



To:	Board of Trustees & Finance, Assets, and Strategic Infrastructure Committee	Date of Report: 11/23/2023
From:	Vice-Principal (Finance and Administration)	Date of Choose Committee or enter Approval: N/A
Subject:	Financial Projection as of September 30, 2023	Date of Board Committee Meeting: 12/8/2023
Responsible Portfolio:	Vice-Principal (Finance and Administration)	Date of Board Meeting: 12/8/2023

1.0 PURPOSE

☐ For Action ☐ 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 Finance, Assets, and Strategic Infrastructure Committee with an overview of projected financial results for both the Operating and Ancillary Funds.

2023-24 Projected Financial Results

Operating Fund

The Operating Fund deficit is projected to be \$48.0 million compared with the budgeted deficit of \$62.8 million. Despite lower than budgeted projected student fee revenues, overall revenues are expected to come in on budget. The deficit reduction is due largely to expenditure deferrals and delayed hiring linked to the hiring freeze implemented in May 2023 as well as intentional decreases to expenditures as the University focuses on balancing the budget.

The Pooled Investment Fund (PIF) has experienced losses to date of \$2.1 million as at September 30, 2023, which are not reflected in the above projections. Given the volatility of financial markets, projected revenue for the PIF remains at the budgeted amount of \$5.2 million. Projected investment income will be reduced to zero in the March 2024 projection if financial markets do not recover.

Ancillary Operations

Ancillary Operations are projecting a surplus of \$1.9 million, which is slightly lower than the budgeted surplus of \$2.5 million. Residence is experiencing lower than expected revenues due to higher than historical vacancy rates as well as no optional meal plan or dining hall door sales during the fall term due to decreased capacity

resulting from the Leonard Dining Hall construction project. Projected costs are higher than budgeted due to higher costs per meal and extended hours at Ban Righ dining hall due to the Leonard Hall construction project in Residences. Transfers to the capital reserve have been reduced to offset these unfavourable variances.

Parking is projecting an additional \$0.6 million deficit in comparison to budget primarily due to slightly lower revenues and additional repairs and maintenance at 355 King Street West which was not originally budgeted.

Bader College

Given the [evolving situation at Bader College](#), a financial projection is not available at this time.

Additional details are presented in the analysis section.

4.0 ALIGNMENT WITH UNIVERSITY STRATEGY

Approval of the operating budget is a key responsibility of the Board of Trustees and the Finance, Assets, and Strategic Infrastructure Committee. The financial update provides information comparing 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 INDIGENIZATION, EQUITY, DIVERSITY, INCLUSION, ACCESSIBILITY, AND ANTI-RACISM

No impact.

5.0 ENTERPRISE RISK ASSESSMENT

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

6.0 ANALYSIS

A summary version of the 2023-24 Operating Budget is presented in the table below.

Amounts presented in millions			
	Approved budget	Projected actuals	Variance
Student Fees	422.0	412.6	(9.4)
Government Grants	214.8	216.0	1.2
Investment Income*	19.1	21.3	2.2
Other Revenue**	10.8	16.6	5.8
Total revenues	666.7	666.5	(0.2)
Expenditures			
Faculties & Schools Allocations	374.5	366.7	(7.8)
Shared Services Allocations	187.8	186.6	(1.2)
Utilities	20.9	19.1	(1.8)
Student Aid	30.3	30.3	-
Other Allocations***	19.7	19.7	-
Flow Through Allocations, net of recoveries	18.4	19.0	0.6
Overhead Cost Recoveries	(5.6)	(5.4)	0.2
To be Allocated / (Funded)	4.7	14.5	9.8
Indirect Costs of Research to External Entities	0.6	0.6	-
Transfer to Capital Budget	15.4	15.4	-
Total Allocations and Expenditures	666.7	666.5	(0.2)
Unit Spending greater than Budget Allocation	(62.8)	(48.0)	14.8
Net Budget Surplus (Deficit)	(62.8)	(48.0)	14.8
Contribution from Carryforward Balances	62.8	48.0	(14.8)
Net Surplus (Deficit)	-	-	-

*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 priority initiatives and contingency.

Revenues

Student Fees

Most of the revenue in the operating fund is derived from enrolment.

Amounts presented in millions		
Type	Variance	Comments
For Credit - Undergraduate	(2.2)	Undergraduate tuition is projecting a \$2.2 million negative variance. Shortfalls against the budget were observed in international enrolment (\$11.8 million) primarily for the Faculty of Arts & Science, Smith Engineering, and Faculty of Health Sciences. 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. The shortfalls in international tuition are being partially offset by increases in domestic enrolment (\$9.6 million) primarily in the Faculty of Arts & Science, Smith Engineering, and the Faculty of Health Sciences.
For Credit - Graduate	(9.5)	Graduate tuition is projecting a \$9.5 million negative variance primarily due to lower enrolment across many of the Smith School of Business programs (\$9.2 million). This is the result of a variety of economic, social, and global factors.
Non-credit	1.3	Non-credit tuition is projecting a \$1.3 million positive variance primarily related to increases in non-credit programs in the Faculty of Education, the Faculty of Health Science and the Faculty of Arts and Science, offset by a decrease in non-credit programs in the Smith School of Business
Other	1.0	Projected increases in Athletics & Recreation fees, late payment fees, student health fees and student assistance levy.
Total	(9.4)	Total student fees variance

Government Grants

Government grants are projected to be \$1.2 million above budget primarily due to increases related to the targeted expansion of the Nursing and the undergraduate Medicine program in the Faculty of Health Science, the details of which were unknown at the time the budget was prepared.

