Financial Update
Report to the Board of Trustees
March 7, 2014

I: 2013-14 Operating Budget Update

The table below shows projected variances from the approved 2013-14 operating budget.

Queen's University 2013-14 Operating Budget (000,000's)

	Approved Budget 2013-14	Projected Actuals 2013-14	Variance
REVENUE			
Student Fees	$ 233.5	$ 231.3	$ (2.2)
Government Grants	$ 199.7	$ 199.4	$ (0.3)
Unrestricted Donations	$ 1.8	$ 1.9	$ 0.1
Other Income	$ 5.7	$ 5.9	$ 0.2
Research Overhead	$ 4.0	$ 4.0	$ -
Investment Income (Note 1)	$ 11.8	$ 12.2	$ 0.4
Total Operating Revenue	**$ 456.5**	**$ 454.7**	**$ (1.8)**
EXPENSE			
Faculties and Schools Allocation	$ 264.1	$ 260.3	$ (3.8)
Shared Services Allocation	$ 165.9	$ 166.7	$ 0.8
Infrastructure Renewal	$ 2.8	$ 2.8	$ -
Contingency	$ 1.5	$ 1.5	$ -
Total Allocations	**$ 434.3**	**$ 431.3**	**$ (3.0)**
Flow Through Expenses, net of recoveries	$ 9.8	$ 10.2	$ 0.4
Indirect Costs of Research to External Entities	$ 1.8	$ 1.5	$ (0.3)
Total Operating Expenditures	**$ 445.9**	**$ 443.0**	**$ (2.9)**
Net Surplus before Capital Expenditures	**$ 10.5**	**$ 11.7**	**$ 1.2**
Transfer to Capital Budget	$ 13.8	$ 13.8	$ -
Unit Expenses greater than Budget Allocation	$ 6.0	$ 3.6	$ (2.4)
Net Budget Surplus (Deficit)	**$ (9.3)**	**$ (5.7)**	**$ 3.6**
Draw down of Employee Future Benefit or Cash Reserves*	$ 3.3	$ 2.1	$ (1.2)
Draw down of Unit Carryforward balances**	$ 6.0	$ 3.6	$ (2.4)
Net Surplus (Deficit)	**$ 0.0**	**$ 0.0**	**$ 0.0**

**The drawdown of cash reserves is for one-time only expenditures*

***Projection based on budget load combined with the decline in tuition and grant revenues flowing to the faculties*

Note 1: *Income from the PIF is estimated to be $12.8M. Only the budgetted amount of $4.2M is reflected here. The $8.6M variance will be used to pay down the previously accumulated operating deficit or to support in year revenue variances if required.*

The following table shows the detailed breakdown of the Shared Service Allocations and projections shown above:

Queen's University at Kingston

2013-14 Shared Services Budget Allocations (000,000's)

	Approved Budget 2013-14	Projected Actuals 2013-14	Variance
Shared Services			
Principal's Office	$ 1.7	$ 1.7	$ -
Secretariat	$ 0.8	$ 0.8	$ -
Communications	$ 1.6	$ 1.6	$ -
Vice-Principal (Research)	$ 5.3	$ 5.3	$ -
Vice-Principal (Advancement)	$ 12.8	$ 12.8	$ -
Vice-Principal (Finance & Admin)	$ 6.6	$ 6.6	$ -
Provost & Vice-Principal (Academic)	$ 4.8	$ 4.8	$ -
Student Affairs	$ 11.3	$ 11.3	$ -
Library(operations & acquisitions)	$ 25.3	$ 25.3	$ -
Occupancy Costs(net of Shared Service Space Costs)	$ 27.5	$ 27.6	$ 0.1
Environmental Health & Safety	$ 1.3	$ 1.4	$ 0.1
ITS	$ 13.1	$ 13.1	$ -
Human Resources	$ 5.7	$ 5.8	$ 0.1
Graduate Studies	$ 1.8	$ 1.8	$ -
University Wide Benefits & Pension Benefit Guarantee Fund	$ 8.1	$ 8.4	$ 0.3
Need Based & UG Merit Student Assistance	$ 16.2	$ 16.2	$ -
Graduate Students Assistance	$ 13.4	$ 13.4	$ -
University Wide	$ 7.3	$ 7.5	$ 0.2
Faculty Bridge Programs (QNS, QRC, FRP)	$ 1.3	$ 1.3	$ -
Total Shared Services	**$ 165.9**	**$ 166.7**	**$ 0.8**

The following table shows the Capital Allocations from the Operating Budget.

