



BOARD OF TRUSTEES Report

To: Board of Trustees	Date of Report: 2/14/2020
From: Vice-Principal (Finance and Administration)	Date of Choose Committee or enter Approval: N/A Click or tap to enter a date.
Subject: Financial Projection as at December 31, 2019	Date of Board Committee Meeting: 3/6/2020
Responsible Portfolio: Vice-Principal (Finance and Administration)	Date of Board Meeting: 3/6/2020

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.

2019-20 Projected Financial Results

The Operating Fund is currently projecting a deficit of \$5.7 million; down from the planned deficit of \$17.8 million. The favourable variance is primarily due to significant one-time utilities savings, along with strong undergraduate enrolment.

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	380.7	2.4
Government Grants	214.3	214.0	(0.3)
Investment Income	16.2	16.9	0.7
Other revenue*	11.3	12.4	1.1
Total revenues	620.1	624.0	3.9
Expenditures			
Faculties & Schools Allocations	377.0	378.8	1.8
Shared Services Allocations	153.2	153.5	0.3
Utilities	15.7	7.2	(8.5)
Student Aid	30.9	30.9	-
Other Allocations **	18.3	28.6	10.3
Flow through expenses, net of recoveries	10.6	10.8	0.2
Indirect costs of research to external entities	1.6	1.4	(0.2)
Transfer to Pension reserve	(6.4)	(6.4)	-
Unit spending greater than budget allocation	24.2	12.1	(12.1)
Transfer to capital budget	12.8	12.8	-
Total expenditures	637.9	629.7	(8.2)
Budget (deficit)/surplus	(17.8)	(5.7)	12.1
Excess funding from carryforwards	24.2	12.1	(12.1)
Contributed to pension reserve	(6.4)	(6.4)	-
Drawdown of / (contribution to) reserves	17.8	5.7	(12.1)

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

**Other allocations is comprised of infrastructure renewal, strategic priorities and compliance, contingency and an amount of \$8.5M from utilities savings to be allocated to a new sustainability reserve.

Revenues

Most of the revenue in the operating fund is derived from 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 coming from the School of Business professional master's programs, notably due to a delayed launch of the Global Master of Management Analytics program. Also contributing to the shortfall are lower than expected enrolment in various research-based master's programs in the Faculty of Arts & Science. 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 \$2.4 million.

Amounts presented in millions		
Type	Variance	Comments
For Credit	3.1	Undergraduate tuition is projecting a \$7.6 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 \$4.5 million negative variance in graduate tuition revenue, which is due to lower than expected enrolment in the School of Business professional programs and various research-based master's programs.
Non-credit	-0.3	Non-credit tuition is projecting a \$0.3 million negative variance, primarily due to a decline in enrolment for the School of Business Executive Education programs, partially offset by increases in the Faculty of Arts & Science non-credit programs.
Other	-0.4	Variance is due primarily to projected decline in the Student Assistance Levy, largely due to students opting out of the fee as part of the Student Choice Initiative.
Total	2.4	

Government Grants

Overall government grants are showing a negative variance of \$0.3 million. The Federal Research Support Fund (RSF) and the Provincial Research Overhead Infrastructure Envelope (ROIE) are projected to be \$0.6 million below budget due to a decline in the University's system share of Tri-Council funding. A shortfall of \$0.7 million is also being projected on the operating grant, mainly as the result of graduate master's enrolment below targets. The decrease in projected graduate master's enrolment are largely coming from research-based programs in the Faculty of Arts & Science. The abovementioned negative variance of \$1.3 million is offset by an additional \$1.0 million in funding for the Regional Assessment Resource Centre.

Investment Income

Investment income is showing a positive variance of \$0.7 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.

The Pooled Investment Fund has experienced income to date of \$10.5 million as at December 31, given the volatility of financial markets only the budgeted revenue of \$5.2 million has been included in the projected revenue.

Other Revenue

Other revenue is projected to be \$1.1 million higher than budgeted due to an increase in projected unrestricted donations and bequests, and research overhead. These increases are partially offset by unfavourable projections for student health fees and athletic fee revenue.

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be \$1.8 million higher than budgeted, primarily as a result of the projected increase in tuition and research overhead, offset by a reduction in government grants. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Shared Service Allocations and Utilities

Shared service costs and utilities are expected to be \$8.2 million below budget primarily due to a projected \$7.9 million rebate on utilities. The one-time rebate is being received through the Ontario Renewable Energy Credit (OREC) and the Global Adjustment (GA) modifier programs. New replacement legislation for the programs, effective November 1, 2019, disallow universities from participation in the program going forward.

Other Allocations

The increase of \$10.3 million in other allocations is funded by a combination of unplanned incremental revenues flowing to the university fund, primarily attributed to projected increases in investment income and unrestricted donations, as well as savings of \$8.5 million on utilities, which is largely attributed to a large one-time rebate as described above.

Unit spending greater than budget allocation

Units are projecting a drawdown on carryforwards of \$12.1 million, compared to the originally budgeted drawdown of \$24.2 million. Details on these variances are reported below.

