



To:	Board of Trustees & Finance, Assets, and Strategic Infrastructure Committee	Date of Report: 11/19/2024
From:	Vice-Principal (Finance and Administration)	Date of Choose Committee or enter Approval: N/A
Subject:	Financial Projection as of September 30, 2024	Date of Board Committee Meeting: 12/6/2024
Responsible Portfolio:	Vice-Principal (Finance and Administration)	Date of Board Meeting: 12/6/2024

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 \$34.6 million, compared to the budgeted deficit of \$35.7 million. A reduction in projected total revenue of \$2.3 million is primarily due to lower graduate enrolment, which is offset by expenditure reductions. Additional details are provided in the Analysis section of this report.

The projected deficit assumes \$5.2 million of Pooled Investment Fund (PIF) income, as budgeted. Actual PIF investment returns as at August 30th 2024 are detailed in the Analysis section below the Summary Operating Budget table, and would reduce the projected operating budget deficit to \$5.5 million. These investment returns are effective August 30, 2024 and can change substantially by the university's fiscal year-end of April 30, 2025. The University has committed

to reviewing the amount of PIF investment income that is allocated to operations as part of its 2025-26 budget discussions.

Ancillary Operations

Ancillary Operations are projecting a surplus of \$1.8 million, which is slightly lower than the budgeted surplus of \$2.8 million. The majority of this decrease is associated with lower than projected parking revenues resulting in an additional \$0.6 million deficit in comparison to the budget.

Housing and Hospitality's financial results are projected to come in slightly under budget.

Bader College

Given the [evolving situation at Bader College](#), a financial projection was not prepared. In August of 2024 the Queen's Board of Trustees approved \$5.5 million in funding for the Herstmonceux Castle capital repair project. University funding of approximately \$4 million will be required to support Bader College operations for the 2024-25 fiscal year, resulting in total support of approximately \$9.5 million.

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 2024-25 Operating Budget is presented in the table below.

	Amounts presented in millions		
	Approved budget	Projected actuals	Variance
Revenues			
Student Fees	420.7	417.2	(3.5)
Government Grants	223.8	225.8	2.0
Investment Income*	29.4	28.9	(0.5)
Other Revenue**	11.5	11.2	(0.3)
Total Revenues	685.4	683.1	(2.3)
Allocations and Expenditures			
Faculties & Schools Allocations	382.9	379.4	(3.5)
Shared Services Allocations	191.9	191.6	(0.3)
Central Allocations	14.0	16.3	2.3
Utilities	21.0	20.2	(0.8)
Student Aid	30.3	30.3	-
Other Allocations***	20.1	20.1	-
Flow Through Allocations	19.5	19.8	0.3
Indirect Costs of Research to External Entities	0.4	0.4	-
Interfund transfers			
Overhead Cost Recoveries from Ancillaries	(5.9)	(6.2)	(0.3)
Transfer to Capital Budget	11.2	11.2	-
Total Allocations and Expenditures	685.4	683.1	(2.3)
Unit Spending greater (less) than Budget Allocation			
Faculties & Schools Spending greater (less) than Budget Allocation	28.4	28.0	(0.4)
Shared Services Spending greater (less) than Budget Allocation	2.0	3.8	1.8
Central Spending greater (less) than Budget Allocation	5.3	2.8	(2.5)
Total Unit Spending greater (less) than Budget Allocation	35.7	34.6	(1.1)
Surplus (Deficit)	(35.7)	(34.6)	1.1

*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.

PIF Investment Income greater than Budget

The annual operating budget includes Pooled Investment Fund (PIF) income of \$5.2 million as noted in the Summary table. At August 30, 2024, PIF returns were \$34.3 million, \$29.1 million more than the \$5.2 million budget. Should these returns materialize at April 30, 2025, the projected operating budget deficit will be \$5.5 million as shown in the table below. These returns can change substantially by the April 30, 2025 fiscal year-end.

The PIF investment income greater than budget, should it materialize, will be allocated to the general capital reserve to fund priorities in support of the University's academic and research mission, and to cover future PIF investment losses.

