



BOARD OF TRUSTEES Report

From: Vice-Principal (Finance and Administration)	Date of Choose Committee or enter Approval: N/A
Subject: Financial Projection as of February 29, 2024	Date of Board Committee Meeting: 5/10/2024
Responsible Portfolio: Vice-Principal (Finance and Administration)	Date of Board Meeting: 5/10/2024

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 \$28.2 million. This has declined from the projected deficit of \$40.7 million reported in March, largely due to the \$10.7 million one-time provincial government funding to support the costs of delivering Science, Technology, Engineering and Mathematics (STEM) programs.

The remaining variance from the budgeted deficit of \$62.8 million is due largely to 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, in addition to higher than budgeted investment income in the short-term fund.

Pooled Investment Fund (PIF) returns in excess of budget

PIF investment returns are volatile (there were losses in two of the last four fiscal years), and any returns in

that these investment returns are effective February 29, 2024 and can change substantially by the university's fiscal year-end of April 30, 2024.

Ancillary Operations

Ancillary Operations are projecting a surplus of \$2.9 million, higher 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. 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.

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.

	Approved budget	Projected actuals	Variance
Revenues			
Student Fees	422.0	411.5	(10.5)
Government Grants	214.8	227.2	12.4
Investment Income*	19.1	23.3	4.2
Other Revenue**	10.8	12.5	1.7
Total Revenues	666.7	674.5	7.8
Allocations and Expenditures			
Faculties & Schools Allocations	374.5	366.4	(8.1)
Shared Services Allocations	187.8	186.5	(1.3)
Central Allocations	4.7	24.6	19.9
Utilities	20.9	17.5	(3.4)
Student Aid	30.3	30.3	-
Other Allocations***	19.7	19.7	-
Flow Through Allocations	18.4	19.2	0.8
Indirect Costs of Research to External Entities	0.6	0.6	0.04

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. PIF returns are volatile and should not be relied on to support on-going operating budget expenditures beyond the operating budget allocation. The PIF has experienced losses in two of the last four fiscal years. At February 29, 2024, PIF returns were \$69.8 million, which is \$5(8)T0 4..001 Tw6

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	(2.7)	Undergraduate tuition is projecting a \$2.7 million negative variance. Shortfalls against the budget were observed in international enrolment (\$11.4 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 (\$8.7 million) primarily in the Faculty of Arts & Science, Smith Engineering, and the Faculty of Health Sciences.
For Credit - Graduate	(13.0)	Graduate tuition is projecting a \$13.0 million negative variance primarily due to lower enrolment across many of the Smith School of Business programs (\$9.7 million). 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 and professional master's programs.

Central Reserves

Central Reserves are projecting a favourable variance of \$21.9 million mainly due to the \$10.7 million one-time ministry funding to support STEM program costs, 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, offset by the allocation of funding to Bader College. These additional revenues and savings are the primary reason for the reduction in the projected deficit.

Ancillary Operations

See Appendix I for the Queen's University 2023-24 Ancillary Financial Report. The projected surplus for the Ancillary Operations is \$2.9 million compared with the budgeted surplus of \$2.5 million.

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. Unfavourable variances in revenues have been mitigated by decreasing the planned Deferred Maintenance Contribution, resulting in a net increase in surplus of \$1 million.

Parking is projecting an additional \$0.6 million deficit in comparison to budget primarily due to slightly lower revenues.

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

APPENDIX I – Queen’s University 2023-24 Ancillary Financial Report

