



## BOARD OF TRUSTEES Report

<b>To:</b>	Board of Trustees & Capital Assets and Finance Committee	<b>Date of Report:</b> 11/5/2021
<b>From:</b>	Vice-Principal (Finance and Administration)	<b>Date of Choose Committee or enter Approval:</b>
<b>Subject:</b>	Financial Projection as at September 30, 2021	<b>Date of Board Committee Meeting:</b> 11/25/2021
<b>Responsible Portfolio:</b>	Vice-Principal (Finance and Administration)	<b>Date of Board Meeting:</b> 12/3/2021

### 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 the Bader International Study Centre.

#### **2021-22 Projected Financial Results**

The Operating Fund is currently projecting a deficit of \$31.3 million against the budgeted deficit of \$40.1 million. The COVID-19 pandemic continues to create conditions that has led to shortfalls in revenue streams mainly in international tuition fees. The projected deficit excludes realized investment income of \$10.7 million over the budgeted amount, as at September 30<sup>th</sup>, 2021.

Ancillary Operations are currently expecting a deficit of \$2.6 million against the budgeted deficit of \$3.2 million. The variance is driven by increased revenues related to the increased occupancy in Residence as compared to budget. The increase in revenue is being offset by projected deficits in Event Services and the Donald Gordon Centre as operations continue to be impacted by the COVID-19 pandemic. Residences has also increased their projected deferred maintenance expense to a more substantial capital contribution to ensure the capital reserve maintains an adequate balance.

The Bader International Study Centre combined operations are expecting a deficit of £0.1 million against the budgeted surplus of £0.5 million. The variance is driven by decrease in the projected revenue due to a loss in residency fees as the summer term was offered online, originally budgeted as in-person sessions and slightly lower enrolment than originally budgeted, offset by additional financial support of £1.125 (\$1.9 CAD) million from Queen's.

Additional details are presented in the analysis section.

#### **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 2021-22 Operating Budget is presented in the table below.

	Amounts presented in millions		
	Approved budget	Projected actuals	Variance
Student Fees	439.7	427.1	(12.6)
Government Grants	213.4	213.1	(0.3)
Investment Income*	13.2	13.3	0.1
Other Revenue**	8.9	7.4	(1.5)
<b>Total revenues</b>	<b>675.2</b>	<b>660.9</b>	<b>(14.3)</b>
<b>Expenditures</b>			
Faculties & Schools Allocations	410.8	399.3	(11.5)
Shared Services Allocations	173.9	174.1	0.2
Utilities	17.5	17.5	-
Student Aid	29.3	29.3	-
Other Allocations***	15.0	15.0	-
Flow Through Expenses	15.4	14.3	(1.1)
Overhead Cost Recoveries	(4.2)	(4.6)	(0.4)
To be Allocated / (Funded)	0.8	(0.3)	(1.1)
Indirect Costs of Research to External Entities	1.3	0.9	(0.4)
Transfer to Capital Budget	15.4	15.4	-
<b>Total Allocations and Expenditures</b>	<b>675.2</b>	<b>660.9</b>	<b>(14.3)</b>
Transfer to Pension Reserve	3.2	3.2	-
Unit Spending Greater than Budget Allocation	(43.3)	(34.5)	8.8
<b>Budget (deficit)/surplus</b>	<b>(40.1)</b>	<b>(31.3)</b>	<b>8.8</b>
<b>Excess Funding from Carryforwards</b>	<b>43.3</b>	<b>34.5</b>	<b>(8.8)</b>
<b>Contributed to Pension Reserve</b>	<b>(3.2)</b>	<b>(3.2)</b>	<b>-</b>
<b>Drawdown of / (Contribution to) Reserves</b>	<b>40.1</b>	<b>31.3</b>	<b>(8.8)</b>

\*Pooled Investment Fund income projection is based on budget of \$5.2 million

\*\*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

### Student Fees

Most of the revenue in the operating fund is derived from enrolment. The University is projecting shortfalls on undergraduate tuition.

