



**Brock
University**

2005-2006

Mid-Year Review

Budget Update

November 24, 2005

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FOREWORD

The “2005-06 Interim Budget Estimates” report was submitted to the Board of Trustees on June 23, 2005 and it was intended that a final budget be submitted in the fall, once more information on grant transfer payments was known. The Ministry of Training, Colleges & Universities made very preliminary announcements regarding the 2005-06 grant allocations on November 2, 2005, however, no details were provided on the additional funding to be received through the Quality Improvement Fund.

The mid-year budget review is an opportunity for Budget Developers to present financial changes that have occurred since the 2005-06 Interim Budget Estimates were determined. For example, significant enrolment shifts or new circumstances may suggest that adjustments to approved budgets are required. This is an opportunity for the Budget Developer to review the actual to date revenue and costs in their budget, to project the final budget required to the end of the year, and to compare this projection to their approved budget. After reviewing variances by individual budget lines and summarizing the impact to the entire department or division, the Budget Developer will determine whether the current approved budget will suffice for the remainder of the 2005-06 year. The results of these efforts have been incorporated into this update.

Since this report provides updates to the Interim Budget assumptions concerning revenues and expenditures, the information contained within is best understood after reading the 2005-06 Interim Budget Estimates. A copy can be obtained from the Brock Finance website at Brocku.ca/Finance.

UPDATE 2005-06 BUDGET - HIGHLIGHTS

The expected changes to revenues and expenditures as a result of the mid-year budget review process have been incorporated into this 2005-06 Mid-Year Review Budget Update.

Refer to the following page that provides a numerical summary of the 2005-06 mid-year variances.

The Ministry of Training, Colleges & Universities made very preliminary announcements regarding the 2005-06 grant allocations on November 2, 2005. The Basic Operating grant is expected to decrease by \$307,000 from the interim estimates of \$62,160,818. The Quality Improvement Fund (previously referred to the Quality and Equal Funding grant in the Interim Budget Report) was estimated in the Interim Budget based on an assumed share of the system or \$3,600,000. Since \$1,381,686 was required to balance the budget, the remaining \$2,218,314 had been set-aside in a reserve fund for spending until Ministry grant allocations were received. At this time an amount of \$2,000,000 has been estimated for the Quality Improvement Fund and is included in revenue without any corresponding expense reserve. The net impact to the budget is an increase of funding of \$618,314. Further, an increase is expected from additional tuition revenue in the amount of \$1,500,000 and it is primarily this tuition revenue that has provided the opportunity to respond to emerging issues and increases in expenditure projections. The approved increases of \$1,812,948 to expenditure budgets were allocated using the following priorities:

- Budget support for costs dealing directly with growth in students,
- Unforeseen and unexpected budget variances,
- New critical budget requests (both previously submitted Schedule 5 and new requests that were not known at the time of initial budget development),
- Budget adjustments from changes in programming and revenue projections,
- One-time funding.

The majority (80%) of the requests were for one-time commitments for 2005-06, however, Senior Management needed to address a number of important new budget requests that involved on-going funding. Although additional funding resources are hopeful both for 2005-06 and beyond, allocations for on-going commitments were kept to a minimum until grant allocations have been finalized. Furthermore, a few mid-year review budget requests involving commitments that will take effect for the 2006-07 budget year were approved.

SUMMARY OF 2005-06 MID-YEAR VARIANCES

	Increase (Decrease) to the Budget
Basic Operating Grant	\$ (307,000)
Quality Improvement Fund	
<u>Interim budget estimates</u>	
Grant Revenue	3,600,000
Grant Reserve	<u>(2,218,314)</u>
Net amount to balance the budget	1,381,686
Revised mid-year estimate	2,000,000
Net Change in Quality Improvement Fund	618,314
Net tuition revenue	1,500,000
Mid-year departmental allocations and enhancements	(1,812,948)
<i>One-time</i>	<i>\$1,396,681</i>
<i>On-going</i>	<i>\$416,267</i>
 Total Impact of Variances	 \$ (1,634)

2005-06 REVENUE ESTIMATES - UPDATE

The following includes information where significant changes have occurred since the Interim Revenue Estimates were presented in June 2005.

