating grant and provided for enrolment-based grants, which from time to time were rolled into the basic operating grant. The enrolment-based grants encouraged a significant period of growth, which also significantly grew the Province’s university participation rate. Important to note is that there has been no inflation on the enrolment-based grants since the new grant program was established. This helped university growth because there was no other way to cover the increasing cost of universities. Further, from the beginning, and over time, differences in funding per BIU and FTE have emerged, which stem from institutions’ previously negotiated grants, as well as the mix and structure of programs that were developed and changed.

Targeted guidance

To receive in the range of the average operating grant per Basic Income Unit (BIU) and Full-Time Equivalent (FTE) of the other universities in the Province of Ontario.

Adherence to government policy and regulation with the direction to maximize the grant where appropriate. Constructive dialogue with the Province of Ontario regarding the subject of operating grants is a priority.

What is it?

The University funds approximately 31 per cent of its operations through grant revenue. In dollar terms this represents approximately $91 million, of which 90 per cent comes from operating grants and 10 per cent from specific purpose grants. The grants identified here do not include grants specifically identified for research projects. This section focuses on the operating grants. The calculations around the operating grants are straight forward and discussed annually in detail in the budget report. A common misconception is that the operating grants are 100 per cent variable. In fact, the majority of the operating grants are fixed. We only receive variable funding if there is positive domestic growth over a base year. For undergraduate funding (Undergraduate Accessibility Fund), the base year is currently 2010-11. At Q2 2015-16 the estimated variable undergraduate funding represented approximately $3.8 million (i.e. 665 BIUs at 1.5 weight). Specific budgetary information can be found on this topic at brocku.ca/finance/university-financial-information/budget-reports

The calculation for the variable portion of the undergraduate funding is as follows:

Undergraduate Accessibility Fund

<table>
<thead>
<tr>
<th>BIU</th>
<th>FTE (1 full course = 1 FTE)</th>
<th>Formula (BIU x 5402.96 - 2386 x FTE x 0.99)</th>
<th>Funding per FTE</th>
<th>Number of FTEs with grant at $3,818,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1 x 5402.96 - 2386 x 1 x 0.99</td>
<td>5,041</td>
<td>1,255</td>
</tr>
<tr>
<td>1.5</td>
<td>1</td>
<td>1.5 x 5402.96 - 2386 x 1 x 0.99</td>
<td>5,742</td>
<td>665</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>2 x 5402.96 - 2386 x 1 x 0.99</td>
<td>8,336</td>
<td>458</td>
</tr>
</tbody>
</table>

The numbers above are not in ($000). The undergraduate programs have been classified for purposes of the BIU as follows:

Classifications

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Business Income Unit (BIU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodman School of Business (GSB)</td>
<td>1 – 1.5</td>
</tr>
<tr>
<td>Faculty of Applied Health Sciences (AHS)</td>
<td>1 – 2</td>
</tr>
<tr>
<td>Faculty of Education (FOE)</td>
<td>1 – 2</td>
</tr>
<tr>
<td>Faculty of Humanities (FOH)</td>
<td>1 – 2</td>
</tr>
<tr>
<td>Faculty of Mathematics and Science (FMS)</td>
<td>1 – 2</td>
</tr>
<tr>
<td>Faculty of Social Science (FSS)</td>
<td>1 – 2</td>
</tr>
</tbody>
</table>

Information on BIU classifications can be obtained through the Registrar’s Office.
Key performance indicators
The following charts illustrate our grant per BIU and grant per FTE positioning based on grant data for fiscal 2015-16. If we could move to the average BIU or FTE it could represent between an additional $9.5 million and $9.7 million.

<table>
<thead>
<tr>
<th>Chart 12</th>
<th>Basic Operating Grant and Undergraduate Accessibility Grant/Basic Income Unit (BIU)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014-15 Grant/BIU 2015-16 Grant/BIU</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chart 13</th>
<th>Basic Operating Grant and Undergraduate Accessibility Grant/Full-Time Equivalent (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014-15 Grant/FTE 2015-16 Grant/FTE</td>
</tr>
</tbody>
</table>

Note: The names of the universities have been removed for anonymity purposes.

Delegated authority
NA – Province of Ontario mandated.

Grant Governance

Process 3
Board of Trustees (Governor)

Financial Planning and Investment Committee*

Strategic Management and Planning

Committee of Academic Deans – Finance*

Senior Administrative Council*

Senate (comment)

Process 1
Governance
Governance committees
Staff committees
Plans to action

Process 2
* Budget consultation

- Strategic enrolment plan
- Government dialogue plan
Ancillary and residence

Targeted guidance

Grow the annual structural contribution to the operating budget by 20 per cent over the next five years.

Establish pricing that is reflective of service and offerings that balances characteristics of supply and demand. Any pricing strategy should recognize these services are complimentary to the core activities. Where possible, consideration should be provided to how ancillary and residence operations and pricing integrate with the core activities of the University.

What is it?
The University earns approximately 11 per cent of its revenue through ancillary services and residence revenue. These units include: Campus Store, Parking Services, Conference and Event Services, Hospitality Services and the Department of Residences. The 2015-16 budget report illustrates that on a net basis these units contribute $5.7 million to the core operations of the University. Specific budgetary information can be found on this topic at brocku.ca/finance/university-financial-information/budget-reports

History
The ancillary and residence services offered on campus has grown as the University has grown. Looking back, the last significant change to these offerings occurred when the Campus Store moved to the Plaza building when the last residence was built. In recent years ancillary services and residence services have operated trying to achieve short-term guidance targets, while in some cases, like the Campus Store, have experienced declining revenue per student.

Risks and mitigation

<table>
<thead>
<tr>
<th>Rate</th>
<th>Risks</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Laws and regulations</td>
<td>• Enterprise risk management plan</td>
<td></td>
</tr>
<tr>
<td>• Quality of offerings</td>
<td>• Strategic enrollment plan</td>
<td></td>
</tr>
<tr>
<td>• Demand for offerings</td>
<td>• Marketing and communication plan</td>
<td></td>
</tr>
<tr>
<td>• Availability of offerings</td>
<td>• Ancillary and residence plans</td>
<td></td>
</tr>
<tr>
<td>• Enrollment volume</td>
<td>• Residence master plan</td>
<td></td>
</tr>
</tbody>
</table>

Key performance indicators

The following table illustrates the change in net contribution to the operating budget from ancillary services and residence and the five year target.

<table>
<thead>
<tr>
<th>Classifications</th>
<th>Units $(000s)</th>
<th>2015-16 Budget</th>
<th>5 year target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus Store</td>
<td>1,372</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking Services</td>
<td>2,145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference and Event Services</td>
<td>412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Residences</td>
<td>940</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,696</td>
<td>7,163</td>
<td></td>
</tr>
</tbody>
</table>

This chart illustrates the guidance is on total ancillary and residence operations and not on one specific unit.

Delegated authority

The Financial Planning Investment Committee (FPIC) has the responsibility to review ancillary services and residences through the budget, which it recommends to the Board of Trustees, which has the responsibility to approve ancillary and residence rates.
Salary and benefits

Targeted guidance

Achieve a ratio of salary and benefit expense as a percentage of total operating expenses of 70 per cent or lower.

Establish compensation and hiring strategies that support engagement and productivity while working towards and then maintaining total salary and benefits at or below 70 per cent of total expenses using COFO reporting on expenses.

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

Maintain a funding envelope no lower than $900,000 per year to fund post-retirement benefits. This $900,000 envelope must be over and above what is included in each year’s budget to cover current post-retirement benefits.

What is it?

Salary and benefits are the single largest expense we have. We have eight different unionized groups on campus and one non-unionized group. The largest union is the Brock University Faculty Association (BUFA). The most significant benefit expense is our hybrid pension. The term hybrid refers to the fact the pension plan has a guaranteed minimum pension but if the plan does better than expected the employee receives that benefit.

History

Our salary and benefits based on the funding basis are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and benefits</td>
<td>105,149</td>
<td>126,551</td>
<td>126,721</td>
<td>168,204</td>
</tr>
<tr>
<td>% increase</td>
<td>2.2%</td>
<td>2.7%</td>
<td>3.0%</td>
<td></td>
</tr>
</tbody>
</table>

It is interesting to see these costs have increased in recent years despite 86 positions being reduced and approximately $6 million in annual savings that were realized when the pension structure improved. At June 2014 the pension fund was 99.1 per cent funded on a going concern basis and 105 per cent funded on a solvency basis. While the pension plan has seen financial improvement over the past couple of years we continue to have certain obligations for post-retirement benefits, which at April 30, 2015 were valued at $19.6 million. In fiscal 2014-15 we started setting aside $900,000 per year to fund post-retirement benefits.