Queen's University 2013-14 Capital Budget Allocations from Operating		
	Budget 2013-14	Projected 2013-14
Grant Revenue		
MTCU Facilities Renewal Fund	$ 1,046,045	$ 1,046,045
MTCU Graduate Capital	$ 1,700,000	$ 1,700,000
Total Revenue	$ 2,746,045	$ 2,746,045
Budget Allocations		
Capital Projects Financing		
School of Kinesiology & Queen's Centre	$ 6,900,000	$ 6,900,000
QUASR	$ 3,000,000	$ 3,000,000
BISC	$ 250,000	$ 250,000
Biosciences Complex	$ 222,500	$ 222,500
Chernoff Hall	$ 900,000	$ 900,000
Electrical Substation	$ 900,000	$ 900,000
CoGeneration Facility	$ 1,064,000	$ 1,064,000
Richardson Hall & University Ave	$ 1,500,000	$ 1,500,000
Tools for Research Administration at Queen's (TRAQ)	$ 640,000	$ 640,000
Boiler #8	$ 166,526	$ 166,526
Deferred Maintenance		
MTCU Facilities Renewal Fund	$ 1,046,045	$ 1,046,045
Total Expenses	$ 16,589,071	$ 16,589,071
Budget Surplus (Deficit)	$ (13,843,026)	$ (13,843,026)
Transfer from Operating Budget	$ 13,843,026	$ 13,843,026
Surplus (Deficit)	$ -	$ -

There are no projected changes to the capital budget transfer and allocation.

Budget Analysis

The 2013-14 projected operating budget remains balanced. The budget variances are explained below.

Enrolment

Actual overall enrolment is lower than projected at both the graduate and undergraduate levels. At the graduate level, the effect on tuition revenue was offset by a shift, relative to projections, from domestic to international students (i.e., a greater proportion of students were paying the higher international tuition). As a result, graduate tuition revenue was only marginally lower, by $13K.

The shift in graduate enrolment from domestic to international students is responsible for a much larger decrease in the graduate accessibility grant of $974K. (These figures assume that the government will allow conversion of unfilled PhD spaces to Master's spaces.) A positive variance of $1.7M in the Basic Operating Grant ($0.2M) , Performance Fund Grant ($0.3M), targeted grants ($0.5M) & Research Infrastructure grant ($0.7M) are offsetting the $2M decline in the Undergraduate and Graduate Accessibility grants for a total negative grant variance of $0.3M.

Undergraduate tuition revenue is lower than budgeted by $1.6M. Enrolments in Arts and Science, the Bader International Study Centre and Engineering and Applied Science are lower than planned. The decline in these areas is partially offset by higher than planned enrolments in the Queen's School of Business. Non-credit tuition revenue shows a negative variance of $400K because of the inability to achieve international client revenue targets and the cancellation of two open enrolment courses. A positive variance of $400K in Athletics fees is also offsetting the decline in tuition revenues.

Unrestricted Donations

Donation revenue is difficult to forecast, but, based on current donations received and historical trends, Advancement is forecasting unrestricted donation revenues of $1.9M which is $100K over budget.

Other Income

Other income has a positive variance of $100K resulting from higher than budgeted miscellaneous athletics revenues, which are offset by a decline in Health Fee revenues as a result of lower than budgeted enrolments.

Research Overhead

Research overhead revenues are difficult to project because they are linked to expenditures in research projects, but current projections suggest we are on budget.

Investment Income

Investment income is showing a positive variance of $400K as a result of higher than budgeted short-term investment returns. The operating budget currently assumes revenue from the Pooled Investment Fund (PIF) of $4.2M, but the latest projections suggest the revenue may exceed $12.8M. Prudence dictates that we include only the budgeted amount of $4.2M in the updated projections and use the surplus income to reduce the cumulative operating fund deficit from previous years, or, if needed, fund in year expenses.

