



BOARD OF TRUSTEES Report

To:	Board of Trustees & Capital Assets and Finance Committee	Date of Report: 11/21/2019
From:	Vice-Principal (Finance and Administration)	Date of Choose Committee or enter Approval: N/A Click here to enter approval date
Subject:	Financial Projection as at September 30, 2019	Date of Board Committee Meeting: 12/6/2019
Responsible Portfolio:	Vice-Principal (Finance and Administration)	Date of Board Meeting: 12/6/2019

1.0 PURPOSE

☐ For Approval ☐ For Discussion ☒ For Information

2.0 MOTION/DISCUSSION

This report is for information only.

3.0 EXECUTIVE SUMMARY

This report provides the Board of Trustees and the Capital Assets and Finance Committee with an overview of projected financial results for both the Operating and Ancillary Funds and some Affiliated Entities.

2019-20 Projected Financial Results

The Operating Fund is currently projecting a deficit of \$11.3 million, a favourable variance that will decrease the planned drawdown of reserves by \$6.5 million. Revenue projections are favourable due to a combination of strong undergraduate enrolment, higher-than-budgeted investment income and a projected increase in unrestricted donations and bequests. On the expense side, faculties and shared services units are projecting salary savings and delays in project spending, while the Central Reserves are anticipating additional drawdown on carryforwards.

Ancillary Operations are currently expecting a favorable variance of \$1.0 million against budget. The variance is due to higher than budgeted occupancy of residence and increased retail food sales.

Additional details are presented in the analysis section of this report.

4.0 STRATEGIC ALIGNMENT / COMPLIANCE

A key responsibility of the Board of Trustees and the Capital Assets and Finance Committee is approval of the operating budget. The financial update provides information on projections against the approved budget and an opportunity for the Board to ask questions of management. It is an important element of Board fiduciary oversight.

4.1 EQUITY, DIVERSITY, INCLUSION, AND INDIGENIZATION

No impact.

5.0 ENTERPRISE RISK ASSESSMENT

Review of financial progress reports compared to Board approved budgets is an important mitigation factor in addressing a number of the top risks in the enterprise risk framework.

6.0 ANALYSIS

Operating Budget

A summary version of the 2019-20 Operating Budget is presented in the table below.

	Amounts presented in millions		
	Approved budget	Projected actuals	Variance
Student Fees	378.3	380.8	2.5
Government Grants	214.3	214.8	0.5
Investment Income	16.2	17.8	1.6
Other revenue*	11.3	12.6	1.3
Total revenues	620.1	626.0	5.9
Expenditures			
Faculties & Schools Allocations	377.0	379.6	2.6
Shared Services Allocations	153.2	153.9	0.7
Utilities	15.7	15.7	-
Student Aid	30.9	30.9	-
Other Allocations **	18.3	20.7	2.4
Flow through expenses, net of recoveries	10.6	10.9	0.3
Indirect costs of research to external entities	1.6	1.5	(0.1)
Transfer to Pension reserve	(6.4)	(6.7)	(0.3)
Unit spending greater than budget allocation	24.2	18.0	(6.2)
Transfer to capital budget	12.8	12.8	-
Total expenditures	637.9	637.3	(0.6)
Budget (deficit)/surplus	(17.8)	(11.3)	6.5
Excess funding from carryforwards	24.2	18.0	(6.2)
Contributed to pension reserve	(6.4)	(6.7)	(0.3)
Drawdown of / (contribution to) reserves	17.8	11.3	(6.5)

*Other revenue is comprised of unrestricted donations, other income, and research overhead.

**Other allocations is comprised of infrastructure renewal, strategic priorities and compliance, and contingency.

Revenues

The bulk of the revenue in the operating fund are driven by enrolment. Preliminary enrolment information shows that we are above target against our overall budgeted enrolment at the undergraduate level and below target at the graduate level. The graduate shortfall is primarily at the research-based master's level across multiple programs in the Faculty of Arts & Science and a result of a delayed launch of the Global Master of Management Analytics in the Smith School of Business. At the undergraduate level, we are projecting a higher number of Full Time Equivalents (FTE's) for both domestic and international enrolment, resulting in an increase in student fee revenue.