Amounts presented in millions	
Operating Budget Projected Surplus (Deficit)	(34.6)
PIF investment income > \$5.2M at August 30 2024	29.1
Deficit IF PIF investment income is realized on April 30, 2025	(5.5)

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	2.1	<p>Undergraduate tuition is projecting a \$2.1 million positive variance.</p> <p>Shortfalls against the budget were observed in international enrolment (\$6.6 million) primarily for the Faculty of Arts & Science and the Smith School of Business. Declines in international student enrolment are indicative of the progressively intricate global landscape compounded by the Immigration, Refugees and Citizenship Canada (IRCC) cap on student permits. Most of the decline in expected international enrolment (~170 students) is the result of lower than budgeted intake, as well as lower than planned retention across various programs.</p> <p>The shortfalls in international tuition are being offset by increases in domestic enrolment (\$8.7 million) primarily in the Faculty of Arts & Science, the Smith School of Business, and the Faculty of Health Sciences. The majority of the increase in domestic enrolment (~735 students) is the result of higher than planned retention across all years of study in various programs, as well as higher than budgeted intake.</p>
For Credit - Graduate	(6.6)	Graduate tuition is projecting a \$6.6 million negative variance primarily due to lower enrolment across many of the Smith School of Business programs. This is the result of a variety of economic, social, and global factors. A decline in graduate program applications overall also contributed to lower in-year enrolment across most of the remaining faculties' research-based programs.
Non-credit	(0.7)	Non-credit tuition is projecting a \$0.7 million negative variance primarily related to decreases in non-credit programs in the Faculty of Education, the Faculty of Arts & Science and the Faculty of Health Science, partially offset by an increase in non-credit programs in the Smith School of Business.
Other	1.7	Projected increases primarily relate to late payment fees.
Total	(3.5)	Total student fees variance

Government Grants

Government grants are projected to be \$2.0 million above budget, due primarily to targeted expansion of the Nursing program in the Faculty of Health Science. In September 2024, the Ministry of Colleges and Universities signaled a change in methodology for calculating Nursing enrolment growth, which will result in the University receiving grant funding for the Phase 2 Nursing expansion that was unknown at the time the budget was prepared, as well as additional funding for Phase 3 Nursing expansion.

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be \$3.5 million lower than budget, primarily due to the shortfall in for-credit and non-credit revenue partially offset by the increase in grant revenue. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Central Allocations

Central allocations are comprised of unallocated budget funds and one-time-only allocation from the Postsecondary Education Sustainability Fund. Central allocations are projected to be slightly higher than budget due to projected in-year savings on central expenditures such as utilities. Any reductions in allocation to these central expenditures increase central allocations. These funds are being used to support early retirement/exit packages in the Faculty of Arts and Science, Bader College Operations the Renew Program and other strategic initiatives.

Spending greater than / less than budget allocation

Spending greater or less than budget allocation decreases or increases university carryforwards, respectively.

The University is projecting a drawdown on carryforwards of \$34.6 million, compared to the originally budgeted drawdown of \$35.7 million as detailed in the table below.

2024-25 Projected Deficit / (Surplus); Amounts presented in millions			
	Budget	Projected	Variance
Faculties and Schools	28.4	28.0	(0.4)
Shared Services	2.0	3.8	1.8
Central Reserves	5.3	2.8	(2.5)
Total	35.7	34.6	(1.1)

Faculties and Schools

Faculties and Schools are projecting an in-year deficit of \$28.0 million against a budgeted deficit of \$28.4 million.

Breakdown of variance for Faculties and Schools	
Reduction in budget allocation due to lower enrolment	3.5
Expenditure reductions and unbudgeted revenues	(3.9)
Variance to budget	(0.4)

As detailed in the table above, Faculties and Schools have made reductions of \$3.9 million in projected spending to counter the \$3.5 million reduction in their budget allocation. Expenditure reductions include salary and benefit savings associated with deferral and delayed hiring of faculty and staff as well as reduced faculty support funding (research and innovation grants and infrastructure awards) associated with delayed faculty hires. The largest reduction in budget allocation is in the Faculty of Arts and Science resulting in a projected deficit of \$13.3 million, \$2 million higher than budget. The net variance is negligible due to projected reductions in deficits in Health Sciences and Law.

Shared Services

Shared service units are projecting an in-year deficit of \$3.8 million against a budgeted deficit of \$2.0 million. The main causes include:

- Increased capital project expenditures in the University Library and VP Research units
- Implementation costs for the Queen's Renew Program
- An increase in needs-based student awards, partially offset by a decrease in merit-based awards

Increased expenses have been partially offset by the following savings:

- Salary and benefit savings from staff vacancies across various units, linked to the hiring freeze.
- Lower than projected 2024-25 graduate award allocations due to lower than targeted Queen's Graduate Award funding-eligible enrolments across various doctoral and research-based masters programs
- Reduced IT spending due to combination of project implementation delays, scope reductions, and Infrastructure renewal projects deferred to next fiscal year
- Intentional cost-cutting measures across units, which is the result of a University-wide focus on balancing the budget

Central Reserves

Central Reserves are projecting a carryforward drawdown of \$2.5 million less than budget, largely due to the \$2.3 in additional funds allocated during the year from projected utility savings and other expense savings and positive variances on unencumbered revenues.