Investment Income

Investment income on short-term cash balances is showing a positive variance of \$2.2 million because of higher than budgeted interest income further to the substantial increase in interest rates. The PIF has experienced losses to date of \$2.1 million as of September 30, 2023, however given the volatility of financial markets, budgeted revenue of \$5.2 million for the PIF has been included in the projected revenue. Projected investment income will be reduced to zero in the March 2024 financial projection if financial markets have not recovered by then.

Other Revenue

Other revenue is projected to be \$5.8 million higher than budget. This is primarily driven by a projected increase in unrestricted donations (\$4.5 million) due to a significant estate donation. Additionally, there was an increase in Research Overhead (\$1.1 million).

Expenditures

Faculties & Schools and Shared Service Allocations

Faculties and Schools Allocations are expected to be \$7.8 million lower than budget, 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.

Shared Service Allocations are expected to be \$1.2 million lower than budgeted primarily due to projected decreases in the demand for centrally funded employee benefits, as well as reduced Student Life Centre expenses because of the renovation of the JDUC (John Deutsch University Centre).

Other Expenditures

Utilities expenses are expected to be \$1.8 million lower than budget. The decrease is being driven by the natural gas hedges that are projected to be less than the market gas prices as projected from last year. Additionally, there have been savings in electricity expenses as the electricity rates have decreased this year.

To be Allocated

The University is projecting an increase in central university funds of \$9.8 million compared to budget. The components primarily contributing to the unallocated funding are projected increases in short-term investment income and unrestricted donation revenue, as well as, projected savings in utilities expenses and centrally funded employee benefits. This incremental funding will be allocated once these projections are confirmed closer to year-end.

Unit spending greater than / less than budget allocation

Units are projecting a drawdown on carryforwards of \$48.0 million, compared to the originally budgeted drawdown of \$62.8 million.

2023-24 Projected Deficit / (Surplus); Amounts presented in millions			
	Budget	Projected	(Better) / worse
Faculties and Schools	55.7	58.5	2.8
Shared Services	7.6	(1.1)	(8.7)
Central Reserves	(0.5)	(9.4)	(8.9)
Total	62.8	48.0	(14.8)

Faculties and Schools

Faculties and Schools are projecting an in-year deficit of \$58.5 million against a budgeted deficit of \$55.7 million.

Breakdown of variance for Faculties and Schools	
Reduction in budget allocation due to lower enrolment	7.8
Expenditures reduction and unbudgeted revenues	(5.0)
Variance to budget	2.8

As detailed in the table above, offsetting the \$7.8 million reduction in Faculty and Schools Allocations described in the previous section are expenditure reductions and unbudgeted revenues of \$5.0 million. Expenditure reductions are comprised of salary and benefit savings associated with deferral and delayed hiring of faculty and staff, deferral in renovation projects, as well as further reductions in expenses related to materials, scholarships, program delivery and in-residence costs in the Smith School of Business professional programs, partially offsetting the loss in for-credit revenue.

Shared Services

Shared service units are projecting an in-year surplus of \$1.1 million against a budgeted deficit of \$7.6 million. The main causes of the decrease in drawdown include:

- Reduced IT spending due to combination of project implementation delays, project costs incurred earlier than budgeted and paid last fiscal year, and Infrastructure renewal projects deferred to next fiscal year
- Salary and benefit savings from staff vacancies across various units, linked to the hiring freeze implemented in May 2023
- Lower than projected 2023-24 graduate award allocations due to lower than targeted Queen's Graduate Award funding-eligible enrolments across various doctoral and research-based masters programs
- Lower commitment bursaries. The commitment bursary program is still in its early years and budget was based on the first year of the program (2021-22) which had a high spend.
- Because of higher than expected inflation, inflation adjusted Student Wellness Services and Athletics and Recreation fees revenue was higher than budget
- Intentional cost-cutting measures across units, which is the result of a University-wide focus on balancing the budget
- An increase in projected unrestricted donations, primarily driven by a significant donation from an estate expected to be received by the end of the year

Central Reserves

Central Reserves are projecting a favourable variance of \$8.9 million mainly due to the positive variance on short-term investment returns, the savings in utilities expenses, and delays in hiring the annual Queen's National Scholar positions to 2024-25.

Ancillary Operations

See Appendix I for the Queen's University 2023-24 Ancillary Financial Report. The projected surplus for the Ancillary Operations is \$1.9 million compared with the budgeted surplus of \$2.5 million.