Student Fees

Overall student fees are showing a positive variance of \$2.5 million.

Amounts presented in millions		
Type	Variance	Comments
For Credit	2.6	Undergraduate tuition is projecting a \$6.9 million positive variance, primarily as the result of higher than expected domestic and international enrolment in the Faculty of Arts & Science and the Faculty of Education. This is offset by a \$4.3 million negative variance in graduate tuition revenue, which is due to lower than expected enrolment in the Faculty Arts & Science research-based master's programs and the School of Business professional programs.
Non-credit	0.3	Non-credit tuition is projecting a \$0.3M positive variance, primarily due to increases in enrolment for non-credit programs within the Faculty of Arts & Science.
Other	-0.4	Projecting a decline in the Student Assistance Levy, largely due to students opting out of the fee as part of the Student Choice Initiative.
Total	2.5	

Government Grants

Overall government grants are showing a positive variance of \$0.5 million. Federal Research Support Fund is projected to be below budget by \$0.5 million. On the other hand, the Regional Assessment Resource Centre received confirmation after budgets were approved of an additional \$1.0 million in funding for 2019-20.

Investment Income

Investment income is showing a positive variance of \$1.6 million as a result of higher than budgeted short-term investment returns due to both higher than budgeted interest rates and short-term cash balances. Given the volatility of financial markets only the budgeted revenue of \$5.2 million for the Pooled Investment Fund has been included in the projected revenue.

Other Revenue

Other revenue is projected to be \$1.3 million higher than budgeted due to an increase in projected unrestricted donations and bequests, as well as research overhead.

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be \$2.6 million higher than budget, primarily as a result of the projected increase in student fee revenue and research overhead, offset by a reduction in the Research Support Fund. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Shared Service Allocations

Shared service costs are expected to be \$0.7 million higher than budget primarily as a result of unexpected municipal taxes for the St. Mary's of the Lake property and increases in various Central Finance expenses, offset by projected savings on various benefit payments.

Other Allocations

The increase of \$2.4 million in other allocations is due to unplanned incremental revenues flowing to the University Fund, primarily attributed to projected increases in investment income and unrestricted donations and bequests.

Unit spending greater than budget allocation

Units are projecting a drawdown of carryforwards of \$18.0 million, a decrease of \$6.2 million from the originally budgeted drawdown of \$24.2 million. Details on these variances are reported below.

Amounts presented in millions	
Variance	
Faculties and Schools	5.4
Shared Services	6.6
Central Reserves	(5.8)
Total	6.2

Faculties and Schools are projecting an in-year deficit of \$2.6 million, representing a \$5.4 million favourable variance from the budget. As noted previously in the 'Student Fees' section, \$2.5 million of this variance is due to a projected net increase in tuition revenue. The remaining \$2.8 million budget improvement is mainly the result of salary savings from faculty and administrative vacancies, as well as delayed renovations.

Shared Service units are projecting a reduction of \$6.6 million from their original drawdown requirement. This is primarily due to changes in the timing of project spending within Information Technology Services and University Relations, as well as salary savings from administrative vacancies and externally contracted work for various shared services units. The savings are partially offset by projected increases in Graduate Student Support and unbudgeted investment in capital projects in the Library.

Central Reserves are projecting an additional drawdown on carryforward of \$5.8 million as compared to the budget. The variance is largely the result of funding commitments that were identified after the budget was finalized. The various commitments from cash reserves vary in both amount and purpose, however, the

funding is largely to invest in facility maintenance efficiencies, joint capital developments with the hospitals and funding to support capital improvements for research.

Budget Outlook

Although the in-year revenue (and corresponding allocations to Faculties and Schools) are projecting to increase, the attribution is uneven between the different Faculties and Schools. Additionally, the University is entering into a period where government funding and policy is evolving. Furthermore, external demographics, market pressures on tuition fee increases, and our capacity to expand program offerings are impacting the ability to attract new revenues. The next fiscal year budget cycle is well underway and early indications are that certain units will present an outlook mostly driven on cost containment and/or a review of more efficient methods to support the academic and research missions of the University, complimented by modest revenue growth opportunities. These strategies will likely require one-time initial investments (use of carryforwards) to continue to advance the University's strategic priorities and mission.