Amounts presented in millions	
Variance	
Faculties and Schools	3.4
Shared Services	7.2
Central Reserves	1.5
Total	12.1

Faculties and Schools are projecting an in-year deficit of \$4.6 million, this is down from the planned deficit of \$8.0 million. As noted previously in the 'Faculties & Schools Allocations' section, \$1.8 million of this variance is due to a projected net increase in revenue. The remaining \$1.6 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 \$7.2 million from their original drawdown requirement. This is primarily due to changes in the timing of spending on projects in 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 Workplace Safety & Insurance Board (WSIB) claim adjustments, self-insurance, Graduate Student Support and unbudgeted investment in capital projects in the Library.

Central reserves are projecting an overall contribution of \$1.5 million to the carryforward, which is the net result of \$7.0 million additional contingency-related expenses, offset by savings of \$8.5 million from utilities. The variance in contingencies 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. The significant one-time utility rebate will be allocated to a sustainability reserve that will be used to fund future projects linked to sustainability initiatives.

Ancillary Operations

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

The projected deficit for the Ancillary Operations is \$0.3 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 \$1.6 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 \$0.8 million higher than budget due to higher food costs associated with retail food sales as well as an increase in repairs and alterations associated with residence buildings.

Parking

Projected revenue is higher than the budgeted amount due to an increase in parking usage, and the expenses are expected to be less than projected due to a decrease in the projected snow removal costs in comparison to the budgeted amount.

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. Additionally, QEDC is contributing \$0.1 million to the Smith School of Business operations. The Smith School of Business is responsible for covering any deficit accumulated in QEDC.

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 pounds 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	£ 3,671	-£ 1,161	£ 635	£ 635	£ -	£ 5,468	£ 4,306	-£ 1,161
Non-interest expenditures	£ 5,222	£ 5,297	£ 75	£ 597	£ 621	£ 23	£ 5,819	£ 5,918	£ 99
Interest	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
EXPENDITURES	£ 5,222	£ 5,297	£ 75	£ 597	£ 621	£ 23	£ 5,819	£ 5,918	£ 99
SURPLUS (DEFICIT)	-£ 389	-£ 1,625	-£ 1,237	£ 38	£ 14	-£ 23	-£ 351	-£ 1,611	-£ 1,260

The decrease in the BISC revenue is due to significantly reduced student enrolment in the fall and winter. The increase in expenses is due to a possible value added tax (VAT) liability identified by the external auditor which the University is working with BISC to mitigate. This has been partially 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

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

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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	\$ 91,797	\$ 1,722	\$ 3,514	\$ 3,789	\$ 275	\$ 325	\$ 140	\$ (185)	\$ 93,914	\$ 95,726	\$ 1,812
Non-interest expenditures	\$ 64,190	\$ 65,014	\$ 824	\$ 1,597	\$ 1,337	\$ (260)	\$ 310	\$ 471	\$ 161	\$ 66,097	\$ 66,822	\$ 725
Interest	\$ 4,644	\$ 4,644	\$ 0	\$ 2,318	\$ 2,318	\$ 0	\$ -	\$ -	\$ -	\$ 6,962	\$ 6,962	\$ 0
EXPENDITURES	\$ 68,834	\$ 69,658	\$ 824	\$ 3,915	\$ 3,655	\$ (260)	\$ 310	\$ 471	\$ 161	\$ 73,059	\$ 73,784	\$ 725
Net Surplus (Deficit) before Capital and Contributions to University Operations	\$ 21,241	\$ 22,139	\$ 898	\$ (401)	\$ 134	\$ 535	\$ 15	\$ (331)	\$ (346)	\$ 20,855	\$ 21,942	\$ 1,087
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (100)	\$ (100)	\$ (4,611)	\$ (4,711)	\$ (100)
SURPLUS (DEFICIT)	\$ 684	\$ 1,582	\$ 898	\$ (1,939)	\$ (1,404)	\$ 535	\$ 15	\$ (431)	\$ (446)	\$ (1,240)	\$ (253)	\$ 987

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	\$ 1,582	\$ 898	\$ (1,939)	\$ (1,404)	\$ 535	\$ 15	\$ (431)	\$ (446)	\$ (1,240)	\$ (253)	\$ 987
CLOSING RESERVE	\$ 8,358	\$ 8,669	\$ 311	\$ (22,066)	\$ (21,630)	\$ 436	\$ 505	\$ 248	\$ (257)	\$ (13,203)	\$ (12,713)	\$ 490

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)	\$ (6,908)	\$ 3,329	\$ (747)	\$ (385)	\$ 362	\$ -	\$ -	\$ -	\$ (10,984)	\$ (7,293)	\$ 3,691
CLOSING RESERVE	\$ 13,628	\$ 19,296	\$ 5,668	\$ 4,632	\$ 4,949	\$ 317	\$ -	\$ -	\$ -	\$ 18,260	\$ 24,245	\$ 5,985

* 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.