Risks and mitigation

<table>
<thead>
<tr>
<th>Rate</th>
<th>Risks</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government policy and regulation</td>
<td>• Ongoing dialogue with the government</td>
<td></td>
</tr>
<tr>
<td>• Compensation expectations for performance</td>
<td>• Compensation strategy</td>
<td></td>
</tr>
<tr>
<td>• Pension (see chart that illustrates risks on page 22)</td>
<td>• Organizational design strategy</td>
<td></td>
</tr>
<tr>
<td>• Enrolment volume</td>
<td>• Pension Committee and related Statement of Investment Policies and Procedures (SIPP)</td>
<td></td>
</tr>
</tbody>
</table>

Key performance indicators

Chart 14 illustrates our salary and benefits as a percentage of total operating expenses compared to our Ontario comparators in the comprehensive category. Included in this group are Queen’s, Windsor, Carleton, Guelph, Laurentian, Ryerson, York and ourselves.

Delegated authority

The Human Resources Committee (HRC) has the responsibility to recommend the compensation strategy and agreements to the Executive Committee for approval. The Financial Planning Investment Committee (FPIC) has the responsibility to establish affordability limits through the budget which it recommendations to the Board of Trustees, which has the responsibility to approve the budget.

Chart 14

<table>
<thead>
<tr>
<th>Total salary and benefits (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brock University</td>
</tr>
<tr>
<td>Average for Ontario Universities</td>
</tr>
<tr>
<td>Total salaries and wages</td>
</tr>
<tr>
<td>Total employee benefits</td>
</tr>
</tbody>
</table>

Chart 15

<table>
<thead>
<tr>
<th>2015-16 Budget Board approved personnel costs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
</tr>
<tr>
<td>Governance</td>
</tr>
<tr>
<td>Total salary and benefits*</td>
</tr>
</tbody>
</table>

*Based on COFO reporting of expenses.
Scholarships

Targeted guidance

Maintain a fellowships, scholarship, bursaries and awards budget in the top 50 per cent of comprehensive universities as identified in the annual Maclean’s survey.

Establish a fellowships, scholarships, bursaries and awards budget that celebrates student successes and talents and is reflective of program supply and demand dynamics to support recruitment and retention. When setting the fellowships, scholarships, bursaries and awards strategy all laws and regulations must be followed.

What is it?

Fellowships, scholarships, bursaries and student awards are used to attract, retain and celebrate students and their successes. The financial support provided helps students in their educational pursuits. The Brock Act in section 13 outlines that “the Senate is responsible for the educational policy of the University, and, with the approval of the Board in so far as the expenditure of funds is concerned, may enact by-laws and regulations for the conduct of its affairs, and, without limiting the generality of the foregoing, has power, to deal with all matters arising in connection with the awarding of fellowships, scholarships, bursaries, medals, prizes and other awards.”

While the Act does outline that the Board of Trustees oversees the “expenditure of funds,” and the Senate oversees the “awarding” of fellowships, scholarships, bursaries and awards, it should be noted there are some that are mandated by the Province (ie. Student Access Guarantee).

History

The fellowships, scholarships, bursaries and awards on campus are funded 92 per cent through the operating fund and eight per cent through endowments. The split between undergraduate and graduate is approximately 60 per cent and 40 per cent. In dollar terms this is approximately $10 million and $7.2 million.

Risks and mitigation

<table>
<thead>
<tr>
<th>Rate</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government policy and regulations</td>
<td>• Ongoing dialogue with the government</td>
</tr>
<tr>
<td>• Demand for offerings</td>
<td>• Strategy enrolment plan</td>
</tr>
<tr>
<td>• Enrolment volume</td>
<td>• Academic review process</td>
</tr>
<tr>
<td>• Funding for non-recruitment and retention awards</td>
<td>• Fiscal framework</td>
</tr>
</tbody>
</table>

Key performance indicators

Chart 16 illustrates the undergraduate and graduate fellowships, scholarships, bursaries and awards in 2015-16 and the aggregate forecast for the next four years.

Delegated authority

The Financial Planning Investment Committee (FPIC) has the responsibility to review proposed financial changes to fellowships, scholarships, bursaries and awards and make recommendations to the Board of Trustees who has the responsibility to approve the fellowships, scholarships, bursaries and awards budget on an annual basis. The Senate has the authority to establish the type and reasons for awarding fellowships, scholarships, bursaries, and awards. This is accomplished through the Faculty Handbook and the Graduate and Undergraduate Senate committees.
Capital

Targeted guidance

To increase the contribution to the capital and related project program for Facilities Management annually by a minimum of the construction price index plus new government funding identified for capital.

Reduce the Facilities Condition Index (FCI) to the average of Ontario Universities by 2036.

Providing and maintaining infrastructure that meets the needs of students and staff is critical. In establishing the long-term capital and related projects plan for infrastructure, a ranking system is to be utilized to support the selection of projects and communication of that selection. Projects selected must tie into an integrated infrastructure strategy that reduces risk and supports students, faculty and staff while working towards the FCI target.

To increase the contribution to the capital and related project program for Information Technology annually so it grows to $5 million by 2019-20.

In establishing the long-term capital and related projects plan for information technology, a ranking system is to be utilized to support the selection of projects and communication of that selection. Projects selected must tie into an integrated information technology strategy that reduces risk and supports students, faculty and staff. When setting this strategy all laws and regulations must be followed.

What is it?

The capital and related projects budget was first established in 2013-14 and has developed over time. This is not to say the University did not perform capital projects prior to 2013-14, except to say it was then that structure around the program was developed. The budget primarily concentrates on capital assets, which are discussed below, but also includes costs that are more project-related. An example is the implementation of the new accounting system. It is a significant project that requires one-time implementation funding but in the end there really is no tangible asset that we will own.

The term ‘capital asset’ refers to tangible items with a useful life greater than one year, or a repair or renovation that extends the useful life of an existing capital asset. Examples include everything from buildings to vehicles to computers and library books.

Although there are many different types of capital assets, the rationale for purchase is usually either the capital assets are required for new investment or for deferred/current maintenance. At the University, recent major new investments include Cairns and the MWSFPA buildings, while examples of deferred maintenance include the Mackenzie Chown fire alarm and the recent roof replacements performed around campus.

When considering how to pay for the purchase of capital assets there are two commonly considered models. One is borrowing and repaying the debt over time (for more discussion on debt see pages 44-47) and the other is pay-as-you-go, which refers to accumulating the funds required to purchase the capital asset in advance. In a university setting this often refers to funds raised from donations, government grants, or in-year budget dollars.

Borrowing

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- If the funds can be borrowed, the capital asset can be purchased immediately instead of waiting to save up the funds.</td>
<td>- Interest costs can be seen taking funding that otherwise would have been available for other initiatives.</td>
</tr>
<tr>
<td>- Repayment is normally made over the useful life of the asset. For some assets that have long lives, like buildings, this means that users can pay for it as they use it over time by contributing to the debt payments. In our environment this would normally be by way of student tuition payments or government grants.</td>
<td>- Debt can reduce the amount of flexibility an organization has to take advantage of future opportunities.</td>
</tr>
</tbody>
</table>

Pay-as-you-go

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- No requirement to make future payments which can be seen lining up funds for other initiatives.</td>
<td>- Capital asset purchases can be seen as being delayed as an organization needs to accumulate enough funds prior to purchase.</td>
</tr>
<tr>
<td>- When debt is limited or zero the organization is more likely to be well positioned to take advantage of future opportunities.</td>
<td>- Current users can be seen as paying for assets they may not use. The pay-as-you-go model is analogous with a pay it forward strategy. People that came before the current users of the capital assets paid for the capital assets being used by current-users. Current users then pay for capital assets for future users and so on.</td>
</tr>
</tbody>
</table>

Some of the advantages and disadvantages of these strategies are as follows:

When contemplating the amount of investment required to fund new capital assets, the question really comes down to affordability and return on investment. When there is a positive financial return on investment the concept of affordability takes care of itself, however, when there is no readily identifiable positive financial return on investment but the planned capital asset purchase has other non-financial positive benefits, then the question of affordability does get raised. From a quantitative perspective it could be suggested that affordability is achieved provided the budget remains balanced, quality across the organization is maintained and the funding envelope is sufficient to maintain capital assets.

