



Operating Budget Report

2020/2021

May 2020

2020/2021 BUDGET REPORT

	Page Number
Foreword	3
Executive Summary	4
Fiscal Environment, Budget Development Process, and Timelines	6
2019/2020 Financial Update	11
Key Budget Assumptions	14
2020/2021 Budget Strategies	22
2020/2021 Operating Budget	25
Multi-Year Planning	29
2020/2021 Ancillary Budget	31
Capital Planning	33

FOREWORD

This report is intended to provide a comprehensive review and summary of the process, consultations, and results of the Trent University 2020/2021 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.

Kent Stringham, Vice President, Finance and Administration
Jacqueline Muldoon, Provost and Vice President, Academic
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EXECUTIVE SUMMARY

The budget planning process for fiscal 2020/2021 began in October 2019 with enrolment modelling and discussions with various groups in the University community regarding the current fiscal environment, the budget process, and timelines.

Trent's student population grew to 10,349 full time equivalents (FTEs) in 2019/2020, an increase of 3.8% over the budget and a 7.2% increase from 2018/2019. This enrolment growth resulted in an unplanned increase in tuition revenue net of student financial aid and scholarships for the fiscal year. However, the increase in tuition revenue only partly mitigated the impact of not receiving enrolment growth funding previously anticipated but no longer expected under the current funding model. As a result, at the time the Board approved this Operating Plan, the University was projecting an operating deficit of \$2.8 million for 2019/2020. This projected deficit will have to be offset by unspent departmental budgets (making these funds no longer available for future years) and prior year appropriations set aside for contingencies and reserves.

At the time of budget planning, Trent was expecting total student enrolment to increase by 2.2% to 10,580 FTEs in 2020/2021, an increase of 231 FTEs from 2019/2020. This represents an increase of over 26% from the 2016/2017 corridor mid-point used in the current Ministry funding model. By the end of this planning cycle, budgeting forecasts expect total enrolment to reach 11,080 FTEs. However, under the current funding model, enrolment growth will not be funded.

The Strategic Mandate Agreement (SMA3) will be a five-year agreement commencing with fiscal 2020/2021. Total eligible funding for the University will be fixed during the SMA3 based on the sum of the 2018/2019 Core Operating Grant, the Performance Grant and Special Purpose Grants. SMA3 will link funding to labour market outcomes with 25% of total eligible funding tied to performance outcomes in 2020/2021, growing by 10% each year until 60% of total eligible funding is performance based in 2024/2025.

The current Tuition Fee Framework mandates 2020/2021 tuition fees for domestic students be frozen at 2019/2020 rates, which were reduced by 10% compared to 2018/2019 fees. International fees are not regulated by the province. In an effort to grow international enrolment and remain competitive, Trent's Board of Governors approved an increase of 5% in international undergraduate fees and an increase of 3% in most international graduate research-based and professional program fees for each year of the budget cycle.

With fixed Ministry funding and domestic tuition fees frozen, many universities including Trent, are adopting an enrolment growth strategy reliant on tuition-only revenue and increased internationalization to offset inflationary pressures.

Based on the key planning assumptions, the preliminary budget indicated an essentially balanced financial position leaving very limited funds available for new strategic investments to address the enrolment growth on which the preliminary budget was predicated. With this in mind, budget owners were expected to manage within their existing departmental budgets. Budget owners who wished to propose new investments during the budget cycle were asked to identify budget reduction strategies to offset the strategic investment request, where possible.

All presentations and proposals were carefully reviewed by the President and Vice-Presidents. For new strategic investments, particular attention was given to current needs that addressed student enrolment growth and longer-term impact on the allocation of resources, as well as alignment with the University's strategic plans. For budget reduction proposals, they gave careful consideration to strategies that minimized the impact to students and to staff, and did not compromise quality of programs and services. The RCM model was also used as a guiding principle for decision making when prioritizing and recommending strategic investments.

The net new strategic investments of \$448,000 focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs; restructuring to enhance careers and experiential learning opportunities for students; increased Library acquisitions; marketing and recruitment to assist the University in achieving planned enrolment growth in an increasingly competitive environment; an increase in stewardship fund management as endowment funds continue to grow; and other resources to support the academic mission of the University.

As a result of the approved budget strategies and the net new strategic investments, and with some use of prior years' appropriations set aside for contingency, the 2020/2021 Operating Budget projects a balanced budget position. The Board of Governors approved the 2020/2021 Operating Budget on March 27, 2020.

In light of the declaration of the COVID-19 pandemic by the World Health Organization in mid-March 2020 and the subsequent move to online and remote course delivery by the University, senior management is currently reforecasting this Budget. Enrolment projections are being revisited due to ongoing travel restrictions and physical distancing requirements. The approved net new investments were reviewed in April 2020 and delayed, where feasible. Where possible, permanent new investments are being hired on a limited term contract basis for 2020/2021 to enhance flexibility. The University is preparing for the fall academic term under the Multi-Access Academic Plan, which involves identifying additional resources for the continued provision of online and remote course delivery with limited on-campus presence, and potential savings initiatives and mitigating strategies, where practical. Additional monitoring and reporting of the actual and re-forecasted financial position compared to the Board-approved plan will take place prior to the start of the 2020 Fall academic term.

Further details of the 2020/2021 budget process, major assumptions, budget strategies, new strategic investments, and projected financial position are provided in this report.

FISCAL ENVIRONMENT, BUDGET DEVELOPMENT PROCESS, AND TIMELINES

The comprehensive budget planning process for fiscal 2020/2021 began in October 2019 with discussions with various groups in the University community regarding the current fiscal environment, the budget process, and timelines. Through the Strategic Enrolment Management Committee and other working groups, various enrolment scenarios were modelled building on Fall 2019 enrolment.

Fiscal Environment

The Fall Economic Statement released November 6, 2019, titled “A Balanced and Prudent Plan to Build Ontario Together”, continues its focus to “...put more money in people’s pockets, encourage job creation, make communities healthier and safer, build a world-class transportation network and deliver government programs in a smarter way.” While the Statement did not identify any significant new policies related to the university sector, nor did it include any new funding announcements or funding reductions for universities, it did signal a positive shift in tone to engage with the public with a more collaborative approach.

In keeping with the intent of the Statement, the Ministry did reaffirm the tuition fee freeze for 2020/2021, and the importance of the Strategic Mandate Agreement 2020-2025 (SMA3), including the ten performance-based metrics focused on jobs and economic impact that will be tied to 25% of operating funding in 2020/20201, increasing to 60% by 2024/2025. The intent was to complete negotiations on the two institution-specific metrics, validate the performance targets for all metrics, and establish the university-determined weightings for the five-year duration of SMA3, such that signed agreements are in place before the start of the 2020/2021 fiscal year.

Given the current fiscal environment, it will be challenging to achieve a balanced budget for this planning cycle. The budget reduction strategies implemented in the 2019/2020 fiscal year to mitigate the cut in tuition rates imposed by the Ministry’s Tuition Fee Framework will be annualized for this budget cycle. Effectively, fixed Ministry funding, with some at risk, and frozen tuition rates creates more reliance on international students, tuition-only enrolment growth strategies, and operating efficiencies. The University expects there will be very limited funds available for additional strategic investments to address enrolment growth and other operating or inflationary pressures while continuing to provide quality programs and learning opportunities that are personal, purposeful and transformative.

Budget Process

For the 2020/2021 budget cycle, Trent resumed 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 are:

- May 1, 2020 to April 30, 2021 (2020/2021);
- May 1, 2021 to April 30, 2022 (2021/2022); and
- May 1, 2022 to April 30, 2023 (2022/2023).

Budget owners were asked to prepare a three-year plan based on the current planning guidelines and assumptions. Proposals for the initial year (2020/2021) were provided at a more detailed level as decisions focussed on year one of the plan. Plans for the second and third years offer an order of magnitude for planning purposes only. Multi-year plans are subject to annual review each fall to ensure the assumptions remain reasonable and/or up to date for additional known changes or new expectations.

Responsibility Centered Management (RCM), will continue to be a key consideration, along with other principles including alignment with the University's Strategic Plans, academic needs, and legislative or other mandatory requirements, when prioritizing and recommending new investments and changes to resource allocations.

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.

The most significant way to improve performance under RCM is to increase revenue by growing enrolment and introducing new programming. Given the recent changes in Ministry funding, including the absence of enrolment growth funding and the shift from corridor funding to at-risk performance-based funding, the decanal units under the RCM will experience more challenges in meeting RCM targets as enrolment growth and new programming may not result in additional revenue for the decanal unit(s) or the University. As a result, more emphasis will be put on finding efficiencies by reducing costs without compromising the quality of programs and services, and without pitting one decanal unit against another in a way that negatively impacts the academic mission of the University.

