



## BOARD OF TRUSTEES Report

<b>To:</b>	Board of Trustees & Capital Assets and Finance Committee	<b>Date of Report:</b> 4/7/2021
<b>From:</b>	Vice-Principal (Finance and Administration)	<b>Date of Capital Assets and Finance Approval:</b> N/A Click here to enter approval date
<b>Subject:</b>	Financial Projection as at February 28, 2021	<b>Date of Board Committee Meeting:</b> 5/5/2021
<b>Responsible Portfolio:</b>	Vice-Principal (Finance and Administration)	<b>Date of Board Meeting:</b> 5/7/2021

### 1.0 PURPOSE 17.1c 17.1c 17.1c 17.1c/MCID 5990 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.

### 2020-21 Projected Financial Results

The Operating Fund is currently projecting a surplus of \$1.4 million against the budgeted deficit of \$24.0 million. The COVID-19 pandemic created conditions that led to shortfalls in key revenue

Residence, Event Services, and the Donald Gordon Centre due to the COVID-19 pandemic. The decrease in revenue has been mitigated by cost containment measures.

The Bader International Study Centre combined operations are expecting a deficit of £2.4 million against the budgeted deficit of £1.9 million. The variance is driven by decrease in the projected revenue due to the winter term being offered online, originally budgeted as in-person sessions.

Additional details are presented in the analysis section.

#### **4.0 STRATEGIC ALIGNMENT / COMPLIANCE**

A key responsibility of the Board of Trustees and the

## 6.0 ANALYSIS

### Operating Budget

A summary version of the 2020-21 Operating Budget is presented in the table below.

	Amounts presented in millions		
	Approved budget	Budgeted actuals	Variance
Student Fees	416.0	394.8	(21.2)
Government Grants	214.1	213.7	(0.4)
Investment Income**	17.5	14.0	(3.5)
Other Revenue**	11.4	5.7	(5.7)
<b>Total revenues</b>	<b>659.0</b>	<b>628.2</b>	<b>(30.8)</b>
<b>Expenditures</b>			
	401.5	384.8	(16.7)
	163.2	163.2	-
	15.7	15.4	(0.3)
	30.9	30.9	-
	17.2	10.5	(6.7)
	(5.3)	(1.6)	3.7
To be Allocated / (Funded)****			0.4
Indirect Costs of Research to External Entities	1.3	(0.1)	1.4
Transfer to Capital Budget	16.4	-	16.4
<b>Total Allocations and Expenditures</b>	<b>628.2</b>	<b>(30.8)</b>	<b>659.0</b>
Transfer to Pension Reserve	2.6	0.5	2.1
<b>Budget (deficit)/surplus</b>	<b>1.4</b>	<b>25.4</b>	<b>(24.0)</b>
Excess Funding from Carryforwards	1.2	(24.9)	26.1
Contributed to Pension Reserves	(2.6)	(0.5)	(2.1)
<b>Drawdown of / (Contribution to) Reserves</b>	<b>(1.4)</b>	<b>(25.4)</b>	<b>24.0</b>

\*Pool of Investment Fund (PIF) income projection is based on budget of \$5.2 million.

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

\*\*\*Other allocations is comprised of infrastructure renewal, strategic priorities and compliance and contingency

\*\*\*\*This shortfall will be funded from PIF investment income over the budgeted amount of \$5.2 million.

## Revenues

### Student Fees

Most of the revenue in the operating fund is derived from enrolment. The University is projecting shortfalls on graduate tuition and non-credit tuition revenue predominantly linked to effects of the COVID-19 pandemic.

Amounts presented in millions		
Type	Variance	Comments
For Credit - Undergraduate	(3.2)	<p>Undergraduate tuition is projecting a \$3.2 million negative variance.</p> <p>Shortfalls against the budget were observed in international enrolment for the Faculty of Arts &amp; Science and Faculty of Engineering and Applied Sciences. These losses were partially offset by gains in domestic enrolment for the same faculties. The Smith School of Business exceeded their intake target for international enrolment.</p> <p>In February 2021, a decision was made to extend the course drop date without financial penalties in recognition of the ongoing impacts of the pandemic and remote learning. This resulted in additional refunds being issued to students and a decrease in the projected revenue relative to the amount reported in the March financial projection.</p>

For Credit - Graduate (10.4)

## Investment Income

\$64.0 million. Any gains that materialize will be prioritized to first fund the unrestricted deficit of \$4.4 million for 2019-20 and then to cover the in-year shortfall.

**Unit spending greater than budget allocation**

Units are projecting a drawdown on carryforwards of \$1.2 million, compared to the originally budgeted drawdown of \$26.1 million. Details on these variances are reported below.

Faculties and Schools are projecting an in-year surplus of \$10.6 million; this is a significant improvement from the planned deficit of \$14.7 million. The \$16.7 million projected decrease in

deficit (in millions) 2017-18 available

Central reserves are projecting a drawdown of \$5.1 million from carryforward against a budgeted drawdown of \$0.3 million, an unfavourable variance of \$4.8 million. Details are presented below.

		Amounts are presented in millions
Variance	Explanation	

After cost mitigation measures, the net impact of the \$58.5 million variance in revenues is projected to be reduced by \$43.9 million, to a net unfavourable variance of \$14.6 million.

To retain critical financial flexibility, deferred maintenance and capital expenditure spending has also been scaled back by \$6.2 million, including only projects and furniture required for safety and critical building functions. Housing and Hospitality Services remains committed to capital renewal and expects to resume capital contributions in future years.

### **Parking**

Projected revenue is projected to be lower than budget by \$1.5 million. Monthly parking fees were waived for faculty, staff and students from May to August 2020 due to COVID-19 and monthly permit sales have declined since fees were reintroduced in September. Offsetting the projected decrease in revenues is a reduction in overheads transferred to the university's Operating Fund due to lower revenues, and a decrease in snow removal costs. To further mitigate the impact of the revenue reductions in Parking, planned contributions to the capital reserves have been eliminated for the current year. Maintaining appropriate capital reserves remains a priority and contributions will resume in future years.



The decrease in the projected BISC revenue is due to the winter term being offered online, originally budgeted as in-person sessions for the winter term. The decrease in projected expenditures is due to a reduction in the variable costs associated with the residence operations.

## **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.

**APPENDIX I – Queen’s University 2020-21 Ancillary Financial Report**