When contemplating the amount of investment required to fund deferred maintenance, a commonly taught practice is to invest an amount equal to amortization annually. The problem here is maintenance requirements are not constant throughout time on a building, and often are limited in the initial years after new infrastructure is built, this model does not factor in the time value of money. The other complexity is that when a capital asset, like a building, is originally built it likely includes significant investment in planning, architectural drawings and other costs that get capitalized and amortized, but from a deferred maintenance perspective these amounts do not need to be re-purchased. If we look at Cairns as an example, at April 30, 2015 we had capitalized $110 million in costs, but if we look at the recent condition assessment performed by VFA Inc. that reviewed future deferred maintenance requirements, it noted a current replacement value of only $70.8 million. The point here is the financial statements produce annual amortization of $2.8 million on Cairns from $110 million being capitalized, but projected deferred maintenance is forecasted from a current replacement value of $70.8 million, which if we calculated annual ‘amortization’ would only be $1.8 million. The difference in annual amortization is $1 million and illustrates a potential initial over-investment in deferred maintenance if we funded straight from the financial statement amortization for this building. Furthermore, once an asset is fully amortized, this method would indicate that no further maintenance is required, which is unreasonable, for as infrastructure ages it normally gets more costly to maintain. For these reasons, many organizations obtain deferred maintenance schedules indicating what maintenance should be performed year and base their future deferred maintenance funding requirements from these estimates. In fact Facilities Management is building their infrastructure strategy on this model. The tables and charts on the following six pages illustrate how the model works and the forecasted outcomes.

The model utilizes the estimated deferred maintenance requirements used in the FCI calculation and rolls the balance year to year with additions for inflation and new maintenance requirements offset by reductions for investment spending to reduce the balance. As the Facilities Management infrastructure strategy is further developed it will be able to “fit” into the funding model as both are being built and adjusted as the updated engineering studies are completed.
History

Our current capital assets are as follows:

Capital assets:

<table>
<thead>
<tr>
<th>April 30, 2015 ($000s)</th>
<th>Cost</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>58,805</td>
<td>58,805</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>488,280</td>
<td>178,319</td>
<td>310,161</td>
</tr>
<tr>
<td>Furnishings and equipment</td>
<td>48,385</td>
<td>39,162</td>
<td>9,223</td>
</tr>
<tr>
<td>Library books</td>
<td>41,122</td>
<td>39,942</td>
<td>1,170</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>636,582</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>April 30, 2014 ($000s)</th>
<th>Cost</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>58,805</td>
<td>58,805</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>470,406</td>
<td>165,113</td>
<td>305,293</td>
</tr>
<tr>
<td>Furnishings and equipment</td>
<td>48,232</td>
<td>38,734</td>
<td>9,498</td>
</tr>
<tr>
<td>Library books</td>
<td>40,713</td>
<td>39,438</td>
<td>1,275</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>618,356</td>
</tr>
</tbody>
</table>

Included in buildings is $453,524,417 (2014 – $33,678,384) of construction in progress that was not amortized during the year.

The increase in net book value of capital assets is due to the following:

<table>
<thead>
<tr>
<th>($000s)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>374,871</td>
<td>362,560</td>
</tr>
<tr>
<td>Purchase of capital assets funded by deferred capital contributions</td>
<td>10,329</td>
<td>16,846</td>
</tr>
<tr>
<td>Purchase of capital assets internally financed</td>
<td>833</td>
<td>730</td>
</tr>
<tr>
<td>Purchase of capital assets financed by proceeds of long term debt</td>
<td>5,033</td>
<td></td>
</tr>
<tr>
<td>Purchase of capital assets financed by accounts payable</td>
<td>4,717</td>
<td>4,635</td>
</tr>
<tr>
<td>Sale of land</td>
<td>(309)</td>
<td></td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>(16,434)</td>
<td>(15,991)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>379,349</td>
<td>374,871</td>
</tr>
</tbody>
</table>

Recognizing the majority of our capital assets relate to land and buildings, 97 per cent in fact, we tend to highlight and monitor the condition of our buildings. The common metric to monitor condition is the Facilities Condition Index (FCI). Currently we have an FCI of 0.186 while the Ontario University average is 0.1. This is the result of years of pushing off deferred maintenance needs.

Looking back over the past couple of years, the turning point of the capital program really occurred when the Board of Trustees endorsed a motion to invest $6 million in deferred maintenance in the 2014-15 budget:

The intent of the $6 million contribution was to at least maintain deferred maintenance at current levels. This recognized that even as deferred maintenance projects are undertaken new requirements for maintenance will come forward. Looking forward, the funding model forecasts a deferred maintenance funding envelope greater than $6 million and growing in order to take into account future maintenance needs as well. The potential impact the funding model will have on FCI is graphically shown in Chart 17 above.

Note: Through the forecasted level of investment in deferred maintenance, the FCI is expected to remain constant while the outstanding debt on the MIWSFPA and Cairns buildings are repaid. This is not to say the FCI could not improve in the next 10 years. For example, the FCI in the chart above does not reflect any change in use of properties that could have a significant impact on FCI. If we just consider the planned demolition of the greenhouse (now that the Cairns greenhouse is operational), the deferred maintenance on Taro Hall (that is being addressed through the Goodman School of Business build), the changes to the Rodman Hall organizational structure and the potential future considerations at Hamilton Campus and Lockhart Drive, it is expected the FCI could improve by approximately 140 basis points alone.

Risks and mitigation

<table>
<thead>
<tr>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Government policy and regulation</td>
<td>- Ongoing dialogue with the government</td>
</tr>
<tr>
<td>- FCI</td>
<td>- Organizational design strategy</td>
</tr>
<tr>
<td>- Changing program need</td>
<td>- Strategic enrollment plan</td>
</tr>
<tr>
<td>- Changing student and employee need</td>
<td>- Space plan</td>
</tr>
<tr>
<td>- Infrastructure strategic plan</td>
<td>- Fiscal framework</td>
</tr>
<tr>
<td>- Deferred maintenance strategic plan</td>
<td>- Campus Plan</td>
</tr>
<tr>
<td>- Information technology strategic plan</td>
<td>- Infrastructure strategic plan</td>
</tr>
<tr>
<td>- Enterprise risk management plan</td>
<td>- Deferred maintenance strategic plan</td>
</tr>
</tbody>
</table>

Chart 17

Deferred maintenance spending

- Repurposed debt payments ($millions).
- Facilities Renewal Program funds (government funded) spend ($millions).
- Incremental parking revenue spend ($millions).
- Operating spend ($millions).
- Facilities condition index.
The following has been developed as a forecasted road map to achieve the established targets. It outlines our current and forecasted funding model and the impact on the Facilities Condition Index (FCI).

Key performance indicators

The formula and components of funding on page 42 can be illustrated as follows:

The formula and components of funding on page 42 and the above graph translates into the following funding:

**Capital and related debt service cost**

<table>
<thead>
<tr>
<th>($000s)</th>
<th>2015-16B</th>
<th>2016-17B</th>
<th>2017-18F</th>
<th>2018-19F</th>
<th>2019-20F</th>
<th>2020-21F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal payments</td>
<td>2,171</td>
<td>2,262</td>
<td>2,356</td>
<td>2,458</td>
<td>1,967</td>
<td>1,963</td>
<td>13,177</td>
</tr>
<tr>
<td>Interest payments</td>
<td>7,438</td>
<td>7,329</td>
<td>7,217</td>
<td>7,098</td>
<td>6,884</td>
<td>6,509</td>
<td>42,275</td>
</tr>
<tr>
<td>Debt reduction</td>
<td>475</td>
<td>745</td>
<td>1,002</td>
<td>1,303</td>
<td>2,480</td>
<td>2,937</td>
<td>8,892</td>
</tr>
<tr>
<td>Total debt payments</td>
<td>10,084</td>
<td>10,336</td>
<td>10,595</td>
<td>10,859</td>
<td>11,311</td>
<td>11,409</td>
<td>64,414</td>
</tr>
</tbody>
</table>

*Note: servicing costs are growing by the construction price index. The additional funds are allocated to debt repayment.