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. This Preliminary Operating Budget prepared in December 2019 indicated an essentially balanced budget based on the key planning assumptions described in more detail later in this document. As a result, the preliminary forecast left very limited funds available for additional strategic investments to address enrolment growth, on which the Preliminary Operating Budget was predicated, or other operating pressures.

With this in mind, budget owners were expected to manage within their existing departmental budgets. Budget owners who wished to propose new investments during the budget cycle were asked to identify budget reduction strategies to offset the strategic investment request, where possible.

For each new investment proposal, budget owners were required to identify the rationale (for example, to address student enrolment growth, in response to legislative compliance requirements, to generate additional revenue, or to gain operating efficiencies) and to indicate how such new investments would be accommodated within the departmental budget. Where this was not possible, they were asked to indicate the impact and risk associated with not proceeding with the proposed new investment initiative.

For each reduction strategy identified, budget owners were requested to describe how the budget adjustments would be achieved (for example, staff position reductions or eliminations, cuts to non-staff expenses, increases in cost recoveries, or net new revenue generation). Budget owners were asked to describe the impact of the budget adjustment on the level and quality of service provided, and any potential negative impacts to students.

Budget developers received their updated base and RCM budgets (where applicable), guidelines, and key planning assumptions, including multi-year enrolment projections, in December 2019. Consistent with last 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 aid in the identification of proposed budget reduction strategies or recommended new strategic investments, as outlined above.

During the week of February 10, 2020, budget owners presented details of their submitted proposals to the President and Vice-President Committee (PVP) for their consideration. Each budget developer was required to include in their presentation: a high-level summary of their department's 2019/2020 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 budget reduction strategies and strategic investments, including potential impacts; proposed use of surpluses or mitigation strategies for projected deficits for ancillary services; and a high-level summary of proposed departmental budgets for the three years in this planning cycle.

PVP met on multiple occasions to discuss the requested strategies and determine recommendations. For strategic investments, particular attention was given to current needs that addressed student enrolment growth and longer-term impact on the allocation of resources as well as alignment with the University's strategic plans. For mitigating budget reduction proposals, they gave careful consideration to strategies that minimized the impact to students and did not compromise quality of programs and services. 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.

Fiscal Environment Consultations and Preliminary Budget Discussions	
Strategic Enrolment Management Committee	October 15, 2019
President / Vice-President Committee	November 4, 2019 November 8, 2019
Finance and Property Committee	November 19, 2019
Faculty Board	November 22, 2019
Administration Planning Group	December 3, 2019
Operations Management Committee	December 3, 2019
Joint Academic Planning & Budget / Provost's Planning Group	December 5, 2019
Board of Governors	December 6, 2019
Special TUFA Joint Committee	December 12, 2019
Colleges and Student Services Committee	January 8, 2020
Draft Budget Update Discussions	
President / Vice-President Committee (following presentations made week of February 10, 2020)	February 24, 2020 March 2, 2020
Administrative Planning Group	March 2, 2020
Provost's Planning Group	March 3, 2020
Operations Management Committee	March 4, 2020
Special TUFA Joint Committee	March 12, 2020
Joint Academic Planning & Budget / Provost's Planning Group	March 26, 2020
Faculty Board	April 3, 2020
Senate	May 5, 2020
Budget Approvals	
Finance and Property Committee	March 17, 2020
Board of Governors	March 27, 2020

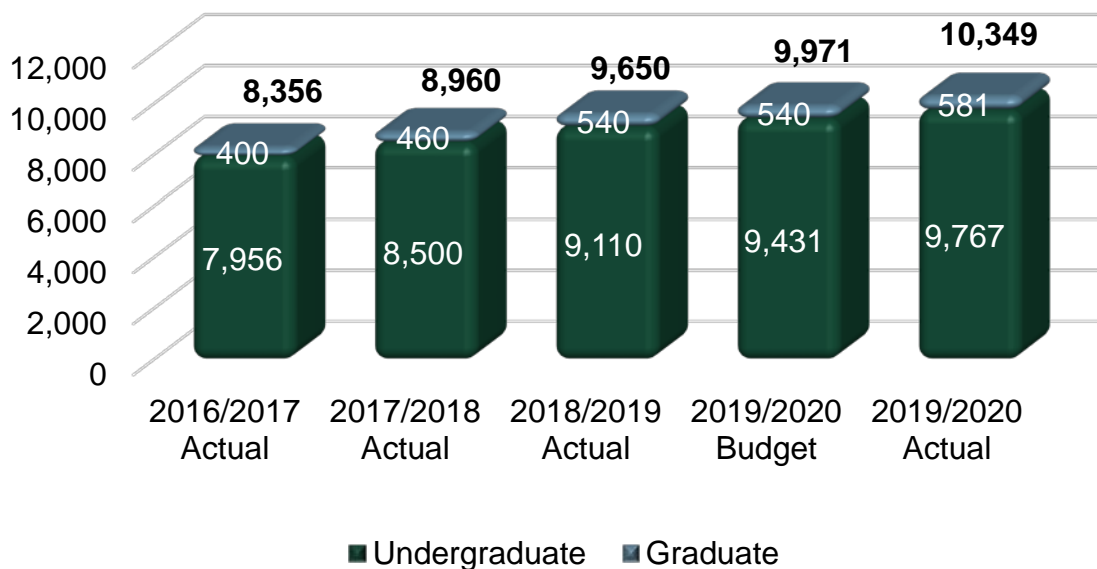
2019/2020 FINANCIAL UPDATE

Based on preliminary estimates at the time of budget approval in March 2020 and subject to year-end adjustments, Trent University was projecting an operating deficit of \$2.8 million in the 2019/2020 fiscal year compared to the Board-approved budget of \$435,000.

The main contributing factor driving this projected deficit position was the absence of enrolment growth funding. The approved budget assumed \$7.9 million in growth funding based on a planned increase of 3.3% in total enrolment from the prior year. This funding was not received in the fiscal year and is no longer likely under the current Ministry funding methodology.

2019/2020 enrolment grew to 10,349 FTEs, an increase of 3.8% over the budget and a 7.2% increase over the prior year. Undergraduate enrolment increased by 657.4 FTEs from 2018/2019, an increase of 336.2 FTEs more than anticipated in the Operating Budget. Graduate enrolment increased by 41.5 FTEs compared to 2018/2019 and to the budget. This enrolment growth was experienced at both campuses with Durham's growth increasing at a faster rate overall. International enrolment has grown to 10.0% of the University's total student population.

Full-time Equivalent Enrolment



As a result of this enrolment growth, the University was anticipating \$4.9 million in unplanned tuition revenue net of increased student financial aid. This increase in net tuition revenue only partly mitigated the loss of enrolment growth funding.

	2019/2020 Budget (\$000s)	2019/2020 Projection* (\$000s)	Projected Variance (\$000s)
Government grants	\$ 62,592	\$ 54,740	\$ (7,852)
Tuition fees	\$ 75,490	\$ 80,762	\$ 5,272
Miscellaneous revenue	\$ 2,192	\$ 2,192	
TOTAL REVENUE	\$140,274	\$137,694	\$ (2,580)
Instructional staff	\$ 70,053	\$ 70,223	\$ (170)
Non-instructional staff	\$ 42,798	\$ 42,798	
Student financial aid	\$ 12,493	\$ 12,870	\$ (377)
Non-staff expense	\$ 23,743	\$ 23,802	\$ (59)
Sub-total	\$149,087	\$149,693	\$ (606)
Cost recoveries	\$ (9,194)	\$ (9,194)	
TOTAL NET EXPENSE	\$139,893	\$140,499	\$ (606)
NET REVENUE (EXPENSE)	\$ 381	\$ (2,805)	\$ (3,186)
Change in Internally Restricted	\$ 54	\$ 54	
ANNUAL EXCESS REVENUE OVER EXPENSE (EXPENSE OVER REVENUE)	\$ 435	\$ (2,751)	\$ (3,186)

*2019/2020 Projection at time of Board approval in March 2020

Based on preliminary analysis, the University anticipates approximately \$1.1 million in unspent departmental funds will be available to reduce the projected deficit. There is also up to \$2.0 million in prior years' internally restricted appropriations that could be used to reduce the projected deficit to nil. In June 2020 when year-end financial information is available, senior administration will carefully consider unspent departmental funds and carry forward requests with the intent to balance the year-end financial position.

