



**Brock
University**

2004-05 Updated Budget Estimates

Mid-Year Review

November 25, 2004

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FOREWORD

The “2004-05 Final Budget Estimates” report was submitted to the Board of Trustees on June 24, 2004. This report is an update to assumptions concerning revenues and expenditures. It is best understood after reading the 2004-05 Final Budget. A copy can be obtained from the Finance Department or the Brock Finance website at Brocku.ca/Finance.

With the implementation of the 2003-04 Budget, a fiscal forecast process was introduced which required Budget Developers and the Finance Department to monitor revenues and expenditures against the budget and to report to the Board of Trustees regularly throughout the year as changes in revenues and expenditures occur.

The mid-year budget review is an opportunity for Budget Developers to present financial changes occurring since the 2004-05 Final 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 2004-05 year. The results of these efforts have been incorporated into this update.

UPDATE 2004-05 BUDGET - HIGHLIGHTS

The expected changes to revenues and expenditures as a result of the mid-year budget review process have been incorporated into this 2004-05 Updated Budget Estimates.

The Updated 2004-05 budget shows a balanced budget with a surplus of \$95,679.

The revenue estimates are currently projected to increase by an additional \$5,059,000 or 3.2% over the Final Budget. This increase is due to additional tuition revenue and the final determination of the 2003-04 Accessibility and 2004-05 Basic Operating grants. This increase also includes the projected, but very speculative increase for the 2004-05 Accessibility grant of \$2,970,000. This projected increase is being held back for spending at this time and is set-aside as an expense reserve. Refer to page 8 for further explanation regarding this Accessibility grant.

The increased revenue of \$1,870,000, excluding the 2004-05 Accessibility grant, has provided the opportunity to respond to emerging issues and increases in expenditure projections. The approved increases to expenditure budgets were allocated using the following principles:

1. Global salary and benefit expenditures
2. Expenses due to enrolment increases and accessibility issues
3. Enhancements to core academic program and infrastructure activities
4. Unforeseen and unexpected budget variances
5. New requests that were not accommodated in Final Budget
6. Value added initiatives
7. One-time requests.

As discussed in the “Year end 2003-04 Fiscal Position” presented to the Board in June 2004, the 2003-04 fiscal surplus of \$1,132,916 was a possible first call to reduce the accumulated operating deficit of \$854,000. It is proposed in this report that half of the accumulated deficit be reduced with the remainder of the surplus set aside as a contingency for job evaluations and budget pressures that might exist in 2005-06.

In the event that the Ministry of Training, Colleges & Universities confirms the funding of the 2004-05 Accessibility grant, the first call will be to eliminate the remaining half of the accumulated deficit. In addition, there will be opportunity to respond to

- expenditure requests that were not accommodated
- unforeseen expenditure increases that may occur by year end
- 2005-06 faculty and staff growth plans.

The following page summarizes the major revenue and expense variances and enhancements. In addition, the following sections provide further detailed financial information on the Updated Budget Estimates including comparatives for 2003-04 actual fiscal results and the 2004-05 Final Budget. Commentaries are also provided for the significant changes to the revenue and expense assumptions.

SUMMARY OF 2004-05 MID-YEAR VARIANCES

Revenue Variances

2003-04 Accessibility grant	\$ 455,653
Net tuition revenue	777,337
Co-op fees	(50,000)
2004-05 Basic Operating grant	455,653
Nursing grant	282,348
Other grants (excluding flow-through)	(49,282)
2004-05 Accessibility grant	<u>2,969,745*</u>
Total Revenue Variances	<u>\$ 4,841,454</u>

Expense Variances, Allocations & Reserves

Expense Variances

Global salary and benefits	361,289
Professional allowances	<u>114,000</u>
	475,289

Departmental allocations and enhancements

Unforeseen and unexpected budget variances (e.g. utilities)	413,222
Enrolment increases and accessibility issues	54,757
Core academic program and infrastructure activities	396,670
Academic new requests not accommodated in Final Budget	199,945
Value added initiatives (e.g. IT conversion, Library)	<u>377,667</u>
	1,442,261

Reserves

2004-05 Accessibility grant	<u>2,969,745*</u>
Total Expense Variances, Allocations & Reserves	<u>\$ 4,887,295</u>

Excess of Expenses over Revenues	(45,841)
Excess of Expenses over Revenues – Approved Budget	<u>141,520</u>
Excess of Expenses over Revenues – Updated Budget	<u>\$ 95,679</u>

Allocated Budgets

PT Teaching (pending VP Academic approval)	240,000
Minor Capital Budget (from 2003-04 appropriations)	<u>367,120</u>
	<u>\$ 601,720</u>

Distribution of the 2003-04 surplus

Reduce Accumulated Deficit by 50%	426,871
Reserve for pending staff job evaluations	250,000
Reserve for contingencies	<u>456,045</u>
	<u>\$ 1,132,916</u>

* Refer to page 8 for further explanation regarding this Accessibility grant.