**Capital and related projects**

<table>
<thead>
<tr>
<th>($000s)</th>
<th>2015-16B</th>
<th>2016-17B</th>
<th>2017-18F</th>
<th>2018-19F</th>
<th>2019-20F</th>
<th>2020-21F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>9,118</td>
<td>10,399</td>
<td>11,822</td>
<td>13,762</td>
<td>15,327</td>
<td>15,712</td>
<td>76,140</td>
</tr>
<tr>
<td>Ministry’s facility renewal program (FRP) (estimated)</td>
<td>882</td>
<td>865</td>
<td>1,305</td>
<td>1,746</td>
<td>2,187</td>
<td>2,187</td>
<td>9,172</td>
</tr>
<tr>
<td>Operating plus FRP</td>
<td>10,000</td>
<td>11,264</td>
<td>13,127</td>
<td>15,508</td>
<td>17,514</td>
<td>17,899</td>
<td>85,312</td>
</tr>
<tr>
<td>Reserves</td>
<td>3,800*</td>
<td>1,000</td>
<td>4,800</td>
<td>4,800</td>
<td>4,800</td>
<td>4,800</td>
<td>4,800</td>
</tr>
<tr>
<td>Total</td>
<td>13,800</td>
<td>12,264</td>
<td>13,127</td>
<td>15,508</td>
<td>17,514</td>
<td>17,899</td>
<td>90,112</td>
</tr>
</tbody>
</table>

*The 2015-16 budget includes the use of the $2,800 reserved in 2014-15 for the financial system.

**Yearly closing deferred maintenance value**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DM</td>
<td>$184,248,444</td>
<td>$184,267,990</td>
<td>$189,903,535</td>
<td>$206,933,697</td>
<td>$209,330,309</td>
<td>$201,350,685</td>
</tr>
<tr>
<td>DM</td>
<td>$192,267,990</td>
<td>$184,267,990</td>
<td>$189,903,535</td>
<td>$206,933,697</td>
<td>$209,330,309</td>
<td>$201,350,685</td>
</tr>
<tr>
<td>CRV</td>
<td>$722,267,990</td>
<td>$722,267,990</td>
<td>$722,267,990</td>
<td>$722,267,990</td>
<td>$722,267,990</td>
<td>$722,267,990</td>
</tr>
</tbody>
</table>

*The 2015-16 budget includes the use of the $2,800 reserved in 2014-15 for the financial system.

DM spend – funded by operating (starting at $6 million in 2015-16 and growing at Construction CPI each year) except for a temporary “blip” in 2016-17 to fund the post-MIWSFPA space moves and repurposing.

DM spend – funded by parking revenue (starting at $4 million in 2016-17 and growing by Construction CPI each year).

DM spend – funded by increase in Facilities Renewal Program funds grant (additional $9.441 million in each of 2017-18, 2018-19 and 2019-20).

DM spend – repurpose of debt payments (starting in 2024-25).

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

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

Opening deferred maintenance (DM) balance.
The debt payments were originally required to pay for capital assets and once the debts are repaid those funds are being repurposed to maintain our capital assets as they age. Equally as important, and as already noted, the forecasted FCI does not take into consideration the repurposing, demolition, special one-time funding opportunities (i.e. Goodman School of Business building renewal), or even sale of assets. These actions could have significant impacts on our FCI.

Delegated Authority

The Capital Infrastructure Committee (CIC) has the responsibility to approve the projects associated with the Capital and Related Projects budget within the funding envelope allotted. The Financial Planning Investment Committee (FPIC) has the responsibility to establish affordability limits (known as the funding envelope) through the fiscal framework and the budget that recommends to the Board of Trustees, which has the responsibility to approve the budget on an annual basis.

The forecast model includes increased funding from the Facilities Renewal program funds, which will be added incrementally to the funding envelope. The other contributions increase at the construction price index, which is illustrated at 2.5 per cent for the forecast – the forecast shows 2.3 per cent growth because direct government contributions are not forecasted to grow as there is no inflation forecasted into the current formula – (these contributions could change in time ) Once the MWSPA and Cairns building debts are repaid those funds are repurposed to the capital program, and as the remaining residence debts are repaid those funds are split between the sinking fund and additional incremental dollars for the capital program. This last point recognizes...

<table>
<thead>
<tr>
<th>Facilities Management capital and related debt project budget</th>
<th>($000s)</th>
<th>2015-16B</th>
<th>2016-17B</th>
<th>2017-18F</th>
<th>2018-19F</th>
<th>2019-20F</th>
<th>2020-21F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New or “Flexible”</td>
<td>2,482</td>
<td>4,763</td>
<td>2,608</td>
<td>2,873</td>
<td>2,740</td>
<td>2,809</td>
<td>18,075</td>
<td></td>
</tr>
<tr>
<td>Deferred Maintenance</td>
<td>6,018</td>
<td>3,352</td>
<td>7,371</td>
<td>1,087</td>
<td>9,286</td>
<td>8,440</td>
<td>40,577</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,500</td>
<td>8,088</td>
<td>9,779</td>
<td>10,370</td>
<td>11,026</td>
<td>11,249</td>
<td>58,652</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information Technology Services capital and related debt project budget</th>
<th>($000s)</th>
<th>2015-16B</th>
<th>2016-17B</th>
<th>2017-18F</th>
<th>2018-19F</th>
<th>2019-20F</th>
<th>2020-21F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New or “Flexible”</td>
<td>1,500</td>
<td>2,537</td>
<td>1,576</td>
<td>1,675</td>
<td>1,806</td>
<td>1,681</td>
<td>10,581</td>
<td></td>
</tr>
<tr>
<td>Core applications</td>
<td>3,800</td>
<td>4,189</td>
<td>3,812</td>
<td>3,523</td>
<td>4,632</td>
<td>4,513</td>
<td>22,379</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,300</td>
<td>4,726</td>
<td>5,388</td>
<td>5,488</td>
<td>6,419</td>
<td>6,194</td>
<td>31,959</td>
<td></td>
</tr>
</tbody>
</table>
Debt and borrowing

Targeted guidance

No new debt.

The financing model and funding envelopes allotted in the capital program are based on a pay-as-you-go model that forecasts no new debt. New capital requirements are highly dependent on donations and/or other incremental sources of funding not already worked into the fiscal framework. The intent of this target is not to limit flexibility as from time to time there may be requirements to temporally cash flow a capital project or even a contingency. The intent is to identify that long-term structural debt is not forecasted in the framework.

To repay the loan on the Marilyn I. Walker School of Fine and Performing Arts (MIWSFPA) by 2019-20; the debt (other than the bond) on residence loans by 2029-30.

The financing model emphasizes debt repayment with increasing contributions to debt repayment equal to the construction consumer price index. The increase is applied to accelerate the debt repayment so that funds can be repurposed to tangible investments and to ensure when the debts are repaid the organization will be able to build a residence. The nice thing about this example is our residences have shown to have a positive impact on the student experience and to produce a positive return on investment. In fiscal 2015-16 it is anticipated that the net contribution to the operating budget will be $940,000 after covering all debt payments. To an individual this concept is a lot like borrowing money to invest in a rental property where a positive return is anticipated and on a more basic level it could be borrowing money to purchase a car so an individual can get to and from work. The term “bad” debt normally refers to situations where funds are borrowed to purchase with no financial return on investment. A relevant example would be to cover operating losses. When an organization begins borrowing to cover operating losses that organization’s ability to continue operating comes into question. To an individual this concept is a lot like constantly spending more than they make and continuing to borrow the difference whether by way of credit card or line of credit. Eventually the individual will no longer be able to attain credit and bankruptcy can follow.

For this reason most public sector organization limit borrowing only for the purpose of raising funds for capital and related projects. This said, all capital projects do not necessarily have positive financial returns on investment. It could be argued that the building of the Marilyn I. Walker School of Fine and Performing Arts will not have a positive financial return on investment although it is hoped that it will have a positive impact on students and faculty. In the public sector this can make decisions over borrowing complicated. Sometimes public sector organizations argue that while the capital or related project being borrowed for does not have a direct positive financial return, the impacts on other aspects of the organization may include improved reputation, which although much more difficult – perhaps impossible – to forecast, could produce long-term positive financial return for the organization.

While the intent here is not to oversimplify the basics of borrowing rather just to touch on high level concepts of what and why organizations borrow. The last concept we will touch on is the duration of borrowing for a capital project. Fundamental to duration, which really refers to the time period one expects to pay back the debt, is that it should not be longer than the expected useful life of the capital asset being purchased. This concept is best illustrated by going back to the individual example earlier about purchasing a car. An individual would not want to be paying for the car after it no longer worked. When one looks at debt at the University, one might say, “all debt is related to buildings some of which have lasted even longer than 50 years.

Our current outstanding debt and five-year forecast is shown in the table above. In addition to the debt, the table above illustrates reserves set aside for debt repayment and the sinking fund.
Key Performance Indicators

The following chart identifies the forecasted repayment plan for each outstanding debt:

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.
3. The capital project is forecasted to be net cash flow positive within two to three years.