The cumulative Operating Fund Deficit as of April 30, 2013 is $8.1 million.

Expenditures

Under the new budget model all tuition and grant revenues are attributed directly to the Faculties and Schools, which means the lower than projected tuition and grant revenues have a direct effect on Faculty and School allocations. All research overhead is attributed to Faculties and Schools, so the reduction in revenue from this source is also be borne by Faculties and Schools.

Shared Services are showing higher than projected expenditures of $800K. This is due to increasing costs of medical and hazardous waste collection ($100K), increased costs of University memberships ($200K), and increased centrally supported benefits costs ($400K). The $400K increase is split between the University-wide benefits and Human Resources bins. In addition, the cost of Utilities is now projected to increase because of the colder than expected winter season. This shows up in our budget model as an increase in occupancy costs ($100K).

Indirect costs to external entities are now being projected to decrease. This is based on more up to date information from the tri-council funding agencies. The total grant to Queen's has not changed, which means the Faculties and Schools are now receiving a higher allocation than was originally budgeted.

Flow-through expenses relate to expenses funded by Student Health and Athletics fees and Disability and Municipal tax grants, and are netted by ancillary overhead recoveries. These flow through expenses are lower than was originally budgeted because of higher than expected ancillary overhead recoveries.

Operating Budget Surplus (or Deficit)

Current projections continue to show a balanced budget. The most significant risks to this projection is that the provincial government refuses our request for conversion of PhD spaces to Master's spaces for the Graduate Accessibility grant (an impact of $550k) and the increasing gas prices that may put additional pressure on our utilities budget.

The budget approved by the Board reflects the in-year revenue and expenses or budget allocations. Many units are planning total expenditures that are higher than their budget allocation, with the additional expenditures being funded by prior-year reserves (carry-forwards). The approved 2013-14 operating budget showed reserves would be drawn down by $6.0M. When units presented their final budget projections, the projection was for a drawdown of $4.3M. Units are now indicating that their use of carry-forward funds will be in the range of $3.6M. This is due to salary savings and capital expenditures that are lower than budgeted. These savings are offsetting the decline in revenues that some faculties are experiencing.

The budgeted $3.3M drawdown of the Employee Future Benefits and Cash reserve is now projected to be $1.7M because of higher than budgeted investment income revenues, an increase in late payment fees and increases in both overhead revenue and unrestricted donations. This drawdown of cash is, furthermore, explicitly matched to one-time expenses.

It is important to note that there are a number of non-cash year end accounting adjustments for employee future benefits and derivatives that are dependent on year-end accounting valuations and are therefore not included in the Board approved operating budget. These accounting adjustments will affect the operating surplus (or deficit) per the audited financial statements.

II: Ancillary Operations and Consolidated Entities

Overall, Ancillary Operations and Consolidated Entities are projecting increases in deficits over what was budgeted in excess of $2.6M. This is due to the budget variances outlined below.

Community Housing is now projecting a $293K loss, against a budgeted surplus of $567K. Revenues are projected to be below budget due vacancies. These vacancies have enabled unplanned renovations and furniture replacement which will be funded by existing capital reserves and will help improve occupancy rates in the future. Utilities costs will be higher than budget due to a $480K two-year retroactive charge from a faulty gas meter.

The Donald Gordon Centre's profit is expected to be about $205K lower than budget due to lower than expected enrolments in some QSB programs. However, a strong winter enrolment could help bring the Centre closer to its original budget projection.

PARTEQ/Green Centre is projecting a deficit of $1.4M, a negative variance of $1.5M from budget. Various items are driving this deficit including severance pay due to restructuring resulting in $900K more in expenses that are being offset by salary savings, unexpected termination in government funding for the direct technology transfer office of $517K, and a net decrease of $483K due to a decrease in license revenue. This is being offset by reduced non-salary expenditures of $574K.

The Parking deficit of $2M is a result of debt servicing (principal and interest) payments related to the Union Street and Queen's Centre underground parking garages (occurring over 30 years), and aligns closely to the budgeted deficit.