Update

On March 11, 2020, the World Health Organization officially declared the COVID-19 outbreak a pandemic. Like other universities across Ontario, Trent suspended in-person instruction and moved to technology-assisted solutions and other forms of course and assessment delivery, cancelled events and large gatherings, and implemented various forms of travel restriction to help flatten the curve and reduce the spread of COVID-19. Over the course of the next two weeks, the University assisted thousands of students as they moved off campus, found housing for some students unable to return home, repatriated Trent students studying internationally, and provided financial assistance to many students. On campus operations and physical buildings were closed where possible, and staff and faculty transitioned to working from home to provide university core services.

In late March 2020, Trent received immediate emergency funding of \$942,087 from the Province to be used to mitigate the costs associated with the University's response to the COVID-19 outbreak. The funding was intended to help offset costs such as supports for students needing assistance to transition home, cleaning and medical supplies, infrastructure related to the provision of online-enabled learning and testing, increased use of physical and mental health services, and increased security costs.

From mid-March to the end of April 2020, Trent incurred unplanned incremental costs associated with moving core and support services to be delivered online or remotely, moving students out of residence and housing those that could not leave in a safe manner, and medical and cleaning supplies. The University also provided many kinds of assistance for foodbanks, healthcare workers, and the broader communities in which Trent is located, including donations of personal protective equipment and housing for frontline healthcare providers. As at April 30, 2020, these costs will be fully offset by the funding received, and any unused funding will be carried forward to the 2020/2021 fiscal year to partially offset additional anticipated costs to continue the development of online and remote program delivery and implementing all health and safety protocols, including proper hand sanitization and cleaning, physical distancing, and provision of personal protective equipment to ensure the safety of our students, staff, faculty and communities.

The emergency funding provided will not cover the revenue impairment experienced by the University's ancillary services, in particular, Housing, Food Services, Trent Card, Athletics, Parking and Conferences. Refunds in excess of \$1.5 million were provided to students, and in the case of Parking and Athletics, to staff, faculty and community members, as a result of not being able to provide services on campus as of mid-March. This loss of revenue will decrease the ancillary services contributions to the Operating Budget; the initial estimate is a negative impact in excess of \$200,000. More importantly, this revenue impairment will directly impact the ancillary services reserves; reserves meant to be available for future capital infrastructure renewal. Once the ancillary reserves are depleted, the net lost revenue will directly impact the Operating Budget.

KEY BUDGET ASSUMPTIONS

The 2020/2021 Operating Budget is based on the following key assumptions, described in more detail in this section:

- Enrolment growth in undergraduate domestic and international students at both Peterborough and Durham campuses;
- Fixed operating grants assuming enrolment growth will not be funded by the Ministry, targets for performance-based metrics will be met so no funding will be recovered, and Special Purpose grants will continue at current levels;
- 2020/2021 tuition fees for all eligible domestic graduate and undergraduate programs will be frozen at 2019/2020 rates, while international tuition rates will increase by 5% for undergraduate students and 3% for most graduate students as approved by the Board in December 2019; and
- 2020/2021 salaries and wages will increase based on collective agreements and progression through the salary grids.

Enrolment

The key driver in the University's planning is student enrolment as this generates over 60% of the University's operating revenue through tuition fees and is a key determinant in 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.

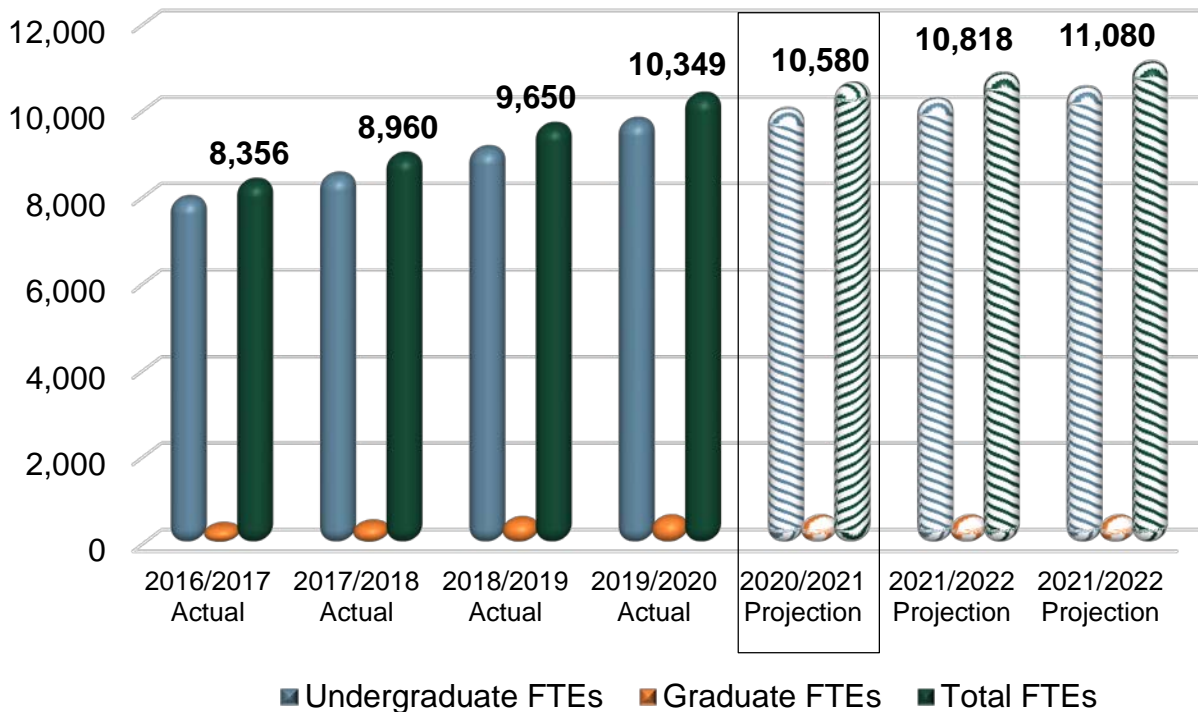
For this budget cycle, enrolment projections are based on a conservative approach to allow the University to plan sufficient resources and address capacity challenges related to growing enrolment while ensuring the budget is flexible to respond to unmet enrolment targets should there be any. The three-year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

- Undergraduate domestic intake will continue to increase in a controlled manner. Trent anticipates that domestic intake at the Peterborough campus will increase relative to 2019/2020's experience by approximately 2.0% in 2020/2021, 1.5% in 2021/2022 and 1.0% in 2022/2023. Similarly, domestic intake at the Durham campus is expected to increase by approximately 5.0% in each of the fiscal years in this budget cycle;
- International intake will increase relative to 2019/2020 intake by 35 in 2020/2021 and by 75 in 2021/2022 and 2022/2023 as concerted efforts are made to grow international enrolment from 10% currently to over 12% of Trent enrolment;

- Nursing, Bachelor of Education, Upper-Year Social Work and Certificates intake will be held constant at current levels or capped enrolment;
- Continuation rates will be based on the average of the most recent two years, conservatively adjusted; and
- Graduate enrolment will continue to be stable at capped Ministry-funded graduate spaces for PhD programs and at 2019 levels for Masters programs, which are currently exceeding the cap. Furthermore, international graduate enrolment is expected to increase by 10% from Fall 2019 counts.

Overall, Trent is projecting that total student enrolment will increase 2.2% to 10,580 FTEs in 2020/2021, an increase of 231 FTEs from 2019/2020. This represents an increase of over 26% from the 2016/2017 corridor mid-point used in the current Ministry funding model. By the end of this planning cycle, total enrolment is expected to reach 11,080 FTEs.

Full-time Equivalent Enrolment Projections Total Enrolment



Government Grants

The Strategic Mandate Agreement (SMA3) will be a five-year agreement commencing with fiscal 2020/2021. Total eligible funding for the University will be fixed during the SMA3 based on the sum of the 2018/2019 Core Operating Grant, the Performance Grant and Special Purpose Grants. SMA3 will link funding to labour market outcomes with 25% of total eligible funding tied to performance outcomes in 2020/2021, growing by 10% each year until 60% of total eligible funding is performance based in 2024/2025.

The Core Operating Grant, first introduced in 2017/2018, uses an enrolment corridor mechanism with 2016/2017 eligible undergraduate and graduate enrolment as the base year for the mid-point and with a range of +/- 3% for all universities. The 2018/2019 Core Operating used in SMA3 was determined using the 2016/2017 corridor mid-point adjusted slightly for 2018/2019 graduate growth. Funding for enrolment in excess of the corridor midpoint, if any is available, will be managed separately.