Delegated Authority

The Financial Planning Investment Committee (FPIC) has the responsibility to establish affordability limits (known as the funding envelope) through the fiscal framework and the budget that it recommends to the Board of Trustees, which has the responsibility to approve the budget on an annual basis. While the fiscal framework makes no recommendation for additional debt, and in fact concentrates on the repayment of debt, the fiscal framework does not limit the FPIC’s authority to recommend to the Board of Trustees that debt financing be approved. This said, the target guidance is no new debt so any recommendation for debt would be expected to be accompanied by a strong plan with significant visibility toward repayment.
Other salient guidance

The intent of the framework is not to establish guidance for every type of financial transaction and/or line in the financial statement, but to create guidelines for many of the major financial activities and by doing this other activities will follow. The preceding pages identified a number of areas of guidance. The following are some additional areas which need specific mention.

<table>
<thead>
<tr>
<th>Salient guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component</strong></td>
</tr>
<tr>
<td>Utilities</td>
</tr>
<tr>
<td>Library acquisitions</td>
</tr>
<tr>
<td>Unrestricted net assets/reserves</td>
</tr>
<tr>
<td>Chargebacks, other revenue and other operating costs</td>
</tr>
</tbody>
</table>
Unit guidance
The framework provides a number of targets at the global perspective. The obvious questions units have is how does this relate to me and how do we operate within the framework? This can be answered in three stages:

1. The specific budget and financial planning processes and submission requirements as outlined in the Fiscal Framework will need to be followed. (see Budget Submissions section on page 21)

2. Units are subject to the global target guidance. (see pages 15-48) Specifically units are expected to apply the global target guidance, where applicable, understanding that it can only be achieved if operationalized at the unit level.

3. Units will also see they are grouped within certain funding envelopes that are grouped by function. It is anticipated that units within the funding envelopes would work together towards achieving guidance.

Obviously the fiscal framework only works if each envelope achieves guidance, but what happens if guidance cannot be met by an envelope? The framework is designed so units work together. The Budget Committee reserves the right to accept or require adjustments to a unit’s budget and by way of this process either approve an envelope as being under or over budget. Ultimately as the Board of Trustees has approved a motion that each year we need the funding budget to balance or do better (i.e. end in a surplus), we do need to work toward the revenues and expenses at least balancing.

Envelope weights
The envelope weights are a mechanism of translating target guidance to the unit level.

They are established recognizing our past and adjusted for strategic direction and decisions. The expectation here is that each year the envelopes would initially be forecasted as the prior year budget weightings and then be adjusted for things such as: actual experience, enrolment and grant changes, organizational planning, legislation changes, student expectation, known and/or perceived inequities and global target guidance.

The goal here is to recognize that the unit budget allocations today may not be appropriate for tomorrow but any changes to unit budget allocations should be transparent for purposes of review. The framework is intended to move us away from across-the-board increases and/or reduction. It recognizes our units have certain short- to mid-term structural costs, but planning for these strategically over time will allow us to adjust budget allocations.

In this respect the envelope weights will continue to strategically evolve. Annually, units can expect an updated multi-year forecast and upcoming guidance to be released in October.

Guidance by function

### Table 1: Envelope Weights by Function

<table>
<thead>
<tr>
<th>Function</th>
<th>2015-16 Budget</th>
<th>2015-16 Actual</th>
<th>2016-17 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Teaching Faculty</td>
<td>$125,045</td>
<td>$120,546</td>
<td>$127,131</td>
</tr>
<tr>
<td>Total Academic Support</td>
<td>$13,842</td>
<td>$12,707</td>
<td>$13,469</td>
</tr>
<tr>
<td>Total Student Specifics</td>
<td>$6,701</td>
<td>$5,837</td>
<td>$6,614</td>
</tr>
<tr>
<td>Total Shared Services</td>
<td>$21,007</td>
<td>$19,776</td>
<td>$20,918</td>
</tr>
<tr>
<td>Faculty Average</td>
<td>$7,165</td>
<td>$6,550</td>
<td>$6,094</td>
</tr>
<tr>
<td>Facilities Management</td>
<td>$13,709</td>
<td>$13,405</td>
<td>$15,242</td>
</tr>
<tr>
<td>Campus Security Services</td>
<td>$1,854</td>
<td>$1,765</td>
<td>$2,328</td>
</tr>
<tr>
<td>Hybrid Space</td>
<td>$683</td>
<td>$641</td>
<td>$819</td>
</tr>
<tr>
<td>Utilities, Taxes and Insurance</td>
<td>$3,577</td>
<td>$3,578</td>
<td>$3,529</td>
</tr>
<tr>
<td>Financing</td>
<td>$6,463</td>
<td>$5,446</td>
<td>$5,652</td>
</tr>
<tr>
<td>Scholarships, Bursaries and Student Awards</td>
<td>$13,602</td>
<td>$13,476</td>
<td>$14,855</td>
</tr>
<tr>
<td>Capital</td>
<td>$6,392</td>
<td>$6,376</td>
<td>$6,458</td>
</tr>
<tr>
<td>University Global</td>
<td>($20,049)</td>
<td>($16,060)</td>
<td>($16,739)</td>
</tr>
<tr>
<td>Total University</td>
<td>$3,221</td>
<td>($7,514)</td>
<td>$3,997</td>
</tr>
</tbody>
</table>

*The 2015-16 budget has been revised as a result of the allocation of certain salary costs, which were budgeted centrally to other Units. This revised budget was included for comparison purposes.*
In reviewing our financial risk framework there are both academic and operational components. These are identified throughout the framework and accompanied by mitigation actions or strategies. These subject matters may have been discussed in other parts of the financial framework because they can impact the financial outcome of our University. As the University develops its Enterprise Risk Management (ERM) program it will become apparent that each identified risk has a financial component. The financial risks and information identified below will be used as a component of the ERM program and to drive the budgetary framework.

Financial risk framework

Financial risks – traditional concentration

Foreign currency – purchases

Rationale
Our purchasing power in foreign currency is subject to change with changes in currency. This can impact budgets negatively if the Canadian (CDN) dollar depreciates in comparison to other foreign currencies.

Quantification
The only currency we do significant purchases in is the United States dollar (USD). The value of those transactions in USD equals $4.35 million.

Units impacted
The whole, University but the most significant individual unit is the Library.

Mitigation
A natural, although partial, hedge program has been developed to utilize student payments made in USD to pay USD purchases. The program is estimated to hedge approximately 23 per cent of USD purchases.

Continuous improvement
We continue to communicate with foreign students to ensure they realize they can make student payments in USD through Western Union and pay lower fees than if they had translated the funds into CDN dollars first.

Responsible VP
Vice-President, Administration (VPA)

Monitoring
Performed by Financial Services.

Control activities
Purchases are subject to the Delegation of Authority and other policies such as the purchasing policy. The currency for payment of a purchase is identified by accounts payable who transacts payment in either CDN or USD subject to the approval of the Director, Accounting and Treasury.

Information and communication
The majority of information and communication on the subject occurs during budget development when units are encouraged to bring forward foreign currency risks for assessment and planning. Throughout the year Financial Services identifies significant USD payment requirements through Purchasing.

Recommendation going into fiscal 2016-17
Recognizing the risk response does not specifically address the Library budget line the following supporting budgetary directive is recommended:

That a Library funding objective be established to ensure that within four years (starting from May 1, 2016) our Library budget will be of a sufficient amount to rank among the top half in the Maclean’s University ranking survey for comprehensive universities, subject to investigating offsite storage opportunities (i.e. Library joining the U of T Downsview library project facebook.com/universitytoronto/ videos/70066309939/) and developing processes that are sufficiently transparent to Senate on how the acquisition budget is allocated allowing Senate to provide comment if desired.
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2016-17 Fiscal Framework

FINANCIAL RISK FRAMEWORK

as tuition is the largest revenue source. Affordability and the whole University, countries make up the remaining international students. 117 different countries make up almost half of all our international students can be impacted by changes in currency.

Information and communication

The majority of information and communication on the subject occurs during budget development when the Senior Administrative Council, Council of Academic Deans - Finance and Budget Committee are consulted and provide student fee recommendations to the Financial Planning Investment Committee for approval by the Board of Trustees.

Foreign currency - student fees

Mitigation

The process here has been one of balance. Recognizing re-pricing to foreign currency fluctuations, may not be practical. We have, over the last two years, developed a model to compare our international student fees in CDN dollars to other Ontario Universities and have worked towards the median. The model, while it really looks through foreign currency, has at least established a relative benchmark that ensures our pricing strategy is reasonable in the context of Ontario Universities.