Ancillary Operations

See Appendix I for the Queen's University 2019-20 Ancillary Financial Report.

The projected deficit for the Ancillary Operations is \$0.2 million compared with the budgeted deficit of approximately \$1.2 million.

Housing and Hospitality

Housing and Hospitality includes Residences, Community Housing, Event Services, and the Donald Gordon Centre. The total projected surplus for this group is \$2.1 million compared with the budgeted surplus of \$0.7 million. Actual year-end surpluses will be used to finalize contributions to university operations.

Projected revenue has increased \$1.7 million, due to higher than budgeted occupancy in residence and increased retail food sales.

Projected expenditures are \$0.3 million higher than budget due to higher food costs associated with retail food sales.

Parking

Projected revenue and expenses are comparable to projections.

Queen's Executive Decision Centre (QEDC)

The QEDC is in the process of changing the business model associated with this program. This has resulted in a decrease in the revenues, which are now based on a royalty fee, as compared to the revenue sharing model which was previously in place. The current year expenses, payments to the suppliers associated with the previous revenue sharing operations, are higher than originally anticipated due to higher sales under the revenue sharing program.

Affiliated Entities

The information summarized below are the combined operations of the Bader International Study Centre, which include the operations of the Bader International Study Centre (BISC) and Herstmonceux Castle Enterprises Limited (HCE). The combined BISC amounts are not a full consolidation; as a result, there may be

some sales and expenses between the entities, which will be eliminated through consolidation at year end. All amounts below are reported in pound sterling.

	BISC			HCE			Combined BISC		
	Budget 2019-20	Projected Actuals 2019-20	Variance	Budget 2019-20	Projected Actuals 2019-20	Variance	Budget 2019-20	Projected Actuals 2019-20	Variance
REVENUE	£ 4,833	£ 3,708	-£ 1,125	£ 635	£ 655	£ 20	£ 5,468	£ 4,363	-£ 1,105
Non-interest expenditures	£ 5,222	£ 5,375	£ 154	£ 597	£ 621	£ 23	£ 5,819	£ 5,997	£ 177
Interest	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
EXPENDITURES	£ 5,222	£ 5,375	£ 154	£ 597	£ 621	£ 23	£ 5,819	£ 5,997	£ 177
SURPLUS (DEFICIT)	-£ 389	-£ 1,667	-£ 1,278	£ 38	£ 34	-£ 4	-£ 351	-£ 1,633	-£ 1,282

The decrease in the BISC revenue is due to significantly reduced student enrolment in the fall and anticipated enrolment in the winter. The increase in expenses is due to anticipated value added tax (VAT) liability identified through a VAT audit which has been offset by lower than budgeted salaries and wages resulting from the lower enrolment.

7.0 FINANCIAL IMPLICATIONS

The primary purpose of the Financial Update is to report on expected financial results of the Operating Fund and ancillary operations. Maintaining a balanced operating budget is critical to Queen's financial health and its ability to meet objectives.

8.0 COMMUNICATIONS STRATEGY

This document is posted on the Queen's University website and is available to the public. See [Financial Services - Publications](#) for all reports.