The following tables provide budget and projection details for the Ancillary Operations as well as the Consolidated Entities.

2013-14 ANCILLARY FINANCIAL REPORT (000's)

	Residence			Event Services			Community Housing			Parking		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	51,119	51,691	571	5,758	5,528	(230)	6,237	6,019	(219)	2,842	2,874	31
EXPENDITURE												
Salaries & Benefits	7,067	6,506	561	1,147	1,133	14	1,170	1,097	73	346	312	34
External Contracts	18,612	19,125	(513)	3,662	3,548	114	175	197	(22)	565	565	-
Utilities	3,435	3,519	(84)	179	178	1	1,832	2,185	(353)	240	240	1
Repairs & Alter.	4,673	4,708	(35)	-	20	(20)	1,323	1,568	(245)	56	56	-
Debt Servicing	7,446	7,481	(35)	-	7	(7)	111	111	1	3,319	3,319	0
Supplies & Misc.	5,554	5,556	(1)	119	92	27	189	309	(120)	29	44	(15)
Deferred Maintenance	-	-	-	-	-	-	-	-	-	525	525	-
Total Exp excl Overhead	46,788	46,895	(107)	5,106	4,978	128	4,801	5,466	(665)	5,081	5,060	20
Overhead	2,241	2,446	(206)	383	380	3	838	815	23	99	103	(3)
Additional Contributions	2,049	2,169	(120)	15	15	1	31	30	1	-	-	-
Total Expenditures	51,079	51,511	(432)	5,504	5,372	132	5,670	6,311	(641)	5,180	5,163	17
SURPLUS (DEFICIT)	41	180	139	253	155	(98)	567	(293)	(860)	(2,338)	(2,290)	48

2013-14 ANCILLARY FINANCIAL REPORT (000's)

	Marketing & Communications			Computer Store			Donald Gordon Centre			Stuart St. Underground Parking		
	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)
REVENUE	351	250	(101)	6,600	7,275	675	4,366	3,990	(376)	1,073	975	(98)
EXPENDITURE												
Salaries & Benefits	-	-	-	630	652	(22)	-	-	-	113	68	45
External Contracts	73	26	47	-	-	-	1,743	1,735	8	42	36	5
Utilities	-	-	-	-	-	-	260	253	7	66	53	13
Repairs & Alter.	-	-	-	-	-	-	175	170	5	28	25	2
Debt Servicing	-	-	-	-	-	-	823	823	-	323	323	-
Supplies & Misc.	46	28	18	5,915	6,622	(707)	1,070	993	77	39	36	2
Deferred Maintenance	-	-	-	-	-	-	120	53	67	20	20	-
Total Exp excl Overhead	119	54	65	6,545	7,274	(729)	4,191	4,027	164	629	562	68
Overhead	12	9	4	56	44	12	76	70	7	-	-	-
Additional Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	131	62	69	6,600	7,317	(717)	4,267	4,097	171	629	562	68
SURPLUS (DEFICIT)	220	188	(32)	-	(42)	(42)	99	(106)	(205)	444	413	(31)

	2013-14 Consolidated Entities Financial Report (000's)					
	PARTEQ Consolidated			QCED Inc.		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	10,676	9,242	(1,434)	875	798	(77)
EXPENDITURE						
Salaries & Benefits	4,685	5,304	(619)	185	175	9
External Contracts	529	549	(20)	576	532	44
Utilities	-	-	-	-	-	-
Repairs & Alter.	-	-	-	-	-	-
Debt Servicing	109	107	2	-	-	-
Supplies & Misc.	5,276	4,702	574	87	64	24
Deferred Maintenance	-	-	-	-	-	-
Total Expenditures	10,599	10,662	(63)	847	771	76
SURPLUS (DEFICIT)	77	(1,420)	(1,497)	28	27	(1)

III: Pension Plan

A pension plan valuation was completed as of August 31, 2013 and resulted in a going concern deficit of $108M and a solvency deficit of $292M.