Amounts presented in millions		
Type	Variance	Comments
For Credit - Undergraduate	(15.9)	<p>Undergraduate tuition is projecting a \$15.9 million negative variance.</p> <p>Shortfalls against the budget were observed in international enrolment (-\$24.0M) primarily for the Faculty of Arts &amp; Science and Faculty of Engineering and Applied Science offset by increases in Smith School of Business (\$1.7M). The majority of the decline in expected international enrolment is the result of lower than budgeted intake, as well as lower than planned retention across various programs, predominantly in the Faculty of Arts and Science.</p> <p>The shortfalls in international tuition are being offset by increases in domestic enrolment (\$6.4M) primarily in the Faculty of Engineering and Applied Science, Faculty of Health Sciences and the Smith School of Business.</p>
For Credit - Graduate	0.7	Graduate tuition is projecting a \$0.7 million positive variance mainly attributable to Smith School of Business professional programs.
Non-credit	2.5	Non-credit tuition is projecting a \$2.5 million positive variance primarily related to an increase in non-credit programs in the Faculty of Education, the Faculty of Arts and Science and the Faculty of Health Sciences.
Other	0.1	Other fees consist of student assistance levy (SAL), athletics and recreation fees, student health fees and late payment fees. Gains in SAL and athletics and recreation fees were offset by projection of lower late payment fees than budgeted.
Total	(12.6)	Total student fees variance

### Government Grants

Overall government grants are showing a negative variance of \$0.3 million, resulting from a reduction in the Federal Research Support Fund (RSF) due to a decline in the University's system share of Tri-Council funding offset by lower than budgeted undergraduate International Student recovery as a result of the lower international enrolment.

### Investment Income

Investment income is showing a positive variance of \$0.1 million because of higher than budgeted short-term investment returns. Given the volatility of financial markets only the budgeted revenue

of \$5.2 million for the Pooled Investment Fund (PIF) has been included in the projected revenue. The PIF has experienced gains to date of \$15.9 million for the period ended September 30<sup>th</sup>, 2021.

### **Other Revenue**

Other revenue is projected to be \$1.5 million below budget, mostly attributed to membership fee, rental and programming revenue losses for Athletics & Recreation due to the on-going COVID-19 protocols still in place for Fall and Winter.

### **Expenditures**

#### **Faculties & Schools Allocations**

Faculties and Schools Allocations are expected to be \$11.5 million lower than budgeted, due to the shortfall in for-credit revenue discussed under the 'Student Fees' section. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

#### **Flow Through Expenses**

Flow through expenses are projected to decrease by \$1.1 million from a budget of \$15.4 million to \$14.4 million, due to revenue losses for Athletics & Recreation, as discussed previously in the 'Student Fees' and 'Other Revenue' sections.

#### **Overhead Cost Recoveries**

Overhead recoveries to the University Fund are projecting an increase of \$0.4M, primarily attributable to the gains in ancillary revenues from residences operating at a higher occupancy than budgeted.

#### **To be Allocated / (Funded)**

As a result of the effects of the COVID-19 pandemic, the University is projecting a shortfall of central university funds of \$1.1 million compared to budget. This shortfall is primarily due to a reduction in University fund contributions from reduced faculty and school revenues, lower rental and commission revenues, and additional shared service expenses.

At this point, there are still uncertainties around how revenues will materialize for the remainder of the fiscal year. Funding for the \$0.3 million "To Be Funded" will be identified as we progress through the fiscal year.

#### **Unit spending greater than budget allocation**

Units are projecting a drawdown on carryforwards of \$34.5 million, compared to the originally budgeted drawdown of \$43.3 million. Details on these variances are reported below.

2021-22 Projected Deficit / (Surplus); Amounts presented in millions			
	Budget	Projected	Variance
Faculties and Schools	28.7	12.8	(15.9)
Shared Services	14.4	16.8	2.4
Central Reserves	0.2	4.9	4.7
Total	43.3	34.5	(8.8)

Faculties and Schools are projecting an in-year deficit of \$12.8 million against a budgeted deficit of \$28.7 million. In anticipation of soft international enrolments Faculties and Schools budgeted contingencies of \$9.8 million. These contingencies largely offset the \$11.5 million reduction in Faculty and Schools Allocations described in the previous section. Accordingly, most of the \$15.9 million favorable variance presented above is due to salary and benefit savings associated with deferral and delayed hiring, as well as reductions in expenses related to travel, events and in-residence costs largely in the Smith School of Business professional programs.