Housing and Hospitality's financial results are projected to come in on budget. Residences revenue is lower than projected due to vacancy rates being higher than normal for September, no optional meal plan or dining hall door sales during the fall term due to decreased capacity resulting from the Leonard Dining Hall construction project and retail food sales continuing to be lower than pre-COVID. Projected expenses are higher than budget due to higher than anticipated cost per meal as well as additional labour for extended hours at Ban Righ during the renovation period. Unfavourable variances in revenues and expenses have been mitigated by decreasing the planned Deferred Maintenance Contribution.

Parking is projecting an additional \$0.6 million deficit in comparison to budget primarily due to slightly lower revenues and additional repairs and maintenance at 355 King Street which was not originally budgeted.

The Housing and Hospitality capital reserve is projecting a \$1.8 million surplus higher than budget. The increased surplus is being driven by a decrease in the projected deferred maintenance and capital expenditures of \$4.2 million relating to the deferral of capital projects (\$2.3 million) to 2024-25 due to contractors experiencing labour shortages over the summer and a contribution (\$1.9 million) from Aramark for the Leonard Dining Hall renovations which is offsetting costs. The decrease in costs is being offset by a decrease in the planned Deferred Maintenance Contribution.

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 2023-24 Ancillary Financial Report

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Queen's University 2023-24 Ancillary Financial Report (000's)									
	Housing and Hospitality**			Parking			Total Ancillary		
	Budget 2023-24	Projections 2023-24	Variance	Budget 2023-24	Projections 2023-24	Variance	Budget 2023-24	Projections 2023-24	Variance
REVENUE	\$ 102,251	\$ 100,463	\$ (1,788)	\$ 4,458	\$ 4,243	\$ (215)	\$ 106,709	\$ 104,706	\$ (2,003)
EXPENDITURES	\$ 62,453	\$ 63,355	\$ 902	\$ 1,581	\$ 1,978	\$ 397	\$ 64,034	\$ 65,333	\$ 1,299
Excess / (Deficiency) Before Items Below	\$ 39,798	\$ 37,108	\$ (2,690)	\$ 2,877	\$ 2,265	\$ (612)	\$ 42,675	\$ 39,373	\$ (3,302)
Deferred Maintenance Contribution	\$ 12,350	\$ 9,850	\$ (2,500)	\$ 525	\$ 525	\$ -	\$ 12,875	\$ 10,375	\$ (2,500)
Debt Servicing - Principal & Interest	\$ 13,730	\$ 13,730	\$ -	\$ 3,312	\$ 3,312	\$ -	\$ 17,042	\$ 17,042	\$ -
Overhead and Dividends	\$ 10,049	\$ 9,910	\$ (139)	\$ 201	\$ 189	\$ (12)	\$ 10,250	\$ 10,099	\$ (151)
	\$ 36,129	\$ 33,490	\$ (2,639)	\$ 4,038	\$ 4,026	\$ (12)	\$ 40,167	\$ 37,516	\$ (2,651)
SURPLUS (DEFICIT)	\$ 3,669	\$ 3,618	\$ (51)	\$ (1,161)	\$ (1,761)	\$ (600)	\$ 2,508	\$ 1,857	\$ (651)

Queen's University 2023-24 Ancillary Budget (000's) Operating Reserves									
OPENING RESERVE	\$ (5,967)	\$ (5,787)	\$ 180	\$ (29,078)	\$ (29,549)	\$ (471)	\$ (35,045)	\$ (35,336)	\$ (291)
Surplus (Deficit)	\$ 3,669	\$ 3,618	\$ (51)	\$ (1,161)	\$ (1,761)	\$ (600)	\$ 2,508	\$ 1,857	\$ (651)
CLOSING RESERVE	\$ (2,298)	\$ (2,169)	\$ 129	\$ (30,239)*	\$ (31,310)*	\$ (1,071)	\$ (32,537)	\$ (33,479)	\$ (942)

2023-24 Ancillary Budget (000's) Capital Reserve									
OPENING RESERVE	\$ 18,017	\$ 18,175	\$ 158	\$ 6,117	\$ 5,937	\$ (180)	\$ 24,134	\$ 24,112	\$ (22)
Deferred Maintenance Contribution	\$ 12,350	\$ 9,850	\$ (2,500)	\$ 525	\$ 525	\$ -	\$ 12,875	\$ 10,375	\$ (2,500)
Deferred Maintenance & Capital Expenditure(s)	\$ (15,649)	\$ (11,472)	\$ 4,177	\$ -	\$ -	\$ -	\$ (15,649)	\$ (11,472)	\$ 4,177
CLOSING RESERVE	\$ 14,718	\$ 16,553	\$ 1,835	\$ 6,642	\$ 6,462	\$ (180)	\$ 21,360	\$ 23,015	\$ 1,655

* The accumulated deficit for Parking, created by the debt service payments, will be reduced to zero by surpluses from operations after the debt is repaid. The debt will be repaid in full in fiscal 2040/41

** Housing and Hospitality includes Residences, Community Housing, Events Services, and the Donald Gordon Centre.