Continuous improvement

Financial Services will be looking to extend benchmarking of University tuition into the United States, and Student Awards and Financial Aid (SAA) and the Faculty of Graduate Studies will be looking at binary mechanisms that could be used if certain significant currency fluctuations were met and students would otherwise meet certain criteria identified as appropriate for financial assistance.

Units impacted

The students themselves in terms of affordability and the whole University. All audited financial statements of the plan also quantify further foreign currency risk. Further, an annual pension meeting is held and everyone enrolled in the pension is invited, see brocku.ca/Calbildecend/3644 for the most recent invitation. Additional information on the endowment investment returns results can be found annually in the budget report and annual report and audited financial statements of the University. All audited financial statements, budget reports and annual reports can be found at brocku.ca/finance/annual-financial-information.

Foreign currency - investments

Mitigation

The traditional way to mitigate foreign currency risk is through hedging. We started hedging the USD risk in the pension plan after the CDN-dollar appreciation to parity. We have never hedged foreign currency in the endowment fund. In 2013, Financial Services performed an analysis of the cost of the hedge and questioned what the reasonable goals were. This led to a review by external subject matter experts that was presented and considered by the Pension Committee and the Financial Planning and Investment Committee.

The conclusions of the review were:

• When looking at long term portfolios, such as the pension and endowment, currency fluctuations in the long run work themselves out.
• Hedging has administrative costs.
• The subject matter experts suggested the CDN-dollar was likely overvalued.

In the short term currency fluctuations do impact portfolio results and as a result can impact our contributions to the plan related to the minimum guarantee and the pension payments that pensioners receive.

Recognizing this information the Pension Committee recommended and the Financial Planning and Investment Committee approved the unwinding of the USD hedge. This occurred in 2013. Since ending the program the CDN dollar has gone from approximate parity to approximately 70 cents compared to a USD. This has been positive to the investment portfolio.

As of January 2016 the University was not hedged for any foreign currency. This said, when the CDN dollar increases to other foreign currencies, losses could be recognized, although they may be temporary in the long run. This can have an impact, as identified in the review, on the near-term required contributions to the plan and pension payments to pensioners. For this reason, the external subject matter experts that we use for managing the investments and the Pension Committee and the Financial Planning and Investment Committee continue to monitor foreign currency with an emphasis on USD and have recently presented a tactical hedging strategy that is being considered.

Continuous improvement

Continue to monitor currency and the tactical hedging strategy.

Rationale

Our investment returns are impacted by foreign currency when we translate global investments back into CDN dollars. This can have an impact on contributions required for the pension, pensioners’ pension payments and amounts distributed from endowments.

Quantification

Foreign investments are held in the following investment funds, which at April 30, 2015 were ($000s):

- Pension = $446,675
- Endowment = $81,695

In both these funds almost 50 per cent of the assets are in global equities and 50 per cent of those assets are in United States currency.

Important to note is the pension uses Aberdeen and Walter Scott as investment managers and the endowment fund only uses Walter Scott. The primary reason for two global investment managers in the pension plan is the larger size of investable dollars.

The above highlights investments in global funds but it is fair to say that even investments in Canadian companies in CDN dollars can be impacted by foreign currency if those companies do business in foreign jurisdictions. This exposure has not been quantified as it is not readily available.

Units impacted

The whole University.

The actuarial assumption of the pension plan is for a six per cent rate of return. If actual returns differ our budget and pensioners receiving a defined contribution payment are impacted.

The endowment policy requires for the endowments to maintain purchasing power parity from when the original donation was made. This requires a rate of return at least inflation plus the spending rate. The Bank of Canada target for the core inflation rate is two per cent and in recent years the spending rate has been set at 3.5 per cent. This equates into a required 5.5 per cent rate of return.

Rationale

Our investment is historically managed in USD and the portfolio returns results can be found online at brocku.ca/Finance/Annual-Reporting/36215 and the audited financial statements of the plan also quantify further foreign currency risk. Further, an annual pension meeting is held and everyone enrolled in the pension is invited, see brocku.ca/Calbildecend/3644 for the most recent invitation. Additional information on the endowment investment returns results can be found annually in the budget report and annual report and audited financial statements of the University. All audited financial statements, budget reports and annual reports can be found at brocku.ca/finance/annual-financial-information.

Risk assessment

VPA

Monitoring

Performed by Financial Services

Control activities

Students fees are developed through the budget process and recommendations to the Financial Planning and Investment Committee (FPIC) for approval by the Board of Trustees.

Information and communication

The majority of information and communication on the subject occurs during budget development when the Senior Administrative Council, Council of Academic Deans - Finance and Budget Committee are consulted and provide student fee recommendations to the Financial Planning Investment Committee for approval by the Board of Trustees.

Computing

Foreign currency fluctuations were met and students would otherwise meet certain criteria identified as appropriate for financial assistance.

Recommendation going into fiscal 2016-17

A transparent currency impact assessment, coupled with financial need criteria will be developed by Student Awards and Financial Aid and the Faculty of Graduate Studies, to be applied to international students, both undergraduates and graduates. Recognizing there may be some differences in recruiting and student needs and between the undergraduate and graduate programs once developed.

Supporting financial services

Our investment returns are impacted by foreign currency when we translate global investments back into CDN dollars. This can have an impact on contributions required for the pension, pensioners’ pension payments and amounts distributed from endowments.

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Rationale

Investment market returns can impact the contributions to the pension, pensioners pension payments, amounts distributed from endowments, availability to make the future $93 million bond payment in 2045, and to support future post- retirement benefit costs for retirees also known as Employee Future Benefits (EFB). 

Quantification

As of April 30, 2015 we have the following amounts invested in bonds or equity markets (50000)

- Pension = $345,675
- Endowment = $135,675
- Sinking Fund = $5,462
- EFRA reserve = $887

Units impacted

The whole University.

The actuarial assumption of the pension plan is for a six per cent rate of return. If actual returns differ, our budget and pensioners receiving a defined contribution payment are impacted.

The endowment policy requires the endowments to maintain purchasing power parity from when the original donation was made. This requires a rate of return of at least inflation plus the spending rate. The Bank of Canada target for the core inflation rate is two per cent and in recent years the spending rate has been set at 3.5 per cent. This equates to a required 5.5 per cent rate of return.

The sinking fund is currently designed to repay the $93 million bond payment in 2045 using a five per cent rate of return with additional contributions starting in 2024-25.

The EFRA reserve was established to ensure obligations to current and future retirees can be met. At April 30, 2015 the current obligation of all non-pension employee future benefits was actuarially determined as $136,486 million. Starting in fiscal 2015-16 the budget incorporates a $90,000 annual payment to the reserve (this is over and above annual payments to current retirees). Provided a 5.5 per cent compounded rate of return, this reserve is estimated to grow to cover 100 per cent of the current and future retirees portion of the liability over the next 20 years.

Mitigation

It is recognized that from year to year always achieving actual returns as expected, anticipated or forecasted returns may not be possible. These returns as identified under the “units impacted” section are anticipated over the long term. To achieve these objectives we mitigate risks to investment return through governance, including the use of a Statement of Investment Policies and Procedures which can be found at brocku.ca/Finance/Policies-and-Procedures. This includes processes to monitor, analyze, and take action when recommended as appropriate. To assist in this process external subject matter experts are utilized. These include investment consultants, investment managers and actuaries.

Monitoring

We utilized external subject matter experts to monitor investment returns including market conditions, support and lead investment manager selection decisions, and monitor their relative performance, which includes regular reporting on the stock and geographical inclusion outcomes of the investment managers. This information is reported through Financial Services, and in the case of the Pension, also through Human Resources to the following committees:

- Pension Committee
- brocku.ca/Finance/Policies-and-Procedures
- Investment Committee
- brocku.ca/Finance/Policies-and-Procedures
- Investment Committee
- brocku.ca/Finance/Policies-and-Procedures
- Investment Committee
- brocku.ca/Finance/Policies-and-Procedures

Information and communication

As identified in the mitigation section, investment process and decisions are subject to both policy and ultimately the approval of the Financial Planning and Investment Committee.

In place as of fiscal 2015-16

Going into fiscal 2015-16, the pension is considered for all intended purposes as fully funded, given the last valuation noted it was 99.1 per cent funded on a going concern basis and 101 per cent on a solvency basis. This just leaves us funding the normal and expected contributions to the plan. The endowment fund now has all funds “above water” meaning all funds are now at a value of the original donation plus inflation.

The sinking fund is currently two years ahead of plan in terms of being able to pay off the $93 million bond. This is a result of strong investment returns in the past two years. More on this can be found on page 44.

