Operating Budget Report

2018/2019

2018/2019 BUDGET REPORT

FOREWORD

This report is intended to provide a comprehensive review and summary of the process, consultations, and results of the Trent University 2018/2019 Operating Budget.

Trent's administration has attempted to pursue a budget development process that enhances the degree of transparency, communication and input of all constituencies of the University community. This report attempts to capture the key elements and content of the development process, including consultation outcomes and specific impacts of budget decisions on the various academic and non-academic units of the University.

It is our intention to produce a summary report annually, and circulate it widely, in order that the budget and underlying program activity of the University can be better understood and assessed.

Your comments and feedback are welcome.

Steven Pillar, Vice President, Finance and Administration
Jacqueline Muldoon, Provost and Vice President, Academic
Cheryl Turk, Associate Vice President, Finance

EXECUTIVE SUMMARY

The budget planning process for fiscal 2018/2019 began in November 2017 with discussions and information sessions with various groups in the University community regarding the process, timelines, and the current fiscal environment. Trent continues to phase in the Responsibility Centered Management (RCM) approach to budget planning to promote stronger linkages to academic goals and priorities.

Trent's student population continued to grow in 2017/2018, as undergraduate and graduate student enrolment increased from 2016/2017 by 544 and 60 full-time equivalents, respectively. Based on this enrolment growth, Trent received one-time transition grants from the Ministry of Advanced Education and Skills Development (the Ministry) in the amount of $2.860 million, as well as increased tuition revenue net of student financial aid and scholarships. As a result of higher enrolment-driven revenue, Trent is projecting a positive operating position for fiscal 2017/2018. Any cumulative surplus at the end of April 30, 2018 will help mitigate financial pressures if incremental funding for enrolment growth beyond 2017/2018 is not received from the Ministry.

The preliminary 2018/2019 Operating Budget before new investments projected a surplus of $2.274 million. The key driver influencing this projection is funded enrolment. Building on enrolment growth experienced in the past two years and strategies to grow international enrolment, the budget conservatively assumes an increase from 2017/2018 of 294 full-time equivalents, projecting a total student enrolment of 9,254 full-time equivalents for 2018/2019.

This estimated operating surplus provides the University with the opportunity to make new strategic investments in response to increasing student enrolment. All presentations and proposals were carefully reviewed by the President and Vice-Presidents taking into consideration several overall principles, including fit with the University's strategic plans. The RCM model was also used as a guiding principle for decision making when prioritizing and recommending strategic investments. The approved net new investments of $2.117 million focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs.

The 2018/2019 Operating Budget projects an annual operating surplus of $157,000 after the approved net new strategic investments. The Board of Governors approved the 2018/2019 Operating Budget on May 11, 2018.

Further details of the 2018/2019 budget process, major assumptions, new investments and projected surplus are provided in this report.

BUDGET DEVELOPMENT PROCESS AND TIMELINES

Budget Process

The budget planning process for fiscal 2018/2019 began in November 2017 with discussions with various groups in the University community regarding the process, timelines, and the current fiscal environment.

For the 2018/2019 budget cycle, Trent University continued to phase in its new approach to budget planning, Responsibility Centered Management (RCM). RCM is an activity-based model intended to promote stronger linkages to academic goals and priorities. The aim of RCM is to improve financial sustainability by emphasising the University's strengths in teaching, research and services, and by supporting selected opportunities and innovations. While RCM does not in and of itself increase net revenue for the University, it does promote innovative and efficient delivery of academic programming and enrolment planning by allowing increased revenue and cost savings to remain in the decanal unit that generates the positive change. RCM will be implemented gradually over the next few years in a way that is sensitive to Trent's fiscal realities and the complexities that arise as the University attempts to achieve a sustainable budget in the long term. Administrative and support functions will be assessed against available University benchmarks and adjusted accordingly. An important feature will be the availability of some incentive funding to help in the development of new programs and revenue opportunities.

This year, Trent introduced multi-year budgeting at the budget developer level as a way to promote longer-term planning and more efficient use of critical resources required to address projected enrolment growth and to align with the University's strategic direction. The fiscal years included in this planning cycle were 2018/2019, 2019/2020, and 2020/2021. Multi-year plans are subject to annual review each Fall to ensure the assumptions remain reasonable and/or to update for additional known changes or new expectations. In this initial year of multi-year planning, budget owners were required to submit only the first year (2018/2019) of their respective plans in detail including projected revenues, costs recoveries, expenses and rationale. A general narrative was required for the second and third year of the plan. For the purposes of providing multi-year financial projections in this operating budget report, administration factored in salary escalation using the same employee ratios as the 2018/2019 operating budget, and other inflationary provisions were modelled using 2018/2019 as the baseline where specific information was not readily available.

The budget process began with updating the prior year's base and RCM budgets to reflect salary escalation, inflation and other known changes in staffing and other expenses. Budget developers received their updated base and RCM budgets, guidelines, and key planning assumptions, including multi-year enrolment projections, on December 21, 2017. This year, budget development packages included in-year financial performance statements by department to assist budget owners in monitoring their current year's performance and assessing potential future resource requirements. The budget packages also included a business case template to submit specific proposals for strategic investments that would generate additional net revenue, mitigate risk, ensure compliance with current legislation, or enable the avoidance of future costs.

In January 2018, the President and Vice-Presidents (PVP) provided budget information sessions. PVP met with the various decanal committees to discuss Trent's past financial performance, the current fiscal environment, and the preliminary future financial outlook. These information sessions provided two-way conversation and opportunities for input into budget strategies to improve academic programming while addressing financial pressures.

During the week of February 5, 2018, budget owners presented details of their submitted proposals for PVP's consideration. Each budget developer was required to include in their presentation: a high-level summary of their department's 2017/2018 in-year financial performance and forecast to year end, including their proposed use of any unspent budget where a surplus was anticipated or mitigating strategies if projecting a deficit; details and rationale for proposed strategic investments, including their multi-year plans; strategies to work toward the RCM target for academic units; comparisons to university peer benchmarks for support and administrative areas; and proposed use of surpluses or mitigation strategies for projected deficits for ancillary services.

PVP met on multiple occasions to discuss the requests and determine recommendations giving careful consideration to current needs and longer term impact on the allocation of resources as well as alignment with the University's strategic plans. The RCM model was also used as a guiding principle for decision making when prioritizing and recommending strategic investments.