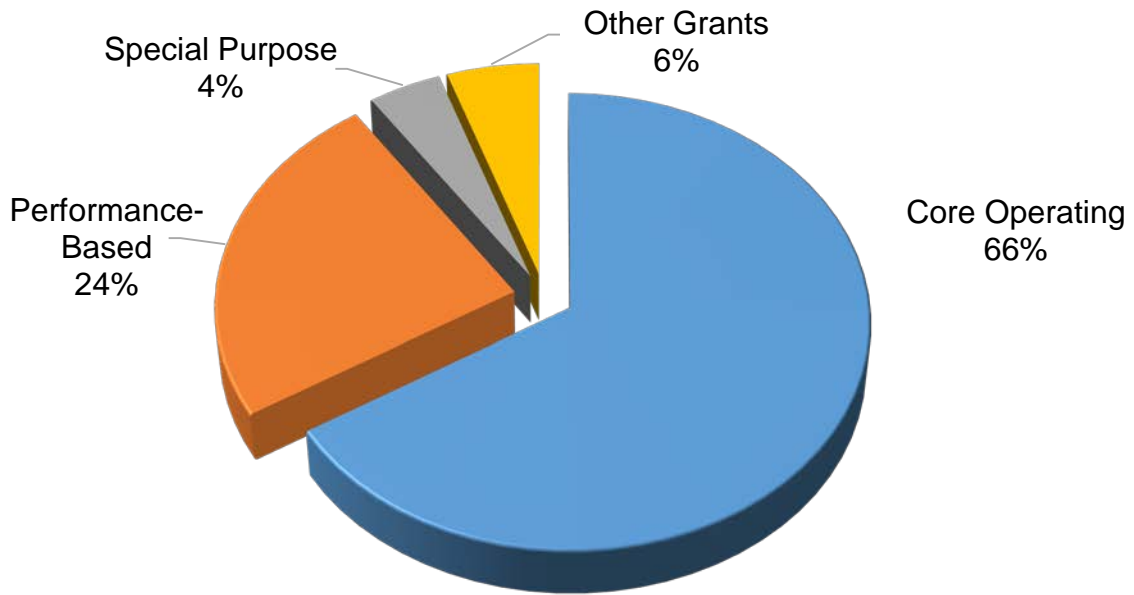
Performance-based funding will be linked to ten metrics, six of which will be aligned with priorities in skills and job outcomes, and four metrics related to economic and community impacts. The University will establish its own institutional strength/focus metric and institution-specific economic impact metric; the remaining eight metrics are pre-determined by the Ministry. The University will be measured each year against its own targets based on historical performance. The Ministry's intent is to set targets that promote continuous improvement; therefore, the targets and bands of tolerance will be recalculated by the Ministry each year. The University has the flexibility to weight the metrics that best reflect its differentiated strategic goals. These weightings will identify the portion of performance-based funding at risk for each metric if the University does not perform within the established band of tolerance. The University will have an opportunity during the term of SMA3 to adjust the assigned weightings.

Special Purpose Grants are separate grants aligned with Ministry priorities and are subject to the specific accountabilities and processes. These grants are not dependent on enrolment.

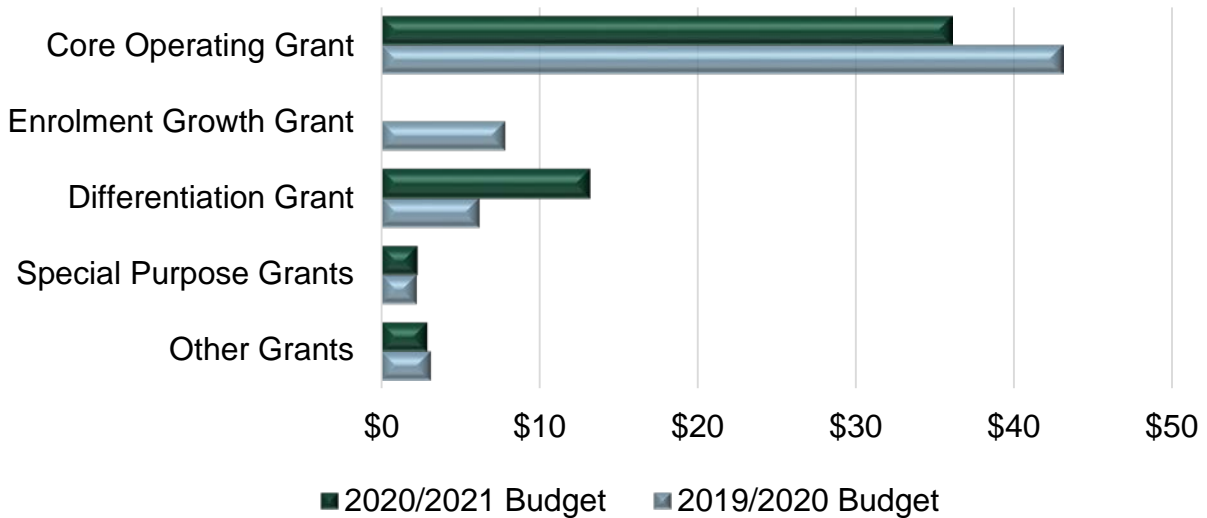
For planning purposes, government grant revenue is based on the following assumptions:

- While the University is planning enrolment well above the established corridor, Trent has assumed enrolment growth will not be funded;
- The University expects to meet all of its required targets throughout this budget cycle thereby avoiding any recovery of government performance-based funding;
- Special purpose grants have been adjusted based on known changes at the time of planning; and
- Other grants assumed in the budget include the Collaborative Nursing grant with Fleming College and the Research Support grant, less the Ministry-required International Student Recovery fee of \$750 per FTE for new international students.

2020/2021 Budgeted Government Grants



2020/2021 Budgeted Government Grants Compared to 2019/2020 Budget (in millions)



Tuition Fees

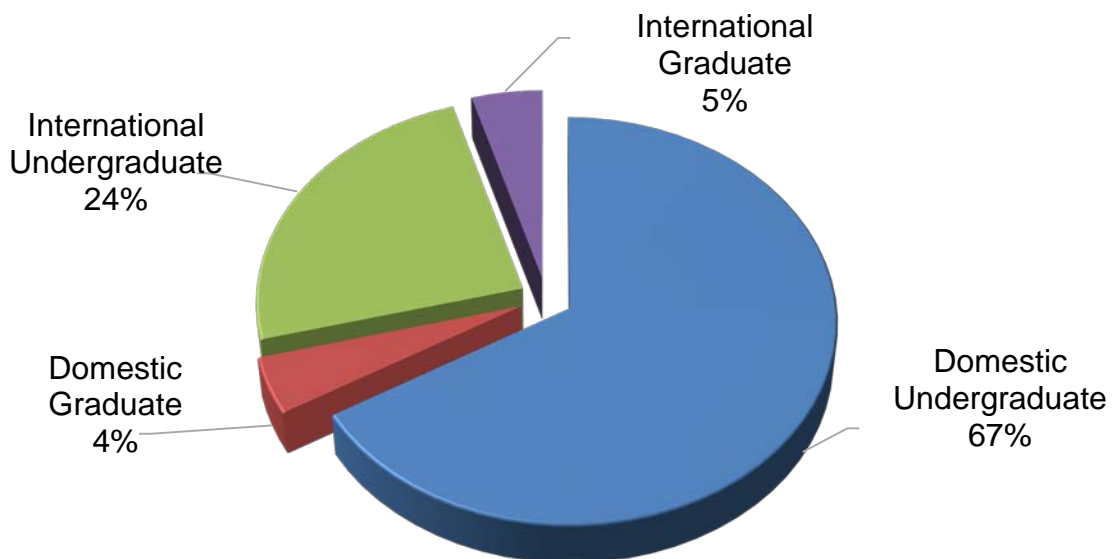
With fixed Ministry funding, many universities including Trent, are adopting an enrolment growth strategy reliant on tuition-only revenue and increased internationalization to offset inflationary pressures.

The Tuition Fee Framework is governed and monitored by the provincial government through the annual Tuition Fee Compliance Report. The current Ministry's tuition fee policy stipulates that tuition fees for all publicly funded programs for each year of study for funding-eligible (primarily domestic) undergraduate and graduate students be reduced in 2019/2020 by 10% compared to 2018/2019 fees. Furthermore, during 2020/2021, institutions are required to freeze eligible tuition fees at 2019/2020 tuition rates.

