



**Financial Update
Report to the Board of Trustees
May 6, 2016**

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

	Approved Budget 2015-16	Projected Actuals 2015-16	Variance
Shared Services			
Principal's Office	\$ 1.4	\$ 1.4	\$ -
Secretariat	\$ 1.3	\$ 1.3	\$ -
Communications	\$ 3.3	\$ 3.3	\$ -
Vice-Principal (Research)	\$ 6.0	\$ 6.0	\$ -
Vice-Principal (Advancement)	\$ 11.6	\$ 11.6	\$ -
Vice-Principal (Finance & Admin)	\$ 7.1	\$ 7.1	\$ -
Provost & Vice-Principal (Academic)	\$ 3.8	\$ 3.8	\$ -
Student Affairs	\$ 8.9	\$ 8.9	\$ -
Library(operations & acquisitions)	\$ 26.4	\$ 26.0	\$ (0.4)
Occupancy Costs (net of Shared Service Space Costs)	\$ 31.0	\$ 28.2	\$ (2.8)
Environmental Health & Safety	\$ 1.5	\$ 1.6	\$ 0.1
ITS	\$ 16.1	\$ 16.1	\$ -
Human Resources	\$ 5.7	\$ 5.8	\$ 0.1
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The following table shows the Capital Allocations from the Operating Budget.

	Budget 2015-16	Projection 2015-16
Grant Revenue		
MTCU Facilities Renewal Fund	\$ 1,085,500	\$ 1,641,200
MTCU Graduate Capital	\$ 1,700,000	\$ 1,700,000
Total Revenue	\$ 2,785,500	\$ 3,341,200
<u>Capital Projects Financing</u>		
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
Tools for Research Administration at Queen's (TRAQ)	\$ 640,000	\$ 640,000
Boiler #8	\$ 166,526	\$ 166,526
<u>Deferred Maintenance</u>		
MTCU Facilities Renewal Fund	\$ 1,085,500	\$ 1,641,200
Total Expenses	\$ 15,128,526	\$ 15,684,226

The Ministry announced in October 2015 an additional investment in the Facilities Renewal Program for the post-graduate facilities. This funding will continue to be allocated to deferred maintenance within the capital budget.

Budget Analysis



Other Income

Other income has a positive variance of \$100K arising from a slight increase in flow revenues in the Division of Student Affairs; an increase in health fees and athletic fee revenue is being offset by lower than budgeted enrichment studies revenue.

Research Overhead

Research Overhead revenues are difficult to project because they are linked to expenditure research projects, which are somewhat unpredictable, but current projections suggest a \$800K below what was budgeted.

Investment Income

Investment income is showing a negative variance of \$3.6M which relates to a projection of nil income from the Pooled Investment Fund, offset by higher than budgeted returns on other investments. The Pooled Investment Fund (PIF) encountered significant fluctuations in fiscal 2015



PARTEC is projecting a surplus of \$6K, an increase over budget of \$5K. The increase in revenue is partially offset by distributions to license holders. The overall result is still a favourable positive projected variance to budget.

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

	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)
REVENUE	90,801	90,269	(532)	5,625	7,937	2,312	96,426	98,206	



Budget Projected Variance
Surplus
(deficit)

Budget Projected Variance

Budget Projected Variance

Budget Projected Variance

Budget Projected Variance



Budget



Note: The Bader International Study Centre is a consolidated entity but under the New Budget model its academic operations are included as a faculty in the operating budget.

2015-16 Consolidated Entities Financial Report (000's)						
	PARTEQ Consolidated			QCED Inc.		
	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)
REVENUE	5,180	7,914	2,734	445	23	(422)
EXPENDITURE						
Salaries & Benefits	1,283	1,230	(53)	192	162	(30)
External Contracts	535	2,195	1,660	204	89	(115)
Utilities	-	-	-	-	-	-
Repairs & Alter.	-	-	-	-	-	-
Interest & Bank Charges	114	98	(16)	-	-	-
Supplies & Misc.	3,148	3,723	575	40	2	(38)
Deferred Maintenance	-	-	-	-	-	-
Total Expenditures	5,080	7,246	2,166	436	253	(183)
SURPLUS (DEFICIT)	100	668	568	9	(230)	(239)

III: Pension Plan

Currently, government regulations require the university to fund both going concern and solvency deficits. Effective September 1, 2015 these going concern payments are \$20.7 million annually. The actuarial valuation of the pension plan completed as of August 31, 2014 reported a solvency deficit of \$285 million, funding of which will commence in September 2018 if a solution cannot be found

The university has applied for and received Stage II solvency relief which allows the solvency deficit to be amortized over 10 years instead of the normal 5 years. Stage II relief also provides universities with a choice to take advantage of an additional year deferral of making solvency deficit payments to amortize the solvency deficit over the remaining 7 years of Stage II relief. The university has decided to take advantage of the additional year deferral and is also building a reserve in case the solvency deficit payments have to be made in future years as outlined in the budget planning section (VII) of this report.