Shared service units are projecting an in-year deficit of \$16.8 million, which represents an increase of \$2.4 million compared to their budgeted drawdowns. The main causes of the increase in drawdown include:

- Renovation projects not budgeted but initiated in-year by the Library
- Higher than anticipated costs associated with entrance awards in undergraduate student aid.

The drawdown factors noted above are offset by:

- Cybersecurity costs budgeted in the current year, but expensed in 2020-21
- Spending delays in IT infrastructure projects and Software Licensing Fees due to pandemic and resource constraints.
- Salary and benefit savings from staff vacancies across various units.

Central reserves are projecting a drawdown of \$4.9 million from carryforward against a budgeted drawdown of \$0.2 million, an unfavourable variance of \$4.7 million. Details are presented below.

Amounts are presented in millions	
Variance	Explanation
1.1	Canada Foundation for Innovation (CFI) In-Year matching funding
0.7	Student aid funding - reserved as part of the 2021-22 budget cycle
0.5	Support for COVID-19 related costs
1.9	BISC financial support
0.5	Additional contingency expenses funded through the cash reserve that varied in both amount and purpose.
4.7	Total central reserves variance

As noted in the above table, the Bader International Study Centre (BISC) received an additional funding allocation of \$1.9 million to offset the shortfall experienced in 2020-21 due to remote delivery as a result of the pandemic.

## Ancillary Operations

See Appendix I for the Queen's University 2021-22 Ancillary Financial Report.

The projected deficit for the Ancillary Operations is \$2.6 million compared with the budgeted deficit of approximately \$3.2 million.

## Housing and Hospitality

Housing and Hospitality includes Residences, Community Housing, Event Services, and the Donald Gordon Centre. The total projected deficit for this group is \$0.5 million compared with the budgeted deficit of \$0.4 million.

Housing and Hospitality revenues are expected to be \$5.5 million higher than budget. Residence occupancy is operating at approximately 93% (which is higher than expected), but activity in both Event Services and the Donald Gordon Centre is substantially lower than expected due to ongoing impact of the pandemic on their operations. The impact of the favourable increase in revenues is being offset by an increase to capital reserves to compensate for reduced funding in the prior year and ensure that the capital reserve maintains an adequate balance.

## Parking

Revenue is projected to be higher than budget by \$0.8 million. The increase in revenue is due to an increase in the sale of monthly parking passes in comparison to the budgeted sales. Offsetting the projected increase in revenues is an increase in repairs and maintenance.

## Affiliated Entities

The information summarized below represents 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 pounds sterling.

	BISC			HCE			Combined BISC		
	Budget 2021-22	Projected Actuals 2021-22	Variance	Budget 2021-22	Projected Actuals 2021-22	Variance	Budget 2021-22	Projected Actuals 2021-22	Variance
<b>REVENUE</b>	£ 5,941	£ 3,637	-£ 2,304	£ 511	£ 458	-£ 53	£ 6,452	£ 4,095	-£ 2,357
Non-interest expenditures	£ 5,431	£ 4,745	-£ 686	£ 507	£ 566	£ 59	£ 5,938	£ 5,311	-£ 627
Interest	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
<b>EXPENDITURES</b>	£ 5,431	£ 4,745	-£ 686	£ 507	£ 566	£ 59	£ 5,938	£ 5,311	-£ 627
Additional Queen's financial support	£ -	£ 1,125	-£ 1,125	£ -	£ -	£ -	£ -	£ 1,125	-£ 1,125
<b>SURPLUS (DEFICIT)</b>	£ 510	£ 17	-£ 493	£ 4	-£ 108	-£ 112	£ 514	-£ 91	-£ 605

The decrease in the projected BISC revenue is due to the loss of residence fees as the summer term was offered online, originally budgeted as in-person sessions for the summer term, as well as a slightly lower enrolment for the fall term as compared to budget. The decrease in projected expenditures is due to a reduction in the variable costs associated with the residence operations.

During the year Queen's provided additional funding of £1.125 to BISC to offset the shortfall experienced by BISC in 2020-21 as a result of the pandemic. In addition to this funding allocation, the University provided an in-year cash advance of \$3.4 million to mitigate cash flow pressures at BISC. Based on current projections, it is anticipated that this cash advance will be fully repaid within the next year.