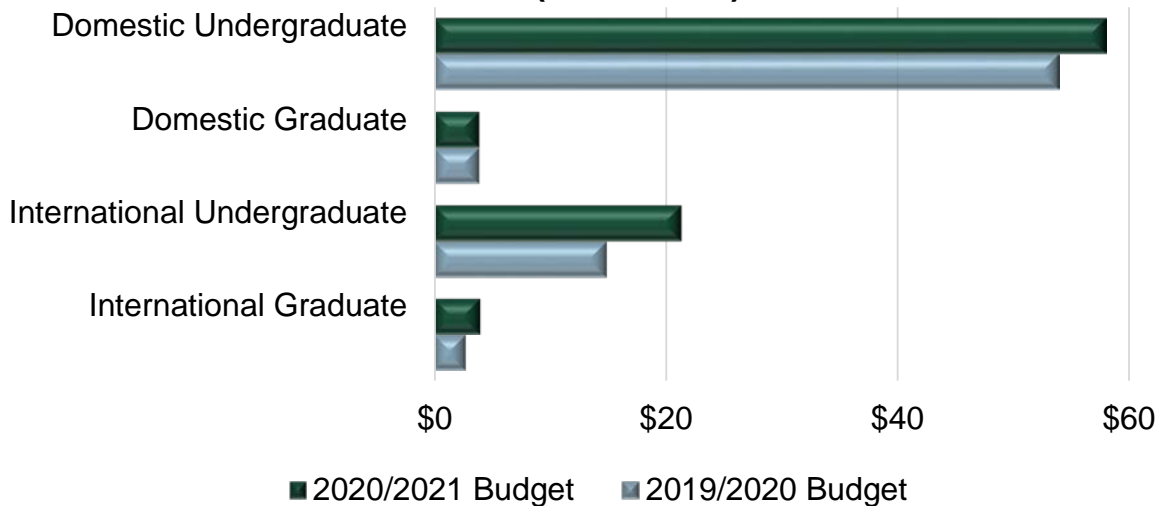
In compliance with this policy, Trent reduced its domestic tuition rates by 10% for the 2019/2020 academic year, a loss of approximately \$8.2 million from the previously anticipated tuition fees revenue for that fiscal year, and held these fees frozen for the 2020/2021 academic year. Enrolment growth will partially mitigate lost revenue as a result of the tuition reduction and subsequent freeze.

International fees are not regulated by the province and are subject to Board approval. Based on a comparison of 2019/2020 international tuition rates in the Business and Arts programs categories, Trent University's international undergraduate tuition fees are third lowest in Ontario. In December 2019, in an effort to grow international enrolment and remain competitive, Trent's Board of Governors approved an increase of 5% in international undergraduate fees and an increase of 3% in most international graduate research-based and professional program fees for each year of the budget cycle.

2020/2021 Budgeted Tuition Fees Revenue



2020/2021 Budgeted Tuition Fees Revenue Compared to 2020/2021 Budget (in millions)



Student Financial Aid and Scholarships

Student aid and scholarship expense is a highly variable cost dependent primarily on student enrolment and the academic qualifications (entrance grades) of the student body. The University has historically provided a high level of student aid relative to comparator universities, consistently standing at or near the top of university rankings in the percentage of its operating budget expended on scholarships and bursaries. Trent was #1 in Canada for scholarships and bursaries in Maclean’s University Rankings 2019 – Primarily Undergraduate category.

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 for all three years in this budget cycle, tuition set-aside is estimated at 6.0% of tuition fee revenue for eligible domestic undergraduate and graduate students. For international undergraduate students, the University plans to set aside an additional 2% of international undergraduate tuition fees revenue in each of the three years of this budget cycle for additional resources to support international students.

Based on last year’s experience, undergraduate domestic and international scholarship costs were \$522 per FTE. This rate is used to estimate undergraduate scholarship expense for each of the three years in this budget cycle. In addition to the above, undergraduate international scholarships and fee waivers are estimated at 5.8% of undergraduate international tuition revenue based on the average of the most recent three years.

Graduate scholarship expense varies significantly, depending on the program. For research and thesis-based graduate programs, the University estimates expenses for graduate scholarships, research fellowships and awards is approximately 26.9% of the related tuition revenue. This estimated rate applies to both domestic and international graduate students. In addition, graduate international fee waivers and bursaries for international graduate students in research and thesis-based programs is estimated at 40.8% of international graduate tuition revenue. These rates are used for planning purposes throughout this budget cycle.

Salaries and Benefits

Bill 124 passed legislation November 7, 2019 restricting salary increases to 1% for a three-year moderation period commencing on the expiry of existing agreements. Bill 124 also allows for merit and step increases if such programs were previously established. Therefore, across-the-board compensation increases for all union employee groups are based on collective agreements, as well as progression through salary grids, until expiration. Subsequent to expiry, the University has assumed 1% increases for three years thereafter in compliance with Bill 124. Salary rate increases range from 1.0% to 5.2%, depending on the employee group.

At the time of planning, the collective agreements for TUFA, representing full-time faculty and professional librarians, and OPSEU, representing all non-academic employees except supervisors and persons above the rank of supervisor, were settled to June 30, 2022. The collective agreement for CUPE2, which represents all employees registered as students who are regularly employed for not more than 24 hours per week as Teaching Assistants, Academic Assistants, Markers, Proctors, Lab Demonstrators, or Lab Advisors in the academic programs, was settled to August 31, 2021. The collective agreement for CUPE1, representing part-time employees engaged in teaching, demonstrating, tutoring, or marking in the academic programs (except registered students), expired on August 31, 2019 and was still under negotiation.

Benefit costs vary by collective agreement and employee. Benefit rates, including health, dental, and long-term disability benefits, are expected to increase by 5.0% to 9.5% depending on the type of benefit 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 now every year. For budgeting purposes, the University's normal cost is estimated at 11.67% of payroll. Based on the most recent actuarial valuation at June 30, 2019 (a filing year), going concern special payments will decrease to \$3.8 million (from \$4.6 million) while solvency special payments will increase substantially to \$5.6 million (from \$1.3 million). At the time of planning, Trent was seeking approval from the Ministry of Finance to use a letter of credit to address increases in special payments [approval received late May 2020]. Therefore, the net increase of \$3.5

million will be avoided and was not included in the budget. 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 by January 1, 2022.

The OPSEU/Exempt Pension Plan is a registered pension plan for which an actuarial valuation is prepared annually with required filing every three years. For budgeting purposes, the University's normal cost is estimated at 10.61% of payroll. Based on the most recent actuarial valuation at July 1, 2019 (a non-filing year), going concern and solvency special payments remain unchanged at \$1.8 million and \$1.6 million, respectively.

For the Supplementary Retirement Agreement, estimated benefit payments of \$1.7 million will be required from Trent as the plan assets are now depleted.

Other Non-Salary Expenses

The Operating Budget projects utilities expense will remain within existing budgeted levels. At the time of planning, the University was anticipating an announcement regarding the Ontario Fair Hydro Plan. In the absence of further information, utilities rates were assumed to be comparable to prior years. As work continues on initiatives under the Energy Performance Contract, energy consumption is expected to decrease. Savings related the agreement will be used towards financing the project over the next 10 years and will not lead to operating savings during this budget cycle.

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 budget assumes an annual inflation rate of 2% on relevant non-salary expenses. Other base budget adjustments were made to reflect current experience or known changes.

New on-going investments approved in the prior year were annualized and one-time non-recurring investments were removed from the budget, as appropriate.

BUDGET STRATEGIES FOR 2020/2021

Based on the key planning assumptions, the preliminary 2020/2021 Operating Budget before making any new strategic investments or implementing new budget reduction strategies projected a balanced budget position. This projection is heavily reliant on enrolment growth and increased internationalization to generate incremental revenue but leaves very limited funds available for additional strategic investments to address this enrolment growth or other operating pressures.

Net New Strategic Investments

With the preliminary projection in mind, budget owners were expected to manage within their existing departmental budgets. Budget owners who wished to propose new investments during the budget cycle were asked to identify budget reduction strategies to offset the strategic investment request, where possible.

