



BOARD OF TRUSTEES Report

To:	Board of Trustees & Capital Assets and Finance Committee	Date of Report: Feb 7, 2018
From:	Vice-Principal Finance and Administration	Date of Approval: NA
Subject:	Financial Update to the Board of Trustees	Date of Board Committee Meeting: Mar 2, 2018
Responsible Portfolio:	Vice-Principal Finance and Administration	Date of Board Meeting: Mar 2, 2018

1.0 PURPOSE

☐ For Approval ☒ For Information

2.0 RECOMMENDATION/MOTION

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.

2017-18 Projected Financial Results

The Operating Fund is currently projecting a favorable variance that will reduce the planned drawdown on reserves by \$14.3 million, from \$17.9 million to \$3.6 million. The variance is driven largely by higher than planned international undergraduate enrolment and strong performance in non-credit programs within the various Faculties.

Ancillary Operations are currently expecting a favorable variance of \$4.6 million against budget. The variance is due to higher than budgeted occupancy of residences and community housing properties combined with cost savings associated with lower utilization of the food venues, utilities savings associated with the CAPit energy conservation program and the global adjustment savings on electricity.

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

4.0 INPUT FROM OTHER SOURCES

- Budget and Planning

5.0 ANALYSIS

Operating Budget

A summary version of the 2017-18 operating budget is presented in the table below.

	Amounts presented in millions		
	Approved budget	Projected actuals	Variance
Student Fees	321.6	332.0	10.4
Government Grants	210.8	211.9	1.1
Investment Income	13.2	15.2	2.0
Other revenue*	9.6	12.8	3.2
Total revenues	555.2	571.9	16.7
Expenditures			
Faculties & Schools Allocations	331.1	342.4	11.3
Shared Services Allocations	185.8	187.7	1.9
Other Allocations**	14.5	17.0	2.5
Flow through expenses, net of recoveries	10.7	11.5	0.8
Indirect costs of research to external entities	1.4	1.6	0.2
Transfer to Pension reserve	(6.9)	(7.1)	(0.2)
Unit spending greater than budget allocation	17.9	3.6	(14.3)
Transfer to capital budget	11.7	11.7	-
Total expenditures	566.2	568.4	2.2
(Deficit)/surplus	(11.0)	3.5	14.5
Funded from reserves	17.9	3.6	(14.3)
Contributed to pension reserve	(6.9)	(7.1)	(0.2)
Drawdown of / (contribution to) reserves	11.0	(3.5)	(14.5)

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

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

Revenues

The bulk of revenues in the operating fund are driven by enrolment. Preliminary winter enrolment information shows that we are above target against our overall enrolment projections at the undergraduate level and slightly below target at the graduate level. At the undergraduate level, the mix between domestic and international has shifted, and a higher proportion of international undergraduate students than budgeted is resulting in higher than budgeted student fee revenue.

Student Fees

Overall student fees are showing a positive variance of \$10.4M.

Amounts presented in millions		
Type	Variance	Comments
For-Credit	7.1	Undergraduate tuition projecting a \$10.3M positive variance primarily due to higher than planned international enrolment in the Faculty of Arts and Science, offset by a \$3.2M decrease in graduate tuition, primarily related to lower than budgeted enrolment within the Smith School of Business professional graduate programs
Non-credit	2.9	All non-credit programs across four Faculties are experiencing increases over budget due to higher than expected enrolment.
Other	0.4	Nominal increases in the Student Assistance Levy and other fees.
Total	10.4	

Government Grants

Overall government grants are showing a positive variance of \$1.1M. The undergraduate and graduate grant funding for 2017-18 will be calculated under the new funding formula. We have been assured that we will at least receive the 2016-17 level of funding, graduate growth funding up to our Strategic Mandate Agreement targets, and some flow through growth for 2017-18 undergraduate enrolment increases. However, the Ministry has not communicated the calculation of the additional funding. Therefore, this projection has incorporated some conservative assumptions and will be re-forecast as information becomes available from the Ministry.

Investment Income

Investment income is showing a positive variance of \$2.0M as a result of higher than budgeted short-term investment returns due to both higher than budgeted interest rates and short-term cash balances. Although the Pooled Investment Fund has experienced income to date of \$7.8M as at December 31st, given the volatility of financial markets only the budgeted revenue of \$5.2M has been included in the projected revenue.