2004-05 REVENUE BUDGET

BROCK UNIVERSITY OPERATING BUDGET	2003-04 Final Budget	2003-04 Final Actuals	2004-05 Approved Budget	2004-05 Projected Budget Mid-Year Review
Revenues				
Student Fees				
Tuition Revenue	53,153,787	53,426,451	57,894,887	58,672,224
Set-Aside Bursary	3,604,667	3,604,667	3,609,616	3,609,616
Incidental Fees	1,431,640	1,410,950	1,725,700	1,675,700
Contribution from Other Tuition	563,530	906,644	764,200	578,052
sub-total	58,753,624	59,348,712	63,994,403	64,535,592
Operating & Other Grants				
Basic Operating Grant	45,225,822	45,248,188	55,346,454	55,802,107
Accessibility Fund - undergraduate	9,239,290	9,108,592	3,035,872	6,005,617
Accessibility Fund - Delayed Payment	892,048	892,048	-	455,653
Nursing Collaborative & Completion Grant	925,392	925,392	992,013	1,274,361
Accessibility Fund - graduate	120,000	120,000	163,000	163,000
Performance Fund	894,589	776,427	894,589	799,000
Quality Assurance Fund	2,180,778	2,215,898	2,215,898	2,340,997
Tuition Compensation - grant			852,031	775,605
Other Grants	586,639	623,048	656,626	656,485
Access To Opportunities Program	976,000	770,687	-	-
sub-total	61,040,558	60,680,279	64,156,483	68,272,825
Specific Purpose Grants				
Other Grants	840,918	741,265	908,893	1,083,708
Facilities Renewal Grants	734,865	734,865	734,865	734,870
Federal - Indirect Costs Program	961,886	961,886	1,112,588	1,112,588
sub-total	2,537,669	2,438,016	2,756,346	2,931,166
Gross Revenues from Ancillary Operations				
Bookstore & Printshop Operations	8,282,000	9,763,929	9,536,000	9,536,000
Residences & Conference Services	10,229,835	10,360,390	10,952,649	10,952,649
Parking	1,900,000	1,979,610	2,092,000	2,106,500
Other Community Services	219,130	241,000	247,531	340,531
Rodman Hall		9,160	89,500	89,500
sub-total	20,630,965	22,354,089	22,917,680	23,025,180
Other Revenues				
Investment Income	350,000	994,204	350,000	350,000
Rental & Sundry	1,550,000	1,803,135	1,662,000	1,712,000
One-time Revenue	-	176,866	-	68,925
sub-total	1,900,000	2,974,205	2,012,000	2,130,925
Total Revenues	144,862,816	147,795,302	155,836,912	160,895,688

2004-05 REVENUE ESTIMATES - UPDATE

The following includes information where significant changes have occurred since the Final Revenue Estimates were presented in June 2004.

ENROLMENT

This year, new full-time Year I students decreased from 4,294 in September 2003 (double cohort) to 3,515 in September 2004. However, this decrease in intake was more than offset by the flow through of the double cohort intake in 2003 into Year II and improvements in retention generally. As a consequence, the number of eligible undergraduate FTEs is expected to increase from 11,660 in 2003-04 to 12,561 in 2004-05 (an increase of 901).

STUDENT FEES

Tuition Revenue

For budgeting purposes, increases were assumed for undergraduate domestic and graduate students. Current tuition projections to April 30, 2005 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 slightly higher than the budget by \$520,000 and graduate tuition will be lower than budget by about \$350,000. Given the uncertainty in accurately predicting the number of VISA students, the budget was developed assuming no increase. However, current projections are showing that we may be above our budget estimates by \$535,000. The net impact on tuition revenue is an increase of \$777,000 for a total of \$58,672,224.