The 2013-14 budget includes the required going concern payments of $14.4 million which commenced on September 1, 2012. The University is currently in stage I solvency relief, and is required to file its next valuation as of August 31, 2014. At that time, the University would be eligible for stage II relief, allowing the solvency deficit to be amortized over 10 years instead of 5. In October 2013 the Ontario government proposed a 3 year extension on pension solvency relief that would require the solvency deficit to be amortized over the remaining 7 years of stage II relief. The university continues to review measures to make the pension plan financially sustainable, including options that might lead to permanent solvency relief.

IV: Capital Budget

The table below provides an overview of capital projects on campus with related information on funding. New capital projects are not approved without a full business case and committed funding.

		Cash Flow Impact				Additional Funding		Notes:
	Approved Budget	Expenditures to Dec '13	Funding to Dec '13	Debt to Dec '13	Cash surplus (shortfall) Dec '13	External Grants / Donations/ Debt	Annual Operating Budget Allocation	
Projects in Process:								
New Electrical Substation	9,700	8,001	1,547		(6,454)		900	
Isabel Bader Performing Arts Centre	80,500	63,888	68,931		5,043	11,569		1
Reactor Materials Testing Laboratory	17,495	11,553	8,001		(3,552)	9,494		2
New Residence Buildings	70,000	3,066	-	10,000	6,934	60,000		3
TRAQ	3,460	487	1,530		1,043		640	
Ellis Hall - Innovative Learning renovation	2,270	980	2,270		1,290	-		
Jean Royce - Food Services	2,204	1,530	485		(1,045)	1,719		4
JDUC - Sidewalk café	1,515	1,267	359		(908)	1,156		4
Innovation Park - Micro / Nano Facility	1,300	67	62		(5)	1,238		5
Total Approved Projects in Process	**188,444**	**90,838**	**83,185**	**10,000**	**2,346**	**85,176**	**1,540**	
Projects Completed:								
Queen's Centre Underground Parking	12,235	12,235		12,235	-			
School of Kinesiology and								
Queen's Centre Phase 1	169,000	167,814	32,660	84,711	(50,443)	51,629	6,900	
Goodes Hall Expansion	40,000	39,737	23,078		(16,659)	16,922		6
Stuart Street Underground Parking	7,500	7,507	640		(6,867)	6,867		7
West Campus Fields	3,122	3,030	2,680		(351)	442		8
Mackintosh-Corry Food Services	1,345	1,752	988		(764)	764		9
Waldron Tower	2,500	2,143	935		(1,208)	1,208		10
Medical Building	76,846	74,680	74,331		(349)	2,515		11
Nixon Field	2,300	2,390	2,301		(89)	89		12
Total Approved Completed Projects	**314,848**	**311,287**	**137,611**	**96,946**	**(76,730)**	**80,437**	**6,900**	

Notes on Funding Sources:

1. Federal grant and donations
2. Research funding
3. Funded by external debt
4. Housing and Hospitality Services budget
5. Research funding, CMC Microsystems and Innovation Park grant
6. Donation and $12M in funding from Queen's School of Business
7. Parking Revenue - funding shared 50/50 with Kingston General Hospital
8. Donation pledges
9. Food Services – Ancillary Operation
10. Residence revenues and reserves
11. Donations and the Faculty of Health Science has committed to fund any shortfall
12. Donations

The table below provides information on planned capital projects.

Planned Projects- budget approved ($000's)	Planning funds approved to Dec '13	Expenditures to Dec '13	Funding to Dec '13	Net Cash Position
Teaching Space Complex	620	634	620	(14)
Engineering Building	300	312	3,398	3,086
Total	920	946	4,018	3,072

Deferred Maintenance:

A Facilities Condition Audit was conducted in 2010 to provide an update on the status of the deferred maintenance. The results of that audit and the deferred maintenance changes since 2010 report $213M of deferred maintenance broken down as follows:

Facilities Condition Audit		
Deferred Maintenance		
	$000's	
Campus		164,000
Residences		48,787
		212,787

In addition, there is an estimated $30M of campus infrastructure (underground systems) deferred maintenance. The audit broke down the Campus deferred maintenance into priorities, with Priority 1 as issues that must be dealt with within 1 year amounting to $1.1M and Priority 2 as issues that must be dealt within 1-2 years amounting to $38.9M.