Timelines

The table below sets out the timelines and consultative meetings held throughout the budget process:

Preliminary Budget Discussions	
President / Vice-President Committee	November 13, 2017
Finance and Property Committee	November 14, 2017
Special TUFA Joint Committee	November 15, 2017
Administration Planning Group	November 23, 2017
Board of Governors	December 1, 2017
Joint Academic Planning & Budget / Provost's Planning Group	December 7, 2017
Colleges and Student Services Committee	January 10, 2018
Operations Management Committee	January 10, 2018

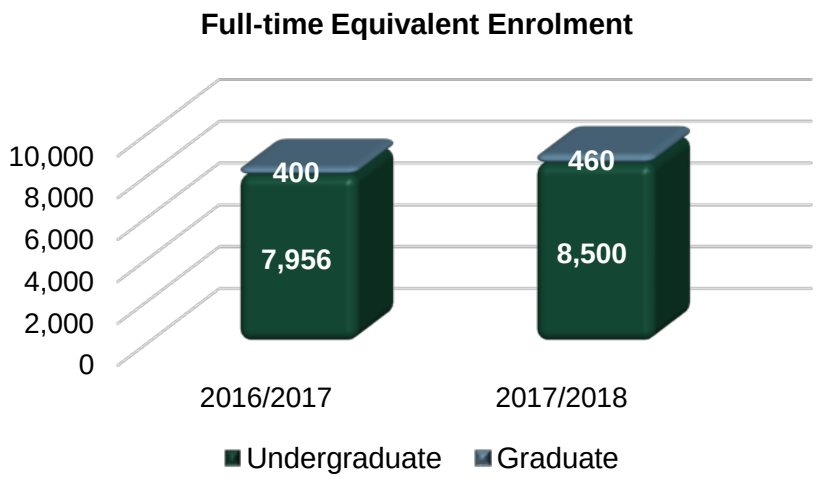
Draft Budget Update Discussions	
President / Vice-President Committee	Feb 12 and 20, 2018
Finance and Property Committee	March 7, 2018
Special TUFA Joint Committee	March 21, 2018
Board of Governors	March 23, 2018
Joint Academic Planning & Budget / Provost's Planning Group	March 29, 2018
Senate	May 8, 2018

Budget Approvals	
Finance and Property Committee	April 25, 2018
Board of Governors	May 11, 2018

2017/2018 FINANCIAL UPDATE

Based on preliminary estimates, subject to year-end adjustments, Trent University is projecting an operating surplus of $2.014 million in the 2017/2018 fiscal year compared to the Board-approved of $159,000.

This improved financial position is largely attributable to enrolment growth as total full-time equivalents (FTEs) increased by 7.2% from 8,356 FTEs in 2016/2017 to 8,960 FTEs in 2017/2018. Undergraduate enrolment increased by 544 full time equivalents (FTEs) from 2016/2017, an increase of 475 FTEs more than anticipated in the operating budget. Graduate enrolment increased by 60 FTEs from 2016/2017, which was 55 FTEs more than expected in the budget.



As a result of this enrolment growth, Trent received one-time transition grants from the Ministry in the amount of $2.860 million. In addition, tuition revenue is expected to increase by $3.770 million.

Student financial aid is also projected to increase by approximately $1.100 million over the Board-approved budget due to two factors: (a) the substantial increase in enrolment and (b) the increase in the academic qualifications of the students, including an increase in entering student's grade point average which is higher than last year.

Other factors that contributed to the year-end financial projections include:

- Special purpose grants, which are not dependent on enrolment, are expected to be $124,000 less than budgeted as a result of known changes in that funding. Associated expenses of $191,000 related to career and experiential learning

funding received (and included in special purpose grants) has also been reflected in these financial projections.

- Based on the most recent actuarial valuations completed as at July 1, 2017, normal costs associated with the registered pensions plans are higher than budgeted. Extended health and dental, long-term disability and life insurance benefits are lower than planned. The overall net result is an estimated $360,000 increase from budget for instructional and non-instructional staff benefits.

- These projections reflect $3.000 million in largely one-time strategic investments approved by the Board of Governors in December 2017, $600,000 related to staffing expenses and $2.400 million in endowments and capital projects. The Board also approved a further $2.000 million to establish reserve and contingency funds. These allocations are not reflected in this financial projection; they will be made when actual results are finalized and it is certain the reserves can be accommodated.

Based on these preliminary estimates, the 2017/2018 annual surplus is projected to be $2.014 million and the cumulative surplus at the end of the fiscal year April 30, 2018 is projected to be $4.388 million. This cumulative surplus will help mitigate financial pressures if incremental funding for enrolment growth beyond 2017/2018 is not approved by the Ministry.

TRENT UNIVERSITY
2017/2018 PROJECTION COMPARED TO APPROVED OPERATING BUDGET
(thousands of dollars)

	2017/2018 BUDGET	2017/2018 PROJECTION*	VARIANCE	
REVENUE				
Government grants	$ 55,515	$ 58,251	$ 2,736	4.9%
Tuition fees	$ 65,987	$ 69,757	$ 3,770	5.7%
Miscellaneous revenue	$ 1,568	$ 1,568	$ -	0.0%
TOTAL REVENUE	**$ 123,070**	**$ 129,576**	**$ 6,506**	**5.3%**
EXPENSES				
Instructional staff	$ 64,180	$ 64,835	$ 655	1.0%
Non-instructional staff	$ 37,182	$ 37,678	$ 496	1.3%
Student Financial Aid	$ 9,113	$ 10,213	$ 1,100	12.1%
Non-staff expense	$ 21,241	$ 21,241	$ -	0.0%
TOTAL EXPENSES	$ 131,716	$ 133,967	$ 2,251	1.7%
Cost recoveries	$ (7,689)	$ (7,689)	$ -	0.0%
TOTAL NET EXPENSES	**$ 124,027**	**$ 126,278**	**$ 2,251**	**1.8%**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (957)	$ 3,298	$ 4,255	-444.6%
Change in Investment in Capital Assets/Internally Restricted	$ 1,116	$ (1,284)	$ (2,400)	-215.1%
ANNUAL SURPLUS from University Operations	**$ 159**	**$ 2,014**	$ 1,855	1166.7%
ACCUMULATED SURPLUS - Opening Balance	$ 2,374	$ 2,374	$ -	0.0%
ACCUMULATED SURPLUS - Closing Balance	**$ 2,533**	**$ 4,388**	**$ 1,855**	**73.2%**

* Projection as of March 31, 2018

KEY BUDGET ASSUMPTIONS

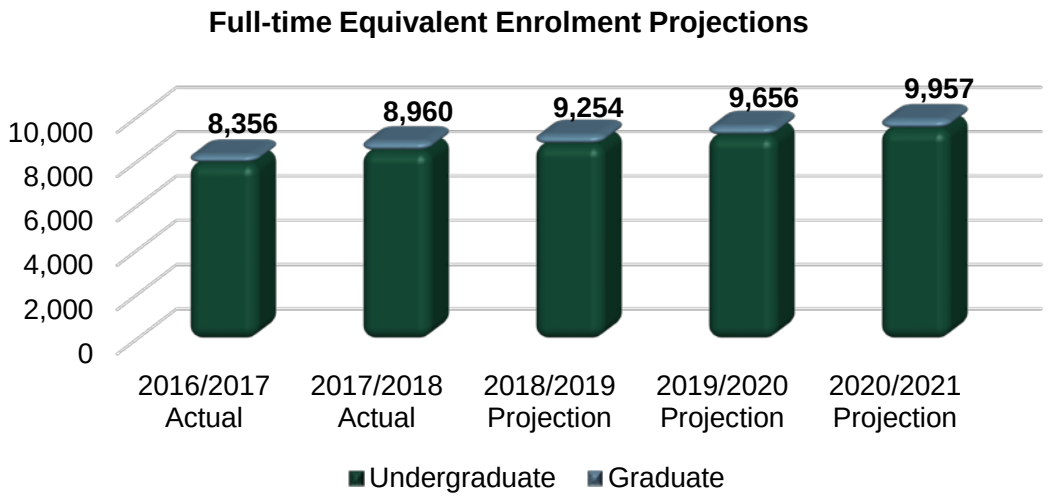
Enrolment

The key driver in the University's planning is student enrolment as this generates approximately 80% of the University's revenue through tuition fees and enrolment-based provincial operating grants. Resources required for academic programming are determined by the number and types of students. Other university operations and support services, as well as ancillary services, are significantly influenced by the student population.

