From:	Vice-Principal (Finance and Administration)	Date of Committee Approval: Choose or enter N/A Click here to enter
	Vice-Principal (Finance and Administration)	Date of Board Meeting: 12/6/2019

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 some Affiliated Entities.

2019-20 Projected Financial Results

The Operating Fund is currently projecting a deficit of $11.3 million, a favourable variance that will decrease the planned drawdown of reserves by $6.5 million. Revenue projections are favourable due to a combination of strong undergraduate enrolment, higher-than-budgeted investment income and a projected increase in unrestricted donations and bequests. On the expense side, faculties and shared services units are projecting salary savings and delays in project spending, while the Central Reserves are anticipating additional drawdown on carryforwards.

Ancillary Operations are currently expecting a favorable variance of $1.1 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

Revenues

The bulk of the revenue in the operating fund are driven by 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 at the research-based master's level across multiple programs in the Faculty of Arts & Science and a result of a delay launch of the Global Master of Management Analytics in the Smith School of Business. 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 $2.5 million.

Amounts presented in millions		
Type	Variance	Comments
For Credit	2.6	Undergraduate tuition is projecting a $6.9 million positive variance, primarily as the result of higher than expected domestic and internatio enrolment in the Faculty of Arts & Science and the Faculty of Education. This is offset by a $4.3 million negative variance in graduate tuition revenue, which is due to lower than expected enrolment the Faculty Arts & Science research-based master's programs and the School of Business professional programs.
Non-credit	0.3	Non-credit tuition is projecting a $0.3M positive variance, primarily due increases in enrolment for non-credit programs within the Faculty of Arts & Science.
Other	-0.4	Projecting a decline in the Student Assistance Levy, largely due to stu opting out of the fee as part of the Student Choice Initiative.
Total	2.5	

Government Grants

Overall government grants are showing a positive variance of $0.5 million. Federal Research Support Fund is projected to be below budget by $0.5 million. On the other hand, the Regional Assessment Resource Centre received confirmation after budgets were approved of an additional $1.0 million in funding for 2019-20.

Investment Income

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be $26 million higher than budget, primarily as a result of the projected increase in student fee revenue and research overhead, offset by a reduction in the Research Support Fund. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Shared Service Allocations

Shared service costs are expected to be $0.7 million higher than budget primarily as a result of expected municipal taxes for the St. Mary's of the Lake property and increases in various Central Finance expenses, offset by projected savings on various benefit payments.

Other Allocations

The increase of $2.4 million in other allocations is due to unplanned incremental revenues flowing to the University Fund, primarily attributed to projected increases in investment income and unrestricted donations and bequests.

Unit spending greater than budget allocation

Units are projecting a drawdown of carryforwards of $18.0 million, a decrease of $6.2 million from the originally budgeted drawdown of $24.2 million. Details on these variances are reported below.

Faculties and Schools are projecting an in-year deficit of $2.6 million, representing a $5.4 million favourable variance from the budget. As noted previously in the 'Student Fees' section, $2.5 million of this variance is due to a projected net increase in tuition revenue. The remaining $2.8 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 $6.6 million from their original drawdo612 792 re W* 5 ET utin61 funding is largely to invest in facility maintenance efficiencies, joint capital developments with the hospitals and funding to support capital improvements for research.

Budget Outlook

Although the in-year revenue (and corresponding allocations to Faculties and Schools) are projecting to increase, the attribution is uneven between the different Faculties and Schools. Additionally, the University is entering into a period where government funding and policy is evolving. Furthermore, external demographics, market pressures on tuition fee increases, and our capacity to expand program offerings are impacting the ability to attract new revenues. The next fiscal year budget cycle is well underway and early indications are that certain units will present an outlook mostly driven on cost containment and/or a review of more efficient methods to support the academic and research missions of the University, complimented by modest revenue growth opportunities. These strategies will likely require one-time initial investments (use of carryforwards) to continue to advance the University's strategic priorities and mission.

Ancillary Operations

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

The projected deficit for the Ancillary Operations is $2.0 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 $2.1 million compared with the budgeted surplus of $0.7 million. Actual year-end surpluses will be used to finalize contributions to university operations some sales and expenses between the entities, which will be eliminated through consolidation at year end. All amounts below are reported in pound sterling.

The decrease in the BISC revenue is due to significantly reduced student enrolment in the fall and anticipated enrolment in the winter. The increase in expenses is due to anticipated value added tax (VAT) liability identified through a VAT audit which has been 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 Fubelm

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