The EFRA reserve, which was just established, is on track to grow to 100 per cent of the current and future retirement portion of the EFR liability over the next 20 years. More on this can be found on page 23.

Interest rates

Rationale

A portion of our debt is in floating interest rate debt instruments. This can impact budgets negatively if interest rates were to rise.

Quantification

Our combined floating interest rate debt is $43.689 million which relates to the MIWSFPA and Cairns.

Units impacted

The whole University.

The whole University.

The whole University.

The whole University.

Mitigation

Interest rate swaps have been entered into for the interest rate This program has fixed the related interest rate on the MIWSFPA at 2.45 per cent and Cairns at 4.89 per cent.

Continuous improvement

A debt reduction strategy has been put in place to reduce our debt recognizing our debt burden and interest burden on the operating budget is approximately 40 per cent higher than the median of other comprehensive universities.

Specifically, our 2015 debt burden ratio is 3.2 per cent and the median is 2.8 per cent and the interest burden ratio is 7.2 per cent and the median is 1.9 per cent.

In place as of fiscal 2015-16

In the fiscal 2015-16 budget, a debt reduction reserve was established with annual contributions of $475,000. This, coupled with regular payments and applying donations for MIWSFPA building debt reduction, will lead to the early repayment of the MIWSFPA building debt.

We could effectively have the same debt burden and interest burden as the median comprehensive university (as of April 30, 2014) by 2028 if the savings from the early repayment of the MIWSFPA building debt were used to repay other outstanding debt.

More on this, including a forward looking outstanding debt chart, can be found on pages 44 to 49.
**Utilities – commodity**

**Rationale**
Approximately 2.4 per cent of our budget relates to hydro, natural gas and water charges.

**Mitigation**
We utilize four mitigation strategies when it comes to commodity costs. They are as follows:
- **Volume** – conservation efforts are in place. These are governed by the Sustainability Committee led by the AVP Facilities Management.
- **Volume** – efficiencies projects, which sometimes invest some initial investment but produce a positive payback. An example is the C&W water treatment project that was noted on page 84 of the 2015-16 Budget Report.
- **Rate** – the co-gen unit itself acts as a natural hedge against rising hydro prices. Although these prices do not tend to spike they do tend to increase annually at a rate higher than inflation.
- **Hedging** – We have been hedging natural gas prices for the past several years using external subject matter experts. The model has been to fix the natural gas price for a percentage of estimated usage for one year, two years and three years out.

**Continuous improvement**
Facilities Management is continuously looking for ways to reduce the consumption of utilities. Financial Services is recommending any project with a payback of three years or less should be put forward for approval outside of the normal envelope established for the capital budget. The funding would come from utility savings being reviewed.

**Recommendation going into fiscal 2016-17**
As noted in the continuous improvement section, additional communication on this topic is likely required. This communication should include FAQs. In addition to information on taxable activates and foreign purchasing, additional communication on tax slips such as T2201 (employment expense) and T2205E (scholarships) will be included in this communication.

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**Tax**

**Rationale**
While we are a not-for-profit organization that does not pay corporate income taxes we do collect and pay HST, pay a payment in lieu of property taxes to the City of St. Catharines, and remit various payroll taxes and deductions (income tax, stat, opp, etc.). If error is made in tax calculations it can impact the budget. Here are the areas participating in the activity requiring a tax calculation.

**Quantification**
For the year ended April 30, 2015, we paid and/or collected the following in tax:

- **HST charged and/or paid net of: (5,000)**
  - Rebates and IT(C) = $14,100
  - Property tax = $37,200
  - CPP = $29,080
  - EI = $4,200
  - EHT = $3,240
- **Total Taxes equals $59,932**

As an aside our budget recorded $96 million in grant revenue for the year ended April 30, 2015. So without trying to apply any multiplier for additional economic activity the University may produce, in the Niagara region, it alone sends approximately 62 per cent of its grant back in some form of tax to various government agencies.

**Units impacted**
The whole University.

**Mitigation**
To mitigate the risk of error the following actions are taken:
- **Education** – staff within Financial Services and Human Resources monitor changes primarily through literature obtained through the CRA and HRMA.
- We utilize the expertise of subject matter experts (HRMCA and PWC). Examples in the past two years are PER accounts, payment in-lieu, Section 257.
- Historically three areas that caused some concern, although financially they were not material, were the following:
  - Payroll taxes on contractors (a process is now in place where purchasing and/or accounts payable has been identifying contractors paid through wage quip requisition and notifying Human Resources to perform an assessment of employee vs. contractor)
  - HST on taxable activities (billing and cash receipts now look for changes in revenue activity to identify new areas where goods and services are being provided to ensure an appropriate assessment of the HST implications occur)
- **Tax implications when making foreign purchases. Presently, Purchasing has a half-time person that supports the movement of goods and services across the border. Additional communication in this area is planned, given there can be times when we need to self-assess, and changes in the US have required us to provide confirmation of our taxable status in order to do business with US companies.**

**Continuous improvement**
We just completed a two-year review by CRA on HST where three issues were identified and have since been corrected.

Going forward it is the intent of Financial Services to improve communication efforts on this topic to ensure those impacted are more aware of the tax requirements of activities they are involved in.

The new accounting system will also be designed with identification triggers to automate the checking and identification of taxable activities.

**Recommendation going into fiscal 2016-17**
As denoted in the continuous improvement section, additional communication on this topic is likely required. This communication should include FAQs. In addition to information on taxable activates and foreign purchasing, additional communication on tax slips such as T2201 (employment expense) and T2205E (scholarships) will be included in this communication.

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**FINANCIAL RISK FRAMEWORK**

**Tax**

**Risk assessment**

- **Risk**
  - Assessment
  - Control
  - Mitigation

**Supporting budgetary directive**

- **Control**
  - Environment
  - Mitigation

**Risk response**

- **Response**
  - Education
  - Monitoring
  - Performance
  - Responsible VP

**Risk**

- **Risk**
  - Tax

**Supporting budgetary directive**

- **Responsible VP**
  - VPA

**Environment**

- **Control**
  - Assessment
  - Monitoring
  - Performance

**Mitigation**

- **Risk**
  - Tax

**Control activities**

- **Risk**
  - Tax

**Recommendation going into fiscal 2016-17**
As denoted in the continuous improvement section, additional communication on this topic is likely required. This communication should include FAQs. In addition to information on taxable activates and foreign purchasing, additional communication on tax slips such as T2201 (employment expense) and T2205E (scholarships) will be included in this communication.

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**FINANCIAL RISK FRAMEWORK**

**Utilities – commodity**

**Rationale**
Approximately 2.4 per cent of our budget relates to hydro, natural gas and water charges.

**Mitigation**
We utilize four mitigation strategies when it comes to commodity costs. They are as follows:
- **Volume** – conservation efforts are in place. These are governed by the Sustainability Committee led by the AVP Facilities Management.
- **Volume** – efficiencies projects, which sometimes invest some initial investment but produce a positive payback. An example is the C&W water treatment project that was noted on page 84 of the 2015-16 Budget Report.
- **Rate** – the co-gen unit itself acts as a natural hedge against rising hydro prices. Although these prices do not tend to spike they do tend to increase annually at a rate higher than inflation.
- **Hedging** – We have been hedging natural gas prices for the past several years using external subject matter experts. The model has been to fix the natural gas price for a percentage of estimated usage for one year, two years and three years out.

**Continuous improvement**
Facilities Management is continuously looking for ways to reduce the consumption of utilities. Financial Services is recommending any project with a payback of three years or less should be put forward for approval outside of the normal envelope established for the capital budget. The funding would come from utility savings being reviewed.

**Recommendation going into fiscal 2016-17**
As noted in the continuous improvement section, Financial Services is recommending that energy efficiency projects should be put forwarded to the Board of Trustees for approval outside of the normal envelope established for the capital budget. The funding would come from the original investment the more the multiplied tracking and assessing become. Key to this proposal is that the funding would come from utility savings.
Environmental contamination

Rationale
Our programs use certain hazardous chemicals and materials, including radioactive and biohazardous materials.

In addition the land where the MIWSFPA building is located is a brownfield site that requires monitoring as a result of contamination prior to our purchase of the property for $1. A Risk Assessment (RA) was submitted to the Ministry of the Environment and Climate Change (MOECC). The RA outlined how the site could be managed to reduce the risk of occupants, plants or animals coming in contact with the contaminants.

The MOECC reviewed and accepted the risk assessment and issued a Certificate of Property Use (CPU). The CPU and RA will require ongoing monitoring.