For this budget cycle, enrolment projections are based on a conservative approach to allow the University to plan sufficient resources and address capacity challenges related to growing enrolment while ensuring the budget is flexible to respond to unmet enrolment targets should there be any. The three-year enrolment projections used this year for budget planning are based on the following assumptions:

- Undergraduate domestic intake will continue to increase for the next two fiscal years and then remain flat at 2019/2020 levels in future years;
- International intake will increase at the same rate over the next few years as concerted efforts are made to grow international enrolment from 6% currently to 10% of Trent enrolment by Fall 2024;
- Minimum continuation rates based on the last three years; and
- Graduate enrolment will continue to be stable at ministry-funded graduate spaces.

Trent is projecting that total student enrolment will increase 3.3% to 9,254 FTEs in 2018/2019, an increase of 294 FTEs from 2017/2018.



Government Grants

The Ministry of Advanced Education and Skills Development introduced a new funding formula model in the 2017/2018 fiscal year. This model has three components:

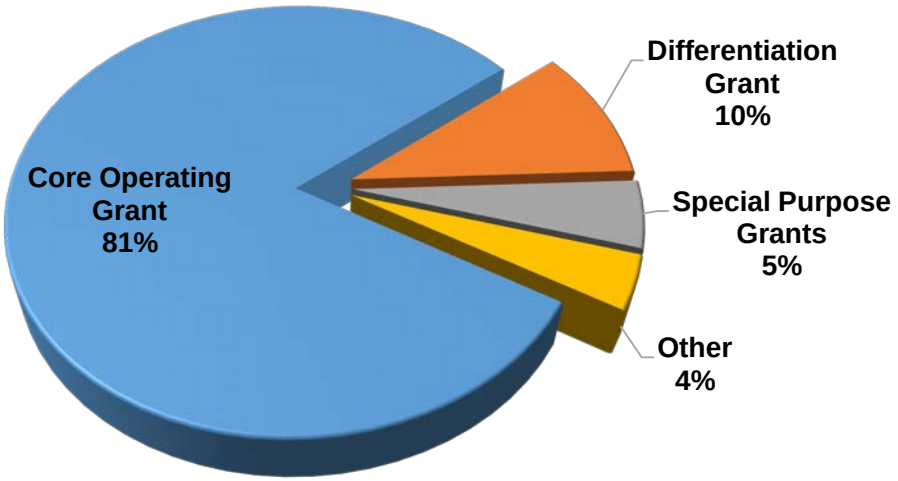
- The Core Operating Grant uses an enrolment corridor mechanism with 2016/2017 enrolment as the base year for the mid-point and with a range of +/- 3% for all universities. The Core Operating Grant will not increase if enrolment is in excess of the corridor midpoint unless universities have negotiated growth funding through their Strategic Mandate Agreement (SMA).

- Differentiation funding will be linked with key performance metrics, quality funding and research overhead infrastructure. These metrics will be developed over SMA2 (2017-2020) to take effect in SMA3 (2021-2024).

- Special Purpose Grants will continue as separate grants, subject to the same accountabilities and processes. These grants are not dependent on enrolment.

For 2018/2019 budget planning, it is assumed that core operating and differentiation funding will remain at 2017/2018 levels, with the exception of enrolment growth. Special purpose grants have been adjusted based on known changes at the time of planning.

2018/2019 Government Grants by Major Category

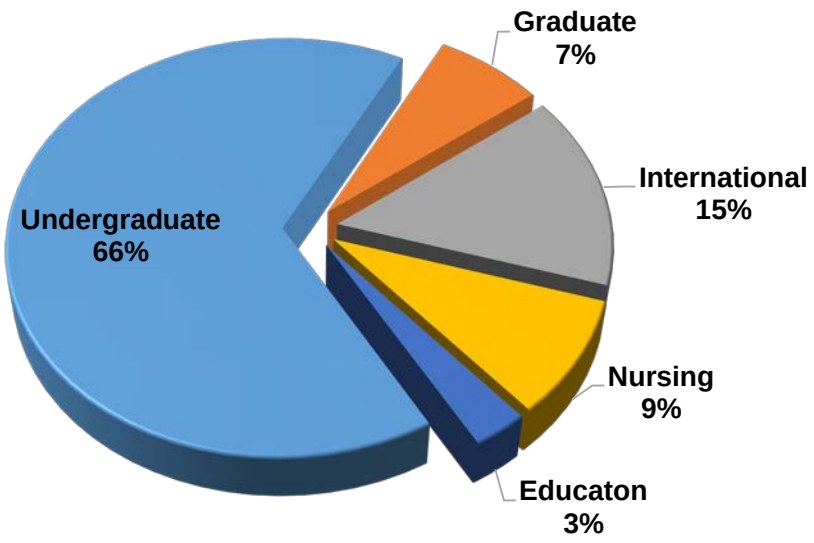


Tuition Fees

The tuition fee policy is governed and monitored by the provincial government. The Ministry's tuition fee policy, extended to 2018/2019, allows for an overall average increase of 3% for all domestic undergraduate and graduate students. Trent has approved a rate increase of 3% for domestic undergraduate and graduate students in line with the Ministry's policy.

International fees are not regulated by the province. Trent currently has the third lowest international tuition fees of 19 Ontario universities. In an effort to grow international enrolment and remain competitive, Trent has approved an increase of 3% for continuing students and an increase of 5% for new undergraduate students entering in 2018/2019, with the revenue in excess of 3% applied to student support services and financial aid.

2018/2019 Tuition Fees by Type of Student



Student Financial Aid and Scholarships

Student aid and scholarship expense is a highly variable cost dependent primarily on student enrolment and the academic qualifications of the student body.

The Ministry requires universities to reserve a portion of additional revenue resulting from tuition fee increases to eligible domestic students to ensure that institutions can meet Student Access Guarantee requirements for need-based student aid, and provide other forms of assistance to students in need. For the purposes of budget planning, tuition set-

aside is estimated at 6.0% of tuition fee revenue for eligible domestic undergraduate and graduate students.

Based on the past three years, undergraduate scholarship costs have increased from 8.4% to 9.9% of gross undergraduate tuition fees revenue. During 2017/2018, revisions were made to the scholarship program in an effort to control this cost. As a result of the changes, the University is planning for undergraduate scholarship expense to be approximately 9.0% of gross undergraduate tuition fees revenue.