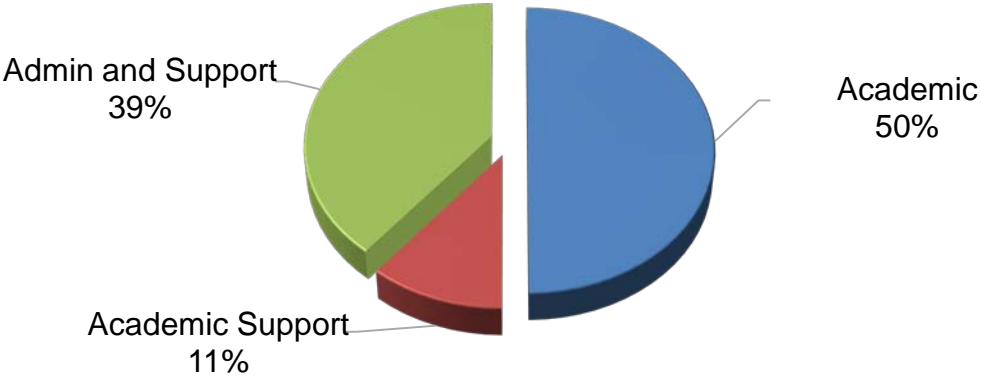
All presentations and proposals were carefully reviewed by the President and Vice-Presidents taking into consideration several overall principles, including fit with the University's strategic plans. The Responsibility Centered Management model was also used as a guiding principle for decision making when prioritizing and recommending new strategic investments.

The new investments focus on increases in resources required to teach and support increased student enrolment and the development of new academic programs. Tuition revenue (net of increased student financial aid) from new or expanding programs in Sciences and Social Sciences is conservatively assumed at 50% of expected revenue in the initial year of the program; it is expected that new programs will be revenue generating once established. Support for growing graduate studies and restructuring to enhance careers and experiential learning opportunities for students is also included. Library acquisitions continue to benchmark low relative to the University's comparators indicating a need for a further base investment in that area. An investment in marketing and recruitment will assist the University in achieving planned enrolment growth in an increasingly competitive environment. An increase in stewardship fund management is required as endowment funds continue to grow. A one-time investment in Financial Services will improve student billings and support student levy groups. The remaining investments will help address increasing costs associated with green waste removal, security, the employee assistance program, legal fees and the provision of exams.

A summary of the accepted net new strategic investments of \$448,000 is provided in the table below. Over 61% of the new investments (before offsetting net tuition revenue) are resources directly for academic or for academic support. With these net new investments, the use of prior years' appropriations set aside for contingency will be required to balance.

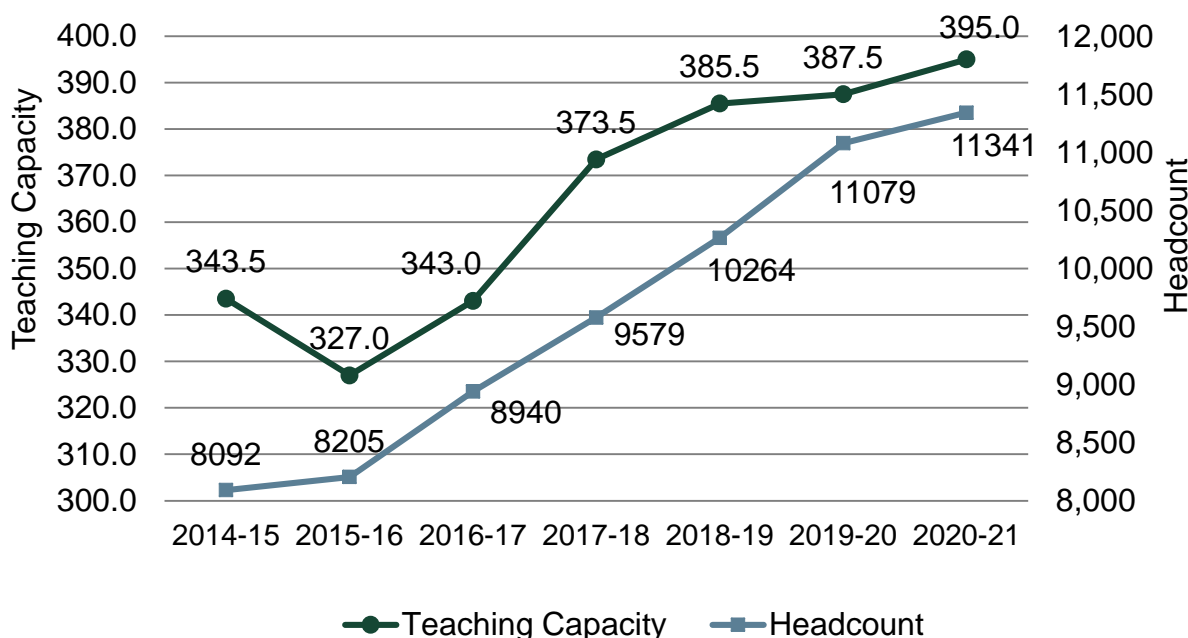
2020/2021 Strategic Investment (in thousands)	On-going Investment	One-time Investment	Total Investment
Support for new or expanding programs in Sciences and Social Sciences	\$431		\$431
Offset by related tuition revenue net of increased student financial aid	(\$431)		(\$431)
Support for Graduate Studies interdisciplinary PhD program	\$ 16		\$ 16
Restructuring in Careers and Experiential Learning	\$ 40		\$ 40
Increase in library acquisitions	\$ 50		\$ 50
Increase in marketing and recruitment	\$ 66	\$ 15	\$ 81
Increase Stewardship Fund Manager	\$ 76		\$ 76
Restructuring in Financial Services to improve student billings and support student levy group		\$ 69	\$ 69
Other items including green waste removal, security, employee assistance program, legal fees and exam costs	\$116		\$116
Total Net New Strategic Investments	\$364	\$ 84	\$448

2020/2021 New Strategic Investments



In addition to the net new investments, an additional seven tenure track faculty will be funded from within the existing budgets of the academic units or new program revenues based on known or planned retirements and resignations. It is important to note that these appointments will be strategically placed where there is the most need, which may not necessarily be an exact replacement of the retirement or resignation. With these strategic investments, it is anticipated that teaching capacity will remain at acceptable levels relative to increasing student enrolment.

Growth in Teaching Capacity and Student Enrolment



* 2020/2021 projected based on proposed budget adjustments

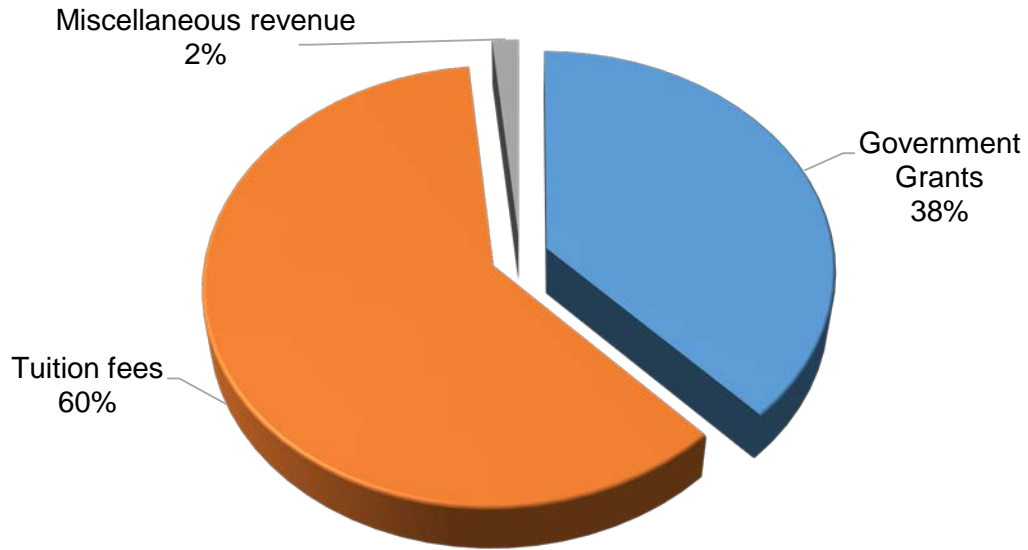
2020/2021 OPERATING BUDGET

As a result of the approved net new strategic investments, the 2020/2021 Operating Budget is expected to be balanced. This operating plan was approved by the Board of Governors on March 27, 2020.