Other Revenue

Other revenue is projected to be \$3.2M higher than budgeted, due largely to unrestricted donation revenues being higher than expected along with an increase in projected research overhead.

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be \$11.3M higher than budget as a result of the projected increase in tuition and grant revenues. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Shared Service Allocations

Shared service allocations are expected to be \$1.9M higher than budgeted as a result of projected funding increases in centrally funded employee benefits (\$1M) and legal fees (\$0.9M) resulting from projected cost increases.

Other Allocations

The increase of \$2.5M in other allocations is due to unplanned incremental revenues flowing to the university fund. The incremental revenues include an increase in university fund contributions related to increased tuition revenue, short-term investment income, and unrestricted donations, offset by the impact of increased shared service allocations.

Unit spending greater than budget allocation

Units are projecting drawdowns of carryforwards of \$3.6 million, an improvement of \$14.3M over the originally budgeted drawdown of \$17.9M. Details on these variance are reported below.

Amounts presented in millions	
Variance	
Faculties and Schools	16.2
Shared Services / Central units	(1.9)
	14.3

Faculties and Schools are expected to drawdown their carryforward by \$16.2M less than originally budgeted, due partially to the increased allocations resulting from unplanned international enrolment and strong performance in non-credit programs, and partially due to cost savings. Faculties are projecting \$7.6M in cost savings due to delays in one-time expenditures, staff salary savings and postponed renovation expenditures.

The favorable variance being reported by Faculties and Schools is offset by spending greater than budget of \$1.9 million within shared services / central units. The additional spending is related primarily to IT Services spending on cybersecurity that was deferred from previous years, PARTEQ Innovations debt forgiveness, and central cash reserves from unrestricted donations being expended to fund the Innovation and Wellness Centre. Offsetting these spending increases are favorable variances across a number of shared service units, with the most significant being increases relating to the Division of Student Affairs from self-generated revenue in Athletics, increases in application fee revenue, and lower than budgeted financial aid due to a reduction in demand for admission bursaries.

In December, units projected drawdowns of carryforwards of \$9.5 million. The decrease from the \$9.5 million reported in December to the current projected drawdown of \$3.6 million is distributed across eleven different shared services units, with the largest changes relating to the Division of Student Affairs who are projecting increases from self-generated revenue in Athletics and increases in application fee revenue, as well as the deferral of capital projects to support the Library and Archives Master Plan.

Ancillary Operations

See Appendix I for the Queen's University 2017-18 Ancillary Financial Report

The projected surplus for the Ancillary Operations is \$2.2M compared with the budgeted deficit of approximately \$2.4M.

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 \$4.1M compared with the budgeted deficit of \$437K.

Projected revenue has increased \$2.0M, due to lower than budgeted vacancies, and new conference business.

Expenditures are \$2.0M lower than budget due to the following:

- The utilization at food venues is lower than budgeted resulting in projected savings of \$1.7M from food costs in external contracts.
- Projected utilities have decreased \$0.8M, due to efficiencies experienced from the CAPit energy conservation program and the global adjustment savings on electricity.
- Variances above are offset by an increase in expenditures due to increased conference business, increase snow removal costs, and the required replacement of janitorial equipment.

Principal debt payments are projected to decrease \$0.6M, as the Waldron and Jean Royce loans were budgeted in 2017/18 but paid in full in 2016/17.

Parking

Parking is projecting a deficit \$0.1M lower than budget due to an increase in projected revenue from event parking at the Isabel Bader Centre for the Performing Arts and Richardson Stadium.

Parking is projecting a decrease in the Deferred Maintenance Expenditures, as not all of the planned projects will be completed during the current fiscal year.

Other

Other ancillary functions is comprised of the Enrichment Studies Unit, which has experienced a lower demand than budgeted and therefore is projecting a small deficit. Budgets for this unit were not included in the budget presented to the Board of Trustees, but will be incorporated going forward.

6.0 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.

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 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 ten risks in the enterprise risk framework.

9.0 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.