Over the past three years, international scholarship costs have increased from 6.0% to 8.2% of gross international tuition fees revenue. For the purposes of budgeting, the University anticipates international scholarship expense will be approximately 7.0% of gross international tuition fees revenue based on the past three-year average.

Salaries and Benefits

Salary rate increases for all groups are based on the collective agreements, as well as progression through the salary grids. Salary rate increases range from 1.5% to 5.0%, with the average increase of 2.9%. Increases in minimum wage resulting in new Ontario legislation passed in 2017 are expected to be accommodated within the existing operating budgets. Benefit rates, including health, dental, and long-term disability benefits, are not anticipated to be significantly different from the 2017/2018 budget in accordance with estimates provided by the University's benefits consultant.

Pension Costs

The TUFA Pension Plan is a registered pension plan for which an actuarial valuation is prepared annually with required filing every three years. Based on the most recent actuarial valuation at June 30, 2017 (a non-filing year), the University's normal cost is expected to increase to 11.56% of payroll. Going concern and solvency special payments remain unchanged at $4.586 million and $1.339 million, respectively. Trent continues to pursue the opportunity to join a new sector-level Jointly sponsored Pension Plan (JSPP) to eliminate the solvency special payments; it is hoped that this can be accomplished in 2020.

The OPSEU/Exempt Pension Plan is a registered pension plan for which an actuarial valuation is prepared annually with required filing every three years. Based on the most recent actuarial valuation at July 1, 2017 (a filing year), the University's normal cost is expected to increase to 10.61% of payroll. As a result of the new filing, going concern special payments will increase $874,000 to 1.799 million and solvency special payments will increase nearly $1.4 million to $1.567 million effective July 1, 2018.

For the Supplementary Retirement Agreement, benefit payments of $1.4 million will be required from Treasury once the assets in the plan are depleted, approximately January 2019.

Other Non-Salary Expenses

The 2018/2019 Operating Budget projects utilities expense will remain within budgeted levels. Current estimates from the University's provider indicate electricity rates are expected to be constant or decreasing thereby mitigating inflation. As work continues on initiatives under the Energy Performance Contract (scheduled for completion in December 2018), energy consumption is expected to decrease. Savings related the agreement will be used towards financing the project over the next 10 years.

In February 2017, Trent University refinanced its existing amortizing loans with non-amortizing debentures in order to provide the University with access to additional capital, to improve the overall flexibility in the operating budget, and to reduce the effective cost of capital. The Board of Governors established an internally-administered sinking fund with annual contributions to ensure sufficient funds are available from which to repay 100% of the principal of the debentures at maturity, February 17, 2057. The Operating Plan assumes that the total interest payments and contributions to the sinking fund are the same as the interest and principal payments before the debt refinancing was completed. The only net impact on operating is the new debt interest payments related to the Library Transformation Project.

The budget assumes an annual inflation rate of 2% on relevant non-salary expenses resulting. Other base budget adjustments were made to reflect current experience or known changes, including the annualization of Student Centre operating expenses.

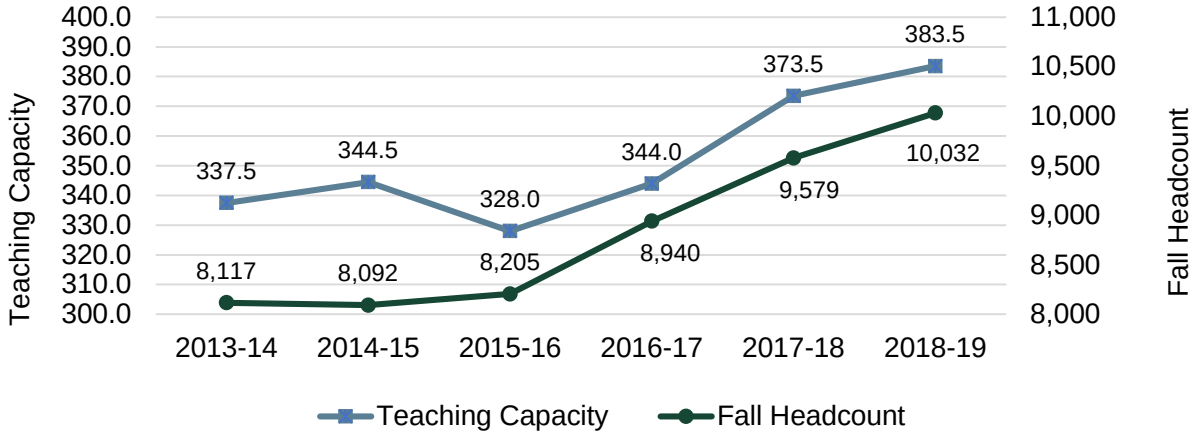
NEW INVESTMENTS FOR 2018/2019

The preliminary 2018/2019 Operating Budget before new investments projected a surplus of $2.274 million, providing the University with an opportunity to make new strategic investments in response to increasing student enrolment. All presentations and proposals were carefully reviewed by the President and Vice-Presidents taking into consideration several overall principles, including fit with the University's strategic plans. The Responsibility Centered Management model was also used as a guiding principle for decision making when prioritizing and recommending new strategic investments.

The new investments of $2.117 million focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs. Revenue from new programs is conservatively assumed to be sufficient to offset associated new costs in the initial year of the program; it is expected that new programs will be revenue generating once established.

In addition to the net new investments, an additional six tenure track faculty and one librarian permanent track replacement will be funded from within the existing budgets of the academic units and Library Services. With these strategic investments, teaching capacity will increase proportionately with student enrolment.

Growth in Teaching Capacity and Student Enrolment



Trent will also be investing $100,000 in Cleantech Commons in fiscal 2018/2019, $75,000 for the Executive Director position that will be cost-shared with the City of Peterborough and $25,000 for marketing. This strategic investment will be funded from the Endowment Lands Fund and will not impact the operating budget. Cleantech Commons will provide an alternative source of revenues for the University in future years.

Strategic Investment	On-going Investment	One-time Investment	Total Investment
Support for new graduate programs Related tuition revenue	**$568,263** **($568,263)**		**$568,263** **($568,263)**
Increase 5 limited term faculty in School of Education from 9 to 12 month appointments and provide teaching resources for Teacher Education Stream Program	$146,794		$146,794
Support for Medical Professional Stream Program	$ 49,945	$ 12,000	$ 61,945
Increase in library acquisitions, implementation of cloud-based library services platform, and ongoing licensing and maintenance costs for advanced technology software	$240,000	$100,000	$340,000
Upgrade of Learning Management System	$103,775	$27,000	$130,775
Increase support staff in Teaching & Learning, Co-op, Careers and Experiential Learning, Academic Advising, Centre for Academic Testing, Graduate Recruitment & Admissions, Nursing, Information Security, Caretaking for Student Centre, Security and Advancement	$685,435		$685,435
Increase support for Marketing and Recruitment	$167,203		$167,203
Increase agents' fees to support international student enrolment	$137,000		$137,000
Purchase and implementation of Human Resources Information System	$149,112	$343,000	$492,112
Support for improved practices with respect to procurement, shipping & receiving, inventorying, storage and disposal of hazardous chemicals, including related training	$ 40,768	$ 68,300	$109,068
Purchase of comprehensive cyber-insurance policy	$ 28,000		$ 28,000
Base adjustments to better reflect actual costs, including Facilities Services contracts, experiential learning, legal fees, Durham security and Alumni Affairs	$131,292		$131,292
Classroom technology renewal		$18,000	$18,000
Total Strategic Investments	**$1,879,324**	**$568,300**	**$2,447,624**
One-time support for above initiatives from anticipated carry forward funds and targeted donations			($330,759)
Total Net New Strategic Investments			**$2,116,865**

2018/2019 OPERATING BUDGET

As a result of the approved net new investments, the 2018/2019 Operating Budget projects an annual surplus of $157,000 and a cumulative surplus to April 30, 2019 of $4.545 million. This projection assumes growth in student enrolment will be funded. This operating plan was approved by the Board of Governors on May 11, 2018.