ENROLMENT

This year, new full-time Year I students have slightly increased from 3,394 in November 2004 to 3,410 in November 2005. However, due to the flow through of the 2003 double cohort into Year III, eligible undergraduate FFTEs is expected to increase from 12,504 in 2004-05 to 13,447 in 2005-06 (an increase of 943).

STUDENT FEES

For interim budgeting purposes, increases were assumed for both undergraduate domestic and graduate students but unchanged for VISA students. Current tuition projections to April 30, 2006 have been developed using actual tuition revenue recorded to date plus assumed estimates for graduate assessments and other tuition adjustments that will occur during the winter session. These projections indicate that undergraduate domestic tuition will be even higher than the budget due to higher than expected spring/summer enrolment and an increase in the fall intake of 300 more students. However, both graduate tuition and VISA will remain flat. The net impact on tuition revenue is an increase of \$1,586,353. This increase provided most of the funding to accommodate the mid-year requests.

GOVERNMENT GRANTS

The Ministry of Training, Colleges and Universities usually make preliminary grant announcements in late summer, however a “work in progress” preliminary announcement was made on November 2, 2005. Previously on October 5, 2005, the Minister of Education notified the Universities that “further details about this year’s envelopes will be available in a relatively short period of time”. The main purpose of the October 5, 2005 letter however, was to outline the new funding that will be available through the “Quality Improvement Fund” (QIF) for the system in the amount of \$124 million. The Ministry is dealing with a number of issues prior to determining the final QIF funding allocations. Firstly, funding responsibilities for the last year of the ATOP (Access to Opportunities Program) have to come from this fund. Brock’s share of the ATOP is minimal, however, payments taken from this fund impact the amount remaining. Secondly, the government is committed to paying all unfunded BIUs (referred to by the Ministry as “per student equity funding”). The Ministry has advised that the “per student equity funding will be notionally distributed from within the QIF over three years – one third in 2005-06, rising to two thirds in 2006-07 and maturing in 2007-08.”

The Ministry requested that Universities submit letters by October 17, 2005 outlining the impact of ATOP and per student funding to their respective institutions. Once the Ministry reviewed these letters, they indicated that they

would advise on the amount and the timing for ATOP and per student funding which is now expected to be over 2 and 3 years respectively.

The size of the remaining QIF for 2005-06 depends on the how the ATOP and per student funding are addressed. Once this lowered ceiling is finalized, the new QIF fund will consist of three parts in order of expected largest dollar allocation:

1. Advancing Quality Fund (*allocated up to share of system*)
2. Supporting Excellence Fund (*allocated up to share of system*)
3. Change Fund (*allocated based on proposals*)

All of these funds will require demonstration that expenditures resulted in quality improvements for the students. Once again, the Ministry requested that Universities submit letters by October 31, 2005 demonstrating how these funds will be used to enhance the quality of education at their respective Universities.

The preliminary 2005-06 grant announcements on November 2, 2005 provided no specific information on the QIF but Ministry personnel have suggested that official announcements would be made by the end of November 2005.

Basic Operating Grant

The Basic Operating Grant plus Undergraduate and Graduate Accessibility Funding are combined into the Basic Operating Grant Budget estimate for 2005-06 of \$62,160,818. Preliminary announcements indicate that the grant will be \$61,853,717 representing a shortfall of \$307,101 from Interim Budget Estimates.

Quality Improvement Fund

The Interim Budget assumed that the expected funding could be estimated at an amount of Brock's pro-rated share of the system (about 3%) and thus the grant would approximate \$3,600,000. This amount was included in the revenue projections but given the size and range of funding possibilities, it was proposed to set-aside (reserve) an amount of \$2,218,314 until official Ministry announcements. The remaining \$1,381,686 was needed to balance the budget, which had already incorporated many expenditures in support of quality improvements. Given that ATOP and the unfunded BIUs will be taken out of this fund, the remaining amount available for 2005-06 QIF is estimated for Brock at about \$2,100,000. In addition, Brock's share of 816 unfunded BIUs is about \$1,800,000. Therefore, incremental new funding should be expected of about \$600,000 in each of the next three years. Thus the total QIF funding including per student funding could reach \$2,700,000 in 2005-06. At this time an amount of \$2,000,000 has been estimated for the QIF and included as revenue without any corresponding expense reserve. Any additional funding will be allocated to quality initiatives once the grants are announced.