ATTACHMENTS

APPENDIX I – Queen's University 2017-18 Ancillary Budget

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Queen's University 2017-18 Ancillary Financial Report (000's)												
	Housing and Hospitality			Parking			Other**			Total Ancillary		
	Budget 2017-18	Projected Actuals	Variance	Budget 2017-18	Projected Actuals	Variance	Budget 2017-18	Projected Actuals	Variance	Budget 2017-18	Projected Actuals	Variance
REVENUE	\$ 82,540	\$ 84,546	\$ 2,006	\$ 3,103	\$ 3,222	\$ 119	\$ 959	\$ 917	\$ (42)	\$ 86,602	\$ 88,685	\$ 2,083
Non-interest expenditures	\$ 61,798	\$ 59,984	\$ (1,814)	\$ 1,181	\$ 1,177	\$ (4)	\$ 959	\$ 942	\$ (17)	\$ 63,938	\$ 62,103	\$ (1,835)
Interest	\$ 5,358	\$ 5,199	\$ (159)	\$ 2,418	\$ 2,444	\$ 26	\$ -	\$ -	\$ -	\$ 7,776	\$ 7,643	\$ (133)
EXPENDITURES	\$ 67,156	\$ 65,183	\$ (1,973)	\$ 3,599	\$ 3,621	\$ 22	\$ 959	\$ 942	\$ (17)	\$ 71,714	\$ 69,746	\$ (1,968)
Net Surplus (Deficit) before Capital and Contributions to University Operations	\$ 15,384	\$ 19,363	\$ 3,979	\$ (496)	\$ (399)	\$ 97	\$ -	\$ (25)	\$ (25)	\$ 14,888	\$ 18,939	\$ 4,051
Deferred Maintenance	\$ (6,305)	\$ (6,305)	\$ -	\$ (525)	\$ (525)	\$ -	\$ -	\$ -	\$ -	\$ (6,830)	\$ (6,830)	\$ -
Debt Servicing - Principal	\$ (6,778)	\$ (6,217)	\$ 561	\$ (902)	\$ (902)	\$ -	\$ -	\$ -	\$ -	\$ (7,680)	\$ (7,119)	\$ 561
Contributions to University Operations	\$ (2,738)	\$ (2,766)	\$ (28)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,738)	\$ (2,766)	\$ (28)
SURPLUS (DEFICIT)	\$ (437)	\$ 4,075	\$ 4,512	\$ (1,923)	\$ (1,826)	\$ 97	\$ -	\$ (25)	\$ (25)	\$ (2,360)	\$ 2,224	\$ 4,584

Queen's University 2017-18 Ancillary Budget (000's) Operating Reserves												
OPENING RESERVE	\$ 5,328	\$ 5,328	\$ -	\$ (16,074)*	\$ (16,074)*	\$ -	\$ (99)	\$ (99)	\$ -	\$ (10,845)	\$ (10,845)	\$ -
SURPLUS (DEFICIT) - PLANNED ALLOCATION TO (FROM) RESERVES	\$ (437)	\$ 4,075	\$ 4,512	\$ (1,923)	\$ (1,826)	\$ 97	\$ -	\$ (25)	\$ (25)	\$ (2,360)	\$ 2,224	\$ 4,584
CLOSING RESERVE	\$ 4,891	\$ 9,403	\$ 4,512	\$ (17,997)	\$ (17,900)	\$ 97	\$ (99)	\$ (124)	\$ (25)	\$ (13,205)	\$ (8,621)	\$ 4,584

2017-18 ANCILLARY BUDGET (000's) CAPITAL RESERVES												
OPENING RESERVE	\$ 12,640	\$ 12,640	\$ -	\$ 5,566	\$ 5,566	\$ -	\$ -	\$ -	\$ -	\$ 18,206	\$ 18,206	\$ -
Planned Contribution	\$ 6,305	\$ 6,305	\$ -	\$ 525	\$ 525	\$ -	\$ -	\$ -	\$ -	\$ 6,830	\$ 6,830	\$ -
Deferred Maintenance Expenditure	\$ (6,444)	\$ (6,368)	\$ 76	\$ (627)	\$ (300)	\$ 327	\$ -	\$ -	\$ -	\$ (7,071)	\$ (6,668)	\$ 403
CLOSING RESERVE	\$ 12,501	\$ 12,577	\$ 76	\$ 5,464	\$ 5,791	\$ 327	\$ -	\$ -	\$ -	\$ 17,965	\$ 18,368	\$ 403

* 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.

** Other is comprised of the Enrichment Studies Unit.