9.0 INPUT FROM OTHER SOURCES

Budget and Planning

ATTACHMENTS

1. APPENDIX I – Queen's University 2019-20 Ancillary Financial Report

Attachment 1

APPENDIX I – Queen's University 2019-20 Ancillary Financial Report

Queen's University 2019-20 Ancillary Financial Report (000's)												
	Housing and Hospitality			Parking			Queen's Executive Decision Centre			Total Ancillary		
	Budget 2019-20	Projected Actuals 2019-20	Variance	Budget 2019-20	Projected Actuals 2019-20	Variance	Budget 2019-20	Projected Actuals 2019-20	Variance	Budget 2019-20	Projected Actuals 2019-20	Variance
REVENUE	\$ 90,075	\$ 91,754	\$ 1,679	\$ 3,514	\$ 3,529	\$ 15	\$ 325	\$ 140	\$ (185)	\$ 93,914	\$ 95,423	\$ 1,509
Non-interest expenditures	\$ 64,190	\$ 64,462	\$ 272	\$ 1,597	\$ 1,677	\$ 80	\$ 310	\$ 470	\$ 160	\$ 66,097	\$ 66,609	\$ 512
Interest	\$ 4,644	\$ 4,644	\$ -	\$ 2,318	\$ 2,306	\$ (12)	\$ -	\$ -	\$ -	\$ 6,962	\$ 6,950	\$ (12)
EXPENDITURES	\$ 68,834	\$ 69,106	\$ 272	\$ 3,915	\$ 3,983	\$ 68	\$ 310	\$ 470	\$ 160	\$ 73,059	\$ 73,559	\$ 500
Net Surplus (Deficit) before Capital and Contributions to University Operations	\$ 21,241	\$ 22,648	\$ 1,407	\$ (401)	\$ (454)	\$ (53)	\$ 15	\$ (330)	\$ (345)	\$ 20,855	\$ 21,864	\$ 1,009
Deferred Maintenance	\$ (9,400)	\$ (9,400)	\$ -	\$ (525)	\$ (525)	\$ -	\$ -	\$ -	\$ -	\$ (9,925)	\$ (9,925)	\$ -
Debt Servicing - Principal	\$ (6,546)	\$ (6,546)	\$ -	\$ (1,013)	\$ (1,013)	\$ -	\$ -	\$ -	\$ -	\$ (7,559)	\$ (7,559)	\$ -
Contributions to University Operations	\$ (4,611)	\$ (4,611)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,611)	\$ (4,611)	\$ -
SURPLUS (DEFICIT)	\$ 684	\$ 2,091	\$ 1,407	\$ (1,939)	\$ (1,992)	\$ (53)	\$ 15	\$ (330)	\$ (345)	\$ (1,240)	\$ (231)	\$ 1,009

Queen's University 2018-19 Ancillary Budget (000's) Operating Reserves												
OPENING RESERVE	\$ 7,674	\$ 7,087	\$ (587)	\$ (20,127)*	\$ (20,226)	\$ (99)	\$ 490	\$ 679	\$ 189	\$ (11,963)	\$ (12,460)	\$ (497)
SURPLUS (DEFICIT) - PLANNED ALLOCATION TO (FROM) RESERVES	\$ 684	\$ 2,091	\$ 1,407	\$ (1,939)	\$ (1,992)	\$ (53)	\$ 15	\$ (330)	\$ (345)	\$ (1,240)	\$ (231)	\$ 1,009
CLOSING RESERVE	\$ 8,358	\$ 9,178	\$ 820	\$ (22,066)	\$ (22,218)	\$ (152)	\$ 505	\$ 349	\$ (156)	\$ (13,203)	\$ (12,691)	\$ 512

2018-19 Ancillary Budget (000's) Capital Reserve												
OPENING RESERVE	\$ 14,665	\$ 16,804	\$ 2,139	\$ 4,854	\$ 4,809	\$ (45)	\$ -	\$ -	\$ -	\$ 19,519	\$ 21,613	\$ 2,094
Planned Contribution	\$ 9,200	\$ 9,400	\$ 200	\$ 525	\$ 525	\$ -	\$ -	\$ -	\$ -	\$ 9,725	\$ 9,925	\$ 200
Deferred Maintenance Expenditure	\$ (10,237)	\$ (7,448)	\$ 2,789	\$ (747)	\$ (498)	\$ 249	\$ -	\$ -	\$ -	\$ (10,984)	\$ (7,946)	\$ 3,038
CLOSING RESERVE	\$ 13,628	\$ 18,756	\$ 5,128	\$ 4,632	\$ 4,836	\$ 204	\$ -	\$ -	\$ -	\$ 18,260	\$ 23,592	\$ 5,332

* The accumulated deficit, created by the debt servicing payments, is projected to be reduced to zero 7 years after the debt servicing payments are completed. The debt will be repaid in full in fiscal 2040/41.