TRENT UNIVERSITY
2018/2019 OPERATING BUDGET COMPARED TO 2017/2018 PROJECTION
(thousands of dollars)

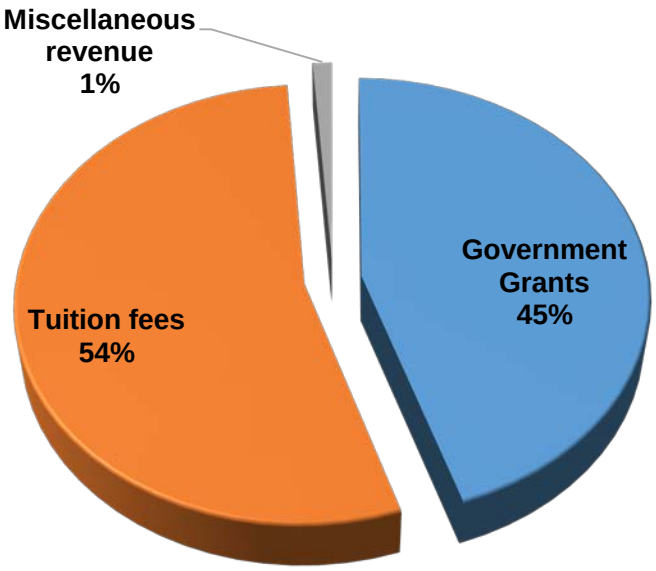
	2017/2018 PROJECTION*	2018/2019 BUDGET	CHANGE	
REVENUE				
Government grants	$ 58,251	$ 60,692	$ 2,441	4.2%
Tuition fees	$ 69,757	$ 72,867	$ 3,110	4.5%
Miscellaneous revenue	$ 1,568	$ 1,591	$ 23	1.5%
TOTAL REVENUE	**$ 129,576**	**$ 135,150**	**$ 5,574**	**4.3%**
EXPENSES				
Instructional staff	$ 64,835	$ 67,892	$ 3,057	4.7%
Non-instructional staff	$ 37,678	$ 41,448	$ 3,770	10.0%
Student financial aid	$ 10,213	$ 10,322	$ 109	1.1%
Non-staff expense	$ 21,241	$ 23,694	$ 2,453	11.5%
TOTAL EXPENSES	$ 133,967	$ 143,356	$ 9,389	7.0%
Cost recoveries	$ (7,689)	$ (8,000)	$ (311)	4.0%
TOTAL NET EXPENSES	**$ 126,278**	**$ 135,356**	**$ 9,078**	**7.2%**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 3,298	$ (206)	$ (3,504)	
Change in Internally Restricted	$ (1,284)	$ 363	$ 1,647	
ANNUAL SURPLUS from University Operations	**$ 2,014**	**$ 157**	**$ (1,857)**	
ACCUMULATED SURPLUS - Opening Balance	$ 2,374	$ 4,388	$ 2,014	
ACCUMULATED SURPLUS - Closing Balance	**$ 4,388**	**$ 4,545**	**$ 157**	

* Projection as of March 31, 2018

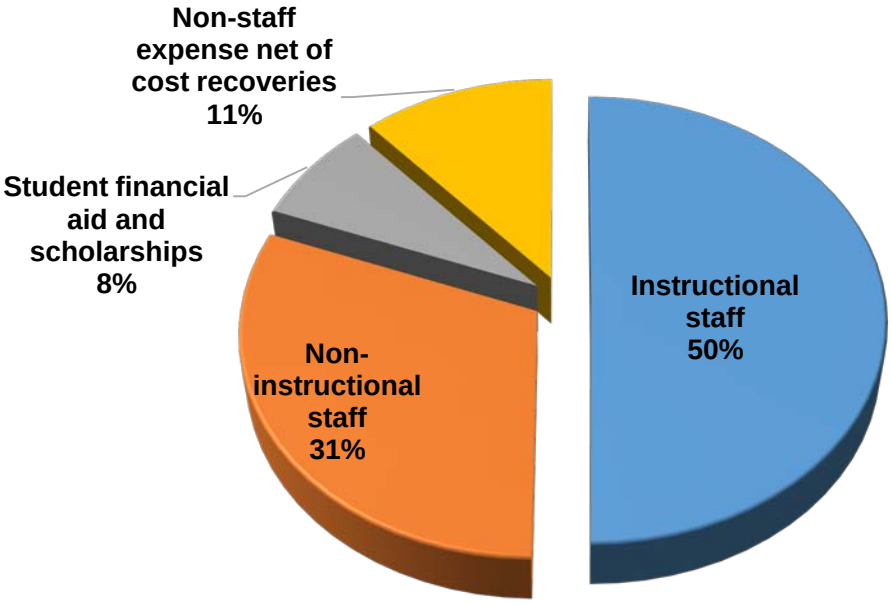
2018/2019 OPERATING BUDGET VARIANCES FROM 2017/2018 PROJECTION
(thousands of dollars)

Government grants		
Increase in Ministry funding, largely related to enrolment funding	$1,958	
Increase in special purpose funding, largely offset by expenses	$ 483	$2,441
Tuition fees		
Rate increase of 3% plus increased enrolment	$2,542	
Budgeted tuition for new graduate programs	$ 568	$3,110
Miscellaneous revenue		
Base adjustments		$ 23
Total Increase in Revenue		**$5,574**
Instructional staff		
Strategic investments	$ 546	
Step and scale increases and base adjustments	$2,511	$3,057
Non-instructional staff		
Strategic investments	$1,076	
Increase in expenses related to special purpose funding	$ 36	
Step and scale increases and base adjustments	$2,658	$3,770
Student financial aid		
Increase in expenses related to special purpose funding	$ 100	
Base adjustments	$ 9	$ 109
Other non-staff expenses		
Strategic investments	$1,466	
Increase in expenses related to special purpose funding	$ 336	
Base adjustments	$ 651	$2,453
Cost recoveries		
Strategic investments	($ 101)	
Base adjustments	($ 210)	($ 311)
Total Increase in Net Expenses		**$9,078**
Change in Excess of Revenue over Expenses		**($3,504)**
Change in Internally Restricted		$1,647
2017/2018 Projected Annual Operating Surplus		$2,014
2018/2019 Projected Operating Surplus		**$ 157**

Breakdown of 2018/2019 Operating Revenue



Breakdown of 2018/2019 Operating Expenses



MULTI-YEAR PROJECTIONS – OPERATING

This year, Trent University introduced multi-year budgeting at the budget developer level as a way to promote longer-term planning and more efficient use of critical resources required to address projected enrolment growth, funding constraints, pension challenges, and inflationary pressures, and to align with the University's strategic direction. The fiscal years included in this planning cycle were 2018/2019, 2019/2020, and 2020/2021. Multi-year plans are subject to annual review each Fall to ensure the assumptions remain reasonable and/or to update for additional known changes or new expectations.