The University receives a small amount of annual provincial funding for deferred maintenance under the Facilities Renewal Program. The allocation to this funding envelope was cut in 2010-11, which, along with Queen's declining system share, has reduced Queen's allocation from $1.8M a few years ago to $1M annually.

Queen's also allocates annual operating budget funds for required maintenance. The operating budget allocation is $4.2M of which $1.5M is being used annually to fund two completed capital projects, University Avenue and Richardson Hall, leaving $2.7M for deferred maintenance projects. In 2013-14, the university allocated a one-time additional $1.4M towards deferred maintenance. The industry standard for annual deferred maintenance funding is 1%-1.5% of Current Replacement Value (CRV). For the university the annual number at 1% would be $14M. The table below shows Queen's projected deferred maintenance expenditures in 2013-14. For the government funded program, there is a list of pre-approved projects and the expenditures are subject to external audit.

Deferred Maintenance and R&A Funding 2013-14:

Funding Source:	Available funds May 1, 2013	Spending to October 31, 2013	Notes
Operating Budget	4,110	1,840	1
MTCU: Facilities Renewal Program - 2013-14	1,043	1,043	2
Total:	**5,153**	**2,883**	

Notes:
1. The remaining Operating Budget funds have all been allocated to pre-approved projects.
2. Annual Funding based on Ontario MTCU - System Share.

V: Investment Funds

The decline in the financial markets in late 2008 and early 2009 had a substantial impact on University investments. Since then, markets have broadly recovered, although they have been susceptible to further volatility, as exhibited in late summer 2011. Market volatility can have a significant impact on investment holdings and financial planning.

The University has two investment portfolios, the Pooled Endowment Fund and the Pooled Investment Fund.

The Pooled Endowment Fund ("PEF") is an investment pool composed of funds that have been designated for University Endowment accounts. Donations received by the University are invested in the PEF and each year certain amounts are withdrawn according to the spending policy. These annual withdrawals fund scholarships, academic chairs, book funds, lectureships, as well as a diverse range of university programs.

The Pooled Investment Fund ("PIF") is made up of reserve funds and unspent balances. In August 2011 the Investment and Finance Committees agreed to withdraw all sinking fund balances held within the PIF, resulting in the withdrawal of over $19M, accounting for some of the reduced market value in the table below. The sinking fund balances have been invested separately.

In the past, spending from the PIF has been based on a percentage of mean assets, even in periods when returns have been weak. As such, the PIF is currently below the book value of cash contributions. Due to the PIF's primary objective to preserve the nominal capital of the fund, the decision was made to limit the reliance on income from the PIF. Thus commencing in 2012-13, budgeted income from the PIF was reduced to $4.2M.