Accessibility Grant

No preliminary funding announcements have been made with respect to the 2005-06 Accessibility fund. Based on system wide enrolment projections in relation to funds available, preliminary indicators are that the system can only be funded at about 75%. Ministry personnel have indicated informally that the funding for accessibility will be fixed and any system growth beyond that amount will be discounted proportionately throughout the system.

Funding of the Accessibility grant is based on growth in undergraduate BIUs. On this basis, eligible undergraduate BIUs are now estimated to increase by 1,194, which exceeds the budgeted BIU growth of 777 by 417. If fully funded, this would generate additional grant revenue of \$972,295 for a total of \$3,855,471. However, since the system may only be funded at 75%, the current budget amount of \$2,883,176 will remain unchanged as it coincidentally approximates 75%.

Nursing Completion and Collaborative Grant

The Nursing grant estimate (for collaborative and degree completion students) is projected to be unchanged given that enrolment projections have not changed. This grant is paid on a slip-year basis (following the year in which it is earned) and we still have not received confirmation of the grant receivable for 2004-05 of \$1,120,428.

Other and Specific Purpose Grants

The University receives a number of grants funded by the Provincial or Federal government for specific expenditures. Generally speaking, there are matching expenses of the same amount. This category includes a number of special grants relating to Students with Disabilities, Interpreter and Learning Opportunities, Aboriginal, provincial Research Overhead, Municipal Taxes, Womens' Campus Safety, provincial Student Bursaries, Facilities Renewal Fund and Federal Indirect Costs. A number of these grants were included in the preliminary announcement received on November 2, 2005 but no significant changes were noted. In any event, if revenue is reduced then the expenses are reduced accordingly.

ANCILLARY OPERATIONS

Ancillary Operations include the gross revenue from the Bookstore, Print Shop, Parking, Residences & Conference Services and other ancillary activities. Even though minor variances may exist in gross revenues and expenses by year end, there are currently no anticipated changes in the operating net contribution from the Ancillary Operations.

OTHER REVENUES

Other revenues repeat; but by their nature, can fluctuate from year to year. Some of the revenues include investment, rental, sundry and one-time revenue. We are not expecting any significant variances in these sources for 2005-06.

2005-06 EXPENSE ESTIMATES - UPDATE

The following includes information where significant changes have occurred since the Interim Expense Estimates were presented in June 2005.

EXPENDITURE BUDGETS

The Projected Budget will include a number of increases since the Interim Budget Estimates. Increases reflect reallocations of budgets held globally such as salary and benefit costs and recruitment and approved additional budget requests (referred to as Schedule 5s). Particularly for the Faculties, the 2005-06 budgets will now include the significant 2004-05 appropriations that were carried forward.

Budget Developers have access to information allowing them to monitor revenues and expenditures against the budget and to forecast projections to the year-end. Further, voluntary mid-year review meetings were held to provide Budget Developers an opportunity to present information that had changed significantly since their 2005-06 budget was finalized (i.e. new circumstances or enrolment shifts). The Budget Developers showed tremendous initiative in covering their own shortfalls, and only requested funds beyond what they could accommodate. Some of their requests included approvals for commitments that would take effect in fiscal 2006-07.

As a result of these meetings and a detailed review of their requests, a number of expenditure and budget accommodations in the amount of \$1,812,948 were approved which responded to:

- Budget support for costs dealing directly with growth in students in the amount of \$143,920;
- Unforeseen and unexpected budget variances (e.g. utilities, insurance costs) in the amount of \$733,900;
- New critical budget requests (both previously submitted Schedule 5 and new requests that were not known at the time of initial budget development) in the amount of \$131,980;
- Budget Adjustments due to changes in programming and revenue projections in the amount of \$454,148;
- Additional budgets for start-up, recruitment and IT initiatives in the amount of \$349,000.

The majority (80%) of the requests were for one-time commitments for 2005-06 only. The remaining 20% involved on-going commitments that addressed a number of important new budget requests.