In this initial year of multi-year planning, budget owners were required to submit only the first year (2018/2019) of their respective plans in detail including projected revenues, costs recoveries, expenses and rationale. A general narrative was required for the second and third year of the plan. For the purposes of providing multi-year financial projections in this operating budget report, administration factored in salary escalation using the same employee ratios as the 2018/2019 operating budget, and other inflationary provisions were modelled using 2018/2019 as the baseline where specific information was not readily available.

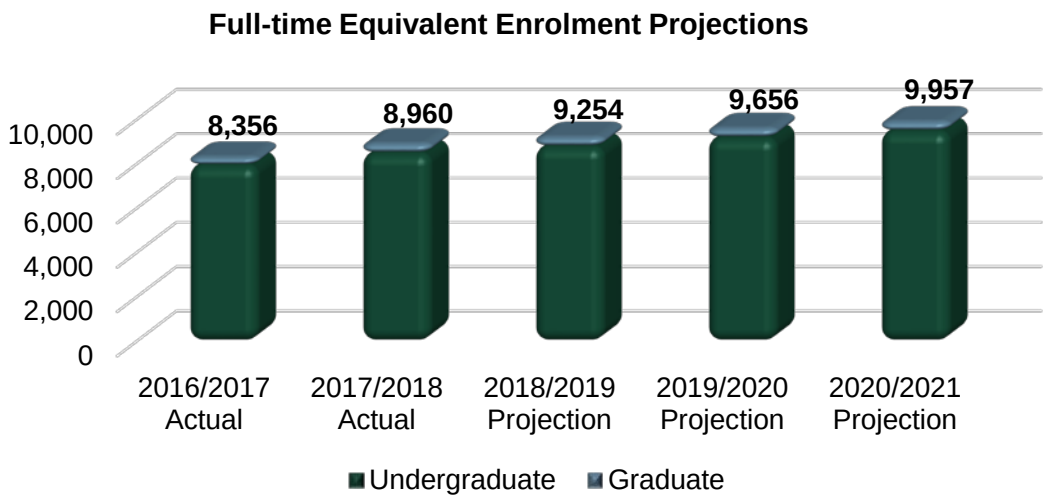
Preliminary projections for the next three years are based on the following assumptions.

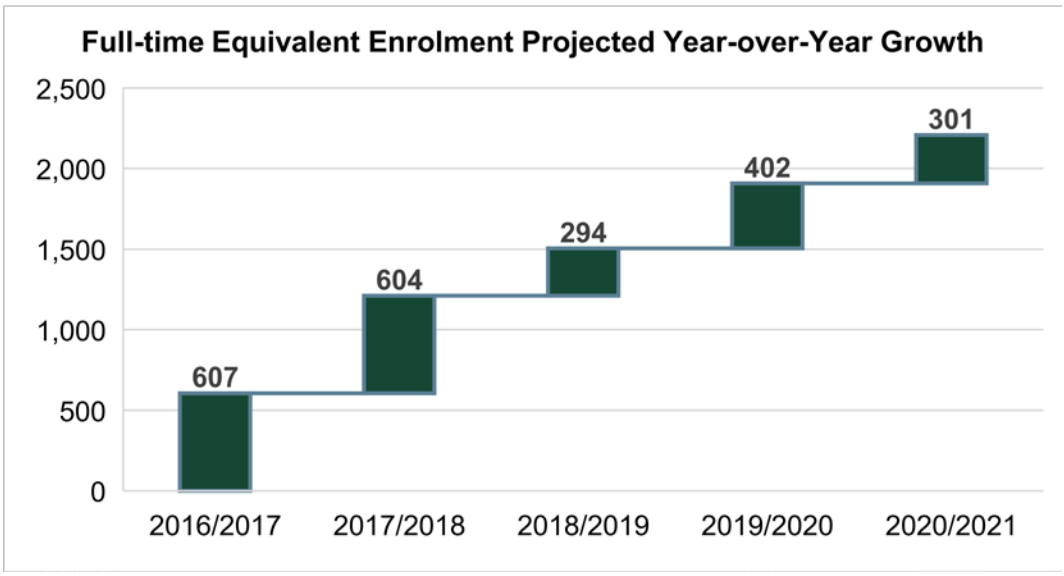
Enrolment

For this budget cycle, enrolment projections are based on a conservative approach to allow the University to plan sufficient resources and address capacity challenges related to growing enrolment while ensuring the budget is flexible to respond to unmet enrolment targets should there be any. The three-year enrolment projections used this year for budget planning are based on the following assumptions:

- Undergraduate domestic intake will continue to increase for the next two fiscal years and then remain flat at 2019/2020 levels in future years;
- International intake will increase at the same rate over the next few years as concerted efforts are made to grow international enrolment from 6% currently to 10% of Trent enrolment by Fall 2024;
- Minimum continuation rates based on the last three years; and
- Graduate enrolment will continue to be stable at ministry-funded graduate spaces.

Trent is projecting that total student enrolment will increase by 4.3% to 9,656 FTEs in 2019/2020, an increase of 402 FTEs from the 2018/2019 projection. A further 3.1% increase to 9,957 FTEs is anticipated for 2020/2021, an increase of 301 FTEs from the 2019/2020 projection.





Government Grants

The multi-year projections assume enrolment growth will be funded. All other core operating and differentiation funding will remain at 2017/2018 levels. Special purpose grants have been adjusted based on known changes at the time of planning.