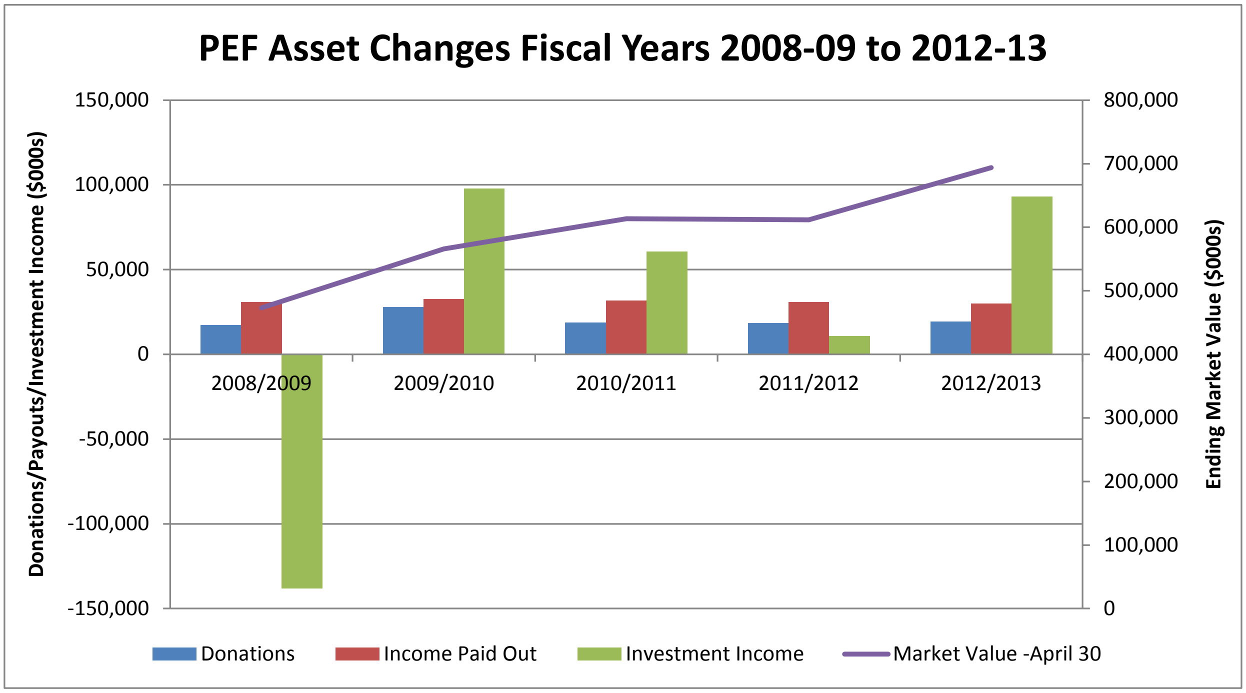
Investment Fund balances are shown in the table below:

Investment Portfolios (000's)

	Market Value April 30, 2010	Market Value April 30, 2011	Market Value April 30, 2012	Market Value April 30, 2013	Market Value Dec. 31, 2013
Pooled Investment Fund (PIF)	148,797	196,185	168,436	156,463	169,293
Pooled Endowment Fund (PEF) *	565,852	613,440	611,732	694,010	755,068
Total	**714,649**	**809,625**	**780,168**	**850,473**	**924,361**

*Market value is reduced by pro-rated year end payout for the PEF

As shown in the graph below, the Endowment market value has recovered strongly since fiscal 2008-09. The market value of the PEF for the end of the 2012-13 fiscal year was approximately $694 million.



The PEF income payout is approved annually by the Investment Committee of the Board of Trustees and is based on a modified Yale formula, which is meant to preserve capital for inflationary increases and produce income of approximately 4%. As the Yale formula is weighted 70% on the previous years' payout adjusted for inflation, and 30% on average calendar year market values, there is a significant smoothing effect and the full impact of market downturns are not felt immediately. The Board approved a two-year adjustment to the PEF payout for 2012-13 and 2013-14 in order to help preserve capital and achieve the 4% objective. The University recently completed a thorough review of its spending policy and recommendations will be brought to the Board of Trustees for approval at the March meeting.

The 2013-14 projected PEF payouts are shown in the table below:

2013-14 Income from the Pooled Endowment Fund (000's)

General Operating Budget	3,260
Trust	20,303
Research	832
Total	**24,395**

VI: Debt and Liquidity

Debt

Balances at December 31, 2013:

Debt Portfolio

Issue	$ Millions	Rate	Maturity
Series A Senior unsecured debenture	$ 90.0	6.100%	2032
CMHC Residences loans	$ 0.6	5.375%	2016
Infrastructure Ontario 5 year amortizing	$ 6.4	3.160%	2014
Infrastructure Ontario Senior unsecured debenture	$ 75.0	5.090%	2040
Infrastructure Ontario Senior unsecured debenture	$ 50.0	5.100%	2040
Bank of Montreal (floating rate amortizing loan & interest rate swap)	$ 10.0	3.180%	2030
Total	$ 232.0		

In October 2013 the Board approved a revised Debt Management Policy that revised the guidelines regarding the optimal amount of debt through the monitoring of University-wide ratios. The ratios in the policy are as follows:

Board Debt Management Policy		Apr. 30, 2012	Apr. 30, 2013
Viability Ratio (1)	≥ 1.25x	1.62	1.80
Debt Burden Ratio (2)	≤ 3.25%	2.63%	2.59%

1) Viability Ratio:	**2) Debt Burden Ratio:**
Unrestricted Net Assets	Annual Interest Cost + Annual Debt Principal
+ Internally Restricted Net Assets *	Total Operating Expenses
+ Internally Restricted Endowments	- Amortization of Capital Assets
Total University External Debt	+ Annual Debt Principal

* Excluding liabilities associated with employee future benefits and including deferred contributions.