## 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

Office of Planning and Budgeting

## ATTACHMENTS

APPENDIX I – Queen's University 2021-22 Ancillary Financial Report



## APPENDIX I – Queen’s University 2021-22 Ancillary Financial Report

Queen's University 2021-22 Ancillary Financial Report (000's)										
	Housing and Hospitality			Parking			Total Ancillary			
	Budget 2021-22	Projected Actuals 2021-22	Variance	Budget 2021-22	Projected Actuals 2021-22	Variance	Budget 2021-22	Projected Actuals 2021-22	Variance	
REVENUE	\$ 75,506	\$ 80,965	\$ 5,459	\$ 2,600	\$ 3,380	\$ 780	\$ 78,106	\$ 84,345	\$ 6,239	
Non-interest expenditures	\$ 56,581	\$ 55,779	\$ (802)	\$ 1,530	\$ 1,655	\$ 125	\$ 58,111	\$ 57,434	\$ (677)	
Interest	\$ 5,704	\$ 5,794	\$ 90	\$ 2,180	\$ 2,180	\$ -	\$ 7,884	\$ 7,974	\$ 90	
EXPENDITURES	\$ 62,285	\$ 61,573	\$ (712)	\$ 3,710	\$ 3,835	\$ 125	\$ 65,995	\$ 65,408	\$ (587)	
Net Surplus (Deficit) before Capital and Contributions to University Operations	\$ 13,221	\$ 19,392	\$ 6,171	\$ (1,110)	\$ (455)	\$ 655	\$ 12,111	\$ 18,937	\$ 6,826	
Deferred Maintenance	\$ (1,400)	\$ (7,400)	\$ (6,000)	\$ (525)	\$ (525)	\$ -	\$ (1,925)	\$ (7,925)	\$ (6,000)	
Debt Servicing - Principal	\$ (7,882)	\$ (7,883)	\$ (1)	\$ (1,139)	\$ (1,137)	\$ 2	\$ (9,021)	\$ (9,020)	\$ 1	
Contributions to University Operations	\$ (4,341)	\$ (4,581)	\$ (240)	\$ -	\$ -	\$ -	\$ (4,341)	\$ (4,581)	\$ (240)	
SURPLUS (DEFICIT)	\$ (402)	\$ (472)	\$ (70)	\$ (2,774)	\$ (2,117)	\$ 657	\$ (3,176)	\$ (2,589)	\$ 587	

Queen's University 2021-22 Ancillary Budget (000's) Operating Reserves										
OPENING RESERVE	\$ (5,848)	\$ (6,087)	\$ (239)	\$ (25,036)	*\$ (25,081)	*\$ (45)	\$ (30,884)	\$ (31,168)	\$ (284)	
SURPLUS (DEFICIT) - PLANNED ALLOCATION TO (FROM) RESERVES	\$ (402)	\$ (472)	\$ (70)	\$ (2,774)	\$ (2,117)	\$ 657	\$ (3,176)	\$ (2,589)	\$ 587	
CLOSING RESERVE	\$ (6,250)	\$ (6,559)	\$ (309)	\$ (27,810)	\$ (27,198)	\$ 612	\$ (34,060)	\$ (33,757)	\$ 303	

2021-22 Ancillary Budget (000's) Capital Reserve										
OPENING RESERVE	\$ 12,721	\$ 13,072	\$ 351	\$ 5,067	\$ 5,086	\$ 19	\$ 17,788	\$ 18,158	\$ 370	
Planned Contribution	\$ 1,400	\$ 7,400	\$ 6,000	\$ 525	\$ 525	\$ -	\$ 1,925	\$ 7,925	\$ 6,000	
Deferred Maintenance & Capital Expenditure(s)	\$ (5,736)	\$ (5,759)	\$ (23)	\$ (593)	\$ (593)	\$ -	\$ (6,329)	\$ (6,352)	\$ (23)	
CLOSING RESERVE	\$ 8,385	\$ 14,713	\$ 6,328	\$ 4,999	\$ 5,018	\$ 19	\$ 13,384	\$ 19,731	\$ 6,347	

\* 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.