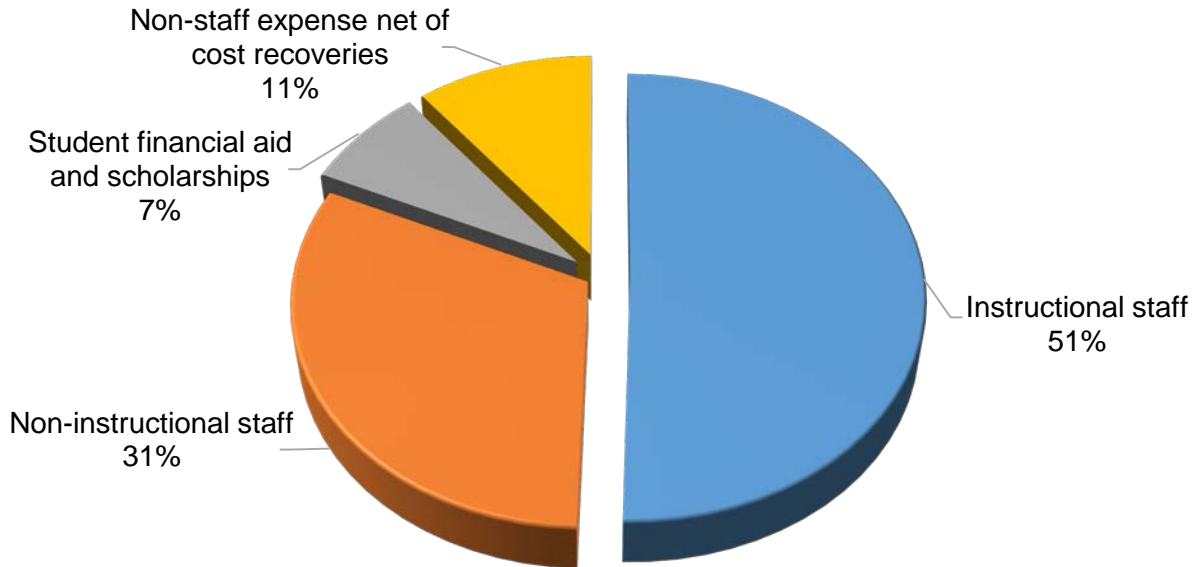
	2019/2020 Projection* (\$000s)	2020/2021 Budget (\$000s)	Change	
Government grants	\$ 54,740	\$ 54,492	\$ (248)	-0.5%
Tuition fees	\$ 80,762	\$ 87,114	\$ 6,352	7.9%
Miscellaneous revenue	\$ 2,192	\$ 2,322	\$ 130	5.9%
TOTAL REVENUE	\$137,694	\$143,928	\$ 6,234	4.5%
Instructional staff	\$ 70,223	\$ 72,974	\$ 2,751	3.9%
Non-instructional staff	\$ 42,798	\$ 45,301	\$ 2,503	5.8%
Student financial aid	\$ 12,870	\$ 10,818	\$ (2,052)	-15.9%
Non-staff expense	\$ 23,802	\$ 25,107	\$ 1,305	5.5%
Sub-total	\$149,693	\$154,200	\$ 4,507	3.0%
Cost recoveries	\$ (9,194)	\$ (9,670)	\$ (476)	5.2%
TOTAL NET EXPENSE	\$140,499	\$144,530	\$ 4,031	2.9%
NET REVENUE	\$ (2,805)	\$ (602)	\$ 2,203	
Change in Internally Restricted	\$ 54	\$ 260	\$ 206	
Use of prior year appropriations		\$ 342	\$ 342	
ANNUAL EXCESS EXPENSE OVER REVENUE	\$ (2,751)	\$ 0	\$ 2,751	

*2019/2020 Projection at time of Board approval in March 2020

Breakdown of 2020/2021 Operating Revenue



Breakdown of 2020/2021 Operating Expenses



Update

In light of the declaration of the COVID-19 pandemic by the World Health Organization in mid-March 2020, the Board of Governors approved the 2020/2021 Operating Budget on March 27, 2020 with a few additional provisions:

- The proposed net new investments would be reviewed before proceeding to determine which investments may be modified or deferred as a result of the COVID-19 situation;
- Permanent new investments, including new tenure track positions, included in the approved plan would, where possible, be hired on a limited term contract basis for 2020/2021 to allow flexibility in the budget should additional revisions need to be made as Trent plans for the Fall and Winter academic terms; and
- Additional monitoring and reporting of the actual and re-forecasted financial position compared to the Board-approved plan take place prior to the start of the Fall academic term.

The proposed net new investments were reviewed by senior management in April 2020. Over 40% of the new strategic investments were either delayed for future decision during the fiscal year or deferred to future years.

For the 2020 Summer term, all courses were delivered online or remotely, with only a few key services required to maintain the University's core operations on campus. In an effort to be fiscally responsible, contract and student positions were reviewed and reduced, where possible. Summer enrolment appears strong, with estimates exceeding planned levels. It is important to note, however, that planned summer enrolment is only about 7% of Trent's total budgeted enrolment for the year. Furthermore, there is no guarantee that the incremental enrolment experienced in the summer will result in incremental enrolment for the year as many students may be taking summer courses as a way to lighten fall and winter term course loads.

As a result of the continuation of the COVID-19 pandemic, and related restrictions and uncertainties, the University is preparing for the fall academic term under the Multi-Access Academic Plan. This plan means that Trent is developing all 2020 Fall term courses using online or remote course delivery, with some prioritized programs, courses and course components delivered in person, where possible and in accordance with public health and safety guidelines. Trent is anticipating operating on-campus operations and spaces (including residences) when and where possible, ensuring uninterrupted learning for students.

Due to the continuing situation and the shift to primarily online or remote course delivery, the University is anticipating:

- A decline in student enrolment, primarily due to travel restrictions, physical distancing requirements and potential challenges with online or remote delivery, which will significantly impair tuition revenue;
- Incremental costs, such as: development of online and remote course delivery, student and faculty supports, information technology infrastructure, personal protective equipment, cleaning and signage; and
- Lost ancillary revenues that will reduce contributions to the Operating Budget and deplete ancillary reserves to the point where operations will need to mitigate excess amounts.

At the time of writing, senior management was in the process of compiling a high-level summary of the impact of COVID-19 on the 2020/2021 Operating Budget. The University is now anticipating a significant financial deficit, and is now contemplating the implementation of further mitigating strategies, including:

- Continued advocacy through the Council of Ontario Universities for additional monetary support from the Province. The Ministry has agreed to delay the implementation of performance-based funding at-risk to 2021/2022 in recognition of the potential challenges in meeting performance targets as a result of the pandemic;
- Across-the-board in-year budget reduction strategies, except in priority areas necessary to support the online and remote delivery of course delivery and student supports; and
- The development of a multi-year recovery plan.

The University is hopeful that on-campus classes and other activities can resume as normal in the Winter 2021 term.

MULTI-YEAR PLANNING

In 2019, Trent resumed 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.

Budget owners were asked to prepare a three-year plan based on the current planning guidelines and assumptions. Plans for the second and third years offer an order of magnitude for planning purposes only. Multi-year plans are subject to annual review each fall to ensure the assumptions remain reasonable and/or up to date for additional known changes or new expectations.

The major planning assumptions for years two and three remain consistent with the key budget assumptions for the 2020/2021 fiscal year, except as follows:

- As the Ministry's Tuition Fee Framework expires at the end of 2020/2021, Trent is assuming subsequent Frameworks will allow for a 3.0% increase in domestic tuition rates each year following the 2020/2021 tuition freeze; and
- The University is anticipating the transition of its faculty pension plan, TUFA, into the University Pension Plan as early as January 1, 2022, which will eliminate pension solvency payments.

The high-level budget projections for 2021/2022 and 2022/2023 have also been adjusted for salary escalation and inflation estimates, annualization of the approved net new investments in 2020/2021, and the removal of one-time amounts no longer applicable. These future-date projections do not include any additional strategic investments to address the enrolment growth on which these budgets are predicated.