Tuition Fees

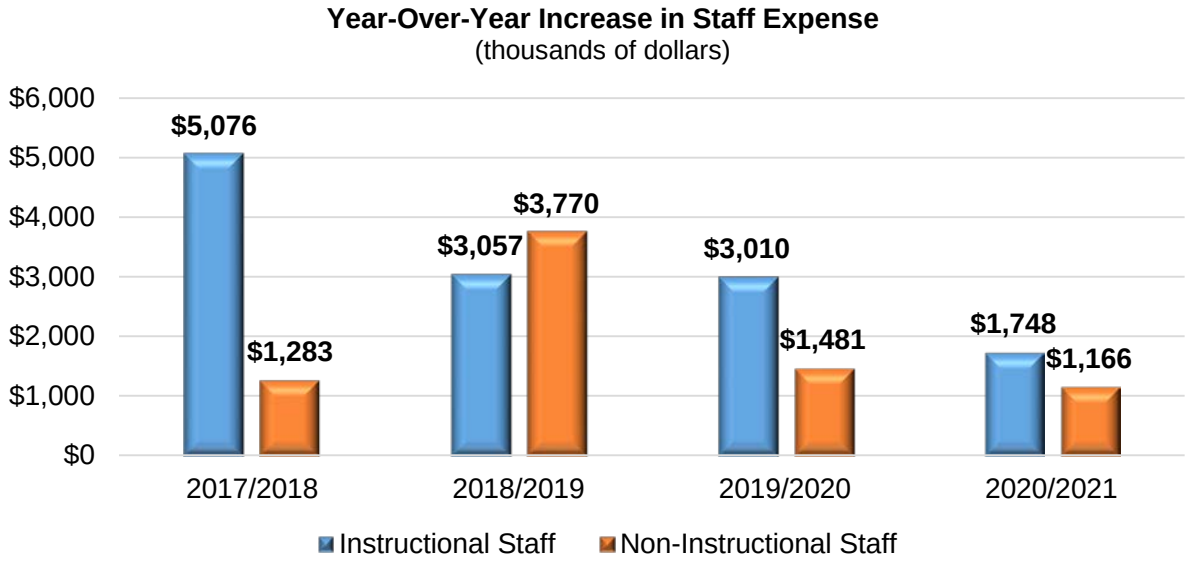
For the purposes of multi-year planning, Trent has assumed the Ministry's Tuition Fee Framework will be extended beyond 2018/2019, allowing the same overall average increase of 3% for all domestic undergraduate and graduate students. Trent has approved a rate increase of 3% for domestic undergraduate and graduate students for 2019/2020 based on this assumption.

Student Financial Aid and Scholarships

The multi-year projections assume student financial aid and scholarships will increase based on enrolment growth and required tuition set aside using the same rates estimated for the 2018/2019 operating plan.

Salaries and Benefits

Salary rates are expected to increase by 1.5% to 5% consistent with the current collective agreement arrangements, as well as progression through the salary grids. Benefit rate increases align with the current provisions in the 2018/2019 Budget. The net new investments approved for 2017/2018 have been annualized in 2019/2020 and 2020/2021.



Pension Costs

Trent is actively pursuing an opportunity to join a new sector-level Jointly Sponsored Pension Plan (JSPP). The multi-year projections assume a JSPP will be in place and the TUFA solvency special payments will no longer be required effective January 2020.

TRENT UNIVERSITY
MULTI-YEAR OPERATING PROJECTIONS
(thousands of dollars)

	2017/2018 PROJECTION*	2018/2019 PROJECTION	2019/2020 PROJECTION	2020/2021 PROJECTION
REVENUE				
Government grants	$ 58,251	$ 60,692	$ 62,233	$ 63,427
Tuition fees	$ 69,757	$ 72,867	$ 78,663	$ 83,117
Miscellaneous revenue	$ 1,568	$ 1,591	$ 1,761	$ 1,704
TOTAL REVENUE	**$ 129,576**	**$ 135,150**	**$ 142,657**	**$ 148,248**
EXPENSES				
Instructional staff	$ 64,835	$ 67,892	$ 70,902	$ 72,650
Non-instructional staff	$ 37,678	$ 41,448	$ 42,929	$ 44,095
Student financial aid	$ 10,213	$ 10,322	$ 11,055	$ 11,883
Non-staff expense	$ 21,241	$ 23,694	$ 23,255	$ 23,622
TOTAL EXPENSES	$ 133,967	$ 143,356	$ 148,141	$ 152,250
Cost recoveries	$ (7,689)	$ (8,000)	$ (8,019)	$ (8,089)
TOTAL NET EXPENSES	**$ 126,278**	**$ 135,356**	**$ 140,122**	**$ 144,161**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ 3,298	$ (206)	$ 2,535	$ 4,087
Change in internally restricted	$ (1,284)	$ 363	$ -	$ -
ANNUAL SURPLUS from University Operations	**$ 2,014**	**$ 157**	**$ 2,535**	**$ 4,087**
ACCUMULATED SURPLUS - Opening Balance	$ 2,374	$ 4,388	$ 4,545	$ 7,080
ACCUMULATED SURPLUS - Closing Balance	**$ 4,388**	**$ 4,545**	**$ 7,080**	**$ 11,167**

* Projection as of March 31, 2018

These multi-year projections include the annualization of strategic investments introduced in the 2018/2019 Operating Plan and known changes or proposed plans, where identified. Grant and tuition fee revenue net of scholarship and student aid expense are based on enrolment projections. These projections exclude increases in resources required to teach and support increased student enrolment; these strategic investment decisions will be made in the next budget cycle.

MULTI-YEAR PROJECTIONS – CAPITAL

Trent University has several capital projects currently underway or in development. The following provides highlights of the major projects.

Deferred Maintenance

The University receives funding under the Facilities Renewal Program to address deferred maintenance. During 2016/2017 and 2017/2018, this grant will be mostly diverted to the Bata Library Transformation project. The University anticipates a small increase to $700,000 in annual funds available beginning in 2018/2019 and will be reviewing its capital assets and reassessing deferred maintenance needs accordingly. In the interim, a significant portion of identified deferred maintenance will be addressed through the Bata Library Transformation project and the Energy Performance Contract described below.

Durham Campus Expansion Project

With much of Trent's student enrolment growth expected in Trent Durham – GTA, one of the Board of Governor's strategic objectives is to enhance the facilities for students at the Trent Durham campus. Phase I of the expansion involves construction of a new five-storey building located on land gifted to Trent University by the City of Oshawa. The new building will have capacity for 200 student residence beds, as well as academic space including classroom space, faculty and research offices, and student space. The main building will be renovated to include improved food services to service students in residence as well as other students, faculty, staff and public. The estimated construction cost based on a preliminary feasibility study is $26.1 million, of which Trent will partner with an investor to finance the residence portion, leaving Trent's portion at less than $10.0 million at the time of budget planning. The plan is to have substantial completion and occupancy by Fall 2020.

Bata Library Transformation Project

During 2016/2017 to 2018/2019, Trent will receive $7.0 million from the federal Strategic Investment Fund in addition to nearly $1.1 million from the provincial Facilities Renewal Program towards the Bata Library Transformation project (also referred to as the Bata Research and Innovation Cluster or BRIC). The total estimated cost of the project is approximately $19.5 million with Trent's contribution estimated at $11.4 million. The project has a substantial completion date of August 1, 2018.

Energy Performance Contract

The Energy Performance Contract currently underway includes a variety of initiatives designed to improve energy performance and savings across the University campus, as well as addressing over $5.0 million in deferred maintenance. The total estimated cost of the contract is $15.5 million. Energy savings will be used to finance the project over the next ten years. Substantial completion is now expected by December 31, 2018.

Housing and Other Capital Projects

During the multi-year planning cycle, Housing prioritized a number of renovations and capital renewals required to existing residence buildings based on deferred maintenance needs over the next three fiscal years. The estimated capital refresh will come from ancillary operating and reserve funds.

The operating and ancillary areas also identified equipment, software and library acquisitions projected from operating and ancillary funds over the next three years. These estimated capital costs have been included in the multi-year capital projections.