Incidental Fees & Contribution from Other Tuition

Current projections indicate that these fees are on target except for Co-op fees, which are estimated to be about \$50,000 below budgeted revenue. This is due to the timing of the co-op fee payments and the year in which the revenue is earned.

GOVERNMENT GRANTS

As expected, the Ministry of Training, Colleges and Universities made preliminary grant announcements in late summer. The following are updates of these preliminary allocations against the University's original best estimate of grant revenues.

Basic Operating Grant

The Final 2003-04 Accessibility Grant was announced in late July, after the fiscal 2003-04 year end was completed. An unexpected increase of \$456,000 over the year-end final estimates was received. Estimates at year-end included an adjustment for Nursing Completion students who are funded separately. This adjustment did not have any impact on the 2003-04 Accessibility grant as originally thought. Since this was not recorded in 2003-04, it is a one-time revenue increase for 2004-05. Given that the

Accessibility grants form the basis for the following years base grant, it has the effect of increasing the 2004-05 base grant by the same amount.

This revised estimate for the 2004-05 Basic Operating grant budget is \$55,802,107.

Accessibility Grant

No preliminary funding announcements have been made with respect to the 2004-05 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 78%. The Ministry has indicated that no decisions will be made until after it has received and analyzed the actual November 1 count date enrolment figures.

Funding of the Accessibility grant is based on growth in undergraduate BIUs. On this basis, eligible undergraduate BIUs are now estimated to increase by 1,577. Brock's projections are that it will exceed budgeted BIU growth of 922 by 655. If fully funded, this would generate additional grant revenue of \$2,969,745.

The budgeted amount of \$3,035,872 may only be partially funded at the estimated 78%. Given the uncertainty of funding for the budgeted grant, let alone the projected increase, the revenue projections include this funding, which are being held back for spending at this time.

Nursing Grant

The Nursing grant estimate (for collaborative and degree completion students) has been revised to \$1,274,361 or an increase of \$282,348. Since this grant is paid on a slip-year basis (following the year in which it is earned), we still have not received confirmation of the grant receivable for 2003-04 of \$925,392. At the time of writing, the Ministry advised that confirmation would be received shortly on the 2003-04 grants. Confirmation of this 2003-04 grant will support the reasonableness of the 2004-05 estimates even though actual confirmation will be received next fiscal year.

Performance Grant

We assumed no change in the level of funding from the 2003-04 actual but a small decrease of \$96,000 has occurred.

Quality Assurance Grant

The budget assumed that this level of funding would be constant at \$2,215,000 but an increase of \$125,000 is now expected.

Tuition Compensation

The budget was based on an estimate of the tuition compensation. The Ministry preliminary announcement indicates that we will receive \$775,605, which is slightly below our estimate, by \$76,000.

Other Grants & Specific Purpose Grants

The University receives a number of grants that are funded by the Provincial or Federal governments 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 Tax, Women's Campus Safety, provincial Student Bursaries, Facilities Renewal Fund and Federal Indirect Costs. Minor variances have occurred for those grants where we have received confirmation. For all other grants, it is assumed that funding will be received at the level estimated. If not, then 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 2004-05.