Ancillary Operations

See Appendix I for the Queen's University 2024-25 Ancillary Financial Report. The projected surplus for the Ancillary Operations is \$1.8 million compared with the budgeted surplus of \$2.8 million, a \$1.0 million decrease. The majority of this decrease is associated with lower than projected parking revenues resulting in an additional \$0.6 million deficit in comparison to the budget.

Housing and Hospitality's financial results are projected to come in slightly under budget.

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 2024-25 Ancillary Financial Report

APPENDIX I – Queen’s University 2024-25 Ancillary Financial Report

Queen's University 2024-25 Ancillary Financial Report (000's)									
	Housing and Hospitality**			Parking			Total Ancillary		
	Budget 2024-25	Projections 2024-25	Variance	Budget 2024-25	Projections 2024-25	Variance	Budget 2024-25	Projections 2024-25	Variance
REVENUE	\$ 106,203	\$ 107,015	\$ 812	\$ 4,502	\$ 4,000	\$ (502)	\$ 110,705	\$ 111,015	\$ 310
EXPENDITURES	\$ 67,499	\$ 67,291	\$ (208)	\$ 1,665	\$ 1,836	\$ 171	\$ 69,164	\$ 69,127	\$ (37)
Excess / (Deficiency) Before Items Below	\$ 38,704	\$ 39,724	\$ 1,020	\$ 2,837	\$ 2,164	\$ (673)	\$ 41,541	\$ 41,888	\$ 347
Deferred Maintenance Contribution	\$ 10,750	\$ 11,050	\$ 300	\$ 525	\$ 525	\$ -	\$ 11,275	\$ 11,575	\$ 300
Contribution to Operating Fund	\$ -	\$ 945	\$ 945	\$ -	\$ -	\$ -	\$ -	\$ 945	\$ 945
Debt Servicing - Principal & Interest	\$ 13,618	\$ 13,618	\$ -	\$ 3,336	\$ 3,336	\$ -	\$ 16,954	\$ 16,954	\$ -
Overhead and Dividends	\$ 10,332	\$ 10,382	\$ 50	\$ 225	\$ 200	\$ (25)	\$ 10,557	\$ 10,582	\$ 25
	\$ 34,700	\$ 35,995	\$ 1,295	\$ 4,086	\$ 4,061	\$ (25)	\$ 38,786	\$ 40,056	\$ 1,270
SURPLUS (DEFICIT)	\$ 4,004	\$ 3,729	\$ (275)	\$ (1,249)	\$ (1,897)	\$ (648)	\$ 2,755	\$ 1,832	\$ (923)

Queen's University 2024-25 Ancillary Budget (000's) Operating Reserves									
OPENING RESERVE	\$ 1,461	\$ 1,461	\$ -	\$ (31,359)	\$ (31,359)	\$ -	\$ (29,898)	\$ (29,898)	\$ -
Surplus (Deficit)	\$ 4,004	\$ 3,729	\$ (275)	\$ (1,249)	\$ (1,897)	\$ (648)	\$ 2,755	\$ 1,832	\$ (923)
CLOSING RESERVE	\$ 5,465	\$ 5,190	\$ (275)	\$ (32,608)	\$ (33,256)	\$ (648)	\$ (27,143)	\$ (28,066)	\$ (923)

2024-25 Ancillary Budget (000's) Capital Reserve									
OPENING RESERVE	\$ 15,922	\$ 15,922	\$ -	\$ 6,148	\$ 6,148	\$ -	\$ 22,070	\$ 22,070	\$ -
Deferred Maintenance Contribution	\$ 10,750	\$ 11,050	\$ 300	\$ 525	\$ 525	\$ -	\$ 11,275	\$ 11,575	\$ 300
Deferred Maintenance & Capital Expenditure(s)	\$ (13,278)	\$ (14,034)	\$ (756)	\$ (213)	\$ (343)	\$ (130)	\$ (13,491)	\$ (14,377)	\$ (886)
CLOSING RESERVE	\$ 13,394	\$ 12,938	\$ (456)	\$ 6,460	\$ 6,330	\$ (130)	\$ 19,854	\$ 19,268	\$ (586)

* 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.