The University is within the established parameters of both the Viability Ratio and the Debt Burden Ratio.

Cash Flow:
Because tuition payments are received in September, there is always significant cash on hand in the fall and the beginning of the winter term. Cash-on-hand and short-term investments at December 31, 2013 was $104 million. In accordance with recent changes from MTCU, the university will move to per-term billing in the 2014-15 academic year.

VII: Budget Planning for 2014-2015 and Beyond

In May 2013 the Board of Trustees approved a balanced budget for 2013-2014. At that time a multi-year budget was presented for the 2013-2014 to 2015-2016 time period.

The development of the 2014-2015 to 2016-2017 multi-year budget is well underway. The plan is to develop and implement a sustainable budget for 2014-2015 to 2016-2017 that provides units with appropriate incentives to increase revenues and/or decrease costs in direct support of academic priorities. Cost containment opportunities are also being explored to ensure that resources are being used efficiently and effectively.

The work of supporting and running the new budget model continues to include a high level of participation by the Provost’s Advisory Committee on the Budget (PACB) and by Directors and Business Officers in both the Faculties and Schools and the shared service units.

When the 2013-2014 to 2015-2016 budget was presented for approval in May it was noted that there were a number of risks to the operating budget projections including:

- Reliance on government grant support and tuition and the effect of further changes in government policy
- Expiration of collective agreements during the three-year timeframe and the unknown outcomes of those negotiations
- Addressing the pension plan solvency shortfall in 2015-2016
- Significant investment required to support infrastructure renewal, both physical plant and technology
- Market volatility and the impact on investment income from the PIF
- Provincial grant funding uncertainties

These risks continue into the new three-year planning window.

The uncertainties around provincial government funding will remain, but may be lessened once the discussions regarding the Strategic Mandate Agreements and the Differentiation Framework are concluded.

A number of collective agreements are due to expire in 2014 and 2015 including those with the Queen’s University Faculty Association, the Canadian Union of Public Employees and the United Steel Workers. The outcomes of these negotiations will bear critically on our ability to contain costs over the planning period.

The Government recently proposed a three-year extension of pension solvency relief, but the proposal, if accepted, will reduce the amortization period for the solvency payments to seven years (from 10). Work is also continuing on the review of alternative plans.

The 2013-2014 budget included an additional allocation for deferred maintenance and administrative system implementation and renewal. The continuation and increase in this allocation have been identified as priorities for the 2014-2015 budget planning cycle.

The short-term budget planning framework continues to be extremely challenging. The Provost and Vice-Principal (Academic) provided Shared Service Units with Comprehensive Budget Plan Guidelines and preliminary budget allocations in June. The guidelines included planning parameters that work towards the management of the required balanced budget and the reduction and ultimate elimination of the reliance on carry-forward funds to fund core or structural activities.   All shared service units submitted their budgets by the end of August and PACB meetings to discuss the submissions were held in late September. Final budget allocation decisions for the shared service units have been made and have been communicated to these Units. Faculties and Schools were given preliminary allocations based on the Shared Service budgets in mid-October. Faculties and Schools submitted their multi-year budget plans in late November and these were reviewed by PACB in December.

In January detailed enrolment planning meetings were held with all of the Faculties to confirm or update enrolment projections for 2014-2015, 2015-16 and 2016-17. These enrolment projections, as yet unapproved, have been used to produce the preliminary Operating Budget for 2014-15 to 2016-17. This budget is being presented to the Board of Trustees at its March meeting for information and consultation; the final budget will be presented to the board for approval at its May meeting. Decisions on the allocation of the University Fund will be made over the next couple of months prior to the creation of the final budget.