2004-05 EXPENSE BUDGET

BROCK UNIVERSITY OPERATING BUDGET	2003-04 Final Budget	2003-04 Final Actuals	2004-05 Approved Budget	2004-05 Projected Budget Mid-Year Review
Expenditures				
Academic Faculties				
Faculty of Applied Health Sciences	8,466,981	8,267,930	9,291,262	9,889,260
Faculty of Business	8,446,569	8,466,546	9,761,259	10,043,010
Faculty of Education	9,996,416	10,125,227	10,513,959	10,952,994
Faculty of Humanities	11,220,494	10,946,718	12,152,348	12,904,930
Faculty of Math & Science	11,838,640	11,524,861	12,437,511	13,032,884
Faculty of Social Sciences	15,273,998	15,201,736	16,617,598	17,494,390
sub-total	65,243,098	64,533,017	70,773,937	74,317,468
Academic Support & Student Services				
Library Department	3,849,801	3,761,955	4,095,776	4,480,070
Library Acquisitions	2,342,373	2,164,362	2,047,875	2,357,787
Research & AVP Research	657,244	847,724	638,176	702,604
Graduate Studies & Fellowships	1,970,169	1,252,528	2,220,430	2,444,595
Brock International	75,666	635,150	78,000	78,000
International Services	252,000		260,324	272,257
Co-op	538,310	527,641	539,093	571,004
Centre for Teaching & Learning	320,341	312,780	389,874	443,013
Athletics	1,558,774	1,508,459	1,568,319	1,643,204
VPA, Space, Registrar, Recruitment & Financial Aid	4,710,957	3,929,334	4,727,946	5,086,721
Financial Aid - Set Aside	3,274,434	3,454,317	3,337,135	3,269,987
Financial Aid - Operating Support	1,202,493	1,203,798	902,493	1,100,000
Assoc VP & Support Student Services	2,508,441	2,571,874	2,793,201	3,057,670
sub-total	23,261,003	22,169,921	23,598,643	25,506,912
Executive & Administration				
Physical Plant & Academic East	7,331,767	7,745,175	7,631,182	8,300,542
Interest & Principal (Brock 2000, Co-gen, Hamilton)	2,221,211	2,818,367	2,729,990	2,729,990
Physical Plant - Utility & Co-gen	4,715,874	3,854,658	5,428,184	5,763,955
Campus Security	1,111,745	1,032,870	1,202,213	1,222,295
Brock Centre for the Arts	665,152	645,508	652,097	712,564
Information & Technology Services	4,686,072	4,013,463	4,583,143	5,250,446
Information & Technology Acquisitions	1,678,677	1,966,983	1,699,127	1,704,127
Recreation, Aquatics & Fitness	849,507	582,328	769,693	882,596
President, Senate, Secretariat, CIO, International Svcs	1,172,263	1,021,186	1,319,036	1,201,420
Planning, Internal Audit and Harrassment Prevention	296,963	248,992	383,049	412,191
VP Finance/Admin, Finance, HR & Health & Safety	4,449,343	4,893,637	4,930,835	5,141,586
University Advancement	1,496,068	1,405,565	1,584,715	1,693,431
sub-total	30,674,642	30,228,732	32,913,264	35,015,143
Gross Expenses from Ancillary Operations				
Bookstore & Printshop Operations	7,389,143	8,179,642	8,083,270	8,093,110
Residences & Conference Services	10,120,263	10,234,293	10,905,110	11,238,455
Parking	1,150,000	1,249,717	1,196,902	1,217,926
Other Community Services	325,210	325,000	347,434	571,436
Rodman Hall	-	106,827	287,486	323,287
sub-total	18,984,616	20,095,480	20,820,202	21,444,214
Other Expenditures				
Professional Fees	350,000	565,921	175,000	175,000
Professional Allowances	550,000	537,749	680,000	797,499
Global salary and benefit budgets	349,748	266,415	2,678,000	240,000
2003-04 Appropriations - Sinking Fund				500,000
Recruitment & start up budgets	620,000		500,000	-
Capital Projects	1,613,500	1,330,588	600,000	967,120
New Initiatives	-	-	200,000	38,769
Accessibility Fund - Reserve				2,969,745
sub-total	3,483,248	2,700,673	4,833,000	5,688,133
Specific Purpose Grants				
Facilities Renewal Grants	734,865	734,865	734,865	734,870
Federal - Indirect Costs Program	961,886	961,886	1,112,588	1,112,588
Other Grants	840,918	1,134,786	908,893	1,083,708
sub-total	2,537,669	2,831,537	2,756,346	2,931,166
Appropriations 2003-04		4,103,027	-	(4,103,027)
Total Expenditures	144,184,276	146,662,386	155,695,393	160,800,009
Excess of Revenues over Expenditures				
	678,540	1,132,916	141,520	95,679
2003-04 Surplus Carryforward				
Distribution of 2003-04 Surplus:				1,132,916
Accumulated Deficit				(426,871)
Reserve for Salary Job Evaluations				(250,000)
Reserve for Contingencies				(456,045)

2004-05 EXPENSE ESTIMATES - UPDATE

The following includes information where significant changes have occurred since the Final Expense Estimates were presented in June 2004.

EXPENDITURE BUDGETS

The Projected Budget will include a number of increases since the Final Budget. Increases reflect reallocations of budgets held globally such as salary and benefit costs, recruitment and new initiatives. Particularly for the Faculties, the 2004-05 budgets will now include the significant 2003-04 appropriations that were carried forward. In addition to these budget reallocations, the projected budget will now include the expenditure enhancements approved during the mid-year review process.

A process is now in place to provide Budget Developers with information allowing them to monitor revenues and expenditures against the budget and to forecast projections to the year-end. Further, a voluntary mid-year review process was held to provide Budget Developers an opportunity to present information that has changed significantly since their 2004-05 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.