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Deferred Maintenance

A Facilities Condition Audit was conducted in 2010 for most Ontario Universities so that the data could be stored in a common database. The data is updated annually to provide for inflationary increases and also offset by the deferred maintenance projects via a data management service provided by an auditing company, VFA. The deferred maintenance for campus buildings and residences is \$223.6M as shown in the table below. In 2016, VFA have been contracted to conduct a comprehensive audit of the campus buildings to refresh the data. The audit will be complete by late November.

(\$000's)	
Campus buildings	165,900
Residences	57,700
	223,600

In addition, there is an estimated \$30M of campus infrastructure (underground systems) deferred maintenance based on a 2006 audit. In 2016, Physical Plant Services (PPS) will refresh the underground infrastructure audit. It is expected that the estimate will increase.

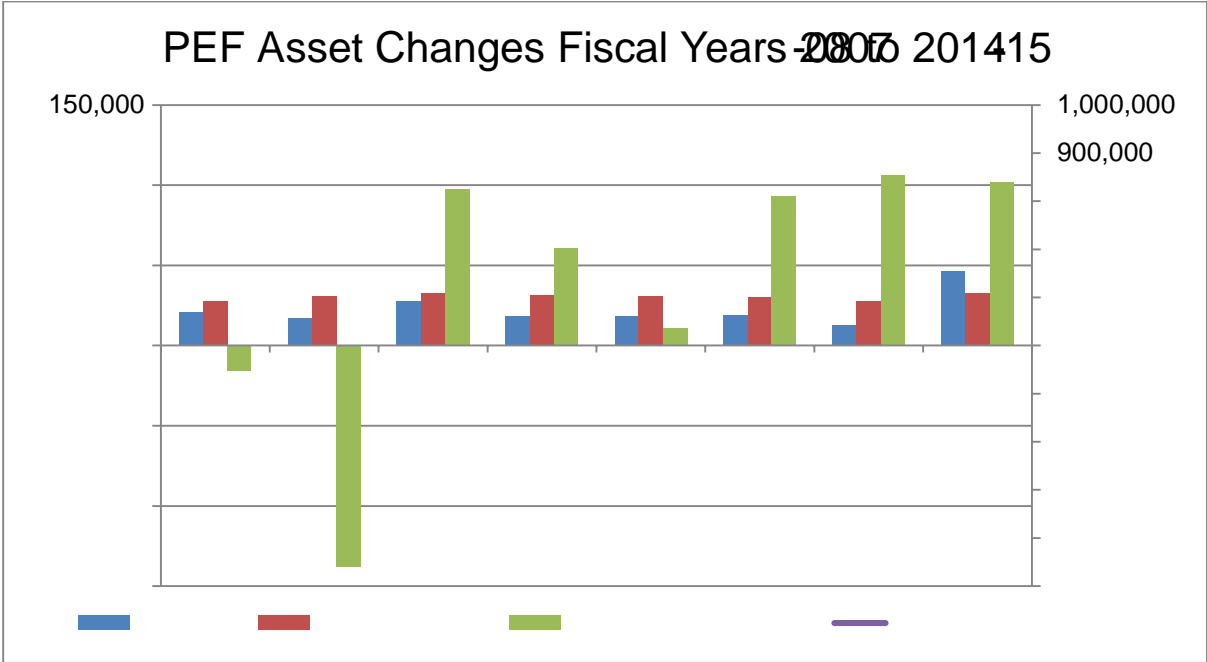
The University receives annual provincial funding for deferred maintenance under the Ministry of Training Colleges and Universities (MTCU) Facilities Renewal Program. The recent Provincial budget committed to an increase in this funding and as a result the funding increased from \$1.1M (2014/15) to \$1.6M for 2015/16 and 2016/17.

The current operating budget allocation is \$6.3M, which includes a one-time allocation of \$2.1M from the University Fund.

The industry standard for annual deferred maintenance funding is 1.5% of Current Replacement Value (CRV). For the university campus buildings the annual number at 1% would be \$14M. The table below shows the approved projects (roofs, infrastructure in the current year) and the expenditures are subject to external audit.

Physical Plant Services has a detailed five-year deferred maintenance plan which allows for engineering design work ahead of the fiscal year for prioritized projects, with the flexibility to adjust plans based on available funding. There are also contingency funds to deal with unanticipated issues. A detailed multi-year deferred maintenance plan for the residence buildings is being developed and planned as part of the Housing and Hospitality Services budget projections.

As shown in the graph below, the Endowment market value has recovered strongly since fiscal 2008. The market value of the PEF for the end of the 2015 fiscal year was approximately \$96 million. The market value as of February 29, 2016 was approximately \$897 million.



Cash Flow

The University administration uses a cash management forecasting model to manage its short term investment portfolio and to optimize interest income. The model will continue to evolve over time as it becomes more robust, and it

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