Capital, Trust and Research funds required for equipment, furniture and fixtures over the next three years are estimated based on the average of the past few years.

TRENT UNIVERSITY
MULTI-YEAR CAPITAL PROJECTIONS
(thousands of dollars)

	2017/2018 PROJECTION	2018/2019 PROJECTION	2019/2020 PROJECTION	2020/2021 PROJECTION
Deferred Maintenance (Facilities Renewal Program)	$ -	$ 700	$ 700	$ 700
Durham Expansion Project (based on preliminary feasibility)	$ -	$ -	$ 8,000	$ 2,000
Bata Library Transformation ($11.4 M Trent contribution)	$ 11,000	$ 6,500	$ -	$ -
Energy Performance Contract	$ 5,635	$ 5,347	$ -	$ -
Ancillary Fund (housing projects)	$ 2,510	$ 2,086	$ 1,575	$ 900
Student Centre ($5.5M Trent contribution)	$ 8,500	$ -	$ -	$ -
Grounds Operation Move	$ -	$ 900	$ -	$ -
Other Building Projects (Science Complex, Nozhem, Housing and Research renos)	$ -	$ 450	$ 2,600	$ 2,000
Sub-total - Building Projects	**$ 27,645**	**$ 15,983**	**$ 12,875**	**$ 5,600**
Operating & Ancillary Funds equipment, software and library acquisitions	$ 950	$ 1,768	$ 1,130	$ 230
Capital, Trust & Research Funds equipment, furniture & fixtures	$ 1,050	$ 1,050	$ 1,050	$ 1,050
TOTAL PROJECTED CAPITAL	**$ 29,645**	**$ 18,801**	**$ 15,055**	**$ 6,880**

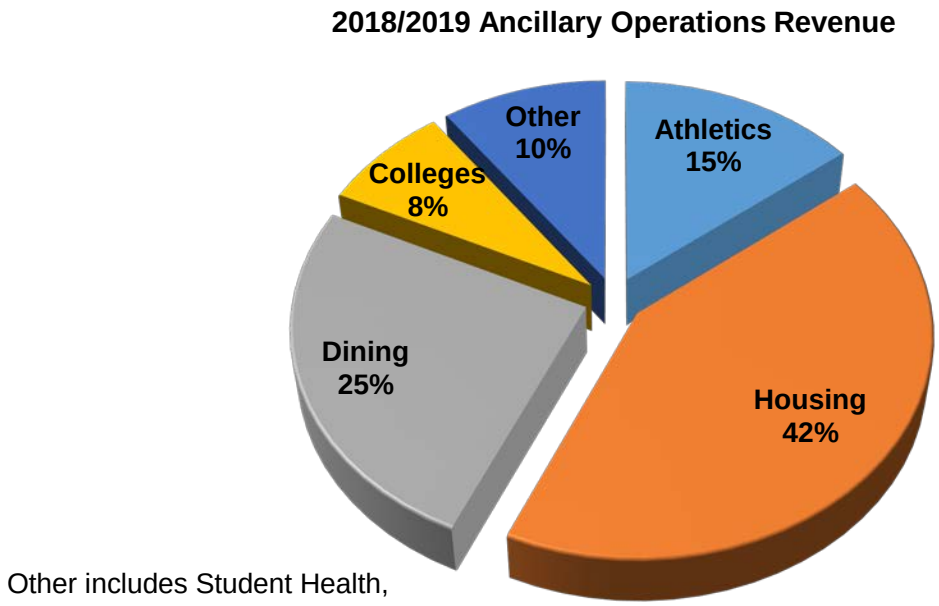
MULTI-YEAR PROJECTIONS – ANCILLARY SERVICES

Ancillary departments also prepared budgets following the same budget planning principles set out for operating budget developers. In accordance with the Board-approved ancillary fees protocol, the inflationary increase in ancillary fees is 1.4% for 2018/2019. The rate is subject to annual review and revision, as necessary.

Ancillary Operations Funded Primarily from Student Fees

The departmental surpluses, if any, of ancillary operations funded primarily from student fees, including Athletics, Housing, Dining, Colleges, Student Health, Parking, Introductory Seminar Week (ISW) and Campus Card, are set aside at year end to fund future projects or initiatives of the respective departments to provide direct benefit to students.

Ancillary services have been negatively impacted by the new legislation introduced in 2017 that includes increasing the minimum wage nearly 30% over two years from $11.60 per hour in October 2017 to $14 per hour effective January 1, 2018 and to $15 per hour effective January 1, 2019. In particular, Athletics is anticipating a net increase of over $130,000 in 2018/2019 due to the department's high reliance on student employment. This impact is partly mitigated in 2018/2019 with a plan to eliminate the negative impact over three years.



Other includes Student Health, Parking, ISW, and Campus Card

Ancillary Operations Contributing to the Operating Fund

The annual surplus of several ancillary operations, including the Campus Store, Print Shop, English as a Second Language (ESL), and Conferences/Catering, is transferred to the Operating fund each year end. The projected contribution to the Operating Fund for these ancillary operations in 2018/2019 is $275,000.

TRENT UNIVERSITY
MULTI-YEAR ANCILLARY SERVICES PROJECTIONS
(thousands of dollars)

	2017/2018 PROJECTION	2018/2019 PROJECTION	2109/2020 PROJECTION	2020/2021 PROJECTION
Athletics				
Revenue	$ 4,008	$ 4,126	$ 4,307	$ 4,393
Expense	$ 4,008	$ 4,191	$ 4,352	$ 4,393
Surplus (deficit)	$ -	$ (65)	$ (45)	$ (0)
Housing				
Revenue	$ 10,569	$ 12,090	$ 12,332	$ 12,578
Expense	$ 10,569	$ 12,090	$ 12,332	$ 12,578
Surplus (deficit)	$ -	$ -	$ -	$ -
Dining				
Revenue	$ 6,428	$ 7,259	$ 7,672	$ 7,893
Expense	$ 6,428	$ 7,259	$ 7,672	$ 7,893
Surplus (deficit)	$ -	$ -	$ -	$ -
Colleges				
Revenue	$ 2,035	$ 2,250	$ 2,295	$ 2,341
Expense	$ 2,035	$ 2,250	$ 2,295	$ 2,341
Surplus (deficit)	$ -	$ -	$ -	$ -
Other				
Revenue	$ 2,459	$ 2,859	$ 2,916	$ 2,975
Expense	$ 2,459	$ 2,859	$ 2,916	$ 2,975
Surplus (deficit)	$ -	$ -	$ -	$ -
Total Ancillary Operations funded primarily by Student Fees				
Revenue	$ 25,499	$ 28,584	$ 29,522	$ 30,180
Expense	$ 25,499	$ 28,649	$ 29,567	$ 30,180
Surplus (deficit)	**$ -**	**$ (65)**	**$ (45)**	**$ (0)**
Ancillary Operations contributing to the Operating fund	$ 278	$ 275	$ 425	$ 323
Total Impact Included in the Operating Budget	**$ 278**	**$ 210**	**$ 380**	**$ 323**