Although additional funding resources are hopeful both for 2005-06 and beyond, on-going commitments were kept to a minimum until all grant allocations have been announced. Therefore, commitments for 2006-07 budget enhancements (e.g. new staff positions and non-salary budget enhancements) in the amount of

\$335,000 were approved. Also, a number of requests were noted as “high priority considerations” for 2006-07 once funding and the financial picture for the 2005-06 and beyond is better clarified.

Senior Management also released sixteen critical support staff positions in each of the Faculties; Student Services and Administration areas that were being held pending ministry grant allocations. The funding for these requests are covered in 2005-06 from the 2004-05 unspent accessibility grant that was carried forward from 2004-05. Costs in 2006-07 and beyond will be the first call on expected future funding.

SALARIES AND BENEFITS

Salary Rate Increases

Average rate increases were allocated to specific departmental and divisional budgets in the initial approved budgets for known settlement increases for CUPE 1295 and Faculty/LTA’s. Departmental budgets have now been adjusted for the difference between the actual fiscal salary costs and the average estimates. Salary increases for Administrative and Technical Support were not known at the time of initial budget development and were held globally. Departmental budgets have also now been adjusted for actual salary increases. Overall, there was no significant budget impact for these actual adjustments. Since the OSSTF group is still in negotiations, no budget allocations have been made.

Minor Capital Projects

The total budget of \$3,668,820 for minor capital projects was entirely funded by the Facilities Renewal grant that was announced and received in March 2005. The list of approved capital related priority items were updated and reviewed by Senior Management. An amount of \$1,100,000 was originally included in the Minor Capital budget allocation for renovations at the newly acquired 573 Glenridge site. The renovations have now been approved for funding through the bond placement. This resulted in relieving the Minor Capital budget by \$1,100,000 for other priority items that Senior Management is currently reviewing.

2004-05 Appropriations Carried Forward to 2005-06

Appropriations represent the approval of budget funds from one fiscal year being carried forward for spending in the next fiscal year. Senior Management and the Board of Trustees approved the following appropriations on September 28, 2005. These 2004-05 appropriations were then added as an increased budget for the 2005-06 year.

Operating Budget Appropriations:

Faculty Departments		\$	2,383,119
Other Departments			1,592,169
Library	178,836		
IELP	101,070		
Special Funded	110,220		

Revenue Generating	266,617	
Specific Departmental Requests	935,426	
Library Books		105,271
Capital Related (Minor Capital)		472,105
2004-05 unspent Accessibility Grant (used for Schedule 5s)		2,700,000
Job Reviews		250,000
Timing issues and global expenses		<u>488,653</u>
Total Operating Budget Appropriations	\$	7,991,317

Distribution of the 2004-05 Surplus

As presented in September 2005 the accumulated surplus of \$2,774,411 provides a reserve for the budget pressures that exist in 2006-07. Also, it was discussed that any final decision concerning the disposition of the surplus would not be made until the mid-year budget review. No allocations have been made and this surplus will continue to be held as a reserve for 2006-07 budget pressures.



