BOARD OF TRUSTEES
Report

To:	Board of Trustees & Capital Assets and Finance Committee	Date of Report: 4/17/2023
From:	Vice-Principal (Finance and Administration)	Date of Committee Approval: Choose or enter N/A
Subject:	Financial Projection as at February 28, 2023	Date of Board Committee Meeting: 5/12/2023
Responsible Portfolio:	Vice-Principal (Finance and Administration)	Date of Board Meeting: 5/12/2023

3.0 EXECUTIVE

This report provides overview of projecte

2022-23 Projected Financial Results

Operating Fund

The Operating Fund projection reflects student fee revenue that is $45.7 million lower than budget. This is primarily the result of lower undergraduate international student enrolment as well as lower enrolment in professional graduate programs. This has resulted in a projected deficit of $24.6 million, which will result in a draw-down of reserves. Consistent with prior years, the projected deficit is lower than budgeted ($43.5 million) primarily due to deferral of renovations and delayed hiring as well as planned contingencies reflecting anticipated revenue shortfalls. The Pooled Investment Fund (PIF) has experienced gains to date of $18.5 million as at March 31, 2023, which are not reflected in the above projections. Given the volatility of financial markets, projected revenue for the PIF remains at the budgeted amount of $5.2 million.

Ancillary Operations

Ancillary Operations are currently expecting to break even compared with the budgeted surplus of $2.4 million. Residences is expecting lower revenues due to lower than budgeted retail food sales. Event Services is also experiencing lower than budgeted revenues due to labour market challenges which slowed the return of some summer accommodations business as well as summer and fall catering. The decrease in revenue is being mitigated by lower than budgeted expenditures.

Bader College

Bader College combined operations are expecting a surplus of $0.1 million against the budgeted surplus of $1.6 million, before debt forgiveness and capital grants. The variance is driven largely by an increase in expenses, particularly repairs and alterations.

In response to sustained cash flow pressures at Bader College, the University has forgiven $2.6 million in amounts owing to Queen's. The forgiven debt relates to the cash advance of $1.3 million provided in late December, and $1.3 million relating to the revenue transfers in excess of actual enrolment for the last two years

The University is also providing a capital grant of $2.3 million for capital projects being planned for 2023-24.

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 Capital Assets and Finance 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 importa0.005 Tc 0.2 (nf)-3.tiw 2.77 0 Td (a/MCID 6 >)deenftiw 2.77 0 Td (aID 5 l)-2 (n)]TJ 00 (bu):

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Revenues

StudentFees
Most of the revenue in the operating fund is derived from enrolment.

Amounts presented in millions

Investment Income

Investment income on short-term cash balances is showing a positive variance of $6.5 million because of higher than budgeted interest income further to the substantial increase in interest rates. The Pooled Investment Fund (PIF) has experienced gains to date of $18.5 million as of March 31, 2023, however given the volatility of financial markets, only budgeted revenue of $5.2 million for the Pooled Investment Fund (PIF) has been included in the projected revenue.

Expenditures

Faculties & Schools Allocations

Faculties and Schools Allocations are expected to be $40.4 million lower than budgeted, due to the shortfall in for-credit revenue discussed under the ‘Student Fees’ section. Under the budget model, tuition and grant revenues are attributed directly to the Faculties and Schools.

Other Expenditures

Utilities expenses are expected to be $3.2 million higher than budget. The increase is being driven by a significant increase in electricity costs, resulting from a dramatic drop in benefits from the Global Adjustment program, combined with the increase in electricity rates, and an increase in costs for natural gas. Additionally, the Utilities budget was impacted by funding the University’s portion ($0.7 million) of an upgrade for the controls of the turbine engines at the Cogeneration facility which was not contemplated in the budget.

To be Allocated / (Funded)

The University is projecting an increase in central university funds of $0.3 million compared to budget. This increase is primarily due to projected increases in short term investment revenue.

Unit spending greater than budget allocation

Units are projecting a drawdown on carryforwards of $29.7 million, compared to the originally budgeted drawdown of $48.5 million.

2022-23 Projected Deficit / (Surplus); Amounts presented in millions			
	Budget	Projected	(Better) / worse
Faculties and Schools	32.1	26.9	(5.2)
Shared Services	11.9	(1.7)	(13.6)
Central Reserves	4.5	4.5	0.0
Total	48.5	29.7	(18.8)

<u>Faculties and Schools</u>

Faculties and Schools are projecting an in-year deficit of $26.9 million against a budgeted deficit of $32.1 million.

As detailed in the table above, offsetting the $40.4 million reduction in Faculty and Schools Allocations described in the previous section is the deployment of revenue reduction contingencies of approximately $11 million together with expenditure reductions and unbudgeted revenues of $24.2 million. Expenditure reductions are comprised of salary and benefit savings associated with deferral and delayed hiring of faculty and staff, deferral in renovation and alteration projects, as well as further reductions in expenses related to materials, scholarships, program delivery and in-residence costs largely in the Smith School of Business professional programs, offsetting the loss in for-credit revenue.

As budgets are prepared on a cash basis, the projected drawdown does not include the retroactive payment for the QUFA settlement, which will be paid in fiscal 2022-23.

Shared Services

Shared service units are projecting an in-year surplus of $1.7 million, which represents a decrease of $13.6 million compared to their budgeted drawdowns. The main causes of the decrease in drawdown include:

- Savings in digital planning projects
- Spending delays in digital planning projects and IT infrastructure projects due to supply-chain challenges and a reduction in contractor costs for Cybersecurity due to projects being delayed into the next fiscal year
- Salary and benefit savings from staff vacancies across various units
- Lower than projected 2022-23 graduate award allocations due to lower than targeted Queen's Graduate Award funding-eligible enrolment, primarily in research-based

Ancillary Operations

See Appendix I for the Queen’s University 2023

APPENDIX I – Queen's University 2022-23 Ancillary Financial Report

Queen's University 2022-23 Ancillary Financial Report (000's)

Total Ancillary		Housing and Hospitality	Parking	

[redacted]