Quantification
The only known environmental site contamination is the site identified in the rationale above, the land where the MIWSFPA building is located.

A three year monitoring program has been established in accordance with Province of Ontario requirements. The full cost of the program has been accrued and recorded in the audited financial statements in the amount of $14,000.

Additional monitoring or remediation past the three years is not known at this time and as such any cost is not quantifiable.

Units impacted
The whole University.

Mitigation
The newly formed Academic Safety Committee (which is an amalgamation of the existing Biosafety Committee, Radiation Safety Committee, Science Safety Committee and addition of a Travel Safety Committee), which includes representatives from Science Studies, key subject matter expert stakeholders, as well as Health, Safety and Wellness, continues to be consulted and provide recommendations on lab issues such as spill response, the purchase, use, storage and disposal of hazardous chemicals and materials on campus as well as other lab related hazards and practices. Health, Safety and Wellness is responsible for the management of the external hazardous waste disposal contract.

Since occupancy of MIWSFPA Health, Safety and Wellness is managing the environmental oversight of the property:

- To comply with the CPU Brock overviewed the installation of hard and soft cap barriers over the entire property.
- Before occupancy of the site the University completed indoor air quality sampling, which confirmed the sampled parameters were within legislated limits.
- A Vapour Monitoring Program was initiated to comply with the CPU to address the presence of petroleum impact in the soil and groundwater in the former boiler area at the site. The vapour monitoring results to date are below the trigger levels.
- A new position was created with Health, Safety and Wellness for an Environmental Health and Safety Officer, part of the individual’s responsibilities is to ensure any environmental issues at the MIWSFPA site are addressed and to manage the ongoing monitoring requirements.

Continuous improvement
As noted above, a number of committees have recently been restructured into one, an Environmental Health and Safety Officer (this position is not new) to enhance the risk mitigation efforts related to a variety of topics, including environmental contamination.

Going forward we continue to monitor and review our insurance coverage.

Responsible VP
Provost/VPA for preventative contamination

In place as of fiscal 2015-16

To oversee and manage the ongoing monitoring cost of MIWSFPA building $11,000 was set aside in the 2015-16 budget. Going forward the budget for the monitoring requirements to be reviewed annually. Additional monitoring or remediation past the three years is not known at this time.

The costs associated with the ongoing monitoring cost of MIWSFPA building $11,000 is not quantifiable.

Litigation

Rationale and quantification
Litigation is considered a confidential matter of the University – for further information on coverage please contact Chantal Colebatch, University Secretary.

Units impacted
The whole University.

Mitigation
Brock utilizes a combination of in-house and external subject matter experts to advise on matters of litigation.

Continuous improvement
Matters requiring legal expertise have increased in recent years as litigation impacting us has evolved. Some of these matters include contract, patent, employment, human rights and equity and freedom of information.

We currently have three lawyers on staff, one in the Office of the University Secretary, one in the Office of Research and, just recently, one was added in Human Rights and Equity (this position is not new but the fact the position is now held by a lawyer is).

Responsible VP
Provost/VPA matters related to the Brock University Faculty Association (BUFA).

In place as of fiscal 2015-16

Mattars of litigation, regardless of the financial outcomes (positive or negative) are not budgeted until known.
Next steps in budgeting

It can be just as important to structure the planning process and provide updates to the process as the actual planning that takes place. The following table illustrates a number of projects currently underway within the University that will impact the fiscal framework and future budget development:

<table>
<thead>
<tr>
<th>Projects</th>
<th>Comments</th>
<th>Enabler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and expense allocation</td>
<td>In-progress: This project was started in early 2015, some may argue it was actually started back in 2008. The most recent reports can be found at brocku.ca/finance/faculty-and-staff/revenue-expense-allocation-pro. Currently an effort is being made to obtain better data on the drivers of the model, such as space utilization, and the Deans are reviewing the tuition and grant allocations.</td>
<td>Financial Services through CAD Finance</td>
</tr>
<tr>
<td>Data governance</td>
<td>In-progress: While the current project was designed to look at revenue and expense allocations, it was always identified this information could be used by the Provost and the Deans to establish a budget model for the Teaching Faculty’s envelope of the budget. The Deans have commented at previous Council of Academic Deans – Finance (CAD Financial) meetings that they are interested in pursuing this as a model. As this develops, the Teaching Faculty’s envelope of the budget will certainly become more defined</td>
<td>Financial Services Data Governance Committee</td>
</tr>
<tr>
<td>Multi-year budgeting</td>
<td>In-progress: The new accounting system, Workday, is going live May 2016. It has a budget module that will be operational for the 2017-18 budget. This module supports multi-year budgeting, which is an activity done by several universities already to support financial planning. The forecast provided on page 20 is prepared at a level called the object of revenue and expense level, which provides a directional view but a less accurate one at that. The introduction of multi-year budgeting through Workday at the unit level will enhance financial planning through more timely and accurate forecasts and scenario development to support decision making.</td>
<td>Financial Services Workday</td>
</tr>
<tr>
<td>Senate program prioritization</td>
<td>In-progress: Senate completed a process of reviewing academic programs in 2015. Next steps have yet to be commented on.</td>
<td>Senate</td>
</tr>
<tr>
<td>Human Resources (HR) System</td>
<td>In-progress: Included in the approved 2016-17 capital budget was initial funding to research and initiate the process of obtaining a new HR system. This is an effort that has been initiated by the Human Resources department in consultation with the departments of Human Resources and Information Technology.</td>
<td>Human Resources Core Application Committee</td>
</tr>
<tr>
<td>SIS System</td>
<td>In-progress: Included in the approved 2016-17 capital budget was initial funding to research and initiate the process of obtaining a new SIS system. At a minimum it is expected this system would include standard registration capabilities along with customer relationship management software, student billing and financial awards modules.</td>
<td>Registrar’s Office Core Application Committee</td>
</tr>
</tbody>
</table>
Appendix A

Frequently asked questions

If funding is budgeted to complete a project ...

Q: Is the funding held for that specific project until completion?
A: Yes, unless it becomes apparent that the project can be completed for less than budget. At this point a budget transfer would occur as per the Delegation of Authority.

Q: And if the project is not completed in the year it was budgeted, are the costs incurred in the following years or years covered by the funding originally budgeted?
A: Yes

Q: And if the project is completed in either a surplus/deficit position what happens?
A: The Capital and Related Project program maintains a Facilitates Management and Information Technology over/short reserve. All surpluses and deficits are closed out to this reserve as per the Delegation of Authority.

The fiscal framework outlines a certain amount of available funding per year ...

Q: What happens if a project is expected to take multiple years? Will the funding be budgeted all in the initial year or over the years the project is expected to be completed?
A: For smaller projects, generally defined as less than $1 million, it is expected that the complete project funding requirement be included in the budget of an individual year.

For larger projects, generally defined as greater than or equal to $1 million, the funding could be budgeted over the years the project is expected to be completed. The intent is to match the years with cash flow and specifically identify these projects in the budget. An example of a larger project is the new accounting system – it is financed $3.8 million up front and $1 million in the second year. Another example could be the post-MIWSFPA construction.

Q: Will any of that funding be going into reserves to accumulate funds to do larger capital projects?
A: The fiscal framework certainly allows for funds to be set aside in reserves but it was designed to put funding to work immediately given the significant backlog in deferred maintenance and insufficient core information technology applications.

Q: If limited reserves are to be maintained how would a large capital project get completed if the cost was larger than the funding allocation of any one year and the cash flows would occur primarily in one year?
A: The fundamental requirement of the fiscal framework is that it requires a visible and knowing funding plan for investments. In this situation a capital project could be approved provided a funding plan was put in place. That funding plan may include reducing spending in the following year or years.

Q: If upon approval there is spending on larger capital projects in advance of the cash being budgeted, how will this impact the University’s cash flow?
A: Recognizing the size of the capital program compared to the size of the operating budget it is anticipated that such projects could be temporarily funded through working capital and/or the temporarily unspent funding of previously approved capital projects. The concept here is to ensure unspent cash is producing value. It is anticipated that these types of projects will be limited and their impact on cash flow would need to be reviewed as part of the project approval on a case-by-case basis.

Annual reports, budget reports, quarterly reporting can be found at: brocku.ca/finance/university-financial-information/budget-reports

Revenue and expense allocation information can be found at: brocku.ca/finance/faculty-and-staff/revenue-expense-allocation-pro

Finance connect newsletter can be found at: brocku.ca/finance/faculty-and-staff/financeconnect
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