As a result of these meetings and a detailed review of their requests, a number of expenditure and contractual enhancements in the amount of \$1,442,261 were approved which responded to:

- Accessibility issues to accommodate student growth in faculties
- Part-time teaching and non-teaching needs to deal with growth/volume
- Final 2004-05 actual salary and benefit expenditures
- Unforeseen and unexpected budget variances (e.g. utilities, equipment costs)
- Professional allowances
- New critical budget requests.

Salaries and Benefits

Average rate increases were allocated to specific departmental/division budgets in the initial approved budgets for known settlement increases for OSSTF, 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, Technical Support and CUPE 4207 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. The overall benefit cost increase of approximately 1% was originally held globally, but has now been re-allocated to departmental budgets. Human Resources are monitoring benefit usage by salary groups, but no additional increases are currently being estimated. The total impact of all of these actual adjustments is a budget shortfall of \$362,000. In addition, retroactive payments are expected from pending job evaluations. An amount has been set-aside globally from the 2003-04 surplus to address these projected costs.

Salary Rate Increases

At the time of the Final Budget, the actual faculty and staff salary adjustments were known for all employee groups except for CUPE (Local 4207 – teaching assistants and part-time instructors) and the Administration and Professional group. The CUPE 4207 contract was settled September 9, 2004 and ratified by membership on September 21, 2004. The contract is for a three-year agreement from July 1, 2004 to June 30, 2007. Salary adjustments for the Administration and Professional group were announced in July 2004.

Full Time Complements

The Final 2004-05 Budget was prepared under circumstances where no new faculty or staff positions were approved. A process is underway for addressing and planning for faculty growth in 2005-06. During the mid-year review, some Budget Developers presented strategies to create full time staff complements from existing part-time or through staff re-organizations. These staff positions were approved, in addition to other critical resource positions that were not apparent at budget development.

New Requests/Initiatives

Budget Developers were advised that 2004-05 would probably not be able to accommodate new budget requests (referred to as Schedule 5) but were encouraged to request any item that they felt was needed to improve quality and service or could not be accommodated in their base budget that was being held at the 2003-04 levels. A nominal fund of \$200,000 had been provided in the Final 2004-05 Budget with a subsequent addition of \$172,271. Senior Management committed to reviewing the Schedule 5 list and included in this mid-year review process items that may now be accommodated. In addition, new requests from Budget Developers that were not known at the time of initial budget development were also reviewed and prioritized. Separate “Schedule 5” budget allocations were not done but simply included in the total mid-year review allocation.

Part-time Teaching

A global salary fund in the amount of \$240,000 has been created to provide faculty budgets some relief for part-time teaching needs in lieu of the courses that would have been taught by the new full-time staff complements, which were frozen. Mid-year requests were received to access this fund. The VP Academic will make final budget distributions to the faculties.

Minor Capital Projects

A list of approved capital related priority items were updated and reviewed by Senior Management. The current approved budget of \$600,000 is on target. However, during the mid-year review, additional items were identified in the amount of \$367,000 and were funded from the capital related 2003-04 appropriations.

2003-04 Appropriations Carried Forward to 2004-05

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 30, 2004. These 2003-04 appropriations were then added as an increased budget for the 2004-05 year.

Faculty Departments		\$1,569,000
Other Departments		685,000
Library	\$166,000	
IELP	\$174,000	
Other	\$345,000	
Library Books		219,000
Capital Related		960,000
Sinking Fund	\$500,000	
Minor Capital Unspent and Tax Recovery	\$460,000	
Other – 2004-05 Budget requirements:		670,000
Fellowships	\$300,000	
Residence	\$370,000	
Total 2004-05 Operating Budget Additions		\$ 4,103,000

Distribution of the 2003-04 Surplus

As discussed in the “Year end 2003-04 Fiscal Position” presented to the Board in June 2004, the 2003-04 fiscal surplus of \$1,132,916 was a possible first call to reduce the accumulated operating deficit of \$854,000. Also, it was discussed that any final decision concerning the disposition of the surplus would not be made until the mid-year budget review. It is now proposed that the 2003-04 surplus of \$1,132,916 be distributed as follows:

Reduce Accumulated Deficit by 50%	\$426,871
Reserve for pending job evaluations	250,000
Reserve for contingencies	456,045