BROCK UNIVERSITY OPERATING BUDGET

	2004-05	2004-05	2005-06	2005-06	05/06 Mid-Year	
	Final Budget	Final Actuals	Approved Interim Budget	Projected Budget	Increase(Decrease) over 05/06	
	April 30, 2005	April 30, 2005	@ June 23, 2005	Mid-Year Review	Approved Interim	
Revenues						
Student Fees						
Tuition Revenue	58,672,224	59,039,651	61,034,312	62,534,312	1,500,000	2.4%
Set-Aside Bursary	3,609,616	3,609,616	3,628,000	3,628,000	-	0.0%
Incidental Fees	1,675,700	1,693,999	1,675,790	1,675,790	-	0.0%
Contribution from Other Tuition	578,052	694,188	736,264	727,930	(8,334)	-1.1%
sub-total	64,535,592	65,037,454	67,074,366	68,566,032	1,491,666	2.2%
Operating & Other Grants						
Basic Operating Grant	55,802,107	55,856,517	62,160,818	61,853,717	(307,101)	-0.5%
Accessibility Fund - undergraduate	6,005,617	5,896,969	2,883,176	2,883,176	-	0.0%
Accessibility Fund - Delayed Payment	455,653	330,575			-	
Quality Improvements Fund			3,600,000	2,000,000	(1,600,000)	-80.0%
Nursing Collaborative & Completion Grant	1,274,361	1,122,428	1,100,000	1,100,000	-	0.0%
Accessibility Fund - graduate	163,000	270,646	270,000	270,000	-	0.0%
Performance Fund	799,000	799,000	799,000	799,000	-	0.0%
Quality Assurance Fund	2,340,997	2,340,998	2,341,000	2,340,998	(2)	0.0%
Tuition Compensation - grant	775,605	744,188	1,525,000	1,517,011	(7,989)	-0.5%
Other Grants	656,485	657,231	655,895	675,197	19,302	2.9%
sub-total	68,272,825	68,018,551	75,334,889	73,439,099	(1,895,790)	-2.6%
Specific Purpose Grants						
Other Grants	1,083,708	1,083,708	1,083,790	1,173,040	89,250	7.6%
Facilities Renewal Grants	734,865	734,870	735,000	735,000	-	0.0%
Facilities Renewal Grant - Special One-time			3,668,820	3,668,820	-	0.0%
Federal - Indirect Costs Program	1,112,588	1,112,588	1,298,342	1,298,342	-	0.0%
sub-total	2,931,161	2,931,166	6,785,952	6,875,202	89,250	1.3%
Gross Revenues from Ancillary Operations						
Bookstore & Printshop Operations	9,536,000	9,509,250	9,388,145	9,388,145	-	0.0%
Residences & Conference Services	10,952,149	11,093,665	11,530,287	11,530,287	-	0.0%
Parking	2,106,500	2,289,390	2,187,870	2,187,870	-	0.0%
Other Community Services	840,531	977,548	954,540	954,540	-	0.0%
Rodman Hall	89,500	76,920	95,000	95,000	-	0.0%
sub-total	23,524,680	23,946,773	24,155,842	24,155,842	-	0.0%
Other Revenues						
Investment Income	350,000	417,020	350,000	350,000	-	0.0%
Rental & Sundry	1,712,000	2,044,076	1,700,000	1,700,000	-	0.0%
One-time Revenue	447,648	(89,222)	-	-	-	
sub-total	2,509,648	2,371,874	2,050,000	2,050,000	-	0.0%
Total Revenues	161,773,906	162,305,818	175,401,049	175,086,175	(314,874)	-0.2%