	2020/2021 Budget (\$000s)	2021/2022 Projection (\$000s)	2022/2023 Projection (\$000s)
Government grants	\$ 54,492	\$ 54,391	\$ 54,282
Tuition fees	\$ 87,114	\$ 94,066	\$101,831
Miscellaneous revenue	\$ 2,322	\$ 2,322	\$ 2,322
TOTAL REVENUE	\$143,928	\$150,779	\$158,435
Instructional staff	\$ 72,974	\$ 74,692	\$ 75,953
Non-instructional staff	\$ 45,301	\$ 46,244	\$ 46,828
Student financial aid	\$ 10,818	\$ 11,465	\$ 12,187
Non-staff expense	\$ 25,107	\$ 25,575	\$ 26,074
Sub-total	\$154,200	\$157,976	\$161,042
Cost recoveries	\$ (9,670)	\$ (9,694)	\$ (9,770)
TOTAL NET EXPENSE	\$144,530	\$148,282	\$151,272
NET REVENUE	\$ (602)	\$ 2,497	\$ 7,163
Change in Internally Restricted	\$ 260	\$ (201)	\$ (201)
Use of prior year appropriations	\$ 342		
ANNUAL EXCESS EXPENSE OVER REVENUE	\$ 0	\$ 2,296	\$ 6,962

2020/2021 ANCILLARY BUDGET

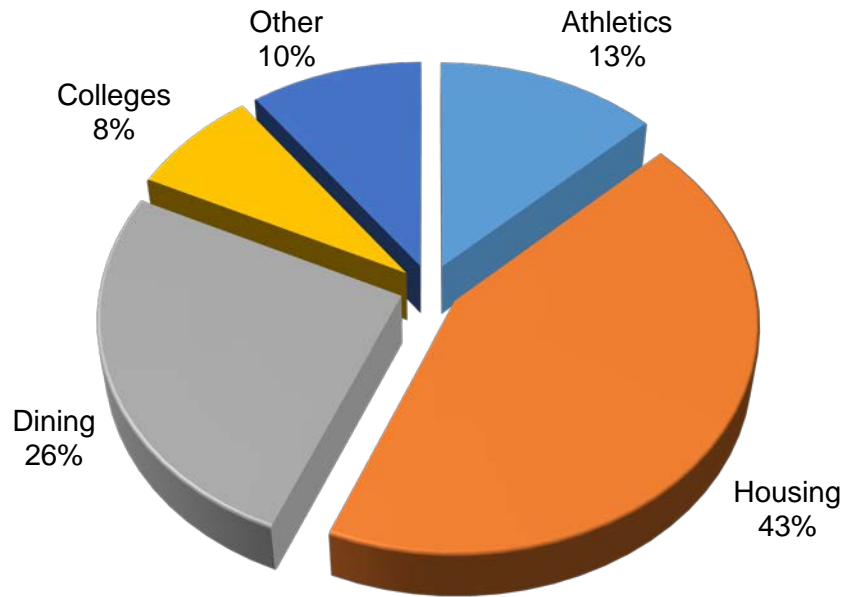
Ancillary departments also prepared budgets following the same budget planning principles set out for operating budget developers. In accordance with the Board-approved ancillary fees protocol, the inflationary increase in ancillary fees is 1.9% for 2020/2021. The rate is subject to annual review and 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, Orientation, Campus Card and Durham Transit Pass, are set aside at year end to fund future projects or initiatives of the respective departments to provide direct benefit to students. The exception is surpluses generated by Athletics, which contribute directly to the Operating Fund to help offset the cost of prior capital expansion borne by the Operating Budget.

These ancillary services are typically charged an administration overhead fee of 6.62% to help offset the cost of administrative support provided from Operations. This year, the expected ancillary administrative overhead contribution to the Operating Budget is \$2.066 million.

**2020/2021 Revenue from Ancillary Operations
Funded Primarily from Student Fees**



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), Conferences/Catering, and Starbucks, is transferred to the Operating fund each year end. The projected contribution to the Operating Fund for these ancillary operations for fiscal 2020/2021 is \$238,000.

(in thousands)	2019/2020 Budget			2019/2020 Budget		
	Revenue	Expense	Net	Revenue	Expense	Net
Athletics	\$ 4,293	\$ 4,271	\$ 22	\$ 4,421	\$ 4,410	\$ 11
Housing	\$12,773	\$12,773	\$ 0	\$14,731	\$14,731	\$ 0
Dining	\$ 7,497	\$ 7,497	\$ 0	\$ 8,785	\$ 8,785	\$ 0
Colleges	\$ 2,481	\$ 2,481	\$ 0	\$ 2,617	\$ 2,617	\$ 0
Other	\$ 3,321	\$ 3,321	\$ 0	\$ 3,452	\$ 3,452	\$ 0
Total Ancillary Operations Funded Primarily by Student Fees	\$30,365	\$30,343	\$ 22	\$34,006	\$33,995	\$ 11
Ancillary Administrative Overhead Contribution to Operating Fund			\$1,884			\$2,066
Ancillary Operations Contributing to Operating Fund Campus Store, Print Shop, ESL, Conferences and Catering, Starbucks			\$ 363			\$ 238
TOTAL CONTRIBUTION TO OPERATING BUDGET			\$2,269			\$2,315

Update

In light of the COVID-19 pandemic and resulting expected decline in on-campus activities for at least the summer and fall terms, it will be challenging for ancillary services to meet their expected contributions to the Operating Budget for 2020/2021. Furthermore, Ancillary Services are bracing for significant deficits, which may deplete their reserves.

CAPITAL PLANNING

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 was mostly diverted to the Bata Library Transformation project, which addressed over \$5 million in deferred maintenance. In 2019/2020, the University received \$711,300 to be spent on Ministry-approved deferred maintenance and campus safety projects by September 30, 2020.

At the time of writing, the Ministry had not announced the amount of Facilities Renewal Program grant for 2020/2021. The University is anticipating a similar amount as received in 2019/2020, 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 Energy Performance Contract and the Peterborough Housing Strategy described below.

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. At the time of planning, the University was investigating additional energy savings measures that may be possible under this contract. Due to the COVID-19 pandemic, additional opportunities were put on hold until further notice.

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 multi-storey building located on land gifted to Trent University by the City of Oshawa. The new 6-storey building will have capacity for 200 student residence beds, as well as academic space including classroom space, faculty and research offices, and student space.

In June 2019, the University entered into a lease arrangement with a third party to construct, finance and operate the new building. Substantial completion and occupancy is expected by September 2020. The third party will be responsible for the construction and operating costs of the residence space within the new building. The University will be responsible for the construction and operating costs of the academic space within the new building. Trent's one-time investment for the new academic space is estimated at

\$11.2 million. This project continues to be on track for substantial completion by Fall 2020 despite the COVID-19 situation.

In addition to the new building, 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 University estimates its one-time investment in these renovations will be approximately \$2.15 million to \$2.5 million. Construction of this project was allowed to commence in May 2020 and substantial completion is planned for Fall 2020.

Peterborough Housing Strategy

Housing Services is developing a Peterborough Housing Strategy to further align the housing program to the University's strategic objectives, meet growing demand based on current enrolment projections, and enhance the student experience by bringing more students onto the core campus at its Peterborough locations. A market and demand analysis presented in February 2019 indicates the need for approximately 700 new residence beds at the Symons campus and Trill college, as well as significant renovations to the existing residences to address deferred maintenance, and suggests a sequenced strategy over a period of 10 years.

In 2019/2020, the University prepared a facilities development plan for the recommended new residence beds and associated academic and student space that reflects the University's identity as a collegiate university. In addition, the University is in the process of developing a financial strategy that will best meet the University's financing goals based on the examination of all possible financing arrangements for the Housing Strategy. It is anticipated that the University's contribution towards this significant capital refresh will come from ancillary operating and reserve funds.

Due to the on-going COVID-19 pandemic, this initiative is currently delayed until the Fall 2020.

Other Capital Projects

The Forensics Program, within the Faculty of Science, incorporates experiential learning into its instruction through staged mock crime scenes at Trent's Forensics Crime Scene Facility. In June 2019, the Board of Governors approved the construction of a new facility on the East Bank closer to the Science Complex to replace the current farmhouse which is in need of significant remediation. The new forensics training facility will be a zero-carbon building project, built using an innovative, sustainable construction technology in alignment with the University's commitment to sustainable development. The estimated cost of construction is up to \$1.8 million, which will be funded by appropriations and identified donations. Construction was expected to get underway in 2019/2020, but has been delayed due to the COVID-19 pandemic.

The University has set aside 85 acres of land for the development of Cleantech Commons at Trent University, a research and innovation park at the north-east edge of the University's Symons campus which represents a major collaboration between the University and the City of Peterborough. The vision for Cleantech Commons is to become Canada's premier green technology research and innovation site, hosting a cluster of companies and start-up enterprises in environmentally-focused fields including clean technology, environmental services, advanced material sciences, biotechnology, agri-food, and agri-business, to name a few. The goal for Cleantech Commons is to provide experiential learning and employment for students, forge new research partnerships, create a revenue stream for the University, and bring economic development to the region. Its most important contributions may come as a result of the advancements in environmentally beneficial technologies and innovations from the firms located at the Park. Construction on the Cleantech Commons commenced in 2019/2020 and was allowed to proceed during the COVID-19 pandemic.