BROCK UNIVERSITY OPERATING BUDGET	2004-05	2004-05	2005-06	2005-06	05/06 Mid-Year	
	Final Budget	Final Actuals	Approved Interim Budget	Projected Budget	Increase(Decrease) over 05/06	
	April 30, 2005	April 30, 2005	@ June 23, 2005	Mid-Year Review	Approved Interim	
Expenditures						
Academic Facilities						
Faculty of Applied Health Sciences	9,909,465	9,342,531	10,296,485	10,865,922	569,437	5.2%
Faculty of Business	10,112,007	10,135,550	11,145,486	11,093,939	(51,547)	-0.5%
Faculty of Education	11,039,823	10,896,474	11,542,935	12,009,261	466,326	3.9%
Faculty of Humanities	12,874,995	11,717,799	13,336,200	14,470,079	1,133,879	7.8%
Faculty of Math & Science	13,039,175	12,558,276	13,236,892	13,752,014	515,122	3.7%
Faculty of Social Sciences	17,573,062	16,854,961	18,481,873	19,454,137	972,264	5.0%
sub-total	74,548,527	71,505,591	78,039,871	81,645,352	3,605,481	4.4%
Academic Support & Student Services						
Library Department	4,380,070	4,190,118	4,394,710	4,568,554	173,844	3.8%
Library Acquisitions	2,457,787	2,311,566	2,047,875	2,453,146	405,271	16.5%
Research & AVP Research	702,604	635,372	693,036	801,529	108,493	13.5%
Graduate Studies & Fellowships	2,493,680	2,273,218	3,490,118	3,737,943	247,825	6.6%
VP Acad, Co-op, CTLET, Athletics, Space	3,586,101	3,521,061	4,109,212	4,396,589	287,377	6.5%
Financial Aid - Set Aside	3,467,494	3,299,028	3,429,000	3,823,922	394,922	10.3%
Financial Aid - Operating Support	902,493	875,038	902,000	902,000	-	0.0%
AVP, Registrar, Recruitment & Support Student Services	7,474,768	6,569,809	7,434,146	8,210,082	775,936	9.5%
sub-total	25,464,997	23,675,210	26,500,097	28,893,765	2,393,668	8.3%
Executive, Administration, Facilities						
Facilities Mgmt Operating Costs	8,271,542	8,425,495	8,593,100	8,905,491	312,391	3.5%
Interest & Principal (Brock 2000, Co-gen, Hamilton)	2,729,990	2,700,882	3,779,990	3,779,990	-	0.0%
Facilities Mgmt - Utilities & Co-gen Plant	5,763,955	4,983,947	5,508,008	5,545,155	37,147	0.7%
Campus Security	1,222,295	1,045,094	1,312,803	1,424,929	112,126	7.9%
Brock Centre for the Arts	712,564	654,805	714,296	747,985	33,689	4.5%
Information & Technology Services	5,150,446	4,774,452	5,134,981	5,424,730	289,749	5.3%
Information & Technology Acquisitions	1,804,127	1,823,645	2,124,127	2,124,127	-	0.0%
Recreation, Aquatics & Fitness	882,596	485,502	701,075	802,443	101,368	12.6%
President, Senate, Secretariat, Brock International	1,286,341	1,336,755	1,307,344	1,482,025	174,681	11.8%
Planning, Internal Audit and Harassment Prevention	412,191	394,140	284,233	290,522	6,289	2.2%
VP Finance/Admin, Finance, HR & Health & Safety	5,160,790	4,822,349	5,332,794	5,474,058	141,264	2.6%
Development, Alumni and Communications	1,674,806	1,599,688	1,722,357	1,651,894	(70,463)	-4.3%
sub-total	35,071,643	33,046,753	36,515,108	37,653,349	1,138,241	3.0%
Gross Expenses from Ancillary Operations						
Bookstore & Printshop Operations	8,093,110	7,966,843	8,087,277	8,094,958	7,681	0.1%
Residences & Conference Services	11,238,455	11,068,797	11,438,479	11,589,730	151,251	1.3%
Parking	1,217,926	1,193,743	1,299,121	1,358,294	59,173	4.4%
Other Community Services	1,070,936	1,173,184	1,301,521	1,357,870	56,349	4.1%
Rodman Hall	323,287	320,535	313,599	363,146	49,547	13.6%
sub-total	21,943,714	21,723,103	22,439,997	22,763,998	324,001	1.4%
Other Expenditures						
Salary and Other Global Budgets	1,222,895	1,847,965	2,925,000	2,945,687	20,687	2
2003-04 Appropriations - Sinking Fund	500,000	500,000	-	-	-	-
Minor Capital Projects	922,120	404,451	-	472,105	472,105	100.0%
Mid year Request	-	-	-	1,812,948	1,812,948	100.0%
Grant Funding - Reserve	2,969,745	-	2,218,314	-	(2,218,314)	-
sub-total	5,614,760	2,752,416	5,143,314	5,230,740	87,426	1.7%
Specific Purpose Grants						
Facilities Renewal Grants	941,317	1,014,872	735,000	735,000	-	0.0%
Facilities Renewal Grant - Special One-time	-	-	3,668,820	3,668,820	-	0.0%
Federal - Indirect Costs Program	1,112,588	1,112,588	1,298,342	1,298,342	-	0.0%
Other Grants	1,083,708	1,091,759	1,060,500	1,189,805	129,305	10.9%
sub-total	3,137,613	3,219,219	6,762,662	6,891,967	129,305	1.9%
Appropriations Carryforward from previous year	(4,103,027)	(4,103,027)	-	(7,992,996)	(7,992,996)	100.0%
Appropriations Carryforward to next year	-	7,991,317	-	-	-	-
Total Expenditures	161,678,227	159,810,582	175,401,049	175,086,175	(314,874)	-0.2%
Excess of Revenues over Expenditures	95,679	2,495,236	-	-	-	-